



STATE BOARD OF EQUALIZATION  
LEGAL DIVISION (MIC:85)  
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November 4, 1993

Ms. M--- L---  
XXX --- Avenue  
---, CA XXXXX

Re: Application of Sales Tax  
California Redemption Value  
Regulation 1589(a)

No Permit No.

Dear Ms. L---:

This is in response to your letter dated June 21, 1993, regarding the application of sales tax to California redemption value.

You wrote a complaint letter to the Department of Consumer Affairs because you believe that the P--- --- improperly charges sales tax on bottle deposits. On August 17, 1993, the Department of Consumer Affairs forwarded your letter to this agency since the State Board of Equalization is the proper authority for dealing with California sales tax disputes. Your letter was received by the Legal Division on September 14, 1993. In your letter you state:

"On the shelves, the price for each case of bottled water (sodas etc.) is listed. Underneath in smaller print is the California redemption value cost listed. At the check-out it prints the total out on the receipt: [p]rice per case including deposits. Then they charge sales tax on this total.

"I did ask them the next time I purchased cases of bottled water to separate the cost of the case and the deposits. I was told that is impossible since the computer is programmed to include California redemption value in the price."

Sales tax is imposed on all retailers measured by their gross receipts from retail sales of tangible personal property in this state, unless the sales are specifically exempt from tax by statute. (Rev. & Tax. Code § 6051.) The taxable gross receipts include the total amount of the sale price with no deduction for costs of property, service costs, or other overhead expenses. (Rev. & Tax. Code § 6012(a).) Subdivision (b)(1) of Regulation 1589 states: "Deposits as defined herein are not taxable."

The question here is whether the California Redemption Value (CRV) is a deposit within the meaning of this provision. Sales and Use Tax Regulation 1589 specifically defines the term deposit. Regulation 1589(a) provides in part:

"The term deposit as used herein means an amount charged to the purchaser of the contents of the container with the understanding that such amount will be repaid when the container or a similar container is delivered to the seller. The term deposit as used herein does not include amounts representing redemption or recycling values of beverages containers pursuant to division 12.1 (commencing with Section 14500) of the Public resources Code whether or not such amounts are separately stated to the purchaser of the contents of the container."

The regulation above specifically excludes the amount of the CRV from the definition of nontaxable deposit. As stated in the regulation this is true whether the CRV is separately stated or not. P--- --- is therefore properly treating the amount of the CRV as part of the taxable sales price.

If you have further questions, please write again.

Sincerely,

Gerald Morrow  
Tax Counsel

GM/md  
Enclosures

cc: Audit Evaluation and Planning Section - MIC:40  
San Jose - District Administrator