



**STATE BOARD OF EQUALIZATION**

450 N STREET - SACRAMENTO, CALIFORNIA  
(PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0082)  
TELEPHONE: (916) 445-3723  
FAX: (916) 323-3387

JOHAN KLEHS  
First District, Hayward

DEAN F. ANDAL  
Second District, Stockton

ERNEST J. DRONENBURG, JR.  
Third District, San Diego

KATHLEEN CONNELL  
Controller, Sacramento

JOHN CHIANG  
Acting Member  
Fourth District, Los Angeles

August 6, 1997

Mr. R--- D. V---, President  
K---. M. R---, Inc.  
XXXX --- Lane  
--- ---, CA XXXXX

E. L. SORENSEN, JR.  
Executive Director

Dear Mr. V---:

This is in reply to one of two letters you sent us dated July 25, 1997.

We understand that K---. M. R---, Inc., is a consulting firm engaged in a project to blend recycled drain oil and virgin fuel oil. This blended oil would then be used as an alternative fuel source by industrial facilities.

You are aware that sales of recycled drain oil to be used for the described purpose qualifies for exemption from sales tax pursuant to Revenue and Taxation Code section 6358.1.

You inquire as to application of this exemption to sales of blended products, and ask "at what ratio does the blend have to be for the entire blend to be exempt?"

It is our opinion that sales of the blended product will qualify for exemption if the product contains 90 percent or more recycled drain oil. A product containing 90 percent or more recycled drain oil is significantly a waste by-product.

Very truly yours,

Gary J. Jugum  
Assistant Chief Counsel

GJJ:sr  
Enc.

bc: Mr. David H. Levine  
Mr. Ronald L. Dick  
Ms. Candice McCanne