

M e m o r a n d u m**245.0740**

To: Los Angeles – Tax Admin.

Date: August 31, 1955

From: Hdqrs – Sales Tax Counsel (EHS)

Subject: Use of Monoglycerides

We concur in your conclusion set out in your memo of August 18 that the sale of monoglycerides under the circumstances outlined in the report attached to your memo is not subject to the sales tax.

We would be inclined to question whether the monoglycerides themselves qualify as exempt food products for human consumption, but it does seem clear from the facts presented that they are properly regarded as sold for the purpose of resale, notwithstanding the fact that they improve the texture of the purchaser's products.

In a discussion with several representatives of the Attorney General's office as to the application of the ingredient or component part test generally the following conclusion was reached:

The proper test is whether before becoming a component part of the end product the item in question serves some purpose. On the other hand, if the property in question becomes an ingredient or component part of the manufactured item before it serves any useful purpose, then the mere fact that it may serve its purpose prior to the sale of the end product, does not prevent its sale from being a sale for resale.

The use of the monoglycerides in question appears to be after it becomes a component part of the manufactured product or at least after it has been placed in the dough or mix which ultimately becomes the end product. An example of use before becoming a component part is the use made of iron rods and bars to produce an electric spark necessary to remove a carbon block in a furnace, after which the iron melts and becomes a component part of the manufactured product.

EHS:ph