PERSONAL PROPERTY TAX **8736**
(New 3/77)

Effective August 19, 1975, Management Memo 75–31 set forth the state's policies and procedures regarding payment of personal property tax liability. As pointed out, that liability is generally not the responsibility of the State.

The State is exempt from property taxation under California Constitution Article XIII, Section 3(a). Any obligation for property tax on state leased equipment would exist, if at all, only as a result of an express provision of the lease agreement. Payments would not be made directly to taxing authorities, if the lease obligation existed but would be limited to reimbursing the lessor for actual tax payments which the lessor could prove had been made.

A review must be made of each individual lease under which reimbursement of property taxes is claimed to ascertain whether reimbursement should be made. Provisions in a lease adding "applicable state and local taxes" to the monthly rental relate to sales and use taxes and do not encompass personal property taxes.

Any lease clause, such as those on lessor order forms or other documents extraneous to the approved lease, which purports to require the State to reimburse the lessor for personal property taxes is not a valid basis for reimbursement unless the order form or document was included in the lease when approved or has been executed by the State and approved in the same way as the original lease.

If a copy of a personal property tax bill is received, the bill should be forwarded for payment to the lessor named in the bill. (See 0736 Illustration.) No payment should be made by the State. If, after payment of the taxes, the lessor submits a properly documented claim for reimbursement and the lease so provides, the lessor can be reimbursed for the taxes applicable to the lease term.

In some instances personal property tax bills will be received on equipment which was on lease but which was purchased by the State prior to the tax lien date of March 1st. In such a case the property would be tax exempt and the bill should be returned to the taxing authority with a letter notifying it of the change in ownership. Such notice should include the date on which the state's purchase was made.