



STATE BOARD OF EQUALIZATION

April 23, 1953

Dear Mr. REDACTED TEXT,

In your letter of April 20, written following our discussion on April 17, you explain that you hold a prime contract with the U.S. Army for construction of a canal and have negotiated a subcontract for the construction of a pipe line, one of the items of work of the prime contract.

You describe the work of the subcontractor as follows: "The subcontract involves fabrication and laying of 48" reinforced concrete pipe. The laying involves fine grading of the bottom of the trench, mortaring the joints of the pipe, placing the sections, pointing completed joints and testing of the line".

It is our opinion that the subcontractor, in performing the work as described, will be regarded for sales tax purposes as the consumer of the material from which the pipe is fabricated and any other tangible personal property used in the performance of the contract. Thus, pursuant to Sales and Use Tax Ruling 12, copy enclosed, the tax will apply with respect to the sale of such materials to the subcontractor and not to the subcontractor's charges to you. The fact that the subcontract may be in form divided into two parts, one for the furnishing of the materials, and the other for their placing or laying in the ground, appears immaterial for sales tax purposes. The actual undertaking, as we understand the facts, is that the subcontractor shall furnish, fabricate, and lay, and place the pipe joining the sections together to form a complete pipe line in place.

Very truly yours,

E. H. Stetson
Tax Counsel

EHS : ph
cc: Marysville - Tax Administrator