



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS**

DRAFT

Date:	01/04/12	Bill No:	Assembly Bill 843
Tax Program:	Sales and Use Tax	Author:	Calderon
Sponsor:	BOE	Code Sections:	RTC 6355
Related Bills:		Effective Date:	01/01/13

BILL SUMMARY

This Board of Equalization (BOE)-sponsored technical bill changes the date in which the BOE is required to calculate the bulk sales threshold for the sales and use tax exemption related to coins and bullion.

ANALYSIS

CURRENT LAW

Revenue and Taxation Code Section 6355 provides a sales and use tax exemption for the sale and purchase “in bulk” of monetized bullion, nonmonetized gold or silver bullion, and numismatic coins. Section 6355 provides that the initial bulk threshold amount is \$1,000. Since 1993, the statute has also required the BOE to adjust the \$1,000 bulk threshold amount on an annual basis. This adjustment requires the BOE to multiply the current bulk threshold amount by the inflation factor adjustment on or before September 1 of each year. When the result of this calculation is \$500 greater than the existing threshold, the threshold is adjusted and rounded to the nearest \$500 increment. For example, if the bulk sale threshold amount is currently \$1,500, and multiplying this amount by the inflation factor adjustment results in a new threshold of \$1,700, the bulk sale threshold does not become operative since it does not exceed the \$500 increment (it must equal or exceed \$2,000 to become operative). The next year, the \$1,700 threshold must be multiplied by the inflation factor adjustment to determine the new threshold. (Currently, based on the cumulative inflation factor adjustment, the operative bulk sale exemption threshold is \$1,500, and has been so since January 1, 2009.)

The inflation factor adjustment is based on a comparison of the California Consumer Price Index (CCPI) as published by the Department of Industrial Relations for June of each year. Once the calculation is made by BOE staff, the issue is placed on the BOE’s consent agenda for the August BOE meeting to officially adopt the new threshold. However, the CCPI for June is generally not available until late August of each year. Since items placed on the BOE Meeting agenda are subject to public notice, and require management review prior to placing on the agenda, this calculation must be done by staff by the end of July. Since the CCPI is generally not available, staff has had to track down “preliminary numbers” for the purposes of performing the calculation. Often, it is difficult to obtain the preliminary numbers in a timely manner in order to have this item on the August agenda.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE’s formal position.

PROPOSED LAW

This bill would amend Revenue and Taxation Code Section 6355 of the Sales and Use Tax Law to change the date from September 1 to October 1 of each year by which the BOE must determine the bulk sale threshold.

The bill would become effective on January 1, 2013.

COMMENT

Sponsor and Purpose. The Members of the BOE unanimously voted to sponsor this change so that BOE staff would have sufficient time to obtain the June CCPI, prepare the necessary calculation, and place the item on the BOE meeting agenda. An October 1 date would still provide for adequate lead time in amending the BOE’s Regulation 1599, which interprets and explains this exemption, and notifying the public in the event the calculation results in a new operative threshold.

COST ESTIMATE

The bill would not impact the BOE’s administrative costs.

REVENUE ESTIMATE

This bill would have no impact on state or local revenues.

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