

M e m o r a n d u m**315.0820**

To: Fresno – Tax Administrator

Date: Sacramento
August 9, 1957

From: Headquarters – Sales Tax Counsel (JDP)

Subject: Application of Ruling 26 to Bit Retipping

In your memorandum of August 2 you inquire regarding the application of Ruling 26 to the process of retipping oil well drilling tools. From the information contained in your letter, the percentage of material used in retipping the tools varies from a very minor percentage up to 20%. It is our understanding that the hard surfacing material is applied to the surface of the tool by welding process and is not a separately identifiable part attached to the tip of the tool.

It is our opinion that where the cost of the material to the repairer is roughly 10% of the total charge to the customer, the repairman is the consumer of the material used although a particular bit may require more than this amount of material for retipping. We believe the average should be used rather than requiring the repairman to segregate the transactions which require over 10% of material from the ones requiring 10% or less. This opinion is based on the assumption that the average amount of material used will approximate 10% of the total charge to the customer.

Jack D. Paulson

JDP:rc