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November 17, 2004

**Re: Taxability of Trailers Licensed Out-of-State - Application of California
Permanent Trailer ID Plate Program**

Dear Mr. :

This is in reply to your letter of October 23, 2003 addressed to Assistant Chief Counsel Kristine Cazadd in which you request a legal opinion concerning the taxability of trailers that are licensed in Oregon and are used to house mobile high-technology medical equipment. You state that the trailers have been assessed in California but, in your view, only the equipment housed in the trailer is subject to property taxation because the trailer is licensed in Oregon. As authority for your position, you cite Senate Bill 2084 (Stats. 2000, Ch. 861) that added Vehicle Code section 5014.1 to provide for a permanent trailer ID plate program for trailers and semi-trailers. As set forth below, commercial trailers that licensed and registered in Oregon are exempt from property taxation in California under a reciprocity registration agreement whereby foreign commercial trailers are accorded the same privileges and duties as trailers licensed and registered in California.

Facts Presented

Your client operates a nationwide business of mobile diagnostic imaging and operates several hundred units of high-technology medical equipment, such as MRI, CT, and PET equipment, that is housed in trailers. In order to simplify the operation of the mobile units, the trailer are licensed and permanently registered in Oregon. As you relate, the assessor believes that the licensing and permanent registration in Oregon subjects the trailers to property taxation in California. It is your view that the permanent trailer ID program exempts the trailers from property taxation in California.

Law and Analysis

California Constitution Article XIII, section 1 provides that all property is taxable unless otherwise exempt. With respect to licensed vehicles, Revenue and Taxation Code section 225, subdivision (a) provides that “[a] trailer, semitrailer, logging dolly, pole or pipe dolly, or trailer bus, that has a valid identification plate issued to it pursuant to Section 5014.1 of the Vehicle Code, or any auxiliary dolly or tow dolly is exempt from personal property taxation.” Vehicle Code section 5014.1 implements a permanent trailer ID plate program and subdivision (h) of that section

authorizes trailers “submitted for original registration in this state ” to be granted a permanent trailer identification plate and identification certificate.

Section 5014.1 was added by Senate Bill 2084 (SB 2084) (Stats. 2000, Ch. 861) as part of a legislative enactment known as the Commercial Vehicle Registration Act of 2000. The Senate Transportation Committee analysis of SB 2084 dated April 13, 2000 describes the purpose of the Act as follows:

This bill would revise the method used by the state to assess and collect fees on commercial vehicles in order to comply with federal vehicle registration requirements and avoid significant revenue losses for noncompliance. . . . It would eliminate the current registration program for commercial trailers, replacing it with a permanent trailer identification plate system, and repeal the vehicle license, weight and registration fees for such trailers.

A background discussion provided in the analysis further explains that the bill implements the International Registration Plan (IRP), a registration reciprocity agreement among the 48 contiguous states, the District of Columbia and three Canadian provinces to facilitate commercial vehicle registration and operation and provide a uniform system for the allocation and collection of commercial vehicle operating fees by all member states. The IRP system provides a means by which trucking companies operating in several states can pay fees annually to the vehicle licensing authority in their home state. The home state authority assesses, collects and distributes the proportionate amount of fees that would otherwise be due and collected by each of the individual jurisdictions in which the trucking company operates.

Of course, as two of the 48 contiguous states, California and Oregon are members of the IRP. Under the IRP Agreement, commercial vehicles registered in the member jurisdictions are exempt from licensing and registration requirements and fees in any of the other jurisdictions. Vehicle Code section 8000 authorizes participation in the IRP agreement by providing:

The Reciprocity Commission may enter into agreements with foreign jurisdictions that provide for the exemption of fees for commercial vehicles if the foreign jurisdictions provide equivalent exemptions to vehicles registered in this state. The agreements shall be applicable to vehicles that are properly licensed and registered in the foreign jurisdictions.

With respect to the IRP Agreement, section 8052, subdivision (a) specifically provides, in relevant part, that “[t]he Reciprocity Commission may, on behalf of the state, enter into, and become, a member of the International Registration Plan Agreement.” Thus, SB 2084 codifies the entry of California into the IRP Agreement as authorized by section 8052, subdivision (a).

As stated above, commercial vehicles licensed and registered in IRP member states are exempt from licensing and registration requirements in other member States. Under the IRP Agreement, Vehicle Code section 6852 therefore provides that the nonresident owner of a foreign commercial vehicle shall be granted such privileges and freedom from registration and payment of fees imposed by this code . . . , as the foreign jurisdiction in which the foreign

commercial vehicle is registered or licensed grants to like vehicles registered under this code or as provided in agreements, arrangements, or declarations made under Article 3, commencing at Section 8000.

Oregon Vehicle Code Chapter 826.007 provides the authority for the Oregon Department of Transportation to enter into agreements, such as the IRP Agreement, providing for “proportional registration of vehicles and for the apportionment of registration fees and other fixed fees and taxes on vehicles proportionally registered in this state and the other jurisdiction.” If such an agreement is entered into, then paragraph (15) provides that “[v]ehicles that are proportionally registered under an agreement, whether individually or in a fleet, are fully registered in this state for purposes of ORS 803.300 and any other portion of the vehicle code and are accorded the same privileges and duties as other vehicles registered in this state even though the vehicle may have primary registration in some other jurisdiction.” Because Oregon is a party to the IRP Agreement, pursuant to paragraph (15) foreign commercial trailers registered in states that are also parties to the Agreement are not subject to Oregon licensing and registration requirements and fees. Thus, under Vehicle Code section 6852, commercial trailers registered in Oregon are accorded the same privileges as trailers registered in California under section 5014.1, including the exemption from personal property taxation as provided in Revenue and Taxation Code section 225, subdivision (a).

The views expressed in this letter are only advisory in nature; they represent the analysis of the legal staff of the Board of Equalization based on present law and the facts set forth herein, and are not binding on any person or public entity.

Sincerely,

/s/ Lou Ambrose

Lou Ambrose
Supervising Tax Counsel

LAA:eb

Prec/PersProp/04/04-LA

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