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John Brennan
Proc II

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

OFFICE OF GENERAL COUNSEL

IN REPLY REFER TO: B-154724

AUG 8 1977

RELEASED

Colonel Thomas F. Blake, Jr.
Chairman, ASPR Committee
Office of the Assistant Secretary
of Defense
Department of Defense

Do not make available to public reading room

Dear Colonel Blake:

By letter dated June 20, 1977, you transmitted for our comment proposed revision to ASPR 15-205.41 regarding the allowability of certain taxes.

We are informed that the ASPR Committee has had under consideration for some time a proposal to clarify or revise ASPR 15-205.41, to exclude sales, use, and other miscellaneous state and local taxes as allowable costs when such taxes are attributable to property used solely in connection with nongovernment work. More recently, the Aerospace Industries Association has proposed to delete ASPR 15-205.41(a)(v) which addresses the allocation of property taxes to Government contracts. The basis of the later recommendation was based upon two court of claims decisions involving property tax allocations. (Lockheed Aircraft Corporation, 179 Ct. Cl. 545 (1967) and Boeing Company, 202 Ct. Cl. 315 (1973)).

As a result, the ASPR Committee has focused its deliberative efforts on tax costs as they relate to property, real or personal, incurred in connection with work on either nongovernment or Government contracts. Consequently, we are informed proposed changes to ASPR 15-205.41(a)(iii) and 15-205.41(a)(v) have been developed to assure equity, reasonableness and the application of sound accounting principles consistently applied to that end.

We have no objection to the changes as proposed.

RELEASED

Sincerely yours,

Paul G. Dembling

Paul G. Dembling
General Counsel