

**M e m o r a n d u m****330.2720**

To: Marysville - Compliance

Date: August 3, 1965

From: Tax Counsel (EHS) - Headquarters

Subject: Leases

Your memo of July 29, 1965 is answered by the amended ruling 79, Permits, adopted by the board August 2. Under this ruling all lessors of property whose leases are of a kind defined as a sale in amended § 6006(g) are required to hold seller's permits. They may issue resale certificates if they desire and pay tax on their rentals. If property has been acquired under a resale certificate prior to August 1, the subsequent leasing of that property after August 1, is a sale and tax applies to the rentals.

In addition, with respect to property leased on and after August 1, the tax applies to the leases even though it had been previously acquired from a non-retailer, as in the case of a trade-in.

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**STATE BOARD OF EQUALIZATION**

August 3, 1965

Gentlemen:

In reply to your letter of July 28, 1965, we are enclosing a copy of Ruling 70, adopted August 2, by the Board, as amended to incorporate the provisions of the new law affecting leases of tangible personal property.

Briefly answering your four questions:

1. Leases of items acquired through trade-ins are now taxable even though the person from whom the trade-in was acquired was a nonretailer.
2. When tangible personal property is purchased with tax paid measured by the purchase price and is subsequently leased in substantially the same form, tax does not apply to the lease receipts. In this respect, the law has been unchanged.
3. For purposes of the imposition of the tax on rental receipts under the new law, the term "lease" includes only an original lease or a renewal of an original lease entered into or executed after August 1, 1965. Thus, if property is on a lease which was executed or entered into prior to that date, such leases are taxable only to the extent that they were taxable under the prior law which gave the purchaser the option of paying tax on purchase price or rental receipts. If he elected to pay on rental receipts, he must continue to do so.
4. Once the contract is renewed, on or after August 1, 1965, the tax applies to the rentals payable under the renewal, as provided in the new law.

Very truly yours,

E. H. Stetson  
Tax Counsel

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