



565.0860

STATE OF CALIFORNIA

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**STATE BOARD OF EQUALIZATION**

February 11, 1966

Attention: Mr. REDACTED TEXT  
Secretary-Treasurer

Gentlemen:

This is in answer to your letter of February 3, 1966, concerning your sales and use tax obligations in connection with a lump-sum subcontract to furnish and install certain equipment, along with other electrical work, in the construction of a U.S. Government Hospital, for the prime contractor.

The enclosed copy of ruling 12 sets forth the basic application of tax with respect to U. S. Government Contractors. You state that included in the equipment which you furnish are dictating and transcribing machines and portable doctor call units which are carried by the doctor in his pocket. You subcontract this portion of the work to a third-tier contractor.

This portable equipment which does not become affixed to real property, and which is titled in the U.S. Government, may be purchased for resale by the third-tier contractor, by you as subcontractor, and by the prime contractor whose sale to the United States is exempt from the tax. Such portable equipment has a different status for sales and use tax purposes than other equipment which is installed by any of the contractors involved in such a manner as to become a part of the real property. This is the kind of property to which ruling 12 relates. The installing contractor is the consumer of that property for purposes of the sales tax which applies with respect to the sale of the property to him.

There is one exception, and this is that type of property which falls within the classification of "machinery and equipment," and is defined and explained in ruling 12. This property, as is the case with portable equipment which does not become affixed to real property, may be purchased for resale by each purchasing contractor, and the final sale to the United States is exempt from tax.

Very truly yours,

E. H. Stetson  
Tax Counsel

cc: San Diego – District Administrator