State of California

Board of Equalization

Memorandum

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

Date: August 23, 2007

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

Subject : **Section 6355 Coins and Bullion Bulk Sale Adjustment**
September 12, 2007, Administrative Agenda

As mandated by Revenue and Taxation Code (RTC) 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 2007, the cumulative adjustment totals $460.06, 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 September 12, 2007, to continue the current bulk sale threshold for coins and bullion.

Attached is a schedule that shows the cumulative adjustment from 1994 through 2007. 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:

Randie L. Henry, Deputy Director

Approved:

Ramon J. Hirsig, Executive Director

Approved:

for KC

Kristine Cazadd, Chief Counsel
Legal Division

BOARD APPROVED
At the September 12, 2007 Board Meeting

Gary Evans, Acting Chief
Board Proceedings Division

cc: Ms. Kristine Cazadd (MIC 82)
Mr. Robert Lambert (MIC 82)
Ms. Margaret Shedd (MIC 66)
Ms. Kari Hammond (MIC 19)
Ms. Freda Orendt (MIC 47)
Mr. Stephen Rudd (MIC 46)
Mr. Joseph Young (MIC 49)
Mr. Jeffrey L. McGuire (MIC 92)
Mr. Gary Evans (MIC 80)
Mr. Tim Treichelt (MIC 82)
Mr. Geoff Lyle (MIC 50)
Ms. Leila Khabbaz (MIC 50)
Ms. Lisa Andrews (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	217.404	3.084%	1416.38	43.68	$460.06

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

(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 Sales and Use Tax Department 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 $500, the exemption threshold automatically increases to the nearest multiple of $500, beginning January 1st of the following year.