

# Memorandum

295.1252

To: Mr. Glenn A. Bystrom

Date: December 6, 1990

From: Gary J. Jugum

Subject: New Federal Excise Tax Law – Tax on Luxury Items

Effective January 1, 1991, the United States has imposed a new retail excise tax, on the first retail sale of vehicles, boats, aircraft, jewelry and furs to the extent that the price for such goods exceeds certain specified amounts. The rate of tax is 10 percent.

Under subdivision (c) (4) (A) of Revenue and Taxation Code Section 6012, “gross receipt” do not include:

“The amount of any tax (not including, however, any manufacturers’ or importers’ excise tax, except as provided in subparagraph (B)) imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.”

The new tax is excludable from “gross receipts,” under the provision quoted above. The amount of any such tax is nontaxable under the Sales and Use Tax Law, whether imposed with respect to a sale involving a transfer of title or a lease transaction which is treated as a “sale” and “purchase” under Revenue and Taxation Code sections 6006 and 6010

\*note: Revenue and Taxation Code Section (c) (4) (A)

Any questions concerning this issue should be directed to Ms. Elizabeth Abreu

GJJ:sr

cc: Business Taxes Attorneys

## Annotation

### Luxury Tax

Effective January 1, 1991, the United States has imposed a new retail excise tax, on the first retail sale of vehicles, boats, aircrafts, jewelry and furs, to the extent that the price for such goods exceeds certain specified amounts. The rate of tax is 10 percent. The new tax is excludable from "gross receipts," under Revenue and Taxation Code section 6012 (c)(4)(A). the amount of any such tax is nontaxable under the Sales and Use Tax Law, whether imposed with respect to a sale involving a transfer of title or a lease transaction which is treated as a "sale" and "purchase" under Revenue and Taxation Code sections 6006 and 6010. December 6, 1990.