



STATE BOARD OF EQUALIZATION

November 17, 1954

Your letter of October 14
Account No. ---

Attention: Manager

Gentlemen:

What we meant by our letter of October 13 was not to determine whether a concrete irrigation pipeline is an improvement to a farm. There is no question about this. We were interested in determining whether you or someone else was the person making the improvement.

From your letter we now understand that you generally contract to make a complete installation, that is, to dig the trench, provide pipe, lay pipe in trench, and backfill. The fact that you subcontract the trench digging is not material because you are responsible to the farmer for such work as part of the entire job. You state that occasionally the buyer will elect to dig his own trenches and backfill the trenches but in these cases you require him to do it pursuant to your instructions and specifications.

We are of the opinion that where you perform, subcontract, or supervise the digging of trenches, laying of pipe, and backfilling, you are performing a contract to improve real property. Accordingly, you are the consumer of the pipe and all other tangible personal property furnished in connection with the contract. It is immaterial whether the contract is for a lump sum, on a unit price basis, or on a time-and material basis. The measure of tax is the cost of the raw materials which you purchase for use in manufacturing the concrete pipe.

Very truly yours,

Bill Holden
Assistant Counsel