



STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)

June 26, 1975

Mr. D. R. H---
P--- P---
Post Office Box "--"
---, CA XXXXX

Dear Mr. H---:

SR – XX XXXXXX

We have just completed our review of the material you enclosed with your letter of May 20, 1975. We understand that the principal activity of your company is the sales and service of utility equipment (aerial lifts, mobile cranes, digger-derrick equipment) to P--- G--- & E--- Co., P--- T--- Co., the State of California, various municipalities and some contractors. Some of your customers have occasional need for temporary rental of such equipment at times when they have abnormal work loads, equipment breakdowns, etc.

Although your company does not own and supply rental equipment, you have an arrangement with a national firm, U--- E--- L--- Corporation (U---) based in --- whereby you act as their northern California rental agent. When one of your customers desires to rent equipment (you do not supply the operator), you make arrangements with the --- headquarters of U--- to deliver a specific unit into California for the temporary rental need. The California requirements are supplied by drawing on a national fleet of approximately 250 such mobile units maintained by the leasing corporation. California rentals are short term (monthly, weekly, or daily) rather than long term lease purchase contracts. Idle rental equipment is removed to other states as requirements arise elsewhere.

In the belief that these rentals are taxable, it has been your practice to invoice customers for California tax, measured by the periodic rental charges. These rentals and the appropriate tax have been regularly included in your tax reports to the State Board of Equalization.

The first question to be answered is whether the items in question, i.e., aerial lifts, mobile cranes, digger-derrick equipment (this type of equipment is a combination unit made up of a truck chassis and body with the crane, digger, etc., attached thereto in a permanent manner) is mobile transportation equipment.

Section 6023 defines mobile transportation equipment as including:

“‘Mobile transportation equipment’ includes equipment such as railroad cars and locomotives, buses, trucks, (except ‘one-way rental trucks’), truck tractors, truck trailers, dollies, bogies, chassis, reusable cargo shipping containers, aircraft and ships, and tangible personal property which is or becomes a component part of such equipment....”
(Emphasis added)

Under Regulation 1661, copy enclosed, mobile transportation equipment is limited to those units that are designed for carrying persons or property substantial distances.

Clearly the units in question are trucks. Since the units are moved from state to state by their own power when the need arises, they are also clearly the kind of property that is designed to be moved substantial distances. The only remaining question is whether they are designed to carry persons or property substantial distances. Clearly they are designed to carry persons because someone must drive the unit to the lessee from in or out of the state. Also, it is used to move the driver of the unit to the jobsite. It is also used to transport the rig that is attached to the truck chassis and body

Under these circumstances, it is our opinion that these units are mobile transportation equipment. Accordingly, the rental receipts are not subject to tax and therefore you should not charge your lessee any tax thereon.

Generally speaking, if there is any tax due on these units, it is due on the cost of the units and would be owed by U---. In this regard we have attached hereto some guidelines that can be used in determining whether U--- owes any tax on the cost of the units.

In view of the complexity of this matter and the possible tax consequences, we suggest you contact Mr. Zelle of our Sacramento District office in order that you may arrange a meeting to personally discuss your problem. His phone number is 445-4915.

Very truly yours,

Glenn L. Rigby
Tax Counsel

Lb
Enclosures

Bc: Sacramento – Auditing (FZ)
Oakland – (VF)
San Francisco (NL)