

**M e m o r a n d u m****295.1660**

To: West Los Angeles - Auditing

Date: July 20, 1964

From: Tax Counsel {JHK}

Subject: "T"

I conferred with Mr. E. H. Stetson yesterday after talking to you about the problems involved in performing a reaudit along the lines suggested in my letter of July 3, 1964. Mr. Stetson felt that since the taxpayer waited for the architects' approval as to the composition of the figures prior to producing any mimeographed copies, the work of preparing the rough figures into appropriate form and the typing of stencils and carbons might be considered nontaxable services. It was his feeling that this is true whether or not the taxpayer produced mimeograph or ditto copies for the architects after obtaining their approval.

Several rulings are analogous and all treat the work performed by the taxpayer as nontaxable services. Ruling 2 exempts preliminary art as a nontaxable service where photographers and artists make up a composition for approval by the client prior to the production of the finished product. Ruling 24 and appropriate bulletins exempt reproduction proofs even though they are utilized in the production of a finished product. Finally, the typing by a public stenographer is considered a service not subject to sales tax.

Therefore, it is the staff's recommendation that the reaudit be accomplished by deleting charges for services performed prior to the running of the copies by the ditto or the mimeograph machines. This will reduce the amount of tax substantially and will be in conformity with the wishes of the Board expressed at their meeting of July 2.

JHK:md [lb]