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**STATE BOARD OF EQUALIZATION**

May 10, 1960

G--- A--- Company  
XXX --- Street  
--- ---, California

B-XXXXX

Attention: Mr. C--- O. H---  
General Manager

Gentlemen:

In your letter of May 4 you inquired about application of sales tax to your receipts from sales of a "Service Protection Contract", and application of use tax to replacement parts furnished thereunder.

Concerning the contract, you state:

1. It is not a mandatory contract and is a Second Year Warranty.
2. Parts furnished under the contract are to replace defective parts only and at no charge to the customer.
3. The contract may be cancelled at any time by either party.

Your charges for such Second Year Contracts are as follows:

Standard Refrigerators	\$ 6.75
Combination Refrigerators	8.85
Freezers	8.85
Ranges	10.95
Dishwashers	20.55
Disposalls	6.75
Automatic Washers	23.95
Washer-Dryer Combinations	44.20
Dryers	15.00

Inasmuch as each such "Service Protection Contract" is actually an optional labor and parts warranty, the charge for such contract does not constitute taxable gross receipts.

G--- A--- Company  
Account B-XXXXX

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May 10, 1960  
490.0700

Since the charge for the warranty does not constitute part of the gross receipts from the original sale of the appliance, you are not considered to be the seller of the parts and supplies which you furnish under the contract. However, you are considered to be the consumer of such parts and supplies and are subject to tax measured by your purchase price of such parts and supplies.

If you do not purchase such parts and supplies tax paid, you should report your cost thereof as subject to use tax.

Very truly yours,

George A. Trigueros  
Assistant Counsel

GAT:fb

cc: San Francisco - Administrator