

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA
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(916) 445-6450

August 25, 1987

Mr. C--- R. A---
Owner
A--- W---
XXXXX --- Place, Unit XX
---, CA XXXXX

Re: SR --- XX-XXXXXX

Dear Mr. A---:

This is in reply to your July 15, 1987 letter regarding the application of sales tax to your charges for the remanufacture of mobile concrete mixer drums.

You outlined the steps you take in the remanufacturing as follows:

- “(1) Remove old drum from truck
- (2) Buy the steel
- (3)
 - a. remove concrete build-up
 - b. skip cut drum – cutting slots in old shell so it can be removed later
- (4) Lay out, cut and form steel to fit drum
- (5) Tack weld the new steel over the old shell
- (6) Remove the old shell from the inside
- (7) Weld inside and outside weld seams
- (8) Install new internal parts.

- (9) Leak check, clean and prime
- (10) Install on truck"

You explained that the customer supplies the drum or core to be remanufactured and that the front section and rear section are the only old parts that are not replaced.

As you describe your remanufacturing process, we believe that you both repair the concrete mixing truck and fabricate a new drum for the customer's truck. Generally, when the retail value of parts and materials furnished in connection with repair work is more than 10 percent of the total charge, or if the repairman makes a separate charge for such property, the repairman is the retailer of the parts and materials. Tax applies to the fair retail selling price of such parts and materials. (Sales and Use Tax Reg. 1546, Installing, Repairing, Reconditioning in General, subd. (b).) We believe that it is clear that the retail value of the parts you furnish (the fabrication of a new mixing drum) represents more than 10 percent of your total charge for the repair of the truck, and you are the retailer of the drum.

Based on your description of your process, we believe that your nontaxable repair and installation labor consists of your removing the old drum, removing the concrete, and installing the new drum. The charges for all the other work you listed are subject to sales tax as part of the charge for fabricating the new drum.

We hope this answers your question; however, if you need further information, feel free to write again.

Very truly yours,

Ronald L. Dick
Tax Counsel

RLD:sr

bc: --- District Administrator