

Add Revenue and Taxation Code Section 7059 to the Sales and Use Tax Law to require the Board of Equalization (BOE) to conduct a study to evaluate the feasibility of employing a system in which sales tax reimbursement collected by retailers is segregated or identified at the time of sale and simultaneously transferred to the State.

Source: Honorable Michelle Steel

Existing Law

Under existing law, sales tax is imposed on retailers for the privilege of selling tangible personal property at retail in this state. Retailers typically collect sales tax reimbursement from their customers at the time of sale, and are required to remit the tax to the BOE by the retailers' reporting due date. Larger retailers report the tax quarterly, with two prepayments within the quarter; smaller retailers report the tax monthly, quarterly, or annually, depending on their volume of taxable sales.

This Proposal

This proposal is intended to direct the BOE to explore the feasibility of adopting a more efficient approach to the collection of sales taxes that would allow for the remittance of sales tax reimbursement collected by retailers to the State at the time of sale.

California's sales and use tax system is one based on the principal of voluntary compliance. Most retailers are honest and generally comply with the tax laws. However, the BOE's number of accounts receivable, as well as the overall balance, continues to increase - further complicating the state's budget woes.

Recent economic turmoil is one factor contributing to this increase. However, other reasons include the fact that some businesses purposefully fail to remit the tax, such as when a retailer diverts the sales tax reimbursement a customer pays for its own purposes instead of remitting the tax to the State. A point-of-sale sales tax collection system would ensure that sales tax reimbursement charged to a customer by a retailer is transmitted directly to the State.

This proposal would require the BOE to study the feasibility of a sales tax collection system where sales tax reimbursement collected by retailers is forwarded to the State at the time of sale.

Section 7059 is added to the Revenue and Taxation Code, to read:

7059. (a) The board shall conduct a study to evaluate a point-of-sale collection method for the remission of sales tax reimbursement to the state at the time of sale. The study shall include an evaluation of available technology that can provide for point-of-sale sales tax remittance systems. The board shall consult with software industry representatives, private technology providers, financial institutions and other appropriate parties in conducting the study.

(b) In evaluating point-of-sale collection systems and determining the feasibility of utilizing a statewide system as required pursuant to subdivision (a), the board shall consider, at a minimum, the following:

(1) The development of methods by which retailers, credit card companies, or financial institutions may potentially capture sales tax data at the time of sale in California and forward that information to the Board.

(2) The development of methods by which the state is able to receive, process and store sales tax data described in paragraph (1).

(3) The potential administrative costs to the board and financial costs to retailers for implementing and operating a statewide sales tax point-of-sale collection system.

(c) The board shall submit a report to the Legislature with the results of the study not later than January 1, 2013. In the event the report includes a determination that a sales tax point-of-sale collection system is feasible and would benefit the state and local sales and use tax revenue stream and minimize the occurrence of delinquent remissions of sales tax, the report shall also recommend a strategy for implementation.