



COMMONWEALTH of VIRGINIA

Department of Taxation
Richmond, Virginia 23282

MEMORANDUM

TO: W. S. Cordle, Director
Field Services Division

DATE: August 31, 1989

RE: Leases Between Affiliated Corporations

The department is increasingly auditing dealers which make taxable leases to affiliated corporations. Typically, these dealers paid tax to their suppliers at the time the property was purchased, and have failed to collect tax on the lease payments received from their affiliates.

In these cases, the department should assess the tax rightfully due on the lease payments, but should give the dealer credit for the tax paid to its suppliers at the time the property was purchased.

Janie E. Bowen, Director
Tax Policy Division

APPROVED:

W. H. Forst
Tax Commissioner

cc: Ronald L. Holt
Russell C. Whitehead