



555.0100

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

May 17, 1954

Your letter of April 22

Attention:

Gentlemen:

You inquire concerning the application of sales tax to charges for printing merchandise premium and trading stamps and stamp saver books. The purchasers sell the pads of stamps and give away the books. They then cash in the stamps as redemptions.

The sales tax applies to retail sales of tangible personal property. A retail sale is defined as "a sale for any purpose other than resale in the regular course of business in the form of tangible personal property." Your customers give away the books and your sale of books is therefore at retail and taxable.

While it is true that your customers sell the stamps, they do not sell them in the form of tangible personal property. The price which they charge for the stamps has no relation to the price which they pay for the stamps. The price charged for the stamps is for their intangible value, namely, the agreement by the stamp company to give cash or merchandise when the stamps are presented for redemption. Accordingly, the stamps are being re-sold in the form of intangible property and your sale of stamps is at retail and therefore taxable.

Yours very truly,

Bill Holden
Assistant Counsel

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cc: Inglewood - Auditing