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**STATE BOARD OF EQUALIZATION**

June 29, 1956

Mr. O--- R---  
XXXXX --- --- ---  
--- ---, California

Dear Mr. R---:

This is in reply to your letter of May 24 in which you inquire concerning liability under the Sales and Use Tax Law of your client, a retailer of farm and garden machinery, who takes a machine purchased for resale to a prospective customer's farm and demonstrates the machine. The customer then purchases another machine.

As indicated in Ruling 69, copy enclosed, tax liability is not incurred through the use of property purchased for resale solely for demonstration or display. If your client's sole use of the machine is in demonstration or display, the machine is not considered to be diverted to personal use.

As you will observe, the property used for demonstration is not subject to use tax provided it is held for sale in the regular course of business. Apparently, under question 2 of your letter, a certain machine is used as a demonstrator and is not itself held for sale. We assume, however, that after it has been used for demonstration purposes, it will be sold.

We believe a proper interpretation of the law is that if a machine is used exclusively for demonstration purposes and is later sold, it is properly regarded as being held for sale even though it may be intended for use as a demonstrator and not actually offered for sale until its usefulness as a demonstrator has ended.

Very truly yours,

E. H. Stetson  
Tax Counsel

EHS:ds

Enclosure