



STATE BOARD OF EQUALIZATION

916-445-2641

April 9, 1979

This is in response to your letter of December 27, 1978. We apologize for the delay in our response; however, we have been discussing with representatives of the typography industry the question as to whether our Regulation 1541, "Printing and Related Arts," properly describes the application of sales tax to cold type typography technologies, as required by Revenue and Taxation Code Section 6010.3.

As you may be aware, Section 6010.3 provides as follows:

“ ‘Sale’ and ‘purchase,’ for the purposes of this part, do not include (a) the fabrication or transfer by a typographer of composed type or reproduction proofs thereof for use in the preparation of printed matter, or (b) the fabrication or transfer of such reproduction proofs or impressed mats when the fabrication is for, and the transfer is to, a printer or publisher for use in printing.

“The foregoing provisions shall not apply to the fabrication or transfer of a 'pasteup,' 'mechanical' or 'assembly' of which a reproduction proof is a component part.”

The application of Section 6010.3 to cold type technologies is detailed in paragraph (f) (3) of our Regulation 1541, “Printing and Related Arts,” copy enclosed for your reference.

We understand that you occasionally find it necessary to have a photostat made of typed matter (photocomposition type). You use a local camera shop for this purpose. The camera shots include no artwork. They are used to make your type fit the customer's specification. For example, the customer needs type to fit a specific line length and your phototypesetter will not set the type to fit. Therefore, you must make a camera shot (reduction or enlargement) to make the type meet specifications. You list the camera charges separately on the invoice since your customers want to know what the actual typography charge was as separate from the camera work.

You inquire as to whether this transaction with your customer is taxable. If the transaction is taxable you inquire as to whether the tax applies to the total amount of the

invoice or just to the charges applicable to the camera work. Finally, you inquire as to whether the tax consequence is dependent upon the manner of billing to your customer.

The question at issue is whether the photostats furnished to your customer qualify as "composed type or reproduction proofs thereof" under Revenue and Taxation Code Section 6010.3. Regulation 1541 is intended to interpret this language in the context of cold type composition technology. The regulation provides that "Tax does not apply to the transfer ... of (a) the direct product of the type composition service containing type matter only ... or (b) a direct copy ... of the product, provided the product or copy is to be used exclusively for reproduction." From the information contained in your letter of December 27 and the information contained in your letter to us of September 13, 1978, it would appear that the photostat qualify under Section 6010.3 and our Regulation 1541 as either "composite type" or a "reproduction proof thereof" and that the charge made to your customer would be nontaxable without regard to the manner of billing.

Tax would apply, however, to the charge made by the camera shop to you for the photostats. The fabrication and transfer of the photostat by the camera shop does not qualify as a transfer of typography. The sale by the camera shop to you is a retail sale since your transfer of the photostat to your customer is not a "sale" transaction.

Very truly yours,

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Tax Counsel

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Enclosure

Bc: San Mateo – Subdistrict Administrator
San Francisco – District Administrator