

**M e m o r a n d u m****295.1320**

To: Mr. Burnett Sheehan (ESA)

Sacramento  
July 5, 1950

From: E. H. Stetson

Subject: --- --- ---

This is with reference to your memos of March 9 and June 9 concerning the application of the sales tax to certain charges made by the above-named corporation for engravings used by the corporation in producing labels, folders, etc., for customers.

Apparently, there is neither transfer of title or possession by the corporation of these engravings to its customers and the conditions of sale are quite specific that the engravings remain the property of the corporation. It appears, accordingly, that the tax applies with respect to the sale to the corporation of the materials from which the engravings are made.

We assume that the tax has been paid in view of the corporation's position in the instant matter. We think, however, that the separate charge for the engravings made in connection with the sale of labels or posters is properly regarded as a part of the gross receipts from the sale of the labels or posters. Thus, if the sale of these items is a taxable sale, the taxable gross receipts include the amount received from the customer pursuant to the billings for the cost of the engravings. This appears to be merely an item of expense in producing the desired goods specifically a part of gross receipts as defined in Section 6012. If, however, the sale of the labels or posters is exempt as a sale for resale or a sale in interstate commerce, then no portion of the gross receipts from the customer would be subject to the tax.

EHS:ph

cc: Honorable George R. Reilly