SENATE RULES COMMITTEE AB 2641

Office of Senate Floor Analyses

(916) 651-4171

CONSENT

Bill No: AB 2641
Author: Michelle Rodriguez (D)
Amended: 4/21/26 in Assembly
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 6/10/26
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 72-0, 5/18/26 - See last page for vote

SUBJECT: Sales and use taxes: exclusion: pawnbrokers: transfer of vested property

SOURCE: California Pawnbrokers Association

DIGEST: This bill extends the sunset on the sales and use tax exemption for customers who repurchase their property from a pawnbroker until January 1, 2032.

ANALYSIS:

Existing law:

1) Imposes the sales tax on every retailer "engaged in business in this state" that sells tangible personal property and requires them to register with the California Department of Tax and Fee Administration (CDTFA), as well as remit taxes collected from purchasers to CDTFA.

2) Applies the sales tax whenever a retail sale occurs, which is generally any sale other than one for resale in the regular course of business.

3) Provides that unless the purchaser pays the sales tax to the retailer, they are liable for the use tax, which is imposed on any person consuming tangible

personal property in the state, and requires the purchaser to remit use tax to CDTFA.

4) Sets the state sales and use tax rate at 7.25% of the sales price of the property sold or used, of which 3.9375% flows to the state General Fund.

5) Defines and regulates pawnbrokers under the Financial Code, which allows them to offer collateral-based loans that include related interest charges and fees in exchange for holding onto a customer's property.

6) Requires pawnbrokers to provide a written contract and specified loan terms for every loan and retain possession of every article pledged to them for the duration of the loan period, which existing law describes as "pledged property."

7) Allows pledgors to redeem their property upon complete payment of the loan and the applicable charges and requires that if a pledgor does not redeem pledged property within a specified period, the title becomes automatically vested with the pawnbroker, which existing law describes as "vested property."

8) Provides for a sales and use tax exemption, until January 1, 2027, when customers who defaulted on their loans repurchase their property, reacquire the property within six months of when the pawnbroker was vested the property, and the person pays the pawnbroker the remaining unpaid balance of the loan, including accrued charges and interest, together with one of the following:
   a) For an original loan amount not exceeding $2,499.99, charges and interest from the date the pawnbroker is vested with title to the property to the date of the purchase.
   b) For an original loan amount of $2,500 or more, charges and interest due in accordance with the last monthly contractual interest rate, from the date the pawnbroker is vested with title to the property until the date of purchase.

This bill:

1) Extends the sunset for the sales and use tax exemption for a transfer of title of vested property by a pawnbroker to a person who originally pledged the property as collateral for a loan, until January 1, 2032.

2) Makes legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

Background

Pawnbrokers. The Financial Code governs pawnbrokers and grants them the authority to offer collateral-based loans that include related interest charges and fees in exchange for holding onto a customer's property. Existing law requires pawnbrokers to provide a written contract for every loan, which must set forth the loan period and the date on which the loan will become due and payable, and that period must be at least four months. Pawnbrokers must retain possession of every article pledged to them for the duration of the loan period, which existing law describes as "pledged property." During that period, the pledgor may redeem the articles upon payment of the loan amount and the applicable charges. If a pledgor does not redeem any pledged property during the loan period, and the customer and pawnbroker do not mutually agree in writing to extend the loan period, the pawnbroker must notify the customer within one month after the loan period expires. This notice provides a pledgor with an extended right of redemption for a period of 10 days from the date of mailing or electronic transmission of that notice. If a pledgor does not redeem pledged property within the 10-day notice period, existing law requires the title to the pledged property to become automatically vested with the pawnbroker, which existing law describes as "vested property." After the title has vested with the pawnbroker, the customer no longer has any legal right to the property, and the pawnbroker may then sell or dispose of the vested property as they please. Accordingly, when a customer subsequently seeks to purchase the collateral, the transaction constitutes a separate taxable retail sale for purposes of the Sales and Use Tax Law because title of the property has transferred back from the pawnbroker to the pledgor. This bill eliminates the double-tax burden borne by customers in these circumstances by authorizing a sales-and-use tax exemption for the repurchase of collateral property retained by pawnbrokers.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 6/22/26)

California Pawnbrokers Association (Sponsor)

OPPOSITION: (Verified 6/22/26)

None received

ARGUMENTS IN SUPPORT: According to the author, "AB 2641 addresses an unfair and unintended consequence in California's tax code that can result in consumers paying sales tax twice on the same item. Individuals who purchase goods have already paid the appropriate sales tax at the point of sale; however, if they later use that item as collateral for a loan and seek to reclaim it from a pawnbroker, current law can treat that transaction as a new taxable sale. While existing law provides a temporary exclusion to prevent this outcome, that protection is set to expire, creating uncertainty and the risk of reinstating double taxation. This measure simply extends that common sense protection, ensuring that Californians are not penalized for accessing short term financial services. By preventing duplicative taxation and promoting fairness in the tax system, this bill provides a modest but meaningful safeguard for consumers, particularly those who rely on pawnbrokers during times of financial need. In order to be eligible for the sales tax exemption, the following conditions must be met: 1) transactions where the original owner redeems the item within six months; 2) the payment reflects only the unpaid loan balance plus allowable charges and interest, and; 3) the individual can demonstrate that sales tax was previously paid on the item."

ASSEMBLY FLOOR: 72-0, 5/18/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Ta, Tangipa, Valencia, Wallis, Ward, Wilson, Zbur, Rivas
NO VOTE RECORDED: Calderon, Dixon, Gallagher, Lee, Quirk-Silva, Celeste Rodriguez, Stefani, Wicks

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6/24/26 16:39:39

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