

**STATE BOARD OF EQUALIZATION**

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*Executive Director*

May 24, 1996

REDACTED TEXT

Dear REDACTED TEXT,

This is in response to your letter dated May 15, 1996 regarding the application of sales tax to your activities. You are an independent representative of REDACTED TEXT and you explain:

"My association with REDACTED TEXT, allows me to purchase the UPS next day letter (overnight-like Federal Express) at a discount. I sell this shipping envelope/service to places of business. They use these envelopes to send next day shipments. UPS does not charge my customer because I have already paid UPS for this service."

My understanding is that any tangible personal property you obtain from UPS, such as an envelope, merely represents the right to obtain shipping services from UPS without additional charge. That is, I assume that the envelope is used by UPS in essentially the same manner as the US Postal Service uses postage stamps. If this understanding is correct, UPS is making nontaxable sales of shipping services to you. If you in turn merely resell this right to obtain shipping services (by selling the prepaid "mailers"), then we agree that you also are making nontaxable sales of shipping services rather than selling tangible personal property. Please note that if you transfer to your customer any other tangible personal property other than the envelope whose purpose is to represent the prepayment for shipping services, you may be regarded as making taxable sales of such property. An example would be if you also provide your customer with shipping materials such as "popcorn" for use by your customer to insulate the contents of the customer's shipments. Your charges for such property would be subject to sales tax.

If you have further questions, feel free to write again.

Sincerely,

David H. Levine  
Supervising Tax Counsel

DHL/cmm

cc: REDACTED TEXT