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PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001
TELEPHONE (916) 920 - 7445

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January 7, 1994

BURTON W. OLIVER
Executive Director

X-----

Dear X-----,

This is in reply to your letter we received November 23, 1993 regarding the application of sales tax to charges to X----- by persons performing production work for you.

We understand that X----- publishes a weekly newspaper and distributes it without charge. You sometimes hire an independent contractor to paste up editorial and advertising copy. You asked whether the person's charges for that work is subject to sales tax.

The sales tax is imposed on retailers at the applicable rate of the gross receipts for the privilege of selling tangible personal property at retail in this state. (Rev. & Tax. Code § 6051.) The law defines "sale" at Revenue and Taxation Code section 6006, subdivision (b), to include:

"The producing, fabricating, processing, printing, or imprinting of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating, processing, printing, or imprinting."

A "retail sale" or "sale at retail" means a sale for any purpose other than resale in the regular course of business in the form of tangible personal property (Rev. & Tax. Code § 6007.)

Enclosed is a copy of Sales and Use Tax Regulation 1541, Printing and Related Arts. As noted at subdivisions (f) (3) and (f) (5), the transfer of typed matter combined with artwork in the form of a paste-up, mechanical, assembly, or camera-ready art is a sale subject to sales tax. When you hire an independent contractor to work on the production of a paste-up which consists of typed matter and illustrations or any other artwork, the person performs taxable fabrication labor under Revenue and Taxation Code section 6006, subdivision (b). The paste-up is a manufacturing aid you use to produce the newspaper.

We hope this answers your questions; however, if you need further information, feel free to write again.

Very truly yours,

Ronald L. Dick
Senior Tax Counsel

RLD:plh

Enclosure - Sales and Use Tax Reg. 1541