



STATE BOARD OF EQUALIZATION

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January 14, 2002

L--- J. L---, CPA
Managing Director
The L--- C--- G---, Inc.
XXXX --- Boulevard, Suite XXX
--- --- ---, FL XXXXX

JAMES E. SPEED
Executive Director

Dear L---:

Thank you for your letter of December 21, 2001. I found your attachments and explanation of Section 6364 and Regulation 1589 interesting and informative. Your pictures were very helpful.

Based on this information, I am in agreement that the bread racks purchased by your client should be considered containers. Your argument that they are in the nature of and serve the same function as pallets is convincing. I believe that they can be appropriately considered as specialized type of pallet functioning in a specialized industry. In effect, the racks were developed to make the shipment, transportation and delivery of fresh baked products more efficient and effective. They contain the freshly baked products produced by your client and are used to transport these products to distribution centers or retail outlets. They are specially designed to function without damaging the product so as to render them unsaleable.

Consequently, they constitute containers and qualify for the exemption under Revenue and Taxation Code section 6364. By copy of this letter, I will notify our Sales and use Tax department and other interested parties of this decision.

Thank you for your cooperation and professional courtesy in resolving this matter.

Very truly yours,

Timothy W. Boyer
Chief Counsel

Cc: Janice Thurston
Ramon Hirsig
Paul Steinberg