

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA
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(916) 445-8485

December 18, 1989

Mr. D--- J---, President
C--- C--- Systems, Inc.
XXXX --- --- Court
---, FL XXXXX

Dear Mr. J---:

This is in reply to your FAX communication to the Board's Executive Director, Ms. Cindy Rambo. C--- C--- Systems, Inc. (CCSI) intends to bid on a U. S. Government contract for the furnishing and installation of "D-4 channel bank units." You have described the units as free standing multiplexers which provide porting to modular/standardized off-shelf general purpose switching equipment sold for use in general purpose office buildings. Title to the units will pass to the U. S. Government prior to any use of them by CCSI.

Under the foregoing circumstances, you wondered whether we would classify these units as machinery and equipment for sales and use tax purposes such that the sale to CCSI would be an exempt sale for resale and CCSI's subsequent retail sale would also be exempt as a sale to the U. S. Government.

Your FAX communication indicates your general familiarity with the applicable law so we will only refer summarily to the applicable principles in stating our conclusions. We agree that the sale of the units to CCSI is an exempt sale for resale (Rev. & Tax. Code § 6007). The subsequent retail sale is, in our opinion, a sale of off-shelf general purpose switching equipment sold for use in general purpose office buildings and, accordingly, is classifiable as machinery and equipment the sale of which, prior to any use by CCSI, is an exempt sale to the U. S. Government (See Rev. & Tax. Code § 6381; Reg. 1521(a)(6), (b)(1)(B), and (c)(7)).

Mr. D--- J---

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Enclosed for your ready reference is a copy of our tax tip pamphlet for construction contractors which, in addition to Regulation 1521, contains other information you may find helpful in your business.

Sincerely,

E. L. Sorensen, Jr.
Senior Tax Counsel

ELS:jb
Enclosure

cc: Ms. Cindy Rambo