



STATE BOARD OF EQUALIZATION

February 8, 1993

Dear

In your letter of February 1, 1993 you related the following facts.

--- is a nonprofit organization exempt under Internal Revenue Code Section 501(c) (3). The organization is made up of physicians, scientists, and community leaders who are dedicated to finding better treatments against HIV and a cure for AIDS. This is mainly done through the performance of research trials. The organization receives at no charge, red ribbons from a supporter of the organization. The individual donating the red ribbons makes them and pays sales tax upon the purchase of any supplies utilized in assembling the ribbons. The ribbons are approximately three inches in length and are made of red satin ribbon covered with red beads. The organization provides the ribbons to contributors, and the organization will give away ribbons without receiving a contribution.

Sales and Use Tax Regulation 1670(a) provides that "Persons who make gifts of property to others are the consumers of the property and the tax applies with respect to the sale of the property to such persons."

There is no doubt that the provider of the ribbons is a consumer, pays tax on the purchase of materials and donates them to the organization. The organization is not purchasing anything. The ribbons are incidental to the organization's primary goals of seeking better treatments against HIV and a cure for AIDS. Under these unique circumstances, there is no bartered for exchange and the organization is giving away the ribbons, not selling them.

Thus, your conclusion that tax does not apply is correct.

Very truly yours,

Gordon P. Adelman
Senior Tax Counsel

GPA:sr
bc: Culver City District Administrator