



STATE BOARD OF EQUALIZATION

February 16, 1954

Mr. C--- E. P---
I--- S---
Box XXX
---, California

Your letter of January 27

Account No. - - XXXXX

Dear Mr. P---:

You state that you have had wax models made for you. From these wax models you make metal casts. The casts are sold by you both at wholesale and retail. We understand that the wax models constitute manufacturing aids under the first paragraph of Sales and Use Tax Ruling 14 (copy enclosed) inasmuch as they are apparently purchased for use in creating the metal casts rather than becoming an ingredient of these casts. In creating the wax models for you your supplier only uses a small amount of wax, fabrication labor being his principal cost in the manufacture thereof. You inquire whether the sales tax applies on the sale of the wax models to you.

Section 6006(a) of the California Sales and Use Tax Law defines a sale as including any transfer of title of tangible personal property for a consideration. Gross receipts subject to the sales tax under Section 6012 of the Law include the total sale price of retail sales of retailers without any deduction on account of the cost of the materials used, labor or service cost, or any other expense. The fact that the cost of the materials used may be insignificant and that the labor cost may be high does not result in an exempt transaction. The sale to you is taxable as a retail sale of personal property inasmuch as a retail sale is defined in Section 6007 of the Law as a sale for any purpose other than resale in the regular course of business.

Where you sell your metal casts at retail, the tax will, of course, apply. Where you sell them to a person who intends to resell them in the regular course of his business prior to making any use thereof, your sale to him is an exempt sale for resale and he should supply you with a resale certificate in the form and under the conditions prescribed in Ruling 68 (copy enclosed).

For your reference we are enclosing a pamphlet copy of the Law. If you have any further questions, do not hesitate to write.

Yours very truly,

W. W. Mangels
Assistant Counsel

WWM:ja
cc: Woodland - Auditing