



*For more information.* We offer a helpful two-page publication to explain how tax applies to gift-wrapping charges, including charges for wrapping combination packages of food and non-food products. You can order a copy of Publication 106, *Gift-Wrapping Charges*, from our Information Center or download a copy from our website.

## 6. Change in Reporting Methods on Sales and Installations of Electric Signs

Operative October 1, 2000, the method that you may use to report tax on sales and installations of electric signs has been changed. Starting that date, a contract to furnish and install an electric sign for a single (lump-sum) contract price is taxable on 33% of the contract price.

For example, on October 1, 2000, you contract with a customer to furnish and install an electric monument sign for a lump-sum contract price of \$20,000. Under the new rules, you are required to report tax on \$6,600 ( $33\% \times \$20,000 = \$6,600$ ). You would charge tax using the tax rate in effect at the location where the sign is installed. It is presumed that the remaining \$13,400 ( $\$20,000 - \$6,600 = \$13,400$ ) is for nontaxable installation labor.

*Please note:* this reporting method is available only on the sale and installation of an electric sign. You may not use it to report the sale of a nonelectric sign.

This change does not affect your responsibility to report tax on the selling price of a sign when you sell a sign without installing it, or when you separately state the selling price of a sign you install.

*Example 1.* You sell a sign for \$15,000 to a customer who has hired another contractor to install it. You must report tax on \$15,000 at the tax rate in effect at the sales location.

*Example 2.* You contract to furnish and install an electric sign for which you separately state a sales price of \$15,000 for the sign and \$5,000 for installation labor. Because you have separately stated the selling price, you must report tax on \$15,000, using the tax rate in effect at the location where the sign is installed.

Remember, charges for installation labor are nontaxable. For example, when you install a sign sold by someone else or owned by the person for whom you are doing the installation, all your labor charges are nontaxable. However, if you furnish and install a sign with separately stated charges for the sign and the installation labor, you may be required to document that the charges for installation do not include taxable fabrication labor. For example, you furnish and install a sign and separately state labor charges of \$12,000. You may be required to provide bid sheets or time sheets that document the entire \$12,000 was for installation labor and not fabrication of the sign.

For more information, call our Information Center and request a copy of Regulation 1521, *Construction Contractors*. See subdivision (c)(12).

## 7. Special Printing Aids – An Explanation of “Resales Ultimately Subject to Tax”

There has been some confusion regarding the application of tax to sales for resale of special printing aids and the definition of “ultimately subject to tax.” Specifically, there have been questions about situations where a printer makes a sale of both printed matter and special printing aids, but a subsequent seller only sells the printed matter. Examples of these transactions include printers of packaging materials, product labels, newspapers and books.

Regulation 1541, *Printing and Related Arts*, subdivision (c)(1), provides in part

“Ultimately subject to sales tax,” means either the printer’s sale of the printed material and special printing is subject to sales tax or is an exempt sale to the US Government, or if the printer’s sale of the printed material is for resale, a subsequent sale of the printed material and special printing aid is subject to California sales tax or is an exempt sale to the US Government.

This subdivision means that when there is a series of resales, every sales transaction must be of *both* the printed matter *and* special printing aids