

**M e m o r a n d u m****135.0180**

To: Marysville – Auditing (CD) Date: Sacramento  
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From: Tax Counsel (RHA) - Headquarters

Subject: Leasing of Tangible Personal Property by Banks and Insurance Companies

Section 6401 (as amended in 1965) provides that the use of property in this state is exempt from the use tax if the gross receipts from the sale of the property (when acquired for use) were subject to sales tax. However, the exemption does not extend to the exercise of any rights or power over such property by a lessee under a lease.

This means that a lessee is liable for use tax on tangible personal property he leases if the property leased was acquired by the lessor ex-tax.

Section 6390 (added in 1965) exempts from sales tax receipts from rentals where such receipts are required to be included in the measure of use tax.

Therefore, banks and insurance companies that acquire tangible personal property ex-tax and who lease that property are required to collect the use tax measured by the rental receipts from such leases.

RHA:dse