

AMENDED IN SENATE AUGUST 20, 2007

AMENDED IN ASSEMBLY APRIL 25, 2007

AMENDED IN ASSEMBLY APRIL 9, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 969

Introduced by Assembly Member Eng

February 22, 2007

An act to amend Sections 6452.1, 6487.3, and 18510 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 969, as amended, Eng. Qualified use tax payment.

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. Existing law requires retailers, as specified, to register with, and to obtain a seller's permit from, the State Board of Equalization, and requires that board to issue forms for the computation and payment of sales and use taxes collected or owed by those retailers. For taxable years beginning on January 1, 2003, and ending on December 31, 2009, existing law authorizes a person to make an irrevocable election to report qualified use tax, as defined, on that person's income tax form. Existing law requires the Franchise Tax Board to include space on income tax returns to allow a person to report and remit qualified use taxes to the Franchise Tax Board, and requires the Franchise Tax Board to remit the qualified use taxes collected to the State Board of Equalization.

This bill would recast the provisions relating to use tax reporting on an income tax return to instead require every person subject to qualified

use tax, as defined, to report and remit that tax on an acceptable tax return, as specified. This bill would require the Franchise Tax Board to revise the income tax form to enable a person to report and remit qualified use tax. This bill would ~~also~~ make conforming changes to related provisions.

This bill would declare the Legislature’s intent to require specified individuals and businesses to report and pay their use tax liabilities when making acceptable returns to the Franchise Tax Board and that specified rights and remedies apply in conjunction thereto, as provided.

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

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

1 SECTION 1. Section 6452.1 of the Revenue and Taxation
2 Code is amended to read:

3 6452.1. (a) Notwithstanding Section 6451, every person that
4 purchases tangible personal property, the storage, use, or other
5 consumption of which is subject to qualified use tax, as defined
6 in subdivision (d), that is otherwise required to report and remit
7 that tax pursuant to this part and fails to do so, shall report and
8 remit qualified use tax on an acceptable tax return.

9 (b) (1) In the case of a married individual filing a separate
10 California personal income tax return, an election may be made
11 to report either one-half of the qualified use tax or the entire
12 qualified use tax on his or her separate California personal income
13 tax return.

14 (2) If an individual elects to report one-half of the qualified use
15 tax, that election will not be binding with respect to the remaining
16 one-half of the qualified use tax owed by that individual and that
17 individual’s spouse.

18 (c) An acceptable tax return that contains use tax shall be
19 considered a tax return for purposes of this part.

20 (d) For purposes of this section:

21 (1) “Acceptable tax return” means a timely filed original return
22 that is filed pursuant to Article 1 (commencing with Section
23 18501), Article 2 (commencing with Section 18601), Section
24 18633, Section 18633.5 of Chapter 2 (commencing with Section
25 18501) of Part 10.2, or Article 3 (commencing with Section 23771)
26 of Chapter 4 of Part 11.

1 (2) (A) Except as provided in subparagraph (B), “qualified use
2 tax” means the use tax imposed under this part, Section 35 of
3 Article XIII of the California Constitution, the Bradley-Burns
4 Uniform Local Sales and Use Tax Law (Part 1.5 (commencing
5 with Section 7200)), or the Transactions and Use Tax Law (Part
6 1.6 (commencing with Section 7251)) that has not been paid to a
7 retailer holding a seller’s permit or certificate of registration-use
8 tax.

9 (B) “Qualified use tax” does not include:

10 (i) Use tax that applies to a mobilehome or a commercial coach
11 that is required to be registered annually pursuant to the Health
12 and Safety Code or use tax that applies to a vehicle subject to
13 identification under Division 16.5 (commencing with Section
14 38000) of the Vehicle Code, or to a vehicle that qualifies under
15 the permanent trailer identification plate program pursuant to
16 subdivision (a) of Section 5014.1 of the Vehicle Code.

17 (ii) Use tax imposed on a vehicle, vessel, or aircraft.

18 (iii) Use tax imposed on a lessee of tangible personal property.

19 (iv) Use tax imposed on purchases of cigarettes, tobacco
20 products, or cigarettes and tobacco products for which the
21 purchaser is registered with the board as a cigarette consumer, a
22 tobacco products consumer, or a cigarette and tobacco products
23 consumer.

24 (e) A person that is required to report qualified use tax on an
25 acceptable tax return shall report and remit the qualified use tax
26 due on all taxable purchases of tangible personal property made
27 during the taxable year for which the acceptable tax return is
28 required to be filed.

29 (f) (1) The penalties and interest imposed under this part, the
30 Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5
31 (commencing with Section 7200)), or the Transactions and Use
32 Tax Law (Part 1.6 (commencing with Section 7251)) shall apply
33 to use tax reported as qualified use tax on an acceptable return.

34 (2) Any claims for refunds or credits of any use tax reported as
35 qualified use tax on an acceptable tax return shall be made in
36 accordance with Chapter 7 (commencing with Section 6901) of
37 this part.

38 (3) Qualified use tax shall be considered to be timely reported
39 and remitted for purposes of this part, the Bradley-Burns Uniform
40 Local Sales and Use Tax Law (Part 1.5 (commencing with Section

1 7200)), and the Transactions and Use Tax Law (Part 1.6
2 (commencing with Section 7251)), if the qualified use tax is timely
3 reported on and remitted with an acceptable tax return in
4 accordance with the provisions of this section.

5 (g) Notwithstanding a person's payment of qualified use tax on
6 an acceptable tax return, the State Board of Equalization is not
7 precluded from making any determinations for understatements
8 of qualified use tax against that person in accordance with Part 5
9 (commencing with Section 6451).

10 (h) Any payments and credits shown on the return, together
11 with any other credits associated with that person's account, of a
12 person that is required to report qualified use tax on an acceptable
13 tax return shall be applied in the following order:

14 (1) Taxes imposed under Part 10 (commencing with Section
15 17001) or Part 11 (commencing with Section 23001), including
16 penalties and interest, if any, imposed under Part 10.2 (commencing
17 with Section 18041).

18 (2) Qualified use tax reported on the acceptable tax return in
19 accordance with this section.

20 (i) (1) This section does not apply to a person who is otherwise
21 required to hold a seller's permit or to register with the State Board
22 of Equalization pursuant to Part 1 (commencing with Section 6001)
23 of this division.

24 (2) This section applies to purchases of tangible personal
25 property made on or after January 1, 2007, in taxable years
26 beginning on or after January 1, 2007.

27 SEC. 2. Section 6487.3 of the Revenue and Taxation Code is
28 amended to read:

29 6487.3. (a) (1) For persons that are required to report qualified
30 use tax in accordance with Section 6452.1, except in the case of
31 fraud, intent to avoid this part or authorized rules and regulations
32 issued by the board, or the gross understatement of qualified use
33 taxes, every notice of a deficiency determination with respect to
34 the qualified use tax shall be mailed within three years after the
35 last day for which an acceptable tax return is due or filed,
36 whichever occurs later.

37 (2) In the case of a gross understatement of qualified use tax,
38 every notice of a deficiency determination with respect to the
39 qualified use tax shall be mailed within six years after the last day

1 for which an acceptable tax return is due or filed, whichever occurs
2 later.

3 (3) For purposes of this subdivision a “gross understatement of
4 qualified used tax” is a deficiency that is in excess of 25 percent
5 of the amount of qualified use tax reported on a person’s acceptable
6 tax return. In the case of married individuals filing separate
7 California personal income tax returns, the total amount of qualified
8 use tax reported will be considered in determining whether there
9 is a gross understatement of qualified use tax.

10 (4) For purposes of this section “acceptable tax return” means
11 a timely filed original return that is filed pursuant to Article 1
12 (commencing with Section 18501), Article 2 (commencing with
13 Section 18601), Section 18633, Section 18633.5 of Chapter 2
14 (commencing with Section 18501) of Part 10.2, or Article 3
15 (commencing with Section 23771) of Chapter 4 of Part 11.

16 (b) This section applies to reporting of purchases of tangible
17 personal property made on or after January 1, 2007, in taxable
18 years beginning on or after January 1, 2007.

19 SEC. 3. Section 18510 of the Revenue and Taxation Code is
20 amended to read:

21 18510. (a) (1) The Franchise Tax Board shall revise the returns
22 required to be filed pursuant to this article, Article 2 (commencing
23 with Section 18601), Section 18633, Section 18633.5, and Article
24 3 (commencing with Section 23771) of Chapter 4 of Part 11 *and*
25 *the accompanying instructions for filing those returns* in a form
26 and manner approved by the State Board of Equalization, to enable
27 a person to report and pay qualified use tax in accordance with the
28 provisions of Section 6452.1.

29 (2) Within 10 working days of receiving from the Franchise
30 Tax Board the returns *and instructions* described in paragraph (1),
31 the State Board of Equalization shall do either of the following:

32 (A) Approve the form and manner of the returns *and instructions*
33 and notify the Franchise Tax Board of this approval.

34 (B) Submit comments to the Franchise Tax Board regarding
35 changes to the returns *and instructions* that shall be incorporated
36 before the State Board of Equalization approves the form and
37 manner of the returns *and instructions*.

38 (b) Any payments and credits shown on the return, together
39 with any other credits associated with that person’s account, of a

1 person that reports qualified use tax on an acceptable tax return
2 shall be applied in the following order:

3 (1) Taxes imposed under Part 10 (commencing with Section
4 17001) or Part 11 (commencing with Section 23001), including
5 penalties and interest, if any, imposed under this part.

6 (2) Qualified use tax as reported on the acceptable tax return,
7 in accordance with Section 6452.1.

8 (c) The Franchise Tax Board shall transfer the qualified use tax
9 received pursuant to Section 6452.1, and any information the State
10 Board of Equalization deems necessary for its administration of
11 the use tax, to the State Board of Equalization within 60 days from
12 the date the use tax is received or the acceptable tax return is
13 processed, whichever is later.

14 (d) This section shall be operative for returns filed for taxable
15 years *beginning* on and after January 1, 2007.

16 *SEC. 4. It is the intent of the Legislature to require individuals
17 and businesses that failed to report and pay their liability for use
18 tax to the State Board of Equalization for purchases made during
19 the taxable year to report and pay their liabilities when filing
20 acceptable tax returns with the Franchise Tax Board. It is also the
21 intent of the Legislature that the same rights and remedies
22 available under the Sales and Use Tax Law (Part 1 (commencing
23 with Section 6001) of Division 2 of the Revenue and Taxation
24 Code) apply to any individual or business that reports and pays
25 use tax on an acceptable tax return filed with the Franchise Tax
26 Board.*

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