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**STATE BOARD OF EQUALIZATION**

December 22, 1955

Gentlemen:

This is in reply to your letter of December 9 addressed to Mr. Harry L. Say, Sales Tax Administrator. You inquire concerning the application of the sales tax to your business of producing commercials for use on television for advertising agencies. You ask whether you are required to charge the advertising agencies sales tax on the film commercials you produce.

You state you have read Ruling 19 and Sales Tax General Bulletin 50-9. Paragraph one of this bulletin explains that a motion picture production includes advertising commercials provided the commercial is a complete picture as distinguished from trailers, stock shots or other portions of complete productions. These advertising commercials or "playlets" as we understand they are sometimes called are not required to have any required elements set forth in the bulletin are present. The producer is regarded as the consumer of all film and other property used in the production of these commercials which met the requirements of the bulletin. As the consumer, the producer is not regarded as selling tangible personal property and is not required to pay sales tax on its gross receipts from the advertising agency. The tax applies to the cost to him of the film and other property and what he passes on to his customer to reimburse him for the applicable tax is a matter of contract between the parties.

Yours very truly,

E. H. Stetson  
Tax Counsel