

M e m o r a n d u m**420.0540**

To: San Jose – Auditing (SE:JPO)

Date: December 9, 1964

From: Tax Counsel (GAT) – Headquarters

Subject: X-----

This is in reply to your memo of November 27, regarding the application of tax with respect to ammonia purchased by taxpayer for use in processing diazotype prints.

It is our understanding that taxpayer utilizes the "dry-developing" or "ammonia-developing" process for making diazotype prints. This process involves the use of paper sensitized with a Diazonium salt, a coupler and an acidic stabilizer. When the sensitized surface is exposed to ultra-violet light through a translucent master print, the exposed Diazonium salt is decomposed, releasing free nitrogen, forming a chemically-inert colorless compound. The exposed paper is passed through an aqua ammonia vapor. The ammonia combines with the acidic stabilizer, forming a neutral ammonia salt, enabling the unexposed Diazonium salt to combine with the coupler to form a dye image. Ammonia thus utilized becomes incorporated in the surface of the processed diazotype print.

In view of the foregoing, it is our opinion that sales of ammonia for use in dry-developing diazotype prints which are sold, are sales for resale.

GAT:fb