



**SALES and USE  
TAX GUIDE**

**January 2003**

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## SECTION I: SALES and USE TAX –GENERAL INFORMATION

### A. INTRODUCTION

The California Institute of Technology ("the Institute") is subject to the sales and use taxes imposed by the State of California upon retailers and purchasers conducting business in the state. Federal Law states that no person will be relieved from the payment, collection or accounting for any sales or use tax levied by any state or duly constituted taxing authority having jurisdiction to levy the tax (4 U.S.C.A. Section 105). Although section 107 prohibits the levy of the tax on the United States and its instrumentalities, all other "persons" are subject to the sales and use tax. The Institute is defined as a person under the sales and use tax law [see Los Angeles City High School District v. The State Board of Equalization]. Accordingly, it is subject to the sales and use taxes imposed by California. The taxes are imposed for the privilege of retailing or consuming tangible personal property in California. California's sales and use tax laws are administered by the State Board of Equalization. The sales and use tax laws are found in the California Revenue and Taxation Code, sections 6001 et.seq. The laws are interpreted by regulations, court cases, hearing reports, opinion letters and annotations.

In California, the base rate for sales and use tax purposes are the same. City, county and other local taxes may add to the base rate, and vary from location to location.

#### California City and County Sales and Use Tax Rates as of Jan 2003

|                    |              |               |              |                       |              |
|--------------------|--------------|---------------|--------------|-----------------------|--------------|
| Alameda            | 8.25%        | Alpine        | 7.25%        | Amador                | 7.25%        |
| Butte              | 7.25%        | Calaveras     | 7.25%        | Colusa                | 7.25%        |
| Contra Costa       | 8.25%        | Del Norte     | 7.25%        | El Dorado             | 7.25%        |
| Fresno             | 7.875%       | Glenn         | 7.25%        | Humboldt              | 7.25%        |
| Imperial           | 7.75%        | <b>Inyo</b>   | <b>7.75%</b> | Kern                  | 7.25%        |
| Kings              | 7.25%        | Lake          | 7.25%        | Lassen                | 7.25%        |
| <b>Los Angeles</b> | <b>8.25%</b> | Madera        | 7.75%        | Marin                 | 7.25%        |
| Mariposa           | 7.75%        | Mendocino     | 7.25%        | Merced                | 7.25%        |
| Modoc              | 7.25%        | Mono          | 7.25%        | Monterey              | 7.25%        |
| Napa               | 7.75%        | Nevada        | 7.375%       | <b>Orange</b>         | <b>7.75%</b> |
| Placer             | 7.25%        | Plumas        | 7.25%        | Riverside             | 7.75%        |
| Sacramento         | 7.75%        | San Benito    | 7.25%        | <b>San Bernardino</b> | <b>7.75%</b> |
| <b>San Diego</b>   | <b>7.75%</b> | San Francisco | 8.50%        | San Joaquin           | 7.75%        |
| San Luis Obispo    | 7.25%        | San Mateo     | 8.25%        | Santa Barbara         | 7.75%        |
| Santa Clara        | 8.25%        | Santa Cruz    | 8.00%        | Shasta                | 7.25%        |
| Sierra             | 7.25%        | Siskiyou      | 7.25%        | Solano                | 7.375%       |
| Sonoma             | 7.50%        | Stanislaus    | 7.375%       | Sutter                | 7.25%        |
| Tehama             | 7.25%        | Trinity       | 7.25%        | Tulare                | 7.25%        |
| Tuolumne           | 7.25%        | Ventura       | 7.25%        | Yolo                  | 7.25%        |
| Yuba               | 7.25%        |               |              |                       |              |

The counties in **bold** letters are those in which the Institute has a business location. Therefore, the applicable tax rate must be used to calculate Use Tax or Sales Tax for items shipped to or sold from these locations.

The key issues for a purchaser in determining applicability of tax are:

- Is the transaction subject to sales or use tax, or otherwise exempt from such taxes?
- Is tax being collected by the seller, and is the seller able to provide a Receipt to Relieve Liability?
- If sales or use tax must be collected or accrued, at what rate?
- ***The Institute is liable for use tax at the full rate in effect at the California location where Institute will first use the merchandise.***

A seller faces similar issues:

- Is the transaction subject to sales or use tax, or otherwise exempt from such taxes?
- Does the purchaser have a valid resale certificate?
- If the tax must be collected, at what rate must it be collected?
- ***The Institute is liable for sales tax at the full rate in effect at the California location where Institute ships the item from.***

## **B. WHAT IS SALES TAX and USE TAX**

### **1. Imposition of Sales tax**

The California sales tax is generally imposed upon a retailer for the privilege of selling tangible personal property in California at retail. The retailer may be a California retailer or an out-of-state retailer engaged in business in California. The retailer may pass the liability for the sales tax on to the consumer pursuant to an agreement of sale between the retailer and consumer (e.g., via contract, purchase order, invoice terms and conditions).

### **2. Imposition of Use tax**

If the Institute purchases merchandise from a vendor located in another state, the Institute may owe California *use tax* on its' purchase. The use tax is intended to protect California merchants who otherwise would be at a competitive disadvantage when out-of-state sellers make sales to California customers without charging tax. The use tax rate in California locations is generally the same as the sales tax rate.

***In general the Institute will owe California use tax when it uses, stores, or consumes — in California — a physical product it purchases from an out-of-state vendor. If the vendor does not collect the tax on your purchase the Institute must accrue the use tax due.***

Some purchases from out-of-state vendors, however, may ***not*** be subject to use tax. The most common use tax exemptions and exclusions apply when:

- The Institute buys the item in a transaction that would be exempt or excluded from sales tax if it occurred in California. Examples include purchases of cold food products and purchases for resale.
- The Institute first uses the item outside California and the item remains outside the state for more than 90 days after purchase. Shipping time and related storage time do not count toward the 90 days.

- The Institute (1) first uses the item outside California, (2) brings it into the state within 90 days of purchase, *and then* (3) uses the item outside the state for at least half the time during the next six months.
- The Institute does not use the item in California but instead ships it to a location outside the state for exclusive use there. This is true whether you ship the item by itself or first incorporate it into another product.

**Examples:**

1. A professor requires a textbook for research purposes that can only be mail ordered from a distributor in Maine. The company in Maine is not registered with California. Therefore, the use tax is not charged on the purchase. The professor orders the textbook and charges the amount on his personal charge card. The professor then submits the charge slip and requests a reimbursement for expenses. ***The Institute must accrue the use tax due on the purchase (less freight)*** made by the professor.

2. The Institute purchases supplies consumed by the art department in Los Angeles from a vendor located in Riverside. The vendor is solely engaged in business in Riverside County. Consequently, the vendor is not responsible for collecting the transit taxes imposed by the county of Los Angeles. The Institute must self accrue and report the applicable transit taxes. Currently, the Los Angeles County Transportation Commission is imposing two transit taxes-LACT and LATC which total 1%. In this example, ***the Institute is required to accrue and report 1% of the taxable purchase.*** The remaining 7.25% is the responsibility of the California retailer or out-of-state retailer.

3. A member of the campus community purchases a backpacking tent (for business use) over the Internet from a company in Wyoming. The seller ships the tent to the Institute and does not charge California tax. The Institute owes use tax as soon as the tent is used or stored in California.

4. Institute's custom furniture shop buys a \$4,500 table saw from an Arizona mail-order company that does not charge it California tax. The Institute uses the saw in its' shop to make furniture. The Institute must pay use tax on the saw's \$4,500 purchase price.

5. After buying the new table saw, the Institute purchases \$1,200 worth of lumber from a Pennsylvania mill. The Institute will use the lumber only in making furniture to sell. Since the Institute will resell the lumber as part of the furniture, its' purchase is not taxable.

**Question:** If the vendor charges California tax, does that take care of Institute's tax liability?

**Answer:** It may. If an out-of-state vendor charges the Institute California tax, Institute should be sure to obtain a receipt. The receipt must describe the item and show the purchase amount, the tax amount, the vendor's name, address, and California seller's permit number (or use tax registration number), and Institute's name and address. Be sure to check the tax rate applied to your purchase. **While out-of-state vendors often apply tax at the statewide rate (currently 7.25 percent), the Institute is liable for use tax at**

**the full rate in effect at the California location where Institute will first use the merchandise.**

When that location is within a special tax district, the full tax rate in effect for the district applies (statewide tax rate + district tax rate- see Section: IV Exhibit B). If the vendor charged the Institute tax at a rate lower than the rate in effect for the Institute's location, the Institute must accrue the remaining use tax.

### **3. California Retailer**

A "California retailer" is a seller of tangible personal property who has a business location in California and engages in selling tangible personal property in the state at retail.

### **4. Out-of-State Retailer Engaged in Business in California**

An "out-of-state retailer engaged in business in California" is an out-of-state retailer who has a physical presence (i.e., business operations or "nexus") in the state and sells tangible personal property to a California consumer.

## **C. SALES FOR RESALE**

The sales tax *does not apply* to a sale of tangible personal property made in California if it is a sale for resale. A sale for resale is a sale of tangible personal property that is not sold at retail, i.e, the item is being purchased from a seller to be resold by the purchaser to a consumer. The sale by the seller to the purchaser is *exempt* from tax. The purchaser will charge *sales tax* when the item is ultimately sold to the consumer. However, the burden of proof is upon the seller to establish a sale for resale, and may be satisfied by obtaining a valid resale certificate from the purchaser. **The Institute's resale permit number SR-AP -17006226 must be provide to the vendor when goods for resale are purchased.**

**Example:** A local stationery store temporarily runs out of notebook paper. The stationery store decides to purchase thirty reams of notebook paper from the Institute bookstore to restock its supply. The stationery store is purchasing the notebook paper for resale to be resold to its customers. The customer should issue a resale certificate to the Institute bookstore in order to purchase the items without the addition of tax. Absent such resale certificate, the Institute bookstore would be responsible for collecting the sales tax at the time the sale is made.

### **1. Good Faith**

The resale certificate relieves the Institute from liability for sales tax only if taken in good faith from a person who is engaged in the business of selling tangible personal property. The Institute will be presumed to have taken a resale certificate in good faith in the absence of evidence to the contrary. If the purchaser insists that the purchaser is buying for resale property of a kind not normally resold in the purchaser's business, the seller should require a resale certificate containing a statement that the specific property is being purchased for resale in the regular course of business.

### **2. Form of Certificate**

Any document, such as a letter or purchase order, timely provided by the purchaser to Institute will be regarded as a resale certificate with respect to the sale of the property described in the document if it contains all of the following:

- The signature of the purchaser, agent, or employee of the purchaser.
- The name and address of the purchaser.
- The number of the permit held by the purchaser, or if the purchaser is not required to hold a permit because the purchaser sells only property which is not taxable or because the seller makes no sales in this state, an appropriate notation to that effect in lieu of a permit number.
- A statement that the property described in the document is purchased for resale. The document must contain the phrase "for resale." The use of phrases such as "nontaxable," "exempt," or similar terminology is not acceptable.
- Date of execution of the document.

### **3. Timeliness of Certificate**

A resale certificate which is not received timely may not be applied retroactively and will not relieve the seller of the liability for the tax. A certificate is considered timely if received on or prior to the date of sale or any time within the seller's normal billing and payment cycle. If the seller does not timely obtain a resale certificate, the seller may be relieved of the liability for the tax only if the seller presents satisfactory evidence that the specific property sold was for resale, e.g., a customer confirmation letter.

### **4. Length of Validity**

A resale certificate describing the property to be purchased is valid until revoked in writing. Therefore, a purchaser (other than a Institute department) who frequently purchases items described under a resale certificate need only issue one certificate at the time he commences to purchase items from the seller. However, a purchase order from a customer which reflects that the transaction is taxable will override a blanket resale certificate. Subsequent resale purchases will still be exempt under the blanket exemption certificate. The description of the property to be purchased can be tailored to the specifications of the purchaser. Commonly used specifications include "blanket" resale certificates, which allow the purchaser to purchase all items tax free; or "restricted" certificates that refer the seller to the purchase order as the governing document for the taxable nature of a purchase. These forms maintain the validity of the certificate and support the exempt status of the sale to the extent described by the certificate.

## **D. OCCASIONAL SALES**

***Sales tax applies*** to all retail sales of tangible personal property including capital assets whether sold in one transaction or in a series of sales, and held or used by the seller in the course of an activity or activities for which a seller's permit or permits is required. Generally, a person who makes three or more sales for substantial amounts in a period of 12 months is required to hold a seller's permit. A person who makes a substantial number of sales for relatively small amounts is also required to hold a seller's permit.

A person engaged in an activity or activities requiring the holding of a seller's permit or permits may also be engaged in entirely separate endeavors that do not require the holding of a seller's permit or permits. ***Sales tax does not apply*** to the sale of property held or used by the seller in the non-selling endeavors that do not require the holding of a permit. Therefore, a seller who sells all of the assets associated with an activity for which a permit is ***not*** required may avoid ***sales tax*** under the "occasional sale" rule (i.e., fewer than three such sales in 12 months). With respect to the Institute, the Institute holds a seller's permit.

Therefore, **all sales made by Institute with respect to activities for which a permit is required will be subject to tax regardless of the department or division that made the sale.** However, the occasional sale exemption may be available with respect to campus' sale of assets associated with an activity for which it is not required to hold a permit in California (e.g., a service activity not engaged in the sale of tangible personal property).

#### **E. UNITED STATES GOVERNMENT TRANSACTIONS**

The Institute's purchases, sales and/or leases of merchandise to/for the US government are generally exempt from California sales and use tax. This includes purchases, sales and leases to/for:

- The United States or its unincorporated agencies and instrumentalities. Examples include the Postal Service, branches of the armed services, military exchanges, federal courts, and agencies such as the US Forest Service and the Department of Housing and Urban Development.
- Any incorporated agency or instrumentality of the United States that is wholly owned either by the United States or by a corporation that is wholly owned by the United States. Examples include: the Resolution Trust Corporation and the Federal National Mortgage Association (Fannie Mae).
- The American National Red Cross, including its chapters and branches.
- Incorporated federal instrumentalities that are not wholly owned by the United States, unless federal law permits taxing them. Examples of the former include: federal reserve banks, federal credit unions, federal land banks, and federal home loan banks.

Purchases/Sales to/for individual members of the armed services do not qualify for this exemption even if the merchandise is billed through an exempt organization such as a service exchange or officers' mess. In addition, **purchases/sales to/from State of California agencies and state political subdivisions —counties, cities, and special districts (such as irrigation, fire, and school districts) — are generally taxable. This holds true even if the purchase is made using federal funds.**

Businesses working under contract to the federal government are usually not considered agents of the United States. Consequently, sales to those contractors do not qualify as tax-exempt sales to the US government. However, federal supply contractors, such as the Institute, may issue a resale certificate when they buy tools, equipment, direct consumable supplies, and overhead materials that they will use on a government contract, **provided that title to the property passes to the US government before the contractor uses it.**

US government construction contractors are considered end users of materials and fixtures they furnish and install as part of their government construction contracts. The sales of materials, fixtures, and supplies to such contractors are generally taxable. However, US government contractors are considered retailers of machinery and equipment they furnish in fulfilling their government contracts. They may issue a resale certificate for the purchase of such an item, provided title to the machinery or equipment will pass to the United States before the contractor makes any use of it.

Documentation required for the Institute's records.

When the Institute makes a tax-exempt purchase, sale or lease, the Institute must be sure to retain documentation that clearly shows that the transaction is tax-exempt. For purchases/sales to/for the US government, documentation can include items such as:

- Purchase orders
- Remittance advices
- Shipping and related documents if there is a question that the merchandise might have been sold directly to an individual in the armed services rather than to the US government
- The Institute's Tax Exemption Letter

## **F. TAXABLE LABOR**

In California some labor charges are subject to sales tax. Fabrication labor is taxable. Fabrication is considered to be work done in creating, producing, or assembling a product. Modifying an item or system as part of a sale is also considered fabrication. Charges for fabrication labor are generally taxable, whether the vendor itemizes its' labor charges or includes them in the price of the product. This is true whether the vendor supplies the materials for the job or the customer supplies them.

**Examples** of fabrication labor include:

- Manufacturing a new piece of machinery
- Sizing and engraving a ring you are selling to a customer
- Shooting custom photographs or slides
- Altering a customer's cutting die so that it will produce a new and different item
- Cutting metal or lumber provided by a customer
- Altering a *new* suit to better fit the buyer

Fabrication labor charges are not taxable if the sale is a nontaxable transaction such as a sale for resale.

Services related to a taxable sale is taxable. Charges for services related to a taxable sale are generally taxable. This is true whether the charges are itemized or included in the price of the product.

**Example:** If you are a photographer, you may charge an hourly rate, plus charges for model fees, travel, and other services related to the production of the photographs. All such charges are taxable.

**Examples** of taxable service charges include:

- "Trip charges" associated with a taxable sale. If the invoice includes taxable and nontaxable charges along with an itemized service charge, part of the service charge may not be taxable.
- Charges for equipment or space rental associated with a taxable sale

Labor or service charges related to a nontaxable sale are not taxable. Tax does not apply to labor or services related to nontaxable sales, including sales for resale even if tangible personal property is transferred to the purchaser, as long as it is incidental to the service. However, at times it is difficult to distinguish a service that transfers incidental tangible personal property from tangible personal property that is subject to tax. The basic distinction in determining whether a particular transaction involves a sale of tangible personal property or the transfer of tangible personal property incidental to the

performance of a service is one of the true object of the contract. ***If the service is the true object of the contract, the transaction is not subject to tax.***

**Example:** The Institute purchases canned software for use in their computer lab. The canned software is considered tangible personal property. On the other hand, the Institute is setting up a mainframe system and requires customized programming for the operation to run. The program is transmitted on a disc. The customized programming is a service. The true object of the contract is the programming and not the disc transmitted with the service.

Nontaxable types of labor

**Repair.** Tax generally does not apply to your itemized charges for repair labor. Repair labor is work performed on a product to repair or restore it to its intended use.

**Examples** include:

- Replacing a broken water pump on a customer's used car
- Replacing a hard drive in a used computer
- Restoring a damaged painting
- Altering a customer's *used* suit

Tax usually applies to charges for parts you supply in a repair job if the retail value of the parts is more than 10 percent of your total charges or if you charge separately for the parts.

**Installation.** Sales tax generally does not apply to charges for installation labor. For example, tax would not apply to your itemized charges for installing a car stereo in a used car.

## SECTION II: SALES AND USE TAX – FOR SPECIFIC AREAS

### A. OVERVIEW

In this section, the Institute is the retailer. Therefore, the tax application is generally the sales tax to the customer. The use tax applies in situations where Institute is the consumer of the items or the sale is a lease or rental.

Occasionally, there are references to Institute as the purchaser in this section. References to the purchaser refer to the Institute's internal purchasing department unless otherwise stated. These references are made to inform the Institute of what the tax status is on purchases of supplies or materials that they will resell or consume.

Additionally, where this section references the sale of an item, the Institute is selling to a customer who is outside of the Institute. Sales do not mean transfers between departments. **Transfers between Institute departments are considered intracompany transfers and are not subject to the sales tax.**

Sales tax generally does not apply to the Institute's transaction when it sells a product and ships it directly to the purchaser at an out-of-state location, for use outside California. The sale is not taxable if the Institute:

- Ships the product directly to the purchaser, using its' own delivery vehicle or another means of transport that it owns; or
- Ships the product by delivering it to a common carrier (including the US Postal Service), contract carrier, customs broker, export packer, or forwarding; or,
- For sales of items that will be used in other countries, delivers the product in a way that meets the special delivery conditions explained below; or
- For sales of new, noncommercial vehicles to foreign residents, delivers the vehicle in a way that meets specific conditions explained in the State of California Board of Equalization Uniform Local Sales and Use Tax Regulations- Section 1610, Vehicles, Vessels, and Aircraft.

**In most cases, if a purchaser or their representative takes possession of an item in California — even temporarily — the Institute's sale does not qualify for this particular sales tax exemption.** In addition, if the Institute delivers an item to a California business at an out-of-state location, the Institute should apply tax unless the purchaser states, in writing, that the item was purchased for use outside California. Nonetheless, if the Institute knows that the customer plans to use the item in California within 90 days of its purchase, the sale is subject to tax.

Certain other sales may qualify as tax-exempt foreign exports. The means of transportation and the nature of the property shipped must provide certainty that the property is headed for a foreign country and that it will not be diverted for use in this country. For example, the Institute's sale may be considered a tax-exempt export if the Institute delivers the merchandise to:

- A purchaser's airplane, ship, or other conveyance (not a car or pickup truck) that will transport the item to another country; or
- A scheduled commercial carrier hired by the purchaser to transport the property to another country.

The Institute must obtain special documentation that demonstrates that the property is bound for a foreign country on a continuous journey.

The Institute must be sure to retain documents in its' records that will support any tax exemptions it claim for sales delivered outside California.

**Examples** are as follows.

Deliveries made with your own vehicle or with another means of transport that you own:

- Delivery receipts
- Expense voucher supporting delivery expense
- Purchase order or correspondence supporting shipping requirements and completion of delivery

Deliveries to customs brokers, export packers, or forwarding agents:

- Bills of lading
- Copies of import documents of the foreign country
- Notation on invoice of delivery
- Invoices for services of customs broker or forwarding agent
- Delivery receipts

Deliveries made for you by a common or contract carrier:

- Bills of lading
- Express or parcel post receipts; express company invoices
- Sales invoices showing postage
- Record of parcel post shipment charges and shipping instructions
- Freight invoices

Deliveries to a carrier owned by the purchaser and bound for a foreign country:

- Bills of lading or other documents showing that delivery was made directly to the carrier
- Copy of transportation plan showing that carrier was bound for a foreign country
- Import documents of the foreign country, other documentary evidence of export, or evidence that the item was designed for use in the foreign country or altered for use there

Deliveries to scheduled commercial carriers hired by the purchaser to export property:

- Bill of lading or other document showing property was delivered directly to the carrier
- Documentary evidence of transportation plan showing that property will be transported on a continuous journey to a foreign destination and not diverted for use in California

## **B. AUDIO VISUAL**

### **1. Audio Visual: Slides**

**Sales tax applies** to charges imposed by the Institute for developing prints. Slides are also considered prints and subject to the sales tax.

When slides are produced for Institute's own use, the Institute is deemed the consumer of all materials which are consumed and incorporated into the final product. Therefore, **use tax should be accrued or sales tax paid on the purchase** of all items consumed for the developing of slides.

### **2. Audio Visual: Film Processing/Developing**

#### **a. Film Processing**

**Sales Tax applies** to all film processing charges (i.e., printing, enlarging and duplicating photos, as distinguished from negative development). These are taxable as the end result is tangible personal property subject to sales tax.

#### **b. Negative Development of Customer-Furnished Film**

**Sales tax does not apply** to separately stated charges for the negative development of customer-furnished film. To sustain the exemption, the film development charges must be stated separately from the processing charge. Development of film by the reverse process method is not the negative development of film.

**Example:** The invoice states: Film negative developing and processing - \$10. The entire charge is subject to sales tax with no deduction for developing.

**Example:** The invoice states: Film negative developing \$4, processing \$6. Only the processing charges are subject to sales tax. The taxable amount to report is \$6.

### **3. Audio Visual: Film**

The retail sale of film by the Institute is subject to sales tax.

When Institute offices or departments "purchase" film from the Institute audio visual department, the sale is not at retail. Use tax should be accrued on the cost of the film when withdrawn from inventory. This assumes that the film was originally purchased without the addition of tax by the audiovisual department.

## **C. SALES OF CUSTOM SOFTWARE**

**Tax does not apply** to the sale or lease of a custom computer program, other than a basic operational program, regardless of the form in which the program is transferred. A custom program is a computer program prepared to the special order of the customer. It may incorporate preexisting routines, utilities or similar program components. A custom program also includes those services represented by separately stated charges for modifications to an existing prewritten program which are prepared to the special order of the customer.

**Tax does not apply** to the transfer of a custom program or custom programming services performed in connection with the sale or lease of computer equipment, whether or not the charges for the custom program or programming are separately stated.

Custom computer programming services are always exempt, even when sold with tangible personal property. If manuals are delivered to the customer as part of the custom computer program in a lump sum charge, the manuals are not subject to tax. Delivery of the manual in tangible form will not affect the exempt status of a custom computer program. However, if a separate charge is made for manuals delivered in tangible form, ***sales tax will apply*** to the charges for the manual.

### **1. Modifications to Prewritten Programs**

***Tax applies*** to custom modifications to prewritten programs if the charges are not separately stated unless the modifications are so significant that the new program qualifies as a custom program. Custom programs are ***not subject to sales tax***.

To evaluate whether modifications are significant enough to qualify as a custom program, the following guidelines are used by the State of California:

If the prewritten program was previously marketed, the new program will qualify as a custom program, if the price of the prewritten program was 50% or less of the price of the new program.

**Example:** Canned program A written by the Institute is sold at retail in the bookstore for \$20. Anyone can purchase the program and run it on any personal computer without customization. A customer requests that modifications be made to Canned program A. Institute charges \$40 for the work involved to customize the program. The program costs the customer \$60. The new program is exempt from tax as a custom program.

If the prewritten program was not previously marketed, the new program will qualify as a custom program, if the Institute's charge to the customer for custom programming services was more than 50% of the contract price to the customer. Institute must keep records evidencing the customization of the software.

**Example:** Canned program A is a new product that has not been previously marketed. A customer contracts to purchase the product for \$80. Customized programming is necessary for his utilization and included within the purchase price. The programming services are charged at \$45. The program is exempt as a custom program.

## **D. SALES OF EQUIPMENT**

### **1. Equipment Sales: Sales Within the State**

Sales of equipment are generally considered retail sales of tangible personal property unless the sale involved is for resale or in interstate commerce as described below. ***Sales tax applies*** to the retail selling price of equipment made by the Institute.

#### **a. Retail Sales**

***Sales tax applies*** to all retail sales of tangible personal property including capital assets whether sold in one transaction or in a series of sales, held or used by the seller in the course of an activity or activities for which a seller's permit is required.

Generally, a business who makes three or more sales for substantial amounts in a period of 12 months is required to hold a seller's permit. A business who makes a substantial number of sales for relatively small amounts is also required to hold a seller's permit.

## b. Sales for Resale

Sales of equipment by the Institute may be made to persons in the business of reselling such equipment. Sales for resale are **exempt from tax** when made to such persons when a valid resale certificate is given by the purchaser.

The Institute must acquire and retain a valid resale certificate from the purchaser to support the sale for resale. The resale certificate has the effect of relieving the seller of the sales tax burden involved in the sale and placing such burden on the purchaser. If a valid resale certificate is not given by the purchaser, the Institute should **charge sales tax** to the purchaser on the selling price of the equipment..

## 2. Equipment Sales: Sales in Interstate Commerce

**Sales tax does not apply** to sales of equipment made by the Institute to purchasers when such equipment is required by the contract of sale to be delivered by the Institute to a point outside the State of California either by vehicles owned by the Institute or to a common carrier, customs broker, or forwarding agent, hired by the Institute or the purchaser of the equipment, for such delivery outside the State of California.

If the equipment is delivered to the purchaser in the State of California for subsequent delivery to a point outside the State of California, the sale of equipment will be deemed to be a sale of tangible personal property in this State and **subject to tax** on the selling price.

The Institute must retain shipping documentation or records that show the shipping destination related to the shipment of equipment outside this State to support the exempt sale in interstate commerce.

## 3. Equipment Sales: Fleet Services

### a. Interstate Commerce - Vehicles

Vehicles claimed as exempt sales in interstate commerce must meet the following conditions to qualify for the exemption:

- Title to the vehicle must transfer to the purchaser outside the State of California. The purchaser may not take possession of the vehicle in this State.
- The vehicle must **not** be sold for use in this State. If the dealer is aware of the purchaser's intent to use the vehicle in this State, the dealer **must collect the use tax**. If the purchaser intends to use the vehicle outside this State for more than ninety days before using it in this State, or if it is used more outside this State than in this State during the first six months after it is brought back into this State, it will not be considered to have been purchased for use in this State.
- Supporting documentation must be retained in support of the interstate commerce exemption. This documentation should include, for each vehicle sold, documents supporting the delivery of the vehicle to an out-of-state location, evidence of the purchaser's out-of-state address, and evidence that the vehicle was purchased for use outside the State of California.

### b. Farm Equipment

Sales of farm equipment are generally considered retail sales of tangible personal property unless the sale involved is for resale or in interstate commerce. **Sales tax applies** to the retail selling price of farm equipment made by the Institute.

c. Vessels

A vessel is defined as any boat, ship, barge, craft, or floating thing designed for navigation in the water. Exceptions to the definition of vessel are sea planes, watercraft designed to operate on a permanently fixed course, a type designed to be propelled solely by oars or paddles, or a type eight feet or less designed to be propelled by sail.

**Sales tax applies** to the sale or lease of any vessel (30 feet and under), unless specifically exempt. The lease of the vessel will be exempt if the Institute paid or accrued use tax on the purchase price of the vessel before its first consumptive use. Otherwise, the sales tax is due and reportable on the stream of payments when received from the lessee. The Institute is responsible for the collection and remittance of the sales tax on the sale and lease of any vessel.

i. Leases of MTE - Vessels Exceeding 30 Feet in Length

Vessels exceeding 30 feet in length are mobile transportation equipment (MTE). The sale of MTE is subject to sales and use tax.

The tax application for MTE differs with respect to the lease of the vessel. The original sale to the Institute of the vessel is a retail sale and the Institute is the consumer of the equipment. Accordingly, either the sale of the equipment to the Institute or its use in the state is subject to the sales tax. The lease receipts derived from the lease of MTE is not subject to sales or use tax.

The Institute may make an election to report tax on the stream of lease payments rather than pay tax on its purchase price of vessels over 30 feet. In order to qualify for this election, the use of the vessel must be limited to leasing activities and a resale card given to the vendor.

**4. Trade-In, Exchange, or Barter vs. Cash Discount**

In general, trade-ins are taxable while cash discounts are excludable from reportable gross receipts. However, it should be noted that the retailer may not receive any benefit in exchange for a cash discount or it will be construed as a trade-in, exchange or barter and subject to the sales tax.

a. Trade-Ins, Exchanges and Barters

Trade-ins, exchanges and barters are included within the definition of "sale" and "purchase". Therefore, the value attributable to trade-ins, exchanges or barters are part of the sales price and subject to sales tax.

When merchandise is traded-in, exchanged or bartered for the purchase price of other merchandise, the Institute must include the value attributable to the trade-in as part of the gross receipt. Generally, the agreed upon price between the seller and buyer is the value of the trade-in, exchange or barter. However, they should reflect fair market value.

b. Cash Discounts

The retailer may deduct cash discounts from reportable gross receipts. Therefore, the value of the discount is **not taxable**. Gross receipts do not include cash discounts

credited against the sales price.

**Example:** The Institute sells equipment to a consumer. The consumer is a key customer and therefore, the Institute gives a cash discount to the consumer on the purchase of the computer. No value is given to the Institute by the consumer in exchange for the discount. The discount is excludable from reportable gross receipts.

## **E. CALIFORNIA INSTITUTE of TECHNOLOGY - LIBRARY SERVICES**

### **1. Library Services: Photocopy Services**

#### a. Contract Copy Services for Non-Institute Related Departments

**Sales tax applies** to the Institute's sale of photocopies and to charges for making photocopies from customer-furnished materials. **Sales tax does not apply** to the Institute's purchase of materials that become a component part of the copies sold. These items should be purchased for resale by the Institute's purchasing department and a resale certificate should be provided to the vendors of these items. The Institute is the consumer of other materials and supplies that do not become a component part of the copies sold. **Sales tax applies** to the purchase of these materials by the Institute.

#### b. Self Service Copies

##### *(1) Fifteen Cents or Less*

The Institute is the consumer of photocopies when sold through a coin-operated machine for fifteen cents or less per copy. **Sales tax does not apply** to sales of photocopies sold in this manner. The Institute is the consumer of the paper and other copy machine supplies. **Sales or use tax applies** to the Institute's purchase of these items.

##### *(2) More Than Fifteen Cents*

The Institute is the retailer of photocopies when sold through a coin-operated machine for more than fifteen cents per copy. **Sales tax applies** to these sales of photocopies. The Institute's purchasing department should purchase the supplies that become component parts of the copies sold, such as the paper and ink, for resale and provide vendors of these items with a resale certificate upon such purchase. The purchase of these items is **not subject to sales and use tax**. **Sales or use tax applies** to the Institute's purchase of other supply items that do not become component parts of the copies sold.

## **F. CALIFORNIA INSTITUTE of TECHNOLOGY-BOOKSTORE**

### **1. Bookstore: General Rules**

#### a. Sales of Tangible Personal Property

Tangible personal property is defined as personal property which may be seen, weighed, measured, felt, or touched, or which is in any other manner perceptible to the senses.

The bookstore's sales are generally considered tangible personal property and **subject to sales tax**. However, certain sales of tangible personal property may fall under an exclusionary category and not be subject to sales tax.

#### b. Rate of Tax & Point of Sales

The rate of tax will be determined by the rates in effect at the point of sale. The point of sale is generally the location where the sale is made. In situations where the item is

shipped by common carrier to a location outside of the county, the point of sale occurs at the location to which the item was shipped via common carrier.

**Example:** The point of sale for school supplies purchased from the Institute Bookstore is Pasadena, CA. The current applicable rate is currently 8.25%.

**Example:** The point of sale for a sweatshirt mail ordered from the Institute to be delivered by common carrier to a San Francisco address is San Francisco, CA. The applicable rate of tax is currently 8.50%.

## **2. Bookstore: Sales to the U.S. Government**

Sales to the United States Government, its incorporated and unincorporated agencies or instrumentalities, and the American National Red Cross are *exempt from sales tax*. A government purchase order or a government remittance advice must be obtained from the purchaser in order to support the exemption for tangible personal property sold to the United States Government and its instrumentalities.

Sales to United States construction contractors are not exempt from the sales tax. A United States construction contractor is a construction contractor who performs construction contracts for the United States Government.

**Example:** A construction contractor purchases a computer from the bookstore which will be used to fulfill a U.S. Government contract. The construction contractor **takes title** to the computer. The purchases are not exempt as sales to the United States Government.

## **III. TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

With respect to this table, the tax status of products refers to purchases made by the Institute where sales tax was not charged on the invoice. However, if the Institute purchased the item from a California retailer, regardless of what the tax chart instructs, use tax need not be accrued on these purchases as the tax is the responsibility of the retailer. In these situations, the transaction is subject to sales tax, not use tax. One exception exists to this rule: if the Institute issued a resale certificate for these purchases and subsequently made use of the items without reselling them, then the Institute must accrue the use tax on these purchases.

The Institute must accrue use tax on the storage, consumption or use of tangible personal property that is not subject to the sales tax. This would generally, occur when the purchase is made from an out-of-state vendor of tangible personal property, who is not registered or required to be registered in California. **Therefore within this section, when the chart states that an item is taxable, assume that the charge is subject to use tax and the Institute did not pay sales tax on the item.**

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description                                      | Tax Status | Comments  |
|--|------------|---|
| Accommodations                                   | No         |   |
| Accountants                                      | No         |   |
| Advertising                                      | Yes        | Charges for the sale of tangible property are taxed.  |
| Advertising -exception                           | No         | Art work which is a prerequisite for client approval prior to entering a contract is non-taxable. |
| 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         |   |
| Animal Feed for Non Food Animals for Resale      | No         |   |
| Animal Feed-Medicated for Food Animals           | No         |   |
| Animal Feed- Medicated for Non Food Animals      | No         |   |
| Animal Feed-In General                           | Yes        |   |
| Animal Feed-Medicated in General                 | Yes        |   |
| Animals: Livestock                               | Yes        | All "non-food" animals are taxable.   |
| Animals: Livestock -exception                    | No         | Animals as food for human consumption aren't taxable.   |
| Animals: Items for Livestock                     | Yes        |   |
| Animals: Laboratory Research-Food Animals        | No         |   |
| Animals: Laboratory-Non Food Animals             | Yes        |   |
| Appliances                                       | Yes        |   |
| Appliances-Mandatory Warranties                  | Yes        |   |
| Appliances-Optional Warranties                   | No         |   |
| Art Supplies                                     | Yes        |   |
| Art Supplies-Bookstore Inventory                 | No         |   |
| Art Work   | Yes        |   |
| Art Work-Original Work of Art for Public Display | No         | Original Work of Art for Public Display   |
| Athletic/Recreational Equipment/Supplies         | Yes        |   |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description                                     | Tax Status | Comments  |
|---|------------|---|
| Audio Visual Equipment and Supplies             | Yes        |   |
| Audio Visual Service                            | No         |   |
| Automotive Parts and Accessories                | Yes        |   |
| Automotive Parts Sold in Connection with Repair | Yes        |   |
| Automotive Repair and Services                  | No         |   |
| Aviation Parts and Supplies                     | Yes        |   |
| Aviation Services                               | No         |   |
| Awards, Plaques, Trophies                       | Yes        |   |
| Bags, Backpacks & Similar Products-Bookstore    | No         |   |
| Bags, Backpacks, & Similar Products             | Yes        |   |
| Credit Balances w/Vendors                       | No         |   |
| Bar Coding Equipment                            | Yes        |   |
| Bar Coding Supplies                             | Yes        | Barcodes for inventory tracking or price tags are taxable.                    |
| Bar Coding Supplies-exception                   | No         | Barcodes used by the institute for non-returnable containers are non taxable. |
| Batteries                                       | Yes        |   |
| Batteries-Bookstore Inventory                   | No         |   |
| Binder/Book Binders                             | Yes        |   |
| Binder/Book Binders-Bookstore Inventory         | No         |   |
| Biochemical and Biological Products             | Yes        |   |
| Blueprinting Services                           | No         |   |
| Blueprinting Supplies-Bookstore Inventory       | No         |   |
| Blueprinting Supplies                           | Yes        |   |
| Boiler and Steam Plant Services                 | No         |   |
| Book Loans                                      | No         |   |
| Books and Educational Materials - In General    | Yes        |   |
| Books and Educational Materials - Bookstore     | No         |   |
| Brochure Design                                 | Yes        |   |
| Building and Ground Services                    | No         |   |
| Calligraphy and Design                          | Yes        |   |
| Cargo Containers                                | Yes        |   |
| Cartographic Services                           | Yes        |   |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description   | Tax Status | Comments   |
|---|------------|--|
| Cash Protection and Cash Handling                                   | No         |  |
| Catering/Food Services  | Yes        |  |
| Chemicals and Chemical products                                     | Yes        |  |
| Chemicals, Radioactive  | Yes        |  |
| Clocks and Timing Devices   | Yes        |  |
| Clothing  | Yes        |  |
| Clothing-Bookstore Inventory  | No         |  |
| Communications Equipment and Supplies                               | Yes        |  |
| Compressed Gases, Equipment, and Supplies                           | Yes        |  |
| Computer Design Services  | Yes        | Taxable if the vendor provides finished artwork.   |
| Computer Hardware and Peripherals                                   | Yes        |  |
| Computer Program Developers/Consultants                             | No         |  |
| Computer Repair Services - Bookstore Inventory                      | No         |  |
| Computer Repair Services and Hardware -Contracts Not under Warranty | Yes        | Repairs are taxable when a separate charge is incurred for parts and materials or when the value of the parts for the repair work is more than 10% of the total cost |
| Computer Repair Services and Hardware Contracts -Not under Warranty | No         | The value of the parts associated with the repair work is less than 10% of the total cost  |
| Computer Repair Services and Hardware Contracts -Under Warranty     | Yes        | warranties must be purchased as a condition of the sale are taxable , even if it is listed as a separate line item to the purchase contract.                         |
| Computer Repair Services and Hardware Contracts -Under Warranty     | No         | Optional warranties are not taxable because the service  |
| -exception  |            | provider will have paid the tax on the parts.  |
| Computer Software and Peripherals - Bookstore                       | No         |  |
| Computer Software and peripherals                                   | Yes        |  |
| Computer Supplies and Peripherals - Bookstore                       | No         |  |
| Computer Supplies and Peripherals                                   | Yes        |  |
| Computer Services   | No         |  |
| Computer Systems - Bookstore Inventory                              | No         |  |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description   | Tax Status | Comments   |
|---|------------|--|
| Computer Systems                                    | Yes        |  |
| Construction and Building Materials                 | Yes        |  |
| Consultants   | No         |  |
| 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 not taxable.   |
| Controlled Substances - Used on Testing Animals     | Yes        |  |
| Data Collection/Research Services                   | No         |  |
| Data Processing Equipment and Supplies              | Yes        |  |
| Data Processing Services                            | Yes        | Sales tax applies to the process of data via an outside co.                        |
| Data Processing Services - exception                | No         | Sales tax is not applicable for internal cross charges.                            |
| Delivery Fee  | Yes        |  |
| Delivery/Courier Services                           | No         | If made by vendors truck or common carrier is not taxable                          |
| Dental Equipment                                    | Yes        |  |
| Dental Supplies                                     | Yes        |  |
| Dentist - Medicines Administered by a Dentist       | No         |  |
| Dictating and Transcribing Machines                 | Yes        |  |
| Discounted Purchases: Not trade-in's                | No         |  |
| Dues  | No         |  |
| Duplicating and Copying Services                    | Yes        |  |
| Editorial Services                                  | No         |  |
| Electrical Supplies and Equipment                   | Yes        |  |
| Electronic Components                               | Yes        |  |
| Electronic Manufacturing                            | No         |  |
| Emblems   | Yes        |  |
| Emblems - Bookstore Inventory                       | No         |  |
| Employment Services                                 | No         |  |
| Engineering and Architectural Services - In General | Yes        | Taxable only when tangible personal property is involved                           |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description  | Tax Status | Comments  |
|--|------------|---|
| Engineering and Architectural Services - In General -exception   | No         | Prototypes, sketches or drawings for client approval prior to entering contract is not taxable. |
| Engineering and Architectural Services - Blueprints  | No         |   |
| Engineering and Architectural Services - Calibration   | No         |   |
| Equipment  | Yes        |   |
| Fabrication Labor  | Yes        |   |
| 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  | Yes        |   |
| Flags/Banners/Maps   | Yes        |   |
| Flags/Banners/Maps - Bookstore Inventory   | No         |   |
| Floor Covering and Carpeting   | Yes        |   |
| Florist /Flowers   | Yes        |   |
| Food Service Equipment/Supplies  | Yes        |   |
| Food/Meat products   | No         | If the food is unprepared it is not taxable   |
| Framing Pictures   | Yes        |   |
| Freight/Shipping   | Yes        | Lump sum charges for "shipping and handling", related to taxable property is taxable.           |
| Freight/Shipping -exception  | No         | Shipping and Handling charges for non taxable property are not taxable.                         |
| Shipping Note: Separately Shipping and transportation charges which are incurred due to the purchase of tangible goods are not taxable when stated separately and shipment is sent directly to the purchaser |            |   |
| Handling Note: Separately Handling Charges are taxable unless associated with tax exempt property.   |            |   |
| Furniture  | Yes        |   |
| Furniture Refurbishing - Materials and Parts   | Yes        |   |
| Furniture Refurbishing - Fabrication Labor   | Yes        |   |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description  | Tax Status | Comments  |
|--|------------|---|
| Furniture Refurbishing - Repairing and Application         | No         |   |
| General Transportation Svc's; bus, taxi                    | No         |   |
| Generators, Alternators                                    | Yes        |   |
| Gifts  | Yes        |   |
| Glass, Auto/Window and Miscellaneous                       | Yes        |   |
| Graphic Design Services                                    | Yes        |   |
| Graphic Design Services - Preliminary Art                  | No         |   |
| Hardware Contracts   | Yes        | See Computer Repair Service & Hardware Contracts  |
| Hardware Contracts   | No         | See Computer Repair Service & Hardware Contracts  |
| Hardware and Abrasives                                     | Yes        |   |
| Hauling/Freight Services- See Freight/Shipping (above)     | No         |   |
| Herbicides, Pesticides                                     | Yes        |   |
| Hotel Rooms  | No         | Subject to room tax , not sales tax in California   |
| Hospital Equipment and Supplies                            | Yes        |   |
| Household Moving, & Storage                                | No         |   |
| HVAC Equipment Supplies                                    | Yes        |   |
| Industrial Equipment & Supplies                            | Yes        |   |
| Installation   | No         |   |
| Instructional Training Aids                                | Yes        | Printed instructional matter and special instructional sound recordings as teaching aids are taxable. |
| Instructional Training Aids - exception                    | No         | Instructional services provided by schools aren't taxable.  |
| Instructional Services                                     | No         |   |
| Interior/Office Design - Bona Fide Professional Services   | No         |   |
| Interior/Office Design - Associated with Tangible property | Yes        |   |
| Irrigation Systems and Supplies                            | Yes        |   |
| Janitorial & Cleaning Services                             | No         |   |
| Janitorial Equipment and Supplies                          | Yes        |   |
| Jewelry  | Yes        |   |
| Jewelry - Bookstore Inventory                              | No         |   |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description  | Tax Status | Comments  |
|--|------------|---|
| Labels and Tags - Purchased for Items for Resale                     | No         |   |
| Labels and Tags - Purchases for Consumption                          | Yes        |   |
| Laboratory Analysis and Medical Lab's                                | No         |   |
| Laboratory/Scientific Equipment/Supplies                             | Yes        |   |
| Labor - Fabrication  | Yes        |   |
| Lamps and Lighting Fixtures  | Yes        |   |
| Landscaping Equipment/Supplies                                       | Yes        |   |
| Landscaping Services   | No         |   |
| Laundry Services   | No         |   |
| Law Enforcement Products   | Yes        |   |
| Lease Payments   | Yes        |   |
| Linen & Textile Supplies   | Yes        |   |
| Locks and Locksmiths   | Yes        |   |
| Lumber, Millwork, Plywood & Veneer                                   | Yes        |   |
| Machine Shop Services & Equipment                                    | Yes        |   |
| Mailing Services -nontaxable service                                 | No         |   |
| Mailing Lists  | Yes        | Taxable whether purchased or rented.                  |
| Mailing Lists Restricted to One Time User                            | No         | Lists such as magnetic tape or similar media.         |
| Mailing Labels   | Yes        |   |
| Materials Handling Equipment   | Yes        |   |
| Measuring and Testing Instruments                                    | Yes        |   |
| Medical & Scientific Illustration Services - Finished Art is Taxable | Yes        |   |
| Medical/Surgical Equipment and Supplies                              | Yes        |   |
| Memberships  | No         | Professional organizations membership is non taxable. |
| Metal Fabrication  | Yes        |   |
| Metals   | Yes        |   |
| Microfilm, Equipment, and Supplies                                   | Yes        |   |
| Microfilming Services  | Yes        |   |
| Miscellaneous Equipment  | Yes        |   |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description   | Tax Status | Comments   |
|---|------------|--|
| Miscellaneous Services                                      | Yes        | Must look to true object of contract. If the true object is a service it is nontaxable.                            |
|   | No         |  |
| Modular Office Buildings Limited to 40% of the Retail Price | Yes        |  |
| Musical Instruments/Sheet Music                             | Yes        |  |
| Nurseries - Plants & Trees                                  | Yes        | Fruit trees, even though their product will be sold for human consumption are taxable.                             |
| Nurseries - Plants & Trees                                  | No         | Annual plants and seeds whose product will be used for animal or human consumption are non taxable.                |
| Office Equipment and Supplies                               | Yes        |  |
| Office Equipment, Repair and Services                       | Yes        | If the parts or materials for the repair are more than 10% of the total charge then the Repair service is taxable. |
| Office Equipment, Repair and Services -exception            | No         | If the parts are less than 10% and there is no separate property charge then the transaction is nontaxable.        |
| on-line Computer Services                                   | No         |  |
| Over-the-Counter-Medicines                                  | Yes        |  |
| Packaging Materials   | Yes        |  |
| Packaging Materials - For Items for Resale                  | No         |  |
| Page Charges  | No         |  |
| Pager Rental  | Yes        |  |
| Pager Service   | No         |  |
| Paper Products  | Yes        |  |
| Paper Products - Bookstore Inventory                        | No         |  |
| Parking Equipment and Accessories                           | Yes        |  |
| Partitions  | Yes        |  |
| Pest Control Services Annotation                            | No         |  |
| Pest Control Supplies                                       | Yes        |  |
| Petroleum Products  | Yes        |  |
| Pharmaceutical Services - Prescription Medicines            | No         |  |
| Pharmaceutical- Over the Counter Medicine                   | Yes        |  |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description  | Tax Status | Comments   |
|--|------------|--|
| Photographic Equipment and Accessories                     | Yes        |  |
| Photographic Services                                      | Yes        |  |
| Plastic Bags, Boxes, and Containers - For Items for Resale | No         |  |
| Plastic Bags, Boxes, and Containers - For Consumption      | Yes        |  |
| Plastic Sheets, Rods, Etc                                  | Yes        |  |
| Plumbing Services  | No         |  |
| Printing Services and Supplies                             | Yes        |  |
| Prescription Medicines - Pharmaceutical Services           | No         |  |
| Publishing   | No         |  |
| Publishing - Fees Paid to Designers and Art Directors      | Yes        | Transfer of tangible property to convey an idea is taxable   |
| Publishing - Fees Paid to Designers and Art Directors      | No         | Design or dictate concepts or specifications is nontaxable   |
| Publishing - Production Functions                          | Yes        |  |
| Publishing - Production Functions - exceptions             | No         | Manuscript mark-up, production editing & coordination, typesetting, proofreading and formatting are tax exempt.    |
| Pumps & Compressors  | Yes        |  |
| Printed Materials - Brochures                              | Yes        | All printed materials are subject to tax unless purchased for resale.  |
| Printed Materials - Brochures - exception                  | No         | Material printed for resale is nontaxable.   |
| Printed Materials - Copies                                 | Yes        |  |
| Printed Materials - Charges from Graphic Artists           | Yes        |  |
| Restocking Fees  | Yes        | It is only taxable when the fee is in excess of actual cost.   |
| Restocking Fees  | No         |  |
| Repairs  | Yes        | If the parts or materials for the repair are more than 10% of the total charge then the Repair service is taxable. |
| Repairs -exception   | No         | If the parts are less than 10% and there is no separate property charge then the transaction is nontaxable.        |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description   | Tax Status | Comments  |
|---|------------|---|
| Rentals/Leases  | Yes        |   |
| Reprints  | Yes        |   |
| Safety Equipment and Supplies                         | Yes        |   |
| Secretarial Services                                  | No         |   |
| Security Services                                     | No         |   |
| Security Systems and Devices                          | Yes        |   |
| Sewing Services                                       | No         |   |
| Shipping  | No         |   |
| Shipping/Handling                                     | Yes        |   |
| Signs   | Yes        |   |
| Software Licenses - Canned Programs                   | Yes        |   |
| Software Licenses - Custom Programs                   | No         |   |
| Software Licenses - Electrically Transmitted Software | No         |   |
| Software Upgrades                                     | Yes        | See Software Maintenance Contracts  |
| Software Upgrades                                     | No         | See Software Maintenance Contracts  |
| Software Maintenance Contracts                        | Yes        | Mandatory maintenance contracts are taxable whether for upgrades, consulting services or both.  |
| Software Maintenance Contracts                        | No         | Optional maintenance contracts are nontaxable if they're for consulting services which are stated separately.<br>(The updates on optional contracts are still taxable.) |
| Stationary Supplies                                   | Yes        |   |
| Stationary Supplies - Bookstore Inventory             | No         |   |
| Subscriptions   | No         |   |
| Surveying Equipment Supplies                          | Yes        |   |
| Surveying Services                                    | No         |   |
| Swimming Pool Equipment/Supplies                      | Yes        |   |
| Telephone Bills                                       | No         | Subject to excise tax, not sales tax.   |
| Theatrical Equipment & Supplies                       | Yes        |   |
| Toiletries & Cosmetics                                | Yes        |   |
| Toiletries & Cosmetics - Bookstore Inventory          | No         |   |
| Tools/Hand Tools                                      | Yes        |   |

**TAXABILITY BY PRODUCT DESCRIPTION - TABLE**

| Description   | Tax Status | Comments  |
|---|------------|---|
| Trade-in Allowances on Tangible Personal Property                 | Yes        |   |
| Trade-in Allowances   | No         | No credit on tax for value of trade-in.   |
| Trailers/Parts/for Trailers                                       | Yes        |   |
| Transcription Services  | No         |   |
| Transcription Services - Copies of Transcripts                    | Yes        |   |
| Translation Services  | No         |   |
| Travel Agencies   | No         |   |
| Typewriters   | Yes        |   |
| Upholstery  | Yes        |   |
| Used Items  | Yes        |   |
| Utilities - Applicable taxes are charged by the Utility Companies | No         |   |
| Vehicles  | Yes        |   |
| Vehicles-exception  | No         | Vehicles purchased for use outside the state of CA. Aren't taxable. It mustn't enter Calif. Within 91 days of purchase. |
| Veterinary Equipment and Supplies                                 | Yes        |   |
| Video Equipment and Accessories                                   | Yes        |   |
| Video Production Services   | No         |   |
| Waste Removal Services  | No         |   |
| Waste Removal Supplies  | Yes        |   |
| Warranties  | Yes        | Mandatory Warranties when sold in connection with tangible property are taxable   |
| Warranties  | No         | Optional warranties for service are not subject to tax.   |
| Water Treatment Services  | No         |   |
| Welding Equipment & Supplies                                      | Yes        |   |
| Window Coverings  | Yes        |   |
| Wines and Liquor Stores   | Yes        |   |
| Word Processing Equipment/Supplies                                | Yes        |   |
| Word Processing Services  | No         |   |

**Section IV: EXHIBITS**

- A. California Institute of Technology Resale Certificate – page 29**
- B. California Institute of Technology Tax Exemption Letter – page 30**
- C. California Tax Districts – page 31**



**CALIFORNIA INSTITUTE OF TECHNOLOGY**

Accounts Payable  
1200 East California Street  
M/C 103-6  
Pasadena, California 91125  
FAX (626) 578-0906

I HEREBY CERTIFY: That the California Institute of Technology (the "Institute") holds valid seller's permit No. SR-AP-17006226 issued pursuant to the Sales and Use Tax Law; that the Institute is an educational/research institution.

That the tangible personal described herein which the Institute shall purchase from \_\_\_\_\_ will be resold by us in the form of tangible personal property; provided, however that in the event any of such property is used for any purpose other than retention, demonstration, or display while holding it for sale in the regular course of business, it is understood that the Institute is required by the Sales and Use Tax Law to report and pay tax, measured by the purchase price of such property or other authorized amount.

Description of property to be purchased:

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Name \_\_\_\_\_

Title \_\_\_\_\_

Phone number \_\_\_\_\_

Date \_\_\_\_\_



**CALIFORNIA INSTITUTE OF TECHNOLOGY**

Accounts Payable  
1200 East California Street  
M/C 103-6  
Pasadena, California 91125  
FAX (626) 578-0906

I HEREBY CERTIFY: That the California Institute of Technology (the "Institute") is an educational/research institution.

That the tangible personal property described herein which the Institute shall purchase from \_\_\_\_\_ will be paid for using federal funds; that the item(s) is (are) being purchased pursuant to a Federal contract or grant and at the time of purchase title to the item vests, or is to vest, in the Federal Government. Accordingly, the Institute is exempt from state sales or use tax related to this purchase.

However, in the event that title for such property should subsequently vest in the Institute, it is understood that the Institute is required by the Sales and Use Tax Law to report and pay tax, measured by the purchase price of such property or other authorized amount.

Description of property to be purchased:

\_\_\_\_\_

Name of Federal Grant/Contract:

\_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Phone number \_\_\_\_\_

Date \_\_\_\_\_

| Tax Area                            | District  | Effective Date | District Rate | Total Tax Rate |
|-------------------------------------|---|----------------|---------------|----------------|
| Alameda County                      | Bay Area Rapid Transit District (BART)                            | 4/1/70         | 1/2%          | 8.25%          |
|                                     | Alameda County Transportation Authority (ACTA)                    | 4/1/87         | 1/2%          |                |
| Contra Costa County                 | Bay Area Rapid Transit District (BART)                            | 4/1/70         | 1/2%          | 8.25%          |
|                                     | Contra Costa Transportation Authority (CCTA)                      | 4/1/89         | 1/2%          |                |
| City of Placerville (El Dorado Co.) | City of Placerville Public Safety Transactions and Use Tax (PLPS) | 4/1/99         | 1/4%          | 7.50%          |
| Fresno County                       | Fresno County Public Library Transactions and Use Tax (FCPL)      | 4/1/99         | 1/8%          | 7.875%         |
|                                     | Fresno County Transportation Authority (FCTA)                     | 7/1/87         | 1/2%          |                |
| City of Clovis (Fresno Co.)         | City of Clovis Public Safety Transactions and Use Tax (CCPS)      | 4/1/00         | 3/10%         | 8.175%         |
| Imperial County                     | Imperial County Local Transportation Authority (IMTA)             | 4/1/90         | 1/2%          | 7.75%          |
| City of Calexico (Imperial Co.)     | City of Calexico Heffernan Hospital District (CXHD)               | 10/1/92        | 1/2%          | 8.25%          |
| Inyo County                         | Inyo County Rural Counties Transactions Tax (INRC)                | 10/1/88        | 1/2%          | 7.75%          |
| City of Clearlake (Lake Co.)        | City of Clearlake Public Safety (CLPS)                            | 7/1/95         | 1/2%          | 7.75%          |
| <b>Los Angeles County</b>           | <b>Los Angeles County Transportation Commission (LACT)</b>        | <b>7/1/82</b>  | <b>1/2%</b>   | <b>8.25%</b>   |
|                                     | <b>Los Angeles County Transportation Commission (LATC)</b>        | <b>4/1/91</b>  | <b>1/2%</b>   |                |
| Madera County                       | Madera County Transportation Authority (MCTA)                     | 10/1/90        | 1/2%          | 7.75%          |
| Mariposa County                     | Mariposa County Healthcare Authority (MCHA)                       | 7/1/00         | 1/2%          | 7.75%          |
| Napa County                         | Napa County Flood Protection Authority (NCFP)                     | 7/1/98         | 1/2%          | 7.75%          |
| Nevada County                       | Nevada County Public Library Transactions and Use Tax (NVPL)      | 10/1/98        | 1/8%          | 7.375%         |
| Town of Truckee (Nevada Co.)        | Town of Truckee Road Maintenance Transactions and Use Tax (TRSR)  | 10/1/98        | 1/2%          | 7.875%         |
| <b>Orange County</b>                | <b>Orange County Transportation Authority (OCTA)</b>              | <b>4/1/91</b>  | <b>1/2%</b>   | <b>7.75%</b>   |

See next page regarding Counties in **bold** letters.

**CALIFORNIA TAX DISTRICTS**

**[in effect as of July 1, 2000]**

| Tax Area                      | District  | Effective Date | District Rate | Total Tax Rate |
|-------------------------------|---|----------------|---------------|----------------|
| Riverside County              | Riverside County Transportation Commission (RCTC)                 | 7/1/89         | 1/2%          | 7.75%          |
| Sacramento County             | Sacramento County Transportation Authority (STAT)                 | 4/1/89         | 1/2%          | 7.75%          |
| <b>San Bernardino County</b>  | <b>San Bernardino County Transportation Authority (SBER)</b>      | <b>4/1/90</b>  | <b>1/2%</b>   | <b>7.75%</b>   |
| <b>San Diego County</b>       | <b>San Diego County Regional Transportation Commission (SDTC)</b> | <b>4/1/88</b>  | <b>1/2%</b>   | <b>7.75%</b>   |
|                               | <b>Bay Area Rapid Transit District (BART)</b>                     | <b>4/1/70</b>  | <b>1/2%</b>   |                |
| San Francisco City and County | San Francisco County Transportation Authority (SFTA)              | 4/1/90         | 1/2%          | 8.5%           |
|                               | San Francisco County Public Finance Authority (SFPF)              | 10/1/93        | 1/4%          |                |
| San Joaquin County            | San Joaquin County Transportation Authority (SJTA)                | 4/1/91         | 1/2%          | 7.75%          |
| San Mateo County              | San Mateo County Transit District (SMCT)                          | 7/1/82         | 1/2%          | 8.25%          |
|                               | San Mateo County Transportation Authority (SMTA)                  | 1/1/89         | 1/2%          |                |
| Santa Barbara County          | Santa Barbara County Local Transportation Authority (SBAB)        | 4/1/90         | 1/2%          | 7.75%          |
| Santa Clara County            | Santa Clara County Transactions and Use Tax (SCGF)                | 4/1/97         | 1/2%          | 8.25%          |
|                               | Santa Clara County Transit District (SCCT)                        | 10/1/76        | 1/2%          |                |
| Santa Cruz County             | Santa Cruz Metropolitan Transit District (SCMT)                   | 1/1/79         | 1/2%          | 8.0%           |
|                               | Santa Cruz County Public Library District (SZPL)                  | 4/1/97         | 1/4%          |                |
| Solano County                 | Solano County Public Library Transactions and Use Tax (SLPL)      | 10/1/98        | 1/8%          | 7.375%         |
| Sonoma County                 | Sonoma County Open Space Authority (SCOS)                         | 4/1/91         | 1/4%          | 7.5%           |
| Stanislaus County             | Stanislaus County Library (STCL)                                  | 7/1/95         | 1/8%          | 7.375%         |
| City of Woodland (Yolo Co.)   | City of Woodland General Revenue (WOGT)                           | 7/1/00         | 1/2%          | 7.75%          |

**Counties in bold letters are those in which the Institute has a business location.**

**Therefore, the applicable tax rate must be used to calculate Use Tax or Sales Tax for items shipped to or sold from these locations.**