

**M e m o r a n d u m****130.0212**

To: Headquarters – Audit Review (RN)

Date: November 10, 1965

From: Tax Counsel (GAT) – Headquarters

Subject: [X]  
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This is in reply to your memorandum of October 20, 1965.

It is our understanding that taxpayer is a photographic firm which obtains orders for home portraits through canvassers. The canvassers obtain orders for photographs, which are taken by taxpayer's photographer. The proofs are returned to the canvassers who take them to the customers and attempt to obtain additional orders.

When the canvassers obtain additional orders for prints, they take a down payment and give the customer an invoice showing the total sales price, down payment, and amount due.

The prints are then made up by taxpayer and mailed C.O.D. to the customers. Sometimes the customers refuse to accept the prints, which are returned to taxpayer. In such cases taxpayer does not refund the down payment.

Under the foregoing circumstances, since the photographs have been made to the special order of the customers and down payments were made, it is our opinion that the sales were consummated. Therefore, the invoiced amounts are taxable gross receipts, but taxpayer is entitled to a deduction for bad debts with respect to the unpaid balances.

GAT:hm