



STATE BOARD OF EQUALIZATION

May 26, 1966

Dear Mr. ---

We have again reviewed the matter of the taxability of burglar alarm systems in the light of information you presented at our conference of May 18, 1966.

As a result of the conference, we have come to the conclusion that the burglar alarm agreements discussed are not leases as that term is used in § 6006 and 6006.3 of the Sales and Use Tax Law. We have relied in this decision on our present understanding of the nature of local systems and central station systems. In practice, both the so-called local alarms and the central station alarms require the burglar alarm company to go to the premises of the customer after each alarm. This is true whether notice of the alarm is received by the company through direct lines by notification by the customer, the police, or calls from observers near the customer's premises. It is also relevant that even in local or simple alarms the value of the equipment on the customer's premises is small compared to the money received for the service from the customer. It is also of note that the installation of the equipment on the customer's premises may almost completely be regarded as installation rather than only as fabrication labor. For this reason, the part of the system placed on the customer's premises is not substantially changed in form within the meaning of 6006.

In this light, the agreements appear to be fairly characterized as agreements for the provision of alarm services rather than agreements for the installation of specific tangible personal property on the premises of the customer. It is noted that the alarm companies are considered to have reasonable access to the customers' premises to change, add, or alter equipment as the company deems necessary to provide satisfactory alarms. Correspondingly, from the viewpoint of the customer, the equipment on his premises is within the control and dominion of the alarm company to the extent necessary to provide the service, and he does not have the right to repair, alter, or manipulate the equipment, because it is extremely likely that such actions would impede the alarm company's ability to give accurate and efficient warnings through the company's use of all its equipment.

It is of further interest that, after the expiration of the original contract period, the rate charged usually is greater than before.

In conclusion, it appears proper for the company to acquire all of its equipment on a tax-paid basis and to consider none of the payments from its customers to be rental payments from the lease of tangible personal property.

Very truly yours,

Philip R. Dougherty
Associate Tax Counsel

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cc: Los Angeles District ~iDistr1ctc>Administrator
West Los Angeles - Subdistrict Administrator