



---

**STATE BOARD OF EQUALIZATION**

916/445-3237

March 31, 1981

Your letter of January 14, 1981 has been referred to the undersigned for reply.

The purpose of your letter was to inform the board that the \_\_\_\_\_ at \_\_\_\_\_, California will commence operations of an Installation Club System on or about April 1, 1981. This system will consist of four revenue generating operations: three clubs (officer, noncommissioned officer, and enlisted) and one Packaged Beverage Retail Store. You state that all of these facilities will operate as federal instrumentalities and as such are eligible to be exempt from state and local taxes. Although the \_\_\_\_\_ and \_\_\_\_\_ is not scheduled to revert to Active Army Control until July 1, 1981, there are already nearly 500 active Army personnel assigned. The remoteness of the installation and the rapid personnel growth necessitates early operation of club facilities to meet social and recreational requirements.

You request necessary tax exemption forms for the clubs and package beverage store operations.

California Sales and Use Tax Regulation 1614, "Sales to the United States and Its Instrumentalities," provides in part that:

"(a) Generally. Sales tax does not apply to sales, other than leases, to:

"(1) The United States or its unincorporated agencies and instrumentalities."

\* \* \* \* \*

"(d) Army and Air Force Exchange Services, Navy Exchanges, Coast Guard Exchanges, Open Messes, and Officers' Messes. Army and Air Force exchange services...open messes and officer's messes, established pursuant to regulations of the appropriate branch of the armed services are instrumentalities of the United States, and tax does not apply to sales, other than leases, to these organizations."

To the extent the proposed Installation Club System at \_\_\_\_\_ is established pursuant to appropriate army regulations, in this case, Army Regulation 260-1, it will be considered to be an instrumentality of the United States Government and tax will not apply to its sales to customers at

the three clubs and the package liquor store. Tax will also not apply to sales, other than leases, by California retailers to the three clubs and liquor store.

The California State Board of Equalization does not provide "exemption cards" in such instances. As an instrumentality of the United States Government, the \_\_\_\_\_ Installation Club System is not required to hold a seller's permit and report and pay tax to the board on its sales. Your purchases from California retailers will either be purchases for resale, which are not subject to tax or exempt purchases. When making exempt purchases you should give California retailers a government purchase order or a government remittance device.

We have enclosed a copy of Regulation 1614 for your reference. If you have further questions concerning this matter, please write this office again.

Very truly yours,

Mary C. Armstrong  
Staff Counsel