November 22, 1988

Dear X------------------,

This is in reply to your letter of October 26, 1988. You attended the Board hearing on October 19 concerning Regulation 1541, “Printing and Related Arts,” as that regulation pertains to typography.

As you are aware, Revenue and Taxation Code 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.

At the hearing, you made two suggestions – concerning the word "direct" and concerning the phrase "photomechanical transfer." We have made the changes that you requested.

You raise additional questions however as follows:

1. Direct Output

   This is the when the customer takes the reproduction proofs directly off the typesetting machine.

   We agree with you that this is not taxable.

2. Typography and Proofs.

   Reproduction proofs are provided to the customer by means of diffusion transfers or negatives or prints.

   We agree with your conclusion that this is not taxable.


   The customer sets and composes the type on a desktop publishing system. It is then sent to you on a disk to process through your typesetting equipment. At present, some
typographers do not tax this charge at all. Others charge tax if there is artwork or half tones in the output. Others always charge sales tax.

Tax applies only if there is artwork or half tones in the output. If there is no artwork or no half tones, tax does not apply.


In the process you produce color proofs from customer's black and white art or type.

We agree with your conclusion that sales tax does apply to charges for this activity.

5. Typography and Color Proofing.

In this situation you set the type. In some cases you go directly to color proofs. In other cases, you send reproduction proofs to the customer who makes a mechanical, sometimes with artwork, and returns it to you for color proofing.

Typography may not be broken out as nontaxable where you go directly to color proofs. Typography may be broken out on the invoice where you furnish your reproduction proofs to the customer who then returns the mechanical to you so that you may prepare color proofs. Where the typography is delivered to the customer, the transaction with respect to the typography is regarded as complete for sales and use tax purposes, and the charge for typography is not taxable. If the typography is not delivered to the customer, then the charge for typography is part of the charge for the taxable item, and the typography charge is taxable.


Customers send artwork or type to be resized. You are aware that stats are subject to sales tax. You inquire as to what should be done where the customer sends you $1,000 of typography and there is a $10 stat charge.

We agree with your conclusion that only the stat is subject to sales tax.

7. Logos.

You now have the ability to scan logos and output the logo from the typesetting machine. You inquire as to whether the entire job becomes taxable, just the logo portion, or none of the job.

Tax applies only to those proofs containing the logo. Proofs which contain text matter only are not subject to tax.
We hope that the information here can be of use to you and X-----------------.

Very truly yours,

Gary J. Jugum
Assistant Chief Counsel

GJJ:sr