Sales/Use Tax Quick Decision Chart for Purchases
Appendix A

Start

- Maintenance agreement? YES
  - Hardware
    - Exempt if optional, taxable if mandatory
  - Software
    - Canned
    - Custom
    - Exempt

- Purchase of Tangible Personal Property (TPP)? NO

- For resale? (Cafeteria or Pharmacy) YES
  - Is item an exempt medicine? NO
  - Construction contract? YES
    - Labor or consulting? YES
      - Freight Charges? YES
        - Issue a resale certificate or resale P.O.… To your vendor.
      - Construction contractor is responsible for tax if lump sum or time and material.
    - Labor is taxable if for new assembly or fabrication of TPP. Exempt if repair, installation, or consulting unrelated to the purchase of TPP.
  - Not subject to sales/use tax. Exemption certificate may be required.

- Maintenance agreement? NO
  - Hardware
  - Software
  - Purchase from a California seller for County’s use with delivery and title transferring in California? NO
    - Did title to property transfer outside of CA? NO
      - Purchased from non-California vendor?
      - Has seller charged California tax? NO
        - Accrue and pay use tax on SBE return in the period of purchase
        - Has seller charged another state’s tax?
      - Has a resale certificate been issued to the seller? NO
        - Accrue sales tax and report on SBE return in the period of purchase.
        - Do not issue a resale certificate or accrue use tax. Seller is responsible for collection and payment of state tax.
      - YES
        - Remit tax with payment to the vendor. Retain invoice as a receipt for tax paid.
      - YES
        - Remit tax billed with payment to the vendor. Accrue difference and report use tax on SBE return in the period of purchase (calendar quarter).

Items to exclude from the measure of tax:
1. Common carrier freight charges to County.
2. Repair and installation labor.
3. Services not related to the purchase of TPP.

Items to include in the measure of tax:
1. Handling charges.
2. Freight-in to seller’s location.

Note:
TPP: Tangible personal property.
SBE: State Board of Equalization