



STATE BOARD OF EQUALIZATION

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Gentlemen:

We have reviewed the literature which you submitted regarding function, design, and construction of the industrial preheaters manufactured and installed by "A".

It is our understanding from the information submitted that the preheater units are substantial pieces of equipment installed in air intake passages of large industrial boilers in steam plants. The units heat air which is utilized by the boiler, causing more efficient fuel combustion and greater heat production.

In our opinion the air preheater itself constitutes "materials" and the drive mechanism constitutes "fixtures" under Ruling 11. Therefore, where "A" manufactures and installs a preheater, it is subject to tax on its cost of materials with respect to the preheater unit and is the retailer of the drive mechanism, including motor and gears; but if no specific charge is made to the customer for the motors, the taxable amount is the cost of the motors, which we presume are purchased from a manufacturer of motors.

Very truly yours,

George A. Trigueros
Associate Tax Counsel

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