



STATE BOARD OF EQUALIZATION

LEGAL DIVISION (MIC:82)
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March 30, 1994

BURTON W. OLIVER
Executive Director

Mr. J--- M. D---, Treasurer
C--- T---
XXXX --- --- Avenue
---, CA XXXXX

Re: C--- T--- M---, Inc.
SR -- XX-XXXXXX

Dear Mr. D---:

This is in response to your letter dated February 17, 1994 in which you state that:

“We manufacture and sell trailers. We did have operations in Colusa and Yolo County. The Colusa County Board of Equalization representative said that we needed to only collect the prevailing sales tax of Colusa County when we sold a trailer. Our Yolo County representative said that we must collect the tax prevailing in the town of registration of the trailer.

“Which is correct and why?”

The minimum combined state sales tax rate is 7-1/4 percent. Pursuant to the Transactions and Use Tax Law, a district, usually coterminous with a county, may adopt an additional sales tax of up to 1-1/2 percent (hereafter called a district tax) for a total maximum combined state sales tax rate of 8-3/4 percent. A district’s sales tax is applicable to sales occurring in that district unless the sale is otherwise exempt from the district sales tax. The exemption relevant to this discussion is the exemption for a sale of property which is shipped to a point outside the district pursuant to the contract of sale. (Rev. & Tax. Code § 7261(a)(6).)

When the property, pursuant to a contract, is shipped from the seller to a purchaser outside the district where the sale occurred, the transaction is exempt from the district sales tax imposed in the district where the sale occurred. If the property is shipped to a purchaser outside the district where the sale occurred for use in a county which does not have any district taxes, the total tax rate applicable to the sale is 7-1/4 percent. On the other hand, if the property is purchased for use in a county which has a district tax, that district's tax applies.

The total combined sales and use tax rate applicable to those sales is the rate in effect in the county where the property is shipped. Thus, when the trailer is shipped to a purchaser in Colusa County, the applicable sales and use tax rate is the Colusa County rate. However, only a retailer engaged in business in the district imposing the district tax is required to collect that district's tax. This is explained in Regulation 1827, a copy of which is enclosed.

Subdivision (a)(2) of Revenue and Taxation Code section 7262 was adopted in 1988 to add an additional definition of what constitutes a retailer engaged in business in a district. Under this provision, a retailer of a vehicle is regarded as engaged in business in any district in which his or her customer registers that vehicle. Therefore, when you make a sale of a vehicle (trailer) to a person who registers the vehicle in Yolo County, you are regarded as engaged in business in Yolo County and must collect the applicable district use tax.

In summary, you must collect tax at the rate in effect in whatever county your purchaser registers the trailer. If you have further questions, feel free to write again.

Sincerely,

Pat Hildebrand
Staff Counsel

PH:cl

Enclosure

cc: --- District Administrator