



STATE BOARD OF EQUALIZATION

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November 26, 1996

Mr. D--- G---
C--- N--- Vendors
XXXXX --- Way
---, --- XXXXX

Account No. SZ – XX-XXXXXX

Dear Mr. G---:

This is in response to your letter of November 5, 1996, which was received in this office on November 23.

We understand that you are registered with California for the collection of California Use Tax. You have sought our written advise with respect to the following.

You are adding a line on your invoices for administrative expenses. This charge represents a recapture of your administrative expenses associated with the invoice (sale). The charge is calculated as a percentage of the merchandise amount on the invoice. Your question is: Does the State of California tax this recapture?

The recapture question is subject to California tax. The use tax is measured by the "sales price" of the tangible personal property. The "sales price" includes all charges for labor, service, or administrative costs associated with the sale of the property, including administrative expenses associated with the invoice. Calif. Rev. and Tax. Code section 6011.

Very truly yours,

Gary J. Jugum
Assistant Chief Counsel

GJJ:sr