

State of California
Board of Equalization

235.0180

April 20, 1950

REDACTED TEXT

Dear Sir:

This is in answer to your letter of April 14 with respect to the application of the State sales tax to transactions involving allowances for trade-ins and to the amount of federal excise tax imposed in connection with sales of tires.

The application of the tax to transactions in which property is traded in is governed by Sales and Use Tax Ruling 65, copy enclosed. As therein indicated, the tax applies to the full sales price of the property sold, including the agreed allowance for the property traded in. Accordingly, in the example given in your letter, the measure of the tax would be the full price of \$22.50 for which the battery was sold, without deduction for the 3.50 allowed for the old battery traded in.

The application of the State sales tax to federal excise taxes is governed by Ruling 57, copy enclosed. As indicated by the last paragraph thereof, a retailer's gross receipts subject to the State sales tax include the amount of any manufacturer's or importer's excise tax included in the price of the property sold. A review of Prentice Hall's "Tax Service" indicates that the federal excise tax imposed in connection with sales of tires and inner tubes is a manufacturer's tax. Therefore, the sales tax applies to the full sales price of the tire without deduction for the amount of the federal excise tax. In the example given in your letter, the measure of the sales tax would be \$40.95.

Very truly yours,

R. G. HAMLIN
Associate Tax Counsel

RGH:HB

cc: REDACTED TEXT