

Regulations 1532, 1533.1, 1534, 1535
Section 100

Complete Rule Making File

OAL Approval with Approved Text Regulation 1532, 1533.1, 1534, 1535

Index

1. *Form 400 and Proposed Regulation 1532, 1533.1, 1534, 1535*
2. *Statement of Explanation*
3. *Assembly Bill 3 (Chapter 18, Statutes of 2009-10 3rd Extraordinary Session)*

Other Documents Relied upon

- A. *Chief Counsel Memo Dated 10/20/11*
- B. *Draft Minutes, 11/15/11*
- C. *Reporters Transcript, 11/15/11*

OFFICE OF ADMINISTRATIVE LAW

300 Capitol Mall, Suite 1250
Sacramento, CA 95814
(916) 323-6225 FAX (916) 323-6826



DEBRA M. CORNEZ
Assistant Chief Counsel/Acting Director

MEMORANDUM

TO: Richard Bennion
FROM: OAL Front Desk 
DATE: 1/13/2012
RE: Return of Approved Rulemaking Materials
OAL File No. 2011-1130-01N

OAL hereby returns this file your agency submitted for our review (OAL File No. 2011-1130-01N regarding Regulations effected by temporary tax increase in Assembly Bill 3 (2009-2010 3rd Ex. Sess)).

If this is an approved file, it contains a copy of the regulation(s) stamped "ENDORSED APPROVED" by the Office of Administrative Law and "ENDORSED FILED" by the Secretary of State. The effective date of an approved file is specified on the Form 400 (see item B.5). (Please Note: The 30th Day after filing with the Secretary of State is calculated from the date the Form 400 was stamped "ENDORSED FILED" by the Secretary of State.)

DO NOT DISCARD OR DESTROY THIS FILE

Due to its legal significance, you are required by law to preserve this rulemaking record. Government Code section 11347.3(d) requires that this record be available to the public and to the courts for possible later review. Government Code section 11347.3(e) further provides that "...no item contained in the file shall be removed, altered, or destroyed or otherwise disposed of." See also the Records Management Act (Government Code section 14740 et seq.) and the State Administrative Manual (SAM) section 1600 et seq.) regarding retention of your records.

If you decide not to keep the rulemaking records at your agency/office or at the State Records Center, you may transmit it to the State Archives with instructions that the Secretary of State shall not remove, alter, or destroy or otherwise dispose of any item contained in the file. See Government Code section 11347.3(f).

Enclosures

**State of California
Office of Administrative Law**

In re:

Board of Equalization

Regulatory Action:

Title 18, California Code of Regulations

Adopt sections:

Amend sections: 1532, 1533.1, 1534, 1535

Repeal sections:

NOTICE OF APPROVAL OF CHANGES
WITHOUT REGULATORY EFFECT

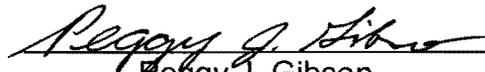
California Code of Regulations, Title 1,
Section 100

OAL File No. 2011-1130-01 N

Board of Equalization (BOE) submitted this Section 100 action to amend Title 18 regulatory provisions that pertain to partial exemptions from sales and use tax provided by Revenue and Taxation Code (RTC) sections 6378, 6356.5, 6357.1, 6356.6, and 6358.5. Amendments to Title 18, California Code of Regulations, section 1532, Appendix A and Appendix B to section 1532, and sections 1533.1, 1534, and 1535 are nonsubstantive. Assembly Bill 3 (2009-2010 3rd Ex. Sess) added sections to the Revenue and Taxation Code to increase the statewide sales and use tax rate by one percent beginning on April 1, 2009 and ceasing either on July 1, 2011 or July 1, 2012. This one percent statewide sales and use tax expired on July 1, 2011 because a ballot measure was not passed. This nonsubstantive action removes this one percent statewide sales and use tax and returns the regulations to the rate that was in existence prior to April 1, 2009.

OAL approves this change without regulatory effect as meeting the requirements of California Code of Regulations, Title 1, section 100.

Date: 1/9/2012


Peggy J. Gibson
Staff Counsel

For: DEBRA M. CORNEZ
Assistant Chief Counsel/
Acting Director

Original: Kristine Cazado
Copy: Richard Bennion

RECEIVED
JAN 11 2012
Board Proceedings

Memorandum

To : Peggy Gibson
Office of Administrative Law
300 Capitol Mall, Suite 1250
Sacramento, CA 95814

Date: January 9, 2012

From : Richard Bennion
Regulations Coordinator
Board Proceedings Division, MIC: 80

Subject : *OAL File No. 2011-1130-01N*
Regulation 1532, Teleproduction or Other Postproduction Service Equipment
Regulation 1533.1, Farm Equipment and Machinery
Regulation 1534, Timber Harvesting Equipment and Machinery
Regulation 1535, Racehorse Breeding Stock

The Office of Administrative Law (OAL) is authorized to make the following substitutions and corrections in connection with the above-referenced rulemaking file:

1. On the Form 400, Box B.1a replace the text with the following: "Regulations effected by temporary tax increase in Assembly Bill 3 (2009-2010 3rd Ex. Sess)".

If you have any questions or comments, please notify me at (916) 445-2130 or email at Richard.Bennion@boe.ca.gov.

REB

STD. 400 (REV. 01-09)

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER 2011-1130-01N	EMERGENCY NUMBER
For use by Office of Administrative Law (OAL) only			
NOTICE		REGULATIONS	
AGENCY WITH RULEMAKING AUTHORITY State Board of Equalization			AGENCY FILE NUMBER (if any)

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

JAN - 9 2012 1:21 PM

DEBRA BOWEN
Secretary of State

2011 NOV 30 AM 8:46
OFFICE OF
ADMINISTRATIVE LAW

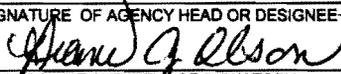
A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE	TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other	4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn	NOTICE REGISTER NUMBER	PUBLICATION DATE	

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Teleproduction or Other Postproduction Service Equipment	1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)	
SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)	ADOPT
	AMEND 1532, 1533.1, 1534, 1535
TITLE(S) 18	REPEAL
3. TYPE OF FILING	
<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §11349.3, 11349.4)	<input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))
<input type="checkbox"/> Emergency (Gov. Code, §11346.1(b))	<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)
	<input type="checkbox"/> File & Print
	<input type="checkbox"/> Other (Specify) _____
4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)	
5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)	
<input type="checkbox"/> Effective 30th day after filing with Secretary of State	<input type="checkbox"/> Effective on filing with Secretary of State
	<input checked="" type="checkbox"/> §100 Changes Without Regulatory Effect
	<input type="checkbox"/> Effective other (Specify) _____
6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY	
<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660)	<input type="checkbox"/> Fair Political Practices Commission
<input type="checkbox"/> Other (Specify) _____	<input type="checkbox"/> State Fire Marshal
7. CONTACT PERSON Richard E. Bennion	TELEPHONE NUMBER (916) 445-2130
	FAX NUMBER (Optional) (916) 324-3984
	E-MAIL ADDRESS (Optional) rbennion@boe.ca.gov

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE 	DATE November 30, 2011
TYPED NAME AND TITLE OF SIGNATORY Diane G. Olson, Chief, Board Proceedings Division	

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED

JAN 09 2012

Office of Administrative Law

Text of Proposed Changes to

Title 18. Public Revenue

Regulation 1532. Teleproduction or Other Postproduction Service Equipment.

(a) Partial Exemption for Property Purchased for Use in Teleproduction or Other Postproduction Services. Commencing on January 1, 1999, section 6378 of the Revenue and Taxation Code provides a partial exemption from sales and use tax for certain properties described in this regulation.

For the period commencing on January 1, 1999, and ending on December 31, 2000, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to Section 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%) but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the

Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

Subject to the limitations set forth above, this partial exemption applies to sales or use taxes imposed on the gross receipts from the sale of, and the storage, use, or other consumption in this state of, any of the following items:

(1) . . . (unchanged).

(2) . . . (unchanged).

(b) Property Used Primarily in Administration, General Management, or Marketing. . . .
(unchanged).

(c) Definitions. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

1. . . . (unchanged).

2. . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(5) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(6) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(d) Taxes as to Which the Partial Exemption Does Not Apply. . . . (unchanged).

(e) Section 6378 Exemption Certificate.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) Form of Certificate. . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(G) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(f) Use Tax. . . . (unchanged).

(g) Conversion of Property to a Use Not Qualifying for the Partial Exemption. . . . (unchanged).

(h) Purchaser's Liability for the Payment of Sales Tax. . . . (unchanged).

(i) Leases.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(j) Records. . . . (unchanged).

(k) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6378, Revenue and Taxation Code.

Appendix A:

Section 6378 Exemption Certificate

Please Note: This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2011, 6.25% from effective April 1, 2009 to June 30, 2011, and ending when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative, 5.25% from July 1, 2004 to March 31, 2009, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. The exemption is specific to these transactions only and may not be construed to exempt other transactions. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may *not* be used to purchase certain property such as, furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address (Street, City, State, Zip Code)

PURCHASE ORDER NUMBER	DATE OF PURCHASE ORDER	DESCRIPTION OF PROPERTY PURCHASED OR LEASED*	SALES PRICE/ RENTALS PAYABLE

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property listed above will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non-qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on their return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable".

Appendix B:

Section 6378 Blanket Exemption Certificate

Please Note: This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2011, 6.25% from effective April 1, 2009 to June 30, 2011, and ending when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative, 5.25% from July 1, 2004 to March 31, 2009, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may **not** be used to purchase certain property such as furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address
(Street, City, State, Zip Code)

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property purchased or leased will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on their return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable."

Appendix C:

Unchanged

Text of Proposed Changes to

Title 18. Public Revenue

Regulation 1533.1. Farm Equipment and Machinery.

(a) General. Commencing on and after September 1, 2001, Section 6356.5 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of farm equipment and machinery, and parts of farm equipment and machinery purchased for use by a qualified person to be used primarily in producing and harvesting agricultural products. The terms “farm equipment and machinery,” “parts of farm equipment and machinery,” “qualified person,” and “producing and harvesting agricultural products” are defined below.

For the period commencing on September 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by Sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . . (unchanged):

(1) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(2) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(6) . . . (unchanged).

(7) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(G) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(d) Partial Exemption Certificate for Use Tax. . . . (unchanged).

(e) Refund of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(f) Improper Use of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(g) Purchaser's Liability for the Payment of Sales Tax.

(1) . . . (unchanged).

(2) . . . (unchanged).

(h) Leases to Qualifying Persons.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(i) Records. . . . (unchanged).

(j) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6356.5, Revenue and Taxation Code.

Text of Proposed Changes to

Title 18. Public Revenue

Regulation 1534. Timber Harvesting Equipment and Machinery.

(a) General. Commencing on and after September 1, 2001, section 6356.6 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of off-road commercial timber harvesting equipment and machinery, and parts of off-road commercial timber harvesting equipment and machinery, that are purchased by a qualified person for use primarily in timber harvesting. The terms “off-road commercial timber harvesting equipment and machinery,” “parts of off-road commercial timber harvesting equipment and machinery,” “qualified person,” and “commercial timber harvesting operations” are defined below.

For the period commencing on September 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(6) . . . (unchanged).

(7) . . . (unchanged).

(8) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(d) Partial Exemption Certificate for Use Tax. . . . (unchanged).

(e) Refund of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(f) Improper Use of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(g) Purchaser's Liability for the Payment of Sales Tax.

(1) . . . (unchanged).

(2) . . . (unchanged).

(h) Leases to Qualifying Persons.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(i) Records. . . . (unchanged).

(j) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6356.6, Revenue and Taxation Code.

Text of Proposed Changes to

Title 18. Public Revenue

Regulation 1535. Racehorse Breeding Stock.

(a) General. Commencing on and after September 1, 2001, section 6358.5 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of racehorse breeding stock purchased for use by a qualified person. The terms “racehorse breeding stock” and “qualified person” are defined below.

For the period commencing on September 1, 2001 and ending December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5 and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax

Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(4) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(G) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(d) Partial Exemption Certificate for Use Tax. . . . (unchanged).

(e) Refund of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(f) Improper Use of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(g) Purchaser's Liability for the Payment of Tax.

(1) . . . (unchanged).

(2) . . . (unchanged).

(h) Leases to Qualifying Persons.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(i) Records. . . . (unchanged).

(j) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6358.5, Revenue and Taxation Code.

Galichet L, Straif K, on behalf of the WHO International Agency for Research on Cancer Monograph Working Group (2011). Carcinogenicity of chemicals in industrial and consumer products, food contaminants and flavourings, and water chlorination byproducts. *Lancet Oncology* 12(4):328-9.

[URL: <http://www.thelancet.com/journals/lanonc/article/PIIS1470-2045%2811%2970088-2/fulltext>].

IARC (2011). International Agency for Research on Cancer. Agents Classified by the *IARC Monographs*, Volumes 1-102. Available at

URL: <http://monographs.iarc.fr/ENG/Classification/ClassificationsAlphaOrder.pdf> [Accessed July 21, 2011].

SUMMARY OF REGULATORY ACTIONS

REGULATIONS FILED WITH SECRETARY OF STATE

This Summary of Regulatory Actions lists regulations filed with the Secretary of State on the dates indicated. Copies of the regulations may be obtained by contacting the agency or from the Secretary of State, Archives, 1020 O Street, Sacramento, CA 95814, (916) 653-7715. Please have the agency name and the date filed (see below) when making a request.

File# 2011-1129-03
BOARD OF ACCOUNTANCY
Supervision and Disciplinary Guidelines

This rulemaking action repeals two sections from Title 16 in the California Code of Regulations (CCR) that became inoperative by their own terms. Additionally this rulemaking amends several sections in Title 16 of the CCR as well as two forms and an incorporated document. This rulemaking defines supervised experience and incorporates by reference two new forms used by applicants' supervisors to submit experience verification for licensure. This rulemaking also amends the Board of Accountancy's Disciplinary Guidelines which are incorporated by reference into the CCR.

Title 16
California Code of Regulations
AMEND: 12, 12.5, 98 REPEAL: 9, 11.5
Filed 01/10/2012
Effective 02/09/2012
Agency Contact: Matthew Stanley (916) 561-1792

File# 2011-1212-02
BOARD OF EDUCATION
Instructional Quality Commission

This non-substantive action amends numerous sections in Title 5 of the California Code of Regulations. These amendments are in response to AB 250 (CH 608, Statutes of 2011) that renamed the Curriculum Development and Supplemental Materials to the Instructional Quality Commission. The changes to the regulations are being made to make the name consistent with the statutes.

Title 5
California Code of Regulations
AMEND: 9510, 9510.5, 9511, 9512, 9513, 9514, 9515, 9516, 9517, 9517.1, 9519, 9520, 9521, 9524, 9525, 18533, 18600
Filed 01/10/2012
Agency Contact: Cynthia Olsen (916) 319-0584

File# 2011-1202-01
BOARD OF EQUALIZATION
Federal Areas

The Board of Equalization adopted a new subdivision (d)(4)(G) in section 1616 of title 18 of the California Code of Regulations further prescribing the circumstances under which a sale of tangible personal property to, and the storage, use, or other consumption of tangible personal property by, the tribal government of an Indian tribe that is officially recognized by the United States is exempt from sales and use tax.

Title 18
California Code of Regulations
AMEND: 1616
Filed 01/11/2012
Effective 02/10/2012
Agency Contact:
Richard E. Bennion (916) 445-2130

File# 2011-1130-01
BOARD OF EQUALIZATION
Regulations effected by temporary tax increase in Assembly Bill 3 (2009-2010 3rd Ex. Sess)

Board of Equalization (BOE) submitted this Section 100 action to amend Title 18 regulatory provisions that pertain to partial exemptions from sales and use tax provided by Revenue and Taxation Code (RTC) sections 6378, 6356.5, 6357.1, 6356.6, and 6358.5. Amendments to Title 18, California Code of Regulations, section 1532, Appendix A and Appendix B to section 1532, and sections 1533.1, 1534, and 1535 are nonsubstantive. Assembly Bill 3 (2009-2010 3rd Ex. Sess) added sections to the Revenue and Taxation Code to increase the statewide sales and use tax rate by one percent beginning on April 1, 2009 and ceasing either on July 1,

2011 or July 1, 2012. This one percent statewide sales and use tax expired on July 1, 2011 because a ballot measure was not passed. This nonsubstantive action removes this one percent statewide sales and use tax and returns the regulations to the rate that was in existence prior to April 1, 2009.

Title 18
 California Code of Regulations
 AMEND: 1532, 1533.1, 1534, 1535
 Filed 01/09/2012
 Agency Contact:
 Richard E. Bennion (916) 445-2130

File# 2011-1118-03
 BOARD OF FORESTRY AND FIRE PROTECTION
 Recirculation and Review of Plan by Director, 2011

This regulatory action adopts a definition for "significant new information" with respect to timber harvest plans pursuant to the appellate court decision in Joy Road Area Forest and Watershed Association v. California Department of Forestry and Fire Protection (Case No. SCV 229850). These amendments also move and amend specific sections of the recirculation process within the California Code of Regulations to the sections dealing with the various timber plans affected.

Title 14
 California Code of Regulations
 AMEND: 895.1, 898.1, 1037.3, 1090.17, 1092.18
 Filed 01/05/2012
 Effective 01/01/2013
 Agency Contact: Eric Huff (916) 653-8031

File# 2011-1122-03
 BUREAU OF AUTOMOTIVE REPAIR
 Vehicle Registration Amnesty Program

This rulemaking action by the Bureau of Automotive Repair (BAR) includes the adoption of section 3340.38 of title 16 of the California Code of Regulations. This new section identifies both the test procedures that Referee stations will use to inspect and certify Specially Constructed Vehicles under the Vehicle Registration Amnesty Program and the initial fee BAR will charge program applicants.

Title 16
 California Code of Regulations
 ADOPT: 3340.38
 Filed 01/06/2012
 Effective 01/06/2012
 Agency Contact: Steven Hall (916) 255-2135

File# 2011-1130-02
 CALIFORNIA ARCHITECTS BOARD
 IDP Guidelines Alignment

This rulemaking action updates the edition of the Internship Development Program Guidelines of the National Council of Architectural Registration Boards which architecture license candidates may follow to complete required internships prior to licensure. The rulemaking also clarifies and simplifies cross references to the various pre-licensure internship program options of candidates in related subsections and regulations of the California Code of Regulations.

Title 16
 California Code of Regulations
 AMEND: 109, 117, 121
 Filed 01/11/2012
 Effective 02/10/2012
 Agency Contact: Timothy Rodda (916) 575-7217

File# 2011-1219-07
 CEMETERY AND FUNERAL BUREAU
 Nonsubstantive Changes: BOE / FTB Disclosure, Bureau Contact Info

This action by the Cemetery and Funeral Bureau updates agency contact information and certain disclosures on Form 21A3, the application for Cemetery/Crematory Manager, and removes outdated statutory references from section 2328.1 of title 16 of the California Code of Regulations (CCR). All changes are without regulatory effect and being made pursuant to 1 CCR §100.

Title 16
 California Code of Regulations
 AMEND: 2328.1
 Filed 01/10/2012
 Agency Contact: Joy Korstjens (916) 574-7878

File# 2012-0105-02
 DEPARTMENT OF CORPORATIONS
 Private Fund Adviser Exemption

This emergency rulemaking action readopts, for 90 days, the effectiveness of an expired federal-law Securities and Exchange Commission registration exemption for investment advisers who continue to rely upon and meet the criteria of that expired federal exemption.

Title 10
 California Code of Regulations
 AMEND: 260.204.9
 Filed 01/11/2012
 Effective 01/18/2012
 Agency Contact: Karen Fong (916) 322-3553

Regulation 1532, 1533.1, 1534, 1535
Section 100

Index

1. *Form 400 and Proposed Regulation 1532, 1533.1, 1534, 1535*
2. *Statement of Explanation*
3. *Assembly Bill 3 (Chapter 18, Statutes of 2009-10 3rd Extraordinary Session)*

STD. 400 (REV. 01-09)

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER 2011-1130-01N	EMERGENCY NUMBER
For use by Office of Administrative Law (OAL) only			
NOTICE		REGULATIONS	
AGENCY WITH RULEMAKING AUTHORITY State Board of Equalization			AGENCY FILE NUMBER (if any)

2011 NOV 30 AM 8:44
OFFICE OF
ADMINISTRATIVE LAW

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

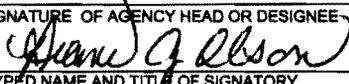
1. SUBJECT OF NOTICE	TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other	4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn	NOTICE REGISTER NUMBER	PUBLICATION DATE	

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Teleproduction or Other Postproduction Service Equipment	1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLES AND SECTION(S) (Including title 26, if toxics related)	
SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)	ADOPT
	AMEND 1532, 1533.1, 1534, 1535
TITLE(S) 18	REPEAL
3. TYPE OF FILING	
<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4)	<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)
<input type="checkbox"/> Emergency (Gov. Code, §11346.1(b))	<input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))
	<input type="checkbox"/> File & Print
	<input type="checkbox"/> Other (Specify) _____
	<input checked="" type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
	<input type="checkbox"/> Print Only
4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)	
5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)	
<input type="checkbox"/> Effective 30th day after filing with Secretary of State	<input type="checkbox"/> Effective on filing with Secretary of State
	<input checked="" type="checkbox"/> §100 Changes Without Regulatory Effect
	<input type="checkbox"/> Effective other (Specify) _____
6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY	
<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660)	<input type="checkbox"/> Fair Political Practices Commission
	<input type="checkbox"/> State Fire Marshal
<input type="checkbox"/> Other (Specify) _____	
7. CONTACT PERSON Richard E. Bennion	TELEPHONE NUMBER (916) 445-2130
	FAX NUMBER (Optional) (916) 324-3984
	E-MAIL ADDRESS (Optional) rbennion@boe.ca.gov

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

For use by Office of Administrative Law (OAL) only

SIGNATURE OF AGENCY HEAD OR DESIGNEE 	DATE November 30, 2011
TYPED NAME AND TITLE OF SIGNATORY Diane G. Olson, Chief, Board Proceedings Division	

Text of Proposed Changes to

Title 18. Public Revenue

Regulation 1532. Teleproduction or Other Postproduction Service Equipment.

(a) Partial Exemption for Property Purchased for Use in Teleproduction or Other Postproduction Services. Commencing on January 1, 1999, section 6378 of the Revenue and Taxation Code provides a partial exemption from sales and use tax for certain properties described in this regulation.

For the period commencing on January 1, 1999, and ending on December 31, 2000, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to Section 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%) but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the

Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

Subject to the limitations set forth above, this partial exemption applies to sales or use taxes imposed on the gross receipts from the sale of, and the storage, use, or other consumption in this state of, any of the following items:

(1) . . . (unchanged).

(2) . . . (unchanged).

(b) Property Used Primarily in Administration, General Management, or Marketing. . . .
(unchanged).

(c) Definitions. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

1. . . . (unchanged).

2. . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(5) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(6) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(d) Taxes as to Which the Partial Exemption Does Not Apply. . . . (unchanged).

(e) Section 6378 Exemption Certificate.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) Form of Certificate. . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(G) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(f) Use Tax. . . . (unchanged).

(g) Conversion of Property to a Use Not Qualifying for the Partial Exemption. . . . (unchanged).

(h) Purchaser's Liability for the Payment of Sales Tax. . . . (unchanged).

(i) Leases.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(j) Records. . . . (unchanged).

(k) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6378, Revenue and Taxation Code.

Appendix A:

Section 6378 Exemption Certificate

Please Note: This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2011, 6.25% from effective April 1, 2009 to June 30, 2011, and ending when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative, 5.25% from July 1, 2004 to March 31, 2009, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. The exemption is specific to these transactions only and may not be construed to exempt other transactions. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may *not* be used to purchase certain property such as, furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address (Street, City, State, Zip Code)

PURCHASE ORDER NUMBER	DATE OF PURCHASE ORDER	DESCRIPTION OF PROPERTY PURCHASED OR LEASED*	SALES PRICE/ RENTALS PAYABLE

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property listed above will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non-qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on their return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable".

Appendix B:**Section 6378 Blanket Exemption Certificate**

Please Note: This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2011, 6.25% from effective April 1, 2009 to June 30, 2011, and ending when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative, 5.25% from July 1, 2004 to March 31, 2009, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may *not* be used to purchase certain property such as furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address
(Street, City, State, Zip Code)

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property purchased or leased will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on their return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable."

Appendix C:

Unchanged

Text of Proposed Changes to

Title 18. Public Revenue

Regulation 1533.1. Farm Equipment and Machinery.

(a) General. Commencing on and after September 1, 2001, Section 6356.5 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of farm equipment and machinery, and parts of farm equipment and machinery purchased for use by a qualified person to be used primarily in producing and harvesting agricultural products. The terms “farm equipment and machinery,” “parts of farm equipment and machinery,” “qualified person,” and “producing and harvesting agricultural products” are defined below.

For the period commencing on September 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by Sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . . (unchanged):

(1) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(2) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(6) . . . (unchanged).

(7) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(G) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(d) Partial Exemption Certificate for Use Tax. . . . (unchanged).

(e) Refund of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(f) Improper Use of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(g) Purchaser's Liability for the Payment of Sales Tax.

(1) . . . (unchanged).

(2) . . . (unchanged).

(h) Leases to Qualifying Persons.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(i) Records. . . . (unchanged).

(j) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6356.5, Revenue and Taxation Code.

Text of Proposed Changes to

Title 18. Public Revenue

Regulation 1534. Timber Harvesting Equipment and Machinery.

(a) General. Commencing on and after September 1, 2001, section 6356.6 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of off-road commercial timber harvesting equipment and machinery, and parts of off-road commercial timber harvesting equipment and machinery, that are purchased by a qualified person for use primarily in timber harvesting. The terms “off-road commercial timber harvesting equipment and machinery,” “parts of off-road commercial timber harvesting equipment and machinery,” “qualified person,” and “commercial timber harvesting operations” are defined below.

For the period commencing on September 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(6) . . . (unchanged).

(7) . . . (unchanged).

(8) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(d) Partial Exemption Certificate for Use Tax. . . . (unchanged).

(e) Refund of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(f) Improper Use of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(g) Purchaser's Liability for the Payment of Sales Tax.

(1) . . . (unchanged).

(2) . . . (unchanged).

(h) Leases to Qualifying Persons.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(i) Records. . . . (unchanged).

(j) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6356.6, Revenue and Taxation Code.

Text of Proposed Changes to

Title 18. Public Revenue

Regulation 1535. Racehorse Breeding Stock.

(a) General. Commencing on and after September 1, 2001, section 6358.5 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of racehorse breeding stock purchased for use by a qualified person. The terms “racehorse breeding stock” and “qualified person” are defined below.

For the period commencing on September 1, 2001 and ending December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5 and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax

Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(4) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(G) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(d) Partial Exemption Certificate for Use Tax. . . . (unchanged).

(e) Refund of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(f) Improper Use of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(g) Purchaser's Liability for the Payment of Tax.

(1) . . . (unchanged).

(2) . . . (unchanged).

(h) Leases to Qualifying Persons.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(i) Records. . . . (unchanged).

(j) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6358.5, Revenue and Taxation Code.

CHANGES WITHOUT REGULATORY EFFECT UNDER CALIFORNIA CODE OF REGULATIONS, TITLE 1, SECTION 100

Statement of Explanation

Changes to Title 18. Public Revenue

Regulation 1532, *Teleproduction or Other Postproduction Service Equipment*

Regulation 1533.1, *Farm Equipment and Machinery*

Regulation 1534, *Timber Harvesting Equipment and Machinery*

Regulation 1535, *Racehorse Breeding Stock*

A. Factual Basis

California Code of Regulations, title 18, section (Regulation) 1532, *Teleproduction or Other Postproduction Service Equipment*, implements, interprets, and makes specific the partial exemption from sales and use tax provided by Revenue and Taxation Code (RTC) section 6378. Regulation 1533.1, *Farm Equipment and Machinery*, implements, interprets, and makes specific the partial exemption from sales and use tax provided by RTC section 6356.5. Regulation 1534, *Timber Harvesting Equipment and Machinery*, implements, interprets, and makes specific the partial exemption from sales and use tax provided by RTC section 6356.6. Regulation 1535, *Racehorse Breeding Stock*, implements, interprets, and makes specific the partial exemption from sales and use tax provided by RTC section 6358.5. The exemptions provided by RTC sections 6356.5, 6356.6, 6358.5, or 6378 are all commonly referred to as “partial exemption” because the exemptions apply to the state portion of the sales and use tax, but the exemptions do not extend to: (A) any tax levied by a county, city, or district pursuant to, or in accordance with, the Bradley-Burns Uniform Local Sales and Use Tax Law (RTC § 7200 et seq.), or the Transactions and Use Tax Law (RTC § 7251 et seq.); or (B) any tax levied pursuant to RTC sections 6051.2 and 6201.2, or section 35 of article XIII of the California Constitution.

Sections 2 and 3 of Assembly Bill No. 3 (2009-2010 3rd Ex. Sess.) added RTC sections 6051.7 and 6201.7 to increase the statewide sales and use tax rate by one percent beginning on April 1, 2009, and ceasing on either July 1, 2011, or July 1, 2012. Therefore, during 2009, the Board amended Regulations 1532, 1533.1, 1534, and 1535 under California Code of Regulations, title 1, section (Rule) 100 to specify that the partial exemptions provided by RTC sections 6356.5, 6356.6, 6358.5, and 6378 applied to the sales and use taxes imposed pursuant to RTC sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7, which cumulatively imposed statewide sales and use taxes at rate of 6.25 percent.

On July 1, 2011, the one percent sales and use tax imposed by RTC sections 6051.7 and 6201.7 ceased according to its own terms. Therefore, the Board now proposes to amend subdivision (a) of Regulations 1532, 1533.1, 1534, and 1535 and appendices A and B to Regulation 1532 to specify that the partial exemptions provided by RTC sections 6356.5, 6356.6, 6358.5, and 6378 applied to the cumulative 6.25 percent sales and use tax rate imposed pursuant to RTC sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 from April 1, 2009, through June 30, 2011. However, the partial exemptions provided by RTC sections 6356.5, 6356.6, 6358.5, and 6378 apply to the cumulative 5.25 percent sales and use tax rate imposed pursuant to

RTC sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 beginning July 1, 2011, due to the expiration of the one percent sales and use tax imposed by RTC sections 6051.7 and 6201.7. The Board has determined that these changes to Regulations 1532, 1533.1, 1534, and 1535 are appropriate for processing under Rule 100 because the changes make the regulations consistent with RTC sections 6051.7 and 6201.7 and do not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.

B. Proposed Changes to Regulations 1532, 1533.1, 1534, and 1535

1. Proposed changes to Regulation 1532:

Regulation 1532. Teleproduction or Other Postproduction Service Equipment.

(a) Partial Exemption for Property Purchased for Use in Teleproduction or Other Postproduction Services. Commencing on January 1, 1999, section 6378 of the Revenue and Taxation Code provides a partial exemption from sales and use tax for certain properties described in this regulation.

For the period commencing on January 1, 1999, and ending on December 31, 2000, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to Section 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and

6201.7 of the Revenue and Taxation Code (6.25%) but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

Subject to the limitations set forth above, this partial exemption applies to sales or use taxes imposed on the gross receipts from the sale of, and the storage, use, or other consumption in this state of, any of the following items:

(1) . . . (unchanged).

(2) . . . (unchanged).

(b) Property Used Primarily in Administration, General Management, or Marketing. . . .
(unchanged).

(c) Definitions. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

1. . . . (unchanged).

2. . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(5) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(6) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(d) Taxes as to Which the Partial Exemption Does Not Apply. . . (unchanged).

(e) Section 6378 Exemption Certificate.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) Form of Certificate. . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(G) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(f) Use Tax. . . (unchanged).

(g) Conversion of Property to a Use Not Qualifying for the Partial Exemption. . . (unchanged).

(h) Purchaser's Liability for the Payment of Sales Tax. . . (unchanged).

(i) Leases.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(j) Records. . . . (unchanged).

(k) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6378, Revenue and Taxation Code.

Appendix A: Section 6378 Exemption Certificate

Please Note: This is a partial exemption from sales and use tax at the rate of ~~5.25% effective July 1, 2011, 6.25% from effective April 1, 2009 to June 30, 2011, and ending when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, 5.25% from July 1, 2004 to March 31, 2009, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. The exemption is specific to these transactions only and may not be construed to exempt other transactions. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may *not* be used to purchase certain property such as, furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address
(Street, City, State, Zip Code)

PURCHASE ORDER NUMBER	DATE OF PURCHASE ORDER	DESCRIPTION OF PROPERTY PURCHASED OR LEASED*	SALES PRICE/ RENTALS PAYABLE

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property listed above will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non-qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on their return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable".

Appendix B: Section 6378 Blanket Exemption Certificate

Please Note: This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2011, 6.25% from effective April 1, 2009 to June 30, 2011, and ending when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative, 5.25% from July 1, 2004 to March 31, 2009, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may **not** be used to purchase certain property such as furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address (Street, City, State, Zip Code)

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property purchased or leased will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*

ADDRESS	CITY	STATE, ZIP
---------	------	------------

Seller must retain a copy of this exemption certificate to support a deduction taken on their return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable."

2. Proposed Changes to Regulation 1533.1:

Regulation 1533.1. Farm Equipment and Machinery.

(a) General. Commencing on and after September 1, 2001, Section 6356.5 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of farm equipment and machinery, and parts of farm equipment and machinery purchased for use by a qualified person to be used primarily in producing and harvesting agricultural products. The terms "farm equipment and machinery," "parts of farm equipment and machinery," "qualified person," and "producing and harvesting agricultural products" are defined below.

For the period commencing on September 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by Sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . . (unchanged):

(1) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(2) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(6) . . . (unchanged).

(7) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(G) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(d) Partial Exemption Certificate for Use Tax. . . . (unchanged).

(e) Refund of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(f) Improper Use of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(g) Purchaser's Liability for the Payment of Sales Tax.

(1) . . . (unchanged).

(2) . . . (unchanged).

(h) Leases to Qualifying Persons.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(i) Records. . . . (unchanged).

(j) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6356.5, Revenue and Taxation Code.

3. Proposed Changes to Regulation 1534:

Regulation 1534. Timber Harvesting Equipment and Machinery.

(a) General. Commencing on and after September 1, 2001, section 6356.6 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of off-road commercial timber harvesting equipment and machinery, and parts of off-road commercial timber harvesting equipment and machinery, that are purchased by a qualified person for use primarily in timber harvesting. The terms “off-road commercial timber harvesting equipment and machinery,” “parts of off-road commercial timber harvesting equipment and machinery,” “qualified person,” and “commercial timber harvesting operations” are defined below.

For the period commencing on September 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011 ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(6) . . . (unchanged).

(7) . . . (unchanged).

(8) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(d) Partial Exemption Certificate for Use Tax. . . . (unchanged).

(e) Refund of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(f) Improper Use of Partial Exemption.

(1) . . . (unchanged).

(2) . . . (unchanged).

(g) Purchaser's Liability for the Payment of Sales Tax.

(1) . . . (unchanged).

(2) . . . (unchanged).

(h) Leases to Qualifying Persons.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(i) Records. . . . (unchanged).

(j) Operative Date. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6356.6, Revenue and Taxation Code.

4. Proposed Changes to Regulation 1535:

Regulation 1535. Racehorse Breeding Stock.

(a) General. Commencing on and after September 1, 2001, section 6358.5 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of racehorse breeding stock purchased for use by a qualified person. The terms "racehorse breeding stock" and "qualified person" are defined below.

For the period commencing on September 1, 2001 and ending December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales

and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011, ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative,~~ the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5 and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) Definitions. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(4) . . . (unchanged).

(c) Partial Exemption Certificates.

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged):

- (A) . . . (unchanged).
- (B) . . . (unchanged).
- (C) . . . (unchanged).
- (D) . . . (unchanged).
- (E) . . . (unchanged).
- (F) . . . (unchanged).
- (G) . . . (unchanged).
- (4) . . . (unchanged).
- (5) . . . (unchanged).
- (d) Partial Exemption Certificate for Use Tax. . . . (unchanged).
- (e) Refund of Partial Exemption.
 - (1) . . . (unchanged).
 - (2) . . . (unchanged).
- (f) Improper Use of Partial Exemption.
 - (1) . . . (unchanged).
 - (2) . . . (unchanged).
- (g) Purchaser's Liability for the Payment of Tax.
 - (1) . . . (unchanged).
 - (2) . . . (unchanged).
- (h) Leases to Qualifying Persons.
 - (1) . . . (unchanged).
 - (2) . . . (unchanged).
 - (3) . . . (unchanged).
- (i) Records. . . . (unchanged).

(j) Operative Date. . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Section 6358.5, Revenue and Taxation Code.

Assembly Bill No. 3

CHAPTER 18

An act to add Section 99040 to the Government Code, to amend Sections 17041, 17054, and 17062 of, to amend and add Sections 10752 and 10752.1 of, and to add Sections 6051.7, 6201.7, and 10752.2 to, the Revenue and Taxation Code, relating to taxation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor February 20, 2009. Filed with
Secretary of State February 20, 2009.]

LEGISLATIVE COUNSEL'S DIGEST

AB 3, Evans. Income taxes: sales and use taxes: vehicle license fees.

The Personal Income Tax Law imposes taxes based upon taxable income. That law also allows credits for personal exemptions, and imposes an alternative minimum tax, as specified.

This bill would, for taxable years beginning on or after January 1, 2009, until either January 1, 2011, or January 1, 2013, as applicable, decrease the amount allowable as a credit for personal exemption for dependents.

This bill would, for taxable years beginning on or after January 1, 2009, and before January 1, 2013, increase the tax rate applicable to taxable income, and increase the alternative minimum tax rate, as provided.

The Vehicle License Fee Law establishes, in lieu of any ad valorem property tax upon vehicles, an annual license fee for any vehicle subject to registration in this state in the amount of 0.65% of the market value of that vehicle, as provided.

This bill would, on and after May 19, 2009, and until July 1, 2013, increase that rate to 1%, for specified vehicles and require that the revenues derived from the increase be deposited into the General Fund.

This bill would also, on and after May 19, 2009, and until July 1, 2013, add a sum equal to 0.15% of the market value of specified vehicles, as determined by the Department of Motor Vehicles, to the vehicle license fee, to be deposited in the General Fund and transferred to the Local Safety and Protection Account, which this bill would create in the Transportation Tax Fund. This bill would continuously appropriate all moneys in the account to the Controller for allocation for, specified purposes. This bill would require the Director of Finance to make written determinations, as specified, of whether any moneys derived from that fee are being allocated for any purpose other than the specified purpose, and to immediately submit his or her written determination to the Director of the Department of Motor Vehicles and specified legislative committees, as provided.

The bill would further provide that if the Director of Finance determines that moneys are being allocated by the state for an unauthorized purpose,

the Director of the Department of Motor Vehicles shall, upon receipt of the written determination, immediately stop collection of the fee, and shall resume collection only upon his or her receipt of a written determination by the Director of Finance that none of the monies are being allocated for an unauthorized purpose.

Existing law imposes a state sales and use tax on retailers and on the storage, use, or other consumption of tangible personal property in this state at the rate of 6 ¼% of the gross receipts from the retail sale of tangible personal property in this state and of the sales price of tangible personal property purchased from any retailer for storage, use, or other consumption in this state.

This bill would increase the state sales and use tax rate on the sale of, and on the storage, use, or other consumption of, tangible personal property, by 1% to a rate of 7 ¼% from April 1, 2009, until July 1, 2012.

This bill would reduce the operative periods for the increases proposed by this bill in specified income, sales and use, and vehicle license fees, if specified conditions occur.

The California Constitution authorizes the Governor to declare a fiscal emergency and to call the Legislature into special session for that purpose. The Governor issued a proclamation declaring a fiscal emergency, and calling a special session for this purpose, on December 19, 2008.

This bill would state that it addresses the fiscal emergency declared by the Governor by proclamation issued on December 19, 2008, pursuant to the California Constitution.

This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 99040 is added to the Government Code, to read:
99040. The Director of Finance shall immediately notify the Joint Legislative Budget Committee, the Executive Officer of the Franchise Tax Board, the Executive Director of the State Board of Equalization, and the Director of the Department of Motor Vehicles when and if an amendment to the California Constitution is approved at a statewide election held during the 2009 calendar year, that limits the total amount that, under Section 20 of Article XVI of the California Constitution, may be transferred by statute from the Budget Stabilization Account, or any successor to that account, to the General Fund.

SEC. 2. Section 6051.7 is added to the Revenue and Taxation Code, to read:

6051.7. (a) In addition to the taxes imposed by Section 6051 and any other provision of this part, for the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers at the rate of 1

percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this state, on and after April 1, 2009.

(b) This section shall cease to be operative on July 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this section shall cease to be operative on July 1, 2012.

SEC. 3. Section 6201.7 is added to the Revenue and Taxation Code, to read:

6201.7. (a) In addition to the taxes imposed by Section 6201 and any other provision of this part, an excise tax is hereby imposed on the storage, use, or other consumption in this state of tangible personal property purchased from any retailer for storage, use, or other consumption in this state, at the rate of 1 percent of the sales price of the property, on and after April 1, 2009.

(b) This section shall cease to be operative on July 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this section shall cease to be operative on July 1, 2012.

SEC. 4. Section 10752 of the Revenue and Taxation Code is amended to read:

10752. (a) The annual amount of the license fee for any vehicle, other than a trailer or semitrailer, as described in subdivision (a) of Section 5014.1 of the Vehicle Code or a commercial motor vehicle described in Section 9400.1 of the Vehicle Code, or a trailer coach that is required to be moved under permit as authorized in Section 35790 of the Vehicle Code, shall be a sum equal to the following percentage of the market value of the vehicle as determined by the department:

(1) Sixty-five hundredths of 1 percent on and after January 1, 2005, and before May 19, 2009.

(2) One percent on and after May 19, 2009.

(b) The annual amount of the license fee for any commercial vehicle as described in Section 9400.1 of the Vehicle Code, shall be a sum equal to 0.65 percent of the market value of the vehicle as determined by the department.

(c) Notwithstanding Chapter 5 (commencing with Section 11001) or any other law to the contrary, all revenues (including penalties), less refunds, attributable to that portion of the rate imposed pursuant to this section in excess of 0.65 percent shall be deposited into the General Fund.

(d) This section shall cease to be operative on July 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case the section shall cease to be operative on July 1, 2013.

SEC. 5. Section 10752 is added to the Revenue and Taxation Code, to read:

10752. (a) The annual amount of the license fee for any vehicle, other than a trailer or semitrailer, as described in subdivision (a) of Section 5014.1 of the Vehicle Code, or a trailer coach that is required to be moved under

permit as authorized in Section 35790 of the Vehicle Code, shall be a sum equal to 0.65 percent of the market value of the vehicle as determined by the department.

(b) This section shall become operative on July 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this section shall become operative on July 1, 2013.

SEC. 6. Section 10752.1 of the Revenue and Taxation Code is amended to read:

10752.1. (a) The annual amount of the license fee for a trailer coach which is required to be moved under permit as authorized in Section 35790 of the Vehicle Code shall be a sum equal to the following percentage of the market value of the vehicle as determined by the department:

(1) Sixty-five hundredths of 1 percent on and after January 1, 2005, and before May 19, 2009.

(2) One percent on and after May 19, 2009.

(b) Notwithstanding Chapter 5 (commencing with Section 11001) or any other law to the contrary, all revenues (including penalties), less refunds, attributable to that portion of the rate imposed pursuant to this section in excess of 0.65 percent shall be deposited in the General Fund.

(c) This section shall cease to be operative on July 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this section shall cease to be operative on July 1, 2013.

SEC. 7. Section 10752.1 is added to the Revenue and Taxation Code, to read:

10752.1. (a) The annual amount of the license fee for a trailer coach which is required to be moved under permit as authorized in Section 35790 of the Vehicle Code shall be a sum equal to 0.65 percent of the market value of the vehicle as determined by the department.

(b) This section shall become operative on July 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this section shall become operative on July 1, 2013.

SEC. 8. Section 10752.2 is added to the Revenue and Taxation Code, to read:

10752.2. (a) On and after May 19, 2009, in addition to the annual license fee for a vehicle, other than a commercial motor vehicle described in Section 9400.1 of the Vehicle Code, imposed pursuant to Sections 10752 and 10752.1, a sum equal to 0.15 percent of the market value of the vehicle as determined by the department, shall be added to that annual fee.

(b) Notwithstanding Chapter 5 (commencing with Section 11001) or any other law to the contrary, all revenues (including penalties), less refunds, derived from fees collected pursuant to subdivision (a) shall be deposited in the General Fund and transferred to the Local Safety and Protection Account, which is hereby established in the Transportation Tax Fund. Notwithstanding Section 13340 of the Government Code, all moneys in the

account are hereby continuously appropriated, without regard to fiscal year, to the Controller for allocation pursuant to Sections 29553, 30061, and 30070 of the Government Code, Section 13821 of the Penal Code, and Sections 18220 and 18220.1 of the Welfare and Institutions Code.

(c) (1) In 2010 and each calendar year thereafter, the Director of Finance shall, no later than January 10 and upon the enactment of the Budget Act during the calendar year, make a written determination of whether any of the moneys derived from fees collected pursuant to subdivision (a) are being allocated by the state for any purpose not authorized by subdivision (b), and shall immediately submit his or her written determination to all of the following:

- (A) The Director of the Department of Motor Vehicles.
- (B) The Joint Legislative Budget Committee.
- (C) The Senate and Assembly Appropriations Committees.
- (D) The Senate and Assembly Revenue and Taxation Committees.

(2) If the Director of Finance determines that any moneys derived from fees collected pursuant to subdivision (a) are being allocated by the state for a purpose not authorized by subdivision (b), the Director of the Department of Motor Vehicles shall, upon receipt of the written determination, immediately cease collection of the fees imposed by subdivision (a), and shall resume collection of those fees only upon his or her receipt of written determination provided under paragraph (1) that specifies that none of the moneys derived from fees collected pursuant to subdivision (a) are being allocated by the state for a purpose not authorized by subdivision (a).

(d) This section shall cease to be operative on July 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this section shall cease to be operative on July 1, 2013.

SEC. 9. Section 17041 of the Revenue and Taxation Code is amended to read:

17041. (a) (1) There shall be imposed for each taxable year upon the entire taxable income of every resident of this state who is not a part-year resident, except the head of a household as defined in Section 17042, taxes in the following amounts and at the following rates upon the amount of taxable income computed for the taxable year as if the resident were a resident of this state for the entire taxable year and for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions:

If the taxable income is:	The tax is:
Not over \$3,650.....	1% of the taxable income
Over \$3,650 but not	
	\$36.50 plus 2% of the excess
over \$8,650.....	over \$3,650

Over \$8,650 but not	
over \$13,650.....	\$136.50 plus 4% of the excess over \$8,650
Over \$13,650 but not	
over \$18,950.....	\$336.50 plus 6% of the excess over \$13,650
Over \$18,950 but not	
over \$23,950.....	\$654.50 plus 8% of the excess over \$18,950
Over \$23,950.....	\$1,054.50 plus 9.3% of the excess over \$23,950

(2) (A) For taxable years beginning on or after January 1, 2009, and before January 1, 2011, or January 1, 2013, as applicable, the percentages specified in the table in paragraph (1) shall be increased by adding 0.25 percent to each percentage. This subparagraph shall become operative only if the Director of Finance does not provide notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2013.

(B) For taxable years beginning on or after January 1, 2009, and before January 1, 2011, or January 1, 2013, as applicable, the percentages specified in the table in paragraph (1) shall be increased by adding 0.125 percent to each percentage. This subparagraph shall become operative only if the Director of Finance provides notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2013.

(b) (1) There shall be imposed for each taxable year upon the taxable income of every nonresident or part-year resident, except the head of a household as defined in Section 17042, a tax as calculated in paragraph (2).

(2) The tax imposed under paragraph (1) shall be calculated by multiplying the "taxable income of a nonresident or part-year resident," as defined in subdivision (i), by a rate (expressed as a percentage) equal to the tax computed under subdivision (a) on the entire taxable income of the nonresident or part-year resident as if the nonresident or part-year resident were a resident of this state for the taxable year and as if the nonresident or part-year resident were a resident of this state for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions, divided by the amount of that income.

(c) (1) There shall be imposed for each taxable year upon the entire taxable income of every resident of this state who is not a part-year resident for that taxable year, when the resident is the head of a household, as defined in Section 17042, taxes in the following amounts and at the following rates upon the amount of taxable income computed for the taxable year as if the resident were a resident of the state for the entire taxable year and for all prior taxable years for carryover items, deferred income, suspended losses, or suspended deductions:

If the taxable income is:	The tax is:
Not over \$7,300.....	1% of the taxable income
Over \$7,300 but not	
over \$17,300.....	\$73 plus 2% of the excess
Over \$17,300 but not	over \$7,300
over \$22,300.....	\$273 plus 4% of the excess
Over \$22,300 but not	over \$17,300
over \$27,600.....	\$473 plus 6% of the excess
Over \$27,600 but not	over \$22,300
over \$32,600.....	\$791 plus 8% of the excess
Over \$32,600.....	over \$27,600
	\$1,191 plus 9.3% of the excess
	over \$32,600

(2) (A) For taxable years beginning on or after January 1, 2009, and before January 1, 2011, or January 1, 2013, as applicable, the percentages specified in the table in paragraph (1) shall be increased by adding 0.25 percent to each percentage. This subparagraph shall become operative only if the Director of Finance does not provide notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2013.

(B) For taxable years beginning on or after January 1, 2009, and before January 1, 2011, or January 1, 2013, as applicable, the percentages specified in the table in paragraph (1) shall be increased by adding 0.125 percent to each percentage. This subparagraph shall become operative only if the Director of Finance provides notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code,

in which case this subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2013.

(d) (1) There shall be imposed for each taxable year upon the taxable income of every nonresident or part-year resident when the nonresident or part-year resident is the head of a household, as defined in Section 17042, a tax as calculated in paragraph (2).

(2) The tax imposed under paragraph (1) shall be calculated by multiplying the "taxable income of a nonresident or part-year resident," as defined in subdivision (i), by a rate (expressed as a percentage) equal to the tax computed under subdivision (c) on the entire taxable income of the nonresident or part-year resident as if the nonresident or part-year resident were a resident of this state for the taxable year and as if the nonresident or part-year resident were a resident of this state for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions, divided by the amount of that income.

(c) There shall be imposed for each taxable year upon the taxable income of every estate, trust, or common trust fund taxes equal to the amount computed under subdivision (a) for an individual having the same amount of taxable income.

(f) The tax imposed by this part is not a surtax.

(g) (1) Section 1(g) of the Internal Revenue Code, relating to certain unearned income of minor children taxed as if the parent's income, shall apply, except as otherwise provided.

(2) Section 1(g)(7)(B)(ii)(II) of the Internal Revenue Code, relating to income included on parent's return, is modified, for purposes of this part, by substituting "1 percent" for "15 percent."

(h) For each taxable year beginning on or after January 1, 1988, the Franchise Tax Board shall recompute the income tax brackets prescribed in subdivisions (a) and (c). That computation shall be made as follows:

(1) The California Department of Industrial Relations shall transmit annually to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the prior calendar year to June of the current calendar year, no later than August 1 of the current calendar year.

(2) The Franchise Tax Board shall do both of the following:

(A) Compute an inflation adjustment factor by adding 100 percent to the percentage change figure that is furnished pursuant to paragraph (1) and dividing the result by 100.

(B) Multiply the preceding taxable year income tax brackets by the inflation adjustment factor determined in subparagraph (A) and round off the resulting products to the nearest one dollar (\$1).

(i) (1) For purposes of this part, the term "taxable income of a nonresident or part-year resident" includes each of the following:

(A) For any part of the taxable year during which the taxpayer was a resident of this state (as defined by Section 17014), all items of gross income and all deductions, regardless of source.

(B) For any part of the taxable year during which the taxpayer was not a resident of this state, gross income and deductions derived from sources within this state, determined in accordance with Article 9 of Chapter 3 (commencing with Section 17301) and Chapter 11 (commencing with Section 17951).

(2) For purposes of computing “taxable income of a nonresident or part-year resident” under paragraph (1), the amount of any net operating loss sustained in any taxable year during any part of which the taxpayer was not a resident of this state shall be limited to the sum of the following:

(A) The amount of the loss attributable to the part of the taxable year in which the taxpayer was a resident.

(B) The amount of the loss which, during the part of the taxable year the taxpayer is not a resident, is attributable to California source income and deductions allowable in arriving at taxable income of a nonresident or part-year resident.

(3) For purposes of computing “taxable income of a nonresident or part-year resident” under paragraph (1), any carryover items, deferred income, suspended losses, or suspended deductions shall only be includable or allowable to the extent that the carryover item, deferred income, suspended loss, or suspended deduction was derived from sources within this state, calculated as if the nonresident or part-year resident, for the portion of the year he or she was a nonresident, had been a nonresident for all prior years.

SEC. 10. Section 17054 of the Revenue and Taxation Code is amended to read:

17054. In the case of individuals, the following credits for personal exemption may be deducted from the tax imposed under Section 17041 or 17048, less any increases imposed under paragraph (1) of subdivision (d) or paragraph (1) of subdivision (e), or both, of Section 17560.

(a) In the case of a single individual, a head of household, or a married individual making a separate return, a credit of fifty-two dollars (\$52).

(b) In the case of a surviving spouse (as defined in Section 17046), or a husband and wife making a joint return, a credit of one hundred four dollars (\$104). If one spouse was a resident for the entire taxable year and the other spouse was a nonresident for all or any portion of the taxable year, the personal exemption shall be divided equally.

(c) In addition to any other credit provided in this section, in the case of an individual who is 65 years of age or over by the end of the taxable year, a credit of fifty-two dollars (\$52).

(d) (1) A credit of two hundred twenty-seven dollars (\$227) for each dependent (as defined in Section 17056) for whom an exemption is allowable under Section 151(e) of the Internal Revenue Code, relating to additional exemption for dependents. The credit allowed under this subdivision for taxable years beginning on or after January 1, 1999, shall not be adjusted pursuant to subdivision (i) for any taxable year beginning before January 1, 2000.

(2) The credit allowed under paragraph (1) may not be denied on the basis that the identification number of the dependent, as defined in Section

17056, for whom an exemption is allowable under Section 151(c) of the Internal Revenue Code, relating to additional exemption for dependents, is not included on the return claiming the credit.

(3) (A) For taxable years beginning on or after January 1, 2009, the credit allowed under paragraph (1) for each dependent shall be equal to the credit allowed under subdivision (a). This subparagraph shall cease to be operative on January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative on January 1, 2013.

(B) Commencing on the date that subparagraph (A) ceases to be operative, the credit allowed under paragraph (1) for each dependent shall be equal to the amount that would be allowed if subparagraph (A) had never been operative.

(c) A credit for personal exemption of fifty-two dollars (\$52) for the taxpayer if he or she is blind at the end of his or her taxable year.

(f) A credit for personal exemption of fifty-two dollars (\$52) for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse is blind and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(g) For the purposes of this section, an individual is blind only if either (1) his or her central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or (2) his or her visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(h) In the case of an individual with respect to whom a credit under this section is allowable to another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, the credit amount applicable to that individual for that individual's taxable year is zero.

(i) For each taxable year beginning on or after January 1, 1989, the Franchise Tax Board shall compute the credits prescribed in this section. That computation shall be made as follows:

(1) The California Department of Industrial Relations shall transmit annually to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the prior calendar year to June of the current calendar year, no later than August 1 of the current calendar year.

(2) The Franchise Tax Board shall add 100 percent to the percentage change figure which is furnished to them pursuant to paragraph (1), and divide the result by 100.

(3) The Franchise Tax Board shall multiply the immediately preceding taxable year credits by the inflation adjustment factor determined in paragraph (2), and round off the resulting products to the nearest one dollar (\$1).

(4) In computing the credits pursuant to this subdivision, the credit provided in subdivision (b) shall be twice the credit provided in subdivision (a).

SEC. 11. Section 17062 of the Revenue and Taxation Code is amended to read:

17062. (a) In addition to the other taxes imposed by this part, there is hereby imposed for each taxable year, a tax equal to the excess, if any, of—

- (1) The tentative minimum tax for the taxable year, over
- (2) The regular tax for the taxable year.

(b) For purposes of this chapter, each of the following shall apply:

(1) The tentative minimum tax shall be computed in accordance with Sections 55 to 59, inclusive, of the Internal Revenue Code, except as otherwise provided in this part.

(2) The regular tax shall be the amount of tax imposed by Section 17041 or 17048, before reduction for any credits against the tax, less any amount imposed under paragraph (1) of subdivision (d) and paragraph (1) of subdivision (e) of Section 17560.

(3) (A) The provisions of Section 55(b)(1) of the Internal Revenue Code shall be modified to provide that the tentative minimum tax for the taxable year shall be equal to the following percent of so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount, before reduction for any credits against the tax:

(i) For any taxable year beginning on or after January 1, 1991, and before January 1, 1996, 8.5 percent.

(ii) For any taxable year beginning on or after January 1, 1996, and before January 1, 2009, 7 percent.

(iii) For taxable years beginning on and after January 1, 2009, and before January 1, 2011, or January 1, 2013, as applicable, 7.25 percent. This clause shall become operative only if the Director of Finance does not provide notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This clause shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this clause shall cease to be operative for taxable years beginning on or after January 1, 2013.

(iv) For taxable years beginning on and after January 1, 2009, and before January 1, 2011, or January 1, 2013, as applicable, 7.125 percent. This clause shall become operative only if the Director of Finance provides notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This clause shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this clause shall cease to be operative for taxable years beginning on or after January 1, 2013.

(v) For any taxable year beginning on or after January 1, 2011, or January 1, 2013, as applicable, for which clause (iii) or (iv) ceases to be operative, 7 percent.

(B) In the case of a nonresident or part-year resident, the tentative minimum tax shall be computed by multiplying the alternative minimum taxable income of the nonresident or part-year resident, as defined in

subparagraph (C), by a rate (expressed as a percentage) equal to the tax computed under subdivision (b) on the alternative minimum taxable income of the nonresident or part-year resident as if the nonresident or part-year resident were a resident of this state for the taxable year and as if the nonresident or part-year resident were a resident of this state for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions, divided by the amount of that income.

(C) For purposes of this section, the term “alternative minimum taxable income of a nonresident or part-year resident” includes each of the following:

(i) For any period during which the taxpayer was a resident of this state (as defined by Section 17014), all items of alternative minimum taxable income (as modified for purposes of this chapter), regardless of source.

(ii) For any period during which the taxpayer was not a resident of this state, alternative minimum taxable income (as modified for purposes of this chapter) which were derived from sources within this state, determined in accordance with Article 9 of Chapter 3 (commencing with Section 17301) and Chapter 11 (commencing with Section 17951).

(iii) For purposes of computing “alternative minimum taxable income of a nonresident or part-year resident,” any carryover items, deferred income, suspended losses, or suspended deductions shall only be allowable to the extent that the carryover item, suspended loss, or suspended deduction was derived from sources within this state.

(4) The provisions of Section 55(b)(2) of the Internal Revenue Code, relating to alternative minimum taxable income, shall be modified to provide that alternative minimum taxable income shall not include the income, adjustments, and items of tax preference attributable to any trade or business of a qualified taxpayer.

(A) For purposes of this paragraph, “qualified taxpayer” means a taxpayer who meets both of the following:

(i) Is the owner of, or has an ownership interest in, a trade or business.

(ii) Has aggregate gross receipts, less returns and allowances, of less than one million dollars (\$1,000,000) during the taxable year from all trades or businesses of which the taxpayer is the owner or has an ownership interest, in the amount of that taxpayer’s proportionate interest in each trade or business.

(B) For purposes of this paragraph, “aggregate gross receipts, less returns and allowances” means the sum of the gross receipts of the trades or businesses that the taxpayer owns and the proportionate interest of the gross receipts of the trades or businesses that the taxpayer owns and of pass-through entities in which the taxpayer holds an interest.

(C) For purposes of this paragraph, “gross receipts, less returns and allowances” means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(D) For purposes of this paragraph, “proportionate interest” means:

(i) In the case of a pass-through entity that reports a profit for the taxable year, the taxpayer's profit interest in the entity at the end of the taxpayer's taxable year.

(ii) In the case of a pass-through entity that reports a loss for the taxable year, the taxpayer's loss interest in the entity at the end of the taxpayer's taxable year.

(iii) In the case of a pass-through entity that is sold or liquidates during the taxable year, the taxpayer's capital account interest in the entity at the time of the sale or liquidation.

(E) (i) For purposes of this paragraph, "proportionate interest" includes an interest in a pass-through entity.

(ii) For purposes of this paragraph, "pass-through entity" means any of the following:

(I) A partnership, as defined by Section 17008.

(II) An "S corporation," as provided in Chapter 4.5 (commencing with Section 23800) of Part 11.

(III) A regulated investment company, as provided in Section 24871.

(IV) A real estate investment trust, as provided in Section 24872.

(V) A real estate mortgage investment conduit, as provided in Section 24874.

(5) For taxable years beginning on or after January 1, 1998, Section 55(d)(1) of the Internal Revenue Code, relating to exemption amount for taxpayers other than corporations is modified, for purposes of this part, to provide the following exemption amounts in lieu of those contained therein:

(A) Fifty-seven thousand two hundred sixty dollars (\$57,260) in the case of either of the following:

(i) A joint return.

(ii) A surviving spouse.

(B) Forty-two thousand nine hundred forty-five dollars (\$42,945) in the case of an individual who is both of the following:

(i) Not a married individual.

(ii) Not a surviving spouse.

(C) Twenty-eight thousand six hundred thirty dollars (\$28,630) in the case of either of the following:

(i) A married individual who files a separate return.

(ii) An estate or trust.

(6) For taxable years beginning on or after January 1, 1998, Section 55(d)(3) of the Internal Revenue Code, relating to the phaseout of exemption amount for taxpayers other than corporations is modified, for purposes of this part, to provide the following phaseout of exemption amounts in lieu of those contained therein:

(A) Two hundred fourteen thousand seven hundred twenty-five dollars (\$214,725) in the case of a taxpayer described in subparagraph (A) of paragraph (5).

(B) One hundred sixty-one thousand forty-four dollars (\$161,044) in the case of a taxpayer described in subparagraph (B) of paragraph (5).

(C) One hundred seven thousand three hundred sixty-two dollars (\$107,362) in the case of a taxpayer described in subparagraph (C) of paragraph (5).

(7) For each taxable year beginning on or after January 1, 1999, the Franchise Tax Board shall recompute the exemption amounts prescribed in paragraph (5) and the phaseout of exemption amounts prescribed in paragraph (6). Those computations shall be made as follows:

(A) The California Department of Industrial Relations shall transmit annually to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the prior calendar year to June of the current calendar year, no later than August 1 of the current calendar year.

(B) The Franchise Tax Board shall do both of the following:

(i) Compute an inflation adjustment factor by adding 100 percent to the percentage change figure that is furnished pursuant to subparagraph (A) and dividing the result by 100.

(ii) Multiply the preceding taxable year exemption amounts and the phaseout of exemption amounts by the inflation adjustment factor determined in clause (i) and round off the resulting products to the nearest one dollar (\$1).

(c) (1) (A) Section 56(a)(6) of the Internal Revenue Code as in effect on January 1, 1997, relating to installment sales of certain property, shall not apply to payments received in taxable years beginning on or after January 1, 1997, with respect to dispositions occurring in taxable years beginning after December 31, 1987.

(B) This paragraph shall not apply to taxable years beginning on or after January 1, 1998.

(2) Section 56(b)(1)(E) of the Internal Revenue Code, relating to standard deduction and deduction for personal exemptions not allowed, is modified, for purposes of this part, to deny the standard deduction allowed by Section 17073.5.

(3) Section 56(b)(3) of the Internal Revenue Code, relating to treatment of incentive stock options, shall be modified to additionally provide the following:

(A) Section 421 of the Internal Revenue Code shall not apply to the transfer of stock acquired pursuant to the exercise of a California qualified stock option under Section 17502.

(B) Section 422(c)(2) of the Internal Revenue Code shall apply in any case where the disposition and inclusion of a California qualified stock option for purposes of this chapter are within the same taxable year and that section shall not apply in any other case.

(C) The adjusted basis of any stock acquired by the exercise of a California qualified stock option shall be determined on the basis of the treatment prescribed by this paragraph.

(d) The provisions of Section 57(a)(5) of the Internal Revenue Code, relating to tax-exempt interest shall not apply.

(e) Section 57(a) of the Internal Revenue Code, relating to items of tax preference, is modified to include as an item of tax preference an amount equal to one-half of the amount excluded from gross income for the taxable year under Section 18152.5.

(f) The provisions of Section 59(a) of the Internal Revenue Code, relating to the alternative minimum tax foreign tax credit, shall not apply.

SEC. 12. This act addresses the fiscal emergency declared by the Governor by proclamation on December 19, 2008, pursuant to subdivision (f) of Section 10 of Article IV of the California Constitution.

SEC. 13. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to properly address the current fiscal emergency, it is necessary that this act go into immediate effect.

O

Memorandum

To : Ms. Kristine Cazadd
Executive Director, MIC: 73

Date: October 20, 2011

From : Randy Ferris, Acting Chief Counsel
Legal Department, MIC: 83

Subject : **Board Meeting, November 15-17, 2011**
Item J - Chief Counsel's Rulemaking Calendar
Regulation 1532, Teleproduction or Other Postproduction Service Equipment
Regulation 1533.1, Farm Equipment and Machinery
Regulation 1534, Timber Harvesting Equipment and Machinery
Regulation 1535, Racehorse Breeding Stock

Assembly Bill 3 (Chapter 18, Statutes of 2009-10 3rd Extraordinary Session) added Revenue and Taxation Code (RTC) sections 6051.7 and 6201.7 to temporarily increase the state sales and use tax rate by one percent of the sales price of tangible personal property sold or purchased for use in this state on and after April 1, 2009. RTC sections 6051.7 and 6201.7 contained sunset provisions providing that the one percent sales and use tax rate would cease to be operative on July 1, 2011. The regulations referenced above all describe or explain partial exemptions from tax provided by RTC sections 6356.5, 6356.6, 6358.5, or 6378. These statutes provide that although sales and purchases of specified property under specified conditions are exempt from the state portion of the sales and use tax, the exemption does not extend to any tax levied by a county, city, or district pursuant to, or in accordance with, the Bradley-Burns Uniform Local Sales and Use Tax Law, or the Transactions and Use Tax Law.

The regulations referenced above were amended in 2009 to specify that the partial exemption provided by these statutes included the one-percent tax imposed pursuant to RTC sections 6051.7 and 6201.7. As the one-percent tax imposed by RTC sections 6051.7 and 6201.7 expired on their own terms as of July 1, 2011, the proposed amendments to the regulations specify the partial exemptions apply to the one-percent tax imposed pursuant to RTC sections 6051.7 and 6201.7 through June 30, 2011 so the partial exemptions are effectively decreased from 6.25 percent to 5.25 percent as of July 1, 2011.

To incorporate the expired statutory provisions, we request your approval to place proposed revisions to Sales and Use Tax Regulations 1532, 1533.1, 1534, and 1535 on the Chief Counsel's Rulemaking Calendar on November 15-17, 2011, for Board authorization to amend the regulations under California Code of Regulations, title 1, section (Rule) 100, without the normal notice and public hearing process. The revisions are appropriate for

processing under Rule 100 because they make the regulations consistent with the statutory change and do not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.

Attached are strikeout and underlined versions of the regulations illustrating the proposed revisions.

If you have any questions regarding this request, please let me know or contact Mr. Bradley Heller at 916-323-3091.

Recommendation by:


Randy Ferris, Acting Chief Counsel

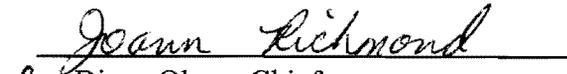
Approved:


Kristine Cazadd, Executive Director

Approved:


Jeffrey L. McGuire, Deputy Director
Sales and Use Tax Department

BOARD APPROVED
At the 11-15-2011 Board Meeting


for Diane Olson, Chief
Board Proceedings Division

Attachments

- cc: Mr. Jeffrey L. McGuire (MIC 43)
- Ms. Diane Olson (MIC 80)
- Ms. Christine Bisauta (MIC 82)
- Mr. Bradley M. Heller (MIC 82)
- Ms. Susanne Buehler (MIC 92)
- Mr. Geoffrey E. Lyle (MIC 50)
- Ms. Leila Hellmuth (MIC 50)
- Mr. Bradley Miller (MIC 50)

**Revised Text of Proposed Amendments to
California Code of Regulations, Title 18, Section 1532**

Regulation 1532. TELEPRODUCTION OR OTHER POSTPRODUCTION SERVICE EQUIPMENT.

(a) PARTIAL EXEMPTION FOR PROPERTY PURCHASED FOR USE IN TELEPRODUCTION OR OTHER POSTPRODUCTION SERVICES. Commencing on January 1, 1999, section 6378 of the Revenue and Taxation Code provides a partial exemption from sales and use tax for certain properties described in this regulation.

For the period commencing on January 1, 1999, and ending on December 31, 2000, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

Subject to the limitations set forth above, this partial exemption applies to sales or use taxes imposed on the gross receipts from the sale of, and the storage, use, or other consumption in this state of, any of the following items:

(1) Tangible personal property as defined in subdivision (c)(5) purchased for use by a qualified person to be used primarily in teleproduction or other postproduction services.

(2) Tangible personal property as defined in subdivision (c)(5) purchased for use by a qualified person to be used primarily to maintain, repair, measure, or test any property described in subdivision (a)(1).

(b) PROPERTY USED PRIMARILY IN ADMINISTRATION, GENERAL MANAGEMENT, OR MARKETING.

Notwithstanding any other provision of this regulation, this partial exemption shall not apply to any tangible personal property that is used primarily in administration, general management, or marketing. For purposes of this subdivision, tangible personal property is used primarily in administration, general management, or marketing when it is used 50 percent or more of the time in one or more of those activities for the one year period following the date of purchase of the property.

(c) DEFINITIONS. For purposes of this regulation:

(1) "Primarily" means tangible personal property as defined in subdivision (c)(5) of this regulation used 50 percent or more of the time in an activity described in subdivision (a) for the one-year period following the date of purchase of the property. Tangible personal property shall not be considered used in such activities for any period of time that the property is located outside the state, regardless of how the property is used while outside the state.

(2) "Qualified person" means any person whose line of business is primarily engaged in teleproduction or other postproduction activities, including postproduction audio services for film, television, and video productions, described in Code 512191 of the North American Industry Classification System (NAICS) Manual published by the United States Office of Management and Budget, 1997 edition, and as further defined in (c)(4) of this regulation. The term "qualified person" does not include persons whose line of business is primarily engaged in portrait studios providing still, video, or digital portrait photography services (NAICS Code 541921, incorporated herein by reference), or commercial photography services (NAICS Code 541922, incorporated herein by reference). For the purposes of this subdivision:

(A) "Primarily engaged" means 50 percent or more of gross revenues, including intra-company charges, are derived from teleproduction or other postproduction activities for the financial year of the purchaser preceding the purchase of the property. In cases where the purchaser was not primarily engaged in "teleproduction or other postproduction services" for the financial year preceding the purchase of the property, the one year period following the date of purchase of the property will be used. In the case of a nonprofit teleproduction or other postproduction establishment, "primarily engaged" means 50 percent or more of the funds allocated to the establishment are attributable to teleproduction or other postproduction services.

(B) For purposes of classifying a line of business, the economic unit shall be the "establishment" and the classification of the line or lines of business will be based on the establishment's primary activity based upon gross revenues.

(C) "Establishment" is defined as the smallest operating unit for which records provide information on the revenues and cost of operations incurred to perform the teleproduction or postproduction services.

1. The services may be provided to other divisions within the same entity or to related parties with or without direct compensation.

2. Establishments may include, but are not limited to, departments, divisions, subdivisions and product lines.

(3) "Sale" includes the producing, fabricating or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating or processing. When performed outside this state or when the customer issues a resale certificate, a "purchase" includes the producing, fabricating or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating or processing. If such producing, fabricating or processing is performed on property described in subdivision (a)(1) or (a)(2) of this regulation for a qualified person and the other requirements for the partial exemption in this regulation are met, the partial exemption applies to the gross receipts or sales price for such producing, fabricating, or processing.

(4) "Teleproduction or other postproduction services" means services for film, video, or digital multimedia formats (audio or visual) that include editing, film and video transfers, transcoding, dubbing, subtitling, credits, close captioning, audio production, special effects (visual or sound), graphics, or animation. For the purposes of this regulation, "teleproduction or other postproduction services" includes postproduction services and does not include production services or activities. "Teleproduction or other postproduction services" include the duplicating of film for postproduction purposes. However, the duplication of film to make release prints does not qualify as a "teleproduction or other postproduction service."

The term "teleproduction or other postproduction services" also includes, but is not limited to:

(A) Services performed to transform, manipulate, assemble, and duplicate visual moving images and synchronous sound previously captured on film, video, or digital formats (audio or visual) or as data during principal photography.

(B) Services to create digital images, models, miniatures or sounds that may be, but are not required to be combined with live action images. Teleproduction or other postproduction services does not include the recording of music except music recorded with synchronous visual images.

(C) Film processing; film to tape transfers; tape to tape transfers; DVD or digital audiovisual multimedia format authoring and encoding; color correction; digitizing; on-line and off-line editing; negative cutting; assembling; animation, creating 2d images, creating 3d images (CGI), visual effects; compositing; digital video image manipulation; dirt fixes; motion control visual effects capture; scanning and recording to or from film, video or data; transform; standards or format conversion; transcoding; duplication (except as provided); titles; subtitling; credits; closed captioning; creating graphics; audio scoring; automated dialogue replacement; foley; audio mixing; audio editing; audio laybacks; audio laydowns; audio special effects; management of visual or audio assets and related files stored as data; film, video or audio (dialogue, music and effects) restoration and preservation; archiving, format transfer utilizing compression standards; film cleaning; quality control processes performed in conjunction with any other postproduction process; and creation of data files related to a service defined above.

Definitions of the terms used in this subdivision are provided in Appendix C.

(D) The providing of postproduction facilities, such as personnel and scoring stages or equipment where the provider is deemed to be providing a qualified teleproduction or other postproduction service, is not a lease of tangible personal property.

The providing of special configured equipment to be used in (A) through (D) above with 24 hour a day, 7-day a week available on site technical support where the provider is deemed to be providing a qualified teleproduction or other postproduction service, is not a lease of tangible personal property.

(5) "Tangible personal property" includes, but is not limited to, all of the following:

(A) **Machinery and equipment, including component parts.** Machinery and equipment includes, but is not limited to, duplication equipment used for postproduction purposes and any property used to provide teleproduction or other postproduction services that is mounted or installed in a vehicle.

(B) All equipment or devices used or required to operate, control, regulate, or maintain the machinery, including, without limitation, audio and visual monitoring equipment, scopes, computers, data processing equipment, electronic data storage equipment, including both internal and external devices, consoles which are custom built, which have open compartments in which tangible personal property described in subdivisions (a)(1) and (a)(2) is placed and which are not suitable for use for other purposes, equipment racks and computer software, including both operating programs and application programs. This also includes all repair and replacement parts with a useful life of one or more years whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the taxpayer or another party. Repair and replacement parts that are treated as a depreciable asset for financial purposes will be treated as having a useful life of more than one year for the purposes of this regulation, even when such items are expensed for income tax purposes under the special provisions of Internal Revenue Code Section 179.

(C) Materials (as defined in Regulation 1521), only when purchased by a qualified person as tangible personal property and not pursuant to a construction contract, unless the construction contractor is the retailer of materials under Regulation 1521(b)(2)(A)(2); fixtures; or other tangible personal property used to operate, control, regulate, or maintain the property described in subdivisions (a)(1) and (a)(2) which may subsequently be incorporated into real property, including but not limited to items such as air conditioning units dedicated to cooling equipment, electrical UPS (uninterrupted power source) units, sub-flooring, specialized lighting, sound insulation, hydraulics, cabling, routers, patch bays, hubs, robotic storage and retrieval equipment, switchers, satellite and/or other telecommunications equipment used to facilitate the distribution or movement of elements (in either video or data form) between all the various parties collaborating in the completion of a film or video project as part of the postproduction process.

(6) "Tangible personal property" does not include any of the following:

(A) Furniture, inventory, meals, vehicles (including those in or on which qualifying property is mounted or installed,) or equipment used to store products. The term "furniture" includes, but is not limited to, tables, chairs, desks or consoles other than those described in subdivision (c)(5)(B).

(B) Real property.

(d) **TAXES AS TO WHICH THE PARTIAL EXEMPTION DOES NOT APPLY.** This partial exemption does not apply to any tax levied by a county, city, or district pursuant to, or in accordance with, either the Bradley-Burns Uniform Local Sales and Use Tax Law (Rev. & Tax. Code §§ 7200 et seq.) or the Transactions and Use Tax Law (Rev. & Tax Code §§ 7251 et seq.).

This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution.

(e) SECTION 6378 EXEMPTION CERTIFICATE.

(1) Qualified persons who purchase or lease tangible personal property from an in-state seller, or an out-of-state seller obligated to collect use tax, must provide the seller with a section 6378 exemption certificate in order for the seller to claim the partial exemption. If the seller takes a complete section 6378 exemption certificate timely and in good faith, the certificate relieves the seller from the liability for the sales tax subject to exemption under this regulation or the duty of collecting the use tax subject to exemption under this regulation. A certificate will be considered timely if it is taken any time before the seller bills the purchaser for the property, any time within the seller's normal billing or payment cycle, or any time at or prior to delivery of the property to the purchaser.

A section 6378 exemption certificate which is not taken timely will not relieve the seller of the liability for tax excluded by the partial exemption unless the seller presents satisfactory evidence to the Board that the specific property was sold to a qualified person and primarily used in a qualifying manner.

The exemption certificate form set forth in Appendix A may be used as an exemption certificate.

(2) **BLANKET CERTIFICATES.** In lieu of requiring an exemption certificate for each transaction, a qualified person may issue a blanket exemption certificate. The blanket exemption certificate form set forth in Appendix B may be used as an exemption certificate. Qualified persons claiming the partial exemption through a blanket exemption certificate must make a clear reference to the blanket exemption certificate in documents such as their written purchase orders, sales agreements, leases, or contracts. Qualified persons claiming the partial exemption must also include in the document referencing the blanket exemption certificate a description of the property.

(3) **FORM OF CERTIFICATE.** Any document, such as a letter or purchase order, timely provided by the purchaser to the seller will be regarded as an exemption certificate with respect to the sale of the property described in the document if it contains all of the following essential elements:

(A) The signature of the purchaser or an agent or employee of the purchaser.

(B) The name and address of the purchaser

(C) The seller's permit number held by the purchaser, or a notation to the effect that the purchaser is not required to hold a permit.

(D) A statement that the property acquired is to be used primarily in teleproduction or other postproduction services or to be used primarily to maintain, repair, measure, or test any such property.

(E) A statement that the purchaser is a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532.

(F) Description of property purchased, including sales price or rentals payable.

(G) Date executed.

(4) **RETENTION AND AVAILABILITY OF CERTIFICATES.** A seller must retain each exemption certificate, including a blanket exemption certificate, received from a qualified person for a period of not less than four years from the date on which the seller claims a partial exemption based on the exemption certificate. If a qualified person issues a blanket exemption certificate, the seller must also retain all documents, such as purchase orders, sales agreements, lease agreements, or contracts referencing the blanket exemption certificate and all invoices containing the sales price of the property that the qualified person claims is partially exempt by reference to the blanket

exemption certificate. Such documents shall be retained for a period of not less than four years from the date on which the seller claims a partial exemption based on the reference to the blanket exemption certificate.

While the Board will not normally require the filing of the section 6378 exemption certificate with a sales and use tax return, when necessary for the efficient administration of the Sales and Use Tax Law, the Board may, on 30 days' written notice, require a seller to commence filing with its sales and use tax returns copies of all certificates. The Board may also require that, within 45 days of the Board's request, sellers furnish to the Board any and all exemption certificates, or copies thereof, accepted for the purpose of supporting the partial exemption.

(5) If a purchaser who issues a section 6378 exemption certificate pursuant to subdivision (e)(1), (2), or (3) subsequently does not meet the requirements of a qualified person as set forth in subdivision (c)(2) or does not use the property in a manner or for the purpose which entitles the purchaser to the partial exemption, or if a purchaser issues a Section 6378 exemption certificate pursuant to subdivision (e)(1), (2), or (3) for property that does not qualify for the partial exemption, the purchaser shall be liable for payment of the sales tax excluded by the partial exemption, with applicable interest, to the same extent as if the purchaser were a seller making a retail sale of the property at the time of conversion. The sales price of the property to the purchaser shall be deemed to be the gross receipts from that retail sale.

(f) USE TAX. With respect to tangible personal property the use of which is subject to use tax, any purchaser claiming the partial exemption pursuant to section 6378 of the Revenue and Taxation Code must file a sales and use tax return or consumer use tax return for the period in which the property is first stored, used, or consumed in California unless the seller holds a valid California seller's permit or a certificate of registration – use tax and collects the use tax. The purchaser will not be relieved of his or her liability to pay any applicable use tax that is excluded from the partial exemption as provided in subdivision (d) of this regulation until such tax is remitted either to a vendor who issues a receipt which meets the requirements of Regulation 1686 or directly to the Board.

(g) CONVERSION OF PROPERTY TO A USE NOT QUALIFYING FOR THE PARTIAL EXEMPTION. Property that, within one year from the date of purchase, is removed from California, converted from an exempt use under this regulation to some other use not qualifying for the partial exemption, or used in a manner not qualifying for the partial exemption under this regulation, such as a lease to a non-qualified person, is used in a non-qualifying manner. If, as a result of the total non-qualifying use, the property is not primarily used, as defined in subdivision (c)(1), in a qualifying activity, the partial exemption shall not apply. In determining the non-qualifying use, two or more non-qualifying uses that occur at the same time shall be counted as one. For example, a lease to a non-qualified person of property that is removed from California shall be considered as one non-qualifying use for the period it was removed from California and leased to a non-qualified person.

The property shall not, however, be regarded as converted to a use not qualifying for the partial exemption if the qualified person sells or leases the property to a qualified person for qualified use in California.

For purposes of this subdivision, tangible personal property shall not be regarded as being converted to a non-qualifying use if such property is used for teleproduction or other postproduction services in this state for more than one half of the one year period from the date of purchase of the property.

(h) PURCHASER'S LIABILITY FOR THE PAYMENT OF SALES TAX. If a purchaser submits a section 6378 exemption certificate to the seller, and then within one year of the date of purchase of the property converts that property as described in subdivision (g) from an exempt use pursuant to this regulation to some other use not qualifying for the partial exemption, the purchaser shall be liable for payment of sales tax excluded by the partial exemption, with applicable interest, to the same extent as if the purchaser were a seller making a retail sale of the property at the time the property was so removed, converted, or used; and the sales price of the property to the purchaser shall be deemed to be the gross receipts from that retail sale. In the case of a non-qualifying lease, the payment of sales tax by a purchaser when included on the return for the period covering the date of conversion shall be deemed to be a timely election to pay tax based on the purchase price.

(i) LEASES.

(1) **LEASES - IN GENERAL.** Leases of tangible personal property which are classified as "continuing sales" and "continuing purchases" of tangible personal property, in accordance with Regulation 1660, "Leases of Tangible Personal Property - In General," may qualify for the partial exemption subject to all the limitations and conditions set forth in this regulation. This partial exemption may apply to rental receipts paid by a qualified person with respect to a lease of tangible personal property to the qualified person, which tangible personal property is used as set forth in

subdivisions (a)(1) and (a)(2) of this regulation, notwithstanding the fact that the lease was entered into prior to the operative date of this regulation. For purposes of this subdivision, a non-qualified person may purchase property for resale and subsequently lease the property to a qualified person subject to the partial exemption. A lessee is a qualified person if the lessee is "primarily engaged" in teleproduction or other postproduction activities and meets the requirements of a qualified person set forth in subdivision (c)(2).

(2) **LEASES OF TAX-PAID PROPERTY.** The partial exemption does not apply to the sale of property to, or the storage, use, or other consumption of property by, a person who is not a qualified person even if that person subsequently leases the property to a qualified person.

(3) **LEASE OF PROPERTY BY A QUALIFIED PERSON.** If a qualified person has acquired property subject to the partial exemption provided by this regulation, the subsequent lease of that property will not be subject to tax measured by rental receipts. A lease of property to a qualified person for use in a qualified manner constitutes a qualifying use of the property by the lessor. If, however, the property is used in a manner not qualifying for the exemption, such as being leased to a non-qualified person in the aggregate for more than one half of the one year period following the date of purchase by the qualified person, such property is not considered to be primarily used in "teleproduction or other postproduction services." Therefore, the lessor will be liable for tax in accordance with subdivision (e)(5).

For example, if a qualified person purchases property under the partial exemption, and then leases the property to a non-qualified person, the lease receipts will not be subject to tax as the purchaser has elected to pay tax on their cost. However, if the qualified person who purchases the property leases the property to a non-qualified person for more than one half of the one year period following the date of purchase, the lessor is not using the property in a qualifying manner and is responsible for the tax excluded by the partial exemption based upon the purchase price of the property.

(4) **LEASES—RECHARACTERIZATION.** With respect to transactions which the parties denominate as a "lease," but which are recharacterized for sales and use tax purposes either as sales at their inception, pursuant to Regulation 1641, "Credit Sales and Repossessions," subdivision (b), or as sales under a security agreement, Regulation 1660, "Leases of Tangible Personal Property - In General," subdivision (a)(2), the transactions may qualify for the partial exemption, in accordance with this regulation.

(5) **LEASES—ACQUISITION SALE AND LEASEBACK.** A qualified person will be regarded as having paid sales tax reimbursement or use tax with respect to that person's purchase of property, within the meaning of those words as they are used in ~~S~~ection 6010.65 of the Revenue and Taxation Code, if the qualified person has paid all applicable taxes with respect to the acquisition of the property, notwithstanding the fact that the sale and purchase of the property may have been subject to the partial exemption from tax provided by this regulation.

(j) **RECORDS.** Adequate and complete records must be maintained by the purchaser to support that the property purchased was used primarily in the performance of teleproduction or other postproduction services for a period of no less than one year prior to conversion of the property to a non-qualifying use or use by a non-qualifying party.

(k) **OPERATIVE DATE.** This regulation is operative as of January 1, 1999. The partial exemption under section 6378 of the Revenue and Taxation Code only applies to qualifying tangible personal property that is sold or first stored, used, or consumed in California on or after the operative date.

Section 6378 Exemption Certificate

Please Note: This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2011, 6.25% from effective April 1, 2009 to June 30, 2011, and ending when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative, 5.25% from July 1, 2004 to March 31, 2009, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. The exemption is specific to these transactions only and may not be construed to exempt other transactions. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may *not* be used to purchase certain property such as, furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address
(Street, City, State, Zip Code)

PURCHASE ORDER NUMBER	DATE OF PURCHASE ORDER	DESCRIPTION OF PROPERTY PURCHASED OR LEASED*	SALES PRICE/ RENTALS PAYABLE

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property listed above will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non-qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on their return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable".

Appendix A

Section 6378 Blanket Exemption Certificate

Please Note: This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2011, 6.25% from effective April 1, 2009 to June 30, 2011, and ending when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative, 5.25% from July 1, 2004 to March 31, 2009, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may **not** be used to purchase certain property such as furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address
(Street, City, State, Zip Code)

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property purchased or leased will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on their return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable."

Appendix B

Technical Definitions

DVD (Digital Video Disk) - is a medium for recording compressed audio, visual images and other related data.

Digitizing – Process of converting video containing audio, visual images and other related data into digital format.

Assembly – Combining audio, visual images and other related data into proper sequence and recording to a new edited master videotape pursuant to instructions provided by editor.

Creating 2D Images – Process of enhancing original elements captured through principal photography by creating or manipulating two dimensional images.

Creating 3D Images (CGI) – Process of creating three-dimensional images that will ultimately be recorded on film, video or other multimedia format.

Dirt Fixes – Process to electronically “clean up” or “remove” undesirable elements such as dirt and film scratches from visual images.

Digital Video Image Manipulation – This process includes: compositing multiple layers of visual images, changing aspect ratio or scale, flip, defocus, rotate, resize, reposition, crop, color correction, apply special effects such as warping the image, create transitional effects between scenes or shots.

Motion Control Visual Effects Capture – Recording flat art such as pictures and logos and applying movement to the visual image such as pan, scan, zoom. Motion Control Capture could also create tracking points through recording movement of a live subject that will be applied to a computer generated image.

Transcoding – Converting video and audio formats.

Duplication – Process of making film or videotape copies excluding film processing to produce release prints as defined in Regulation 1529 or duplication of video tapes intended for non-broadcast consumer sale or rental.

Automated Dialogue Replacement (ADR) – Recording new dialogue or re-recording dialogue where the production sound is unusable or obscured.

Foley – Process of adding to or replacing sound elements that enhance ambient sounds such as footsteps, doors closing, breathing, rustling of clothes, keys jangling in pockets and punches.

Audio Laybacks – Recording the completed audio back to a videotape or film master.

Audio Laydowns – Recording sound from an audio source or video element to another audio element.

Quality Control (QC) – Process by which a film print or videotape is evaluated to make sure it meets technical requirements.

Archiving – Processes involved in preparing and storing film, videotape or other multimedia elements for future use.

Format Transfer Utilizing Compression Standards – To transfer video or audio format utilizing a compression standard to allow for more efficient file size management or file format changes.

Management of Visual or Audio Assets and Related Files Stored as Data – Process of creating database with specified reference points to allow for timely search and retrieval of elements by multiple users through central file servers.

Creation of Data Files Related to a Teleproduction or other Postproduction Service – Data files contain information that is related to the visual and audio information stored on film, video or other multimedia format such as timecode, keycode/flex files, edit decision lists.

Appendix C

Reference: Section 6378, Revenue and Taxation Code.

**Revised Text of Proposed Amendments to
California Code of Regulations, Title 18, Section 1533.1**

Regulation 1533.1. FARM EQUIPMENT AND MACHINERY

(a) GENERAL. Commencing on and after September 1, 2001, Section 6356.5 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of farm equipment and machinery, and parts of farm equipment and machinery purchased for use by a qualified person to be used primarily in producing and harvesting agricultural products. The terms "farm equipment and machinery," "parts of farm equipment and machinery," "qualified person," and "producing and harvesting agricultural products" are defined below.

For the period commencing on September 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by Sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by Sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or Section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) DEFINITIONS. For purposes of this regulation:

(1) "Farm equipment and machinery" means implements of husbandry, which include:

(A) Any new or used tool, machine, equipment, appliance, device or apparatus used in the conduct of agricultural operations, except where such items are intended for sale in the ordinary course of business. Such items include, but are not limited to, combines, harrows, tractor implements, agricultural heating and cooling equipment, fuel storage equipment, wind machines, handling and packing equipment and conveyors, ginning equipment, feeding, watering and waste disposal systems for livestock, incubators and equipment used for egg and poultry production, harvesting trays and bins, farm tools such as rakes and hoes, plant support equipment such as trellis systems, irrigation systems, fencing systems, milking systems, agricultural operating structures, squeeze chutes, portable panels, corrals, loading chutes, veterinary instruments, free stalls, cages and tack items such as saddles and rope.

Farm equipment and machinery also includes any equipment or device used or required to operate, control, or regulate machinery not limited to computers, data processing equipment, and computer software, including both operating programs and application programs. Farm equipment and machinery may be attached to realty.

Agricultural operating structures include single purpose agricultural or horticultural structures as defined in Treasury Regulation 1.48-10 (26 CFR 1.48-10). Such structures must be specifically designed and constructed for the permitted purposes of housing, raising and feeding of livestock or the commercial production of plants. A structure is specifically designed and constructed if it is not economic to design and construct the structure for the intended qualifying purpose and then use the structure for a different purpose. A structure qualifies as single purpose agricultural or horticultural structure only if it is used exclusively for a permitted purpose. The structure may not be used for any nonpermissible purposes such as processing, marketing, or more than incidental use for storing feed and equipment. A single purpose agricultural structure also houses equipment necessary to house, raise and feed livestock including, but not limited to, equipment necessary to contain livestock, to provide them with feed or water, and to control the temperature, lighting, and humidity of the interior structure. Examples of structures that qualify as a single purpose agricultural or horticultural structure include, but are not limited to, a farrowing barn, greenhouse, free stall barn, milking parlor, and egg production or poultry brooding facility. Single purpose agricultural or horticultural structures do not include general purpose farm buildings.

Farm equipment and machinery does not include tangible personal property primarily used in the administration, management, or marketing of a qualified person's operations or that of another who assists a qualified person. Farm equipment and machinery also does not include tangible personal property that is, without limitation, a supply item not used in producing or harvesting agricultural products such as shop towels, cleaning agents, hand cleaners, chemicals, and articles of clothing, except clothing designed primarily to protect a commodity or to apply agricultural chemicals as described in 3 CCR 6738.

(B) Any new or used vehicle, as defined in Chapter 1, Division 16 of the Vehicle Code, which is used exclusively in the conduct of agricultural operations such as a farm tractor, but not including a vehicle whose existing design is primarily for the transportation of persons or property on a highway, unless such vehicle is otherwise specified as an implement of husbandry in some other provision of the Vehicle Code.

A list of typical vehicles regarded as farm equipment and machinery is set forth in Appendix A.

(2) "Parts of farm equipment and machinery" means:

(A) All component parts and contrivances such as belts, shafts, pipes, hoses and moving parts, that are parts of farm equipment and machinery as defined in subdivision (b)(1) which can be separated from the farm equipment and machinery and replaced. Parts of farm equipment and machinery do not include items that are consumed (e.g., burned, evaporate, dissolve, dissipate) through the regular use of the farm equipment and machinery (e.g., gasoline, cleaning agents, solutions, chemicals) which are ordinarily supplies; however, engine oil not consumed (i.e., not consumed as part of fuel for a two-stroke engine) is regarded as a component part.

(B) All repair and replacement parts for farm equipment and machinery as defined in subdivision (b)(1), which replace previous parts and can include parts that are identical to the parts they replace as well as parts that are different from the ones they replace, such as replacement parts added for the purpose of improving or modifying the farm equipment and machinery, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by a qualified person, a person that assists a qualified person, or another person.

(3) "Person that assists a qualified person" means a person employed by a qualified person, or engaged on a contract or fee basis to perform activities described in Major Group 07 of the Standard Industrial Classification Manual published by the United States Office of Management and Budget, 1987 edition (hereafter SIC Manual) which include soil preparation services, crop services, veterinary services, animal services, landscape and horticultural services, and farm labor and management services, that uses farm equipment and machinery in assisting a person engaged in a line of business described in subdivision (b)(6) below. A person that assists a qualified person may perform a construction contract only if the person performing the contract is engaged in farm management services as described in Code 0762 of the SIC Manual and the construction is integral to the producing and harvesting of an agricultural product as defined in (b)(5). A person that assists a qualified person must provide physical aid or assistance in the actual producing and harvesting of agricultural products owned by the qualified person and not merely provide aid in administrative, managerial, or marketing activities. A person that assists a qualified person does not include persons performing services such as an attorney, accountant, consultant, or other similar activity.

Except as otherwise provided above, a person that assists a qualified person also does not include persons who perform construction contracts or who perform repairs to farm equipment and machinery, or a person that assists such persons.

(4) "Primarily" means used 50 percent or more of the time in producing and harvesting agricultural products as defined in subdivision (b)(5).

(5) "Producing and harvesting agricultural products" means those activities described in Major Groups 01, 02 and 07 of the SIC Manual. Major Group 01 includes establishments engaged in the production of crops, plants, vines, and trees (excluding forestry operations). This major group also includes establishments engaged in the operation of sod farms; in the production of mushrooms, bulbs, flower seeds, and vegetable seeds; and in the growing of hydroponic crops. Major Group 02 includes establishments engaged in the keeping, grazing, or feeding of livestock for the sale of livestock or livestock products (including serums), for livestock increase, or for value increase. Livestock, as specified in Major Group 02, includes cattle, hogs, sheep, goats, and poultry of all kinds; also included are animal specialties, such as horses, rabbits, bees, pets, fish in captivity, and fur-bearing animals in captivity. Major Group 07 includes establishments engaged in performing soil preparation services, crop services, veterinary services, animal services, landscape and horticultural services, and farm labor and management services. Producing and harvesting agricultural products involves the cultivation of land or the growing, raising, or gathering of the commodities described in Codes 0111 to 0291 of the SIC Manual and integral activities thereto described in Code 0711 to 0783 of the SIC Manual. Such activities include, but are not limited to, flame weeding, pest control, nut hulling and shelling, crop drying, cotton ginning, poultry and pig brooding, livestock breeding, water heating, crop heating, and fruit ripening. Producing and harvesting agricultural products also includes the washing of agricultural products, the inspection and grading of agricultural products or livestock, or the packaging of agricultural products for shipment. Except as otherwise provided under Major Groups 01, 02 or 07 of the SIC Manual, producing and harvesting activities do not include post harvesting activities nor those activities described or otherwise designated in Major Group 20 – Food and Kindred Products of the SIC Manual. Nevertheless, the specific activities of sun drying or artificially dehydrating fruits and vegetables as described in Code 2034 of the SIC Manual qualify as producing and harvesting activities where those activities are performed by a qualified person as defined in (b)(6) or a person who assists a qualified person as defined in (b)(3).

For example, a person engaged in a SIC Code 0172 establishment that performs activities such as producing grapes on a grape farm or vineyard, who uses crop drying equipment primarily to remove moisture from the grapes to prevent mold, will qualify for the partial exemption if the grapes are owned by a qualified person engaged in an establishment described in SIC Code 0111 to 0291. However, a person who is exclusively engaged in a SIC Code 2034 establishment that sun dries or artificially dehydrates fruits and vegetables such as dates, prunes or raisins, that purchases grapes from a grape farm, and uses crop drying equipment primarily to change the character of the commodity from a grape to a raisin, will not qualify for the partial exemption since he or she is not engaged in a qualified SIC Code activity. A person engaged in a qualified SIC Code that performs a harvest activity will qualify for the partial exemption to the extent the qualified property is used primarily in such qualified activity despite the fact that the property may otherwise be used less than 50% of the time in post-harvest activities by a person undertaking activities described in SIC Code 2034.

(6) "Qualified person" means a person engaged in a line of business described in Codes 0111 to 0291 of the SIC Manual or performs activities described in Codes 0711 to 0783 in addition to being engaged in a line of business described in Codes 0111 to 0291, which includes cash grains, field crops, vegetables and melons, fruits and tree nuts, horticultural specialties, livestock, dairy, poultry and eggs, and animal specialties and who sells such commodities to others. A qualified person also includes any person conducting activities, as defined in (b)(3) above, that uses qualified property to assist a person engaged in a line of business described herein in producing and harvesting agricultural products owned by the qualified person. A qualified person is not required to be engaged 50 percent or more of the time in a line of business described in Codes 0111 to 0291. A qualified person does not include a person operating a garden plot, orchard, or farm for the purpose of growing produce or animals for that person's own use.

(7) "Qualified property" means farm equipment and machinery, and the parts thereof, as defined in subdivision (b)(1)-(2) used primarily in producing and harvesting agricultural products.

(c) PARTIAL EXEMPTION CERTIFICATES.

(1) **IN GENERAL.** Qualified persons who purchase or lease qualified property from an in-state retailer, or an out-of state retailer obligated to collect use tax, must provide the retailer with a partial exemption certificate in order for the retailer to claim the partial exemption. If the retailer takes a partial exemption certificate timely and in good faith, as defined in subdivision (c)(5), from a qualified person, the partial exemption certificate relieves the retailer from the liability for the sales tax subject to exemption under this regulation or the duty of collecting the use tax subject to exemption under this regulation. A partial exemption certificate will be considered timely if it is taken any time before the retailer bills the purchaser for the qualified property, any time within the retailer's normal billing or payment cycle, any time at or prior to delivery of the qualified property to the purchaser, or no later than 15 days after the date of purchase. A partial exemption certificate which is not taken timely will not relieve the retailer of the liability for tax excluded by the partial exemption; however the retailer may present satisfactory evidence to the Board that the retailer sold the specific property to a qualified person and the property was primarily used in a qualifying manner. A partial exemption from the sales and use tax under this part shall not be allowed unless the retailer claims the partial exemption on its sales and use tax return for the reporting period during which the transaction subject to the partial exemption occurred. Where the retailer fails to claim the partial exemption as set forth above, the retailer may file a claim for refund as set forth in subdivision (e).

The partial exemption certificate form set forth in Appendix B may be used to claim the partial exemption.

(2) **BLANKET PARTIAL EXEMPTION CERTIFICATES.** In lieu of requiring a partial exemption certificate for each transaction, a qualified person may issue a blanket partial exemption certificate. The partial exemption certificate form set forth in Appendix B may be used as a blanket partial exemption certificate. Appendix B may also be used as a specific partial exemption certificate if the purchaser provides the purchase order or sales invoice number and a precise description of the property being purchased. Qualified persons must include in the partial exemption certificate a description of the qualified property. If purchasing tangible personal property not qualifying for the partial exemption, the qualified person must clearly state in documents such as a written purchase order, sales agreement, lease, or contract that the sale or purchase is not subject to the blanket partial exemption certificate.

(3) **FORM OF PARTIAL EXEMPTION CERTIFICATE.** Any document, such as a letter or purchase order, timely provided by the purchaser to the seller will be regarded as a partial exemption certificate with respect to the sale or purchase of the property described in the document if it contains all of the following essential elements:

(A) The signature of the purchaser, purchaser's employee, or authorized representative of the purchaser.

(B) The name, address and telephone number of the purchaser.

(C) The number of the seller's permit held by the purchaser. If the purchaser is not required to hold a permit because the purchaser sells only property of a kind the retail sale of which is not taxable, e.g., food products for human consumption, or because the purchaser makes no sales in this state, the purchaser must include on the certificate a sufficient explanation as to the reason the purchaser is not required to hold a California seller's permit in lieu of a seller's permit number.

(D) A statement that the property purchased is to be used primarily, or exclusively as to qualifying vehicles, in producing and harvesting agricultural products.

(E) A statement that the purchaser is a person engaged in an agricultural business described in Codes 0111 to 0291 of the SIC Manual or is a person that assists such classified person by performing an agricultural service described in Codes 0711 to 0783 of the SIC Manual.

(F) Description of property purchased.

(G) Date of execution of document.

(4) **RETENTION AND AVAILABILITY OF PARTIAL EXEMPTION CERTIFICATES.** A retailer must retain each partial exemption certificate received from a qualified person for a period of not less than four years from the date on which the retailer claims a partial exemption based on the partial exemption certificate.

While the Board will not normally require the filing of the partial exemption certificate with a sales and use tax return, when necessary for the efficient administration of the Sales and Use Tax Law, the Board may on 30 days' written notice, require a retailer to commence filing with its sales and use tax returns copies of all partial exemption certificates. The Board may also require, within 45 days of the Board's request, retailers provide the Board access to any and all partial exemption certificates, or copies thereof, accepted for the purposes of supporting the partial exemption.

(5) **GOOD FAITH.** A seller will be presumed to have taken a partial exemption certificate in good faith in the absence of evidence to the contrary. A seller, without knowledge to the contrary, may accept a partial exemption certificate in good faith where a qualified person states that he or she is engaged in an agricultural business described in Codes 0111 to 0291 of the SIC Manual or in which a person that assists a qualified person states that he or she performs an agricultural service described in Codes 0711 to 0783 of the SIC Manual and states that the property purchased is to be used primarily, or exclusively as to qualifying vehicles, in producing and harvesting agricultural products. If the qualified person or person that assists a qualified person is buying property of a kind not normally used in producing and harvesting agricultural products, the seller should require a statement as to how the specific property purchased will be used. However, an exemption certificate cannot be accepted in good faith where the seller has knowledge that the property is not subject to a partial exemption, or will not be otherwise used in a partially exempt manner.

(d) PARTIAL EXEMPTION CERTIFICATE FOR USE TAX. The partial exemption certificate must be completed by a qualified person to claim a partial exemption from use tax on purchases of qualified property from an out-of-state retailer not obligated to collect the use tax. A partial exemption from the use tax shall not be allowed unless the purchaser or retailer claims the partial exemption on its individual use tax return, sales and use tax return, or consumer use tax return for the reporting period during which the transaction subject to the partial exemption occurred. Where the purchaser or retailer fails to claim the partial exemption as set forth above, the purchaser or retailer may file a claim for refund as set forth in subdivision (e).

The purchaser who files an individual use tax return must attach a completed partial exemption certificate to the return. The purchaser who is registered with the Board as a retailer or consumer and files a sales and use tax return or consumer use tax return must, within 45 days of the Board's request, provide the Board access to any and all documents that support the claimed partial exemption.

The partial exemption certificate form set forth in Appendix B may be used to claim the partial exemption.

(e) REFUND OF PARTIAL EXEMPTION.

(1) For the period commencing on September 1, 2001, and ending on April 30, 2002, a qualified person may claim the partial exemption on qualified purchases from an in-state retailer or an out-of-state retailer obligated to collect the use tax by furnishing the retailer with a partial exemption certificate on or before July 31, 2002. The retailer must refund the tax or tax reimbursement directly to a qualified purchaser of qualified property or, at the purchaser's sole option, the purchaser may be credited with such amount.

(2) A retailer who paid sales tax on a qualified sale or a person who paid use tax on a qualified purchase and who failed to claim the partial exemption as provided by this regulation may file a claim for refund equal to the amount of the partial exemption that he or she could have claimed pursuant to this regulation. The procedure for filing a claim shall be the same as for other claims for refund filed pursuant to Revenue and Taxation Code section 6901. For transactions subject to use tax, a qualified person filing a claim for refund of the partial exemption has the burden of establishing that he or she was entitled to claim the partial exemption with respect to the amount of refund claimed under this part. For transactions subject to sales tax, a person filing a claim for refund of the partial exemption has the burden of establishing that the purchaser of the qualified property otherwise met all the requirements of a qualified person at the time of the purchase subject to the refund claimed under this part.

(f) IMPROPER USE OF PARTIAL EXEMPTION.

(1) **PROPERTY USED IN A MANNER NOT QUALIFYING FOR THE PARTIAL EXEMPTION.** Notwithstanding subdivision (a), tax applies to any sale of, and the storage, use, or other consumption in this state of tangible personal property that is used in a manner not qualifying for the partial exemption under this regulation.

(2) **PURCHASES BY NON-QUALIFIED PERSONS.** Notwithstanding subdivision (a), tax applies to any sale of, and the storage, use, or other consumption in this state of tangible personal property if a purchaser is not a qualified person.

(g) PURCHASER'S LIABILITY FOR THE PAYMENT OF SALES TAX.

(1) If a purchaser timely submits a copy of a partial exemption certificate to the retailer or partial exemption certificate for use tax to the Board, and then uses that tangible personal property in a manner not qualifying for the partial exemption, the purchaser shall be liable for payment of the sales tax, with applicable interest, to the same

extent as if the purchaser were a retailer making a retail sale of the property at the time the property was so removed, converted, or used.

(2) A purchaser providing a partial exemption certificate accepted in good faith by the retailer or a partial exemption certificate for use tax to the Board for tangible personal property that does not qualify for the partial exemption is liable for payment of the sales tax, with applicable interest, to the same extent as if the purchaser were a retailer making a retail sale of the property at the time the property was purchased.

(h) LEASES TO QUALIFYING PERSONS.

(1) **LEASES—IN GENERAL.** Leases of tangible personal property which are classified as "continuing sales" and "continuing purchases" of tangible personal property, in accordance with Regulation 1660, "Leases of Tangible Personal Property – In General," may qualify for the partial exemption subject to all the limitations and conditions set forth in this regulation. This partial exemption may apply to rentals payable paid by a qualified person on or after September 1, 2001 with respect to a lease of qualified property to the qualified person, which qualified property is used in producing and harvesting agricultural products, notwithstanding the fact that the lease was entered into prior to the effective date of this regulation. For purposes of this subdivision, a non-qualified person may purchase property for resale and subsequently lease the property to a qualified person subject to the partial exemption.

(2) **LEASES—ACQUISITION SALE AND LEASEBACK.** A qualified person will be regarded as having paid sales tax reimbursement or use tax with respect to that qualified person's purchase of property, within the meaning of those words as they are used in section 6010.65 of the Revenue and Taxation Code, if the qualified person has paid all applicable taxes with respect to the acquisition of the property, notwithstanding the fact that the sale and purchase of the property may have been subject to the partial exemption from tax provided by this regulation.

(3) **SUBSEQUENT LEASE OF PROPERTY ACQUIRED SUBJECT TO PARTIAL EXEMPTION.** If a qualified person has acquired property subject to the partial exemption provided by this regulation and has paid all applicable taxes at that acquisition, the property will be regarded as property as to which sales tax reimbursement or use tax has been paid, and the subsequent lease of that property will not be subject to tax measured by rentals payable.

(i) RECORDS. Adequate and complete records must be maintained by the qualified person as evidence that the qualified property purchased was used by the qualified person primarily in producing and harvesting agricultural products.

(j) OPERATIVE DATE. This regulation is operative as of September 1, 2001.

Appendix A. The following is a list of typical vehicles regarded as farm equipment and machinery:

1. A lift carrier or other vehicle designed and used exclusively for the lifting and carrying of implements of husbandry or tools used exclusively for the production or harvesting of agricultural products, when operated or moved upon a highway.
2. A trailer of the tip-bed type when used exclusively in the transportation of other implements of husbandry or tools used exclusively for the production or harvesting of agricultural products.
3. A trailer or semi-trailer having no bed, and designed and used solely for transporting a hay loader or swather.
4. A spray or fertilizer applicator rig used exclusively for spraying or fertilizing in the conduct of agricultural operations, except anhydrous ammonia fertilizer applicator rigs which have a transportation capacity in excess of 500 gallons.
5. A trailer or semi-trailer which has a maximum transportation capacity in excess of 500 gallons, but not more than 1,000 gallons, used exclusively for the transportation and application of anhydrous ammonia, if the vehicle is either equipped with operating brakes or is towed upon a highway by a motor truck that is assigned a manufacturer's gross vehicle weight rating of 3/4 ton or more.
6. A nurse rig or equipment auxiliary to the use of and designed or modified for the fueling, repairing, or loading of an applicator rig or an airplane used for the dusting, spraying, fertilizing, or seeding of crops.
7. A row duster.
8. A wagon or van used exclusively for carrying products of farming from one part of a farm to another part thereof, or from one farm to another farm, and used solely for agricultural purposes, including any van used in harvesting alfalfa or cotton, which is only incidentally operated or moved on a highway as a trailer.
9. A wagon or portable house on wheels used solely by shepherds as a permanent residence in connection with sheep raising operations and moved from one part of a ranch to another part thereof or from one ranch to another ranch, which is only incidentally operated or moved on a highway as a trailer.
10. A trap wagon, as defined in Vehicle Code Section 36016, moved from one part of a ranch to another part of the same ranch or from one ranch to another, which is only operated or moved on a highway incidental to agricultural operations. The fuel tank or tanks of the trap wagon shall not exceed 1,000 gallons total capacity.
11. Any vehicle which is operated upon a highway only for the purpose of transporting agricultural products and is in no event operated along a highway for a total distance greater than one mile from the point of origin of the trip.
12. A portable honey-extracting trailer or semi-trailer.
13. A fertilizer nurse tank or trailer that is not self-propelled and which is moved unladen on the highway and auxiliary to the use of a spray or fertilizer applicator rig.
14. Any cotton trailer when used on the highways for the exclusive purpose of transporting cotton from a farm to a cotton gin, and returning the empty trailer to such farm.
15. A truck tractor or truck tractor and semi-trailer combination which is owned by a farmer and operated on the highways, (1) only incidental to a farming operation, (2) not for compensation, and (3) for a distance of not more than two miles (on the highway) each way. This subdivision applies only to truck tractors with a manufacturer's gross vehicle weight rating over 10,000 pounds that are equipped with all-wheel drive and off-highway traction tires on all wheels, and only to semi-trailers used in combination with such a truck tractor and exclusively in production or harvesting of tomatoes. The vehicles specified in this subdivision shall not be operated in excess of 25 miles per hour on the highways.
16. Any farm tractor used upon a highway to draw a farm trailer carrying farm produce, or to draw any trailer or semi-trailer carrying other implements of husbandry, between farms, or from a farm to a processing or handling point and returning with or without the trailer.

Appendix B.

PARTIAL EXEMPTION CERTIFICATE

STATE BOARD OF EQUALIZATION

Qualified Sales and Purchases of Farm Equipment and Machinery

NOTE: This is an exemption only from the state general fund portion of the sales and use tax rate. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to Section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to Section 35 of article XIII of the California Constitution. This partial exemption also applies to lease payments made on or after September 1, 2001, for tangible personal property even if the lease agreement was entered into prior to September 1, 2001.

SELLER'S/LESSOR'S NAME	
SELLER'S/LESSOR'S ADDRESS (Street, City, State, Zip Code)	

I, as the undersigned purchaser, hereby certify I am engaged in an agricultural business described in Codes 0111 to 0291 of the Standard Industrial Classification (SIC) Manual, or I perform an agricultural service described in Codes 0711 to 0783 of the SIC Manual for such classified persons. The property purchased or leased will be used primarily in producing and harvesting agricultural products in accordance with Revenue & Taxation Code Section 6356.5.¹

Type of Farm Equipment and Machinery (or parts² thereof)*

*If you also want this certificate to be used as a blanket certificate for future purchases, describe generally the type of property you will be purchasing and ask your vendor to keep this certificate on file. If this is a specific partial exemption certificate, provide the purchase order or sales invoice number and a precise description of the property being purchased.

I understand that if such property is not used in the manner qualifying for the partial exemption, or if I am not a qualified person, as applicable, that I am required by the Sales and Use Tax Law to report and pay the state tax measured by the sales price/rentals payable of the property to/by me. I also understand that this partial exemption certificate is in effect as of the date shown below and will remain in effect until revoked in writing.

PURCHASER'S NAME OR COMPANY NAME (If applicable)		DATE
SIGNATURE (signature of the purchaser, purchaser's employee, or authorized representative of the purchaser)		PERMIT NUMBER (If applicable) ³
TITLE		TELEPHONE NUMBER
ADDRESS	CITY	STATE, ZIP

¹ Vehicles that qualify as farm equipment and machinery, as defined in Regulation 1533.1(b)(1)(B), must be used exclusively in producing and harvesting agricultural products.
² If you are purchasing oil, grease, or lubricating or other qualifying fluids, indicate what percentage will be used in farm equipment and machinery performing qualified producing and harvesting activities.
³ If you are not required to hold a seller's permit, please enter "Not Applicable."

Reference: Section 6356.5, Revenue and Taxation Code

**Revised Text of Proposed Amendments to
California Code of Regulations, Title 18, Section 1534**

Regulation 1534. TIMBER HARVESTING EQUIPMENT AND MACHINERY

(a) GENERAL. Commencing on and after September 1, 2001, section 6356.6 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of off-road commercial timber harvesting equipment and machinery, and parts of off-road commercial timber harvesting equipment and machinery, that are purchased by a qualified person for use primarily in timber harvesting. The terms "off-road commercial timber harvesting equipment and machinery," "parts of off-road commercial timber harvesting equipment and machinery," "qualified person," and "commercial timber harvesting operations" are defined below.

For the period commencing on September 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011, ~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative,~~ the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) DEFINITIONS. For purposes of this regulation:

(1) "Commercial timber harvesting operations" means the cutting or removal or both of timber or other solid wood forest products, from timberlands for commercial purposes, together with all the work incidental thereto, including but not limited to, construction and maintenance of roads, fuel breaks, firebreaks, stream crossings, landings, skid trails, beds for the falling of trees, fire hazard abatement, reforestation, and site preparation that involves disturbance of soil or burning of vegetation following timber harvesting activities. Such activities include, but are not limited to, bucking, bunching, chipping, debarking, delimiting, felling, forwarding, loading, piling, skidding, slashing, topping and yarding operations performed on timber. Commercial timber harvesting operations do not include the use of timber in processing activities or other activities resulting in the creation of other commercial wood products for sale to others, including, without limitation, milling, planing, carving, paper manufacturing, the treating of wood with creosote or other preservatives to prevent decay or protect against fire, or the packaging of wood chips for use in preparing food.

(2) "Off-road commercial timber harvesting equipment and machinery" means any new or used device, that may be powered by an internal combustion engine, electric motor, or otherwise, that is necessary in complying with any

operational requirements of federal, state, or local government laws and regulations and is designed primarily for use off the highways, to propel, move, draw or cut timber in commercial timber harvesting operations. Such items include, but are not limited to, chainsaws, slashers, debarkers, harvesters, forwarders, feller-bunchers, cable yarding equipment, yarders, loading helicopters, chippers, bulldozers; loading equipment used to lift and move the equipment; graders; water trucks and similar logging road building and maintenance equipment; fuel storage equipment, site preparation equipment; all-terrain vehicles; fire fighting and safety equipment; timber harvest preparation equipment; reforestation tools and equipment; loaders; carriages; skidders; mobile metal spars; delimiters; chokers; steel cables; grapples; front-end loaders, and tractors or rubber tire skidders and other equipment used to fell, delimit, cross-cut, measure, sort, bunch, move and load timber for transport to roadside.

Off-road commercial timber harvesting equipment and machinery does not include junction boxes, switches, conduit and wiring, valves, pipes, tubing incorporated into fixed works, buildings, or other structures, whether or not such items are used solely or partially in connection with the operation of equipment and machinery. Off-road commercial timber harvesting equipment and machinery also does not include supplies such as articles of clothing, fuels, real property, materials or fixtures within the meaning of subdivisions (a)(4) and (a)(5), respectively, of Regulation 1521, Construction Contractors, including such items set forth in Appendix A and B of Regulation 1521.

(3) "Parts of off-road commercial timber harvesting equipment and machinery" means:

(A) All component parts and contrivances include, but are not limited to, belts, shafts, pipes, hoses and moving parts, that are parts of off-road commercial timber harvesting equipment and machinery as defined in subdivision (b)(2) that can be separated from the off-road commercial timber harvesting equipment and machinery and replaced. Parts of off-road commercial timber harvesting equipment and machinery do not include items that are consumed (e.g., burned, evaporate, dissolve, dissipate) through the regular use of the off-road commercial timber harvesting equipment and machinery (e.g., gasoline, cleaning agents, solutions, chemicals) which are ordinarily supplies; however, lubricants and fluids not consumed (e.g., engine oil not consumed as part of fuel for a two-stroke engine) is regarded as a component part.

(B) All repair and replacement parts for off-road commercial timber harvesting equipment and machinery as defined in subdivision (b)(2) which replace previous parts and can include parts that are identical to the parts they replace as well as parts that are different from the ones they replace, such as replacement parts added for the purpose of improving or modifying the off-road commercial timber harvesting equipment and machinery, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by a qualified person or another person. Parts of off-road commercial timber harvesting equipment and machinery do not include tangible personal property used in effectuating the repair of any timber harvesting equipment and machinery such as a wrench used to replace a spark plug, except tools used for repair that are designed exclusively for specific off-road commercial timber harvesting equipment and machinery.

(C) All equipment or devices used or required to operate, control, regulate, or maintain the machinery including, without limitation, computers, data processing equipment, and computer software, including both operating programs and application programs. Parts of off-road commercial timber harvesting equipment and machinery do not include tangible personal property used primarily in the administration, management, or marketing of timber harvesting operations.

(4) "Primarily" means used 50 percent or more of the time. As used herein, the qualified property has to be designed for use 50 percent or more of the time off-road in commercial timber harvesting operations and be used 50 percent or more of the time in timber harvesting.

(5) "Qualified person" means a person engaged in commercial timber harvesting operations. A qualified person is not required to be engaged 50 percent or more of the time in commercial timber harvesting operations.

(6) "Qualified property" means off-road commercial timber harvesting equipment and machinery, and the parts thereof, as defined in subdivisions (b)(2) and (b)(3) used primarily in timber harvesting.

(7) "Timber" means trees of any species maintained for eventual harvest for forest products or other forest purposes, whether planted or of natural growth, standing or down, including Christmas trees, on privately or publicly owned land, but does not mean nursery stock.

(8) "Timberland" means privately or publicly owned land which is devoted to and used for growing or timber harvesting, or for growing and timber harvesting and compatible uses, and which is capable of growing an average annual volume of wood fiber of at least 15 cubic feet per acre.

(c) PARTIAL EXEMPTION CERTIFICATES.

(1) **IN GENERAL.** Qualified persons who purchase or lease qualified property from an in-state retailer, or an out-of state retailer obligated to collect use tax, must provide the retailer with a partial exemption certificate in order for the retailer to claim the partial exemption. If the retailer takes a partial exemption certificate timely and in good faith, as defined in subdivision (c)(5), from a qualified person, the partial exemption certificate relieves the retailer from the liability for the sales tax subject to exemption under this regulation or the duty of collecting the use tax subject to exemption under this regulation. A partial exemption certificate will be considered timely if it is taken any time before the retailer bills the purchaser for the qualified property, any time within the retailer's normal billing or payment cycle, any time at or prior to delivery of the qualified property to the purchaser, or no later than 15 days after the date of purchase. A partial exemption certificate that is not taken timely will not relieve the retailer of the liability for tax excluded by the partial exemption; however the retailer may present satisfactory evidence to the Board that the retailer sold the specific property to a qualified person and the property was primarily used in a qualifying manner. A partial exemption from the sales and use tax under this part shall not be allowed unless the retailer claims the partial exemption on its sales and use tax return for the reporting period during which the transaction subject to the partial exemption occurred. Where the retailer fails to claim the partial exemption as set forth above, the retailer may file a claim for refund as set forth in subdivision (e).

The partial exemption certificate form set forth in Appendix A may be used to claim the partial exemption.

(2) **BLANKET PARTIAL EXEMPTION CERTIFICATES.** In lieu of requiring a partial exemption certificate for each transaction, a qualified person may issue a blanket partial exemption certificate. The partial exemption certificate form set forth in Appendix A may be used as a blanket partial exemption certificate. Appendix A may also be used as a specific partial exemption certificate if the purchaser provides the purchase order or sales invoice number and a precise description of the property being purchased. Qualified persons must include in the partial exemption certificate a description of the qualified property. If purchasing tangible personal property not qualifying for the partial exemption, the qualified person must clearly state in documents such as a written purchase order, sales agreement, lease, or contract that the sale or purchase is not subject to the blanket partial exemption certificate.

(3) **FORM OF PARTIAL EXEMPTION CERTIFICATE.** Any document, such as a letter or purchase order, timely provided by the purchaser to the seller will be regarded as a partial exemption certificate with respect to the sale or purchase of the property described in the document if it contains all of the following essential elements:

(A) The signature of the purchaser, purchaser's employee, or authorized representative of the purchaser.

(B) The name, address and telephone number of the purchaser.

(C) The number of the seller's permit held by the purchaser. If the purchaser is not required to hold a permit because the purchaser sells only property of a kind the retail sale of which is not taxable, e.g., food products for human consumption, or because the purchaser makes no sales in this state, the purchaser must include on the certificate a sufficient explanation as to the reason the purchaser is not required to hold a California seller's permit in lieu of a seller's permit number.

(D) A statement that the purchaser is engaged in commercial timber harvesting operations, and that the property purchased is primarily designed for off-road use in commercial timber harvesting operations and will be used primarily in timber harvesting.

(E) Description of property purchased.

(F) Date of execution of document.

(4) **RETENTION AND AVAILABILITY OF PARTIAL EXEMPTION CERTIFICATES.** A retailer must retain each partial exemption certificate received from a qualified person for a period of not less than four years from the date on which the retailer claims a partial exemption based on the partial exemption certificate.

While the Board will not normally require the filing of the partial exemption certificate with a sales and use tax return, when necessary for the efficient administration of the Sales and Use Tax Law, the Board may on 30 days' written notice, require a retailer to commence filing with its sales and use tax returns copies of all partial exemption certificates. The Board may also require, within 45 days of the Board's request, retailers provide the Board access to any and all partial exemption certificates, or copies thereof, accepted for the purposes of supporting the partial exemption.

(5) **GOOD FAITH.** A seller will be presumed to have taken a partial exemption certificate in good faith in the absence of evidence to the contrary. A seller, without knowledge to the contrary, may accept a partial exemption certificate in good faith where a qualified person states that he or she is engaged in commercial timber harvesting operations and states that the property purchased is primarily designed for off-road use in commercial timber harvesting operations and will be used primarily in timber harvesting. If the qualified person is buying property of a kind not normally used in timber harvesting, the seller should require a statement as to how the specific property purchased will be used. However, an exemption certificate cannot be accepted in good faith where the seller has knowledge that the property is not subject to a partial exemption, or will not be otherwise used in a partially exempt manner.

(d) PARTIAL EXEMPTION CERTIFICATE FOR USE TAX. The partial exemption certificate must be completed by a qualified person to claim a partial exemption from use tax on purchases of qualified property from an out-of-state retailer not obligated to collect the use tax. A partial exemption from the use tax shall not be allowed unless the purchaser or retailer claims the partial exemption on its individual use tax return, sales and use tax return, or consumer use tax return for the reporting period during which the transaction subject to the partial exemption occurred. Where the purchaser or retailer fails to claim the partial exemption as set forth above, the purchaser or retailer may file a claim for refund as set forth in subdivision (e).

The purchaser who files an individual use tax return must attach a completed partial exemption certificate to the return. The purchaser who is registered with the Board as a retailer or consumer and files a sales and use tax return or consumer use tax return must, within 45 days of the Board's request, provide the Board access to any and all documents that support the claimed partial exemption.

The partial exemption certificate form set forth in Appendix A may be used to claim the partial exemption.

(e) REFUND OF PARTIAL EXEMPTION.

(1) For the period commencing on September 1, 2001, and ending on June 30, 2002, a qualified person may claim the partial exemption on qualified purchases from an in-state retailer or an out-of-state retailer obligated to collect the use tax by furnishing the retailer with a partial exemption certificate on or before September 30, 2002. The retailer must refund the tax or tax reimbursement directly to the purchaser or, at the purchaser's sole option, the purchaser may be credited with such amount.

(2) A retailer who paid sales tax on a qualified sale or a person who paid use tax on a qualified purchase and who failed to claim the partial exemption as provided by this regulation may file a claim for refund equal to the amount of the partial exemption that he or she could have claimed pursuant to this regulation. The procedure for filing a claim shall be the same as for other claims for refund filed pursuant to Revenue and Taxation Code section 6901. For transactions subject to use tax, a qualified person filing a claim for refund of the partial exemption has the burden of establishing that he or she was entitled to claim the partial exemption with respect to the amount of refund claimed under this part. For transactions subject to sales tax, a person filing a claim for refund of the partial exemption has the burden of establishing that the purchaser of the qualified property otherwise met all the requirements of a qualified person at the time of the purchase subject to the refund claimed under this part.

(f) IMPROPER USE OF PARTIAL EXEMPTION.

(1) **PROPERTY USED IN A MANNER NOT QUALIFYING FOR THE PARTIAL EXEMPTION.** Notwithstanding subdivision (a), tax applies to any sale of, and the storage, use, or other consumption in this state of tangible personal property that is used in a manner not qualifying for the partial exemption under this regulation.

(2) **PURCHASES BY NON-QUALIFIED PERSONS.** Notwithstanding subdivision (a), tax applies to any sale of, and the storage, use, or other consumption in this state of tangible personal property if a purchaser is not a qualified person.

(g) PURCHASER'S LIABILITY FOR THE PAYMENT OF SALES TAX.

(1) If a purchaser timely submits a copy of a partial exemption certificate to the retailer or partial exemption certificate for use tax to the Board, and then uses that tangible personal property in a manner not qualifying for the partial exemption, the purchaser shall be liable for payment of the sales tax, with applicable interest, to the same extent as if the purchaser were a retailer making a retail sale of the property at the time the property was so removed, converted, or used.

(2) A purchaser providing a partial exemption certificate accepted in good faith by the retailer or a partial exemption certificate for use tax to the Board for tangible personal property that does not qualify for the partial

exemption is liable for payment of the sales tax, with applicable interest, to the same extent as if the purchaser were a retailer making a retail sale of the property at the time the property was purchased.

(h) LEASES TO QUALIFYING PERSONS.

(1) **LEASES—IN GENERAL.** Leases of tangible personal property which are classified as “continuing sales” and “continuing purchases” of tangible personal property, in accordance with Regulation 1660, “Leases of Tangible Personal Property – In General,” may qualify for the partial exemption subject to all the limitations and conditions set forth in this regulation. This partial exemption may apply to rentals payable paid by a qualified person on or after September 1, 2001 with respect to a lease of qualified property to the qualified person, which qualified property is used primarily in timber harvesting, notwithstanding the fact that the lease was entered into prior to the effective date of this regulation. For purposes of this subdivision, a non-qualified person may purchase property for resale and subsequently lease the property to a qualified person subject to the partial exemption.

(2) **LEASES—ACQUISITION SALE AND LEASEBACK.** A qualified person will be regarded as having paid sales tax reimbursement or use tax with respect to that qualified person’s purchase of property, within the meaning of those words as they are used in section 6010.65 of the Revenue and Taxation Code, if the qualified person has paid all applicable taxes with respect to the acquisition of the property, notwithstanding the fact that the sale and purchase of the property may have been subject to the partial exemption from tax provided by this regulation.

(3) **SUBSEQUENT LEASE OF PROPERTY ACQUIRED SUBJECT TO PARTIAL EXEMPTION.** If a qualified person has acquired property subject to the partial exemption provided by this regulation and has paid all applicable taxes at that acquisition, the property will be regarded as property as to which sales tax reimbursement or use tax has been paid, and the subsequent lease of that property will not be subject to tax measured by rentals payable.

(i) RECORDS. Adequate and complete records must be maintained by the qualified person as evidence that the qualified property purchased was primarily designed for off-road use in commercial timber harvesting operations and was used by the qualified person primarily in timber harvesting.

(j) OPERATIVE DATE. This regulation is operative as of September 1, 2001.

APPENDIX A

PARTIAL EXEMPTION CERTIFICATE

STATE BOARD OF EQUALIZATION

Qualified Sales and Purchases of Timber Harvesting Equipment and Machinery

NOTE: This is an exemption only from the state general fund portion of the sales and use tax rate. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. This partial exemption also applies to lease payments made on or after September 1, 2001, for tangible personal property even if the lease agreement was entered into prior to September 1, 2001.

SELLER'S/LESSOR'S NAME
SELLER'S/LESSOR'S ADDRESS (Street, City, State, Zip Code)

I, as the undersigned purchaser, hereby certify I am engaged in commercial timber harvesting operations. The property purchased or leased is primarily designed for off-road use in commercial timber harvesting operations and will be used primarily in timber harvesting in accordance with Revenue & Taxation Code section 6356.6.

Type of Timber Harvesting Equipment and Machinery (and the parts¹ thereof)*

*If you also want this certificate to be used as a blanket certificate for future purchases, describe generally the type of property you will be purchasing and ask your vendor to keep this certificate on file. If this is a specific partial exemption certificate, provide the purchase order or sales invoice number and a precise description of the property being purchased.

I understand that if such property is not used in the manner qualifying for the partial exemption, or if I am not a qualified person, as applicable, that I am required by the Sales and Use Tax Law to report and pay the state tax measured by the sales price/rentals payable of the property to/by me. I also understand that this partial exemption certificate is in effect as of the date shown below and will remain in effect until revoked in writing.

PURCHASER'S NAME OR COMPANY NAME (if applicable)		DATE
SIGNATURE (signature of the purchaser, purchaser's employee, or authorized representative of the purchaser)		PERMIT NUMBER (if applicable) ²
TITLE		TELEPHONE NUMBER
ADDRESS	CITY	STATE, ZIP

Reference: Section 6356.6, Revenue and Taxation Code.

¹ If you are purchasing oil, grease, or lubricating or other qualifying fluids, indicate what percentage will be used in timber harvesting equipment and machinery performing qualified timber harvesting activities.

² If you are not required to hold a seller's permit, please enter "Not Applicable."

**Revised Text of Proposed Amendments to
California Code of Regulations, Title 18, Section 1535**

Regulation 1535. RACEHORSE BREEDING STOCK.

(a) GENERAL. Commencing on and after September 1, 2001, section 6358.5 of the Revenue and Taxation Code partially exempts from sales and use tax the sale of, and the storage, use, or other consumption in this state, of racehorse breeding stock purchased for use by a qualified person. The terms "racehorse breeding stock" and "qualified person" are defined below.

For the period commencing on September 1, 2001 and ending December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, and ending on March 31, 2009, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on April 1, 2009, and ending on June 30, 2011~~when sections 6051.7 and 6201.7 of the Revenue and Taxation Code cease to be operative~~, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6051.7, 6201, 6201.3, 6201.5, and 6201.7 of the Revenue and Taxation Code (6.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2011, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

(b) DEFINITIONS. For purposes of this regulation:

(1) "Qualified person" means a person who purchases racehorse breeding stock solely with the intent and purpose of breeding.

(2) "Qualified property" means racehorse breeding stock, as defined in subdivision (b)(3).

(3) "Racehorse breeding stock" means a live horse that meets all of the following criteria:

(A) Is or will be eligible to participate in a horseracing contest in California wherein pari-mutuel wagering is permitted under rules and regulations prescribed by the California Horse Racing Board.

(B) Is capable of producing foals which will be eligible to participate in a horseracing contest in California wherein pari-mutuel wagering is permitted under rules and regulations prescribed by the California Horse Racing Board.

(C) Is or was registered with an agency recognized by the California Horse Racing Board and such registering agency does not register the horse as ineligible for breeding stock. Agencies currently recognized are

The Jockey Club, The American Quarter Horse Association, The United States Trotting Association, The Appaloosa Horse Club, The Arabian Horse Registry of America, and the American Paint Horse Association.

Racehorse breeding stock does not include any horse over four years old, or five years old in the case of an Arabian horse, that has neither participated in or trained for a horserace contest on which pari-mutuel wagering is permitted, nor been used for breeding purposes in order to produce racehorses.

(4) "Solely" means 100 percent or "only."

(c) PARTIAL EXEMPTION CERTIFICATES.

(1) **IN GENERAL.** Qualified persons who purchase or lease qualified property from an in-state retailer, or an out-of-state retailer obligated to collect use tax, must provide the retailer with a partial exemption certificate in order for the retailer to claim the partial exemption. If the retailer takes a partial exemption certificate timely and in good faith, as defined in subdivision (c)(5), from a qualified person, the partial exemption certificate relieves the retailer from the liability for the sales tax subject to exemption under this regulation or the duty of collecting the use tax subject to exemption under this regulation. A partial exemption certificate will be considered timely if it is taken any time before the retailer bills the purchaser for the qualified property, any time within the retailer's normal billing or payment cycle, any time at or prior to delivery of the qualified property to the purchaser, or no later than 15 days after the date of purchase. A partial exemption certificate which is not taken timely will not relieve the retailer of the liability for tax excluded by the partial exemption; however the retailer may present satisfactory evidence to the Board that the retailer sold the specific property to a qualified person and the property was used in a qualifying manner. A partial exemption from the sales and use tax under this part shall not be allowed unless the retailer claims the partial exemption on its sales and use tax return for the reporting period during which the transaction subject to the partial exemption occurred. Where the retailer fails to claim the partial exemption as set forth above, the retailer may file a claim for refund as set forth in subdivision (e).

The partial exemption certificate form set forth in Appendix A may be used to claim the partial exemption.

(2) **BLANKET PARTIAL EXEMPTION CERTIFICATES.** In lieu of requiring a partial exemption certificate for each transaction, a qualified person may issue a blanket partial exemption certificate. The partial exemption certificate form set forth in Appendix A may be used as a blanket partial exemption certificate. Appendix A may also be used as a specific partial exemption certificate if the purchaser provides the purchase order or sales invoice number of the property being purchased. Qualified persons must include in the partial exemption certificate a description of the qualified property. If purchasing tangible personal property not qualifying for the partial exemption, the qualified person must clearly state in documents such as a written purchase order, sales agreement, lease, or contract that the sale or purchase is not subject to the blanket partial exemption certificate.

(3) **FORM OF PARTIAL EXEMPTION CERTIFICATE.** Any document, such as a letter or purchase order, timely provided by the purchaser to the seller will be regarded as a partial exemption certificate with respect to the sale or purchase of the property described in the document if it contains all of the following essential elements:

(A) The signature of the purchaser, purchaser's employee, or authorized representative of the purchaser.

(B) The name, address and telephone number of the purchaser.

(C) The number of the seller's permit held by the purchaser. If the purchaser is not required to hold a permit because the purchaser sells only property of a kind the retail sale of which is not taxable, e.g., food products for human consumption, or because the purchaser makes no sales in this state, the purchaser must include on the certificate a sufficient explanation as to the reason the purchaser is not required to hold a California seller's permit in lieu of a seller's permit number.

(D) A statement that the property purchased is capable of reproduction.

(E) A statement that the purchaser will use the property solely for the purpose of breeding.

(F) A description of the property purchased.

(G) Date of execution of the document.

(4) **RETENTION AND AVAILABILITY OF PARTIAL EXEMPTION CERTIFICATES.** A retailer must retain each partial exemption certificate received from a qualified person for a period of not less than four years from the date on which the retailer claims a partial exemption based on the partial exemption certificate.

While the Board will not normally require the filing of the partial exemption certificate with a sales and use tax return, when necessary for the efficient administration of the Sales and Use Tax Law, the Board may on 30 days written notice, require a retailer to commence filing with its sales and use tax returns copies of all partial exemption certificates. The Board may also require that, within 45 days of the Board's request, retailers provide the Board access to any and all partial exemption certificates, or copies thereof, accepted for the purposes of supporting the partial exemption.

(5) **GOOD FAITH.** A seller will be presumed to have taken a partial exemption certificate in good faith in the absence of evidence to the contrary. A seller, without knowledge to the contrary, may accept a partial exemption certificate in good faith where a qualified person states that he or she is purchasing the qualified property solely with the intent and purpose of breeding. If the qualified person is buying a horse of a kind not normally used to breed racehorses, the seller should require a statement as to how the specific property purchased will be used. However, a partial exemption certificate cannot be accepted in good faith where the seller has knowledge that the property is not subject to the partial exemption, or will not be otherwise used in a partially exempt manner.

(d) PARTIAL EXEMPTION CERTIFICATE FOR USE TAX. The partial exemption certificate must be completed by a qualified person to claim a partial exemption from use tax on purchases of qualified property from an out-of-state retailer not obligated to collect the use tax. A partial exemption from the use tax shall not be allowed unless the purchaser or retailer claims the partial exemption on its individual use tax return, sales and use tax return, or consumer use tax return for the reporting period during which the transaction subject to the partial exemption occurred. Where the purchaser or retailer fails to claim the partial exemption as set forth above, the purchaser or retailer may file a claim for refund as set forth in subdivision (e).

The purchaser who files an individual use tax return must attach a completed partial exemption certificate to the return. The purchaser who is registered with the Board as a retailer or consumer and files a sales and use tax return or consumer use tax return must, within 45 days of the Board's request, provide the Board access to any and all documents that support the claimed partial exemption.

The partial exemption certificate form set forth in Appendix A may be used to claim the partial exemption.

(e) REFUND OF PARTIAL EXEMPTION.

(1) For the period commencing on September 1, 2001, and ending on December 31, 2002, a qualified person may claim the partial exemption on qualified purchases from an in-state retailer or an out-of-state retailer obligated to collect the use tax by furnishing the retailer with a partial exemption certificate on or before March 31, 2003. The retailer must refund the tax or tax reimbursement directly to the qualified purchaser of qualified property or, at the purchaser's sole option, the purchaser may be credited with such amount.

(2) A retailer who paid sales tax on a qualified sale or a person who paid use tax on a qualified purchase and who failed to claim the partial exemption as provided by this regulation may file a claim for refund equal to the amount of the partial exemption that he or she could have claimed pursuant to this regulation. The procedure for filing a claim shall be the same as for other claims for refund filed pursuant to Revenue and Taxation Code section 6901. For transactions subject to use tax, a qualified person filing a claim for refund of the partial exemption has the burden of establishing that he or she was entitled to claim the partial exemption with respect to the amount of refund claimed under this part. For transactions subject to sales tax, a person filing a claim for refund of the partial exemption has the burden of establishing that the purchaser of the qualified property otherwise met all the requirements of a qualified person at the time of the purchase subject to the refund claimed under this part.

(f) IMPROPER USE OF PARTIAL EXEMPTION.

(1) **PROPERTY USED IN A MANNER NOT QUALIFYING FOR THE PARTIAL EXEMPTION.** Notwithstanding subdivision (a), tax applies to any sale of, or the storage, use, or other consumption in this state of tangible personal property that is used in a manner not qualifying for the partial exemption under this regulation.

(2) **PURCHASES BY NON-QUALIFIED PERSONS.** Notwithstanding subdivision (a), tax applies to any sale of, and the storage, use, or other consumption in this state of tangible personal property if a purchaser is not a qualified person.

(g) PURCHASER'S LIABILITY FOR THE PAYMENT OF TAX.

(1) If a purchaser timely submits a copy of a partial exemption certificate to the retailer or partial exemption certificate for use tax to the Board, and then uses that tangible personal property in a manner not qualifying for the partial exemption, the purchaser shall be liable for payment of the tax, with applicable interest, to the same extent as

if the purchaser were a retailer making a retail sale of the property at the time the property was so removed, converted, or used.

(2) A purchaser providing a partial exemption certificate accepted in good faith by the retailer or a partial exemption certificate for use tax to the Board for tangible personal property that does not qualify for the partial exemption is liable for payment of the tax, with applicable interest, to the same extent as if the purchaser were a retailer making a retail sale of the property at the time the property was purchased.

(h) LEASES TO QUALIFYING PERSONS.

(1) **LEASES—IN GENERAL.** Leases of tangible personal property which are classified as “continuing sales” and “continuing purchases” of tangible personal property, in accordance with Regulation 1660, “Leases of Tangible Personal Property – In General,” may qualify for the partial exemption subject to all the limitations and conditions set forth in this regulation. This partial exemption may apply to rentals payable paid by a qualified person on or after September 1, 2001 with respect to a lease of qualified property to the qualified person, which qualified property is used for breeding purposes, notwithstanding the fact that the lease was entered into prior to the effective date of this regulation. For purposes of this subdivision, a non-qualified person may purchase property for resale and subsequently lease the property to a qualified person subject to the partial exemption.

(2) **LEASES—ACQUISITION SALE AND LEASEBACK.** A qualified person will be regarded as having paid sales tax reimbursement or use tax with respect to that qualified person’s purchase of property, within the meaning of those words as they are used in section 6010.65 of the Revenue and Taxation Code, if the qualified person has paid all applicable taxes with respect to the acquisition of the property, notwithstanding the fact that the sale and purchase of the property may have been subject to the partial exemption from tax provided by this regulation.

(3) **SUBSEQUENT LEASE OF PROPERTY ACQUIRED SUBJECT TO PARTIAL EXEMPTION.** If a qualified person has acquired property subject to the partial exemption provided by this regulation and has paid all applicable taxes at that acquisition, the property will be regarded as property as to which sales tax reimbursement or use tax has been paid, and the subsequent lease of that property will not be subject to tax measured by rentals payable.

(i) RECORDS. Adequate and complete records must be maintained by the qualified person as evidence that the qualified property was capable of reproduction and purchased by the qualified person solely for breeding purposes.

(j) OPERATIVE DATE. This regulation is operative as of September 1, 2001.

Appendix A

PARTIAL EXEMPTION CERTIFICATE

STATE BOARD OF EQUALIZATION

Qualified Sales and Purchases of Racehorse Breeding Stock

NOTE: This is an exemption only from the state general fund portion of the sales and use tax rate. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. This partial exemption also applies to lease payments made on or after September 1, 2001, for tangible personal property even if the lease agreement was entered into prior to September 1, 2001.

SELLER'S/LESSOR'S NAME

SELLER'S/LESSOR'S ADDRESS *(street, city, state, zip code)*

I, as the undersigned purchaser, hereby certify that I have confirmed the racehorse is capable of reproduction and that I intend to use the racehorse solely for breeding purposes in accordance with Revenue & Taxation Code section 6358.5.

If you also want this certificate to be used as a blanket certificate for future purchases, ask your vendor to keep this certificate on file. If this is a specific partial exemption certificate, provide the purchase order or sales invoice number, below:

I understand that if such property is not used in the manner qualifying for the partial exemption, or if I am not a qualified person, that I am required by the Sales and Use Tax Law to report and pay the state tax measured by the sales price/rentals payable of the property to/by me. I also understand that this partial exemption certificate is in effect as of the date shown below and will remain in effect until revoked in writing.

PURCHASER'S NAME OR COMPANY NAME <i>(if applicable)</i>	DATE
SIGNATURE <i>(signature of the purchaser, purchaser's employee, or authorized representative of the purchaser)</i>	PERMIT NUMBER <i>(if applicable)</i> ¹
TITLE	TELEPHONE NUMBER
ADDRESS <i>(street, city, state, zip code)</i>	

¹ If you are not required to hold a seller's permit, please enter "Not applicable."

Reference: Section 6358.5, Revenue and Taxation Code

Tuesday, November 15, 2011

TAX PROGRAM NONAPPEARANCE MATTERS NOT SUBJECT TO CONTRIBUTION DISCLOSURE STATUTE**PROPERTY TAX MATTERS****Private Railroad Car Roll Changes**

2011 Private Railroad Car Roll Changes

Action: Upon motion of Mr. Runner, seconded by Ms. Steel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee and Mr. Runner voting yes, Ms. Mandel not participating in accordance with Government Code section 7.9, the Board approved corrections to the 2011 Private Railroad Car Roll as recommended by staff (Exhibit 11.4).

OFFER-IN-COMPROMISE RECOMMENDATIONS

Action: Upon motion of Ms. Steel, seconded by Ms. Yee and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board approved the Offer in Compromise of *Mehdi Behmard; Michael Thomas Icaza; Jarrouche Corporation;* and, *Alice Tabera;* as recommended by staff.

CHIEF COUNSEL MATTERS**RULEMAKING****Section 100 Changes to Sales and Use Tax Regulations 1532, *Teleproduction or Other Postproduction Service Equipment*; 1533.1, *Farm Equipment and Machinery*; 1534, *Timber Harvesting Equipment and Machinery*; and, 1535, *Racehorse Breeding Stock***

Bradley Heller, Tax Counsel, Legal Department, requested authorization to make Rule 100 changes to conform the regulations to the 1 percent state tax rate decrease that took effect July 1, 2011 (Exhibit 11.5).

Action: Upon motion of Ms. Mandel, seconded by Ms. Yee and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board adopted the Section 100 Changes as recommended by staff.

Section 100 Changes to Sales and Use Tax Regulation 1570, *Charitable Organizations*

Bradley Heller, Tax Counsel, Legal Department, requested authorization to make Rule 100 changes to conform to the regulation to the inventory exemption and delete the deadline for annually claiming the welfare exemption (Exhibit 11.6).

Action: Upon motion of Ms. Mandel, seconded by Ms. Steel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board adopted the Section 100 Changes as recommended by staff.

BEFORE THE CALIFORNIA STATE BOARD OF EQUALIZATION
450 N STREET
SACRAMENTO, CALIFORNIA

REPORTER'S TRANSCRIPT
NOVEMBER 15, 2011

ITEM J RULEMAKING
SECTION 100 CHANGES

ITEM 1

SALES AND USE TAX REGULATIONS

1532, TELEPRODUCTION OR OTHER POSTPRODUCTION SERVICE
EQUIPMENT

1533.1, FARM EQUIPMENT AND MACHINERY

1534, TIMBER HARVESTING EQUIPMENT AND MACHINERY

1535, RACEHORSE BREEDING STOCK

REPORTED BY: KATHLEEN SKIDGEL

CSR NO. 9039

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For the Board
of Equalization:

Jerome E. Horton
Chairman

Michelle Steel
Vice-Chairwoman

Betty T. Yee
Member

George Runner
Member

Marcy Jo Mandel
Appearing for John
Chiang, State Controller
(per Government Code
Section 7.9)

Diane G. Olson
Chief
Board Proceedings Division

For the Board:

Bradley Heller
Legal Department

---oOo---

450 N STREET
SACRAMENTO, CALIFORNIA
NOVEMBER 15, 2011

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MS. OLSON: Our next items is J1, Sales and Use Tax Regulation 1532, Teleproduction or Other Postproduction Service Equipment; 1533.1, Farm Equipment and Machinery; 1534, Timber -- Timber Harvesting Equipment and Machinery -- I'm sorry -- and 1535, Horseracing Breeding Stock.

MR. HORTON: Mr. Heller, the floor is yours.

MR. HELLER: Good afternoon, Chairman Horton, Members of the Board.

I'm here to request the Board's authorization to complete Rule 100 changes to Sales and Use Tax Regulation 1532, 1533.1, 1534 and 1535, to conform the regulations to the one percent sales -- state sales tax rate decrease that took effect July 1st, 2011.

MR. HORTON: Thank you very much.

Conforming to the legislation, is there a motion, Members?

MS. MANDEL: So move.

MS. YEE: Yeah.

MR. HORTON: Moved by Member Mandel. Second by Member Yee.

Objection?

Hearing none, such will be the order.

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REPORTER'S CERTIFICATE

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State of California)
) ss
County of Sacramento)

I, KATHLEEN SKIDGEL, Hearing Reporter for the California State Board of Equalization certify that on November 15, 2011 I recorded verbatim, in shorthand, to the best of my ability, the proceedings in the above-entitled hearing; that I transcribed the shorthand writing into typewriting; and that the preceding pages 1 through 3 constitute a complete and accurate transcription of the shorthand writing.

Dated: November 18, 2011

Kathleen Skidgel



KATHLEEN SKIDGEL, CSR #9039
Hearing Reporter