

\* COMPONENT PARTS CAN BE PURCHASED BY WATERCRAFT,  
EXEMPTION FOR WATERCRAFT THAT NEVER OPERATES IN  
UNITED STATES

000.0070

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July 28, 1983

EXEMPTION OR  
EVEN IF NO  
PORT OF CALL IN U.S.

Dear

This is in reply to your June 1, 1983 letter regarding the application of sales tax to component parts of watercraft.

You explained that is a California corporation engaged in the passenger cruise business, operating the which is based in . All cruises are conducted in the Far East, and the vessel does not make any port of call in the United States.

You anticipate making purchases of tangible personal property in California, which property will become a component part of the . The parts will be shipped to the vessel in the Far East. You seek our opinion as to whether the sales are exempt from sales tax.

Section 6368, Revenue and Taxation Code provides in relevant part:

"(a) There are exempted from the taxes imposed by this part the gross receipts from the sale of and the storage, use, or other consumption in this state of watercraft for use in interstate or foreign commerce involving the transportation of property or persons for hire...and any sales of tangible personal property becoming a component part of such watercraft in the course of constructing, repairing, cleaning, altering, or improving the same, and charges made for labor and services rendered in respect to such constructing, repairing, cleaning, altering, or improving...."

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It is our opinion that, although the vessel does not make a port of call in the United States, the vessel is engaged in foreign commerce for purposes of the exemption. Accordingly, we believe that, based on the facts you provided, sales of tangible personal property which will become a component part of the \_\_\_\_\_ are exempt from sales tax.

You asked how to avail yourself to the exemption. The enclosed copy of Tax Tips for The Watercraft Industry, Pamphlet No. 40, contains lists of the types of property which the Board has determined are generally taxable or nontaxable. Page 20 of the pamphlet shows the form, Watercraft Exemption Certificate, which you should present to the retailer when purchasing property which qualifies for the exemption.

Very truly yours,

R. L. Dick  
Tax Counsel

RLD:jw

Enclosure

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