

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2365

**Introduced by Assembly Member Gipson
(Coauthors: Assembly Members Brough and Wagner)**

February 18, 2016

~~An act relating to taxation.~~ *An act to add Section 6010.15 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2365, as amended, Gipson. ~~Sales and use tax exemption.~~ *Sales and use taxes: exclusion: pawnbrokers: transfer of vested property.*

Existing 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 provides various exemptions from the taxes imposed by those laws.~~ *Existing law defines "sale" and "purchase" for these purposes and provides certain exclusions from those definitions.*

Existing law regulates pawnbrokers by, among other things, requiring every loan made by a pawnbroker for which goods are received in pledge as security to be evidenced by a written contract, a copy of which is required to be furnished to the pledgor. Existing law requires the loan period of a loan contract to be no less than 4 months, and requires the loan contract to set forth the loan period, the date on which the loan is due and payable, and to clearly inform the pledgor of his or her right to redeem the pledge during the loan period. Existing law provides

procedures by which a pawnbroker may ~~foreclose on~~ *become vested with the title to pledged property.*

~~This bill would declare the intent of the Legislature to enact legislation that would provide an exemption from sales and use taxes if an original pledgor reacquires from a pawnbroker tangible personal property he or she pledged to the pawnbroker as security for a loan within six months after title to the property is vested in the pawnbroker.~~

This bill would provide that “sale” and “purchase” do not include the transfer of vested property, as defined, by a pawnbroker to a person who pledged the property to the pawnbroker as security for a loan if specified requirements are met, thus excluding that transfer from imposition of sales and use tax.

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes cities and counties to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing law authorizes 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 state sales and use taxes are incorporated into these laws.

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

This bill would provide that, notwithstanding those provisions, no appropriation is made and the state shall not reimburse cities and counties 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: ~~no~~-yes.
State-mandated local program: no.

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

- 1 *SECTION 1. Section 6010.15 is added to the Revenue and*
- 2 *Taxation Code, to read:*
- 3 *6010.15. (a) “Sale” and “purchase” for the purposes of this*
- 4 *part do not include the transfer of title to vested property by a*
- 5 *pawnbroker to a person who pledged the property to the*
- 6 *pawnbroker as security for a loan and from whom title to the*
- 7 *property transferred to the pawnbroker pursuant to Section 21201*
- 8 *of the Financial Code, if both of the following requirements are*
- 9 *met:*

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

4 (2) *As consideration for the transfer of the property, the person*
5 *is required to pay the pawnbroker only the remaining unpaid*
6 *balance of the amount borrowed under the loan as of the date the*
7 *pawnbroker becomes vested with title to the property, together*
8 *with one of the following:*

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

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

21 (b) *As used in this section:*

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

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

26 *SEC. 2. Notwithstanding Section 2230 of the Revenue and*
27 *Taxation Code, no appropriation is made by this act and the state*
28 *shall not reimburse cities and counties for any sales and use tax*
29 *revenues lost by them under this act.*

30 *SEC. 3. This act provides for a tax levy within the meaning of*
31 *Article IV of the Constitution and shall go into immediate effect.*

32 ~~SECTION 1. It is the intent of the Legislature to enact~~
33 ~~legislation that would provide an exemption from sales and use~~
34 ~~taxes if an original pledgor reacquires from a pawnbroker tangible~~
35 ~~personal property he or she pledged to the pawnbroker as security~~
36 ~~for a loan within six months after title to the property is vested in~~
37 ~~the pawnbroker.~~