600.0680

January 10, 1950

Att

Gentlemen:

In answer to your letter of December 30, we are enclosing a copy of Sales and Use Tax Ruling 51.5, adopted by the Board pursuant to Section 6368 of the Sales and Use Tax Law, exempting from the tax sales of certain watercraft and component parts thereof.

It is our opinion that the sale of any articles becoming a component part of a watercraft before being actually placed in use fall within the exemption if otherwise the essential conditions are present, even though the articles in question are not immediately attached to or made a part of the vessel. Thus, spare parts for the engine of a watercraft would be regarded as becoming a component part of the watercraft, within the meaning of the law.

With regard to fuel oil, we do not consider that sales thereof fall within Section 6368. Under certain circumstances, however, sales of fuel oil may be regarded as exempt sales in interstate or foreign commerce. Under Section 6385 sales of fuel oil may be claimed as exempt by the vendor where all the conditions specified therein are complied with. We will recognize exemption in the case of fuel oil of that portion of the oil purchased in California in excess of the quantity required by the vessel to reach the first port of call outside this State where such quantity is covered by a bill of lading and freight charges are accrued, in accordance with Section 6385.

We are enclosing a copy of the Sales and Use Tax Law so you will have for ready reference the two sections referred to herein.

Very truly yours,

E. H. Stetson
Tax Counsel

EHS:ph