



STATE BOARD OF EQUALIZATION

January 10, 1961

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Gentlemen:

This is in reply to your letter of December 28 concerning the application of sales tax with respect to license-plate fees on vehicles which you leased to others.

Effective June 25, 1960, the Legislature passed an amendment to the Sales and Use Tax Law excluding from "gross receipts" subject to tax the following:

"The amount of any motor vehicle fee or tax imposed by and paid to the State of California that has been added to or is measured by a stated percentage of the sales or purchase price of a motor vehicle."

When you elect to use your rental receipts as the measure of tax rather than the cost of the vehicles to you and you advance the registration fees for your lease customers covering years for which the vehicles are in possession of lessees under lease from you, you are entitled to exclude the amount of such registration fees from the measure of your tax liability applicable to the leasing of the vehicles.

There is no prescribed method for excluding this amount from the rental receipts. However, you should maintain records which adequately reflect the basis of any exclusion taken from the rental receipts used to measure tax liability.

Very truly yours,

E. H. Stetson  
Tax Counsel

By  
Roy Gill

RG/o'b [at]