

CITY OF OAKLAND

OFFICE OF FINANCE

REVENUE DIVISION

DIRECTOR OF FINANCE RULING NO. 18

RETAILERS/WHOLESALEERS EARNING FINANCE AND OTHER  
CHARGES ON DEFERRED PAYMENT ACCOUNTS

Reference: Section 5-1.31 and 5-1.49 of the Oakland Municipal Code.

Purpose

Provides the basis for the apportionment and taxation of finance and other charges on deferred payment accounts.

BACKGROUND

An audit of several locally based major retail stores revealed that these businesses were failing to report as "Gross Receipts" the finance charges attributable to the sales activity of said stores. The Director of Finance promulgated this ruling to provide for a fair and equitable inclusion of such deferred finance charges in the measure of the tax.

RULING OF THE DIRECTOR OF FINANCE

Persons engaged in the business of selling goods and/or furnishing services at retail on a deferred payment basis, who in the conduct of said business earn finance and other charges from the purchaser in return for deferring payment for such goods and/or services, shall report such earning as provided for in Chapter 5, Article 1 Section 5-1.31 or as provided for under Section 5-1.49, as follows:

In those situations where a person maintains the account center within the City of Oakland and one or more retail stores outside of the City, or the accounting center outside of the City and one or more retail stores within the City, it is necessary to apportion the finance and other charges earned as a result of deferred payments so that only the portion attributable to activities performed by such person within the City shall be included in taxable gross receipts.

Retailing activities, such as solicitation, negotiation and consummation of the retail transaction, performed by a person and his employees shall be deemed to give rise to 80% of the gross receipts from finance and other charges earned as a result of deferred payments in connection with such retail transactions.

In those situations where the retail store and accounting facility are located at the same location within the City of Oakland, the retailing activities shall be deemed to give use of 100% of the gross receipts from finance and other charges. However, if the retail store and accounting facility are located at different locations within the City of Oakland 80% of the gross receipts from finance charges or deferred payment in connection with such retail transaction shall be attributable to and included as taxable gross receipt of said retail store.

Retailing activities performed by a concessionaire or other independent contractor shall not be considered in determining the location to which finance and other charges are attributable. Except as provided herein, all gross receipts from finance and other charges relating to deferred payment accounts shall be deemed to be attributable to activities performed at the accounting center or other similar facility.