

**STATE BOARD OF EQUALIZATION**

June 23, 1953

A--- F--- P---
XXXX ---

--- --- XX, New York

SR -- XX XXXXXX

Attention: Mr. R--- C---

Gentlemen:

As suggested in your letter of February 27, we, through our Los Angeles Office, took up with C--- F--- I--- the matter of the application of the sales tax to that firm's charges to you for "master positives". The report of our Los Angeles Office state:

"The 'master positives' referred to are fine grain prints from which duplicate negatives are made. The fine grain prints or 'master positives' are made by C--- from original negatives belonging to A---. The fine grain prints are not shipped, but are billed to A--- and retained here in their name by C---. A--- then orders dupe negatives which C--- makes from the fine grain prints and ships to A--- in New York. The fine grain prints serve as a 'protection' of the original negative, that is, many dupe negatives may be made from the fine grain prints without disturbing the original negative, which might be damaged by so much handling."

It appears that the fine grain prints or "master positives" remain in this state and are used by C--- and sometimes by your cutters in this state.

C---'s receipts from the sale of these master positives could be claimed as exempt interstate sales only if they are shipped by C---, in fulfillment of the contract of sale to a point outside this state. See Sales and Use Tax Ruling 55, copy enclosed, paragraph A-1-(c). Clearly there is no exemption on this basis if, after title passes to you, the master positives are used in this state either by C--- or by your employees. It would be immaterial that the positives were subsequently shipped outside this state. The report of our Los Angeles office, however, does not indicate that the positives are shipped outside this state.

Very truly yours,

E. H. Stetson
Tax Counsel

EHS:ph

cc: Los Angeles - Auditing