



Confusing New Lumber Tax Targets California Consumers

By George Runner

It's a new year, and with it comes higher taxes and more government spending. In 2013, overtaxed Californians will send more of their hard-earned dollars to Sacramento than ever before, growing total state spending to a record \$225 billion.

Higher taxes shouldn't be a surprise. After all, the majority of Californians voted for Proposition 30 this past November. But one new tax hike that took effect January 1 is catching many off guard and driving up costs for everything from new homes to home improvement projects.

Late last summer two-thirds of the Legislature approved and the Governor signed legislation imposing a new "Lumber Products Assessment" on some retail sales. The new law adds a one percent assessment on certain lumber and engineered wood products sold in California.

That might sound straightforward enough, but it's not—and that's one of many reasons I oppose this new tax.

Although some products containing wood will be taxed, others will not. You'll find out when you reach the cash register, assuming your local hardware store has managed to reprogram its cash registers in order to collect it.

Going forward, an unelected bureaucrat at the Board of Forestry and Fire Protection will have the authority to unilaterally add or remove products annually from the list of taxable items. This power to declare items taxable could create a constantly changing answer to the question, "How much tax must I pay on this lumber product?"

Items subject to the tax must contain at least 10% primary wood content. Examples include, but are not limited to, lumber, plywood particle board, poles, posts, structural panels, decking, railings, fencing (poles, solid board), roofing (shakes and wooden shingles), siding and sub-flooring.

Items not within the scope of the tax are "*secondary* wood products" where additional labor has added significant value to the product, including furniture, firewood, paper products, windows and doors.

This new tax came about as a direct result of California's excessive environmental regulations. California timber producers are at a competitive disadvantage to those in Oregon, Washington, Idaho, and other states because of California's high environmental fees, which are a major impediment to doing business and creating jobs in our state.

However, instead of working to lower these high costs, the Legislature concocted a scheme to pass them on to consumers. The one percent surcharge, in addition to the normal sales tax charged on most retail purchases, will serve to buy down the environmental fees that producers would normally pay. Instead of producers paying the fees, consumers must now pay them directly.

This sets a dangerous precedent for taxpayers. Which industry will be next to ask consumers to pay the costs of their environmental impact fees? Farmers? Movie producers? Silicon Valley?

This new tax also causes significant hardship for retailers who must reprogram their cash registers to collect the new assessment. One trade group has estimated that it will cost on average \$4500 per business location to perform this government-mandated reprogramming.

While the law does provide for cost reimbursement, unfortunately a majority of my colleagues on the Board of Equalization voted to limit reimbursement to \$250 per location. As a result, business owners will be on the hook for any additional costs.

Meanwhile, the Board requested \$1 million of taxpayer funds to recoup its own costs of upgrading computer systems to process the tax.

Struck by inconsistency of these actions, I told my colleagues, "I'm a little embarrassed that we are not afraid to ask for our full reimbursement for costs, but we're not willing to ask for full reimbursements for businesses in California."

Is it any wonder why job creators avoid California like the plague? Business owners in our state never know what new government tax or mandate will hit them next.

Rather than cooking up more complicated taxes and fees, the California Legislature ought to spend its time finding ways to help California job creators succeed. Instead of passing the costs of its excessive laws and regulations on to consumers and business owners, it ought to address those issues directly by determining how costs could be reduced overall.

Elected in November 2010, George Runner represents more than nine million Californians as a member of the State Board of Equalization. For more information or assistance, visit boe.ca.gov/Runner.

To learn more about the Lumber Products Assessment, visit boe.ca.gov/industry/lumber_products.html.