



STATE BOARD OF EQUALIZATION

April 17, 1967

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Dear Mr. ---:

This is in reply to your letter of April 6 requesting confirmation of your understanding as a result of our recent conference that under the procedure described on page 2 of your letter the sale by both the body builder and the chassis builder will be exempt as a sale in interstate commerce.

You have provided that the purchase order to the chassis vendor will require him to ship or deliver the property sold by him to you at an out-of-state point as directed. Upon compliance with this instruction, the chassis vendor will have complied with the requirements for an exempt interstate sale as set forth in Sales and Use Tax Ruling 55. The purchase order to the body builder will also require that he ship or deliver the body sold by him to you at an out-of-state point as directed.

Before shipment, however, the body must be installed upon the chassis so that the complete vehicle can be shipped as a unit. You propose that the chassis vendor actually handle the shipping of the unit because he must finally service the vehicle in order to issue a service warranty. You propose that the body builder shall enter into a written agreement with the chassis builder authorizing the chassis builder to act as the body builder's agent for carrying out the obligation to ship which the purchase order issued to the body builder requires of him.

You also propose that the body builder retain appropriate shipping documents to show that the entire vehicle was shipped as a unit to a point outside this state. We believe that this procedure will result in tax exemption of both the sale of the chassis and the sale of the body. If it were not for the agency arrangement, the sale of the body by the body builder would be taxable because completed in this state by delivery to the chassis builder as directed by the purchaser.

We believe, however, that it is an appropriate procedure for the body builder to designate the chassis builder as his agent for carrying out his obligation the ship the property to a point outside this state. It is understood that the legal relationship of principal and agent must be created between the body builder and the chassis builder so that the chassis builder will, in fact, represent the body builder in matters relating to the shipping of the body portion of the complete vehicle to a point outside the state.

You request a statement of our requirement that as to pool orders (an advance order for several vehicles) each transaction must be separately documented. There would be no necessity for a separate documentation of each individual vehicle contained in a single order provided all vehicles were covered by the order and by the shipping documents issued and to be retained by both vendors. The documents would of necessity refer to each individual vehicle covered thereby, so that each vehicle could be clearly identified as covered by a specific purchase order.

If, however, the so-called pool order refers to unidentified vehicles, then it should be amended to identify each vehicle to be covered by the order. This could, perhaps, be done by supplemental order or other means of proving that the pool order covers specific vehicles. The shipping documents would presumably cover each specific vehicle either by reference to the purchase order or by specific reference to each individual vehicle.

Very truly yours,

E. H. Stetson
Tax Counsel

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