



(916) 445-4588

December 15, 1976

Re: Inventory Exemption - Demonstrators

Dear Mr. S :

We have carefully reviewed the positions taken by Orange County and your client regarding the application of the subject exemption to equipment used as demonstrators by salesmen employed to sell new equipment of the same type. As we understand it, the demonstrators are separately accounted for by your client and following use as demonstrators for a period, which generally speaking varies from six months to a year, are sold at a reduced price. There is no indication that the equipment is used for any other purpose.

It is our opinion that such property should be regarded as eligible for exemption. We believe that the assessor's office has adopted a very rational interpretation of Rule 133 in that subsection (b)(3) thereof does literally state that the only use of property which will not disqualify it for exemption is one . . . "associated with the prospective sale or lease of that property." (Underscore added.) However, we also believe that the rule language is deficient and should be amended to read . . . ". . . that kind of property." or something similar.

We shall resist the lawyer's inclination to speak to all of the points raised by the parties to this dispute and close with the expression of our intent to obtain a change in

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the rule. In the meantime the rule should be interpreted as mentioned above with the clear understanding that our conclusion refers only to property held for sale since the law applicable to leasing transactions does not allow exemption if there is any use other than leasing.

Very truly yours,

J. J. Delaney  
Assistant Chief Counsel

JJD:rl  
3498D/ta  
cc: