

Wage and Hour Division, Labor

§ 779.356

in paragraphs (b) and (c) of this section, which do not meet the statutory tests:

(b) *Transactions not recognized as retail sales.* (See §§ 779.314 through 779.329.) Dollar volume derived from the following is not made from sales or services which are recognized as retail in the industry:

(1) Contracts to build, maintain, or repair buildings or other structures, or sales of services involving performance of typical construction activity or any other work recognized as an activity of a contracting business rather than a function of a retail merchant;

(2) Sales of lumber and building materials in which the seller agrees to install them for the purchaser, where the installation is not limited to services that are merely incidental to the sale and delivery of such materials but includes a substantial amount of activity such as construction work which is not recognized as retail (for example, sale and installation of roofing, siding, or insulation). A sale of such materials which would otherwise be recognized as retail (contracts described in paragraph (b)(1) of this section are outside this category) may be so recognized notwithstanding the installation agreement, however, to the extent that the sales value of the materials is segregated and separately identified in the transaction;

(3) Sales in direct carload shipments; that is, where the materials are shipped direct in carload lots from the dealer's supplier to the dealer's customer;

(4) Sales of specialized goods (some examples are logs, ties, pulpwood, telephone poles, and pilings). Such specialized items are of the type which the general consuming public does not ordinarily have occasion to use (cf. § 779.318 and *Mitchell v. Raines*, 238 F. 2d 186), and the sales of such items are not recognized as retail in the industry;

(5) Sales made pursuant to formal bid procedures, such as those utilized by the Federal, State, and local governments and their agencies, involving the issuance by the buyer of a formal invitation to bid on certain merchandise for delivery in accordance with prescribed terms and specifications.

(c) *Sales for resale.* (See §§ 779.330–779.336.) Examples of sales which cannot be counted toward the required 75 percent because they are for resale include:

(1) Sales of lumber and building materials sold to other dealers for resale in the same form;

(2) Sales to industrial concerns for resale in any altered form or as a part or ingredient of other goods;

(3) Sales to contractors or builders for use in the construction, repair, or maintenance of commercial or industrial structures or any other structures not specifically included in section 3(n) of the Act (*Sucrs. de Mayal v. Mitchell*, 280 F. 2d 477, certiorari denied 364 U.S. 902; and see *Arnold v. Kanowsky*, 361 U.S. 388, 394, footnote 10, and §§ 779.335–779.336);

(4) Transfers of goods by an employer, who is a dealer in lumber and building materials and who also acts in the capacity of a building contractor or speculative builder, from or through his building materials establishment to his building business for the construction maintenance, or repair of commercial property or any other property not excepted in section 3(n) of the Act. (See § 779.336.)

§ 779.356 Application of exemptions to employees.

(a) *Employees who may be exempt under sections 13(a)(2) and 13(a)(4).* These exemptions apply on an establishment basis (see §§ 779.302–779.306). Accordingly, where an establishment of a dealer in lumber and building materials qualifies as an exempt retail or service establishment under section 13(a)(2) or as an exempt establishment under section 13(a)(4), as explained in § 779.354, the exemption from the minimum wage and overtime pay requirements of the Act provided by such section will apply, subject to the limitations hereafter noted in this section, to all employees who are employed “by” such establishment (see §§ 779.307–779.311) in activities within the scope of its business (§ 779.308) and who are not employed by the employer in performing central office or warehouse work of an organization operating several such establishments (§ 779.310; *McComb v. W. E. Wright Co.*, 168 F. 2d 40,

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cert. denied 335 U.S. 854). Neither exemption extends to employees employed in performing the work of a nonexempt establishment (§ 779.311) or such activities as construction work. Employees employed in making and processing of lumber and building materials for sale do not come within the section 13(a)(2) exemption; they are exempt only if employed by an establishment which qualifies as an exempt establishment under section 13(a)(4) as explained in § 779.354 and if their work in the making or processing of such materials is done at such establishment. How duties relating to the processing or manufacturing of such materials affect the application of these exemptions is discussed in further detail in paragraphs (b) and (c) of this section.

(b) *Processing and manufacturing activities.* The performance, in an establishment which sells lumber and building materials at retail, of activities such as cutting lumber to a smaller size or dressing lumber in accordance with a customer's request or assembling window and door frames received in "knocked-down" condition, constitutes processing incidental to the sales of such materials. Such activities are not considered manufacturing and will not affect the applicability of the section 13(a)(2) exemption to the establishment or to the employees who perform them. However, whenever lumber is cut or dressed for sale, or fabricated products are manufactured for sale (for example, windows, door frames, benches, pig troughs, pallets, molding, sashes, cabinets, boxes), there is no exemption under section 13(a)(2). Employees performing such manufacturing activities at the establishment are exempt only if all the tests set forth in section 13(a)(4) are met (see pars. (b), (c), and (d) of § 779.354). Employees engaged in such activities at a manufacturing plant, central yard, or other place not qualifying as an exempt establishment under section 13(a)(2) and (4) are not exempt.

(c) *Employees serving exempt and non-exempt operations.* In lumber and building materials establishments which qualify for exemption under section 13(a)(2) but engage in some activities in which their employees are not exempt,

such as construction or the making or processing of materials for sale where no exemption under section 13(a)(4) is applicable, there may be auxiliary employees of the establishment whose duties relate to both the exempt sales portion of the business and the non-exempt operations. For example, office workers may keep records of both the retail sales and construction or manufacturing activities; custodial workers may clean the entire premises, including portions devoted to nonexempt manufacturing; and warehousemen, messengers, and stock clerks may handle material for all departments, including material used in the non-exempt operations. These employees do not qualify for the exemption except when they are primarily engaged in the sales portion of the business and only incidentally perform clerical, custodial, or messenger service for the other operations. As an enforcement policy, such an employee will not be considered to be engaged in nonexempt activities which render him ineligible for exemption under section 13(a)(2) if, in the particular workweek, an insubstantial amount of his time (20 percent or less) is allocable to the clerical, custodial, or messenger services performed by him which relate to such nonexempt operations of the employer.

COAL DEALERS

§ 779.357 May qualify as exempt 13(a)(2) establishments; classification of coal sales.

(a) *General.* A coal dealer's establishment may qualify as an exempt retail or service establishment under section 13(a)(2) of the Act if it meets all the requirements of that exemption. In determining for purposes of the 13(a)(2) exemption, whether 75 percent of the establishment's sales are recognized as retail in the particular industry, sales of coal to the consumer from a dealer's yard storage, where bulk is broken, are recognized as retail if they meet the requirements for such classification as previously explained in this subpart. It has been determined that the following sales do not meet such requirements and are not so recognized even if made from a dealer's yard storage:

(1) Sales where the delivery is made by railroad car or cargo vessel.