



STATE BOARD OF EQUALIZATION

March 12, 1954

Your letter of January 8

Dear Mr.

You inquire concerning the application of sales tax when you sell a trailer for \$1,000.00 but write a contract showing a purchase price of \$1,500.00 with a \$500.00 down payment. The \$500.00 is never, in fact, paid to you by the purchaser nor is it ever intended that it should be paid. The transaction is handled in this manner for the purpose of obtaining financing from a financing company.

If there is no trade-in, the correct measure of tax is \$1,000 .00. However, if the customer is charged sales tax reimbursement on \$1,500.00, then that \$1,500.00 amount becomes the measure of your tax liability to the State.

If property is traded in by the purchaser as a part of the payment of the price, the measure of the tax is the full \$1,500.00.

In some cases, you write down the sales price and at the same time do not show the entire down payment on the contract. For example, upon the sale of a \$1,500.00 trailer with an \$850.00 down payment, you might write a contract showing a purchase price of \$1,000 .00 with a \$350.00 down payment. This contract is then financed through a finance company. However, since you have received \$850.00 in cash plus the purchaser's promise to pay an additional \$650.00, the measure of the tax is the full \$1,500.00.

Yours very truly,

Bill Holden
Assistant Counsel

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