

Senate Bill No. 602

CHAPTER 676

An act to add Section 7205.1 to the Revenue and Taxation Code, relating to taxation.

[Approved by Governor October 8, 1995. Filed
with Secretary of State October 10, 1995.]

LEGISLATIVE COUNSEL'S DIGEST

SB 602, Wright. Local use tax: leased vehicles.

Under regulations adopted by the State Board of Equalization pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law, lease transactions are generally subject to the use tax portion of that tax.

This bill would provide that, with respect to the lease of a motor vehicle, (1) if the lessor is a new motor vehicle dealer, as defined, the place of use for reporting and transmitting any use tax shall be deemed to be the city, city and county, or county in which the lessor's place of business is located, and (2) if the lessor is not one of those specified persons, but purchases the vehicle from a dealer, the place of use shall be deemed to be the city, city and county, or county in which the place of business of the dealer from whom the lessor purchases the vehicle is located. The bill would make those allocations of use tax in connection with the lease of vehicles applicable for the duration of the lease. The bill would further provide that, in all other cases, the use tax shall be allocated to the countywide pool of the county in which the lessee of the vehicle resides. The bill would specify that these provisions do not apply if the dealer or leasing company entering into the lease agreement is located outside of California, except as specified.

The people of the State of California do enact as follows:

SECTION 1. Section 7205.1 is added to the Revenue and Taxation Code, to read:

7205.1. (a) Notwithstanding any other provision of law, in connection with any use tax imposed pursuant to this part with respect to the lease (as described in Sections 371 and 372 of the Vehicle Code) of a new or used motor vehicle (as defined in Section 415 of the Vehicle Code), the place of use for the reporting and transmittal of the use tax shall be determined as follows:

(1) If the lessor is a new motor vehicle dealer (as defined in Section 426 of the Vehicle Code), the place of use of the leased vehicle shall be deemed to be the city in which the lessor's place of



business (as defined in Section 7205 and the regulations promulgated thereunder) is located. If a lessor, who is not a person described in this paragraph, purchases the vehicle from a dealer (as defined in Section 285 of the Vehicle Code), the place of use of the leased vehicle shall be deemed to be the city in which the place of business (as defined in Section 7205 and the regulations promulgated thereunder) of the dealer from whom the lessor purchases the vehicle is located. The place of use as determined by this paragraph shall be the place of use for the duration of the lease contract, notwithstanding the fact that the lessor may sell the vehicle and assign the lease contract to a third party.

(2) If the lessor is not a person described in paragraph (1) and purchases the vehicle leased from a source other than as described in paragraph (1), the use tax shall be reported to and distributed through the countywide pool of the county in which the lessee resides.

(b) Except as described in paragraph (1) of subdivision (a), this section shall not apply if the dealer or leasing company entering into the lease agreement is located outside of California.

(c) The provisions of this section shall apply to lease transactions entered into on or after January 1, 1996.

(d) As used in this section, the word "city" means a city, city and county, or county.

