



STATE BOARD OF EQUALIZATION

April 26, 1983

Mr. P--- M S---
XXX --- Avenue
--- ---, CA XXXXX

Dear Mr. S---:

This is in reply to your letter of March 5, 1983. You asked how the Sales and Use Tax Law applies to lump sum contracts entered into between you and your customers for the reconditioning of cabinets installed on realty.

The reconditioning process, which you described as "rewrapping" consists of removing the old cabinet doors, drawers, and hardware, covering them with veneer and installing them to the cabinets with new moldings and hardware. The cabinets are stained and finished by a subcontractor and, if new counters are needed, another subcontractor is utilized to furnish and install these items.

As you are aware, your contracts to "rewrap" the cabinets constitute contracts for the improvement of realty. Such contracts are "construction contracts" and tax applies as indicated in Regulation 1521 (copy enclosed). Prefabricated cabinets, such as those you recondition for your customers, are classified as "fixtures" [Reg. 1521(c)(2); App.B].

A contractor who enters into lump sum construction contracts to repair or recondition fixtures in place or fixtures which he removes but is required by the contracts to reattach to realty is the consumer of the parts he uses in performing such contracts [see Reg. 1521(c)(5)]. It follows, tax applies when the contractor buys the parts, i.e., the contractor's vendor pays sales tax at the time the parts are sold to the contractor. If for some reason the contractor purchased the parts ex-tax for resale, he should self-report use tax based on his cost of such items.

Here, you are the consumer of all parts which you furnish and install in reconditioning the cabinets and your subcontractors are the consumers of the materials and parts which they utilize, it follows, you should not bill your customers for tax reimbursement.

Very truly yours,

Les Sorensen
Tax Counsel

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Enclosure