August 19, 1965

Gentlemen:

This is in reply to your letter of July 30 in which you request a clarification of the taxability of your leases of camera equipment.

In our opinion the camera equipment which you add to, revise, or modify has been substantially changed. On the other hand, minor repairs and adjustments to recently purchased property are not substantial changes in form. It is possible that minor modifications which do not appreciably change the functional abilities of the equipment would constitute unsubstantial changes in form; but it is difficult to state a general rule without attending to specific facts.

For purposes of imposition of the tax on rental receipts under the new law, the term “lease” includes only an original lease or a renewal of an original lease entered into or executed after August 1, 1965. When tangible personal property is situated outside this state, however, the rentals derived from a “lease” of that property are not subject to the tax imposed by the recent changes in the Sales and Use Tax Law.

We note that where property is subject to a lease or a renewal which was executed or entered into prior to August 1, such leases are taxable only to the extent they were taxable under the prior law which gave the purchaser the option of paying tax on purchase price or rental receipts. Thus, if an election has been made on pre-August 1 leases to compute tax liability on rental receipts, the lessor must continue to do so.

Ruling 70 attempts to explain the application of the law to leases. We are enclosing a copy for your perusal. If you have any further questions, please do not hesitate to write to us again.

Very truly yours,

Philip R. Dougherty
Assistant Counsel

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