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**STATE BOARD OF EQUALIZATION**

June 1, 1955

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Attorneys at Law  
XXX --- Street  
--- --- X, California

Your letter of January 21

Gentlemen:

A client of yours is a manufacturer who purchases metal sheets outside the State. The sheets are for use as a raw material and become a component part of a product which it manufactures and sells.

Some of the metal sheets are turned over to the research department for various purposes, and you ask if the use tax applies to such sheets. Some of the sheets are tested to make sure that the supplier is following specifications. Some of the sheets are used to test the quality of various enamels which are applied to the sheets. Still others are tested to see which are best for certain purposes. In all three instances the metal sheets are consumed by the research department and cannot be used in your client's business.

It is our opinion that the testing of the sheets to make certain that the supplier is following specifications is merely part of the inevitable loss of material connected with any manufacturing process and is not a taxable use. The other two uses of the metal sheets appear to be in the nature of experimental work for improving the product or for developing new products, and it is our opinion that this type of use is taxable.

Very truly yours,

Bill Holden  
Associate Tax Counsel

BH:ph

cc: --- --- - Tax Administrator