



STATE BOARD OF EQUALIZATION

January 19, 1950

Mr. A--- K. D---
XXXX I--- Street
---, California

Dear Sir:

This is in answer to your letter of January 17 with respect to the application of State sales tax to an amount charged by a retailer as a deposit upon the exchange of a reconditioned automotive generator for a worn generator which is not immediately delivered to the retailer by the customer. We regret that through inadvertence your earlier inquiry with respect to this matter was unanswered.

It is our opinion that if the original transaction is clearly understood and designated to be an exchange, the tax will not apply to the amount of the deposit in the event that the customer does deliver the worn generator to the retailer and receives a refund of the deposit. The amount of the deposit should, of course, be entered separately in the retailer's books as a deposit.

In the event that the customer does not deliver the worn generator to the retailer pursuant to the exchange agreement, the transaction will be regarded as a straight sale of the reconditioned generator.

In this event the retention of the deposit by the retailer will be regarded as an appropriation of the amount thereof to the payment of the retail sales price of the generator, which will be regarded as the full amount charged by the retailer, including the amount originally received as a deposit. The tax will apply, in this case, to the full retail sales price.

Very truly yours,

R. G. Hamlin
Associate Tax Counsel

RGH:HB

cc: H. B. Hoffman