



STATE BOARD OF EQUALIZATION

450 N Street, MIC: 64, Sacramento, California  
(P. O. Box 942879, Sacramento, CA 94279-0064)

Telephone: (916) 445-4982  
FAX: (916) 323-8765

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December 28, 1994

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No. 94/76

TO COUNTY ASSESSORS:

EXEMPTION OF HAND TOOLS OWNED  
BY AN EMPLOYEE AND USED ON JOB

Assembly Bill 3514 (Costa), Chapter 527 of the Statute of 1994, is a tax levy which took immediate effect when filed with the Secretary of State on September 12, 1994. Chapter 527 adds Section 241 to the Revenue and Taxation Code.

Section 241 reads:

"(a) The first twenty thousand dollars (\$20,000) of personal property that consists of hand tools owned and supplied by an employee that are required as a condition of that employee's employment are exempt from taxation.

(b) For purposes of this section:

(1) "Hand tools" means hand-held implements and equipment, including hand-held power tools, of which any one may be transported to and from the workplace and which are necessary for the ordinary and regular performance of the employee's work, and also means the appropriate storage containers used to store those implements and that equipment.

(2) "Hand tools owned and supplied by an employee" means only those hand tools that are either owned by the employee prior to the employment or acquired and paid for by the employee during the employment, that the employee will continue to own after termination of the employment.

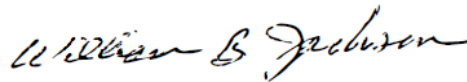
(3) "Employee" means any individual who is employed by an employer that directly or indirectly supervises that person and exercises control over the wages and working conditions of individual workers. "Employee" does not include a self-employed individual or an independent contractor."

Accordingly, the first \$20,000 full cash value of an employee's hand tools which satisfy the requirements of Section 241 are exempt from taxation. This will exempt an of the hand tools of most qualified employees from taxation. However, if a qualified employee owns hand tools with a full cash value in excess of \$20,000, the excess value is assessable.

As Section 241 became effective September 12, 1994, the exemption applies to the 1995 and subsequent lien dates. The exemption does not apply to lien dates prior to 1995.

If you have questions regarding this new exemption, please contact our Business Property Technical Services Unit at (916) 445-4982.

Sincerely,



*for* John W. Hagerty  
Deputy Director  
Property Taxes Department

JWH:kmc