



557.0240

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

January 12, 1955

Dear REDACTED TEXT,

In your letter of January 5, 1955, you further explain the problem which was the object of our letter of December 20, 1954, regarding price adjustments made by your vendors in order to meet competition.

In the example given in your letter, we concur in your opinion that the freight equalization constitutes a discount, the amount of which is not required to be included in the measure of the sales tax or the use tax. This is on the assumption that neither the amount of the freight equalization nor any part thereof is paid by the vendee to the vendor or the carrier.

Putting this in the form of a rule, as request by you, we would state: The measure of the sales tax and use tax does not include the amount of price reductions or discounts to meet competition, whether labeled "freight equalization" or otherwise, which amount is not paid by the purchaser to either carrier or vendor.

Very truly yours,

E. H. Stetson
Tax Counsel

EHS:tj

cc: San Francisco – Tax Administrator