Re. 79/16

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
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Second District, San Diego
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Fourth District, Pasadena
KENNETH CORY
Controller, Sacramento
DOUGLAS D. BELL
Executive Secretary

March 3, 1978

No. 78/32

TO COUNTY ASSESSORS:

EXCLUSION OF SALES TAX FROM VALUE FOR EQUIPMENT LEASED TO FEDERAL INSTRUMENTALITIES

The recent court decision in Xerox Corp. v. County of Orange, 66 C.A. 3d 746 (1977), ruled that sales tax was a proper component of value when valuing leased equipment. In addition the court found that the value of the property could vary dependent upon the different sales tax rates where the property was located. In the case of Diamond National Corp. v. State Board of Equalization, 47 L. Ed. 2d 780, the court held that Federal Instrumentalities were exempt from the payment of sales tax upon equipment they were leasing.

Based upon the above decisions, we recommend that equipment leased to Federal Instrumentalities be assessed to the lessors and valued without the inclusion of sales tax as a component of value.

Please contact Bud Florence of this division if you have any questions regarding the above.

Sincerely,

Jack F. Eisenlauer

Jack F. Eisenlauer, Chief
Assessment Standards Division

JFE: cmm