



STATE BOARD OF EQUALIZATION
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001
TELEPHONE (916) 445-6450

September 26, 1990

Ms. M--- G---
XXX --- ---
--- ---, CA XXXXX

Re: Graphic Arts – Fabrication Labor
SR -- XX-XXXXXX

Dear Ms. G---:

I am writing in response to your August 8, 1990 letter concerning the application of California sales tax to graphic arts services you provided to a customer.

You are a self-employed graphic artist, and your work includes illustration, advertisement and brochure design, and paste-up and mechanical board work for camera-ready art. In 1989, you were hired by a customer to paste up type for a catalog. You completed the work in the customer's office. You did not design the catalog, but only did the paste-up work and prepared a camera-ready catalog. The work you performed was not part of a larger project that you created.

Representatives of the State Board of Equalization's San Francisco office advised you that your charges to the customer were taxable. However, your customer disputes this conclusion and believes that the work was not taxable. You have requested an answer in writing to confirm your understanding that the charges were taxable.

California Sales and Use Tax Law imposes a sales tax on retailers for the privilege of selling tangible personal property at retail. (Rev. & Tax. Code § 6051.) Although, the legal obligation to pay sales tax is on the retailer, Civil Code Section 1656.1 provides that the retailer may seek sales tax reimbursement from the purchaser. It is presumed that all of a retailer's gross receipts are taxable retail sales until the contrary is established.

Board Sales and Use Tax Regulation 1526 states that sales tax applies to charges for producing or fabricating tangible personal property for consumers who furnish the materials used in the producing or fabricating. Thus, when you paste up a catalog for a customer, the charge for your fabrication labor in making the catalog camera-ready is taxable. I have enclosed a copy of Regulation 1526, as well as the Board publication "Tax Tips: the Graphic Arts Industry," which describes the application of sales tax to the graphic arts industry.

You state in your August 8 letter that your customer does not believe the charges for preparing the catalog were taxable. As noted above, although the legal obligation to pay the sales tax is on the retailer, the retailer may seek reimbursement from the purchaser. However, whether your customer, as purchaser of your fabrication labor, will reimburse you for the sales tax due depends entirely on the terms of your agreement.

If I can be of any further assistance, please contact me.

Very truly yours,

Janet Vining
Tax Counsel

JV:wk
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Enclosure