

**M e m o r a n d u m****215.0400**

To: Out of State – Auditing

Date: August 23, 1966

From: Tax Counsel (EHS) – Headquarter

Subject: X-----

Mr. Denny, Mr. Dickson, and myself have reviewed Mr. X----- memo to you of July 20, 1966, transmitted with your memo of July 28. The question of whether the various transactions enumerated in Mr. X----- memo can be considered as falling within the demonstration and display exclusion is a matter of degree. It is our combined opinion that the transactions should be clarified as follows:

1. Short term loan of passenger vehicles to VIP's such as movie and sports personalities during their visits to California.

Not taxable. In the past, we have regarded similar uses of vehicles as within the demonstration and display exclusion.

2. Cars assigned to race tracks for display and use as an official car or pace car.

Not taxable. The element of display seems to be predominant here.

3. Cars assigned to X----- owners who are dissatisfied with their purchase.

Taxable. This we believe is clearly a use beyond demonstration or display. The owner has already bought a new car and is not likely to be considering another new car so soon. This seems to be purely an accommodation to car owners with providing them with transportation while their cars are being repaired.

4. Cars assigned to automotive editors of newspapers and magazines.

Not taxable. This again appears to be predominantly a demonstration or display use. This is, perhaps, closer than some of the others, but as we have said, it is a matter of degree.

5. Assignment to Motion Picture and Television Studios.

Taxable. This we believe falls on the taxable side of the line. There seems to be a use of the cars involved here that cannot be sufficiently identified with demonstration or display.

6. Cars assigned to Ski Lodges for display and use.

Taxable. This appears to be more of a transportation service than demonstration.

7. Cars assigned to professional and college sports teams for display before, during and after games.

Taxable. Again this use appears to be primarily to provide transportation.

8. Assignment of cars to other divisions of X----- such as: X----- etc. for demonstration to employees of these divisions.

Nontaxable. We agree that this use is compatible with a reasonable meaning of demonstration or display.

EHS:fb

Attach./Mr. X----- memo, 7-20-66