

**STATE BOARD OF EQUALIZATION**

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May 16, 1988

Ms. S--- F. L---
S--- G---
XXXX --- Street, Suite XXX
---, CA XXXXX

SR -- XX-XXXXXX

Dear Ms. L---:

This is reply to your March 24, 1988 letter regarding the application of sales tax to your charges for designing advertisements. You noted the following facts:

“My clients send penciled outlines of what they want in their ad. I then buy camera work for line art, spec and buy typesetting, design the ad, send them federal express proofs (sic), make corrections, order and buy color composite film, and finally I send composite film to the magazine here in California. The only thing I send out of state is a proof and a bill. All items are purchased for resale and do not leave the state of California.”

The California sales tax is imposed upon retailers for the privilege of making retail sales of tangible personal property in California. (Rev. & Tax. Code § 6051.) When, pursuant to a retail sale, you transfer title to or possession of tangible personal property in California, either directly to the purchaser or to the purchaser's representative, the sale is subject to sales tax. The purchaser's not being a resident of this state has no bearing on the application of the sales tax. (Sales and Use Tax Reg. 1620, subd. (a)(3)(A).) Therefore, when you create an advertisement for an out-of-state client and transfer the composite film final product to a magazine in California on behalf of your client, your sale is subject to sales tax.

Your letter indicates that you purchase all items for resale. You may purchase for resale only the tangible personal property which you purchase for the purpose of incorporating into the product which you sell to the client prior to use. (Reg. 1525, subd. (b); Reg. 1525.1.) You may not purchase for resale, and tax does apply to the sale to you of property you purchase for use in manufacturing the final product. (Reg. 1525, subd. (a).) For example, if you purchase a photograph and have it made into a composite film, tax applies to the sale to you of the photograph. The

photograph does not become an ingredient or component part of the composite film merely because the image of the photograph is transferred to the composite film. (Reg. 1540, subd. (d).)

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

Very truly yours,

Ronald L. Dick
Tax Counsel

RLD:sr