



STATE BOARD OF EQUALIZATION

November 10, 1965

Gentlemen:

This is in reply to your letter of October 21.

It is our understanding that you have entered into a contract pursuant to which you will design and construct a piece of temporary tooling, according to general specifications given by your customer.

The customer will use the tooling as a mold on which he will form several plastic objects. These objects will be analyzed by the customer and if he is satisfied with their characteristics, he will place an order with you for a permanent model, presumably to be used for the commercial production of the plastic objects.

On the basis of the foregoing, it appears that you will produce the piece of temporary tooling for the purpose of conveying information to your customer. It is therefore our opinion that you will be primarily performing engineering and design services and you will be the consumer of the materials which you use in constructing the piece of temporary tooling. Therefore, your receipts from such contract will not be subject to tax.

Very truly yours,

George A. Trigueros
Associate Tax Counsel