

RESOLUTION 01-03-2018 – AS AMENDED

DIGEST

Sales Tax: Exemption for Used Clothing

Amends Revenue and Taxation Code section 6363.3 and adds section 6363.9 to provide that used clothing is not subject to sales tax.

STATEMENT OF REASONS

The Problem: Clothing is a necessity for all humans outside their home, and often even inside the home. The sales tax is a regressive tax, affecting people in greater proportions the less income they have. The reason is richer people tend to invest more of their income, while the poor and middle class spend most of their income. The disproportionate tax burden is especially true with a necessity like clothing, because people cannot opt-out of buying it. Right now, the only time buying used clothing is exempt from the sales tax is if sold at a thrift store operated by a nonprofit organization (particularly Goodwill Industries).

The Solution: This resolution gets rid of the special exemption for Goodwill and exempts all used clothing from the sales tax regardless where it is sold. Everyone, including Goodwill will be able to sell used clothing free of a sales tax. By exempting all used clothing from the sales tax, this resolution eases the tax burden for people when buying the clothing they need. People who can afford the luxury of new clothing will still be paying the tax.

TEXT OF RESOLUTION

RESOLVED that the Conference of California Bar Associations recommends that legislation be sponsored to amend Revenue and Taxation Code section 6363.3 and add section 6363.9 to read as follows:

- 1 § 6363.3
- 2 (a) There are exempted from the taxes imposed by this part, the gross receipts
- 3 from the sale in this state of, and the storage, use, or other consumption in this state of,
- 4 ~~used pieces of clothing~~, household items, or other retail items sold by thrift stores
- 5 operated by a nonprofit organization if the purpose of that thrift store is to obtain revenue
- 6 for the funding of medical, hospice, or social services to chronically ill individuals, and at
- 7 least 75 percent of the net income derived from operations of the thrift store are actually
- 8 expended for the purpose of providing medical, hospice, or social services to the
- 9 chronically ill.
- 10 (b) For purposes of this section, “nonprofit organization” means an organization
- 11 that provides medical, hospice, or social services to individuals with a chronic, life-
- 12 threatening illness, as defined in subdivision (c) of Section 1568.01 of the Health and
- 13 Safety Code, and is exempt from taxation under Section 23701d.
- 14 (c) This section shall remain in effect only until January 1, 2019, and as of that
- 15 date is repealed.
- 16
- 17 § 6363.9

18 (a) There are exempted from the taxes imposed by this part the gross receipts of
19 organizations incorporated under Internal Revenue Code section 501(c)(3), from the sale
20 of, and the storage, use, or other consumption in this state of, used clothing.
21 (b) For purposes of this section, the following definitions shall apply:
22 (1) “Clothing” means all human wearing apparel suitable for general use.
23 (2) “Used” means either of the following
24 (A) When originally bought in California, clothing in which the taxes imposed by
25 this part have been previously paid.
26 (B) When originally bought outside of California, clothing that has been bought
27 as a consumer good.

(Proposed new language underlined; language to be deleted stricken)

PROPONENT: San Diego County Bar Association

IMPACT STATEMENT

This resolution does not affect any other law, statute or rule other than those expressly identified.

CURRENT OR PRIOR RELATED LEGISLATION

None known.

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