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January 9, 1996

Mr. M--- G---  
Chief Financial Officer  
C--- S---, Inc.  
XXXX --- Street  
--- ---, CA XXXXX

**Re:   *Sales and Use Tax Regulation 1590***  
***SR -- XX-XXXXXX***

Dear Mr. G---:

This is in reply to your December 8, 1995, letter directed to Mr. Dronenburg. You inquired as to the application of sales tax to your purchases of certain printed materials in accordance with Sales and Use Tax Regulation 1590 and requested a written response to the following:

“Does C--- S---, Inc. (dba S--- S--- C--- C---) have to pay Sales and Use Tax on coupons we had printed.

- C--- S--- had a commercial printer print coupons (enclosed). The purpose of these coupons was to advertise carpet and upholstery cleaning services.
- Once printed, the commercial printer delivered the coupons to the binding company for attachment to the publication ‘T--- W---’ (xerox copy attached).
- Once bound, the publication was sent to the newspaper company (--- --- ---) for delivery to the end recipient.

“At no point in the process was any of the printed material sent to C--- S---. Does Regulation 1590 apply to our situation? And if so, how would we implement it?”

Section 6051 of the Revenue and Taxation Code imposes the sales tax on retailers for the privilege of selling tangible personal property at retail in this state. The measure of tax is based on gross receipts from the retail sales in the state of tangible personal property. Tax does not apply to sales of tangible personal property to persons who purchase the property for incorporation as a component part of a newspaper or periodical which will be sold notwithstanding that the purchaser is not the seller of the newspaper or periodical. (Sales and Use Tax Reg. 1590(b)(1).)

The term "component part of a newspaper" includes only those items that become physically incorporated into the publication and not those which are merely consumed or used in the production of the publication. Handbills, circulars and flyers or the like are considered as component parts of a newspaper when attached to or inserted in and distributed with the newspaper. (Sales and Use Tax Reg. 1590(a)(3).)

We understand that "T--- W---" is part of the --- --- --- newspaper. The sale of the coupon, since it is attached to the newspaper and becomes a component part of a newspaper, is not subject to sales tax.

You should provide a timely certificate in writing to the seller that the property will be used in a manner or for a purpose entitling the seller to regard the gross receipts from the sale to be nontaxable. (Sales and Use Tax Reg. 1590 (c).) The form of the certificate required for this type of transaction is included in Sales and Use Tax Regulation 1590 (copy enclosed) as "Certificate A."

If you have any further questions in regard to these matters, please do not hesitate to write us directly.

Yours very truly,

Anthony I. Picciano  
Staff Counsel

AIP:cl

Enclosure (Reg. 1590)

cc: Ms. A--- M. L---  
Technical Advisor to Mr. Dronenburg

--- --- District Administrator