

December 2, 1955

REDACTED TEXT

Attention: REDACTED TEXT

Gentlemen:

This is in response to your letter of November 3 requesting a ruling as to your liability under the California Sales and Use Tax Law to receipts from the codification and publication of municipal ordinances.

Your receipts from the codification and publication of municipal ordinances constitute in our opinion receipts from sales of tangible personal property and are subject to the sales tax. Your letter, however, indicates that some of the completed codes may be offered for sale by the city. Thus, the sale of the codes by you to the city would be a sale for resale and the city, assuming it held a valid seller's permit, could give a resale certificate. We believe, however, the preferable procedure would be for the city to reimburse you for the tax and then if the city sells the codes prior to using them, the city could claim an appropriate deduction on its own tax return in the amount of the price paid to you for the codes upon which tax reimbursement was computed.

You mention that there are two steps in your work. The first step is the editorial work and the second is the actual manufacturing process. We do not believe the cost of the editorial work would be a proper deduction from your taxable gross receipts under a contract calling for delivery to the city of a completed code. Under Section 6012 of the Sales and Use Tax Law, gross receipts include any services that are a part of the sale and do not allow any deduction on account of the cost of materials used, labor, or any other costs.

In those cases, however, where you have a contract which calls only for editorial work, your charges would probably be regarded as for a service and not taxable. Before issuing you a definite ruling on this point, we would like the opportunity of examining a copy of the contract under which you perform only editorial work.

We note that practically all the editorial work and manufacturing work is done by a corporation outside this State which bills you for the cost of the work. We do not believe this would have any effect upon your tax obligation as your receipts would be for the sale of tangible personal property whether that property is actually produced by you or a sub-contractor.

Very truly yours,

E. H. Stetson
Tax Counsel

EHS:ds

cc: Santa Monica - Compliance