

**PROCUREMENT SERVICES  
CALIFORNIA SALES/USE TAX REFERENCE  
COMMON REASONS PURCHASES ARE EXEMPT**

TAX STATUS	EXPLANATION
TAXABLE	<i>California Sales Tax</i> is correctly reflected on the supplier's invoice. Pay tax to the supplier.
ACCRUE USE TAX	<i>California Use Tax</i> should be self-assessed. <b>A/P is to verify USE TAX is accrued to proper GL Object Code, so funds can be paid to the SBOE.</b>
SALES TAX INCLUDED	<i>California Sales Tax</i> is included in the invoice total.
TAX EXEMPT	Item is exempt from <i>California Sales or Use Tax</i> . Buyers document "exempt reason" on PO. A/P verifies reason is exempt.
ITEM	REASON FOR EXEMPT STATUS
ARTWORK	Original works of art publicly displayed.
FEDERAL GOVERNMENT PURCHASES	Federal government holds title to item purchased. <b>When coded to "Equipment - Government", verify title vests with Govt. in OGM.</b>
FOOD PRODUCTS	If food is unprepared (excludes catering related services).
FREIGHT	Freight charges separately stated from handling charges.
INTANGIBLE PROPERTY	Intangible property (patents, licenses, copyrights, etc).
OPTIONAL MAINTENANCE CONTRACTS	Exempt, if separately stated on invoice.
LABOR CHARGES	Installation, repair and moving.
MEMBERSHIPS	Professional organization's membership.
REPAIR LABOR	Repair labor if taxable parts are stated separately on invoice.
PERIODICALS	Periodicals issued between 4 - 60 stated intervals per year. When coded to "Publications", <b>verify if Periodicals, Reprints etc. and if properly coded. If Reprints or other taxable item, alert A/P.</b>
PRINTED MATERIALS - BROCHURES	Materials printed for resale.
RESALE PURCHASES	Items purchased for resale. Resale Certificate issued on P.O. Examples: Palomar gift shop, Wired, etc. <b>When coded to "Inventory - Purchases", verify purchase order references the resale certificate.</b>
<b>**SOFTWARE**</b>	
SOFTWARE "ELECTRONICALLY TRANSFERRED" (no tangible personal property rec'd)	Electronically transmitted software (downloads, attachments etc).
SOFTWARE - CUSTOM	Custom software related software licenses and maintenance agreements.
SOFTWARE "OPTIONAL MAINTENANCE AGREEMENTS" (tangible personal property rec'd)	Optional lump sum software maintenance agreements for prewritten (canned) software separately stated on invoice. Includes: Tangible personal property such as updates received on disks during the term of the maintenance agreement. <b>Partial Exemption: 50% of lump sum exempt, 50% taxable. Excludes maintenance agreements for custom software (i.e. not combined with software purchase).</b>
SOFTWARE RELATED "CONSULTING SERVICES" (OPTIONAL & SEPARATELY STATED ON INVOICE)	Purchased in connection with custom or prewritten software.
UTILITIES	Applicable taxes are charged by the Utility Companies.
USE OUTSIDE OF CALIFORNIA	Item will be shipped to point outside California and used exclusively for use outside of California.