

Cite as 4 WTD 139 (1987)

BEFORE THE INTERPRETATION AND APPEALS SECTION
DEPARTMENT OF REVENUE
STATE OF WASHINGTON

In the Matter of the Request)	<u>D E T E R M I N A T I O N</u>
for Ruling of Tax Liability of))	
)	No. 87-309
)	
. . .)	Registration No. . . .
)	
)	

[1] **RULE 190:** RETAIL SALES TAX - EXEMPTION - FEDERAL LAND BANK. Lease payments received by a taxpayer from a Federal Land Bank for the rental of motor vehicles will be exempt of retail sales tax because federal law prohibits its collection.

Headnotes are provided as a convenience for the reader and are not in any way a part of the decision or in any way to be used in construing or interpreting this Determination.

NATURE OF ACTION:

Request for written opinion and ruling of sales tax liability on revenues derived from leasing of motor vehicles to a Washington Federal Land Bank.

FACTS:

Burroughs, A.L.J. -- The taxpayer is a lessor of motor vehicles in the state of Washington. In the near future the taxpayer will begin leasing motor vehicles to a Federal Land Bank in the state of Washington.

ISSUE:

The taxpayer has requested a ruling under the provisions of section 18, WAC 458-20-100 (Rule 100) as to the proper sales taxability of these rentals, as it is of the opinion that the Federal Land Bank is exempt from state and city sales taxes by the federal Farm Credit Act of 1971.

DISCUSSION:

RCW 82.08.0254 grants a sales tax exemption on

. . . sales which the state is prohibited from taxing under the Constitution of this state or the Constitution or laws of the United States.

In 1971, Congress passed the Farm Credit Act of 1971 (Public Law 92-181), which provides in pertinent part as follows:

Every Federal Land Bank and every Federal Land Bank Association and the capital, reserves, and surplus thereof, and the income derived therefrom, shall be exempt from Federal, State, and municipal, and local taxation, except taxes on real estate held by a Federal Land Bank or a Federal Land Bank association to the same extent, according to its value, as other similar property held by other persons is taxed.

Thus, federal law prohibits the State of Washington from collecting, through Washington retailers, sales taxes from Federal Land Banks.

RULING:

Lease payments received by the taxpayer from a Federal Land Bank for the rental of motor vehicles will be exempt of retail sales tax under the provisions of RCW 82.08.0254 because federal law prohibits its collection. The taxpayer is advised, however, that business and occupation tax under the retailing classification will still be due.

This legal opinion may be relied upon for reporting purposes and as support of the reporting method in the event of an audit. This ruling is issued pursuant to WAC 458-20-100(18) and is based upon only the facts that were disclosed by the taxpayer. In this regard, the department has no obligation to ascertain whether the taxpayer has revealed all of the relevant facts or whether the facts disclosed are actually true. This legal opinion shall bind this taxpayer and the Department upon these facts. However, it shall not be binding if there are relevant facts which are in existence but have not been disclosed at the time this opinion was issued; if, subsequently, the disclosed facts are ultimately determined to be false; or if the facts as disclosed subsequently changes and no new opinion has been issued which takes into consideration those changes. This opinion may be rescinded or revoked in the future; however, any such rescission or revocation shall not affect prior liability and shall have a prospective application only.

DATED this 18th day of September 1987.