

**STATE BOARD OF EQUALIZATION**

November 7, 1958

M--- I--- Corporation
G--- E--- I--- Corporation
XXXXX --- Avenue
--- --- X, California

Attention: Mr. W. C. M---
Office Manager

Gentlemen:

This is in reply to your letter of October 30 in which you inquire concerning the application of sales tax when an insurance company which insures the new car stock of an automobile dealer pays the dealer for the value of a car that has been stolen. You state that the dealer gives a bill of sale to the insurance company for the car because of a requirement of the Department of Motor Vehicles that the vehicle be registered and licensed to be identifiable in event of recovery.

We do not believe that the dealer incurs a sales tax liability under such circumstances. There was no intent to make a sale of the vehicle, and the giving of a bill of sale to the insurance company does not, in our opinion, constitute a sale within the meaning of the Sales Tax Law. In any event, since you state that if the car is recovered the salvage would be sold, the sale by the dealer would possibly be a sale for resale.

You ask what documents the dealer will need to substantiate his not reporting sales tax on such a transaction. He might well obtain from the insurance company a resale certificate and in addition his record of receipt of payment from the insurance company for a total loss of the vehicle under the insurance policy would be sufficient to show the true nature of the transaction

Very truly yours,

E. H. Stetson
Tax Counsel

EHS:tl

cc: Long Beach - Administrator
Los Angeles - Review (PER)