



STATE BOARD OF EQUALIZATION

August 11, 1965

Gentlemen:

Your letter of July 26, 1965 addressed to our San Jose district office has been referred to this office for reply.

Under the change in the Sales and Use Tax Law, operative August 1, 1965, with respect to tangible personal property leases, the lessor is required to collect the use tax only with respect to lease payments received while the property is physically located within the state. If a lessee should purchase the leased property at the termination of the lease, he would only be required to pay the use tax on the amount he is required to pay in addition to previous rental payments, provided tax had been paid on such rental payments during the period the vehicle was located in the state.

You inquire whether the same would apply to "early termination". We are not certain as to your meaning of early termination, but we assume you refer to a situation in which for some reason a lease is terminated prior to the running of the entire period of the lease. The tax is imposed upon the actual rentals paid and should there be a cancellation or termination for any reason so that no more rental payments are received, there would be no additional tax to be paid provided all rental payments received have been included in the measure of the tax paid.

Very truly yours,

E. H. Stetson
Tax Counsel

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