



STATE BOARD OF EQUALIZATION

To : Mr. Glenn Bystrom
From : Gary Jugum
Subject : Non-Attorney Opinions

I have reviewed D F. Brady's memorandum of February 10, 1982 to District and Subdistrict Principal Auditors.

We are in agreement with his conclusion, as follows:

Packing Material -Leased Equipment. Leased equipment which is packaged by the lessor is delivered to the lessee's premises and unpacked and assembled by the lessor. The packing material is "sold" with leased property when tax on the lease is reported on the rental receipts basis. The lessor may properly issue a resale certificate. 2/10/82

M e m o r a n d u m**195.2029**

To: District and Subdistrict Principal Auditors

Date: February 10, 1982

From: Headquarters – Principal Tax Auditor

Subject: Containers Used to Ship Rental Equipment

A recent petition raised the question of whether packaging material used to package property that is leased, under conditions making the lease a continuing sale, may be purchased for resale or whether it is consumed by the lessor.

In this case, the equipment was unpacked by the lessor on the lessees premises and set up (assembled) by the lessor. It was originally held that, since the lease did not commence until the equipment was unpacked and set up, the packing material did not qualify as non-returnable containers sold with the product.

The Board found that such packing material is sold to the lessee with the leased property and that the lessor may properly purchase the packing materials under a resale certificate.

This policy should be applied retroactively when the same circumstances are encountered.

DFB:j

cc: Mr. J. D. Dotson
Mr. R. Nunes
Mr. G. Jugum.
Mr. R. Lively
Headquarters Audit Unit Supervisors