

**M e m o r a n d u m****585.0197**

To: Mr. B. H. Watson, Supervisor  
Return Analysis Section (MIC:35)

Date: January 29, 1997

From: Charlotte Chyr  
Tax Counsel

Subject: [X]

We received an inquiry from a purchaser purchasing a vessel from [X] (“taxpayer”). In reviewing the central file for taxpayer, we noticed that the taxpayer initially registered with the Board as a welder and repairer of boats. At such time, under Revenue and Taxation Code § 6283, the taxpayer’s gross receipts from retail sales of vessels would have been exempt from sales tax, because the taxpayer was a welder and repairer, and therefore was other than a person required to hold a seller’s permit by reason of the number, scope, and character of his sales of the vessels.

Since the taxpayer’s initial registration with the Board, it appears that the taxpayer is now primarily engaged in the business of building and selling racing boats. In reviewing some of the taxpayer’s more recent returns, we noticed that taxpayer is not remitting sales tax on its retail sales of the racing boats. Since taxpayer’s business apparently is now selling racing boats and not merely welding and repairing the boats, the sales tax exemption set forth in Revenue and Taxation Code § 6283 no longer applies. The taxpayer improperly relies on the purchaser’s payment of use tax to the Department of Motor Vehicles (“DMV”) at the time the purchaser registers the vessel, as relief from taxpayer’s obligation to remit sales tax on its retail sales. It now appears taxpayer should be remitting sales tax on its retail sales of vessels.

CC:cl

cc: District Administrator