

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director (MIC 83)

Date: August 5, 2010

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

Subject : **Board Meeting – August 24-26, 2010**
Item N Administrative Session Consent Agenda
Section 6355 Coins and Bullion “Bulk” Sale Threshold

Revenue and Taxation Code (RTC) section 6355 and Regulation 1599, *Coins and Bullion*, provide an exemption from the 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. A “bulk” sale is currently defined as a sale of bullion or coins having a market value of \$1,500 or more, or its equivalent, by Regulation 1599, subdivision (a)(3)(A). However, RTC section 6355, subdivision (b)(2) mandates that, by September 1 each year, the Board of Equalization calculate the annual inflation adjustment to the coins and bullion bulk sale exemption threshold, based on the (June to June) California Consumer Price Index (CCPI). When the cumulative inflation adjustment to the threshold equals or exceeds a multiple of five hundred dollars (\$500), RTC section 6355, 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 operative bulk sale exemption threshold automatically increased from \$1,000 to \$1,500, effective January 1, 2009. After making the annual inflation adjustment calculation to the \$1,500 threshold for 2010, the Sales and Use Tax Department has determined that the cumulative adjustment is -\$7.80¹. Therefore, no changes are required to the operative bulk sale exemption threshold pursuant to RTC section 6355 and there is no need 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 24-26, 2010, to advise the Board about the need to continue the current bulk sale exemption threshold for coins and bullion. The attached schedule shows the cumulative inflation adjustment from 1994 through 2010. If you have any questions regarding this calculation or section 6355, please contact Mr. Bradley Miller at 916-319-9924.

Attachment

¹ The annual inflation adjustment to the bulk sale exemption threshold decreased slightly in 2009 creating a negative dollar amount in 2009 and 2010. The official California Consumer Price Index (CCPI) has not yet been released by the California Department of Industrial Relations (DIR). The adjustment used the unofficial CCPI furnished by the DIR.

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

	A	B	C	D	E
	(1)	(2)	(3)	(4)	(5)
	Tentative Bulk				
Year	CCPI Index	CCPI % Change	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
Cumulative 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

(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) $\frac{\text{Current Year (A)} - \text{Prior Year (A)}}{\text{Prior Year (A)}}$

(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) $(B \times C)$
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 official CCPI for June 2010 has not been released. The number used is the unofficial CCPI furnished by the CA Department of Industrial Relations.

** 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.