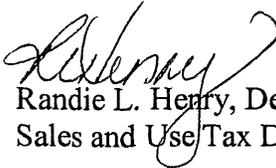


**M e m o r a n d u m**

**To** : Mr. Ramon J. Hirsig  
Executive Director (MIC 73)

**Date:** May 5, 2009

**From** :  Randie L. Henry, Deputy Director  
Sales and Use Tax Department (MIC 43)

**Subject** : **Proposed New Audit Manual Section 1208.50, *Solar Energy Systems***

In accordance with the established procedures for audit and compliance manual revisions, I am submitting the proposed new Audit Manual (AM) section 1208.50, *Solar Energy Systems*, for your approval to forward to the Board Proceedings Division. This new AM section explains the application of tax to solar cells, solar panels, and solar modules (Regulation 1521 (c)(13)).

The proposed AM section has been reviewed and approved by SUTD management, provided to Board Members, and posted at <http://www.boe.ca.gov/sutax/staxmanuals.htm> on the Board's website since March 10, 2009 to solicit comments from interested parties. We received no comments from the public.

A copy of the proposed AM section 1208.50 is attached for your reference. We request your approval to forward it to the Board Proceedings Division for placement on the next Administrative Agenda as a consent item.

If you have any questions, please let me know or contact Mr. Jeff McGuire at 324-1825.

RLH:nvm  
Attachment

Approved:

  
\_\_\_\_\_  
Ramon J. Hirsig  
Executive Director

## **SOLAR ENERGY SYSTEMS**

**1208.50**

Regulation 1521 defines a solar energy system as any solar collector or other energy device that provides for the collection and distribution of solar energy and, where applicable, the storage of solar energy. A construction contract to furnish and install a solar energy system generally involves furnishing and installing both materials and fixtures. Refer to Regulation 1521 for a list of items in a solar energy system that are classified as materials or fixtures.

At times, contractors installing rack mounted solar panels will affix the solar panels to the rack on the ground, lift a grouping of solar panels (solar array) to the roof, and then bolt the mounting brackets to the roof. A labor charge to affix solar panels purchased in a completed condition to a mounting system is not subject to tax. Thus, when solar panels are purchased in a completed condition, it is immaterial that the labor takes place on the ground rather than the rooftop. The labor to affix those panels to the mounting system is not subject to tax.