



STATE BOARD OF EQUALIZATION

February 9, 1962

Mr. H--- B---
H--- B--- and Associates
P.O. Box XXXX
---, California

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SR -- XX-XXXXXX

Dear Mr. B---:

We regret the delay in informing you of our conclusions on your petition for redetermination. Please be assured the delay was not intentional.

After careful consideration of your contention regarding the taxability of your charges for the designing of packages, we have concluded said charges should be exempt only when they do not involve the transfer of tangible personal property except as a means of expressing an idea. We are of the opinion that the production of a plan or blueprint is necessary for the expression of your ideas. However, we also believe the manufacture of a model which is complete in all respects and capable of use as a pattern in the making of a die goes beyond the exempt expression of ideas. It is a taxable sale of a usable product. We cannot see a distinction between these models and finished art work, which you concede to be subject to tax. Even the typical purchase orders you submitted appear to call for the delivery of tangible personal property.

In line with the above comments, we have requested our audit staff to review your records so as to be sure that the measure of tax does not include any gross receipts from transactions not involving sales of models. Upon receipt of a report from our district office, we will recommend denial of your petition as regards the measure of tax finally established. Enclosed are the sample models and purchase orders you presented during our meeting in Long Beach.

Very truly yours,

J. J. Delaney
Associate Tax Counsel

See also Reg. 1501.01 and Reg. 1540. SPJ 10/6/03.
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JJD:ml
Enc.