



---

**STATE BOARD OF EQUALIZATION**

December 17, 1954

X-----

Account No. X-----

Dear Mr. X-----:

Your letter of November 11 addressed to our Oakland office has been referred to this office for reply. In the course of your business you have a considerable amount of orthopedic correction work for various doctors. Often substantial modifications must be made to a shoe. You have this work done at an independent shoe repair shop.

Assuming that in all cases the shoes are new shoes, any labor involved would be taxable fabrication labor pursuant to Ruling 15 (copy enclosed). In other words, the customer desires a certain finished product and tax applies on the entire charge which the customer must pay in order to obtain that product. It would be immaterial whether the price were broken down between labor and material. Accordingly, your present practice of paying tax on the entire charge is correct.

Even though the repair shop has not been charging tax to you, it is possible that they have been paying tax to this Board on a portion of their receipts. The charge made by the repair shop is not taxable because you will resell the shoes. In any case, it would be advisable for you to furnish the repair shop with a resale certificate so that its records will be complete.

Yours very truly,

Bill Holden  
Assistant Counsel

BH:ja

Cc: Oakland – Auditing