



---

**STATE BOARD OF EQUALIZATION**

December 4, 1968

Dear Mr. ---:

Your letter of October 8, 1968 to Mr. Milton Davis has been referred to the Board's legal office for our opinion and direct reply. Please excuse the delay in responding.

Our interpretation of the facts stated in your letter is that you are engaged in the business of preparing advertising copy for California clients to be placed in publications printed outside California. The copy thus prepared is processed by California photoengravers for shipment to the out-of-state publishers. Prior to shipment of the plates out of the state, the engraver "pulls" progressive proofs, finished proofs, and Scotchprints from the plates and furnishes them to you. It is our understanding that "pulling" means printing, and that Scotchprints are what is commonly known as reproduction proofs.

Some 40 proofs are pulled, and while a few of them are used for inspection and approval, most are transferred to your client who distributes them to his salesmen for use as a sales aid. I assume that either these salesmen are based in California and travel throughout the country, or are based in various cities in and out of California and cover an assigned territory.

The Scotchprints are made for "insurance" purposes but are also used to make duplicate engravings for additional publications, some of which are published in California. In other cases the Scotchprints are assigned to printers who print 500 to 1000 copies to be used by the client for merchandising purposes.

Generally, charges for engravings are subject to tax, as provided in Ruling 24, copy enclosed. However, as outlined in the letter to "G", a copy of which you enclosed in your letter, where the engravings are prepared under contracts providing for shipment to out-of-state publishers, the sales of the plates are exempt from tax as they are sales in interstate commerce. We held in the "G" situation that "pulling" the proofs and Scotchprints was not a taxable use in California, provided a separate charge is not made for them. We based our holding on our conclusion that the furnishing of the proofs is merely incidental to the exempt transaction, and on our established principle that the furnishing of proofs is not a sale. However, it is contemplated that the furnishing of the proofs is for inspection and approval.

In our opinion the pulling of 40 proofs, the majority of which are used by salesmen as selling aids, together with the making of Scotchprints which are used to make duplicate engravings, constitutes a substantial use of the engraving. When these acts are performed by the engraver in California at the

Mr. ---

-2-

December 4, 1968  
100.0340

direction of his customer, it is our view that the engraver has made a sale of the engraving which is not exempt as an interstate sale. Accordingly, sales tax applies to the charges for making the engraving.

For your information, I have also enclosed copies of Rulings 2 and 55.

Very truly yours,

T. P. Putnam  
Tax Counsel

By Lawrence A. Augusta

LAA:ph [1b]