



STATE BOARD OF EQUALIZATION

Place: Sacramento
Date: March 21, 1960

To: Mr. E. H. Stetson

From: X-----

Re: X-----

A hearing was held on a petition for redetermination involving the question of application of tax to chemicals used by the above-named taxpayer in developing color films and making color positives and prints. Taxpayer asserted that sales of certain chemicals to him should be exempt from tax inasmuch as, he claimed, their constituents became incorporated in products which they sold.

We submitted the list of chemicals to Dr. C. Robert Hurley, along with our hearing report and literature supplied by taxpayer for an opinion as to whether the chemicals or their constituents became incorporated in positives or prints which were sold by taxpayer. The chemicals were:

Kodak Film Developer, SD-35, SD-39
Printon Anscochrome Color Developer
Anscochrome Film Color Developer
Ektachrome Film Developer, SD-34
Ektacolor Paper Developer, SD-41

Attached is Dr. Hurley's report. As indicated therein, it is his opinion that the only constituents of SD-35 which became incorporated in the finished product were CD-3 and Citrazinic Acid (according to Photo Chemistry, George T. Eaton). All other constituents or their reaction products are washed out.

It is his opinion that none of the constituents of such first/developer, as X----- SD-34, remained in the colored film after processing.

The composition of the other developers were not given in any of the references supplied to Dr. Hurley. His conclusions with respect to such chemicals was that if they were similar to SD-35 they should be treated similarly.

On the basis of the foregoing and Mr. X-----'s hearing report, it is my opinion that the only chemicals that can be ruled upon are Kodak Film Developer SD-35

and Ektachrome Film Developer SD-34. Since SD-34 does not become a component part of product which is sold, sales thereof to X----- are for consumption and taxable. The only portion of SD-35 to X----- which can be considered as for resale is that portion which is used for developing positives and prints.

As for the rest of the chemicals, since no adequate explanation as to the constituents or use was elicited from the taxpayer at the hearing, it is my opinion that tax should be redetermined with respect to them without change.

GAT:o'b