



STATE BOARD OF EQUALIZATION

March 24, 1950

B--- D--- Company
XXXX South --- --- Avenue
P.O. Box XXXX, --- ---
--- --- XX, California

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Attention: Mr. F. D. C---:
Treasurer

This is in answer to your letters of January 6, and February 20 regarding the application of the sales tax and use tax with respect to premiums furnished to retailers in connection with wholesale sales to such retailers.

The basic rule governing the application of the tax with respect to premiums is set forth in Sales and Use Tax Ruling 72, copy enclosed. You will note that where tangible personal property is furnished as a premium together with other tangible personal property sold, the transaction is regarded as a sale of both articles. Thus, where the principal merchandise is sold for resale and hence the sale thereof is not taxable, but included in the "deal" are premiums which are not sold for resale, it is necessary for the seller of the "deal" to ascertain that portion of the total charge made properly allocable to the premiums and return the tax measured by such amount. The precise method of determining this amount which is deemed to represent gross receipts from the retail sale of the premiums is difficult to set forth in any general statement that would be applicable in all situations. In previous audits of drug wholesalers we have attempted to arrive at this figure by that method which appears most appropriate to the circumstances in each case. If you wish us to give you a ruling in any particular transaction or type of transaction, we shall be pleased to have you furnish us with complete details of a particular transaction or type of transaction so that we will have all the facts before us.

We note your request to be placed on the mailing list to receive all rulings issued under the Sales and Use Tax Law. We do not maintain such a mailing list, but the Sales and Use Tax Rules and Regulations are available through the Printing Division, Documents Section, 11th and O Streets, Sacramento, and also from publishers of various tax services, such as California Tax Service, 1096-1098 Dwight Way, Berkeley.

Very truly yours,

E. H. Stetson
Tax Counsel

EHS:ph

cc: Mr. William R. Thomson