

Memorandum

420.0440

To: San Mateo – Auditing (WRP)

Date: May 26, 1964

From: Tax Counsel

Subject: “B”

This is with reference to your memo of May 21 regarding the application of tax where dye couplers and coupling agents are used in color photo finishing.

The legal department has ruled on the subject of chemicals used in fabrication or manufacturing. If the chemical becomes a component part of the finished product to the extent that it is a part of what is sold to the consumer (customer), the chemical may be purchased ex tax for resale.

Whether dye couplers and coupling agents become a part of the finished product is a question of fact, not law. From the explanation of the Kodachrome process enclosed with your letter it would appear that dye couplers and coupling agents do become a part of the finished product.

RHA:dse [lb]