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**STATE BOARD OF EQUALIZATION**

July 29, 1964

"R"

This is in reply to your letter of June 26 in which you inquire about the application of the sales tax to certain sales you propose to make in connection with your jewelry and watch repair concession at "T" Marine Base.

As we understand the situation, you propose to sell a number of items which you have repaired for your customers but which have never been picked up or paid for. You paid the sales tax on all the repair materials at the time of their purchase. You will sell the repaired items on the basis of actual cost of materials plus your labor, and you question whether you should charge tax on these sales.

In our opinion, these sales are subject to tax measured by the full amount of the gross receipts you receive. You will, however, be entitled to a deduction, on line 12 of your return, in the amount of your tax-paid purchase price of the repair materials. In these particular transactions, you will not be regarded as a repairer of the items you will sell. You will be considered as a retailer of the watches since the buyers are receiving property in the watches and not merely repair services for watches which they already own. Consequently, the purchase price of the materials which are resold is allowable as a deduction entitled "tax-paid purchases resold" (see Ruling 71, copy enclosed).

If you have any further questions, please do not hesitate in writing to us again.

Very truly yours,

E. H. Stetson  
Tax Counsel

By Philip R. Dougherty

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