



STATE BOARD OF EQUALIZATION

July 25, 1952

Mr. C--- L. B---
O---, D---, H---, & H---
Attorneys at Law
XXX --- Street
--- --- X, California

-- XXXXX
T. J. C--- Company

Dear C---:

As you were not expected to return to your office this afternoon when I placed a call to you at about 2:00 p.m. I am writing this letter so you will undoubtedly receive it Monday.

I talked to Mr. Anderson of our San Francisco Office who informs me that Mr. Kelly of that office interviewed J--- or G--- L--- (I am not sure which) and was told that the equipment in question was used exclusively in binding of both old and new books and that the equipment used exclusively in rebinding or library binding could not be segregated without great difficulty and the amount of such equipment would hardly make such segregation worth-while. Mr. Anderson told me that the company's operations included the binding of such new publications as the Blue and Gold, the California year book, and other articles which had never previously been bound and hence the work constitutes new production.

Sales and Use Tax Ruling 27, Bookbinders, provides in the concluding paragraph that "Tax applies to the entire charges for binding done in connection with the furnishing of a finished product, i.e., a bound book". It seems clear to us that the initial binding of a book is clearly a producing, processing, or fabricating under Section 6006(c) and Ruling 15, even though all or a portion of the materials are furnished by the customer. Therefore, such an activity is an activity which requires the holding of a seller's permit and the sale of equipment that had been used in that activity could not be regarded as an exempt occasional sale.

When we previously discussed the matter in connection with the possible exclusion of the tax from the sale of a portion of the equipment, it was upon the understanding, at least so I thought, that we were concerned with equipment used in connection with the binding of used books or rebinding operations. In my letter to you of October 11, 1951, I stated in part, "Perhaps such a segregation is possible in the present case if any of the equipment in question can be shown to have been used exclusively in the application of binding material to customers' used books." (Underscoring added.)

Mr. C--- L. B---
Account No. - - XXXXX

-2-

July 25, 1952
395.0360

I am sorry if we subsequently misunderstood each other in our oral discussions, but I do not see upon what basis we can exclude from the measure of the tax the sale of that equipment used in binding of new books, even though some or all of the equipment may also be used in the binding of used books.

There has been no determination as yet issued on the basis of our audit report of August 20, 1951. We propose to issue such a determination in the near future and, of course, the taxpayer can file a petition for Redetermination and be heard before the Board if he desires.

Very truly yours,

E. H. Stetson
Tax Counsel

cc: Mr. Burnett Sheehan