



State Board of Equalization

# News Release

**Michelle Steel, Member**

**3<sup>rd</sup> District – Rolling Hills Estates**

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## **Michelle Steel: Sales Tax Revenue Drops**

*Local Governments to See Reduced Payments*

Michelle Steel, Third District Member of the State Board of Equalization (BOE), today announced that the BOE has sent 337 letters to local government finance directors explaining that declining state sales tax revenues have caused a reduction in expected local allocations for their August 2009 advances. In addition, 15 jurisdictions received letters notifying them they will be receiving no August advance.

This is a continuation of an issue that developed this year with the unprecedented drop-off in taxable sales due to the recession. Payments to the local taxing jurisdictions are based in part on prior taxable sales patterns that do not apply in the current economic climate. Similar letters were sent to 473 local jurisdictions in May 2009.

A review of the cash receipts for 2Q09 disclosed that the overall cash receipts were down about 18.74 %, not taking into account the newly imposed 1% sales tax increase going directly to the state.

BOE makes monthly allocations to 768 local jurisdictions based on a formula that includes historical allocations, growth factor adjustments to the base, transfers and audits, and actual cash receipts. Erosion in the expected cash receipts led to the downward monthly adjustments to the allocations for August 2009.

Not all local jurisdictions received an August 2009 allocation with an additional reduction, though almost half of the 768 total jurisdictions did. This is fewer than received additional reductions in May, but BOE anticipates similar adjustments will occur to the third and fourth quarter 2009 advances as well.

In addition to the monthly allocation adjustments in August and in May, similar adjustments were made in February based on fourth quarter 2008 information. Prior to 2009, broad scale reductions statewide had not occurred.

Elected to the Board of Equalization in 2006, Michelle Steel serves as Southern California's elected taxpayer advocate. In 2008, Steel uncovered a \$42 million mistake in the agency's sales tax refund procedures. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit [www.taxes.ca.gov](http://www.taxes.ca.gov).

[Sample Letter](#)  
[Table of 2009 Adjustments](#)

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