

California State Board of Equalization

Special Printing Aids Sold with Nontaxable Sales of Printing

Special printing aids are reusable manufacturing aids used by printers in the printing process and are useful only to a particular customer. Examples of special printing aids include film, screens, cutting dies, color separations, reusable printing plates and intermediate production aids. Intermediate production aids include items such as artwork, illustrations, photographic images, photo engravings, and other similar materials that are used to produce special printing aids.

A printer is regarded as selling special printing aids used to produce printed material along with the printer's sale of the printed matter unless the printer makes a specific statement on his or her invoice stating that ownership of the special printing aids does not transfer to the customer prior to their use. As retailers, printers may issue resale certificates for their purchases of special printing aids. However, when a printer sells special printing aids along with a nontaxable sale of printed matter, the printer is making a taxable retail sale of the special printing aids unless the special printing aids are sold for resale or to the U.S. government (see below).

Example: A printer sells printed brochures and special printing aids to a customer outside California. The brochures are shipped out of California and qualify as a nontaxable interstate commerce sale. However, the printer's sale of the special printing aids is not a sale in interstate commerce and is taxable because the sale and purchaser's use of the special printing aids occurs in this state prior to shipment of the special printing aids to the customer.

The measure of tax on the printer's sale of special printing aids is deemed to be the sale of the special printing aids, or their components, to the printer—whether the charge for the special printing aids is included in a lump-sum charge that includes the printed matter, or the charge for special printing aids is separately stated on the invoice. If the printer has paid tax or tax reimbursement to the vendor of the special printing aids, no further tax is due. If the printer did not pay tax or tax reimbursement when the aids were purchased, the printer must report the sale of the aids on his or her return and pay the tax due.

Sales of special printing aids to the U.S. government. When a printer makes a sale of printed matter to the U.S. government, the printer's sale of the printed matter and special printing aids is exempt from tax.

Sales of special printing aids for resale. In order for the printer to sell special printing aids for resale prior to the printer's use, two requirements must be satisfied:

1. A timely and valid resale certificate for the special printing aids must be obtained and accepted in good faith, stating the special printing aids are purchased for resale; and
2. There must be a separate statement on the invoice for the special printing aids, or their components, in an amount of at least the sale price of the special printing aids or their components to the printer.

The purchaser of printed matter and special printing aids from a printer may not properly issue a resale certificate for the special printing aids unless they will, in fact, be resold prior to any use. The purchaser cannot purchase special printing aids for resale if the purchaser does not have an existing contract for that resale by the time the printer uses the special printing aids, since the printer will obviously have used the special printing aids, on the purchaser's behalf, before they could be resold by the purchaser. The purchaser may not purchase special printing aids for resale unless that purchaser will, in fact, resell the special printing aids to someone who obtains the right to exercise "dominion and control" over them. If the printed matter will be resold to more than one purchaser, all the purchasers cannot exercise dominion and control over the special printing aids, and the printer's customer is not, in fact, reselling the special printing aids to the multiple purchasers.

Example: A manufacturer contracts to purchase instruction manuals for products to be sold by the manufacturer. The printer cannot accept a resale certificate from the manufacturer for the special printing aids used to produce the instruction manuals because the manufacturer will not be reselling the special printing aids to each purchaser of the instruction manual. If the printer purchased the special printing aids for resale, the printer will owe tax on the sale of the special printing aids.

For more information. For more information about how tax applies to special printing aids, see Regulation 1541, *Printing and Related Arts*, at www.boe.ca.gov/sutax/staxregs.htm. For examples of sales transactions and a method for reporting special printing aid liability using a percentage, see Sales and Use Tax Audit Manual Chapter 11, *Advertising Agencies, Graphic Artists, Printers, and Related Enterprises* at www.boe.ca.gov/pdf/fam-11.pdf.

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