

M e m o r a n d u m**715.0275**

To: Van Nuys – Auditing (CSH)

Date: July 16, 1974

From: HDQRS – Tax Counsel (GLR)

Subject: [J]

S- --- XX XXXXXX

It is my recommendation, on the basis of the contents of the file, that the claim be denied.

The auditor's review of the matter was based on a conclusion set forth in a 1960 letter of this staff that [P] ticketing machines, credit card stampers, and baggage scales were directly used in the transportation of persons and property. The conclusion expressed in that letter can be supported by the facts. The scales support and register the weight of baggage, and at that point the airline assumes the responsibility for transporting that property. The ticketing machines (at that time [N] XXXX --- Cash Registers) printed the passengers' tickets at the start of their journey, which tickets were the passengers' authorization to board and remain on the flight as well as their receipt for the fare. The credit card machines, which the passengers used to sign the payment order, could be viewed as necessary to initiate their journeys. While in retrospect it is possible to wonder whether a distinction should have been made between the tickets and the machines necessary to produce them, we will not here deny the decision made on those items.

But there is no reason to expand the decision on the ticketing machines beyond its facts. The letter notes that no exemption exists for office or shop equipment. The basis of my recommendation is that the [J] system appears to be an internal bookkeeping machine and communications device rather than a ticketing machine. Its function is to tell [J] whether it may reserve a passage for a particular future flight or whether to schedule cargo for a particular future flight. Its purpose is not simply to issue the tickets in return for a payment and start the transit of passengers and property.

I have tentatively assumed that the [J] units are used only to record passenger and cargo, space and reservations. It may be, however, that it is also used for other internal purposes of [J] which have no direct relationship to passenger and cargo scheduling. If that is the case that factor constitutes an additional and independent reason for denial of the exemption.

PRD:lb

cc: Out-of-State
New York