



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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March 28, 2014

Honorable Raul Bocanegra, Chair
Assembly Revenue and Taxation Committee
1020 N Street, Room 167A
Sacramento, CA 95814

Dear Assembly Member Bocanegra:

Assembly Bill 2031 (Dahle) is set for hearing in the Assembly Revenue and Taxation Committee on Monday, April 7, 2014. **Sponsored by the Board of Equalization (BOE)**, this bill allows retailers to claim a bad debt deduction for previously reported Lumber Product Assessment (LPA) amounts if the related account becomes worthless and uncollectable. This bill also establishes an annual \$25,000 threshold in qualifying lumber products sales, under which a retailer is not required to collect the LPA.

Retailers are responsible for customers' liability. Beginning in January 1, 2013, a 1% assessment is imposed on a person who purchases lumber products and engineered wood products to be collected by the retailer at the time of sale. However, there is no relief for retailers if their customers' accounts become uncollectable, as is provided in other tax and fee programs. Retailers must pay the LPA to the BOE whether or not they collected the assessment from their customers, on whom the LPA is actually imposed. This bill provides relief to retailers when they are unable to collect the LPA from purchasers, which is consistent with other tax and fee programs.

Revenue loss offset by cost savings. The small seller's provision of this bill will eliminate the reporting requirement and expense for small sellers of qualified wood products. Regardless of whether a retailer has \$0.01 to \$1,000,000 in annual qualifying wood products sales, they are currently required to register with the BOE and report the LPA on all those sales. The proposed threshold in this bill represents LPA reporting amounts of only \$0.01 to \$249 annually per retailer. This bill eases the burden for qualifying, small sellers of wood products by eliminating the expense of collecting and reporting the LPA.

If you have any questions or need additional information regarding this bill, please contact our Legislative Counsel, Michele Pielsticker, at (916) 322-2376.

Sincerely,
Cynthia Bridges
Cynthia Bridges
Executive Director

CB:ah

cc: The Honorable Brian Dahle, Vice Chair
The Honorable Richard Gordon
The Honorable Diane Harkey
The Honorable Kevin Mullin
The Honorable Brian Nestande
The Honorable Richard Pan
The Honorable Manuel Perez
The Honorable Phil Ting
Ms. Oksana Jaffe, Chief Consultant, Assembly Revenue & Taxation Committee
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