

WEST COAST LUMBER & BUILDING MATERIAL ASSOCIATION

177 Parkshore Drive • Folsom, California 95630 Telephone 916/235-7490 Fax 916/235/7496
www.lumberassociation.org

COMMENTS

California State Board of Equalization
September 10, 2013

I am Ken Dunham, Executive Director of the West Coast Lumber & Building Material Association. This organization is trade association comprised of retail lumber businesses, wood products wholesalers, producers and distributors, as well as other business providing products and services to this industry. Our membership consists of nearly 200 individual lumberyard locations in California, as well as more than 150 additional member businesses in supply and service categories. Our lumber dealer membership represents approximately 85 per cent of such businesses in the state. This is a \$4 billion industry in California and employs in excess of 55,000 people.

I want to focus on four points for your consideration.

1. Your staff report on the costs of implementation is based on inaccurate, out-of-date and non-germane data. What was used at the first hearing back in October, 2012, and continues to be cited, is a 2006 report from PriceWaterhouseCooper that attempted to calculate the cost of updating "cash registers" for sales tax changes. The report itself noted "coverage errors," "missing data," "measurement errors," and "sampling errors." The lumber retailers must manage complex computer system changes and updates required to collect this assessment. These are not cash registers and it is not a general sales tax calculation.

We've provided statistically accurate data from California lumber retailers on their costs to implement this assessment. The average cost of implementation is \$5,500 per location and that number is generally consistent for lumber businesses from the independent dealer to the national chain lumber businesses. That's what we are asking – allow lumber retailers to retain up to \$5,500 on lumber assessment remittances.

2. The number of businesses that may be subject to the lumber assessment is a changing number. Your early staff reports indicated that as many as 40,000 California businesses could be affected. Now there are revised figures that say perhaps as many as 26,729 locations could be subject to the assessment but that figure is only obtained by including a figure of 26,177 accounts reporting no lumber assessment remittance. Of course not; they don't sell lumber or don't sell products subject to the assessment.

Your own reports showed returns from 2,543 reporting locations subject to the assessment at the end of the first quarter of 2013. The most recent data, through two quarters of reporting show 2,674 accounts showing lumber assessment payments. That is highly consistent with our own industry estimates of perhaps 3,000 affected businesses

3. The issue of “legislative intent” was raised in March when five members of the State Assembly Budget Committee, and not the whole committee, just five members, wrote you a letter and claimed that somehow the original \$250 reimbursement was their intent. No hearings, no debate, no discussion and some backroom deals and yet these legislators claim to know what the intent was. I asked Assemblymember Roger Dickenson recently very directly what he thought the intent was, and why he signed such a letter. He couldn’t answer me. He did not want to talk about it.

The relevant section of the statute says:

“The retailer shall collect the assessment from the person [i.e., purchaser] at the time of sale, and may retain an amount equal to the amount of reimbursement, as determined by the State Board of Equalization pursuant to relations, for any costs associated with the collection of the assessment....”

That’s very clear. It says “any costs associated with the collection of the assessment.”

4. Finally, the issue of the amount of revenue to be generated from this assessment is highly relevant.. Your latest staff report, through two quarters of 2013 show \$15,214,467 collected to date and simply multiplying that by two gets a projected revenue number of \$30,428,984. That’s very much in line with previous estimates.

If we can rely on the estimates of what the various affected agencies need to carry out the provisions of AB 1492, that figure is in the \$20 million range. Your agency is additionally requesting about \$3 million to set up the collection process.

That leaves an significant amount of money to reimburse lumber retailers at a reasonable level as provided for in the legislation. A number of businesses will not get to a reimbursement and retention level of \$5,500 in one year; others have already remitted more than that. Spread out this reimbursement over enough time to get lumber retailers to that level. This assessment is likely going to be collected for years into the future.

Provide lumber dealers up to \$5,500 in their costs to collect this ongoing assessment.

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