



STATE BOARD OF EQUALIZATION

916-445-6450

February 21, 1989

Dear: ---

This is in reply to your January 20, 1989 letter regarding the application of sales tax to charges by --- --- --- for negative cutting in light of the recent passage of Senate Bill 1405.

Senate Bill 1405 added section 6010.6 to the Revenue and Taxation Code effective September 22, 1988. A copy of the bill is attached for your information. Under section 6010.6, charges for "qualified production services" are nontaxable beginning September 22, 1988. The term "qualified production services" is defined at subdivision (b)(4) and includes "cutting services".

Therefore, charges by --- --- --- for negative cutting are now nontaxable qualified production services when performed on a qualified motion picture. You are the consumer of any materials which you use in providing the service. AS a consumer, you should pay sales tax reimbursement to your vendors or pay use tax when purchasing such materials. When you provide nontaxable qualified production services, no tax applies to your charge for the materials that you transfer to your customers incidental to your performance of tile services...

We hope this answers your question; however, if you need further information, feel free to write again.

Very truly yours,

Ronald L. Dick
Tax Counsel