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**STATE BOARD OF EQUALIZATION**

December 9, 1966

B--- M---, Inc.  
XXXX --- --- Boulevard  
--- ---, CA XXXXX

Attention: Mr. J. H. H---

SX -- XX XXXXXX

Gentlemen:

This is in reply to your inquiry of November 29, 1966, concerning the sales tax imposed on the vehicles you repossess and recondition.

We understand that you are in the business of selling new and used cars. In certain cases you find it necessary to repossess some of these cars. A certain amount of reconditioning is generally necessary before the cars are ready to be resold.

The auditor allowed a credit for bad debts not claimed of \$44,404 for the repossessions based on Kelly Blue Book values. You contend that an additional credit for repossessions should be allowed measured by the cost of reconditioning the repossessed vehicle.

It is our position that the Kelly Blue Book values allow for normal get-ready or reconditioning expenses that are necessary to prepare the vehicles for resale. Therefore, no additional credit will be allowed for those vehicles in average condition. However, an adjustment or additional allowance will be made to the published wholesale prices in those instances where the automobile is in other than average condition. (See "Explanation of Procedure for Claiming Bad Debt Deductions on Sales and Use Tax Returns," copy enclosed.)

Very truly yours,

E. H. Stetson  
Tax Counsel

By \_\_\_\_\_  
Glenn L. Rigby

GLR:md  
Encl.