

M e m o r a n d u m**330.3180**

To: San Mateo – Auditing (CFL)

January 8, 1968

From: Tax Counsel (TPP:AWP) - Headquarters

Subject: B--- R--- Corporation of
California and W--- W---
dba B--- R--- of San Jose
XXX --- Avenue
--- ---, CA XXXXX

SR -- XX-XXXXXX

In your memorandum of December 15, 1967, you ask whether a “drop-off” charge made by an automobile lessor is includible in the sales price subject to tax.

The facts, as we understand them, are that the lessor leaves the price segment of the lease agreement blank when the lessee picks up the car. The lessee is told at the time that the rental price will be one amount if he returns the car to the location from which it was rented, and another amount if the lessee chooses to leave the car at a “drop-off” station.

At the time the contract is executed, there is certainty regarding all aspects except the total sale price. The sale price is impossible to compute until the car is returned. However, the lessee knows that regarding the lease of that particular vehicle, there will be stipulated daily mileage and insurance charges; and, in addition, the price for renting that particular vehicle will vary, depending upon the location to which the vehicle is returned. When the car is returned by the lessee all these factors are considered and a total rental price for that particular vehicle is computed.

Based upon this reasoning, the “drop-off charge” is includible in the sale price, subject to tax as defined in section 6011.

AWP:ph

cc: San Jose – District Administrator