

Regulations 1620
Interstate and Foreign Commerce
Section 100

Complete Rule Making File

OAL Approval with Approved Text Regulation 1620

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- B. *Approved Minutes July 21, 2009*
- C. *BOE "Section 100 Change" Recommendation dated July 10, 2009*
- D. *Reporter's Transcript July 21, 2009*

**State of California
Office of Administrative Law**

In re:

Board of Equalization

Regulatory Action:

Title 18, California Code of Regulations

Adopt sections:

Amend sections: 1620

Repeal sections:

**NOTICE OF APPROVAL OF CHANGES
WITHOUT REGULATORY EFFECT**

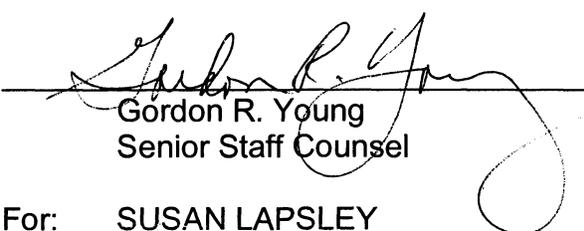
California Code of Regulations, Title 1,
Section 100

OAL File No. 2008-1223-03 N

This section 100 change without regulatory effect conforms various time periods and dates listed in T18 CCR section 1620 governing determination of whether a vehicle, vessel, or aircraft was purchased for use out of state to statutory changes made by AB 1452 (Stats. 2008, Chap. 763).

OAL approves this change without regulatory effect as meeting the requirements of California Code of Regulations, Title 1, section 100.

Date: 2/5/2009


Gordon R. Young
Senior Staff Counsel

For: SUSAN LAPSLEY
Director

Original: Ramon Hirsig
Copy: Richard Bennion

RECEIVED

FEB - 6 2009

by EXECUTIVE DIRECTOR'S OFFICE
STATE BOARD OF EQUALIZATION

RECEIVED

FEB 9 2009

Board Proceedings

**State of California
Office of Administrative Law**

In re:

Board of Equalization

Regulatory Action:

Title 18, California Code of Regulations

Adopt sections:

Amend sections: 1620

Repeal sections:

NOTICE OF APPROVAL OF CHANGES
WITHOUT REGULATORY EFFECT

California Code of Regulations, Title 1,
Section 100

OAL File No. 2009-0817-04 N

State Board of Equalization submitted this change without regulatory effect, pursuant to title 1, California Code of Regulations, section 100(a)(4), to correct a cross-reference in title 18, California Code of Regulations, section 1620(b)(2)(A). This action was submitted to correct the current cross-reference in title 18, section 1620(b)(2)(A) from (b)(7) to (b)(9) for internal consistency.

OAL approves this change without regulatory effect as meeting the requirements of California Code of Regulations, Title 1, section 100.

Date: 9/29/2009



Richard L. Smith
Staff Counsel

For: SUSAN LAPSLEY
Director

Original: Ramon Hirsig
Copy: Toya Davis

RECEIVED

SEP 30 2009

by EXECUTIVE DIRECTOR'S OFFICE
STATE BOARD OF EQUALIZATION

NOTICE SUBMISSION

(See instructions on back)

For use by Secretary of State only

STD. 400 (REV. 01-09)

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER 2009-0817-04N	EMERGENCY NUMBER
For use by Office of Administrative Law (OAL) only			
		2009 AUG 17 PM 2:50 OFFICE OF ADMINISTRATIVE LAW	
NOTICE		REGULATIONS	

ENDORSED FILED
IN THE OFFICE OF

2009 SEP 29 PM 1:24

Debra Bowen
DEBRA BOWEN
SECRETARY OF STATE

AGENCY WITH RULEMAKING AUTHORITY
State Board of Equalization

AGENCY FILE NUMBER (if any)

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE		TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE	
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other		4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)	
OAL USE ONLY <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn		ACTION ON PROPOSED NOTICE		NOTICE REGISTER NUMBER	PUBLICATION DATE

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Interstate and Foreign Commerce		1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)	
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)			
SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)		ADOPT	
TITLE(S) 18		AMEND Title 18, Division 2, Chapter 4, Article 11, Section 1620-Interstate and Foreign Commerce	
		REPEAL	
3. TYPE OF FILING			
<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.	<input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))	<input checked="" type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4)	<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)	<input type="checkbox"/> File & Print	<input type="checkbox"/> Print Only
<input type="checkbox"/> Emergency (Gov. Code, §11346.1(b))		<input type="checkbox"/> Other (Specify) _____	
4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)			
5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)			
<input type="checkbox"/> Effective 30th day after filing with Secretary of State	<input type="checkbox"/> Effective on filing with Secretary of State	<input checked="" type="checkbox"/> §100 Changes Without Regulatory Effect	<input type="checkbox"/> Effective other (Specify) _____
6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY			
<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660)	<input type="checkbox"/> Fair Political Practices Commission	<input type="checkbox"/> State Fire Marshal	
<input type="checkbox"/> Other (Specify) _____			
7. CONTACT PERSON Toya Davis, Regulations Coordinator		TELEPHONE NUMBER (916) 327-1798	FAX NUMBER (Optional) (916) 324-3984
		E-MAIL ADDRESS (Optional) Toya.Davis@boe.ca.gov	

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE <i>Diane G. Olson</i>	DATE 8/14/2009
TYPED NAME AND TITLE OF SIGNATORY Diane G. Olson, Chief of Board Proceedings Division	

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED

SEP 29 2009

Office of Administrative Law

Amend Regulation 1620 (Interstate and Foreign Commerce) to read as follows:

Regulation 1620. Interstate and Foreign Commerce.

- (a) Sales Tax. . . . (unchanged)
 - (1) In General. . . . (unchanged)
 - (2) Sales Following Movement of Property Into State From Point Outside State.
 - (A) From Other States — When Sales Tax Applies. . . . (unchanged)
 - (B) From Other States — When Sales Tax Does Not Apply. . . . (unchanged)
 - (C) Imports. . . . (unchanged)
 - (3) Sales Preceding Movement of Goods From Within State to Points Outside State.
 - (A) To Other States — When Sales Tax Applies. . . . (unchanged)
 - (B) Shipments Outside the State — When Sales Tax Does Not Apply. . . . (unchanged)
 - 1. . . . (unchanged)
 - 2. . . . (unchanged)
 - (C) Exports.
 - 1. . . . (unchanged)
 - 2. . . . (unchanged)
 - (a) (unchanged)
 - (b) (unchanged)
 - (c) (unchanged)
- Example 1. . . . (unchanged)
- Example 2. . . . (unchanged)
- Example 3. . . . (unchanged)
- Example 4. . . . (unchanged)
- Example 5. . . . (unchanged)
- Example 6. . . . (unchanged)
 - (D) Proof of Exemption. . . . (unchanged)
 - (E) Particular Applications.
 - 1. . . . (unchanged)
 - 2. . . . (unchanged)
 - 3. . . . (unchanged)
 - 4. . . . (unchanged)
- (b) Use Tax.
 - (1) In General. . . . (unchanged)

(2) Exceptions.

(A) Use tax does not apply to the use of property held or stored in this state for sale in the regular course of business nor to the use of property held for the purposes designated in subparagraph (b)(79), below.

(B) Interstate and Foreign Commerce.

- 1. In General. . . . (unchanged)
- 2. Intermodal Cargo Containers. . . . (unchanged)
 - a. . . . (unchanged)
 - b. . . . (unchanged)
 - c. . . . (unchanged)

(C). . . (unchanged)

(D) Hand-Carried from a Foreign Country. . . (unchanged)

- 1. . . . (unchanged)
- 2. . . . (unchanged)

(3) Purchase for Use in this State. . . . (unchanged)

(4) Purchase for Use in this State –Vehicles, Vessels, and Aircraft—90-Day Test (Prior to October 2, 2004, and after June 30, 2007). (unchanged)

(A) Physically Located Outside California. . . . (unchanged)

(B) Used in Interstate or Foreign Commerce.

- 1. . . . (unchanged)
- 2. . . . (unchanged)
- 3. . . . (unchanged)

(5) Purchase for Use in this State — Vehicles, Vessels, and Aircraft – 12-Month Test (From October 2, 2004, through June 30, 2007).

(A) Purchased for Use in California. (unchanged)

- 1. . . . (unchanged)
- 2. . . . (unchanged)
- 3. . . . (unchanged)
- 4. . . . (unchanged)

(B) Evidence Rebutting Presumption. . . (unchanged)

(C) Used in Interstate ~~of~~or Foreign Commerce.

- 1. . . . (unchanged)
- 2. . . . (unchanged)
- 3. . . . (unchanged)

(D) Repair, Retrofit, or Modification of Vessels or Aircraft

- 1. . . . (unchanged)
- 2. . . . (unchanged)
- 3. . . . (unchanged)

(E) Binding Purchase Contract. . . (unchanged)

(6) Purchase for Use in This State — Locomotives — 90-Day Test. . . . (unchanged)

(A) Physically Located Outside California. . . . (unchanged)

(B) Used in Interstate or Foreign Commerce. . . . (unchanged)

(7) Examples of Interstate and Foreign Commerce. . . . (unchanged)

Example 1. . . . (unchanged)

Example 2. . . . (unchanged)

Example 3. . . . (unchanged)

Example 4. . . . (unchanged)

Example 5. . . . (unchanged)

Example 6. . . . (unchanged)

Example 7. . . . (unchanged)

Example 8. . . . (unchanged)

Example 9. . . . (unchanged)

Example 10. . . . (unchanged)

Example 11. . . . (unchanged)

Example 12. . . . (unchanged)

Example 13. . . . (unchanged)

(8) Imports. . . . (unchanged)

(9) "Storage" and "Use" — Exclusions. . . . (unchanged)

Example 1. . . . (unchanged)

Example 2. . . . (unchanged)

Example 3. . . . (unchanged)

Example 4. . . . (unchanged)

(c) Rail Freight Cars. . . . (unchanged)

NOTE: Authority cited: Section 7051, Revenue and Taxation Code.

Reference: Sections 6006, 6008, 6009.1, 6051, 6201, 6247, 6248, 6352, 6366.2, 6368.5, 6387, 6396 and 6405, Revenue and Taxation Code.

The *Appeals of Scientific Review* section of the GAP contains the standards for appealing a denial of an Application for CIRM funding of research or research related opportunities.

DECISION

On September 18, 2009, the Office of Administrative Law (OAL) notified CIRM of the approval in part and the disapproval in part of OAL File No. 2009-0806-03 SR. The amendment to section 100500 of title 17 of the CCR, and the amendments to the document incorporated by reference, CIRM's Grants Administration Policy for Academic and Non-Profit Institutions were approved except as to the amendments to the *Appeals of Scientific Review* section, which were disapproved. The amendments to the *Appeals of Scientific Review* section were disapproved for failure to comply with the *clarity* standard of Government Code section 11349.1.

Date: September 25, 2009

/s/

Elizabeth A. Heidig
Staff Counsel

for: SUSAN LAPSLEY
Director

Original: Dr. Alan Trounson
cc: Ian K. Sweedler

<p>SUMMARY OF REGULATORY ACTIONS</p>

**REGULATIONS FILED WITH
SECRETARY OF STATE**

This Summary of Regulatory Actions lists regulations filed with the Secretary of State on the dates indicated. Copies of the regulations may be obtained by contacting the agency or from the Secretary of State, Archives, 1020 O Street, Sacramento, CA 95814, (916) 653-7715. Please have the agency name and the date filed (see below) when making a request.

File# 2009-0817-04
BOARD OF EQUALIZATION
Interstate and Foreign Commerce

State Board of Equalization submitted this change without regulatory effect, pursuant to title 1, California Code of Regulations, section 100(a)(4), to correct a cross-reference in title 18, California Code of Regula-

tions, section 1620(b)(2)(A). This action was submitted to correct the current cross-reference in title 18, section 1620(b)(2)(A) from (b)(7) to (b)(9) for internal consistency.

Title 18
California Code of Regulations
AMEND: 1620
Filed 09/29/2009
Agency Contact: Toya Davis (916) 327-1798

File# 2009-0811-02
DEPARTMENT OF CORPORATIONS
Clean-up Amendments to the Regulations

This rulemaking makes technical and corrective changes to update regulations in Title 10 of the California Code of Regulations which became necessary as a result of changes made to various California Codes by Assembly Bill 1894, Chapter 201, Statutes of 2000, Assembly Bill 1757, Chapter 229, Statutes of 2003, and Assembly Bill 886, Chapter 399, Statutes of 2007.

Title 10
California Code of Regulations
AMEND: 260.102.8(b), 260.103.6, 260.105.15, 260.113, 260.140.8(b)(4), 260.140.42(e), 260.140.71.2, 260.140.114.1(c), 260.151(a), 260.236(c)(3)(C), 260.608, 1457(d), 1950.122.1, 2020(c), 2030, Note after Subchapter 6 REPEAL: 250.50, 250.51
Filed 09/23/2009
Effective 10/23/2009
Agency Contact: Karen Fong (916) 322-3553

File# 2009-0818-01
DEPARTMENT OF CORPORATIONS
Proposed Technical Corrections to the CCR and Form Adoptions

This rulemaking action makes technical corrections to regulations in Title 10 of the California Code of Regulations to correlate with changes made in governing statutes and to other state regulations and to update the names of organizations and to reference new editions of required Securities and Exchange Commission forms.

Title 10
California Code of Regulations
AMEND: 260.004, 260.017.1, 260.102.14, 260.165, 260.210, 260.211, 260.230.1, 260.236, 260.236.1, 260.237.2, 260.240, 260.241.3 REPEAL: 260.101, 260.103.3, 260.237.1
Filed 09/24/2009
Effective 10/24/2009
Agency Contact: Karen Fong (916) 322-3553

Regulations 1620
Interstate and Foreign Commerce
Section 100

Index

1. *Form 400 and Proposed Text Regulation 1620*
2. *Statement of Explanation*
3. *Economic and Fiscal Impact Statements, August 14, 2009*

STD. 400 (REV. 01-09)

NOT SUBSTANTIVE

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER 2009-0817-04N	EMERGENCY NUMBER
For use by Office of Administrative Law (OAL) only		2009 AUG 17 PM 2:37 OFFICE OF ADMINISTRATIVE LAW	
NOTICE		REGULATIONS	
AGENCY WITH RULEMAKING AUTHORITY State Board of Equalization			AGENCY FILE NUMBER (If any)

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE		TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other		4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY	ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn		NOTICE REGISTER NUMBER	PUBLICATION DATE

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Interstate and Foreign Commerce		1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)	
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (including title 26, if toxics related)			
SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)		ADOPT	
TITLE(S) 18		AMEND Title 18, Division 2, Chapter 4, Article 11, Section 1620-Interstate and Foreign Commerce	
REPEAL			
3. TYPE OF FILING			
<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.	<input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))	<input checked="" type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §511349.3, 11349.4)	<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)	<input type="checkbox"/> File & Print	<input type="checkbox"/> Print Only
<input type="checkbox"/> Emergency (Gov. Code, §11346.1(b))		<input type="checkbox"/> Other (Specify) _____	
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7. CONTACT PERSON Toya Davis, Regulations Coordinator	TELEPHONE NUMBER (916) 327-1798	FAX NUMBER (Optional) (916) 324-3984	E-MAIL ADDRESS (Optional) Toya.Davis@boe.ca.gov

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE <i>Diane G. Olson</i>	DATE 8/14/2009
TYPED NAME AND TITLE OF SIGNATORY Diane G. Olson, Chief of Board Proceedings Division	

For use by Office of Administrative Law (OAL) only

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2. . . . (unchanged)
3. . . . (unchanged)
4. . . . (unchanged)

(B) Evidence Rebutting Presumption. . . (unchanged)

(C) Used in Interstate ~~of~~ Foreign Commerce.

1. . . . (unchanged)
2. . . . (unchanged)
3. . . . (unchanged)

(D) Repair, Retrofit, or Modification of Vessels or Aircraft

1. . . . (unchanged)
2. . . . (unchanged)
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(E) Binding Purchase Contract. . . (unchanged)

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(7) Examples of Interstate and Foreign Commerce. . . . (unchanged)

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Example 11. . . . (unchanged)

Example 12. . . . (unchanged)

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(8) Imports. . . . (unchanged)

(9) "Storage" and "Use" — Exclusions. . . . (unchanged)

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Example 4. . . . (unchanged)

(c) Rail Freight Cars. . . . (unchanged)

NOTE: Authority cited: Section 7051, Revenue and Taxation Code.

Reference: Sections 6006, 6008, 6009.1, 6051, 6201, 6247, 6248, 6352, 6366.2, 6368.5, 6387, 6396 and 6405, Revenue and Taxation Code.

CHANGE WITHOUT REGULATORY EFFECT UNDER CALIFORNIA CODE OF
REGULATIONS, TITLE 1, SECTION 100

Statement of Explanation

Title 18. Public Revenue
Regulation 1620, *Interstate and Foreign Commerce*

A. Factual Basis

California Code of Regulations, title 18, section (Regulation) 1620 generally prescribes the application of tax to the sale or purchase and use of tangible personal property in interstate or foreign commerce. The State Board of Equalization (Board) hereby proposes to amend Regulation 1620, subdivision (b)(2)(A), under California Code of Regulations, title 1, section (Rule) 100 to correct a cross reference.

Prior to December 14, 2004, Regulation 1620, subdivision (b)(2)(A) contained a cross reference to subdivision (b)(6) (“original subdivision (b)(6)”). On December 14, 2004, the Board adopted amendments that added new subdivisions (b)(5) and (b)(6) (“second subdivision (b)(6)”) to Regulation 1620 and renumbered “original subdivision (b)(6)” as subdivision (b)(8). However, Board staff did not update the cross reference in subdivision (b)(2)(A) to correctly refer to subdivision (b)(8).

Then, on October 25, 2005, the Board adopted amendments that added another new subdivision (b)(6) (“third subdivision (b)(6)”) to Regulation 1620 and renumbered “original subdivision (b)(6)” as subdivision (b)(9). However, Board staff did not notice that the cross reference in subdivision (b)(2)(A) was incorrect and therefore updated the cross reference to refer to subdivision (b)(7), which contained the same language as “second subdivision (b)(6),” rather than subdivision (b)(9), which contained the same language as “original subdivision (b)(6).”

Now, the Board proposes to amend the cross reference in Regulation 1620, subdivision (b)(2)(A), to correctly refer to subdivision (b)(9), which contains the same language as “original subdivision (b)(6).” This change is appropriate for processing under Rule 100 because it is a change without regulatory effect and the change is necessary to correct a cross-reference.

Proposed Amendments

Regulation 1620, subdivision (b)(2)(A) – Rule 100 change proposed to delete the incorrect cross reference to subdivision (b)(7) and replace it with the correct cross reference to subdivision (b)(9).

ECONOMIC AND FISCAL IMPACT STATEMENT

(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2008)

See SAM Section 6601 - 6616 for Instructions and Code Citations

DEPARTMENT NAME Board of Equalization	CONTACT PERSON Toya Davis	TELEPHONE NUMBER 916-327-1798
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 Title 18, Section 1620, Application of Tax to the Sale or Purchase and Use of Tangible Personal Property		NOTICE FILE NUMBER Z

ECONOMIC IMPACT STATEMENT

A. ESTIMATED PRIVATE SECTOR COST IMPACTS (Include calculations and assumptions in the rulemaking record.)

1. Check the appropriate box(es) below to indicate whether this regulation:

- | | |
|---|--|
| <input type="checkbox"/> a. Impacts businesses and/or employees | <input type="checkbox"/> e. Imposes reporting requirements |
| <input type="checkbox"/> b. Impacts small businesses | <input type="checkbox"/> f. Imposes prescriptive instead of performance |
| <input type="checkbox"/> c. Impacts jobs or occupations | <input type="checkbox"/> g. Impacts individuals |
| <input type="checkbox"/> d. Impacts California competitiveness | <input checked="" type="checkbox"/> h. None of the above (Explain below. Complete the Fiscal Impact Statement as appropriate.) |

h. (cont.) No significant adverse economic impact on business or employees, small business, jobs or occupations

(If any box in Items 1 a through g is checked, complete this Economic Impact Statement.)

2. Enter the total number of businesses impacted: _____ Describe the types of businesses (Include nonprofits.): _____

Enter the number or percentage of total businesses impacted that are small businesses: _____

3. Enter the number of businesses that will be created: _____ eliminated: _____

Explain: _____

4. Indicate the geographic extent of impacts: Statewide Local or regional (List areas.): _____

5. Enter the number of jobs created: _____ or eliminated: _____ Describe the types of jobs or occupations impacted: _____

6. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?

Yes No If yes, explain briefly: _____

B. ESTIMATED COSTS (Include calculations and assumptions in the rulemaking record.)

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ _____

- | | | |
|--|--------------------------------|--------------|
| a. Initial costs for a small business: \$ _____ | Annual ongoing costs: \$ _____ | Years: _____ |
| b. Initial costs for a typical business: \$ _____ | Annual ongoing costs: \$ _____ | Years: _____ |
| c. Initial costs for an individual: \$ _____ | Annual ongoing costs: \$ _____ | Years: _____ |
| d. Describe other economic costs that may occur: _____ | | |

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

2. If multiple industries are impacted, enter the share of total costs for each industry: _____

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. (Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.): \$ _____

4. Will this regulation directly impact housing costs? Yes No If yes, enter the annual dollar cost per housing unit: _____ and the number of units: _____

5. Are there comparable Federal regulations? Yes No Explain the need for State regulation given the existence or absence of Federal regulations: _____

Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ _____

C. ESTIMATED BENEFITS (Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. Briefly summarize the benefits that may result from this regulation and who will benefit: _____

2. Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?

Explain: _____

3. What are the total statewide benefits from this regulation over its lifetime? \$ _____

D. ALTERNATIVES TO THE REGULATION (Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: _____

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation:	Benefit: \$ _____	Cost: \$ _____
Alternative 1:	Benefit: \$ _____	Cost: \$ _____
Alternative 2:	Benefit: \$ _____	Cost: \$ _____

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: _____

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? Yes No

Explain: _____

E. MAJOR REGULATIONS (Include calculations and assumptions in the rulemaking record.) Cal/EPA boards, offices, and departments are subject to the following additional requirements per Health and Safety Code section 57005.

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

1. Will the estimated costs of this regulation to California business enterprises exceed \$10 million? Yes No (If No, skip the rest of this section.)

2. Briefly describe each equally as an effective alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____

Alternative 2: _____

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: \$ _____ Cost-effectiveness ratio: \$ _____
Alternative 1: \$ _____ Cost-effectiveness ratio: \$ _____
Alternative 2: \$ _____ Cost-effectiveness ratio: \$ _____

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT (Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year which are reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code. Funding for this reimbursement:

a. is provided in _____, Budget Act of _____ or Chapter _____, Statutes of _____

b. will be requested in the _____ (FISCAL YEAR) Governor's Budget for appropriation in Budget Act of _____

2. Additional expenditures of approximately \$ _____ in the current State Fiscal Year which are not reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code because this regulation:

a. implements the Federal mandate contained in _____

b. implements the court mandate set forth by the _____ court in the case of _____ vs. _____

c. implements a mandate of the people of this State expressed in their approval of Proposition No. _____ at the _____ (DATE) election;

d. is issued only in response to a specific request from the _____, which is/are the only local entity(s) affected;

e. will be fully financed from the _____ (FEES, REVENUE, ETC.) authorized by Section _____ of the _____ Code;

f. provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each such unit;

g. creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

3. Savings of approximately \$ _____ annually.

4. No additional costs or savings because this regulation makes only technical, non-substantive or clarifying changes to current law regulations.

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

5. No fiscal impact exists because this regulation does not affect any local entity or program.
6. Other.

B. FISCAL EFFECT ON STATE GOVERNMENT (Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year. It is anticipated that State agencies will:
- a. be able to absorb these additional costs within their existing budgets and resources.
- b. request an increase in the currently authorized budget level for the _____ fiscal year.
2. Savings of approximately \$ _____ in the current State Fiscal Year.
3. No fiscal impact exists because this regulation does not affect any State agency or program.
4. Other.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS (Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year.
2. Savings of of approximately \$ _____ in the current State Fiscal Year.
3. No fiscal impact exists because this regulation does not affect any federally funded State agency or program.
4. Other.

FISCAL OFFICER SIGNATURE 	DATE	
AGENCY SECRETARY ¹ APPROVAL/CONCURRENCE		DATE 8/14/09
DEPARTMENT OF FINANCE ² APPROVAL/CONCURRENCE	PROGRAM BUDGET MANAGER 	DATE

1. The signature attests that the agency has completed the STD.399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or department not under an Agency Secretary must have the form signed by the highest ranking official in the organization.
2. Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD.399.

Regulations 1620
Interstate and Foreign Commerce
Section 100

Complete Rule Making File

OAL Approval with Approved Text Regulation 1620

Table of Contents

1. Form 400 and Proposed Text Regulation 1620
2. Statement of Explanation
3. Economic and Fiscal Impact Statements, August 14, 2009

Other Documents Relied upon

- A. Chief Counsel Memo Dated July 2, 2009
- B. Approved Minutes August 17, 2009
- C. BOE "Section 100 Change" Recommendation dated July 10, 2009
- D. Reporter's Transcript August 17, 2009

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director, MIC:73

Date: July 2, 2009

From : Kristine Cazadd, Chief Counsel
Legal Department, MIC:83

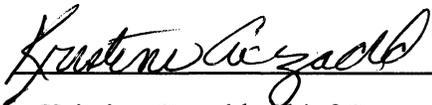
Subject : Regulation 1620, *Interstate and Foreign Commerce*
Chief Counsel's Rulemaking Calendar
Board Meeting—July 21, 2009

We request your approval to place proposed revisions to Sales and Use Tax Regulation 1620 on the Chief Counsel's Rulemaking Calendar on July 21, 2009. Board authorization to correct an error in the regulation under Rule 100, without the normal notice and public hearing process, is requested. To correct the error, in subparagraph (b)(2)(A), "subparagraph (b)(7)" must be changed to "subparagraph (b)(9)." This change is appropriate for processing under Rule 100 because it corrects an error that occurred when subparagraphs were renumbered in earlier revisions to the regulation.

Attached is the ~~strikeout~~ and underlined version of the regulation.

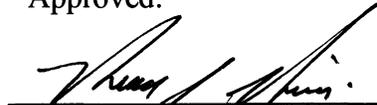
If you have any questions regarding this request, please let me know or contact Ms. Lisa Andrews at 322-5989.

Recommendation by:



Kristine Cazadd, Chief Counsel

Approved:



Ramon J. Hirsig, Executive Director

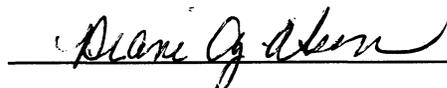
Approved:



Randie L. Henry, Deputy Director
Sales and Use Tax Department

BOARD APPROVED

At the 7-21-09 Board Meeting



Diane Olson, Chief
Board Proceedings Division

Attachments

cc (all with attachments):

Ms. Randie L. Henry (MIC 43)
Ms. Diane Olson (MIC 80)
Mr. Randy Ferris (MIC 82)
Mr. Robert Tucker (MIC 82)
Mr. Bradley Heller (MIC 82)
Mr. Jeffrey L. McGuire (MIC 92)
Mr. Geoffrey E. Lyle (MIC 50)
Ms. Leila Hellmuth (MIC 50)
Ms. Lisa Andrews (MIC 50)

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Proposed Amendments to Regulation 1620

State of California

BOARD OF EQUALIZATION

SALES AND USE TAX REGULATIONS

Regulation 1620. INTERSTATE AND FOREIGN COMMERCE.

Reference: Sections 6006, 6008, 6009.1, 6051, 6201, 6247, 6248, 6352, 6366.2, 6368.5, 6387, 6396, 6405, Revenue and Taxation Code.

(a) SALES TAX.

(1) **IN GENERAL.** When a sale occurs in this state, the sales tax, if otherwise applicable, is not rendered inapplicable solely because the sale follows a movement of the property into this state from a point beyond its borders, or precedes a movement of the property from within this state to a point outside its borders. Such movements prevent application of the tax only when conditions exist under which the taxing of the sale, or the gross receipts derived therefrom, is prohibited by the United States Constitution or there exists a statutory exemption. If title to the property sold passes to the purchaser at a point outside this state, or if for any other reason the sale occurs outside this state, the sales tax does not apply, regardless of the extent of the retailer's participation in California in relation to the transaction. The retailer has the burden of proving facts establishing his right to exemption.

(2) **SALES FOLLOWING MOVEMENT OF PROPERTY INTO STATE FROM POINT OUTSIDE STATE.**

(A) From Other States - When Sales Tax Applies. Sales tax applies when the order for the property is sent by the purchaser to, or delivery of the property is made by, any local branch, office, outlet or other place of business of the retailer in this state, or agent or representative operating out of or having any connection with, such local branch, office, outlet or other place of business and the sale occurs in this state. The term "other place of business" as used herein includes the homes of district managers, service representatives, and other resident employees, who perform substantial services in relation to the retailer's functions in this state. It is immaterial that the contract of sale requires or contemplates that the goods will be shipped to the purchaser from a point outside the state. Participation in the transaction in any way by the local office, branch, outlet or other place of business is sufficient to sustain the tax.

(B) From Other States - When Sales Tax Does Not Apply. Sales tax does not apply when the order is sent by the purchaser directly to the retailer at a point outside this state, or to an agent of the retailer in this state, and the property is shipped to the purchaser, pursuant to the contract of sale, from a point outside this state directly to the purchaser in this state, or to the retailer's agent in this state for delivery to the purchaser in this state, provided there is no participation whatever in the transaction by any local branch, office, outlet or other place of business of the retailer or by any agent of the retailer having any connection with such branch, office, outlet, or place of business.

(C) Imports. Sales tax applies to sales of property imported into this state from another country when the sale occurs after the process of importation has ceased, regardless of whether the property is in its original package, if the transaction is otherwise subject to sales tax under subdivision (a)(2)(A) of this regulation.

(3) **SALES PRECEDING MOVEMENT OF GOODS FROM WITHIN STATE TO POINTS OUTSIDE STATE.**

(A) To Other States - When Sales Tax Applies. Except as otherwise provided in (B) below, sales tax applies when the property is delivered to the purchaser or the purchaser's representative in this state, whether or not the disclosed or undisclosed intention of the purchaser is to transport the property to a point outside this state, and whether or not the property is actually so transported. It is immaterial that the contract of sale may have called for the shipment by the retailer of the property to a point outside this state, or that the property was made to specifications for out-of-state jobs, that prices were quoted including transportation charges to out-of-state points, or that the goods are delivered to the purchaser in this state via a route a portion of which is outside this state. Regardless of the documentary evidence held by the retailer (see (3)(D) below) to show delivery of the property was made to a carrier for shipment to a point outside the state, tax will apply if the property is diverted in transit to the purchaser or his representative in this state, or for any other reason it is not delivered outside this state.

The proposed amendments contained in this document may not be adopted. Any revisions that are adopted may differ from this text.

Proposed Amendments to Regulation 1620

(B) Shipments Outside The State - When Sales Tax Does Not Apply. Sales tax does not apply when the property pursuant to the contract of sale, is required to be shipped and is shipped to a point outside this state by the retailer, by means of:

1. Facilities operated by the retailer or
2. Delivery by the retailer to a carrier, customs broker or forwarding agent, whether hired by the purchaser or not, for shipment to such out-of-state point. As used herein the term "carrier" means a person or firm regularly engaged in the business of transporting for compensation tangible personal property owned by other persons, and includes both common and contract carriers. The term "forwarding agent" means a person or firm regularly engaged in the business of preparing property for shipment or arranging for its shipment. An individual or firm not otherwise so engaged does not become a "carrier" or "forwarding agent" within the meaning of this regulation simply by being designated by a purchaser to receive and ship goods to a point outside this state. (This subsection is effective on and after September 19, 1970, with respect to deliveries in California to carriers, etc., hired by the purchasers for shipment to points outside this state that are not in another state or foreign country, e.g., to points in the Pacific Ocean.)

(C) Exports.

1. When Sales Tax Applies. Except for certain new motor vehicles delivered to a foreign country pursuant to paragraph (b)(2)(D) of Regulation 1610 (18 CCR 1610), sales tax applies when the property is delivered in this state to the purchaser or the purchaser's representative prior to an irrevocable commitment of the property into the process of exportation. It is immaterial that the disclosed or undisclosed intention of the purchaser is to ship or deliver the property to a foreign country or that the property is actually transported to a foreign country.

Sales of property such as fuel oil and other items consumed during a voyage to a foreign country are not exempt even though they are transported out of, and are not returned to this country. It is immaterial that the ship to which the property is delivered is of foreign registry.

2. When Sales Tax Does Not Apply. Sales tax does not apply when the property is sold to a purchaser for shipment abroad and is shipped or delivered by the retailer to a foreign country. To be exempt as an export the property must be intended for a destination in a foreign country, it must be irrevocably committed to the exportation process at the time of sale, and must actually be delivered to the foreign country prior to any use of the property. Movement of the property into the process of exportation does not begin until the property has been shipped, or entered with a common carrier for transportation to another country, or has been started upon a continuous route or journey which constitutes the final and certain movement of the property to its foreign destination.

There has been an irrevocable commitment of the property to the exportation process when the property is sold to a purchaser for shipment abroad and is shipped or delivered by the retailer in a continuous route or journey to the foreign country by means of:

- a. Facilities operated by the retailer,
- b. A carrier, forwarding agent, export packer, customs broker or other person engaged in the business of preparing property for export, or arranging for its export, or
- c. A ship, airplane, or other conveyance furnished by the purchaser for the purpose of carrying the property in a continuous journey to the foreign country, title to and control of the property passing to the purchaser upon delivery. Delivery by the retailer of property into a facility furnished by the purchaser constitutes an irrevocable commitment of the property into the exportation process only in those instances where the means of transportation and character of the property shipped provide certainty that the property is headed for its foreign destination and will not be diverted for domestic use. The following are examples of deliveries by the retailer into facilities furnished by the purchaser which demonstrate an irrevocable commitment of the property into the exportation process:

Example 1. Sale of fuel oil delivered into the hold of a vessel provided by the purchaser. The fuel is to be unloaded at the foreign destination.

Example 2. Sale of jewelry delivered aboard a scheduled airline with a scheduled departure to a foreign destination.

Proposed Amendments to Regulation 1620

Example 3. Sale of equipment, designed specifically for use in the foreign destination, delivered to a foreign purchaser's aircraft. The foreign purchaser has filed a flight plan showing that the aircraft will be transporting the property on a continuous journey to its foreign destination.

The following are examples of sales which do not demonstrate sufficient indicia of an irrevocable commitment to the exportation process and do not qualify as exports:

Example 4. Sale of jewelry delivered to a foreign purchaser at the retailer's place of business or to the purchaser or his representative at the airport prior to boarding the plane. The tax applies even though the purchaser may hold tickets for the foreign destination.

Example 5. Sale of a television set delivered into the trunk of a passenger vehicle or into the storage area of a pickup truck.

Example 6. Sale of equipment delivered to a foreign purchaser's aircraft even though a flight plan had been filed showing that the aircraft was to be flown to a foreign destination. If the equipment sold had been altered or specifically designed for use in the foreign destination, then the combined factors of the character of the property and the means of transportation would provide certainty of export and the sale would qualify as an export as described in (3) above.

Export has not begun where property is transported from a point within this state to a warehouse or other collecting point in this state even though it is intended that the property then be transported, and in fact is transported, to another country. Nevertheless, sales of property are exempt if transported under the circumstances described in 2.b. above to a warehouse or other collecting point of a carrier, forwarding agent, export packer, customs broker, or other person engaged in the business of preparing property for export, or arranging for its export. Property is regarded as transported under the circumstances described in 2.b. above, when the property is sold to a purchaser for shipment abroad and is shipped or delivered to a point in this state to a person who is not the purchaser, whether or not that person is a legal entity related to the purchaser, who ships or delivers the property to a foreign destination as provided in paragraph (a)(3)(C)2.b. of this regulation.

(D) Proof of Exemption. Bills of lading or other documentary evidence of the delivery of the property to a carrier, customs broker, or forwarding agent for shipment outside this state must be retained by the retailer to support deductions taken under (B) above. Bills of lading, import documents of a foreign country or other documentary evidence of export must be obtained and retained by retailers to support deductions taken under (C) above.

(E) Particular Applications.

1. Property Mailed to Persons in the Armed Forces. Tax does not apply to sales of property which is mailed by the retailer, pursuant to the contract of sale, to persons in the armed forces at points outside the United States, notwithstanding the property is addressed in care of the postmaster at a point in this state and forwarded by him to the addressee.

When mail is addressed to Army Post Offices (A.P.O.'s) or to Fleet Post Offices (F.P.O.'s) in care of the postmaster, it will be presumed that it is forwarded outside California. The retailer must keep records showing the names and addresses as they appear on the mailed matter and should keep evidence that the mailing was done by him.

2. Property for Defense Purposes Delivered to Offices of the United States. Tax does not apply to sales of property shipped to a point outside this state pursuant to the contract of sale when the property is marked for export and delivered by retailer to the "contracting officer," "officer in charge," "port quartermaster," or other officer of the United States for transportation and delivery to the purchaser at such a point.

3. Airplanes Delivered to Agencies of the United States. Tax does not apply to sales of airplanes and parts and equipment for airplanes transported to a point outside this state pursuant to the contract of sale when such property is delivered to the United States Air Force or any other agency or instrumentality of the United States for transportation and delivery to the purchaser or someone designated by him at that point.

4. Repairers. When repairers of property in California, in fulfillment of their repair contracts with their customers, ship the repaired property to points outside this state by one of the methods set forth under (a)(3)(B) and (C) above, tax does not apply to the sale by the repairer of the repair parts and materials affixed to and becoming a component part of the repaired property so shipped.

Proposed Amendments to Regulation 1620

(b) USE TAX.

(1) IN GENERAL. Use tax applies to the use of any property purchased for storage, use or other consumption and stored, used, or consumed in this state, the sale of which is exempt from sales tax under this regulation.

(2) EXCEPTIONS.

(A) Use tax does not apply to the use of property held or stored in this state for sale in the regular course of business nor to the use of property held for the purposes designated in subparagraph (b)(79), below.

(B) Interstate and Foreign Commerce.

1. In General. Use tax does not apply to the use of property purchased for use and used in interstate or foreign commerce prior to its entry into this state, and thereafter used continuously in interstate or foreign commerce both within and without California and not exclusively in California.

2. Intermodal Cargo Containers. Intermodal cargo containers are containers that are used to transport freight during a continuous movement of that freight from the origin shipper to the destination receiver by the use of two or more of the following modes of transportation: railroad, vehicle, or vessel. The use of an intermodal cargo container in California is exempt from tax if the use meets the requirements of subdivision (b)(2)(B)1 of this regulation.

An intermodal cargo container is regarded as first used in interstate or foreign commerce prior to its entry into California if the container is loaded with freight outside California and then first enters California during a continuous movement of that freight from the origin shipper to the destination receiver. For purposes of the requirements set forth in subdivision (b)(2)(B)1 of this regulation, an intermodal cargo container is also regarded as first used in interstate or foreign commerce prior to its entry into California if all of the following conditions are satisfied:

a. The contract for the sale or lease of the intermodal cargo container requires that the container be used in interstate or foreign commerce and such sales contract or lease contract is entered into prior to the entry of the intermodal cargo container into California;

b. The purchaser or lessee transports the intermodal cargo container into California with the specific intent that such intermodal cargo container will then be loaded with freight for transport in a continuous movement to a destination outside California, whether or not the purchaser knows which particular freight will be loaded into the intermodal cargo container at the time the intermodal cargo container first enters California; and

c. The intermodal cargo container is, in fact, first loaded with freight for transport in a continuous movement to a destination outside California, and the intermodal cargo container is thereafter used continuously in interstate or foreign commerce both within and without California and not exclusively in California.

(C) Use tax does not apply to the use of certain new motor vehicles purchased for subsequent delivery to a foreign country and so delivered pursuant to paragraph (b)(2)(D) of Regulation 1610 (18 CCR 1610).

(D) Hand-Carried from a Foreign Country.

1. Prior to January 1, 2008, use tax does not apply to the storage, use, or other consumption in this state of the first four hundred dollars (\$400) of tangible personal property purchased in a foreign country by an individual from a retailer and personally hand-carried into this state from the foreign country within any 30-day period. This subdivision shall not apply to property sent or shipped to this state.

2. On and after January 1, 2008, use tax does not apply to the storage, use, or other consumption in this state of the first eight hundred dollars (\$800) of tangible personal property purchased in a foreign country by an individual from a retailer and personally hand-carried into this state from the foreign country within any 30-day period. This subdivision shall not apply to property sent or shipped to this state.

(3) PURCHASE FOR USE IN THIS STATE. Property delivered outside of California to a purchaser known by the retailer to be a resident of California is regarded as having been purchased for use in this state unless a statement in writing, signed by the purchaser or the purchaser's authorized representative, that the property was purchased for use at a designated point or points outside this state is retained by the vendor.

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Notwithstanding the filing of such a statement, property purchased outside of California which is brought into California is regarded as having been purchased for use in this state if the first functional use of the property is in California. For purposes of this regulation, "functional use" means use for the purposes for which the property was designed. Except as provided in subdivision (b)(5) of this regulation, when property is first functionally used outside of California, the property will nevertheless be presumed to have been purchased for use in this state if it is brought into California within 90 days after its purchase, unless the property is used, stored, or both used and stored outside of California one-half or more of the time during the six-month period immediately following its entry into this state. Except as provided in subdivision (b)(5) of this regulation, prior out-of-state use not exceeding 90 days from the date of purchase to the date of entry into California is of a temporary nature and is not proof of an intent that the property was purchased for use elsewhere. Except as provided in subdivision (b)(5) of this regulation, prior out-of-state use in excess of 90 days from the date of purchase to the date of entry into California, exclusive of any time of shipment to California, or time of storage for shipment to California, will be accepted as proof of an intent that the property was not purchased for use in California.

(4) PURCHASE FOR USE IN THIS STATE – VEHICLES, VESSELS, AND AIRCRAFT—90-DAY TEST (PRIOR TO OCTOBER 2, 2004, AND FROM JULY 1, 2007, THROUGH SEPTEMBER 30, 2008). The provisions of subdivision (b)(4) apply prior to October 2, 2004, and from July 1, 2007, through September 30, 2008. A vehicle, vessel, or aircraft purchased outside of California which is brought into California is regarded as having been purchased for use in this state if the first functional use of the vehicle, vessel or aircraft is in California. When the vehicle, vessel or aircraft is first functionally used outside of California, the vehicle, vessel or aircraft will nevertheless be presumed to have been purchased for use in this state if it is brought into California within 90 days after its purchase, exclusive of any time of shipment to California or time of storage for shipment to California, unless:

(A) Physically Located Outside California. Use tax will not apply if the vehicle, vessel or aircraft is used, stored, or both used and stored outside of California one-half or more of the time during the six-month period immediately following its entry into this state.

(B) Used in Interstate or Foreign Commerce.

1. If the property is a vehicle, use tax will not apply if one-half or more of the miles traveled by the vehicle during the six-month period immediately following its entry into this state are commercial miles traveled in interstate or foreign commerce.

2. If the property is a vessel, use tax will not apply if one-half or more of the nautical miles traveled by the vessel during the six-month period immediately following its entry into the state are commercial miles traveled in interstate or foreign commerce.

3. If the property is an aircraft, use tax will not apply if one-half or more of the flight time traveled by the aircraft during the six-month period immediately following its entry into the state is commercial flight time traveled in interstate or foreign commerce.

Such use will be accepted as proof of an intent that the property was not purchased for use in California. For purposes of subdivision (b)(4), the term "commercial" applies to business uses and excludes personal use. However, the term "commercial" is not limited to for-profit businesses.

(5) PURCHASE FOR USE IN THIS STATE - VEHICLES, VESSELS, AND AIRCRAFT– 12-MONTH TEST (FROM OCTOBER 2, 2004, THROUGH JUNE 30, 2007, AND AFTER SEPTEMBER 30, 2008).

(A) Purchased for Use in California. Except as provided in subdivision (b)(5)(D) below, the provisions of subdivision (b)(5) apply from October 2, 2004, through June 30, 2007, and after September 30, 2008. A vehicle, vessel, or aircraft purchased outside of California which is brought into California is regarded as having been purchased for use in this state if the first functional use of the vehicle, vessel, or aircraft is in California. When a vehicle, vessel, or aircraft is purchased outside of California, is first functionally used outside of California, and is brought into California within 12 months from the date of its purchase, it is rebuttably presumed that the vehicle, vessel, or aircraft was acquired for storage, use, or other consumption in this state and is subject to use tax if any of the following occur:

1. The vehicle, vessel, or aircraft was purchased by a California resident as defined in section 516 of the Vehicle Code, as that section now reads or is hereinafter amended.

Proposed Amendments to Regulation 1620

2. In the case of a vehicle, the vehicle was subject to registration under Chapter 1 (commencing with section 4000) of Division 3 of the Vehicle Code during the first 12 months of ownership.

3. In the case of a vessel or aircraft, that vessel or aircraft was subject to property tax in this state during the first 12 months of ownership.

4. The vehicle, vessel, or aircraft is used or stored in this state more than one-half of the time during the first 12 months of ownership.

(B) Evidence Rebutting Presumption. This presumption may be controverted by documentary evidence that the vehicle, vessel, or aircraft was purchased for use outside of this state during the first 12 months of ownership. This evidence may include, but is not limited to, evidence of registration of that vehicle, vessel, or aircraft, with the proper authority, outside of this state.

Operative September 20, 2006, through June 30, 2007, and after September 30, 2008, in the case of a vehicle, this presumption also may be controverted by documentary evidence that the vehicle was brought into this state for the exclusive purpose of warranty or repair service and was used or stored in this state for that purpose for 30 days or less. The 30-day period begins when the vehicle enters this state, includes any time of travel to and from the warranty or repair facility, and ends when the vehicle is returned to a point outside the state. The documentary evidence shall include a work order stating the dates that the vehicle is in the possession of the warranty or repair facility and a statement by the owner of the vehicle specifying dates of travel to and from the warranty or repair facility.

(C) Used in Interstate or Foreign Commerce.

1. If the property is a vehicle, use tax will not apply if one-half or more of the miles traveled by the vehicle during the six-month period immediately following its entry into this state are commercial miles traveled in interstate or foreign commerce.

2. If the property is a vessel, use tax will not apply if one-half or more of the nautical miles traveled by the vessel during the six-month period immediately following its entry into the state are commercial miles traveled in interstate or foreign commerce.

3. If the property is an aircraft, use tax will not apply if one-half or more of the flight time traveled by the aircraft during the six-month period immediately following its entry into the state is commercial flight time traveled in interstate or foreign commerce.

Such use will be accepted as proof of an intent that the property was not purchased for use in California. For purposes of subdivision (b)(5)(C), the term "commercial" applies to business uses and excludes personal use. However, the term "commercial" is not limited to for-profit businesses.

(D) Repair, Retrofit, or Modification of Vessels or Aircraft.

1. Notwithstanding subdivision (b)(5)(A) above, aircraft or vessels, the purchase and use of which are subject to the 12-month test described in subdivision (b)(5), that are brought into this state for the purpose of repair, retrofit, or modification, shall not be deemed to be acquired for storage, use, or other consumption in this state.

2. Subdivision (b)(5)(D)1. does not apply if, during the period following the time the aircraft or vessel is brought into this state and ending when the repair, retrofit, or modification of the aircraft or vessel is complete, more than 25 hours of airtime in the case of an airplane or 25 hours of sailing time in the case of a vessel are logged on the aircraft or vessel by the registered owner of that aircraft or vessel or by an authorized agent operating the aircraft or vessel on behalf of the registered owner of the aircraft or vessel. The calculation of airtime or sailing time logged on the aircraft or vessel does not include airtime or sailing time following the completion of the repair, retrofit, or modification of the aircraft or vessel that is logged for the sole purpose of returning or delivering the aircraft or vessel to a point outside of this state.

(E) Binding Purchase Contract. Subdivision (b)(5) does not apply to any vehicle, vessel, or aircraft that is either purchased, or is the subject of a binding purchase contract that is entered into, on or before October 1, 2004, or from July 1, 2007, through September 30, 2008.

(6) PURCHASE FOR USE IN THIS STATE – LOCOMOTIVES — 90-DAY TEST. A locomotive purchased outside of California which is brought into California is regarded as having been purchased for use in this state if the

Proposed Amendments to Regulation 1620

first functional use of the locomotive is in California. When the locomotive is first functionally used outside of California, the locomotive will nevertheless be presumed to have been purchased for use in this state if it is brought into California within 90 days after its purchase, exclusive of any time of shipment to California or time of storage for shipment to California, unless:

(A) Physically Located Outside California. Use tax will not apply if the locomotive is used, stored, or both used and stored outside of California one-half or more of the time during the six-month period immediately following its entry into this state.

(B) Used in Interstate or Foreign Commerce. Use tax will not apply to transactions involving locomotives if one-half or more of the miles traveled by the locomotive during the six-month period immediately following its entry into California are commercial miles traveled in interstate or foreign commerce.

Such use will be accepted as proof of an intent that the property was not purchased for use in California. For purposes of subdivision (b)(6), the term "commercial" applies to business uses and excludes personal use. However, the term "commercial" is not limited to for-profit businesses.

(7) **EXAMPLES OF INTERSTATE AND FOREIGN COMMERCE.** Examples of what constitutes interstate or foreign commerce include, but are not limited to the following:

Example 1. A sightseeing tour bus group (charter) or regularly scheduled bus service (per capita) originates in California and travels to another state or country for a single day or several days, then returns to California where the charter or schedule terminates.

Example 2. A charter bus, vessel or aircraft deadheads under contract to another state, picks up the group and operates the charter without entering the state of California, drops the group in the other state, and deadheads back into the State of California. (The charter was quoted round trip.)

Example 3. A commercial vehicle deadheads to another state or country or transports property to another state or country and delivers that property within the other state or country or to another state or country. The vehicle then returns to California, either loaded or empty.

Example 4. A charter bus group tours under contract to another state or country for a day or several days, drops the passengers in the other state or country, and then deadheads back under contract to its terminal or next assignment.

Example 5. Property arriving in California via plane, train, or vessel from another state or country is picked up by a commercial vehicle, vessel or aircraft and transported to another state or country for a day or several days. The commercial vehicle, vessel or aircraft then returns to California, either loaded or empty.

Example 6. A sightseeing tour bus group (charter) arriving in California via plane, train, or ship from another state or country is picked up by bus and tours California for a number of days, goes to another state or country for a number of days, and then terminates service either in another state, country, or California.

Example 7. Property arriving in California via plane, train, or vessel from another state or country is picked up by a commercial vehicle, vessel or aircraft, which may be operating wholly within California, and transported for further distribution to one or more California locations or to locations in another state or country. The vehicle, vessel or aircraft then returns empty to pick up another load arriving in California via plane, train, or vessel from another state or country.

Example 8. A commercial vehicle, vessel, aircraft, or regularly scheduled bus service operating wholly within California is picking up or feeding passengers or property arriving from, or destined to, a state or country other than California to another form of transportation be it plane, train, ship, or bus. (Example: an airport bus service or a bridge carrier for Amtrak.)

Example 9. Property is transported by a commercial vehicle, vessel, aircraft, or locomotive from another state or country to California or from California to another state or country. While engaged in this transportation, the commercial vehicle, vessel, aircraft, or locomotive also transports property from one point in California to another.

Example 10. A commercial vehicle, vessel, aircraft, or locomotive is dispatched from one location in California to another location in California to pick up property and transport it to another state or country.

Proposed Amendments to Regulation 1620

Example 11. A commercial vehicle, vessel or aircraft, sightseeing tour bus group (charter), or regularly scheduled bus service operating in interstate or foreign commerce experiences a mechanical failure and is replaced by another vehicle, vessel or aircraft. The replacement vehicle, vessel or aircraft is also deemed to be operating in interstate or foreign commerce as a continuation of the original trip.

Example 12. A vehicle, vessel, aircraft, or locomotive transports persons or property for commercial purposes (a) from California to another state or country; (b) from another state or country to California; (c) entirely within California, but the vehicle, vessel, aircraft, or locomotive picks up persons or property arriving in California via train, bus, truck, vessel, or aircraft from another state or country and then transports the persons or property in a continuous route or journey to one or more California locations or to locations in another state or country.

Example 13. A vessel transports persons or property for commercial purposes (a) from a California port to a port in another state or country; or (b) from a port in another state or country to a port in California.

(8) **IMPORTS.** Use tax applies with respect to purchases of property imported into this state from another country when the use occurs after the process of importation has ceased and when sales tax is not applicable, regardless of whether the property is in its original package.

(9) **"STORAGE" AND "USE" - EXCLUSIONS.** "Storage" and "use" do not include the keeping, retaining or exercising any right or power over property for the purposes of subsequently transporting it outside the state for use thereafter solely outside the state, or for the purpose of being processed, fabricated or manufactured, into, attached to, or incorporated into, other property to be transported outside the state and thereafter used solely outside the state.

The following examples are illustrative of the meaning of the exclusion:

Example 1. An engine installed in an aircraft which is flown directly out of the state for use thereafter solely outside the state qualifies for the exclusion. The use of the engine in the transporting process does not constitute a use for purposes of the exclusion. However, if any other use is made of the aircraft during removal from this state, such as carrying passengers or property, the exclusion does not apply.

Example 2. An engine installed in a truck which is transported by rail or air directly out of the state for use thereafter solely outside the state qualifies for the exclusion.

Example 3. An engine transported outside the state and installed on an aircraft which returns to the state does not qualify for the exclusion. It does not matter whether the use of the aircraft in California is exclusively interstate or intrastate commerce or both.

Example 4. An engine transported outside the state and installed on an aircraft which does not return to the state, qualifies for the exclusion.

(c) RAIL FREIGHT CARS. Sales tax does not apply to the sale of, and the use tax does not apply to the storage, use or other consumption in this state of rail freight cars for use in interstate or foreign commerce.

Tuesday, July 21, 2009

Action: Upon motion of Ms. Steel, seconded by Ms. Mandel and unanimously carried, Ms. Yee, Mr. Leonard, Ms. Steel, Mr. Shea and Ms. Mandel voting yes, the Board approved the redetermination as recommended by staff.

TAX PROGRAM NONAPPEARANCE MATTERS NOT SUBJECT TO CONTRIBUTION DISCLOSURE STATUTE

PROPERTY TAX MATTERS

Unitary Escaped Assessment

Verizon California, Inc. (201)
2008, \$24,354,028.00 Full Value

Action: Upon motion of Mr. Leonard, seconded by Ms. Steel and unanimously carried, Ms. Yee, Mr. Leonard, Ms. Steel and Mr. Shea voting yes, Ms. Mandel not participating in accordance with Government Code section 7.9, the Board adopted the unitary escaped assessment, plus penalties and in-lieu interest, as recommended by staff.

OFFERS-IN-COMPROMISE RECOMMENDATIONS

Action: Upon motion of Ms. Steel, seconded by Mr. Shea and unanimously carried, Ms. Yee, Mr. Leonard, Ms. Steel, Mr. Shea and Ms. Mandel voting yes, the Board approved the Offers in Compromise of *Parvis P. Tousian; Frederik J. Nel; Ronald W. Stewart; Richard & Charlene Busch; C & J Vantage Leasing Co.; Yee Sook Kim; Bruce S. Coe & Glen Coe Pizza;* and, *Richard Austin;* as recommended by staff.

CHIEF COUNSEL MATTERS

RULEMAKING

Proposed Amendments to Sales and Use Tax Regulation 1620, *Interstate and Foreign Commerce*

Bradley Heller, Tax Counsel, Legal Department, made introductory remarks regarding the proposed section 100 changes to correct a reference error in subdivision (b)(2)(A). (Exhibit 7.3.)

Action: Upon motion of Ms. Steel, seconded by Ms. Yee and unanimously carried, Ms. Yee, Mr. Leonard, Ms. Steel, Mr. Shea and Ms. Mandel voting yes, the Board adopted the proposed amendments to Sales and Use Tax Regulation 1620, *Interstate and Foreign Commerce*.

The Board recessed at 11:55 a.m. and reconvened at 1:30 p.m. with Ms. Yee, Mr. Leonard, Ms. Steel, Mr. Shea and Ms. Mandel present.

BOARD OF EQUALIZATION
REGULATORY ACTION IN ACCORDANCE
WITH OAL SECTION 100 (CHANGE WITHOUT REGULATORY EFFECT)

RULE/REG 1620

REASON FOR CHANGE (check those applicable)

renumbering, reordering, or relocating regulatory provision

deleting regulatory provision for which all statutory or constitutional authority has been repealed

deleting regulatory provision held invalid in a judgment that has become final, entered by a California court of competent jurisdiction, a US District Court located in the State of California, the US Court of Appeals for the Ninth Circuit, or the US Supreme Court

revising structure, syntax, cross-reference, grammar, or punctuation

changing an "authority" or "reference" citation

making consistent with changed California statute if (A) provision is inconsistent with and superseded by changed statute; and (B) Board has no discretion to adopt a change which differs in substance from this proposal

Therefore, I recommend that these amendments be submitted to OAL as a change without regulatory effect and without public hearing.

Prepared by Lina Andrews Date 6/25/09

Approvals
Division Chief Suzanne Buckley for J. M. Luie Date 6/26/09

Deputy Director Kelley Date 6-26-09

Assistant Chief Counsel Paul F. Foy Date 6/29/09

Chief Counsel Kristen Cayard Date 6/30/09

Chief, Board Proceedings Deanne G. Olson Date 7/10/09

INSTRUCTIONS:

After approval, forward to next on list. In the event of disapproval, return to preparer.

BEFORE THE CALIFORNIA STATE BOARD OF EQUALIZATION

450 N Street, Room 121

Sacramento, California

REPORTER'S TRANSCRIPT

JULY 21, 2009

ITEM J1

CHIEF COUNSEL MATTERS

RULEMAKING

Reported by: Beverly D. Toms

No. CSR 1662

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P R E S E N T

For the Board
of Equalization:

Betty Yee
Chair

Steve Shea
Acting Member

Bill Leonard
Member

Michelle Steel
Member

Marcy Jo Mandel
Appearing for John
Chiang, State Controller
(per Government Code
Section 7.9)

Diane Olson
Chief, Board
Proceedings Division

For Board of Equalization
Staff:

Bradley Heller
Legal Department

---oOo---

1 Sacramento, California

2 July 21, 2009

3 ---oOO---

4 MS. YEE: Okay, item J1, Rulemaking.

5 Mr. Heller, good morning.

6 MR. HELLER: Good morning, Madam Chair, Members
7 of the Board.

8 My name is Bradley Heller. I'm with the Legal
9 Department. And the staff would like to request the
10 Board's permission to make a minor Rule 100 change to
11 update a cross-reference in Regulation 1620.

12 MS. YEE: Okay. Very well. Is there a motion?

13 MS. STEEL: So move.

14 MS. YEE: Motion by Ms. Steel.

15 Chair will second.

16 Without objection, that motion carries.

17 Thank you very much.

18 MR. HELLER: Thank you.

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3 REPORTER'S CERTIFICATE4 State of California)
5) ss
6 County of Sacramento)7 I, BEVERLY D. TOMS, Hearing Reporter for the
8 California State Board of Equalization certify that on
9 July 21, 2009 I recorded verbatim, in shorthand, to the
10 best of my ability, the proceedings in the
11 above-entitled hearing; that I transcribed the shorthand
12 writing into typewriting; and that the preceding 3 pages
13 constitute a complete and accurate transcription of the
14 shorthand writing.15
16 Dated: August 8, 2009.
17
1819 _____
20 BEVERLY D. TOMS
21 Hearing Reporter
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