

# WEST COAST LUMBER & BUILDING MATERIAL ASSOCIATION

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

October 12, 2012

The Honorable John Chiang, State Controller  
California State Board of Equalization  
PO Box 942850  
Sacramento, CA 95450

**Re: AB 1492**

Dear Commissioner Chiang:

AB 1492 is now law. It was one of the last bills passed prior to adjournment and with the legislature using what is widely considered less than good judgment and logic to deal with a very real issue for the timber producers of California. It is unfortunate the bill passed but now this retail segment of the lumber industry must deal with it.

The legislation contains a provision for reimbursement to lumber retailers for their costs in setting up the collection system. The law also requires that this additional one per cent lumber tax be reported separately on invoices. Further, the list of wood products covered under the law, as defined by the Board of Forestry and Fire Protection, is subject to change and interpretation as consideration is given to the variety and composition of such products. The Board of Forestry recognizes the list of products subject to the tax is open to interpretation and their emergency regulations reflect a potential need to modify the list.

That is not a simple process for the lumber dealers who utilize a computer software program to determine sales taxes and now this additional tax. It is costly, time-consuming and subject to adjustment as the list of products change.

The West Coast Lumber & Building Material Association, an industry trade organization representing the majority of the 300 plus independent lumber yards in the state, recently surveyed the membership on estimated costs to implement the additional tax.

**The average cost for implementation from the respondents (42 separate locations reporting, some with multiple locations) was \$4,521 per location. Additionally, estimates of \$1,500 annually for updates and changes were also reported by respondents.** It should be noted these responses are only those from lumber retailers who believe they have the computer software systems capable of making the modifications.

An additional group of lumber retailers have significantly and extraordinary larger costs in that they may have an older software systems that cannot be modified to handle the changes. Some have custom systems developed in-house for very specific purposes and cannot be modified, and there are even a few businesses who do not use computers for this purpose. Those with the older and custom systems will have very significant additional costs in implementing this additional tax collection. **The cost estimates for new systems capable of handling this new tax range from \$100,000 to \$250,000.**

**We request that the regulations being promulgated by the Board of Equalization contain retailer reimbursement of a minimum of \$4,500 per business location and \$1,500 annually to handle updates and changes for those businesses' computer systems capable of implementing the additional tax.**

**We additionally request that those businesses whose current computer systems cannot be updated to implement the additional tax be reimbursed as a level sufficient to recover the cost of replacement computer systems.**

The time frame for implementing this additional tax is also a concern. Lumber dealers, as well as the several computer software providers who generally serve this industry, indicate that meeting a January 1, 2013, date for implementation is difficult, if not impossible to meet.

The retail lumber industry in California has been in difficult economic conditions for the past six years, with more than 60 retail lumber operations going out of business in that time, and many of the remainder doing business at about 75% of the volume they did six years ago. Those who are still in business will likely survive although it will be many years, if ever, for most to regain what was lost in this recession. This is one more challenge to doing business in the state of California, this time an additional burden to one of the oldest and most vital industries in the state.

We are available to provide additional information as necessary.

Sincerely,



**KEN DUNHAM**  
Executive Director

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State Controller's Office  
Sacramento

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