

**STATE BOARD OF EQUALIZATION**

(916) 445-5550

September 13, 1988

Mr. W--- G---
Manager, Tax Department
A--- S---, Inc.
P. O. Box XXXX
---, CA XXXXX

Re: SY -- XX-XXXXXX

Dear Mr. G---:

In a letter dated September 12, 1988, I discussed alternatives available to A--- when purchasing property to be rented in Nevada. That property includes garments, towels, and other such items. However, I overlooked the fact that your rentals of such items probably involves furnishing the recurring service of laundering or cleaning of the items rented. If this is the case, the following rules apply.

A--- is the consumer of the items rented when an essential part of the rental contract is the furnishing of the recurring service of laundering or cleaning of the articles rented, and tax applies to the sale to A--- of such items. (Reg. 1506(a); see Rev. & Tax. Code §§ 6006(g)(2), 6010(e)(2).) The items rented are regarded as used by A--- in its business. Since the business is located in California, A--- uses the items in California even if it rents them in Nevada. A--- may therefore not purchase these items ex-tax for resale. As I previously noted, there is no credit in California for the taxes paid to Nevada under the circumstances you present.

Sincerely,

David H. Levine
Tax Counsel

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Enclosures