

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA
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November 26, 1990

Mr. E--- A. G---
N--- P---
XXXX --- Avenue North
---, Minnesota XXXXX

RE: SC --- XX-XXXXXX

Dear Mr. G---:

This is in reply to your October 10, 1990 letter regarding the application of California Use Tax to your sales of printing. You noted the following facts:

“We received an order to do typesetting, printing, bindery and mailing of a price list for a Medical Products supplier located in California. On completion of producing the price list we inserted, sealed and addressed envelopes for mailing to may points in the US, including Hospitals, their Dealers and the company’s representatives. We purchased US Postage and applied it to the envelopes for delivery. We then mailed the envelopes at our local Post Office.”

We assume that your reference to a local post office is a reference to a post office outside of California. Although you refer to the sales tax, the California sales tax is imposed upon retailers at the applicable percentage rate for making retail sales of tangible personal property in this state. (Rev. & Tax. Code § 6051.) Under the facts you described, the sale occurs outside this state, and the sales tax is not applicable.

The California Use Tax is imposed on the storage, use, or other consumption of tangible personal property purchased from a retailer for storage, use or other consumption in this state, (Rev. & Tax. Code § 6201.)

As a retailer holding a certificate of use tax, you are required to collect the tax from the purchaser when you make sales to such purchasers. (Sales and Use Tax Reg. 1684, Collection of Use Tax by Retailers.) Under the facts you provide, when you deposit the price lists in the mail outside this state to send to the recipients on behalf of the medical products supplier, the title to the price lists passes to the recipients at that time. (Business Taxes Law Guide Annotation 280.0360.) Consequently, both your sale of the printed matter and the use of the property by the medical products supplier occurs solely outside this state, and the California use tax does not apply to any of your sales price of the printed matter.

You also note the following:

“Out of curiosity it would also be helpful if we had an opinion on Government Post Cards since we do handle these from time to time, though not yet for a California customer. The Post Office supplies Post Cards with the postage stamped onto the card. The cost of these cards is the same as if the postage alone was purchased (the cost of the postage, and the cost of the pre-stamped post cards is equal). We have printed various items on these cards, usually as a return mailer to our customer. In Minnesota, we handle the charges for these as two separate billings on the same invoice as follows:

| | |
|------------------|---------------|
| Govt. PC | 300.00 |
| Printing Charges | <u>121.00</u> |
| Non-taxable | 300.00 |
| Taxable | 121.00 |
| Sales Tax | <u>7.26</u> |
| Total | 428.26” |

Our analysis is the same as above. If you sell printed post cards to a California customer and deposit the post cards in the mail outside the state to send to the recipients, the California use tax is not applicable to the use of the property. On the other hand, if you were to ship the post cards in bulk back to the California purchaser in this state, your charges for the printing of the post cards would be subject to tax. The Board’s legal staff has taken the position that, when tangible personal property is sold with United States Postal Service postage affixed, the taxable gross receipts or sales price of the tangible personal property does not include a separately stated charge for postage. That is the case whether the postage is to send the property to the customer or the postage is for the customer to use in sending the property to the third party recipient.

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:cs