

Memorandum

710.0022

To: Mr. Dennis Fox
Program Planning Manager
(MIC:92)

January 11, 1996

From: John L. Waid
Senior Staff Counsel

Subject: SB 602
Interpretation and Guidelines

I am responding to your memorandum dated November 7, 1995 to Assistant Chief Counsel Gary J. Jugum regarding the staff's clarification of certain issues arising from the recent enactment of SB 602. (Stats 1995, Ch. 676, Rev. & Tax. § 7205.1.) You ask for our comment on three positions the staff has taken regarding the statute.

1. "The provisions of SB 602 are to include all motor vehicles registered for use on California roadways except MTE. However, for the purposes of allocating the 1% local use tax, the provisions will apply to pickup trucks (MTE per Regulation 1661) weighing less than one ton."

SB 602 applies to leases of "motor vehicles," which, under Vehicle Code section 415, includes all self-propelled vehicles. It was not, however, designed to change the principles of how tax was to be applied but only direct which participating jurisdiction should receive the local use tax revenue. Regarding pickup trucks, vehicles of less than one ton are frequently bought for private pleasure purposes even though normally licensed as commercial vehicles. Therefore, this figure is a reasonable compromise. As a result, leases of such vehicles should be treated as leases of MTE for the purpose of determining tax, but for the purpose of applying a local use tax ordinance, SB 602 may be used.

2. "For the purposes of SB 602, a long-term lease will be defined as a lease of greater than four months. A short-term lease will be for four months or less."

Those are the definitions contained in the statute.

3. “For out-of-state lessors of motor vehicles, subdivision (b) is interpreted to mean that the provisions of the bill will apply to out-of-state lessors as it does to other lessors. When a lessor, located outside of California, purchases a motor vehicle from a California dealer (including courtesy deliveries), the local use tax is to be allocated to the business/sales location of the dealer if the lease period is long term. If the lease period is short term, the local tax is to be allocated countywide to the county where the lessee resides/registers the motor vehicle.”

That appears to be a reasonable interpretation of section 7205.1(b).

JLW: sr

cc: Mr. Larry Micheli (MIC:27)
Mr. Robert Wils (MIC:39)