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**STATE BOARD OF EQUALIZATION**

June 17, 1955

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XXXX --- Street  
P.O. Box XXXX  
--- XX, California

-- XXXXX

Attention: Mr. Wm. S. B---

Gentlemen:

Now: SS -- XX XXXXXX

We acknowledge your letter of May 25 requesting a ruling as to the application of the State sales tax to purchases and sales of home appliances used in your model kitchen.

Upon further consideration of this matter, we have reached the conclusion that, under the circumstances, your purchase these appliances for a purpose other than resale, i.e., use in promoting the sale of electrical energy. The sale of these appliances to you is, accordingly, a taxable retail sale.

While under the law it is permissible for a person engaged in the business of selling tangible personal property to use property purchased for resale for demonstration or display without incurring tax liability, we believe that the demonstration or display must be in furtherance of the sale of the kind of property being demonstrated or displayed and that the person must be in the business of selling that kind of property.

You state that, except for the sale of the appliances to your employees or back to the original vendor, you do not otherwise sell any major appliances. It thus appears that you are using the appliances to further the sale of electrical energy, which in our opinion, constitutes a use other than demonstration or display, within the meaning of Sections 6094 and 6244 of the Sales and Use Tax Law. You should, accordingly buy these appliances as a consumer, either reimbursing your vendor for the sales tax or paying the use tax to the vendor or to the State, as the case may be.

When you ultimately sell the appliances, the tax applies to your gross receipts, except from the sale of the appliances to the original vendor or to some other seller or retailer purchasing them for the purpose of resale in the regular course of business.

The measure of the tax with respect to sales to employees or other consumers is, of course, the amount of the sales price, even though that may be less than the original cost of the merchandise.

Very truly yours,

E. H. Stetson  
Tax Counsel

EHS:ph

cc: Sacramento – Tax Administrator