



June 2017

California Legislature Approves Significant Overhaul of State Board of Equalization

On June 15, 2017, both the California State Assembly and Senate passed Assembly Bill 102 (A.B. 102) as part of the state’s budget. A.B. 102 is a significant overhaul of the system for administering California taxes and a major reduction in the responsibilities of the [California State Board of Equalization](#) (SBE). The SBE has historically been responsible for the collection of California sales tax, state-assessed property taxes, and many other business taxes and fees. The SBE also serves as the highest administrative appeal body for most state-imposed taxes, including the income taxes administered by the California Franchise Tax Board.

If enacted, A.B. 102 would establish two new agencies, the California Department of Tax and Fee Administration and the Office of Tax Appeals. Under A.B. 102, the California Department of Tax and Fee Administration will assume the SBE’s administrative and regulatory functions for sales tax and other business taxes and fees starting on July 1, 2017. The Office of Tax Appeals will assume most of the SBE’s adjudicative functions starting on January 1, 2018, with tax appeals panels consisting of three administrative law judges. A.B. 102 does not modify the SBE’s authority under the California Constitution to set certain tax rates and to oversee property tax assessments, utility tax assessments, and tax assessments on insurers.

This recent push for legislative reform of the SBE was prompted by Governor Jerry Brown’s public criticism of the SBE following the State Department of Finance’s release of a March 30 audit report. Governor Jerry Brown has announced his support for the bill and is expected to sign the legislation by the July 1, 2017 deadline.

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