

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 24, 2008
POSITION: Neutral
SPONSOR: Board of Equalization

BILL NUMBER: SB 1450
AUTHOR: R. Dutton
RELATED BILLS: AB 1919

BILL SUMMARY: Sales Tax: Exempt Sales in Military Thrift Stores

This bill would provide an exemption from the sales and use tax until December 31, 2012 for tangible personal property sold by a thrift store located on a military installation and operated by a nonprofit organization whose purpose is to assist members of the Naval Services of the United States, and eligible family members and survivors.

FISCAL SUMMARY

According to the Board of Equalization (BOE), this bill would result in an annual loss of \$11,550 in state sales tax revenue and \$4,450 in local sales tax revenue. Enactment of this bill is not expected to materially impact BOE's administrative costs.

COMMENTS

The Department of Finance is neutral on this bill, as the revenue loss is minor and it provides some tax relief to service members and their families in their time of need.

Analyst/Principal (0721) C. White	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

R. Dutton

June 24, 2008

SB 1450

ANALYSIS**A. Programmatic Analysis**

Under existing law, the sales tax or the use tax applies to the sale or use of tangible personal property (including second hand property), unless specifically exempted or excluded from the tax. Current law provides a sales and use tax exemption for sales of used clothing, household items, and other retail items sold by thrift stores operated by a nonprofit organization. To qualify, the purpose of the thrift store must be to obtain revenue for the funding of medical, hospice, or social services to chronically ill individuals.

Current law also provides an exemption for sales by other charitable organizations. Sales (including thrift store sales) by charitable organizations are exempt from sales and use tax under the following conditions:

- The organization must be formed and operated for charitable purposes and must qualify for the "welfare exemption" from property taxation.
- The organization must be engaged in the relief of poverty and distress.
- The organization's sales or donations must be made principally as a matter of assistance to purchasers or donees in distressed financial condition.
- Property sold by the organization must have been made, prepared, and assembled or manufactured by the organization.

For example, merchandise sales through thrift stores operated by Goodwill Industries and the Salvation Army qualify for the exemption.

This bill would provide an exemption from the sales and use tax until December 31, 2012 for tangible personal property sold by a thrift store located on a military installation and operated by a nonprofit organization whose purpose is to assist members of the Naval Services of the United States, and eligible family members and survivors.

This bill would take effect immediately as a tax levy and specifies that it would become operative on the first calendar quarter commencing more than 90 days after the date of this act.

Discussion

The purpose of this bill is to provide an exemption in the law for items purchased by service members and their families in their time of need.

The Board of Equalization (BOE) is the sponsor of the bill and states that it would only apply to the sales from the thrift stores operated by the Navy-Marine Corps Relief Society. This society is a nonprofit, charitable organization that provides financial, educational, and other assistance to members of the Naval Services of the United States, and their eligible family members and survivors, when in need. The Society also operates 28 thrift stores, seven of which are located within California at various naval or marine bases in San Diego, Barstow, Ridgecrest, Port Hueneme, Coronado, and Lemoore. According to BOE, this is the only relief society on a military installation that operates a thrift store and makes sales of tangible personal property.

Note: AB 1919, as amended April 1, 2008, (Silva) has identical language with the exception of the operative date.

B. Fiscal Analysis

According to the Board of Equalization, this bill would result in annual revenue losses of \$16,000--\$11,000 General Fund, \$550 Fiscal Recovery Fund, and \$4,450 in local revenue. Finance assumes that this bill would be operative January 1, 2009. Enactment of this bill is not expected to materially impact the Board's administrative costs.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)
AUTHOR **AMENDMENT DATE**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO RV	PROP 98	FC	2008-2009	FC	2009-2010	FC	2010-2011		
1149/Sale Use Tax	RV	No	U	-\$6	U	-\$11	U	-\$11	0001	
L149/Loc Rev Sale	RV	No	U	-\$2	U	-\$3	U	-\$3	0994	
1149/Sale Use Tax	RV	No	U	\$0	U	-\$1	U	-\$1	3059	
1148/Realign-Sale	RV	No	U	\$0	U	-\$1	U	-\$1	0331	
0860/Equalization	SO	No		----- No/Minor Fiscal Impact -----						0001

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0331	Sales Tax Account, Local Revenue Fund
0994	Other Unclassified Funds
3059	Fiscal Recovery Fund