

Memorandum

440.0052

To: Mr. Mel Lewis
Orange County - Auditing

Date: April 6, 1983

From: Charles J. Graziano

Subject: Taxability of Methylene Chloride Used in the Manufacture of
Dry Ink Toner

W--- T---
SR -- XX XXXXXX

This is a follow-up to my memo of march 21, 1983, regarding the W--- T--- audit.

On March 29, 1983, Mr. F--- S---, Technical Manager for W--- T---, contacted me by telephone. During our conversation, we extensively discussed W--- Technologies' use of methylene chloride in the manufacture of dry ink toner. Mr. S--- also sent me a written statement concerning this matter (copy enclosed). As summarized below the information provided by Mr. S--- substantially supports the manufacturer's contention that methylene chloride is purchased for the purpose of resale.

Dry ink toner, as used in xerography, consists of two components: the toner particles (e.g. ink), and the much larger "carrier" particles. The carrier particles are microscopic metallic, plastic, or glass beads which have been coated with an acrylic plastic. The function of the carrier particles is to impart an electrostatic (triboelectric) charge to the ink toner particles, and thereby improve the quality of the final image reproduction. The purpose of the plastic coating on the carrier particles is to regulate the amount of triboelectric charge transferred to the ink particles. The role of methylene chloride in the manufacture of dry ink toner is limited to its use as a source of certain essential ingredients which become incorporated as component parts of the carrier's plastic coating. These ingredients, propylene oxide and amylene, are the synthetic elastomers and polymerization inhibitors necessary for the formation of this plastic coating. Both propylene oxide and amylene become integrally and chemically part of the carrier particles, and as such, they perform an essential and beneficial function in the final product which is sold by the manufacturer.

Therefore, we are of the opinion that methylene chloride is purchased for the purpose of resale and not for use as a manufacturing aid. Tax does not apply, even though a large portion of the methylene chloride is lost through evaporation, since the portion lost is used only for the purpose of incorporating the remainder of the property into the end product to be resold.

CJG:ba