



STATE BOARD OF EQUALIZATION

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May 5, 1993

Ms. M--- H---
I--- P---, Inc.
XXX C--- Drive
--- ---, CA XXXXX

Re: Applicability of Sales Tax
SR -- XX-XXXXXX

Dear Ms. H---:

This office has received your letter dated March 10, 1993 in which you requested information concerning the applicability of sales tax in certain situations.

You state in your letter that I--- P---, Inc. is a graphic arts finishing business. I--- P--- puts the finishing touches on printing jobs forwarded by printers. Sometimes, I--- P--- makes an error on a job. The job must be redone and I--- P--- must sometimes reimburse the customer for reprinting the job. You asked if this is taxable.

It is assumed that the retail customer contracts with the printer for the job order. The printer forwards the printed order to I--- P--- for their services and I--- P--- bills the printer for the work which it performs on the order. If the job order must be redone, it is further assumed that the retail customer is billed only for the price specified in the original order. Under these circumstances, the act of redoing the job has no tax consequence. Tax applies only to the amount billed to the retail customer by the printer since this is a transfer of title to the order only from the printer to the customer.

If I--- P--- must reimburse the retail customer for the price paid on the printing order billed by the printer, there is no tax due on this amount. The payment of such cost is in the nature of "damages," not the sale of tangible personal property.

You also ask if a resale certificate holder changes their address, is it necessary that a new resale certificate be obtained? A new resale certificate should not be obtained in this situation, but the Board should be notified in order that it may change its mailing list and put the correct address in the file.

Very truly yours,

Thomas Cooke
Tax Counsel

TC:cl

cc: --- --- District Administrator