



STATE BOARD OF EQUALIZATION

September 3, 1965

Gentlemen:

Our Santa Ana office has requested us to communicate with you regarding the petition for Redetermination of sales tax filed by "D".

It is our understanding that "D"'s business operations have been substantially as follows:

He entered into agreements with building contractors pursuant to which he agreed to furnish lumber to them for home construction at housing tracts. He ordered the lumber from mills and had the lumber delivered to him at a compound at a central location in the tract area.

After the lumber was delivered to the compound, he sorted it and delivered lumber of required dimensions to individual construction sites in the tract.

"D"'s method of billing the contractors was first to bill them for his wholesale cost, plus freight to the compound. To this billing he added sales tax measured by his wholesale cost.

Subsequently, he would bill the contractor an amount for sorting the lumber at the compound and delivering it to the individual construction sites.

We can see no essential difference between "D"'s operations and the operations of a regular lumber yard which purchases lumber from a wholesaler, takes delivery at the lumber yard, sorts it at the lumber yard, and delivers lumber of required dimensions to individual jobsites.

In view of the foregoing, it is our opinion that your client was the retailer of the lumber furnished at the individual jobsites and his taxable gross receipts included his charges for sorting the lumber at the compound and delivering the sorted lumber from the compound to individual construction sites. Accordingly, we cannot recommend deletion of the aforementioned charges from the determination of tax.

Very truly yours,

George A. Trigueros
Associate Tax Counsel

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