

Memorandum

330.3940

To: San Jose – District Principal Auditor

Date: August 31, 1966

From: Tax Counsel (EHS) - Headquarters

Subject: ---

Re: Your memo of August 23, 1966

We believe the test to be applied is whether or not a significant amount of fabrication labor is required to attach the motor to the boat.

If it is only necessary to bolt or clamp the motor in place, this would not be sufficient to amount to a “substantial” change in form before leasing.

If, however, there must be a significant alteration made on the boat to accommodate the motor, e.g., drilling holes for shafts, wiring, controls, etc., a substantial change in form could result. We can give you no exact answer. Perhaps one test could be whether the labor cost exceeds 10 per cent of the cost of the boat and motor.

EHS:fb