



M. J. "MIKE" FOSTER, JR.  
Governor

STATE OF LOUISIANA  
DEPARTMENT OF REVENUE

CYNTHIA BRIDGES  
Secretary

Private Letter Ruling 01-008

Redacted Version

January 22, 2002

A Private Letter Ruling based upon the following scenario was requested:

A Louisiana company provides cylinder testing services and, if necessary, recoats the cylinders after the testing process. The company receives cylinders and runs them through a bead blaster, if required, to take off any excess paint or coatings so that all information on the cylinders, including for example, DOT numbers, cylinder size, date made and date of last inspection, are readable. The blasting is also required in most instances to visually inspect the cylinders. The exterior and interior of the cylinders are then visually inspected. Any cylinder that does not pass visual inspection is set aside to be discarded by the customer. Those that do pass visual inspection go to the hydro-testing computer where they are tested under pressure to determine whether they meet the specified criteria. Any cylinder that does not meet the specified criteria is set aside to be discarded by the customer. Any cylinders that have been blasted are then coated to prevent rusting. The customer then picks up all cylinders. The Department of Environmental Quality requires this test be performed at specified intervals.

The Department of Revenue was asked to determine whether or not these services are taxable.

La. R.S. 47:302(C) provides that sales of services are taxable. La. R.S. 47:301(14) goes on to define the term "sales of services," which does not include the testing of cylinders. Therefore, the testing of cylinders is not taxable as long as the charge is separately stated. It is the understanding of the Department that the only reasons for blasting the cylinders are to make various numbers and information readable and to prepare them for visual inspection. As a result, the blasting is a necessary part of the testing process and is therefore not taxable as long as the charge is stated separately from any taxable charge. The blasting of cylinders for purposes other than testing may be treated differently.

Once the testing process is complete, the cylinders that have been blasted during the process are coated. This coating is considered a repair. "Repair" is defined by Black's Law Dictionary, pg. 1298 (6<sup>th</sup> ed. 1990), as follows: "To mend, remedy, restore, renovate. To restore to a sound or good state after decay, injury, dilapidation, or partial destruction. The word "repair" contemplates an existing structure or thing which has become imperfect, and means to supply in the original existing structure that which is lost or destroyed, and thereby restore it to the condition in which it originally existed, as near as may be." If blasting is required during the testing process, the existing cylinder becomes imperfect because it is no longer in a usable condition. The cylinders are coated in order to restore them to the condition in which they originally existed. Therefore, coating the cylinders that have

been blasted is a repair. La. R.S. 47:301(14)(g)(i) includes repairs in the definition of “sales of services” that are taxable under La. R.S. 47:302(C). Thus, coating the cylinders is a taxable service.

If the charge for the nontaxable portion of the services provided is stated separately, that portion is not taxable. However, if the charges for taxable and nontaxable services are stated as one sum, sales tax is due on the entire amount.

Should you have any questions or need additional information, please contact the Policy Services Division at (225) 219-2780.

Sincerely,

Cynthia Bridges  
Secretary

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A Private Letter Ruling (PLR) is issued under the authority of LAC 61:III.101(C). A PLR provides guidance to a specific taxpayer at the taxpayer's request. It is a written statement issued to apply principles of law to a specific set of facts or a particular tax situation and is limited to the matters specifically addressed. A PLR does not have the force and effect of law and may not be used or cited as precedent. A PLR is binding on the Department only as to the taxpayer making the request and only if the facts provided with the request were truthful and complete and the transaction was carried out as proposed. The Department's position concerning the particular tax situation addressed remains in effect for the requesting taxpayer until a subsequent declaratory ruling, rule, court case, or statute supersedes it.