

**M e m o r a n d u m****330.2530**

To: Mr. Gary J. Jugum

March 17, 1988

From: Donald J. Hennessy

Subject: New Annotation

We recently again tangled with another variation on your "Z---" letter (Annotation 330.2290). We recommended that the tax not apply based on the advice we have given during the last few years. I wish to annotate this memorandum of mine to you, thereby giving such advice a current treatment and directing any questions to me.

I request your approval to delete annotations 570.1120, 570.1140, and 570.1520, and then add a new annotation stating as follows:

"Out-of-State Use of Leased Property. A lessor purchases tangible personal property\* for resale from suppliers both inside and outside California. The first lease is at a location outside California. Following termination of this first lease, the lessor brings the property into California, not for lease to another lessee, but for use in the lessor's own operations in California.

"If the property was purchased by the lessor outside California, and does not enter California within 90 days of the start of the out-of-state lease, the lessor's use of the property in the lessor's own operations in California is not subject to use tax.

"If the property was purchased by the lessor inside California, and did not reenter California until after six months from the start of the out-of-state lease (Section 6009.1), the lessor's use of the property in the lessor's own operations in California is not subject to use tax."

\*None of which constitutes Mobile Transportation Equipment.

This will be added to ensure no one misinterprets the intent of the annotation. DHL 5/7/97

On receiving your approval, I will include this in the next Current Legal Digest, which Susan and I are now putting together.

DJH:sr