

M e m o r a n d u m**190.2300**

To: Out-of-State – Auditing (DMA)

April 7, 1966

From: Tax Counsel (EHS) - Headquarters
Legal

Re: Your memo of 2-18-66, and follow-up of 3-31-66

Turbines, Pump-turbines and Kaplan turbines and Governors, herinafter collectively called “turbines,” are “fixtures” under ruling 11. They become a part of the real property. As the installer is the retailer, his gross receipts must be ascertained. The fixtures are partially manufactured at the factory, and shipped unassembled or as subassemblies to the jobsite. If the final assembly at the jobsite involves only the attaching of components to real property prior to any further assembly of personal property components, tax does not apply to such installation labor. If, however, there is any jobsite assembly or processing of tangible personal property prior to its being affixed to real property, charges for such assembling or processing would be subject to tax.

The measure of tax is the selling price of these components and subassemblies, which, if not stated in the contract (unit prices quoted include installation), is the “fabricated cost” thereof. This is the sum of the following: Cost of materials, cost of fabrication labor, overhead and indirect costs prorated to the fabrication of the fixtures sold, i.e. the components or subassemblies in the state of completion at the time they become affixed to real property. In addition, tax would be measured by the value of any jobsite labor of assembly or processing of personal property prior to its being affixed to real property. *

The foregoing may be considered rather brief in view of the size of the project and the amount of date submitted. The request of Chicago for an early response, and your follow-up of March 31, prevents us, however, in view of other work that cannot be put off, from spending the time reasonable required to make a detailed analysis and study of the large volume of date submitted, which is returned herewith..

We shall, of course, be glad to confer with Mr. --- --- or any other interested party regarding the matter.

EHS;fb
Attach.

*To the extent this paragraph conflicts with Reg. 1521(b)(2)(B)2, the Regulation rules and this paragraph is superceded.

D.J. Hennessy
7/2/87