

Memorandum

710.0024

To: San Francisco – District Administrator

Date: August 5, 1983

From: Tax Counsel (JHM) - Headquarters

Subject: C Company

B Company

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Mr. G of B Company called Mr. Nevins' office and then me as B Company wanted to have the local tax on their purchases allocated to the City of D where their headquarters is located. I explained to Mr. G that under Section 7205 and Regulation 1802 local tax is allocated to the place of business of the retailer, not the purchaser, and that this is true regardless of where title to the goods may pass. Apparently, Mr. G got in touch with C Company and perhaps some other companies to attempt to arrange a procedure to allocate local taxes to D.

Later I received a telephone call from Mr. R of C Company. He told me that B Company was a very large customer and that the marketing division of C Company was willing to open an office in D and staff the office with a person who could negotiate contracts for the sale of C Company's products to B Company. I advised him that under Section 7205 and Regulation 1805 it would have to be a permanent office, they would have to secure a seller's permit, and that the person negotiating the contracts with B Company would have to be a person who was assigned on a permanent basis to that office. Mr. R said that their marketing department was willing to do this.

Apparently C Company will take out a subpermit for the D place of business and will allocate local tax to that location.

Any such allocation will be valid only if that is a genuine business location of C Company and the person negotiating the contracts is working in or out of that office on a permanent basis. In other words, the allocation cannot be made if the D office is a sham location.

Since B Company is engaged in agricultural pursuits, it is possible that sales will also be made by C Company. I am calling this to your attention so that you will be aware of the fact that C Company plans to open a place of business in D.

JHM:at

cc: District Administrator

Mr. Martin Fiorino
Local Tax
Mr. John Abbott