Dealers withdrawing vehicles from their inventory for personal use when those vehicles were acquired from individuals who are not licensed dealers must pay the use tax on the use of those vehicles unless it can be shown that the use was for demonstration or display.

Since August 1, 1965, the occasional sale of motor vehicles has been subject to the use tax. Occasional sales by dealers are to be included in the gross receipts subject to sales tax. Sales by individuals other than licensed dealers are not to be included in the gross receipts subject to sales tax, but instead are subject to use tax payable to the Department of Motor Vehicles when the vehicles are registered.

Dealers, however, do not register vehicles taken from individuals as trade-ins. That does not mean that dealers are exempted from the liability for use tax; they are merely not included in the provision requiring that the use tax be paid to the Department of Motor Vehicles. Therefore, since the dealers are liable for the tax but are not required to pay it to the Department of Motor Vehicles, they must pay it to the State Board of Equalization.