



STATE BOARD OF EQUALIZATION

PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001
TELEPHONE (916) 445-6450

August 18, 1965

J--- B--- E---, Inc.
dba A--- T--- S--- & R---
--- & ---
---, California

SR -- XX XXXXXX

Attention: Mr. R--- L. A---
Office Manager

Gentlemen:

This is in reply to your letter of August 13, 1965, concerning the application of use tax with respect to thirty rental trailers which you are leasing from B--- T--- S--- and R---. You in turn are renting these trailers to your customers by the week. You state that B--- T--- S--- has informed you that it has paid use tax based on the acquisition cost of the trailers. We assume this means the purchase price of the trailers.

Under these facts, B--- T--- S--- is not required to collect and pay use tax with respect to its rentals to you, nor are you required to collect and pay use tax with respect to your weekly rentals to your customers. The new law, operative August 1, 1965, relating to personal property rentals, excludes from its operation any tangible personal property leased in substantially the same form as acquired by the lessor as to which the lessor has paid sales tax or use tax measured by the purchase price of the property.

We note that you were advised by our [Name] office to charge tax to your lessees. This information may have been based on a misunderstanding of the facts, or because that office was not entirely clear as to the operation of the new laws. We are sending a copy of this letter to that office in the event there should be any difference in the understanding of the facts involved.

Very truly yours,

E. H. Stetson
Tax Counsel

EHS:fb

cc: [Name] – District Administrator: If you have any different understanding of the facts than what is set forth in R--- L. A---'s letter of August 13, we would appreciate it if you would let us know.

1538.45 Subleases – Lease Contracts. When a lessor purchase property with tax paid on the purchase price and leases it in substantially the same form to a lessee who in turn subleases the property, the sublessor (first lessee) is not required to collect and pay tax on the rental receipts received under the sublease. A lessor may, however, purchase property under a resale certificate and collect and pay tax on his rental receipts, and his lessee likewise may give a resale certificate to the first lessor and pay tax on his receipts derived under a sublease. 8/18/65.



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August 18, 1965

B--- E--- Company
XXXX --- ---
--- X, California

Attention: Mr. R. G. O---
Secretary-Treasurer

SR -- XX XXXXXX

Gentlemen:

In answer to your letter of August 13, 1965, we advise that under the change in the law relating to personal property rentals, operative August 1, 1965, a resale certificate may be validly given by a sublessor to his lessor when the sublessor subleases the property and reports and pays tax on his rental receipts.

Accordingly, from the facts stated in your letter, you may furnish a valid resale certificate to the Illinois Corporation, and you will then collect and remit the use tax from your sublessees with your tax returns. Enclosed is a copy of ruling 70, as amended to conform to the changes in the law, effective August 1.

Very truly yours,

E. H. Stetson
Tax Counsel

EHS:fb
Enclosures

cc: --- -- District Administrator