



STATE BOARD OF EQUALIZATION

December 4, 1953

Dear Mr.

In your letter of November 25, 1953, you asked the following question:

"A home furnishings store sells merchandise on a lease contract basis. While the total sum of the lease contract is for one amount, a portion of it represents labor, such as connecting a stove, connecting a washing machine, laying carpets, etc. When the lease contract on its face shows the amount of the merchandise and the amount of the labor, each in a separate item and making the total of the lease contract, sales tax is due on the merchandise only and not on the labor. It is understood, of course, that this is not the case where a completed article, such as a fabricated rug or fabricated wall-to-wall carpet has been made up in the store prior to delivery."

We assume that the "lease contract" to which you refer is a lease in lieu of a sale and taxable as a sale of the property covered by the lease.

Section 6012 of the California Sales and Use Tax Law excludes from the measure of sales tax "the price received for labor or services used in installing or applying the property sold". Accordingly, the price received for labor in connecting a stove, connecting a washing machine, laying carpets, etc. is not subject to sales tax where it is separately stated and where it represents an amount reasonably related to the service rendered.

We trust this sufficiently answers your question.

Very truly yours,

John H. Murray
Associate Tax Counsel

JHM:tj
cc: San Francisco - Auditing