

## December 2007 TIB

### The Office of Administrative Law Amendments and Regulations.

#### Amendments

Regulation 1566, *Automobile Dealers and Sales Representatives*, and 1655, *Returns, Defects and Replacements*, effective April 7, 2007. The amendments to the regulations incorporate new statutory provisions that require car dealers to offer a two-day contract cancellation option for used vehicles under \$40,000, operative July 1, 2006.

Regulation 1668, *Sales for Resale*, was amended to clarify the penalty for misuse of a resale certificate, and to specify that the 10 percent penalty for negligence or the 25 percent penalty for fraud may be imposed in addition to the penalty for misuse of a resale certificate.

Regulation 1703, *Interest and Penalties*, was amended to describe the new 40 percent penalty for failure to timely remit collected sales tax reimbursement or use tax. The penalty only applies to intentional withholding of tax amounts that are owed to the state.

Regulation 1802, *Place of Sale and Use for Purposes of Bradley-Burns Uniform Local Sales and Use Taxes*, was amended to incorporate a statutory change regarding the place of sale or purchase of jet fuel, operative January 1, 2008.

Regulation 1602, *Food Products*, effective April 7, 2007, was amended to provide a clear standard for taxing sales of combination packages that include food and nonfood products (such as gift baskets) sold for a single price. Revisions to the regulation also removed obsolete language related to the application of tax to snack foods for the period from July 15, 1991 through November 30, 1992.

The revised regulations are available now on the Sales and Use Tax Regulations page on our website at [www.boe.ca.gov](http://www.boe.ca.gov). The revised regulations also will be included in the next update to the Business Taxes Law Guides.

#### New Regulation

The Office of Administrative Law approved new Sales and Use Tax Regulation 1671.1, *Discounts, Coupons, Rebates, and Other Incentives*, effective July 4, 2007. The adoption of Sales and Use Tax Regulation 1671.1 clarifies: (1) the general application of tax to transactions involving discounts, coupons, rebates and other incentives; and (2) the specific application of tax to revenue from discounts, coupons, rebates and other incentives that retailers receive from persons other than purchasers.