



# STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date:	03/29/12	Bill No:	<a href="#">Assembly Bill 2323</a>
Tax Program:	Sales and Use	Author:	Perea
Sponsor:	Author	Code Sections:	RTC 6355
Related Bills:	AB 2688 (Committee on Revenue and Taxation)	Effective Date:	01/01/13

## BILL SUMMARY

This bill changes the date by which the BOE is required to calculate the bulk sales threshold for coins and bullion.

## ANALYSIS

### CURRENT LAW

Revenue and Taxation Code Section 6355 provides a sales and use tax exemption for monetized bullion, nonmonetized gold or silver bullion, and numismatic coins when the sale is “in bulk” and is substantially equivalent to a transaction in securities or commodities through a national securities or commodities exchange. Section 6355 provides that the initial bulk threshold amount is \$1,000.

### PROPOSED LAW

This bill would amend Section 6355 to change the date from September 1 to October 1 of each year by which the BOE must determine the bulk sale threshold.

### BACKGROUND

Since 1993, the statute has required the BOE to adjust the \$1,000 bulk threshold amount on an annual basis. This adjustment requires the BOE to multiply the current bulk threshold amount by the inflation factor adjustment on or before September 1 of each year. When the result of this calculation is \$500 greater than the existing threshold, the threshold is adjusted and rounded to the nearest \$500 increment. For example, if the bulk sale threshold amount is currently \$1,500, and multiplying this amount by the inflation factor adjustment results in a new threshold of \$1,700, the bulk sale threshold does not become operative since it does not exceed the \$500 increment (it must equal or exceed \$2,000 to become operative). The next year, the \$1,700 threshold must be multiplied by the inflation factor adjustment to determine the new threshold. (Currently, based on the cumulative inflation factor adjustment, the operative bulk sale exemption threshold is \$1,500, and has been so since January 1, 2009.)

The inflation factor adjustment is based on a comparison of the California Consumer Price Index (CCPI) as published by the Department of Industrial Relations for June of each year. Once the calculation is made by BOE staff, the issue is placed on the BOE’s consent agenda for the August BOE meeting to officially adopt the new threshold. However, the CCPI for June is generally not available until late August of each year. Since items placed on the BOE Meeting agenda are subject to public notice, and require management review prior to placing on the agenda, this calculation must be done by staff by the end of July. Since the CCPI is generally not available, staff has had to track down “preliminary numbers” for the purposes of performing the

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calculation. Often, it is difficult to obtain the preliminary numbers in a timely manner in order to have this item on the August agenda.

#### COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author and intended to allow BOE staff sufficient time to calculate the bulk sales threshold for coins and bullion.
2. **Date change needed.** Changing the date from September 1 to October 1 will allow staff sufficient time to obtain the June CCPI, prepare the necessary calculation, and place the item on the BOE meeting agenda. An October 1 date will still provide for adequate lead time in amending Regulation 1599 and notifying the public in the event the calculation results in a new operative threshold.
3. **Related legislation.** Identical provisions are contained in BOE-sponsored [AB 2688](#) (Assembly Revenue and Taxation Committee).

#### COST ESTIMATE

The provisions of the bill would not impact the BOE's administrative costs.

#### REVENUE ESTIMATE

This measure would not impact state and local revenues.

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