



STATE BOARD OF EQUALIZATION

January 15, 1963

W--- S--- Manufacturing Company
XXXX S. E. --- Drive
--- X, ---

Attention: Mr. M--- S. A---
Assistant Treasurer

Gentlemen:

This is to advise you of our conclusions and recommendations on the petition for Redetermination of sales and use tax for which a preliminary hearing was held in Sacramento on August 14, 19XX.

We have concluded that the clothing samples purchased from your firm by its salesmen and which were subsequently sold to retailers for sale at retail may be exempted as a sale for resale. This conclusion is based upon the finding that the merchandise was held for sale, was subsequently sold to retailers for sale at retail by the salesmen, and that no use other than demonstration and display was made of the merchandise while holding it for sale.

1. Your firm is to obtain from the salesmen and organize for audit examination sales documents or other advice sufficient to show that the samples were subsequently transferred to a retailer for sale at retail.
2. The purchase price of these sales are to be listed for audit verification since these amounts will be the basis of any credit.
3. In addition, each of the salesmen is to execute and have available for examination an affidavit in proper form declaring that no other use of the merchandise has been made other than demonstration and display prior to resale.

When you have accumulated this information and are prepared for reaudit, you may communicate directly with Out-of-State District – Auditing, Post Office Box 1799, Sacramento, California. This office will arrange then to conduct a reaudit of your account which will be the

basis for any adjustment of the tax. Further action on the original audit determination will be withheld for a reasonable time until we hear from you.

We are taking appropriate action to obtain board approval for these salesmen to be regarded as the agents of your firm as provided by section 6014 of the Revenue and Taxation Code. When this approval is obtained, your firm will be regarded as a retailer for sales made by these salesmen in California and will be responsible for the sales tax on the retail sales made by these salesmen. It was our understanding at the preliminary hearing that you are in agreement with this action.

After a review of our conclusions and the action we have recommended be taken, if you have any questions please feel free to write us.

Very truly yours,

W. E. Burkett
Associate Tax Counsel

WEB:dm

cc: Out-of-State – District Administrator
Attached are two copies of the Report of Hearing Officer dated January 9, 19XX which has been approved. This hearing was held in Sacramento on August 10, 19XX.

Also attached are the audit work papers.