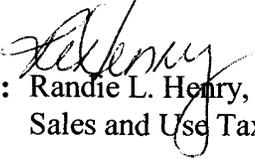


**M e m o r a n d u m**

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

**Date:** August 13, 2009

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

**Subject** : **Section 6355 Coins and Bullion Bulk Sale Adjustment  
August 31-September 1, 2009, Administrative Agenda**

Revenue and Taxation Code (RTC) section 6355 and Regulation 1599, *Coins and Bullion*, provide an exemption from the sales and use tax for sales in bulk of monetized bullion, nonmonetized gold or silver bullion, and numismatic coins that are substantially equivalent to transactions in securities or commodities. As mandated by RTC section 6355, by September 1 each year, the Board of Equalization is required to calculate the annual inflation adjustment to the coins and bullion bulk sale exemption threshold, based on the (June to June) California Consumer Price Index (CCPI).

Prior to January 1, 2009, a sale in "bulk" was required to have a market value of \$1,000 or more, or its equivalent. However, pursuant to RTC section 6355, when the cumulative inflation adjustment equals or exceeds a multiple of five hundred dollars (\$500), the coins and bullion bulk sale exemption threshold automatically increases to the next nearest multiple of \$500, effective January 1 of the succeeding calendar year. Therefore, in 2008, when the cumulative inflation adjustment exceeded \$500, the bulk sale exemption threshold was increased from \$1,000 to \$1,500 in Regulation 1599 for sales occurring on or after January 1, 2009.

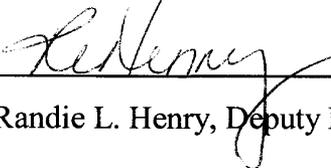
After making the calculation for 2009, the annual inflation adjustment to the bulk sale exemption threshold actually decreased slightly. Therefore, no changes are required to the operative bulk sale exemption threshold in Regulation 1599 this year.

We request your approval to place the annual calculation, as a consent item, on the Administrative Agenda for the Board meeting on August 31 through September 1, 2009, to advise the Board about the need to continue the current bulk sale exemption threshold for coins and bullion.

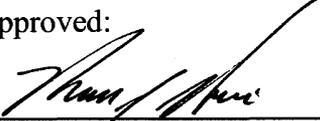
Attached are schedules that show the cumulative inflation adjustment from 1994 through 2008, and the cumulative inflation adjustment following last year's increase in the bulk sale exemption threshold. To date, the only increase in the bulk sale exemption threshold occurred on January 1 this year. If you have any questions regarding this calculation or section 6355, please let me know.

Attachment

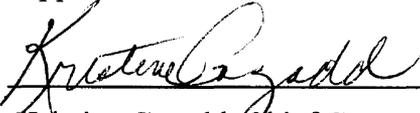
Recommendation by:

  
\_\_\_\_\_  
Randie L. Henry, Deputy Director

Approved:

  
\_\_\_\_\_  
Ramon J. Hirsig, Executive Director

Approved:

  
\_\_\_\_\_  
Kristine Cazadd, Chief Counsel  
Legal Division

BOARD APPROVED

\_\_\_\_\_  
Diane Olson, Chief  
Board Proceedings Division

cc: Ms. Kristine Cazadd (MIC 82)  
Mr. Randy Ferris (MIC 82)  
Ms. Margaret Shedd (MIC 66)  
Ms. Freda Orendt (MIC 47)  
Mr. Stephen Rudd (MIC 46)  
Mr. Kevin Hanks (MIC 49)  
Mr. Jeffrey L. McGuire (MIC 92)  
Ms. Diane Olson (MIC 80)  
Mr. Bradley Heller (MIC 82)  
Mr. Geoff Lyle (MIC 50)  
Ms. Leila Hellmuth (MIC 50)  
Ms. Lisa Andrews (MIC 50)

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

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
	(1)	(2)	(3)	(4)	(5)
	<b>Tentative Bulk</b>				
<b>Year</b>	<b>CCPI Index</b>	<b>CCPI % Change</b>	<b>Sale Adjustment</b>	<b>Yearly Increase</b>	<b>Cumulative Adjustment</b>
1993	148.9		1000.00		\$0.00
1994	150.7	1.209%	1000.00	12.09	\$12.09
1995	154.2	2.322%	1012.09	23.51	\$35.59
1996	156.6	1.556%	1035.59	16.12	\$51.71
1997	160.0	2.171%	1051.71	22.83	\$74.55
1998	163.6	2.250%	1074.55	24.18	\$98.72
1999	167.8	2.567%	1098.72	28.21	\$126.93
2000	174.0	3.695%	1126.93	41.64	\$168.57
2001	183.2	5.287%	1168.57	61.79	\$230.36
2002	185.9	1.474%	1230.36	18.13	\$248.49
2003	189.9	2.152%	1248.49	26.86	\$275.35
2004	195.8	3.107%	1275.35	39.62	\$314.97
2005	201.3	2.809%	1314.97	36.94	\$351.91
2006	210.9	4.769%	1351.91	64.47	\$416.38
2007	217.4	3.082%	1416.38	43.65	\$460.03
2008	228.3	5.014%	1460.03	73.20	\$533.24

(1) The factor used is the California Consumer Price Index as determined by the FTB pursuant to RTC section 17041. The CCPI is available at the Department of Industrial Relations website at [www.dir.ca.gov](http://www.dir.ca.gov).

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

(3) Prior Year (C) + Prior Year (D).  
The base rate in 1993 was \$1,000.

(4) (B \* C)  
The base rate was multiplied by the CPPI percentage (%) change in 1994 to determine the tentative bulk sale adjustment for the succeeding year.  
Each year thereafter, the tentative adjustment is multiplied by the CPPI % change.

(5) Prior Year (E) + Current Year (D)  
A new operative bulk sale threshold is reached when the cumulative adjustment equals or exceeds \$500.

**Notes**

\*\* By September 1st each year, the Sales and Use Tax Department Regulation Coordinator computes the RTC section 6355 tentative adjustment for bulk sales of Coins and Bullion.

\*\* The exemption threshold is indexed for inflation.

\*\* When the cumulative adjustment equals or exceeds \$500, the exemption threshold automatically increases to the nearest multiple of \$500, beginning January 1st of the following year.

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

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
	(1)	(2)	(3)	(4)	(5)
	<b>Tentative Bulk</b>				
<b>Year</b>	<b>CCPI Index</b>	<b>CCPI % Change</b>	<b>Sale Adjustment</b>	<b>Yearly Increase</b>	<b>Cumulative Adjustment</b>
2008	228.3		1500.00		\$0.00
2009	225.0	-1.445%	1500.00	-21.68	-\$21.68

(1) The factor used is the California Consumer Price Index as determined by the FTB pursuant to RTC section 17041. The CCPI is available at the Department of Industrial Relations website at [www.dir.ca.gov](http://www.dir.ca.gov).

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

(3) Prior Year (C) + Prior Year (D).  
The base rate in 2008 was adjusted to \$1,500.

(4) (B \* C)  
The base rate was multiplied by the CPPI percentage (%) change in 2009 to determine the tentative bulk sale adjustment for the succeeding year.  
Each year thereafter, the tentative adjustment is multiplied by the CPPI % change.

(5) Prior Year (E) + Current Year (D)  
A new operative bulk sale threshold is reached when the cumulative adjustment equals or exceeds \$500.

**Notes**

\*\* By September 1st each year, the Sales and Use Tax Department Regulations Coordinator computes the RTC section 6355 tentative adjustment for bulk sales of Coins and Bullion.

\*\* The exemption threshold is indexed for inflation.

\*\* When the cumulative adjustment equals or exceeds \$500, the exemption threshold automatically increases to the nearest multiple of \$500, beginning January 1st of the following year.