

# **CALIFORNIA INSTITUTE OF TECHNOLOGY**

## **California Sales and Use Tax Guide**

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# CALIFORNIA INSTITUTE OF TECHNOLOGY

## California Sales and Use Tax Guide

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## I. Purpose of this Tax Guide

The purpose of this guide is to explain the application of California sales and use tax in a simplified format for the California Institute of Technology (“Caltech”). This document will be used to guide personnel at Caltech as to the whether a sale or procurement transaction is potentially subject to California sales or use taxes. Because this document is an overview of sales and use tax, Caltech personnel should consult with the Tax Office to obtain guidance on non-routine sales or procurement transactions, or if there are questions on the accounting for or application of tax in order to minimize tax exposure to Caltech.

## II. Introduction to California Sales and Use Tax

### A. Sales Tax:

The sales tax is imposed on sellers of tangible personal property at retail. The obligation to pay the sales tax is on the seller, per California Revenue and Taxation Code (*CRTC*) *Sec. 6003*. However, a California registered seller does have the right to bill and collect the tax from customers.

### B. Use Tax:

The use tax is due upon the storage, use or other consumption in California of tangible personal property purchased from a retailer. The use tax rather than the sales tax applies to purchases shipped from outside of California to a consumer in the state. The obligation to pay use tax is on the consumer *CRTC Sec. 6004*. Caltech is obligated to pay use tax on purchases from out of state suppliers, where the California tax was not charged on the invoice.

### C. Caltech as an exempt organization:

The California Institute of Technology is exempt from Federal Income tax as an educational institution under section 501(c)(3) of the Internal Revenue Code. Caltech is also exempt from California State income tax as an educational institution under California Revenue and Taxation Code Section 23701d.

Although Caltech is exempt from Federal and State income tax, the institute is subject to California sales and use tax. Only the Federal government and its instrumentalities are exempt from sales and use tax, *4 U. S. C. A., Sections 105–110; 1 Stat. 641, as amended by 68 Stat. 1227*.

This guide will explain the California statutes for sales and use tax, and discuss how the taxes apply to routine transactions that Caltech departments encounter regularly.

### III. California Sales and Use Tax Definitions, Statutes, and Summary Discussion

#### A. California “Retailer”

A “retailer” is any seller that makes any retail sale or sales of tangible personal property. *CRTC Sec. 6015 and 6019.*

A ‘retail sale’ is a sale for any purpose other than resale in the form of tangible personal property. *CRTC Sec. 6007.* An example of a ‘retail sale’ is a department’s sale of a piece of equipment built in a laboratory. See Section V (A) for more information.

#### B. “Use”, “Storage” or “Consumption”

As applied to purchases of materials or merchandise, ‘use’ of tangible personal property is broadly defined as the exercising any right or power over the property. ‘Storage’ is defined as keeping or retaining property for any purpose, except for purposes of storing for resale purposes (maintaining resale inventory is not considered ‘storage’). *CRTC Sec. 6009.* Consumption is generally defined as “the using up of goods and services by a consumer, or in the production of other goods or services<sup>1</sup>.”

#### C. Tangible Personal Property

Tangible personal property is defined as “property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses.”

Tangible personal property does not include intangibles such as patents, copyrights, goodwill, and interests in business entities. Intangibles also include expenses such as insurance premiums and licensing or royalties paid to third parties. *CRTC Sec. 6016.*

#### D. Sales for Resale

A sale for resale is a sale of tangible personal property purchased that is not sold at retail, i.e., the item is being purchased from a seller to be resold by the purchaser. Such a sale is exempt from sales tax. The purchaser will charge sales tax when the item is ultimately sold to the end user. *CRTC Secs. 6051, 6201.*

The seller has the burden of proof to establish that a sale is a sale for resale. The burden can be satisfied by obtaining a valid resale certificate from the purchaser.

If Caltech is purchasing tangible personal property and plans to resell it, sales tax does not apply to the purchase. Caltech must issue a resale certificate to the supplier from which it is purchasing the tangible personal property. *CRTC Secs. 6092, 6242.*

These transactions are not common at Caltech.

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<sup>1</sup> <http://www.thefreedictionary.com>

If Caltech is selling tangible personal property to a retailer that plans to sell to another party, the sales tax does not apply to the sale. Caltech must secure a resale certificate from the purchaser. Again, such transactions are not common at Caltech.

#### E. Services

Services are generally exempt from sales/use tax in California. Examples of exempt services include: professional services (attorney, CPA), repair services, installation services, and other services (such as landscaping, construction, etc).

However, services can be subject to tax in California in two instances:

- First charges for fabrication labor are subject to sales tax in California. Fabrication is the labor involved in creating tangible personal property that is different in form and in function from its component parts.
- Second, charges for services related to a taxable sale are taxable in California. For example, if a machine needs to be calibrated before it can be sold to a customer, sales tax applies to charges for the calibration of the machine.

Service providers are generally consumers of materials that they use incidentally in rendering their services. As such, sales tax applies to the sale of tangible personal property to the service provider, and not to the charges for services that the service provider imposes on their customer.

#### F. Rate of Tax in Pasadena

The sales/use tax rate applicable to Pasadena is 9.50% effective October 1, 2017. The rate is made up of the state rate of 7.25%, and the Los Angeles county rate of 2.25%. Tax rates can change periodically, please consult the Tax Office or the California Department of Tax and Fee Administration (CDTFA) website for the most recent tax rate:

<http://www.cdtfa.ca.gov/>

#### G. Partial Sales/Use Tax Exemption for Manufacturing and Research & Development

Beginning July 1, 2014 to July 1, 2030, California offers a partial exemption from sales/use tax for establishments engaged in manufacturing and research & development. The exemption is limited to qualified property use primarily for manufacturing or research and development with a useful life of one year or more. In the case of a nonprofit organization or government entity, "primarily engaged" with regard to gross revenue means 50 percent or more of the funds allocated to the entity or establishment are attributable to a qualifying line of business.

Caltech qualifies for the partial exemption. Please see the link below for important information about those purchases that may qualify:

<https://procurement.caltech.edu/departments/purchasinghome>

On July 25, 2017, California Governor Jerry Brown signed Assembly Bill (AB) 398 (Chapter 135, Laws 2017). AB 398 extended the sunset date of the partial sales and use tax exemption for all qualified taxpayers through June 30, 2030 (originally set to expire in 2022).

#### H. United States Government Transactions

Purchases and sales, as well as leases to/from the United States government are generally exempt from sales and use tax in California. This includes purchases and sales to branches of the United States government, such as the United States Postal Service, the armed forces, federal courts, and other federal agencies and entities. Caltech's purchases and sales to the United States government would generally be exempt from sales and use tax. See Section VI (B) for additional information.

#### I. Freight, Shipping and Handling Fees

In California, separately billed "freight and or shipping" charges are generally not taxable. The California sales tax regulation requires the tax to apply on invoices that use the term "handling" on their invoices, either separately or in combination with the terms "freight or shipping". Sales tax applies to charges related to "handling", "shipping and handling, or freight and handling". This is true unless the item shipped is exempt from tax (such as a food product or a resale).

### IV. Application of Tax to Common Procurement Transactions

Caltech's purchases of tangible personal property from out-of-state suppliers that do not charge California tax are subject to the California use tax. Caltech will accrue for the use tax at the current rate for the Pasadena, Los Angeles County tax rate of 9.50% as of October 1, 2017, unless the supplier has charged the proper rate. See Section III (F).

Per *Section 6203* of the California Revenue and Taxation Code, out-of-state suppliers who are not engaged in business within the state are not required to register and report tax to California. If an out of state and unregistered supplier does not charge any tax, Caltech must self-report the entire Pasadena tax rate of 9.50%, if the purchased items will be used in Pasadena.

Example:

Caltech purchases supplies from an out-of-state supplier for use in Pasadena. The supplier is not registered in California, therefore it does not charge any tax to Caltech for the sale. Caltech must accrue the 9.50% Pasadena tax rate to fulfill their tax obligations to the state.

Caltech may also make purchases from suppliers who are engaged in business and registered in California, but not located in Pasadena. If an in-state and registered supplier charges tax based on

their local tax rate, Caltech must accrue the difference as it is their responsibility to report tax based on the Pasadena, Los Angeles County tax rate of 9.50%.

Example:

Caltech purchases tangible goods from an in-state supplier for use in Pasadena. The supplier only charges 7.50% as they have no tax liability in Pasadena. Caltech must accrue the other 2.00 % in order to fulfill their tax obligations to the state.

It is the responsibility of a California registered supplier to charge and collect sales tax on taxable transactions.

#### A. Books, Equipment and Supplies

Caltech's purchases of books, equipment and supplies for the Institute's own use would be subject to sales/use tax in California, as these items would fall under the definition of tangible personal property, and Caltech is the end user of the items.

However, books, equipment and supplies purchased from its suppliers and resold (such as individuals buying books, logo merchandise, and supplies from the Caltech Store), would be exempt from sales tax in California as sales for resale.

Sales Tax would be due on Caltech's sale of resold merchandise directly to end users, such as students and visitors.

#### B. Software

In general, software that is purchased in a tangible form (i.e., disk or drive form) is taxable for California sales or use tax.

Pre-written software designed and manufactured for general sale, also known as "canned" software, is subject to sales/use tax in California. However, pre-written software that is transmitted electronically from the seller's place of business to or through the purchaser's computer is not subject to sales/use tax in California, as long as the purchaser does not obtain possession of tangible personal property in the transaction. Caltech's purchases of pre-written software would be subject to sales tax, unless it is transmitted electronically.

In addition, California does not impose sales/use tax on the delivery of software via load-and-leave, i.e., where the supplier of the software comes to the location of the buyer, and transmits the software onto the buyer's computer, and subsequently leaves the buyer's location without delivering any tangible personal property to the buyer. Caltech's purchase of software via the load-and-leave method would not be subject to sales/use tax.

Custom software that is developed under the specific demands of a particular client is not subject to sales tax in California. Charges for customized modifications to pre-written software are also exempt if such charges are separately stated. Caltech's purchase of custom software would not be subject to sales tax, even if it was received on tangible media.

Software updates are taxable if the supplier provides an update to Caltech in tangible form. Updates received electronically are exempt from California tax. Software maintenance is exempt from California tax. Where updates and maintenance are bundled and charged to Caltech in a single price, they are only taxable if the updates are received in a tangible form. If this is the case, California allows only 50% of the amount charged for updates and maintenance to be subject to tax. If the updates are received electronically, then the fees for updates and maintenance are exempt from tax.

#### C. Periodicals

Periodicals that are sold by subscription and delivered at least four (4) times per year but not more than 60 times per year, through common carrier, are exempt from sales and use tax. Publications purchased or sold by Caltech will be exempt from sales tax if they meet these requirements. Examples of exempt periodicals received through common carrier include: monthly magazine subscriptions, and quarterly newsletters. Taxable periodical subscriptions include: the daily newspaper since it is delivered more than 60 times per year.

#### D. Space flight property

California exempts from sales and use tax specified qualified property for use in space flight<sup>2</sup>. Types of qualified property include an orbital space facility, space propulsion system, space vehicle, satellite, or space station of any kind, or any property which is placed or used aboard any such systems, including fuel. As long as the property is adapted and used exclusively for space flight, it is exempt from sales and use tax.

#### E. Intellectual Property/Technology Transfer Agreements

Intellectual property is generally not subject to sales and use tax in California, as it is not 'tangible personal property'. As such, sales or purchases of patents, copyrights, etc., made by Caltech would not be subject to sales and use tax.

##### Technology Transfer Agreements

A 'technology transfer agreement' (TTA) is defined as a written agreement under which a person holding a patent or copyright interest agreement assigns or licenses to another the right to make and sell a product or to use a process that is subject to the copyright interest. California does not impose sales and use tax on amounts received for the assignment or licensing of a TTA (patent or copyright interest), however it is common for tangible personal property to be transferred along with TTAs. The taxable price of tangible personal property transferred in connection with a technology transfer agreement, is determined by separately stating a reasonable price for the tangible property within the contract governing the transaction.

Contact the Tax Office on questions related to technology transfer agreements.

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<sup>2</sup> CRTC Section 6380. Space flight property

F. **Use Tax:** Exclusion for testing services from the definition of 'storage/use'

**Please note that this exclusion only applies to purchases of property from suppliers located outside of California. If the property is purchased from a California supplier, the exclusion does not apply and it would be subject to sales tax.**

California excludes from the imposition of use tax, property which is purchased outside of California, to be tested in California, and subsequently used solely outside of the State. If Caltech purchases property from a supplier located outside of California, for testing, preparation and calibration, such property will be considered exempt from tax if the property will be used exclusively out of state. This exemption is limited to procurement transactions where the item was shipped from an out of California supplier (use tax). The exclusion does not apply to transactions from California suppliers (sales tax). See Section VI (C) for additional explanations.

Example:

Caltech purchases telescope equipment from an out of state supplier who ships it to Caltech. Caltech configures, calibrates and runs tests on the telescope, then once completed, the equipment is transported for use outside of California. The telescope was never functionally used in California and the purpose of its storage was for configuration, calibration and testing of the equipment. This property would be considered exempt from tax as it will be used exclusively out of state, and no functional use occurred in California.

Contact the contact the Caltech Tax Office regarding these types of situations.

G. **Contracts for Improvement to Real Property (Construction Contracts)**

Transactions involving contractors are generally exempt from California sales and use taxes, as they are considered exempt services in connection with improvements to real property. The contractor is liable for any tax on the cost of materials and fixtures that they use in constructing or repairing a structure, building or fencing in a lump sum contract. Caltech is not responsible for California sales or use tax on construction contracts.

Since construction contractors are consumers of materials and fixtures which they furnish and install on construction contracts, they pay sales or use tax to their suppliers on their purchases. The fees for the construction services are exempt from sales tax to Caltech.

Occasionally a contractor in addition to remodeling a building, will sell and install appliances or equipment to be used in the remodeled facility. In this case, the contractor may invoice Caltech for the appliances and charge sales tax. The contractor is responsible for reporting sales tax on appliances or equipment, not Caltech.

Example:

Caltech hires an electrical contractor to perform work on a campus building's electrical system. The work includes remodeling or rewiring of the existing building. The electrical contractor is

providing a non-taxable service and is a consumer of materials that are installed in the performance of this work. As the consumer of materials, the electrical contractor pays sales tax to its supplier for materials that are used in the job. Since the contractor is providing exempt services and no taxes are due from Caltech. The electrical contractor should not invoice sales tax on the materials installed for the project, as the contractor paid such taxes at the time of purchase.

For more information on how sales and use tax rules apply to construction and remodeling projects, please contact the Caltech Tax Office.

#### H. Leases of Tangible Personal Property

Leases of tangible personal property are generally subject to California tax, most leasing companies doing business in the state collect California tax on the monthly rental billing statements. This would be the case for both leases for Caltech and the Jet Propulsion Laboratory.

#### I. Purchases of Tangible Goods on the Internet

Non taxed purchases of tangible personal property from online sellers, for use by Caltech, are subject to California tax, as with any other transaction. Some online merchants are not registered to collect the California sales tax, so Caltech is responsible for accruing use tax.

#### J. Deposits and Progress Payments.

Purchases of specialized or special order assets can involve a deposit and progress payments before delivery, installation final acceptance of the asset, and the final invoice. These transactions have contracts or terms and conditions that dictate when and where title to the asset transfers from the supplier to Caltech. Sales or use tax is generally not applicable on payables that are deposits or progress payments since the title to the asset has not yet transferred to the Institute. Sales or use tax is generally due after delivery, installation and final acceptance of the item by Caltech, and this occurs at the time of the final invoice from the supplier.

For more information on how sales and use tax rules apply to deposits or progress payments, please review the purchase order, terms and conditions and contact the Caltech Tax Office.

### V. **Application of Tax to Sales Transactions by Caltech**

Sales of tangible personal property to consumers in California are subject to sales tax. Sales made on the Pasadena campus are taxable at the current tax rate of 9.50%. Sales made via the internet (store website sales) shipped to California customers are subject to the sales tax. For ease of billing and invoicing, Caltech can charge the Los Angeles county tax rate on online sales to California customers. In general, Caltech is obligated to collect only the California sales tax.

Sales of tangible personal property to buyers outside of California are exempt from tax, and the buyer is responsible to report use tax in their home state.

It is important to note that any Caltech sales shipped to out of state customers are not subject to California tax.

#### A. Sales of Equipment

Caltech does occasionally sell new equipment such as instrumentation fabricated in a laboratory. These sales are considered sales of tangible personal property, and Caltech should collect and remit sales tax on them, unless the sale is made to a reseller. In the case of a resale, Caltech should obtain a resale certificate from the purchaser.

#### B. Sales of Surplus Assets

Caltech's sale of surplus assets, (i.e., assets that it sells due to obsolescence), is subject to sales tax in California. These sales are also considered sales of tangible personal property, and Caltech should collect and remit sales tax on them, unless the sale is made to a reseller. In the case of a resale, Caltech should obtain a resale certificate from the purchaser.

#### C. Resales

Sales made to purchasers who will be reselling tangible personal property are not taxable, however a signed and completed resale certificate should be obtained from the buyer at the time of the sale. Failing to obtain a completed resale certificate may result in Caltech owing the tax in a California sales tax audit.

A resale certificate can be a document, including a letter, or preprinted form, provided it contains all of the following information:

- The name and address of the purchaser's business.
- The purchaser's seller's permit number.
- A description of the property to be purchased.
- A statement that the described property is being purchased for resale.
- The date of the document.
- The signature of the purchaser, purchaser's employee, or authorized representative.

Contact the Tax Office with questions on resale certificates.

#### D. Caltech Store and other Online Sales

Sales made via the internet and shipped to California customers are subject to the sales tax. For ease of billing and invoicing, Caltech can charge the Los Angeles county tax rate on online sales to California customers.

Sales shipped directly to out of state customers are not subject to the California tax, and it is the customer's responsibility to pay and report their home state's sales or use tax.

## VI. Other Issues

### A. Jet Propulsion Laboratory ("JPL")

JPL is a federally funded research and development facility managed by Caltech for the National Aeronautics and Space Administration (NASA). In managing and operating JPL, Caltech may purchase various items of tangible personal property. For more information on how sales and use tax rules apply to JPL related purchases, please contact the Caltech Tax Office.

### B. United States Government Contracts and Grants

Caltech does enter into contracts and grants with United States Government agencies, as well as with non-governmental entities who are passing-through federal funds (collectively "federal awards"). Purchases and sales from federal awards would generally be exempt from sales and use tax if title to the tangible personal property vests in the United States Government. For the exemption to apply the federal award must have the appropriate language indicating that title vests in the government. The reader must review their federal award closely and/or consult with the Caltech Office of Sponsored Research as needed.

### C. Temporary Storage or Use of Property in California

**Please note that this exclusion only applies to purchases of property from suppliers located outside of California. If the property is purchased from a California supplier, the exclusion does not apply and it would be subject to sales tax.**

Contact the contact the Caltech Tax Office regarding these types of situations.

Purchases of tangible goods from out of California suppliers that are temporarily stored and/or modified in California can be exempt from California **use tax**. This exemption applies if the temporarily stored property is shipped out of California solely for use outside of the state. The exemption also applies to situations where the tangible goods are temporarily stored in California to be tested, configured or attached to other tangible goods and are transported out of California solely for use outside the state.

Caltech's purchases of tangible personal property from out of state suppliers, for such purposes may be exempt from use tax in California under the above circumstances.

A Caltech department that ships property out of California for use out of the state should maintain the following documentation for at least five years:

- A detailed "statement of intent" letter or memo that describes the transaction, testing and where and when the property was shipped including dates and addresses of the recipient location
- Shipping documents
- Freight forwarding documents (if available)
- Bills of lading (if available)

Not maintaining the proper shipping evidence may result in assessment of California tax in a state tax audit, including interest and penalties.

#### D. Food Services: Meals to Students

Exemption for Meals to Students:

California exempts meals and food products served to public or private school students when furnished by schools, student or parent-teacher organizations, or any qualified blind person operating a restaurant or vending stand in an educational institution (Section 6363). The exemption applies to both sales taxes on the sales of meals and food products and use tax on the purchase of items to be sold. Sales of taxable meals and food products to non-student Caltech administrators, or employees are taxable.

It is important to note the distinction between a meal and food product for purposes of charging the sales tax. Food products when served at any time of the day to a student are exempt. "Meals" meet the exemption if served at a time set aside for meals.

Example:

All meals sold by a residence hall or dormitory to students will be exempt from tax, if the food service area is only open for "meals."

Example:

Meals sold by a campus cafeteria which is open continuously from 7:00 a.m. until 7:00 p.m. may qualify for the exemption for meals served during designated meal periods for a meal for which a single established price is set.

The exemption provided by this section does not apply when meals are sold for consumption within a place to which admission is charged, except state and national parks and monuments.

## VII. Taxability of Products and Services - Table

Below you will find a listing of common products and services and their tax status. Not all will be applicable to Caltech.

Description	Tax Status	Comments	Authority
Accommodations	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Accounting Services	No		Cal. Code Regs. 18 § 1501; Cal. Rev. & Tax Cd. §6006
Agricultural Machinery and Equipment	Yes		
Agricultural Supplies	Yes		
Air Filters	Yes		
Air Filters for Resale	No		
Animal Cages	Yes		
Animal Feed for Food Animals	No	"Feed" includes cod-liver oil, salt, bone meal, calcium carbonate, limestone granulars and oyster shells	Cal. Code Regs. 18 § 1587
Animal Feed - Medicated for Food Animals	No	Medicated feed for food animals is exempt	Cal. Code Regs. 18 § 1587
Animal Feed - for Non-Food Animals	Yes	Feed is taxable if purchased for nonfood animals that will not be resold	Cal. Code Regs. 18 § 1587
Animal Feed - Medicated for Non-Food Animals	Yes	Medicated feed is taxable if purchased for nonfood animals that will not be resold.	Cal. Code Regs. 18 § 1587
Animals: Laboratory Research - Food Animals	No		
Animals: Laboratory Research - Non-food Animals	Yes		

Appliances	Yes		
Appliances - Mandatory Warranties	Yes		
Appliances - Optional Warranties	No		
Art Supplies	Yes		Cal. Code Regs. 18 § 1655(c)(3)
Art Supplies – Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Art Work	Yes		
Athletic/Recreational - Supplies or Equipment only	Yes		
Audio Visual Equipment and Supplies	Yes		
Audio Visual Service	No		Cal. Code Regs. 18 § 1529(b)(2)(D)
Automotive Parts and Accessories	Yes		
Automotive Parts Sold in Connection with Repair	Yes		
Automotive Repair and Services	No		Cal. Code Regs. §1546(b)(2)
Aviation Parts and Supplies	Yes		
Aviation Services	No		
Awards, Plaques, Trophies	Yes		
Bags, Backpacks and Similar - Store Inventory (for resale)	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Bags, Backpacks and Similar - for Caltech Use	Yes		
Bar Coding Equipment	Yes		

Bar Coding Supplies	Yes	Barcodes for inventory tracking or price tags are taxable.	
Batteries	Yes		
Batteries - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Binder/Book Binders	Yes		
Binder-Book Binders - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Biochemical and Biological Products	Yes		
Blueprinting Services	No		Cal. Rev. & Tax Cd. § 6011 & 6012; Cal. Code Regs. 18 § 1501
Blueprinting Supplies	Yes		
Blueprinting Supplies - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Boiler and Steam Plant Services	No		
Book Loans	No		Cal. Code Regs. 1660(c)(2)
Books and Educational Materials - In General for Caltech Use	Yes		
Books and Educational Materials – Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Bottled Water	No	Non-carbonated water and any CA Redemption Value fees are exempt.	
Brochure Design	Yes	Taxable only if tangible property is provided to Caltech.	

Building and Grounds Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Calligraphy and Design	Yes	Taxable only if tangible property is provided to Caltech.	
Cargo Containers	Yes		
Cartographic Services	Yes		
Cash Protection and Cash Handling	No	Generally armored car services are exempt from tax.	Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Catering/Food Services	Yes	See Section VI, Item D for guidance.	
Chemicals and Chemical Products	Yes		
Chemicals, Radioactive	Yes		
Clocks and Timing Devices	Yes		
Clothing	Yes		
Clothing - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Communications Equipment and Supplies	Yes		
Compressed Gases, Equipment, Supplies	Yes	Taxable if delivered to Caltech owned storage tanks.	
Computer Hardware and Peripherals	Yes		
Computer Program Developers/Consultants	No		Cal. Code Regs. §1502(g)
Computer Repair Services	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Computer Repair Services and Hardware Contracts Not under Warranty	Yes	Repair parts are taxable when a separate charge is made for parts and	Cal. Code Regs. §1546(b)(2)

		materials. Repair labor is not taxable.	
Computer Repair Services and Hardware Contracts Not Under Warranty	No	No tax is due on parts if the value of the parts associated with the repair work is 10% or less of the total invoice.	Cal. Code Regs. §1546(b)(2)
Computer Repair Services and Hardware Contracts Covered by Warranty	Yes	Mandatory warranties are taxable, even if it is listed as a separate line item to the purchase contract. For Caltech, no taxes are due on repair labor or parts.	
Computer Repair Services and Hardware Contracts Covered by Warranty	No	Optional warranties are not taxable when purchased. For Caltech, no taxes are due on repair labor or parts.	
Computer Peripherals (accessories or equipment) for Caltech Use	Yes		
Computer Software and Peripherals - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Computer Supplies and Peripherals - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Computer Services (Repair)	No		
Computer Systems - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Computer Systems (Hardware) for Caltech Use	Yes		
Construction and Building Materials Not Installed	Yes	In rare instances, when materials are purchased without any installation, the cost of materials would be subject to sales tax.	
Consultants	No		Cal. Code Regs. 18 § 1501

Controlled Substances - Used on Testing Animals	Yes		
Copies	Yes		
Copy Machines	Yes		
Copy Supplies	Yes	Copy supplies are taxable when they are used for the consumption of the Institute.	
Copy Supplies - Exception	No	When supplies are purchased for resale as a component part, they are taxable.	
Credit Balances w/Suppliers	No		Cal. Rev. & Tax Cd. § 6011
Credit Card Fees	Yes	If product is taxable, Credit Card fees are included in the taxable gross receipts.	Cal. Rev. & Tax Cd. § 6012
Data Collection/Research Services	No		Cal. Code Regs. 18 § 1501; Cal. Rev. & Tax Cd. §6006
Data Processing Equipment and Supplies	Yes		
Data Processing Services	No	Generally, data processing services are exempt unless customer receives tangible property other than property containing the data files.	Cal. Code Regs. 18 § 1502
Delivery Fee	Yes	Taxable if purchased item is taxable. Delivery fees are taxable if the supplier's employees deliver taxable merchandise (this usually implies handling), e.g. pizza deliveries, florist delivery directly to customer.	Cal. Rev. & Tax Cd. §6012(a)
Dental Equipment	Yes		
Dental Supplies	Yes		
Dictating and Transcribing Machines	Yes		

Discounts	No		Cal. Rev. & Tax Cd. § 6011(c)(1)
Dues	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Duplicating and Copying Services	Yes	Duplication and copying of tangible property is taxable.	
Editorial Services	No	Editorial services are professional services and not taxable.	Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Electrical Supplies and Equipment	Yes		
Electricity	No		
Electronic Components	Yes		
Emblems	Yes		
Emblems - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Employment Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Engineering and Architectural Services - In General	No	These are professional services and are generally not taxable in California.	Cal. Code Regs. §1506(a)
Equipment	Yes		
Fabrication Labor	Yes		Cal. Rev. & Tax Cd. § 6006.5(b); 6010(b); 6006(f); 6010(d)
Fabrication Supplies	Yes		
Fabrication Supplies for Items Resold at Retail or Wholesale	No		
Farm Labor	No		
Fasteners	Yes		

Fence Equipment and Supply	Yes		
Filing System/Supplies	Yes		
Films, Video Tapes: Processed	Yes		
Financial Leasing of Tangible Property	Yes	Leases of tangible personal property are taxable in California. The monthly lease payment is subject to tax.	
Flags/Banners/Maps	Yes		
Flags/Banners/Maps - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Floor Covering and Carpeting - Not Installed	Yes		
Florist/Flowers	Yes		
Food Service Equipment/Supplies	Yes		
Food/Meat Products	No	If the food is unprepared it is not taxable.	Cal. Rev. & Tax Cd. § 6359
Framing Pictures	Yes		
Freight Shipping	Yes	Lump sum charges for "shipping and handling", related to taxable property, are taxable.	
Freight/Shipping/Handling Fees - Exception	No	Freight or shipping fees are non- taxable. Shipping and handling charges for non-taxable property are not taxable. Note: Handling charges are taxable unless associated with tax exempt property. "Shipping and Handling" is taxable if the item purchased is taxable. "Shipping or Freight" is generally not a taxable item.	Cal. Rev. & Tax Cd. §6011(c)(7); 6012(c)(7); Cal. Code Regs. 18 §1628
Furniture	Yes		
Furniture Refurbishing - Materials and Parts	Yes		

Furniture Refurbishing and Repair Labor	Yes	Refurbishing and repair labor is not taxable in California.	Cal. Code Regs. §1546(b)(2)
General Transportation Services; Bus, Taxi	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Generators, Alternators	Yes		
Gifts	Yes		
Glass, Auto/Window and Miscellaneous	Yes		
Graphic Design Services	Yes	Taxable only if tangible products are provided to Caltech.	
Graphic Design Services - Preliminary Art	No		Cal. Code Regs. §1540(a)(11)
Hardware Contracts		See Computer Repair Service and Hardware Contracts.	
Hardware and Abrasives	Yes		
Hauling/Freight Services - See Freight/Shipping (above)	No	See Shipping.	Cal. Rev. & Tax Cd. §6011(c)(7); 6012(c)(7); Cal. Code Regs. 18 §1628
Herbicides, Pesticides	Yes		
Hotel Rooms	No	Subject to room tax, not sales tax in California.	Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Hospital Equipment and Supplies	Yes		
Household Moving, and Storage	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
HVAC Equipment Supplies	Yes		
Industrial Equipment and Supplies	Yes		
Installation	No		Cal. Rev. & Tax Cd. § 6011 and 6012

Instructional Training Aids	Yes	Printed instructional matter and special instructional sound recordings as teaching aids are taxable.	
Instructional Training Exception	No	Instructional services provided by schools are not taxable.	
Instruction Services	No		
Interior/Office Design - Bona Fide Professional Services	No		Cal. Code Regs. 18 § 1501; Cal. Rev. & Tax Cd. §6006
Irrigation Systems and Supplies	Yes		
Janitorial and Cleaning Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Janitorial Equipment and Supplies	Yes		
Jewelry	Yes		
Jewelry - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Labels and Tags - Purchased for Items for Resale	No	Product labels purchased for the Book Store are generally exempt.	Cal. Rev. & Tax Cd. § 6007 and 6008; Cal Code Regs. 18 §1589(b)(1)
Labels and Tags - Purchases for use by Caltech	Yes		
Laboratory Analysis and Medical Labs	No		Cal Code Regs. 18 §1503(b)(3)
Laboratory/Scientific Equipment Supplies	Yes		
Labor - Fabrication	Yes		
Lamps and Lighting Fixtures	Yes		
Landscaping Equipment/Supplies	Yes		

Landscaping Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Laundry Services	No		Cal Code Regs. 18 §1506(c)(1)
Law Enforcement Products	Yes		
Lease Payments Tangible Personal Property	Yes		
Linen and Textile Supplies	Yes		
Locks and Locksmiths	Yes	Labor for repair, opening locks, re-keying and similar work are non-taxable. All other labor is taxable. Materials or parts sold by locksmiths are taxable.	
Lumber, Millwork, Plywood and Veneer	Yes		
Machine Shop Services and Equipment	Yes	Tangible property either purchased or fabricated is taxable.	
Mailing Services	No	These services are not taxable.	Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Mailing Lists	Yes	Taxable whether purchased or rented and on tangible personal property.	
Mailing Labels	Yes		
Materials Handling Equipment	Yes		
Measuring and Testing Instruments	Yes		
Medical and Scientific Illustration Services	Yes	Finished art is taxable.	
Medical /Surgical Equipment and Supplies	Yes		
Memberships	No	Professional organizations membership is non-taxable.	Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016

Metal Fabrication	Yes		
Metals	Yes		
Microfilm, Equipment, and Supplies	Yes		
Miscellaneous Equipment	Yes		
Miscellaneous Services	No	Services are generally exempt from tax. Contact the Tax Office for help.	
Musical Instruments/Sheet Music	Yes		
Nurseries - Plants and Trees	Yes	Most plants and trees are taxable.	
Nurseries - Plants and Trees	No	Certain plants and seeds whose product will be used for animal or human consumption are non-taxable.	California Sales Tax Counsel Rulings No. 510.0120
Office Equipment and Supplies	Yes		
Office Equipment Repair and Services	No	Separately billed parts for the repair are taxable. Generally, repair services are non-taxable.	Cal. Code Regs. §1546(b)(2)
Online Computer Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Over-the-Counter Medicines	Yes		
Packaging Materials	Yes		
Packaging Materials - For Items for Resale	No	Packaging materials for items resold are exempt, e.g. boxes used to ship parts sold. Packaging materials for own use, e.g. moving boxes are taxable.	Cal. Code Regs. §1589; Cal Rev. & Tax Cd. §6007 and 6008
Page Charges	No	Page charges are fees incurred in the publishing industry and generally nontaxable.	Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Pager Rental	Yes		

Pager Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Paper Products	Yes		
Paper Products - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Parking Equipment and Accessories	Yes		
Partitions	Yes		
Pest Control Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Pest Control Supplies	Yes		
Petroleum Products	Yes		
Pharmaceutical Services - Prescription Medicines	No		
Pharmaceutical - Over-the-Counter Medicine	Yes		
Photographic Equipment and Accessories	Yes		
Photographic Services	Yes	Taxable due to production of photo prints.	
Plastic Bags, Boxes, and Containers - Items for Resale	No		Cal. Code Regs. §1589; Cal. Rev. & Tax Cd. §6007 and 6008
Plastic Bags, Boxes, and Containers - Caltech Use	Yes		
Plastic Sheets, Rods, Etc.	Yes		
Plumbing Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Printing Services and Supplies	Yes		

Publishing	No	Generally exempt unless tangible property is sold to Caltech.	Cal. Code Regs §1543
Pumps and Compressors	Yes		
Printed Materials - Brochures	Yes	All printed materials are subject to tax unless purchased for resale.	
Printed Materials - Brochures - Exceptions	No	Material printed for resale is non-taxable.	Cal. Code Regs §1543(b)(7); Cal. Rev. & Tax Cd. §6007 and 6008
Restocking Fees	Yes	Taxable when the fee is in excess of actual cost of restocking.	
Rentals/Leases of Tangible Personal Property	Yes		
Reprints	Yes	If tangible personal property is sold by the re-printer, it is taxable.	
Research & Development Services with Prototypes	No	In California, R&D services are exempt from sales tax, with the proper contractual language, prototypes provided are also exempt.	Cal. Code Reg §1501.1
Safety Equipment and Supplies	Yes		
Secretarial Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Security Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Security Systems and Devices	Yes		
Sewing Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Shipping	No		Cal. Rev. & Tax Cd. §6011(c)(7); 6012(c)(7); Cal. Code Regs. 18 §1628

Shipping/Handling	Yes		Cal. Code Regs. §1628(a)
Signs	Yes		
Software Licenses - Canned Programs Tangible Property (CD's, Drives, etc).	Yes	When delivered on tangible personal property.	
Software Licenses - Custom Programs	No	Custom programming is considered a service and not subject to tax.	Cal. Code Regs. §1502
Software Licenses - Electrically Transmitted Software	No	Exempt if no tangible property is provided to Caltech.	Cal. Code Regs. §1502
Software Upgrades	Yes	See section IV Item B for detailed discussion.	
Software Upgrades	No	See section IV Item B for detailed discussion.	Cal. Code Regs. §1502; CA SBE Information Publication No. 109(8/1/2009)
Software Maintenance Contracts	Yes	See section IV Item B for detailed discussion.	
Software Maintenance Contracts	No	See section IV Item B for detailed discussion.	Cal. Code Regs. §1502(f)(1)(c)
Stationary Supplies	Yes		
Stationery Supplies - Store Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Subscriptions	No		Cal. Code Regs. §1590(b)(3)
Surveying Equipment Supplies	Yes		
Surveying Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Swimming Pool Equipment/Supplies	Yes		

Telephone Service	No	Not subject to sales tax.	Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016; California Sales Tax Counsel Ruling No. 330.2980
Theatrical Equipment and Supplies	Yes		
Toiletries and Cosmetics	Yes		
Toiletries and Cosmetics - Inventory	No		Cal. Rev. & Tax Cd. §6091; Cal Code Regs. 18 §1668
Tools/Hand Tools	Yes		
Trade-in Allowances on Tangible Personal Property	Yes	Trade-ins on purchases are treated the same as additional cash down payments. Tax is calculated on the sales price of the new item, the trade-in does not change the taxable amount of the purchase of the new item.	
Trailers/Parts for Trailers	Yes		
Transcription Services	No		Cal. Rev. & Tax Cd. § 6006 and §6016
Transcription Services - Copies of Transcripts	Yes		
Translation Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Travel Agency Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Typewriters	Yes		
Upholstery	Yes		
Used Items for Caltech	Yes		

Utilities - Applicable taxes are charged by Utility Companies	No		Cal. Rev. & Tax Cd. § 6353
Vehicles	Yes		
Veterinary Equipment and Supplies	Yes		
Video Equipment and Accessories	Yes		
Video Production Services	No		Cal. Code Regs. 18 § 1529(b)(2)(D)
Waste Removal Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Waste Removal Supplies	Yes		
Warranties	Yes	Mandatory warranties when sold in connection with tangible personal are taxable.	
Warranties	No	Optional warranties for services are not subject to tax.	Cal. Code Regs. 18 § 1655(c)(3)
Water Treatment Services	No		Cal. Rev. & Tax Cd. § 6006; Cal Rev. & Tax Cd. §6016
Welding Equipment and Supplies	Yes		
Window Coverings	Yes		
Wines and Liquor	Yes		
Word Processing Equipment and Supplies	Yes		
Word Processing Services	No		Cal. Code Regs. §1502.1