



STATE BOARD OF EQUALIZATION
916-445-27055

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Gentlemen:

Regulation 1599 is an explanation of two separate exemption sections, Sections 6354 and 6355. If a transaction is exempt under one of these sections, it is immaterial whether the transaction fails to qualify for the other section.

Note, that part (c) of the regulation explains that a purchase for an investment is a sale at retail. But, it does not determine whether that sale at retail is taxable or exempt.

Assuming a person purchases gold bullion as an investment, that retail sale is exempt if it meets the requirements of Section 6355.

We consider gold wire, plate, rod, or bar stock to be gold bullion if the gold content value exceeds 90 percent of the total domestic value for the wire, plate, rod, or bar stock.

We consider gold alloys, including those used in electrical and jewelery applications, which alloys are ingot, wire, plate, rod, and bar stock, to be gold bullion only if the value of the gold content in the ingot, wire, plate, rod, or bar stock exceeds 90 percent of the ingots, etc., total domestic value. The value of the other metallic constituents of the alloy are irrelevant to this test. The regulation means value, as distinct from weight, of the constituent gold.

The present rule stated in the regulation for distinguishing gold bullion from fabricated gold uses the ratio of the gold content value to the total domestic value of the item for all items other than unmelted gold coin, which by definition is not bullion.

Very truly yours,

Philip R. Dougherty
Tax Counsel

PRD:jw