



STATE BOARD OF EQUALIZATION

October 8, 1954

A--- R--- W--- Corp.
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OS -- XXXXX

ATTN: Mr. M. H. K---
Treasurer

Gentlemen:

You have installed a cupola for the manufacture of rock wool at your T---, California, plant and you utilize coke in this cupola for melting the minerals which are then converted to wool insulation fibers. You inquire whether the sales tax applies on the sales to you of the coke or whether it may be regarded as purchased for resale, at least with respect to a portion thereof.

We do understand that a part of the coke may become an ingredient of the end product. However, the application of the tax to property used in manufacturing is governed by Ruling 14, (copy enclosed). As indicated in the first paragraph thereof, the sales tax applies to the sale of tangible personal property to persons who purchase it for the purpose of use in manufacturing, producing or processing tangible personal property and not for the purpose of physically incorporating it into the manufactured article to be sold.

We have consistently taken the position that the sales tax applies to the sale of tangible personal property for such purposes regardless of the fact that following the use in the production of the finished article some part of the property may incidentally be resold as a part of the finished article or otherwise. See American Distilling Co. v. State Board of Equalization, 55 Cal. App. 2d 799, 131 P.2d 609.

Your understanding concerning the coke used in the manufacture of castings in the cupola process is correct as indicated in Ruling 17 (copy enclosed). However, the theory behind Ruling 17 is that 45 percent of the coke is actually purchased for the purpose of becoming an ingredient of the castings, whereas only 55 percent is used for actual melting purposes. On the basis of the information available to us, we understand that all of the coke purchased to manufacture rock wool by this process is purchased for the purpose of melting the minerals and none of it is purchased for the purpose of actually becoming a necessary ingredient of the rock wool.

W. W. Mangels
Assistant Counsel

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