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Third District, San Diego

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BURTON W. OLIVER  
Executive Director

September 16, 1993

As directed by Mr. E.L. Sorensen, Jr., Chief Counsel, I have reviewed your letter of June 2, 1993 in regard to qualification for the Business Inventory Exemption from the California ad valorem property tax. Based on the factual recitation in your letter it is my conclusion that both the tin and alumina components of processing at PPG's Fresno plant would qualify for exemption.

At the plant the glass is formed by pouring preheated molten glass onto a surface of molten tin at the beginning of a long processing line and floating the glass over the tin to the end of the line where the glass has cooled and hardened sufficiently to be cut for crating and delivery. The tin is held in place on each side of the line by refractory brick which contains alumina. The same brick lines the furnace where the raw materials are heated to form the molten glass.

PPG's studies indicate that a layer of tin is deposited on the bottom surface of the glass sheets where it improves the weather and stain resistant qualities of the glass. It has also been concluded that virtually all of the tin that is used in the process is eventually incorporated into the final product which is held for sale.

These studies also demonstrate that the finished glass contains 0.25% alumina, one-half of which comes from the refractory brick. The alumina also adds desirable characteristics to the finished glass. Unlike the tin, all of the alumina is not incorporated into the glass. At the end of a manufacturing cycle the existing refractory brick is returned to

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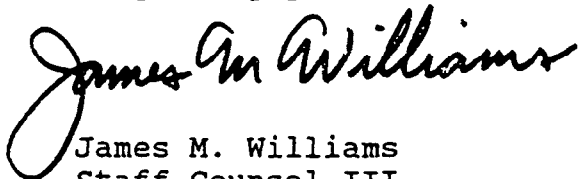
the manufacturer for recycling. Records are not kept on the subsequent remanufacture and recycle to the Fresno plant.

You have also provided a copy of a letter dated January 22, 1993 wherein the Principal Auditor from our Out-of-State District concluded that the sales of tin to PPG for the purpose of incorporation into manufactured glass are sales for resale. This letter did not consider the use of alumina in the same process.

Based on the facts as you have related, it seems clear that all of the tin and some portion of the alumina meet the requirement of Rule 133, specifically subsection (a)(1) which includes raw materials which will become a part of personalty held for sale in the ordinary course of business. However, your letter does not indicate that a precise study has been made which would permit the determination of the proper amount of alumina that would be eligible for exemption. In such cases it would be best done at plant level by a PPG expert and a representative of the Fresno County Assessor.

The views expressed in this letter are, of course, only advisory in nature. They are not binding upon the assessor of any county. You may wish to consult the Fresno County Assessor in order to confirm that the described property will be assessed in a manner consistent with the conclusions stated above.

Very truly yours,



James M. Williams  
Staff Counsel III

JMW:jd  
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