



STATE BOARD OF EQUALIZATION

January 4, 1954

X-----

Your letters of October 27
And December 16, 1954

Account No. X-----

Attention: X-----
Accounts Receivable Supervisor

Gentlemen:

In manufacturing stainless steel castings for resale you cast a few small test bars. The test bars are used to determine if the castings meet specifications. You send the test bars to an outside firm for machining to a specific size. The machined test bars are then returned to you for analysis of tensile strength and physical properties. A report of the testing is forwarded to your customer and the test bars themselves are then scrapped and either sold or remelted.

As indicated in Ruling 15 (copy enclosed), charges for fabricating tangible personal property for a consumer are taxable. Machining constitutes fabrication. You use the machined test bars in carrying on your business, that is, for the purpose of testing the castings. While it is true that you will eventually resell the metal in the test bars, you do not have them machined for the purpose of sale. Rather, you have them machined for the purpose of sale. After use, they are sold.

Accordingly, you are the consumer of the machined test bars and the charge for machining is subject to tax.

Yours very truly,

Bill Holden
Assistant Counsel

BH:ja

Cc: San Diego – Auditing