

# **Bond Case Briefs**

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## **TAX - CALIFORNIA**

### **Letterman Digital Arts Ltd. v. City and County of San Francisco**

**Court of Appeal, First District, Division 4, California - December 30, 2020 - Cal.Rptr.3d - 2020 WL 7767276 - 21 Cal. Daily Op. Serv. 140 - 2021 Daily Journal D.A.R. 62**

Lessee of property within national park that was established at site of a former military base in the city of San Francisco brought action against city for refunds of gross receipts taxes it paid on rents it had collected pursuant to sublease that was authorized by terms of its commercial lease with federally owned trust that managed the park.

The Superior Court sustained city's demurrer without leave to amend. Lessee appealed.

The Court of Appeal, held that federal tax exemption on local property taxation of "interests" created under leases of park property did not exempt lessee from payment of gross receipts tax on rents collected under its sublease.

Rental income collected by lessee of property within national park that was established at site of a former military base in the city of San Francisco, under sublease authorized by terms of lessee's commercial lease with federally-owned trust that managed the historic and financial aspects of the park, did not constitute an "interest" within meaning of federal tax exemption embodied in the Presidio Trust Act, which prohibited local property taxation of "all interests created under leases associated with properties" in the park, and therefore, lessor was not exempt from payment of city's gross receipts tax on rents collected; lessee's property interest in the park was not same as its rights conveyed by that interest.