



STATE BOARD OF EQUALIZATION

February 24, 1967

Gentlemen:

Your verbal request for a ruling directed to Mr. B. H. Trice, of our San Francisco office, concerning the taxability of certain printed material and Xerox copies your firm transferred to "C" has been referred to this office for reply.

It is our understanding that your firm, hereafter referred to as taxpayer, is the insurance carrier part of the "C" complex. Although the taxpayer is a separate corporation, the connection with "C" is extremely close. In fact, the taxpayer reimburses "C" for 65 percent of its expenses.

The taxpayer has a small print shop where it does some printing for "C". The printing in question consists of such items as letterheads and inter-office memorandum forms. During the audit period, the taxpayer billed "C" \$282,598, representing the cost of printing and Xeroxing the materials. Included in this billed amount was \$127,800, which represented tax-paid purchases. No tax was billed or paid to the state on the transfer of these items to "C".

The auditor regarded the taxpayer as the retailer of the printing and Xerox copies invoiced to "C" and recommended additional tax with respect to the excess of the amounts billed over the tax-paid cost.

You ask whether these sales are taxable in view of the special circumstances of the case.

Although we recognize that the connection between the taxpayer and "C" is extremely close and the taxpayer reimburses "C" for 65 percent of its expenses, we are of the opinion that, since the taxpayer and "C" are two separate corporate entities, the transfer of the printing and Xerox copies to "C" is a taxable retail sale within the meaning of Section 6006 of the Sales and Use Tax Law. Accordingly, we agree with the auditor's recommendation as to the imposition of the additional tax as evidenced in the notice of determination.

We are enclosing copies of Rulings 23 and 24 for your convenience.

Very truly yours,

E. H. Stetson/ by
Glenn L. Rigby

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