



STATE BOARD OF EQUALIZATION

March 21, 1955

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Gentlemen:

This is in answer to your letter of March 11 inquiring concerning correct sales tax procedure with respect to two corporations which you represent.

Corporation A, licensed to do business in California, manufactures an item outside of California and stores it in a warehouse in California. Corporation B, licensed in California, from time to time purchases the items from Corporation A and sells it to various California distributors.

Answering the five questions raised in your letter in order, we advise:

1. Neither Corporation A nor Corporation B incur liability for sales tax as the sales by each are, according to your statement, sales for the purpose of resale.
2. Neither Corporation A nor Corporation B incur liability for use tax with respect to the item which, according to your letter, is not used or consumed in this State by either A or B as the item is at all times being held for sale in the regular course of business.
3. Both Corporation A and Corporation B should hold a California seller's permit. When the item is stored by A in a warehouse in California and sold, the sale is considered as made in California as that is where the property is located when sold. When B sells the item to distributors that again is a sale in California. Under the California Sales and Use Tax Law, all "sellers" are required to hold seller's permits even though all sales are for resale and thus, exempt from tax. In such cases, a yearly return is filed rather than the normal quarterly or monthly return.
4. It would be advisable for Corporation A to secure resale certificates from Corporation B although it would appear that a single blanket certificate would be sufficient.

5. Corporation B should secure resale certificates from the various distributors to which it makes sales. Again it would appear that a single blanket certificate from each of the distributors would be sufficient.

In the event you desire to discuss any of these matters with a representative of this Board, we have an office in Chicago at 600 South Michigan Avenue, Rooms 1411 and 1412; Mr. F. A. Lagomarsino is in charge.

Very truly yours,

E.H. Stetson
Tax Counsel

EHS:djr

Cc: Chicago (FAL)