



STATE BOARD OF EQUALIZATION

916-445-3723

June 20, 1991

Dear X-----,

This is in response to your letter of May 16, 1991, which was in reply to Mr. O. A. McCarty's letter to you of April 23, 1991, concerning your January 1991 sales and use tax return.

Mr. McCarty had raised a question with regard to a deduction taken by you on line 6 of the return in the amount of \$603.

You advised that you teach classes three times a year and the fees charged are not part of a finished product. It is strictly a class fee. You also block parts of sweaters for customers. Most of the time the yarn is not purchased from you. You have been reporting tax based upon advice given to you by our local office at the time you opened your shop, 12 years ago.

Fees charged for classroom instruction are not taxable. You can deduct this amount on line 6. You may wish to add the note "classroom instruction" to avoid further inquiries from this agency.

Fees charged for blocking sweater parts are taxable whether the blocking is done on parts woven from yarn purchased from you or others. The tax applies because the work performed is a step in a process or series of operations resulting in the creation or production of tangible personal property. See our Regulation 1526, "Producing, Fabricating and Processing Property Furnished by Consumer—General Rules," paragraph (b), copy enclosed for your reference.

We will accept your returns as filed through June 30, 1991. You would be required to report and pay tax on blocking charges beginning July 1, 1991.

Very truly yours,

Gary J. Jugum
Assistant Chief CounselGJJ:sr
Enc.
Bc: San Bernardino District Administrator