

M e m o r a n d u m**168.0260**

To: San Francisco – Aud. (ESA)

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From: HDQRS – Tax Counsel (BH)

Subject: [W]

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After corresponding with the Treasury Department for the purpose of obtaining a clarification of their gold regulations, we have decided to adopt their definition of “gold bullion” for the purpose of Section 6354.

Under the gold regulations, “fabricated gold” is excluded from the definition of “gold bullion.” Fabricated gold is defined as any processed or manufactured gold having a gold content not exceeding 90 percent of the total domestic value of the processed or manufactured article. Thus, as to any article, two values must be computed, the value of the gold in the article and the total domestic value of the article.

The value of the gold in the article is determined on the basis of the fine gold content of the article valued at \$35 an ounce. The total domestic value of the article is roughly the manufactured cost. Total domestic value includes, in the case of a manufacturer or processor, the cost of material going into the article, labor performed on the article, and processing losses and overhead applicable to the manufacture or processing.

We enclose a photostatic copy of a Treasury circular illustrating how the computation is made. The circular uses the term “semi-processed gold” which the gold regulations define as one type of gold bullion.

Since the cost of other materials is included in the total domestic value of the article, any dental gold containing a significant amount of other precious metals, such as platinum or palladium, will very likely fall within the fabricated gold definition and therefore be outside the scope of Section 6354.

BH:tl