

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA  
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)  
(916) 445-8485

October 27, 1982

Mr. R--- V---  
--- Locksmiths  
XXXX --- Avenue  
---, CA XXXXX

Dear Mr. V---:

SR – XX-XXXXXX

This is in response to your letter of September 14, 1982. We understand that in your business as a locksmith you are called on by motorists to furnish them with new keys for their vehicles' ignitions.

You wondered how tax applies to these transactions. A typical invoice might include the following separately identified charges:

1. original key: \$12.50
2. service charge: \$17.50
3. disassembly and  
reassembly of  
steering column: \$25.00

The \$12.50 charge for the key is clearly subject to tax as a retail sale of tangible personal property (See Reg. 1546, subd. (b), copy enclosed). The \$17.50 charge, which you indicated in our telephone conversation was the charge for going to the customer's location to do the work, we view as a nontaxable charge for services. Finally, the \$25.00 charge for disassembly and reassembly of the customer's steering column may be taxable or nontaxable depending on the purpose for performing this function. If the purpose is the creation or production of tangible personal property as evidenced by a change in form or kind, the labor is taxable fabrication labor. If, on the other hand, the purpose is merely the repair or reconditioning of the property to refit it for the use for which it was originally produced, the labor is nontaxable (See Reg. 1526, copy

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-2-

October 27, 1982  
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enclosed). Here, it would appear that the labor which you perform does not change the form or kind of the customer's property, rather, it seems to be in the nature of repair labor. As such, the \$25.00 charge would not be subject to tax.

We hope this has answered your questions. If it has not, or if we can be of further assistance, please contact us again.

Very truly yours,

Les Sorensen  
Tax Counsel

LS:at

Enclosures

bc: --- – District Administrator