



STATE BOARD OF EQUALIZATION

October 4, 1965

Gentlemen:

This is to confirm our understanding of the matters discussed at our meeting which was held on Tuesday, September 28, in Palo Alto.

It is our understanding that "N" is a nonprofit charitable organization. Its purpose is to furnish readable books to partially-sighted children. It accomplishes this objective by printing and assembling children's books containing oversize type and distributing them to school districts, libraries, hospitals, and industries.

"N" purchases the material components of the books tax paid with funds received as contributions from individuals, charitable foundations, and school districts. Over 85 percent of "N" 's funds are contributions from individuals and charitable foundations.

"N" advises distributees that they may obtain the books without charge. "N" also advises that they will accept contributions not to exceed their costs of materials, binding, and printing. The distributees are advised that they are under no obligation to remit such amount, and in many cases they do not. Any sums which are received pursuant to such advice are credited to a "book donations account".

The quoted cost of materials, binding, and printing each book is \$2.56, but the actual cost is approximately \$5.00 per volume. The difference is borne by "N" through voluntary contributions and memberships.

"N" annually receives from distributees 10 percent to 15 percent of the quoted cost of books invoiced to them.

In view of the foregoing, it appears to us that "N" is the consumer of the books and is not in the business of selling them. Accordingly, "N" may obtain the materials, printing, and fabrication tax paid and amounts which it receives as contributions from distributees will not be regarded as gross receipts from retail sales.

Very truly yours,

George A. Trigueros
Associate Tax Counsel

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