

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 04/17/2012
POSITION: Oppose
SPONSOR: Board of Equalization

BILL NUMBER: AB 2270
AUTHOR: Harkey, Diane

BILL SUMMARY: Sales and use tax: use tax: administration.

For reporting periods beginning on or after January 1, 2012, this bill would modify the due date for eligible purchasers that report annual use tax liabilities directly to the Board of Equalization (BOE) from January 31 to April 15.

FISCAL SUMMARY

Altering the due date would postpone the annual use tax reporting date from January 30 to April 15 for eligible purchasers. According to the BOE, a negligible amount (annual losses of less than \$10,000) of revenue would be lost since taxpayers would no longer be subject to penalties and interest for returns filed with the BOE after January 31 and before April 15.

The BOE anticipates insignificant costs to substitute the new due date on various forms and publications but the department could absorb the expenditures.

COMMENTS

The Department of Finance opposes this bill. Although providing a single due date for eligible purchasers reporting annual use tax liabilities, regardless of which filing method used, ensures consistent taxpayer treatment, this bill would negatively impact state use tax revenues during challenging economic times.

ANALYSIS

1. Programmatic Analysis

Under existing law, the use tax applies to all charges related to the sale of tangible personal property, unless the charge is specifically exempted or excluded.

Use tax liabilities are reported by the following:

- Registered purchasers – which include retailers who sell tangible personal property that also make purchases subject to use tax.
Qualified purchasers – are purchasers that are not otherwise required to be registered and receive at least \$100K in gross receipts from business operations per calendar year.
Eligible purchasers – are purchasers that do not fall into either of the other two categories.

Analyst/Principal Stephanie Rios Date Program Budget Manager Mark Hill Date
Department Deputy Director Date
Governor's Office: By: Date: Position Approved Position Disapproved
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**ANALYSIS** (continued)

Registered and qualified purchasers report and pay annual use tax liabilities to the BOE by April 15 for purchases made during the preceding calendar year. This bill would impact eligible purchasers. These purchasers may file annual use tax liabilities with the BOE by January 31 or on their personal or corporate tax return by April 15.

This bill would eliminate the inconsistent due date treatment by changing the filing due date to April 15 for eligible purchasers that report use tax liabilities directly to BOE.

## 2. Fiscal Analysis

Currently, although use tax liability payments made by eligible purchasers are due by January 31, if the liability is reported on a personal or corporation tax return (which has an April 15 due date), it is considered timely. If the same use tax liability is reported to the BOE directly, instead of on the income tax return, it must be received by January 31 or the taxpayer is assessed penalties and interest. By changing the due date to April 15 for eligible purchasers that report directly to the BOE, some penalty and interest revenue currently assessed would be lost but it is anticipated to be negligible.

The BOE anticipates insignificant costs to substitute the new due date on various forms and publications but the department could absorb the expenditures.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code	
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014
1149/Sale Use Tax	RV	No		-----	Losses less than \$10,000 annually	-----		0001
0860/Equalization	SO	No		-----	No/Minor Fiscal Impact	-----		0001