



NEWS RELEASE

**STATE BOARD
OF EQUALIZATION**

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FOR IMMEDIATE RELEASE

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TAX INSPECTORS TO SEARCH FOR UNLICENSED RETAILERS
Board of Equalization Notifies Local Businesses of Inspections

Many Los Angeles County businesses will soon receive letters from the State Board of Equalization (BOE) informing them of upcoming site inspections through a pilot program beginning this month. A new team of inspectors will focus on several cities in LA County to make sure stores are properly registered with a seller's permit to collect and forward taxes to the State.

A seller's permit is necessary for a store to report and pay California sales tax to the state. The pilot program will improve compliance by identifying and registering retailers without permits, and will reduce the sales "tax gap" or the disparity between taxes owed and taxes paid. The recently signed 2006-2007 State Budget directed the BOE to pilot two separate inspection teams; the other began operating in the San Francisco Bay Area in August.

"We are committed to shrinking the tax gap, and making sure that all businesses pay their fair share," said Chair John Chiang. "When businesses skirt their tax responsibilities to undercut competitors, it hurts the local economy and impairs critical public services."

The area designated for inspections already includes more than 68,000 licensed retailers who are registered with the Board and hold a seller's permit. (*Editor's note: See second page for listing of cities in the inspection region, and a breakdown of local sales tax*). BOE staff estimates that between 2,000 and 3,400 additional retailers operate locally without a permit or properly paying sales taxes. Sales taxes fund programs at the state, city and county level.

The Bay Area inspection team has visited over 1,000 locations so far, and found over five percent of them were not properly registered. Some businesses didn't hold sellers' permits; others failed to report sales, but sold a large amount of taxable merchandise.

Another objective of the pilot program is to increase taxpayer education, promote awareness of licensing and permit requirements, and encourage retailers to voluntarily comply with those tax laws. Retailers found selling taxable goods without a permit will be given an application and directed to register within one week. Unregistered business owners showing obvious intent to evade tax may receive a misdemeanor citation.

Inspectors will also look for other licenses required by the BOE, such as cigarette, tobacco, and motor fuel tax licenses. The pilot program is expected to generate up to \$25 million in revenue annually.

The BOE plans to minimize the impact on registered retailers by providing advance notice of the upcoming inspections, and by visiting them at off-peak times. The BOE also reminds businesses that seller's permits must be prominently displayed at their establishment, and encourages any unregistered businesses to contact the BOE and apply for a seller's permit immediately.

Applications for all BOE issued permits and licenses are available

- online at www.boe.ca.gov
- from the BOE Information Center at 800-400-7115
- at the BOE Norwalk District Office, located at 12440 East Imperial Highway, Suite 200

Chairman John Chiang, of Los Angeles, was elected to his first term as Fourth District Member on the State Board of Equalization in 1998, and re-elected in 2002. He was named Chair of the Board in December 2004. He also presided as Chair in 2002.

The five-member Board of Equalization is a publicly elected tax board. The Board collects almost \$50 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 plays a significant role in the assessment and administration of property taxes.

Other Board Members include Betty T. Yee of San Francisco, Acting Member, First District; Bill Leonard of Sacramento/Ontario, Second District; Claude Parrish of Long Beach, Third District; and State Controller Steve Westly.

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Inspectors will visit retailers in certain areas of Los Angeles, Alhambra, and Long Beach, as well as all retailers in the following cities:

Artesia	Hawaiian Gardens	Paramount
Bell	Huntington Park	Pico Rivera
Bellflower	Lakewood	Santa Fe Springs
Bell Gardens	La Mirada	Signal Hills
Cerritos	Lynwood	South Gate
City Terrace	Los Nietos	Walnut Park
Commerce	Maywood	Vernon
Compton	Montebello	
Cudahy	Monterey Park	
Downey	Norwalk	

In 2004, shoppers spent over **\$122 billion** on taxable goods in **Los Angeles County**, where for every \$100.00 of sales tax paid*,

\$ 9.09	goes to fund City/County services
\$15.15	goes to County transportation funding
\$60.61	goes to the State's General Fund
\$ 3.03	goes to repay State issued bonds
\$12.12	goes to other State-disbursed local funding (health & public safety)

*for all areas except the City of Avalon, which has a different sales tax rate structure.