



STATE BOARD OF EQUALIZATION

LEGAL DIVISION (MIC:82)
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May 13, 1994

BURTON W. OLIVER
Executive Director

Mr. B--- M---
B--- M--- A--- Sales
XXXX E. --- Ave.
---, CA XXXXX

Re: SR --- XX-XXXXXX

Dear Mr. M---:

This is in response to your letter dated March 28, 1994. You state that you are a used car dealer. You also state that you are adding a \$35 service charge for bookkeeping and handling a customer's vehicle insurance account, and ask whether this charge is taxable.

From your statement that you will be "adding" this service charge, our understanding is that you add this service charge when you sell a car and you require the customer to pay the \$35 charge for bookkeeping and handling the customer account for vehicle insurance at the time the car is sold.

A sales tax is imposed on all retailers measured by their gross receipts from retail sales of tangible personal property in this State unless the sale is specifically exempt by statute. (Rev. & Tax. Code § 6051.) As explained in Revenue and Tax Code sections 6012(a)(2), (b)(1), and (b)(2), "gross receipts" means the total amount of a retail sale of a retailer, including all receipts, cash, credits, property of any kind, and service cost that is a part of the sale.

Based on the facts you supplied and our understanding that when your customers purchase a car, they must also pay the service charge, the service charge is, therefore, includible in the gross receipts of sale. Accordingly, the \$35 charge is subject to tax.

Mr. B--- M---

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May 13, 1994
295.1675

If you have further questions, feel free to write again.

Sincerely,

Pat Hildebrand
Staff Counsel

PH:cl

cc: --- District Administrator