



STATE BOARD OF EQUALIZATION

March 18, 1975

Mr. B--- W. N---
--- and ---
Certified Public Accountants
--- --- Center
--- ---, CA XXXXX

Dear Mr. N---:

Upon further consideration of your letter of March 5 and your recent telephone call, we see no reason to delay our reply any further.

You state that the Attorney General has recently issued a ruling that restricts the use of dealer plates by automobile dealers and will require the registration of many vehicles previously operated on dealer plates.

The mere registration of these vehicles in the name of the dealer will not result in sales or use tax. Even though a vehicle is so registered, we will recognize the possibility that it is used solely for demonstration and display, or frequently for demonstration and display or for accommodation loans, so as to qualify under Section 6094 or 6244 of the Revenue and Taxation Code and Regulation 1699 for operation either free of use tax or with tax based on fair rental value (1/60 method), as the case may be. The dealer, however, should be prepared to establish the actual facts by adequate evidence. In the case of a claim that a vehicle is used solely for demonstration and display, the burden of proof on the dealer is especially heavy, since there is no apparent reason for registering a vehicle so used.

Very truly yours,

T. P. Putnam
Assistant Chief Counsel

TTP:lb