



STATE BOARD OF EQUALIZATION

September 1, 1965

Gentlemen:

This is in reply to your letter of August 12 regarding your client's petition for redetermination of sales tax.

It is our understanding that your client operates a merchandise purchasing service. He charges subscribers \$60 the first year for the service and \$10 per year for renewal. In consideration of such membership, your client sells merchandise to subscribers at the wholesale price.

Our San Diego office has taken the position that the initial membership fees as well as the renewal fees are part of gross receipts subject to sales tax. It is your contention that, since new members have specific purchases in mind when they subscribe, it could be concluded that the new membership fees are sufficiently related to sales that they may be regarded as gross receipts, whereas renewal fees are not so related to sales.

It appears to us that there is no essential distinction between the nature of the initial membership fees and the renewal fees. It is further our opinion that these fees are so related to anticipated retail sales as to be includible in taxable gross receipts.

In view of the foregoing, we cannot recommend that the portion of the determination attributable to initial membership fees nor renewal membership fees be deleted from the determination of tax.

Very truly yours

George A. Trigueros
Associate Tax Counsel

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