

STATE BOARD OF EQUALIZATION

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Sacramento
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Account No. -- XXXXXX

This is in reply to your letter of August 16 and your follow-ups of October 5, October 19 and November 2. The question is the taxability of salt and lye used in the processing of olives.

We quote from the Encyclopedia of Chemical Technology, volume 6, page 811:

“Olives contain a glycoside (oleuropein), which must be destroyed by dilute alkali at room temperature or dilute acid under pressure in order to remove bitterness. The olives ... must often be preserved by salting for later processing ... In processing, the olives undergo several treatments. In the first treatment with dilute (0.5 – 2.0%) lye (sodium or potassium hydroxide), the color is intensified during the treatment which might last 24 hours. When the alkali has penetrated the skins to the required depths, the olives are exposed to air for 2 – 4 days and then treated several times with lye to eliminate the bitterness. The alkali is removed by repeated leaching with water at 120-140°F. until practically all water-soluble constituents are removed and the olive flesh consists mostly of fiber and olive oil (10-20%). After the lye is completely removed, the olives are cured in a 2% brine for about 2 days and then the salt concentration is raised to about 3%.”

It is our opinion that salt used for preserving before processing and lye used in processing are taxable. The final salt brine is exempt if it remains with the olives when they are sold.

Bill Holden

BH:tl