



KeyCite Yellow Flag - Negative Treatment

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Rev. Rul. 82-157 (IRS RRU), 1982-36 I.R.B. 7, 1982-2 C.B. 288, 1982 WL 197144

Internal Revenue Service (I.R.S.)
Revenue Ruling

TRUCK CHASSIS; FURTHER MANUFACTURE

Published: September 7, 1982

Section 4061.—Imposition of Tax, [26 CFR 48.4061\(a\)-1](#): Imposition of tax; exclusion for light-duty trucks, etc.

(Also [Section 4221](#); [48.4221-2](#).)

***1 Truck chassis; further manufacture.** A company that purchases chassis and shortens them by six inches to accommodate bodies it installs has not further manufactured the chassis. [Rev. Ruls. 75-509 and 78-217](#) modified.

ISSUE

Is the shortening of a truck chassis afterframe by six inches, in the circumstances described below, further manufacture of a truck chassis for purposes of the manufacturers excise tax imposed by [section 4061\(a\)\(1\) of the Internal Revenue Code](#)?

FACTS

A company purchases new standard truck chassis from the manufacturer and mounts bodies on them to produce vehicles for sale to its customers. During this process the company cuts off six inches of the chassis afterframe that is not needed to accommodate the body. Removing this section makes loading and unloading the body easier, and improves the appearance of the vehicle.

LAW AND ANALYSIS

Under [section 4061\(a\)\(1\)](#) of the Code, a tax is imposed upon truck chassis and bodies sold by the manufacturer, producer, or importer (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof).

[Section 4221\(a\)\(1\)](#) of the Code provides that no manufacturers excise tax shall be imposed on the sale by the manufacturer of an article for use by the purchaser for further manufacture or for resale by the purchaser to a second purchaser for use in further manufacture, but only if such use is to occur before any other use.

For a process to constitute further manufacture it must result in the production of a different article. For example, the making of additions or modifications to a chassis or body that significantly improve or significantly change the transportation function of the chassis or body is the production of a different article, and such additions or modifications are therefore further manufacture of the chassis or body. On the other hand, the mere addition of articles that have a minimal effect on the transportation function of the completed chassis or body (such as mud flaps, running lights or emblems) is not [further manufacture of the chassis or body](#). [Rev. Rul. 78-311, 1978-2 C.B. 260](#).

The cutting off of six inches of the chassis afterframe makes loading and unloading somewhat easier, so there is an improvement in the transportation function. This improvement is not further manufacture since it is not a significant improvement or change in the transportation function of the chassis, and it does not otherwise result in the production of a different article. Whether or not an improvement is significant will be determined on a case-by-case basis.

HOLDING

The shortening of the truck chassis afterframe by six inches is not further manufacture of the chassis and the company is not subject to the tax imposed by [section 4061\(a\)\(1\)](#) of the Code with respect to its sale of such chassis. The sale of the chassis to the company is subject to tax.

EFFECT ON OTHER REVENUE RULINGS

***2** Because [Rev. Rul. 78-217, 1978-1 C.B. 346](#), concludes that any lengthening or shortening of a truck chassis is further manufacture, it is inconsistent with the conclusion above that indicates that whether or not a lengthening or shortening results in a significant improvement in the transportation function will be determined on a case-by-case basis. [Rev. Rul. 78-217](#) is modified.

[Rev. Rul. 75-509, 1975-2 C.B. 420](#), states:

To be further manufacture for purposes of [section 4061\(a\)\(1\)](#) of the Code, it is necessary that a different article be produced. Only those additions to a chassis or body that significantly improve the transportation function of the chassis or body will amount to the production of a different article and thus be sufficient to characterize the operation as further manufacture.

[Rev. Rul. 75-509](#) is modified to eliminate the implication therein that the exclusive test for determining whether a different article is produced is that indicated in the second sentence quoted above.

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