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STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

April 14, 1966

Dear Mr. REDACTED TEXT,

The contentions raised in our meeting in Sacramento on April 6, 1966 have been thoroughly reviewed and discussed with tax counsel in charge of the taxing programs directly involved with classifications of the items in question. Our conclusions regarding these are as follows:

It is our position that incandescent, florescent and mercury vapor lamps are part of the fixtures in which they are installed and become improvements to real property under Section 6384 of the law. This is based upon the "unit of use" theory. Accordingly, it is our position that the sale of these lamps to the contractor is a taxable event.

As stated at the hearing, we believe transformers and power panels used exclusively to supply electrical energy to machinery and equipment are properly classified as machinery and equipment under Sales and Use Tax Ruling 12. However, we believe a minimus use of such power for lighting does not destroy the classification as machinery and equipment. A maximum of 5 percent non-machinery and equipment use is allowable. We have advised our audit staff that the ampere load may be used as a criterion to determine use.

We have considered at some length the proper classification of exterior fire alarm systems. It was ultimately concluded that such systems are not properly classified as "telephone or telegraph lines" as those terms are used in Section 105 of the Revenue and Taxation Code. Accordingly, we believe they are improvements under Section 6384 and that the sale of the components thereof to the contractor is the taxable event.

We believe the 400 cycle generators used to produce power for high torque tools are properly classified as machinery and equipment under Ruling 12. We have directed our audit staff to make a reaudit on this basis. If you have further questions in this area, you may contact our district office or feel free to write to me.

Very truly yours

Jack D. Paulson
Associate Tax Counsel

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