

M e m o r a n d u m

To : Mr. Ramon J. Hirsig
Executive Director – MIC: 83

Date: August 5, 2004


From : Stephen R. Rudd, Acting Deputy Director
Sales and Use Tax Department – MIC: 43

Subject : **Section 6355 Coins and Bullion Bulk Sale Adjustment
August 24, 2004 Administrative Agenda**

As mandated by Revenue and Taxation Code section 6355, by September 1st each year, the Board of Equalization is required to index the coins and bullion bulk sale exemption threshold for inflation, based on the (June to June) California Consumer Price Index (CCPI).

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. Bulk is currently deemed as having a market value of \$1,000 or more, or its equivalent. Pursuant to the statute, when the cumulative inflation adjustment equals or exceeds five hundred dollars (\$500), the coins and bullion bulk sale exemption threshold will automatically increase to the next nearest multiple of \$500. The increase would then become effective January 1st of the succeeding calendar year. After making the calculation for 2004, the cumulative adjustment totals \$314.97, which is below the \$500 amount that would automatically trigger the increase in the operative bulk sale threshold.

We request your approval to place the matter as a consent item on the Administrative Agenda on August 24, 2004, to continue the current bulk sale exemption threshold of \$1,000 for coins and bullion.

Attached is a schedule that shows the cumulative adjustment from 1994 through 2004. To date, no increase in the bulk sale threshold has ever occurred. If you have any questions regarding this calculation or section 6355, please let me know.

Attachment

Recommendation by:



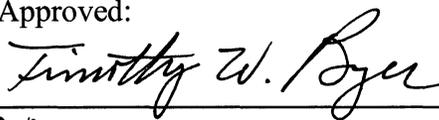
Stephen R. Rudd, Acting Deputy Director

Approved:



Timothy Boyer, Chief Counsel
Legal Division

Approved:



Ramon J. Hirsig, Executive Director

BOARD APPROVED

At the August 24, 2004 Board Meeting

Deborah Pellegrini, Chief
Board Proceedings Division

- cc: Ms. Jean Ogrod - MIC:82
- Ms. Janice Thurston - MIC:82
- Ms. Freda Orendt - MIC:47
- Ms. Margaret Shedd - MIC:66
- Ms. Jerri Dale - MIC:79
- Mr. Joseph Young - MIC:49
- Mr. Jeffrey L. McGuire - MIC:92
- Ms. Deborah Pelligrini - MIC:81
- Mr. John Waid - MIC:82
- Ms. Mariflor Jimenez - MIC:50

**Rev. & Tax. Code Section 6533
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					
2006					

(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 Finance website at www.dof.ca.gov, under Financial and Economic Data.

(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.

(4) $(B * C)$
The base rate was multiplied by the CPPI percentage (%) change in 1994 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 \$500.

Notes

** By September 1st each year, the Regulation 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 the \$500, the exemption threshold automatically increases to the nearest multiple of \$500, beginning January 1st of the following year.