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**STATE BOARD OF EQUALIZATION**

August 31, 1953

S---l B--- E--- Company  
XX --- Avenue  
--- --- X, California

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Attention: M--- S---

Gentlemen:

The letter of July 16 addressed to you from U--- S--- P--- Company, copy enclosed with your letter of July 22, does not, in our opinion, contrary to yours, conclusively establish that no portion of the services of the installation supervisor relates to fabrication or processing as distinguished from installation. The third paragraph of U--- S---'s letter states as follows:

“Our charge for the services of our installation supervisor was purely for the cost of supplying an engineer to supervise the common labor required to bolt the sections of conveyor together and to bolt it to the floor. No part of his work is involved in fabrication or assembly work that could have been done in the factory.”

We have underscored the words “bolt the sections of conveyor together”. These words are followed with the words “and to bolt it to the floor”. There is no question but what the bolting of the conveyor to the floor is properly regarded as installation labor. We cannot, however, convince ourselves that the bolting of the sections of the conveyor together prior to bolting the conveyor to the floor is not assembly or fabrication rather than installation.

In the next paragraph the letter points out that the company assembles the conveyor equipment in the factory before shipment and that the cost thereof is covered by the price of the conveyor system. With this we have no quarrel, but if the customer is in fact charged additionally for the labor of bolting the sections of the conveyor together after arrival of the sections at the job site, the conclusion seems to us inescapable that such additional charge is part of the taxable sale price of the conveyor system.

We regret that we do not seem to be able to agree on this matter, but our position is we believe supported by law and consistent with the position taken with respect to similar problems that have from time to time presented themselves to us. We therefore confirm the statements made in our letter of June 30 that the portion of the engineer's services having to do with the bolting of the conveyor sections together be allocated to the selling price of the conveying system which is the measure of the tax. That portion of the engineer's services properly allocable to the bolting of the conveyor system to the floor or other installation labor is, of course, not subject to the tax.

Very truly yours,

E. H. Stetson  
Tax Counsel

EHS:ph

cc: --- --- -- Tax Administrator