



STATE BOARD OF EQUALIZATION

August 4, 1965

Gentlemen:

This is in response to your letter of July 27, 1965 requesting clarification of certain changes in the Sales and Use Tax Law, operative August 1, 1965. Answering your questions in order, we advise:

1. It would not appear to us that the X-ray laboratory to whom you lease an X-ray machine is, in fact, a sublessor when it uses the machine in the performance of work for customers. It would be our view in the absence of additional facts that your company is leasing the machine to the laboratory, which uses the machine in rendering its services. You would then be required to pay tax upon your rental receipts collected, unless you acquired the property in substantially the same form in which you lease it, paying either sales tax reimbursement or use tax measured by the purchase price of the machine paid by you.
2. You are correct that a lessor still may elect to purchase under a resale certificate equipment for the purpose of leasing it and pay tax upon rental receipts.
3. Prior to August 1, 1965, whenever a lessor elected to measure his tax by rental receipts in lieu of cost, he was required to include lease payments on equipment leased to the United States within the measure of his tax liability.

Very truly yours,

E. H. Stetson
Tax Counsel

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