

# Memorandum

435.1460

To: Los Angeles District – District Principal  
Auditor (JTQ)

Date: November 14, 1966

From: Tax Counsel (EHS) - Headquarters

Subject: Fabrication Labor

Confirming my telephone conversation today with Mr. C---, this is to inform you that if the only labor performed by R--- Inc., on the materials to be incorporated into real property by P--- K--- S---' Company is screening and separation, the tax will not be applicable to the charges therefore. We have always held that sorting of sizes, whether by screening, hand sorting, or otherwise, does not amount to a taxable fabrication or processing.

On the other hand, the crushing of rock or mixing of it with other ingredients is considered taxable processing. If there is such processing involved, the total charge therefore would be taxable unless some specific portion of the material is only sorted or separated and the charge for such sorting and separating can be separated from the charge for taxable processing. Only in that case would the charge for sorting and separating be excluded from the measure of the tax.

EHS:fb