



STATE BOARD OF EQUALIZATION

April 25, 1951

Mr. M--- L. B---
XXXX --- ---
--- --- XX, California

Dear Sir:

This is in answer to your letter of April 20 with respect to the application of the State sales tax to parts furnished by your client, a television servicing company, pursuant to second and third year parts warranty agreements which it has purchased from a sales organization which solicits such warranties from owners of television sets.

It appears that the second and third year parts warranties referred to in your letter are sold separate and apart from the sale of the television set. Whether or not any parts will be furnished under such agreements will, of course, depend upon the requirements of the particular set for which the warranty is sold during the period of the warranty. Under such circumstances it is our opinion that the sale of the warranty does not constitute a sale of tangible personal property and that the seller of the warranty is the consumer of the parts and materials which he furnishes, pursuant to the warranty agreement.

As your client assumes the obligations of the seller of the warranty upon the assignment of the warranty agreement to him, he occupies the position of the seller of the warranty agreement and is deemed to be the consumer of parts and materials which he furnishes, pursuant to such agreements. Your client, accordingly, will be subject to the tax measured by the cost price of such parts and materials.

If the person or firm which originally sells the warranty agreement has paid the sales tax measured by the full sales price thereof, and has assigned the agreement to your client before furnishing any parts or materials thereunder, it appears that a claim for refund would be in order.

Very truly yours,

R. G. Hamlin
Tax Counsel

RGH:HB

cc: W. R. Thomson