



## STATE BOARD OF EQUALIZATION

June 9, 1954

The G--- M---, Inc.  
XXX --- Street  
---, California

SR --- XX-XXXXXX

Gentlemen:

Our Napa Office has stated that you desire a ruling concerning the application of the sales tax with respect to repair parts which you use in maintaining equipment that is in the possession of lessees under a rental agreement, containing a clause under which you, as the owner of the equipment, agree to maintain it.

It appears to be your position that in paying tax measured by the rental receipts you receive you are paying tax with respect to the repair parts which are incorporated into the equipment and that you should not, accordingly, be obliged to pay tax upon the sale price of the repair parts to you.

As to those repair parts purchased by you under a resale certificate and installed by you upon equipment in rental service it is our opinion that these repair parts may be regarded as a part of the equipment in rental service. Accordingly, payment of the tax measured by rental receipts of such equipment extinguishes your tax obligation with respect to repair parts which become incorporated into such equipment. No further tax, accordingly, is required to be paid with respect to these repair parts.

Unless the rental property is consumed by the lessor. Tax would then apply to use of rental property (including use of repair parts) as provided by Reg. 1660(c)(6).  
DHL 6/15/92

Very truly yours,

E. H. Stetson  
Tax Counsel

EHS:ph

cc: Woodland – Tax Administrator