

§ 48.4222(b)-1

(e) *Cross references.* (1) For exceptions to the requirement for registration, see section 4222(b) and § 48.4222(b)-1.

(2) For revocation or suspension of registration, see § 48.4222(c)-1.

(3) For applicability of section 4222 and these regulations to exemptions provided by sections 4063(b), 4182(b), and 4293, see § 48.4222(d)-1

[T.D. 7536, 43 FR 13522, Mar. 31, 1978, as amended by T.D. 8659, 61 FR 10463, Mar. 14, 1996]

§ 48.4222(b)-1 Exceptions to the requirement for registration.

(a) *State and local governments.* The Internal Revenue Service will not register State or local governments under section 4222. To establish the right to sell articles tax free to a State or local government, the manufacturer must obtain the information described in § 48.4221-5(c).

(b) *Sales or resales to foreign purchasers for export.* Persons whose principal place of business is not within the United States may, but are not required to, register in order to purchase articles tax free for export. To establish the right to sell articles tax free for export to a purchaser who is not registered and who is located in a foreign country or a possession of the United States, the manufacturer must obtain the evidence required by paragraph (b) of § 48.4221-3.

(c) *United States.* Except as provided in paragraph (b) of § 48.4222(d)-1 (relating to sales to the American Red Cross) the registration requirements of the regulations in this part do not apply to purchases and sales by the United States or any of its agencies or instrumentalities. The evidence required in support of such tax-free purchases and sales is a notation on the purchase order or other document furnished to the seller clearly indicating that the article or articles are being purchased tax free as authorized by Chapter 32 of the Code.

(d) *Supplies for vessels and aircraft.* An article subject to an excise tax imposed by Chapter 32 of the Code may be sold tax free by the manufacturer under the provisions of § 48.4221-4 for use by the purchaser as supplies for a vessel or aircraft if both the manufacturer and the purchaser are registered under the

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provisions of § 48.4222(a)-1. The article also may, on or after July 1, 1965, be sold tax free for such use even though neither the manufacturer nor the purchaser is so registered if the provisions of paragraph (d) of § 48.4221-4 are satisfied.

[T.D. 7536, 43 FR 13522, Mar. 31, 1978, as amended by T.D. 8659, 61 FR 10463, Mar. 14, 1996; T.D. 8879, 65 FR 17160, Mar. 31, 2000]

§ 48.4222(c)-1 Revocation or suspension of registration.

The district director or the Director of International Operations, as the case may be, is authorized to revoke or temporarily suspend, upon written notice, the registration of any person and the right of such person to sell or purchase articles tax free under section 4221 of the Code in any case in which he finds that (1) the registrant is not a bona fide manufacturer, or a purchaser reselling direct to manufacturers or exporters; (2) the registrant is for some other reason not eligible under these regulations to retain a Certificate of Registry; (3) the registrant has used his registration to avoid the payment of any tax imposed by Chapter 32 of the Code, or to postpone or interfere in any manner with the collection of such tax; (4) such revocation or suspension is necessary to protect the revenue; or (5) the registrant failed to comply with the requirements of paragraph (c) of § 48.4222 (a)-1, relating to the evidence required to support a tax-free sale. The revocation or suspension of registration is in addition to any other penalty that may apply under the law for any act or failure to act.

(Secs. 4222 (72 Stat. 1284; 26 U.S.C. 4222) and 7805 (68A Stat. 917; 26 U.S.C. 7805) of the Internal Revenue Code of 1954; secs. 4051, 4052, 4061 and 7805 of the Internal Revenue Code of 1954 (96 Stat. 2174, 2175 and 2173; 68A Stat. 917; 26 U.S.C. 4051, 4052, 4061, and 7805) and secs. 522 and 523 of the Highway Revenue Act of 1982 (Pub. L. 97-424, 96 Stat. 2185, 2186))

[T.D. 7536, 43 FR 13522, Mar. 31, 1978, as amended by T.D. 7753, 46 FR 2999, Jan. 13, 1981; T.D. 7882, 48 FR 14362, Apr. 4, 1983]

§ 48.4222(d)-1 Registration in the case of certain other exemptions.

The registration procedure set forth in § 48.4222 (a)-1 also applies in the following cases:

(a) Tax-free sales on or after March 10, 1980, under section 4064(b)(1)(C) (relating to emergency vehicles). Both the vendor and vendee (other than a State or local government) must be registered.

(b) Tax-free sales under section 4293 to any corporation created by Act of Congress to act in matters of relief under the treaty of Geneva of August 22, 1864 (American Red Cross) for its exclusive use. Both the vendor and the vendee must be registered.

[T.D. 7536, 43 FR 13522, Mar. 31, 1978, as amended by T.D. 7834, 47 FR 42347, Sept. 27, 1982; T.D. 8036, 50 FR 29963, July 23, 1985; T.D. 8659, 61 FR 10463, Mar. 14, 1996]

§ 48.4223-1 Special rules relating to further manufacture.

(a) *Purchasing manufacturer to be treated as the manufacturer.* For purposes of Chapter 32, a manufacturer or producer to whom an article is sold or resold tax free under section 4221(a)(1) of the Code for use by it in further manufacture shall be treated as the manufacturer or producer of such article. If a manufacturer who purchases an article tax free for further manufacture does not use the article for further manufacture, the sale of the article by it, or its use of the article other than in further manufacture, shall, for purposes of the taxes imposed by Chapter 32 of the Code, be treated as a sale or use of the article by the manufacturer thereof. See paragraphs (b) and (c) of this section for determination of taxable sale price where an article purchased tax free for further manufacture is resold, or used other than in further manufacture.

(b) *Computation of tax.* Except as provided in paragraph (c) of this section, the tax liability referred to in paragraph (a) of this section shall be based on the price for which the article was sold by the purchasing manufacturer, or, where the manufacturer uses the article for a purpose other than which it was purchased, the tax shall be based on the price at which such or similar articles are sold, in the ordinary course of trade by manufacturers, producers,

or importers thereof. See section 4218(e) and § 48.4218-5.

(c) *Election.* (1) Instead of computing the tax as described under paragraph (b) of this section, the purchasing manufacturer who has incurred liability for tax on its sale or use of an article as provided by paragraph (a) of this section may compute the tax incurred under Chapter 32 by using as the tax base either the price for which the article was sold to it by the first purchaser, if any, or the price for which such article was sold by the actual manufacturer, producer, or importer of such article. The purchasing manufacturer must have in its possession information upon which to substantiate such basis for tax. For purposes of this paragraph, the price for which the article was sold by the actual manufacturer or by the first purchaser shall be determined as provided in section 4216 and the regulations thereunder. However, such price shall not be adjusted for any discount, rebate, allowance, return, or repossession of a container or covering, or otherwise.

(2) The election under this paragraph shall be in the form of a statement attached to the return reporting the tax applicable to the sale or use of the article which gave rise to such tax liability. Such election, once made, may not be revoked.

§ 48.4225-1 Exemption of articles manufactured or produced by Indians.

The exemption provided under section 4225 applies to articles taxable under Chapter 32 of the Code that are of native Indian handicraft and are manufactured or produced by Indians on Indian reservations or in Indian schools, or manufactured or produced by Indians who are under the jurisdiction of the United States Government in Alaska. For purposes of this section, Indians who reside on allotments of land adjacent to an Indian reservation and are subject to the supervision, control, and jurisdiction of the Bureau of Indian Affairs are considered to be "Indians on Indian reservations".