

**STATE BOARD OF EQUALIZATION**

(916) 324-8208

January 27, 1992

REDACTED TEXT

Re: Storage of Printed Goods

Dear REDACTED TEXT,

This is in response to your letter dated December 6, 1991, in which you state:

“We have a client who is a vendor of printed goods. On occasion our client enters into an agreement with a customer, along with the sale of the printed goods, to ‘store’ the goods on the client’s premises for one year.

“Once the first year anniversary is reached, our client may have a customer who decides that they would like to continue the ‘storage’ agreement. Our client is invoicing their customer for this additional storage time and is not sure whether or not to charge sales tax on this storage charge.

“We would like to know how the state of California views our client’s sales tax liability concerning this type of transaction.”

Sales tax is measured by the gross receipts from the sale of tangible personal property. Rev. & Tax. Code § 6051. Gross receipts includes the total amount of the sales price without any deduction for service or labor costs. Rev. & Tax. Code § 6012. On the other hand, the charge for a service which is not related to the sale of tangible personal property is not part of taxable gross receipts. Sales and Use Tax Regulation 1501.

We assume that your client does not begin charging for storage until he or she has completed the sale of the printed materials and passed title to the customer. We further assume that your client does not condition the sale of the printed materials upon storage of such materials with the client. If this is the case, the storage charges are nontaxable charges for a service. If, however, the client charges for storage prior to the sale and passage of title or conditions the sale upon storage with the client, such charges are part of the gross receipts from the sale and therefore taxable.

Revenue and Taxation Code section 6596 provides the only basis for relief from tax if a taxpayer relies on incorrect written advice from the Board. The primary conditions to qualify are that the request for opinion must be in writing and must disclose all relevant facts, including the identity of the taxpayer. Since you have not identified your client, this opinion does not come

within the provisions of section 6596 but rather is simply general advice regarding a set of hypothetical facts.

If you have further questions regarding California sales and use tax law, please do not hesitate to write again.

Sincerely,

Elizabeth Abreu
Tax Counsel

EA:cl
REDACTED TEXT

bc: Out-of-State District Administrator