

**Internal Revenue Service, Treasury**

**§ 48.4218-4**

leased. See section 4217 and the regulations thereunder in this subpart for application and computation of tax in case of leased articles.

(g) *Time of application of tax.* In the case of a taxable use of an article by the manufacturer, producer, or importer thereof, the tax attaches at the time such use begins. If tax applies by reason of the sale of an article by the manufacturer, producer, or importer thereof on or in connection with his sale of another article, the tax attaches at the time of the sale of such other article.

(h) *Exemptions because of other statutory provisions.* Tax does not apply on the use of an article by the manufacturer, producer, or importer thereof if under the applicable provisions of the Code the sale of the article for a similar use would not be subject to tax. For example, the use of gasoline by the producer thereof to propel tankers engaged in foreign trade which are owned or leased by the producer would not be subject to tax under section 4218 since a sale for such use would be exempt from tax as provided in section 4221(a)(3). Also, tax need not be paid with respect to the use of an article by the manufacturer, producer, or importer thereof if such use would qualify, under the provisions of section 6416(b), for credit or refund of the tax paid.

[T.D. 6687, 28 FR 11780, Nov. 5, 1963]

**§ 48.4218-2 Business or personal use of articles.**

(a) *Business use.* Section 4218 applies to the use by a person, in the operation of any business in which he is engaged, of a taxable article which has been manufactured, produced, or imported by him or his agent. For example, a person engaged in the operation of a dairy business incurs liability for tax with respect to a truck body manufactured by him and used in the operation of his dairy business.

(b) *Personal use.* The tax on use of a taxable article does not attach in cases where an individual incidentally manufactures, produces, or imports a taxable article for his personal use or causes a taxable article to be manufac-

tured, produced, or imported for his personal use.

[T.D. 6687, 28 FR 11781, Nov. 5, 1963]

**§ 48.4218-3 Events subsequent to taxable use of article.**

Liability for tax incurred on the use of an article is not extinguished or reduced because of any subsequent sale or lease of the article even if such sale or lease would have been exempt if the article had been so sold or leased prior to use. If a manufacturer, producer, or importer of an article incurs liability for tax on his use thereof, and thereafter sells or leases the article in a transaction which otherwise would be subject to tax, liability for tax is not incurred on such sale or lease.

[T.D. 6687, 28 FR 11781, Nov. 5, 1963]

**§ 48.4218-4 Use in further manufacture.**

For purposes of section 4218 and § 48.4218-1, an article is used as material in the manufacture or production of, or as a component part of, another article, if it is incorporated in, or is a part or accessory of, the other article. Lubricating oil in the crankcase of a new truck is an example of a taxable article use as material in the manufacture or production of, or as a component part of, another article. In addition, an article (other than gasoline used as a fuel) is considered to be used as material in the manufacture of another article if it is partly or entirely consumed in testing such other article; for example, shells or cartridges used in testing new firearms. Similarly, if an article is partly or wholly consumed in quality testing a production run of like articles (as, for example, an automotive part destroyed in stress testing) such article is also considered to have been used as material in the manufacture of another article. However, if a taxable article that has been used tax free and only partly consumed in testing is later sold, or put to a taxable use, by the manufacturer, tax attaches to such sale or use. An article that is consumed in the manufacturing process other than in testing, so that it is not a physical part of the manufactured article, is not used as material in the manufacture or production of, or as