

**ASSEMBLY BILL**

**No. 2518**

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**Introduced by Assembly Member Gomez**

February 19, 2016

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An act to add Section 6356.9 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2518, as introduced, Gomez. Sales and use taxes: exemption: nonprofit corporation: building and construction supplies.

Existing sales and use tax laws impose taxes 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, and provides various exemptions from the taxes imposed by those laws.

This bill would partially exempt from those taxes the gross receipts from the sale of, and the storage and use of, or other consumption in this state of, building and construction supplies, materials, equipment, and machinery, and the parts thereof, that are purchased for a specified use by a nonprofit corporation, as provided. The bill would make the purchaser liable for the payment of sales tax if the building and construction supplies, materials, equipment, and machinery, and the parts thereof, are removed, converted, or used in a manner not qualifying for the exemption.

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 law authorizes districts, as specified, to impose transactions and use taxes in accordance with

the Transactions and Use Tax Law, which conforms generally to the Sales and Use Tax Law. Exemptions from state sales and use taxes are incorporated into these laws.

This bill would specify that this exemption does not apply to local sales and use taxes and transactions and use taxes and specified state sales and use taxes the proceeds of which are deposited into the Local Revenue Fund, the Local Revenue Fund 2011, the Local Public Safety Fund, and the Education Protection Account.

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

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 6356.9 is added to the Revenue and  
2 Taxation Code, to read:

3 6356.9. (a) There are exempted from the taxes imposed by  
4 this part the gross receipts from the sale of, and the storage and  
5 use of, or other consumption in this state of, building and  
6 construction supplies, materials, equipment, and machinery, and  
7 the parts thereof, that are purchased for use by a nonprofit  
8 corporation that is exempt from federal income taxation as an  
9 organization described in Section 501(c)(3) of the Internal Revenue  
10 Code that has received a welfare exemption under Section 214.15,  
11 for construction of properties that are intended to be sold and are  
12 sold to low-income families.

13 (b) (1) Notwithstanding any provision of the Bradley-Burns  
14 Uniform Local Sales and Use Tax Law (Part 1.5 (commencing  
15 with Section 7200)) or the Transactions and Use Tax Law (Part  
16 1.6 (commencing with Section 7251)), the exemption established  
17 by this section does not apply with respect to any tax levied by a  
18 county, city, or district pursuant to, or in accordance with, either  
19 of those laws.

20 (2) Notwithstanding subdivision (a), the exemption established  
21 by this section shall not apply with respect to any tax levied  
22 pursuant to Section 6051.2 or 6201.2, Section 35 and subdivision  
23 (f) of Section 36 of Article XIII of the California Constitution, or  
24 any tax levied pursuant to Section 6051 or 6201 that is deposited

1 in the State Treasury to the credit of the Local Revenue Fund 2011  
2 pursuant to Section 6051.15 or 6201.15.

3 (c) If a purchaser certifies in writing to the seller that the  
4 building and construction supplies, materials, equipment, and  
5 machinery, and the parts thereof, purchased without payment of  
6 the tax will be used in a manner entitling the seller to regard the  
7 gross receipts from the sale as exempt from the sales tax, and  
8 within one year from the date of purchase, the purchaser (1)  
9 removes the building and construction supplies, materials,  
10 equipment, and machinery, and the parts thereof, outside California,  
11 (2) converts the building and construction supplies, materials,  
12 equipment, and machinery, and the parts thereof, for use in a  
13 manner not qualifying for the exemption, or (3) uses that building  
14 and construction supplies, materials, equipment, and machinery,  
15 and the parts thereof, in a manner not qualifying for the exemption,  
16 the purchaser shall be liable for payment of sales tax, with  
17 applicable interest, as if the purchaser were a retailer making a  
18 retail sale of the building and construction supplies, materials,  
19 equipment, and machinery, and the parts thereof, at the time the  
20 building and construction supplies, materials, equipment, and  
21 machinery, and the parts thereof, are so removed, converted, or  
22 used, and the cost of the building and construction supplies,  
23 materials, equipment, and machinery, and the parts thereof, to the  
24 purchaser shall be deemed the gross receipts from that retail sale.

25 SEC. 2. This act provides for a tax levy within the meaning of  
26 Article IV of the Constitution and shall go into immediate effect.