

AMENDED IN SENATE AUGUST 23, 2007

AMENDED IN ASSEMBLY APRIL 19, 2007

AMENDED IN ASSEMBLY APRIL 9, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 538

Introduced by Assembly Member Emmerson

February 21, 2007

An act to amend, repeal, and add Section 6375.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 538, as amended, Emmerson. Sales and use taxes: exemptions: children's clothing.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax, including an exemption for new children's clothing, which is sold to a nonprofit organization, as defined, for its distribution without charge to elementary school children.

This bill would, until January 1, 2014, expand this exemption to provide that any new children's clothing that is sold to a nonprofit organization for its distribution to all children, without charge, are exempt from that tax, and would modify the definition of a nonprofit organization to include other tax exempt organizations, as specified.

Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are automatically incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that no appropriation is made and the state shall not reimburse 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. *However, the provisions of this bill would not become operative until January 1, 2008.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 6375.5 of the Revenue and Taxation
 2 Code is amended to read:

3 6375.5. (a) There are exempted from the taxes imposed by
 4 this part the gross receipts from the sale of, and the storage, use,
 5 or other consumption in this state of, new children’s clothing that
 6 is sold to a nonprofit organization for its distribution without charge
 7 to ~~children~~ *individuals under 18 years of age.*

8 (b) For purposes of this section, “nonprofit organization” means
 9 an organization which meets all of the following criteria:

- 10 (1) Is organized and operated for charitable purposes.
- 11 (2) Has exempt status under Section 23701d or ~~Section 23701f.~~
- 12 (3) Furnishes new children’s clothing principally as a matter
 13 of assistance to recipients in distressed financial conditions.

14 (c) This section shall remain in effect only until January 1, 2014,
 15 and as of that date is repealed.

16 SEC. 2. Section 6375.5 is added to the Revenue and Taxation
 17 Code, to read:

18 6375.5. (a) There are exempted from the taxes imposed by
 19 this part the gross receipts from the sale of, and the storage, use,
 20 or other consumption in this state of, new children’s clothing that
 21 is sold to a nonprofit organization for its distribution without charge
 22 to elementary school children.

23 (b) For purposes of this section, “nonprofit organization” means
 24 an organization that meets all of the following requirements:

- 25 (1) Is organized and operated for charitable purposes.
- 26 (2) Has exempt status under Section 23701d.

1 (3) Is engaged in the relief of poverty and distress.

2 (4) Distributes new children's clothing principally as a matter
3 of assistance to recipients in distressed financial conditions.

4 (c) This section shall become operative on January 1, 2014.

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

9 SEC. 4. This act provides for a tax levy within the meaning of
10 Article IV of the Constitution and shall go into immediate effect.
11 *However, the provisions of this act shall become operative on*
12 *January 1, 2008.*