



STATE BOARD OF EQUALIZATION

June 5, 1968

Gentlemen:

I believe it is advisable to add to my letter of May 28, 1968 a point which we have not previously discussed. We would regard a transaction involving a relocatable classroom as a true lease if the lessee has the contractual right to terminate the arrangement and relinquish possession before the expiration of the specified term even though the contract may designate a nominal option price at which the lessee could acquire title at the end of the specified term. In other words, we would not regard a transaction as a sale at the inception if the lessee can terminate the arrangement at anytime without purchasing the property.

Very truly yours,

T. P. Putnam
Tax Counsel

TPP:kc [1b]