



STATE BOARD OF EQUALIZATION

May 11, 1954

J--- A--- S--- Committee
C--- R--- J--- A---, Inc.
XXXX ---
---, California

Your letter of March 26

Attention: Mr. J--- L---
Chairman

Gentlemen:

Recently an Oakland jeweler ran a contest "Count-the-Diamonds" in which the winner received a \$50.00 diamond. However, the winner was required to have the diamond set in a ring, a charge being made for the setting.

In this case the winner decided to purchase a ring from the jeweler and have the stone set in it. The jeweler billed him for a total price of \$129.50 less allowance of \$50.00 for the diamond, leaving a balance of \$79.50.

It is our opinion that the proper measure of tax upon the sale is \$79.50 and that the jeweler has given away the diamond for advertising purposes and is therefore the consumer of the diamond. Accordingly, the tax applies to the sale of \$79.50 plus the cost to the jeweler of the diamond. Assuming that the jeweler purchased the diamond under a resale certificate, he would be required to include its cost on Line 2 of his return.

Yours very truly,

Bill Holden
Assistant Counsel

BH:ja

cc: Oakland – Auditing