AB-296 Sales and use taxes: exclusion: pawnbrokers: transfer of vested property. (2021-2022)

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Assembly Bill No. 296

CHAPTER 164

An act to amend Section 6010.15 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor September 16, 2021. Filed with Secretary of State September 16, 2021.]

LEGISLATIVE COUNSEL'S DIGEST

AB 296, Gipson. Sales and use taxes: exclusion: pawnbrokers: transfer of vested property.

Existing state sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. Existing law defines “sale” and “purchase” for these purposes and provides certain exclusions from those definitions.

Existing law, until January 1, 2022, excludes the transfer of vested property by a pawnbroker to a person who pledged the property to the pawnbroker as security for a loan, if specified requirements are met, from the definition of “sale” and “purchase,” thus excluding that transfer from imposition of sales and use tax.

This bill would extend the exclusion of the transfer of vested property by a pawnbroker to the person who pledged it, as described above, until January 1, 2027.

Existing law requires a bill authorizing a sales and use tax exemption to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would include that additional information required for the above sales and use tax exclusion.

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing laws authorize districts, as specified, to impose transactions and use taxes in accordance with the Transactions and Use Tax Law, which generally conforms to the Sales and Use Tax Law. Amendments to the Sales and Use Tax Law are automatically incorporated into the local tax laws.

Existing law requires the state to reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse any local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 6010.15 of the Revenue and Taxation Code is amended to read:

6010.15. (a) “Sale” and “purchase” for the purposes of this part do not include the transfer of title to vested property by a pawnbroker to a person who pledged the property to the pawnbroker as security for a loan and from whom title to the property transferred to the pawnbroker pursuant to Section 21201 of the Financial Code, if all of the following requirements are met:

(1) The transfer occurs no more than six months after title to the property transferred to the pawnbroker from the person pursuant to Section 21201 of the Financial Code.

(2) As consideration for the transfer of the property, the person is required to pay the pawnbroker only the remaining unpaid balance of the loan, including accrued charges and interest, as of the date the pawnbroker becomes vested with title to the property, together with one of the following:

(A) For an original loan amount not exceeding two thousand four hundred ninety-nine dollars and ninety-nine cents ($2,499.99), charges and interest allowable under the loan pursuant to Chapter 2 (commencing with Section 21200) of Division 8 of the Financial Code, from the date the pawnbroker is vested with title to the property to the date of the transfer to the person who pledged the property.

(B) For an original loan amount of two thousand five hundred dollars ($2,500) or more, charges and interest due in accordance with the last monthly contractual interest rate, from the date the pawnbroker is vested with title to the property until the date of the transfer to the person who pledged the property.

(3) The person has proof, such as a receipt or similar document provided to the purchaser, that the person originally paid sales tax on the item.

(b) As used in this section:

(1) “Pawnbroker” has the meaning described in Section 21000 of the Financial Code.

(2) “Vested property” has the meaning described in subdivision (b) of Section 21002 of the Financial Code.

(c) This section shall become inoperative on January 1, 2027.

SEC. 2. For purposes of Section 41 of the Revenue and Taxation Code, with respect to the sales and use tax exclusion created by the amendments to Section 6010.15 of the Revenue and Taxation Code by this act, the Legislature finds and declares the following:

(a) The specific goals, purposes, and objectives of this act are to prevent a customer from paying double sales tax when redeeming the customer’s property from a pawnbroker.

(b) The performance indicators and data collection requirements to enable the Legislature to determine if the tax exclusion is meeting, failing to meet, or exceeding its specified goals, purposes, and the objectives are the California Department of Tax and Fee Administration’s estimate of utilization.

SEC. 3. Notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any sales and use tax revenues lost by it under this act.

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.