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STATE OF CALIFORNIA

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**STATE BOARD OF EQUALIZATION**

August 18, 1967

Gentlemen:

Your letter of July 25, 1967 concerning the application of sales tax with respect to redemption of trading stamps for premium merchandise, has been referred to the undersigned for reply.

It is our understanding that your client is a trading stamp company, incorporated in California, with stamp redemption centers in California, Nevada, Arizona, Texas, and New Mexico. It intends to close its redemption centers in all states except California. Thus, persons in other states who have accumulated your client's trading stamps will be required to redeem the stamps by mailing them to the redemption center in California. The redemption center will mail the merchandise to the out-of-state recipients.

As indicated in sales tax Ruling 72.5, the delivery of premium merchandise in exchange for a prescribed number of units of indicia (trading stamps) constitutes a retail sale by the person delivering the merchandise. As further indicated in sales tax Ruling 55A(1) (c), sales tax does not apply to sales of property shipped to a point outside this state, pursuant to the contract of sale, by delivery by the retailer to a carrier for shipment to a consignee at such point. Thus, in reply to your inquiry the transfer of premium merchandise by the redemption center in exchange for trading stamps with shipment being made by mail to the out-of-state recipient constitutes an exempt sale in interstate commerce.

Very truly yours,

George A. Trigueros  
Tax Counsel

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