State of California | Board of Equalization

Memorandum

To : Ms. Cynthia Bridges
Executive Director (MIC 73)

Date: August 2, 2012

From : Jeffrey L. McGuire, Deputy Director
Sales and Use Tax Department (MIC 43)

Subject : **Board Meeting – August 21-23, 2012**
Item N Administrative Session Consent Agenda
Section 6355 Coins and Bullion "Bulk" Sale Threshold

Revenue and Taxation Code (RTC) section 6355 provides an exemption from sales and use tax for sales in bulk of monetized bullion, nonmonetized gold or silver bullion, and numismatic coins that are substantially equivalent to transactions in securities or commodities. RTC section 6355, subdivision (b)(1) defines the term "bulk" to mean coins or bullion having a market value of $1,000 or more. However, RTC section 6355, subdivision (b)(2) requires that, by September 1, 1994, and September 1 of each following year, the Board calculate the cumulative annual inflation adjustment to the coins and bullion bulk sale exemption threshold, based on each year's (June to June) California Consumer Price Index (CCPI); and, when the cumulative inflation adjustment equals or exceeds a multiple of five hundred dollars ($500), subdivision (b)(2) provides that the coins and bullion bulk sale exemption threshold automatically increases to the next nearest multiple of $500, effective January 1 of the succeeding calendar year.

The Board determined that the operative bulk sale exemption threshold would automatically increase from $1,000 to $1,500, effective January 1, 2009, and the Board amended Regulation 1599, *Coins and Bullion*, in 2008 to incorporate the new exemption threshold and provide notice regarding the increase. After calculating the cumulative annual inflation adjustment to the $1,500 threshold for 2012, the Sales and Use Tax Department determined that the cumulative adjustment is only $62.29. (See attached schedule of cumulative inflation adjustments from 1994 through 2012.) Therefore, the department has determined that no change in the operative bulk sale exemption threshold is currently required pursuant to RTC section 6355 and there is no need for the Board to amend Regulation 1599 this year.

We request your approval to place the annual calculation, as a consent item, on the Administrative Agenda for the Board meeting on August 21-23, 2012, to advise the Board about the need to continue the current bulk sale exemption threshold for coins and bullion.

If you have any questions regarding this calculation or section 6355, please contact Ms. Kim Rios at 916-324-0293.

JLM:kir

Attachment

Approved:

Kristin Grizzell for Ms. Bridges

Ms. Cynthia Bridges
Executive Director

cc: Mr. Randy Ferris (MIC 83)
Mr. Robert Ingenito (MIC 67)
Mr. Robert Tucker (MIC 82)
Mr. Stephen Rudd (MIC 46)
Mr. Kevin Hanks (MIC 49)
Ms. Susanne Buehler (MIC 92)
Ms. Joann Richmond (MIC 80)
Mr. Bradley Heller (MIC 82)
Ms. Kirsten Stark (MIC 50)
Ms. Leila Hellmuth (MIC 50)
Ms. Kim Rios (MIC 50)

Rev. & Tax. Code Section 6355
Coins and Bullion Adjustment

	A	B	C	D	E
	(1)	(2)	(3)	(4)	(5)
Year	CCPI Index	CCPI % Change	Tentative Bulk Sale Adjustment	Yearly Increase	Cumulative Adjustment
1993	148.9		1000.00		$0.00
1994	150.7	1.209%	1000.00	12.09	$12.09
1995	154.2	2.322%	1012.09	23.51	$35.59
1996	156.6	1.556%	1035.59	16.12	$51.71
1997	160.0	2.171%	1051.71	22.83	$74.55
1998	163.6	2.250%	1074.55	24.18	$98.72
1999	167.8	2.567%	1098.72	28.21	$126.93
2000	174.0	3.695%	1126.93	41.64	$168.57
2001	183.2	5.287%	1168.57	61.79	$230.36
2002	185.9	1.474%	1230.36	18.13	$248.49
2003	189.9	2.152%	1248.49	26.86	$275.35
2004	195.8	3.107%	1275.35	39.62	$314.97
2005	201.3	2.809%	1314.97	36.94	$351.91
2006	210.9	4.769%	1351.91	64.47	$416.38
2007	217.4	3.082%	1416.38	43.65	$460.03
2008	228.3	5.014%	1460.03	73.20	$533.24
			Cummulative adjustment > $500		
			The operative bulk sale exemption threshold was adjusted to $1,500		
2008			1500.00		$0.00
2009	225.0	-1.445%	1500.00	-21.68	-$21.68
2010	227.1	0.939%	1478.32	13.88	-$7.80
2011	233.3	2.718%	1492.20	40.55	$32.75
2012	237.8	1.927%	1532.75	29.53	$62.29

(1) The factor used is the California Consumer Price Index as determined by the FTB pursuant to RTC section 17041. The CCPI is available at the Department of Industrial Relations website at *www.dir.ca.gov*.

(2) (Current Year (A)-Prior Year (A))

(3) Prior Year (C) + Prior Year (D).
The base rate in 1993 was $1,000. In 2008, the base rate was adjusted to $1,500.

(4) (B * C)
1994-2008: The base rate was multiplied by the CPPI percentage (%) change in 1994 to determine the tentative bulk sale adjustment for the succeeding year.
2009-2010: The base rate was multiplied by the CPPI percentage (%) change in 2009 to determine the tentative bulk sale adjustment for the succeeding year.
Each year thereafter, the tentative adjustment is multiplied by the CPPI % change.

(5) Prior Year (E) + Current Year (D)
A new operative bulk sale threshold is reached when the cumulative adjustment equals or exceeds a multiple of $500.

Notes
** By September 1st each year, the Sales and Use Tax Department Regulations Coordinator computes the RTC section 6355 tentative adjustment for bulk sales of Coins and Bullion.
** The exemption threshold is indexed for inflation.
** When the cumulative adjustment equals or exceeds a multiple of $500, the exemption threshold automatically increases to the nearest multiple of $500, beginning January 1st of the following year.