



STATE BOARD OF EQUALIZATION

December 7, 1965

Gentlemen:

This is in reply to your letter of December 1 requesting a ruling on a situation which you describe. The charge for your customer for service of a factory trained serviceman to set up the equipment sold by you and to supervise its initial operation is not taxable, assuming that there is no fabricating or processing included in the "setting up" of the equipment. Such a taxable fabricating or processing would occur if included in the setting up of the equipment were any assembly or manufacturing of that which is later actually installed upon the customer's premises.

Installation charges are specifically exempted from the tax, but the tax is specifically applied to any charge which represents a part of the manufacturing, fabricating, or processing of the item before it is complete and ready for installation. See in this connection sales and use tax Ruling 15, copy enclosed, which applies in the case of customer-furnished equipment.

In the case of equipment furnished by the retailer, his taxable gross receipts include, under Section 6012 of the Sales and Use Tax Law, "the total amount of the sale price", without any deduction on account of "The cost of the materials used, labor or service cost, interest paid, losses, or any other expense", and include, "Any services that are a part of the sale", but exclude "The price received for labor or services used in installing or applying the property sold".

Very truly yours,

E. H. Stetson
Tax Counsel

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STATE BOARD OF EQUALIZATION

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May 15, 1985

CURRENT LEGAL DIGEST NO. 454

GROSS RECEIPTS

(g) Service Charges Generally

Annotation 295.1700 – “Setting Up” Equipment

This annotation has been misread by some as making charges for assembly labor at the customer’s site nontaxable. The backup opinion letter makes clear that assembly labor is a type of fabricating or processing. Therefore, “assembling” will be added to the annotation so that it reads as follows:

“Service charges for a factory trained serviceman to set up equipment sold by the taxpayer and to supervise its initial operation are exempt installation charges, providing no fabricating, assembling, or processing occurs in the ‘setting up’.”

12/7/65; 5/15/85