

M e m o r a n d u m**700.0160**

To: Marysville - Administrator

Sacramento
Date: April 1, 1959

From: Headquarters – Sales Tax Counsel

Subject: [S]
XXX --- ---
---, California

This is with reference to your memorandum of February 25 in which you inquire whether, when a retailer in a nonconforming county enters into a twelve-month rental or lease agreement and six months later the county becomes conforming, the rental receipts are subject to the local tax. You state that the receipts are subject to the 3% tax. We assume, accordingly, that the lessor exercised his election to use rental receipts in lieu of cost as the tax measure.

It is our opinion that if the lessor placed the property in rental service prior to the effective date of the local tax, the subsequent rentals received are not properly used to measure the local tax, even as to rentals received after the local tax goes into effect. This, of course, also answers your second question.

E. H. Stetson

EHS:tl