



STATE BOARD OF EQUALIZATION

September 2, 1969

Dear Miss.

This will confirm the view I expressed to you in our telephone conversation of August 29, 1969, concerning the application of sales or use tax to certain trailers to be leased to ---.

I understand that drive-in trailers to be used as railroad "piggyback" equipment will be purchased outside of California. Title to the trailers will be held by --- as trustee for the ---. The trailers will be leased to --- outside of California for use by --- in for-hire transportation of property in interstate commerce. The trailers will be placed into such use outside of California, will enter California while being used in that manner, and will thereafter be used continuously and principally in interstate commerce.

On these facts, no sales or use tax will apply. It is doubtful that the tax exemption afforded to banks would apply where, as in this case, the property will be held in a separate trust. However, the sale will be exempt since it will occur outside the state and the use by the lessor will be exempt pursuant to sales and use taxes ruling 55B, and Union Oil Co. v. State Board of Equalization, 60 Cal. 2d 441. The rentals will not be taxable, since the lease will fall under section 6006 (g) (4) of the Revenue and Taxation Code and will not constitute a "sale."

This conclusion, of course, is based on my understanding of the facts. If the facts are not as stated herein, the tax consequences may be different.

Very truly yours,

T.P. Putnam
Tax Counsel

Cc: San Francisco District – Mr. William A. Smith