



STATE BOARD OF EQUALIZATION

May 9, 1969

Mr. W--- C---, President
C---
P. O. Box XXX
---, CA XXXXX

SS --- XX XXXXXX

Dear Mr. C---:

It was a pleasure to meet with you and Mr. G--- in Fresno on May 1, 1969, to discuss your petition for redetermination covering the period 10-1-64 to 9-30-67. We have considered your petition in light of the information obtained by our auditors and information obtained at the hearing.

We propose to recommend to the board that item A of the audit report "Markup on above ground materials established through a material accountability test" be deleted from the determination. Our conclusion is based on a finding that the sprinkler systems installed by you, and which are the subject of our conference, are improvements to realty in total and constitute materials as defined in ruling 11, copy enclosed for ready reference.

Accordingly, you are the consumer of these materials and tax is measured by the sales price to you. This opinion is predicated on the understanding that the entire system is a unit within itself and that no part thereof, including the flexible hoses and sprinkler heads, is removed until it is necessary to remove it for repairs, replacement or obsolescence. In making such a finding, consideration was given to the fact that the county assessors consider all of the components of the systems to be improvements to realty, and according to testimony at the hearing, when orchards are sold, the entire system including sprinkler heads and hoses is sold as an improvement to realty. Consideration was also given to the fact that the hoses have a long life.

In view of this recommendation, we assume that you do not desire a board hearing. Accordingly, this matter will be scheduled for board action consistent with the recommendation contained herein. You will receive official notice of action taken by the board in due course.

Mr. W--- C---
SR --- XX XXXXXX

-2-

May 9, 1969
190.2040

Very truly yours,

Jack D. Paulson
Tax Counsel

JDP/vs

Enclosure

cc: G--- & H---
Certified Public Accountants
XXX South --- Street
---, CA XXXXX

bc: Fresno – District Administrator

Attached are two copies of hearing report dated 5/7/69, which has been approved. This hearing was held in Fresno on 5/1/69. ~~Also enclosed are the work papers for the period from 10-1-64 to 9-30-67.~~