



BOARD OF EQUALIZATION

BUSINESS TAXES COMMITTEE MEETING MINUTES

HONORABLE BETTY T. YEE, COMMITTEE CHAIR

450 N STREET, SACRAMENTO

MEETING DATE: JUNE 11, 2013, TIME: 10:00 A.M.

ACTION ITEMS & STATUS REPORT ITEMS**Agenda Item No: 1****Title: Proposed Lumber Products Assessment Regulations – Retailer Reimbursement Retention****Issue:**

Should the Board authorize publication of new Lumber Products Assessment regulations stating the amount of collected assessment retailers may retain for reimbursement of collection costs?

Committee Discussion:

Staff introduced the topic for discussion. Mr. Ken Dunham representing the West Coast Lumber & Building Material Association stated their support for Alternative 3, which would allow \$5,500 per location for startup costs and \$1,500 per location annually for ongoing costs. Mr. Dunham also expressed his belief that the staff's estimated revenue is low based on expected increases in the lumber sales prices and growth in the construction industry. He also stated that he believes that staff's estimated number of 10,000 retail locations is too high; Mr. Dunham estimates the number is about 3,000 to 3,500.

Mr. Sean Fogarty representing Osborne Lumber also expressed his support for Alternative 3 because it provides an adequate level of reimbursement based on his business' actual costs. Ms. Gina Rodriguez representing the California Taxpayer's Association also stated their support of Alternative 3.

Ms. Yee discussed the difficult position of the Board to ensure that the primary purpose of the assessment, which is to ensure sustained funding for the State's forest programs, is balanced with determining a level of reimbursement to retailers and the data available to date.

Mr. Runner expressed his concern over the lack of data regarding the number of retailers and the amount of revenue that will be received from the assessment. He asked staff when they would have better numbers regarding the number of retailers. Staff explained that if the Board authorized publication of a proposed regulation at this Board meeting, the public hearing could be at the September 2013 Board meeting. This would allow the Board to have new data from second quarter 2013 filings before adopting the regulation(s). Mr. Runner commented that having this additional information will provide a better idea of the number of retailers and the amount of revenue.

Mr. Horton expressed concern over the method of reimbursing on a per location basis which could create inequity between businesses with several locations and businesses with only one.

He commented that the regulation should be open enough to be fair and equitable to retailers while complying with the intended purpose of the legislation and accomplishing its objectives.

Ms. Steel stated that she cannot support Alternative 1 because it does not provide enough reimbursement to retailers for their cost of compliance with the assessment.

Mr. Horton asked staff about the study used by staff to determine the amounts in Alternative 1 and asked that staff look at what variables should be considered when determining costs to modify retailer’s systems to implement the assessment. Ms. Yee asked that staff do more work to find out if the 28,000 zero filers actually sell lumber products. Refining this variable would provide the Board with a better understanding of the universe of retailers affected by assessment.

Lastly, the committee discussed the procedure for revising the amount of the reimbursement at the public hearing. Alternative 1 recommends the Board approve and authorize publication of Regulation 2000, *Retailer Reimbursement Retention*, which allows retailers to retain \$250 per location beginning January 1, 2013, and Regulation 2001, *Additional Allowed Retailer Retention*, which allows retailers to retain an additional \$485 per location beginning January 1, 2014. Staff explained that if Alternative 1 was approved, the \$485 amount in Regulation 2001 could be changed at the public hearing. Such a change would be considered sufficiently related to the initial proposal and following an additional 15-day comment period the regulation could be brought back for adoption at a subsequent public hearing. Alternatively, the Board could adopt only Regulation 2000 at the September public hearing. By not adopting Regulation 2001, the allowed reimbursement retention would be limited to the \$250 provided in Regulation 2000.

Committee Action:

Upon motion by Mr. Runner, seconded by Mr. Horton, the Committee approved and authorized for publication proposed Regulation 2000, *Retailer Reimbursement Retention*, and Regulation 2001, *Additional Allowed Retailer Reimbursement Retention*. Copies of the proposed regulations are attached. The vote was as follows:

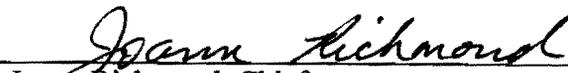
MEMBER	Yee	Runner	Steel	Horton	Mandel
VOTE	N	Y	N	Y	Y



Honorable Betty T. Yee, Committee Chair


Cynthia Bridges, Executive Director

BOARD APPROVED
at the July 17, 2013 Board Meeting


Joann Richmond, Chief
Board Proceedings Division

Regulation 2000, Retailer Reimbursement Retention

Public Resources Code section 4629.5, as added by Statutes 2012, chapter 289, requires the Board of Equalization to adopt a regulation to determine the amount of reimbursement a retailer may retain for costs associated with the collection of the Lumber Products Assessment imposed by Public Resources Code section 4629.5.

A retailer required to collect the Lumber Products Assessment may retain no more than \$250 per location as reimbursement for startup costs associated with the collection of the assessment. Such reimbursement is to be taken on the retailer's first return on which the Lumber Products Assessment is reported or, if the amount of the collected assessment is less than the allowed reimbursement, on the retailer's next consecutive returns until the allowed reimbursement amount is retained.

"Location" means and is limited to a business location registered under the retailer's seller's permit as of January 1, 2013, where sales of products subject to the assessment are made.

The proposed amendments contained in this document may not be adopted. Any revisions that are adopted may differ from this text.

Regulation 2001, Additional Allowed Retailer Reimbursement Retention

Beginning January 1, 2014, a retailer required to collect the Lumber Products Assessment may retain \$485 per location, in addition to the \$250 allowed by Regulation 2000, as reimbursement for startup costs associated with the collection of the assessment. Such reimbursement is to be taken on the retailer's first return after January 1, 2014, on which the Lumber Products Assessment is reported, or if the amount of the collected assessment is less than the allowed reimbursement, on the retailer's next consecutive returns until the allowed reimbursement amount is retained. If the retailer no longer sells products subject to the assessment, the retailer may file a claim for refund for assessment amounts paid in 2013 up to \$485.

"Location" means and is limited to a business location registered under the retailer's seller's permit as of January 1, 2013, where sales of products subject to the assessment are made.

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