

INTERNAL REVENUE SERVICE
NATIONAL OFFICE TECHNICAL ADVICE MEMORANDUM

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Third Party Communication: None
Date of Communication: Not Applicable

Index (UIL) No.: 4051.00-00
CASE-MIS No.: TAM-110825-05/CC:PSI:B08

Taxpayer's Name:
Taxpayer's Address:

Taxpayer's Identification No.:
Periods Involved:
Date of Conference:

LEGEND:

Taxpayer	=
Manufacturer	=
Assembler	=
Chassis A	=
Manufacturer's Model A	=
Chassis B	=
Manufacturer's Model B	=
Vehicle	=

ISSUE:

Whether chassis A and chassis B are subject to tax under § 4051 of the Internal Revenue Code?

CONCLUSION:

Chassis A and chassis B are subject to tax under § 4051.

FACTS:

Taxpayer sold at retail the vehicles whose chassis are the subject of this technical advice memorandum. The parties agree that the bodies of the vehicles are nontaxable under the exemption provided in § 4053(1) for camper coach bodies for self-propelled mobile homes. Assembler manufactured the nontaxable bodies, mounted the bodies on chassis A and chassis B, and sold the completed vehicle to taxpayer. Manufacturer manufactured chassis A and chassis B to specifications chosen by assembler, as explained below.

Manufacturer manufactures various models of chassis. Manufacturer provides standard components for its chassis. A purchaser can modify the chassis by selecting manufacturer's optional upgrades or by selecting special components that are not regularly offered by manufacturer for the chassis model.

Assembler selected manufacturer's model A chassis for some of the vehicles and manufacturer's model B chassis for the other vehicles. Most of chassis A's components were either standard components or optional upgrades for manufacturer's model A chassis. Likewise, most of chassis B's components were either standard components or optional upgrades for manufacturer's model B chassis. A few of the components assembler chose for chassis A and chassis B, such as the front suspension and extended wheelbase, were special components. The engines on chassis A and B were mounted so that they project above the frame rails, not between the rails.

Chassis A and chassis B both have a gross vehicle weight rating greater than 33,000 pounds. Each invoice from manufacturer states that the chassis is "conventional," that the general application of the chassis is "recreational service" and that a "motorhome vehicle body" or "recreational vehicle body" will be mounted to the chassis.

In support of its argument that chassis A and chassis B are not conventional truck chassis, taxpayer highlighted the following components: (1) automatic shift transmission; (2) double lad differential; (3) horsepower and torque ranges; (4) extended warranties; (5) longer wheelbase; (5) longer frame; (6) different gas tanks; and (7) sound insulation of the cab.

LAW AND ANALYSIS:

Section 4051(a)(1) imposes a 12 percent ad valorem excise tax on the first retail sale of automobile truck chassis and bodies, truck trailer and semitrailer chassis and bodies, and tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

Section 4052(a)(1) provides that the term "first retail sale" means the first sale, for a purpose other than for resale or leasing in a long-term lease, after production, manufacture, or importation.

Section 4053(1) provides an exemption from the tax imposed by § 4051 on camper coaches bodies for self-propelled mobile homes. Specifically, no tax is imposed on any article designed to be mounted or placed on automobile trucks, automobile truck chassis, or automobile chassis, and to be used primarily as living quarters or camping accommodations.

Section 4053(1) was added to the Internal Revenue Code as § 4063(a)(1) of the Excise Tax Reduction Act of 1965, Pub. L. 89-44. The Senate Report to the Act, S. Rept. No. 324, 89th Cong., 1st Sess. (1965), 1965-2 C.B. 676, 693, states where a chassis is sold by the manufacturer without a body being mounted on it, it is intended that the category for the chassis be determined by the basis of all of the facts available including the predominant use of such types of chassis in the industry. The Senate Report further states that in the case of self-propelled mobile homes, the exemption does not extend to the chassis upon which such a body is mounted (regardless of the manner in which the entire unit is constructed). Id. at 711.

Rev. Rul. 73-197, 1973-1 C.B. 423, holds that the sale of specially designed chassis for use in the manufacture of mobile homes are not subject to the tax imposed on truck chassis under § 4061(a)(1). However, the tax imposed under § 4061(a)(1) applies to the sale of conventional truck chassis even though they are used as components of mobile homes. In determining whether the chassis is specially designed for use in the manufacture of mobile homes, the revenue ruling evaluates several factors including use of a flat rail frame, mounting of the engine between the frame rails, design and placement of the water pumps, oil dip sticks, oil intakes, and radiator coolant, use of a large gas tank with a capacity of 40 to 50 gallons, use of three speed automatic transmission and power steering, use of specially designed power brake boosters, and positioning of steering columns and driver seats forward and to the left of conventional truck chassis.

The parties agree that the bodies mounted to chassis A and chassis B are not subject to tax under § 4053(1). However, the parties disagree as to whether the chassis are taxable. Taxpayer argues that the special design considerations make the chassis specifically designed and constructed to accommodate and transport mobile home

bodies and that the modifications are substantial enough to differentiate the chassis from a conventional chassis.

Chassis A and chassis B are subject to tax under § 4051. They are conventional truck chassis that have not been substantially modified. The classifications of the chassis in manufacturer's invoices as "conventional" are not determinative of the type of chassis. Rather, a substantive analysis of the chassis' components must be considered.

The mounting of the engines on chassis A and B to project above the rail is a design feature of a conventional truck chassis. The frames of chassis A and B, which are heavier and higher off the ground than an exempt RV chassis, and the extended wheelbases, are designed for greater stability. Chassis A and B's above the rail mounting of the engines and greater stability provide for a towing capacity greater than that of an exempt RV chassis.

Additionally, most of the components highlighted by taxpayer are available to any truck purchaser of manufacturer's model A or model B chassis. The overall width and overall length were within the standard range for the model, and the service brakes and cab, and rear axle on chassis B, was standard. The engine, automatic shift transmission, front axles, rear axle on chassis A, and gas tank were optional upgrades. While the wheelbases on chassis A and chassis B are longer than what manufacturer readily offered, the lengths of the overall frames are within the range for manufacturer's models. Further, factors such as extended warranty and sound insulation of the cab do not establish that the chassis was specifically designed and constructed to accommodate and transport mobile home bodies.

Accordingly, the chassis are conventional truck chassis subject to tax under § 4051. They are not specially designed for use in the manufacture of mobile homes.

CAVEAT:

A copy of this technical advice memorandum is to be given to the taxpayer(s). Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.