



STATE BOARD OF EQUALIZATION

January 27, 1970

Dear Mrs. ---:

Mr. Thomas Putnam has asked me to reply to your letter of January 21, 1970 asking the correct application of tax to payment made by your lessee when a vehicle subject to a lease was destroyed in a collision during the lease term. The payment approximated the amount due under the rental contract, but the vehicle was demolished and could not be used further.

We recently considered this problem on a case similar to yours and concluded that the payment was indemnity for the loss rather than payment for rental or purchase of tangible personal property. Accordingly, no tax is due other than that measured by rental receipts up to the date the vehicle was destroyed.

Very truly yours,

Lawrence A. Augusta
Assistant Counsel

LAA:ph [1b]