

California Sales & Use Tax Overview: 2026



Procurement Services

What is sales tax?

- Tax billed on purchases of tangible personal property (TPP)
 - Can be seen, measured, weighed or touched such as supplies, equipment, etc.
- Tax billed on certain taxable services (example: fabrication labor)
- Charged by CA suppliers or out-of-state suppliers registered to collect sales in CA
 - Suppliers collect sales tax from their customers and remit payment directly to CA Dept. of Tax and Fee Administration (CDTFA)

What is use tax?

- Use tax applies when a supplier does not bill sales tax on an invoice.
- Use tax is imposed by CA State on TPP stored or used in CA.
 - Caltech must self-assess use tax.
- Most common reasons:
 - Foreign vendors are generally not registered with CDTFA and cannot collect CA sales tax.
 - Out-of-state retailers may not be registered to collect sales tax in CA
 - CA suppliers in other counties or cities may not collect LA County or Pasadena sales tax. AP requests revised invoice or accrue the difference, as needed.

Caltech's Tax Status

Available exemption:

- Illinois
- Louisiana
- Massachusetts
- New York
- Nevada
- Texas

No exemption:

- California
- Hawaii
- Washington

Important: DO NOT confuse sales and use tax exemption with Federal and State income tax regulations.

Offsite Locations and Rates

Caltech has a business presence in the following locations:

1. Inyo County (OVRO) = 7.75%
 - CA State = 7.25%, Inyo County = 0.5%
2. San Diego County (Palomar) = 7.75%
 - CA State = 7.25%, San Diego County = 0.5%
3. Hawaii (CSO) = 4.71%
4. Benton County, WA (LIGO - Hanford) = 8.8%

*****Important: Select the correct Ship-To Site in TechMart!*****

Sales Tax Breakdown

- Current tax rate = 11%
 - Effective 10/1/2026
- Applies to all taxable goods shipped to campus (Pasadena)

CA State	7.25%
LA County	3.00%
City of Pasadena	0.75%
Total Tax Rate	11.00%



CRT Tax Breakdown

- Special reduced rate for purchases related to research and development (R&D)
- Most common with equipment purchases
- Referred to as California Reduced Tax (CRT), internally

Campus Delivery	
CA State	3.3125%
LA County	3.00%
City of Pasadena	0.75%
Total CRT Rate	7.0625%

San Diego and Inyo County*	
CA State	3.3125%
SD or Inyo County	0.50%
City Rate	0.00%
Total CRT Rate	3.8125%

**Delivery to Palomar Observatory and OVRO*

Taxable Purchases

In general, tangible goods are taxable EXCEPT for resale purchases or property titled to the government.

Examples:

- Office supplies
- Lab supplies
- Books
- Furniture



Nontaxable Purchases

Examples:

- Unprepared food
- Utilities (internet, electricity, etc.)
- Software license/tokens (download)
- Copyright use/royalties
- Tangible goods shipped to or used in exempt locations (Louisiana, Nevada, etc.)
- Services, in general



Inventory Purchases

Caltech is subject to sales and use tax
EXCEPT for the following:

Resale Purchases:

- ✓ Athenaeum
- ✓ Bookstore and Caltech Wired
- ✓ Broad Café
- ✓ Brown Dining Hall
- ✓ Red Door
- ✓ Convenience Store

Equipment Title

- Title will transfer to the government
- Generally coded with E-Type, “Equipment-Govt”
- Not all Federal Awards are tax exempt!!
 - Verify status before applying exemption
 - Check in Financial Query or OGM
 - Award Status = Title to Gov’t

Analyzing Orders



Taxability on specific commodities:

- Services
- Canned/Custom Software*
- Labor
- Maintenance Contract/Warranty
- Lump Sum Contracts
- Progress Payments

**Effective 1/1/2027, software and SaaS will become taxable in California per Regulation SB 122. More information to follow.*

Services

Services are generally not taxable UNLESS performed as part of the sale of tangible personal property.

Examples of Nontaxable Services:

- Consulting, accounting, IT services (programming, tech support, etc.)
- Design, editing services, engineering (without fabrication)

Examples of Taxable Services:

- Photography – generally includes developed or framed pictures or digital images on portable drive
- Filming – finished film or video delivered on DVD, BluRay or portable drive

Canned Software

Definition: Prewritten program manufactured for general sale (Microsoft Office, Photoshop, etc.)

Taxable:

- If received on tangible form such as CD, flash drive, or other external storage device

Nontaxable:

- If received by e-mail, downloaded from the seller's website, or transferred from PC to PC

Note: Effective 1/1/2027, software and SaaS will become taxable in California per Regulation SB 122. More information to follow.

Custom Software

Definition: Software developed with certain specifications as required by the customer (Oracle, TechMart, CardQuest, etc.)

Nontaxable:

- Customized software is not taxable, even if received on tangible media
- Includes modification of canned software (if separately stated)
- Software license or tokens
- Software maintenance
- Software updates received electronically
- Updates/maintenance bundled into one price AND received electronically

Note: Effective 1/1/2027, software and SaaS will become taxable in California per Regulation SB 122. More information to follow.

Custom Software

Taxable:

- Software updates received in tangible form such as CD or portable USB drive
- Bundled updates/maintenance received in tangible form
- If taxable, only 50% of the price is subject to sales/use tax

Reminder: Always confirm the software delivery method to determine taxability. Contact the supplier, Procurement Services or end-user.

Note: Effective 1/1/2027, software and SaaS will become taxable in California per Regulation SB 122. More information to follow.

Labor

Taxable:

- Fabrication
- Assembly
- Machining service
- Final product is different from original parts

Nontaxable:

- Repair (if taxable parts are separately stated)
- Installation
- Services related to tax exempt purchase (Equipment – Govt)



Service Contracts & Warranty

- Warranty and service agreements are sometimes offered by suppliers when purchasing an equipment (copiers, MRI or X-ray machine, etc.)
- Technicians will perform repair and maintenance service onsite in the future.

Taxable:

- Mandatory warranty
- Mandatory service agreement
- Replacement parts, separately stated

Nontaxable:

- Optional warranty
- Optional service agreement
- Repair labor/service if separately stated

Reminder: Always confirm if the warranty or maintenance agreement is required upon the purchase of the equipment to determine taxability.

Construction Invoices

- Lump sum contracts with contractors for repairing and remodeling real property are exempt from sales and use tax.
- Contractors are liable for taxes on cost of materials and fixtures because they are the consumers of those purchases, not Caltech.

Examples:

- New buildings (Bechtel Residence, Chen Neuroscience Lab)
- Rehab projects
- Lab improvements



Construction Invoices

➤ Examples of Contractor Work:

- Electrical work, plumbing, roof replacement
- Cement jobs/masonry
- A/C installation and duct work

➤ Equipment and Appliances:

With some remodeling projects, a contractor may sell and install appliances to be used in the facility. These specific items are taxable and the contractor must charge sales tax on the invoice.

- Examples: Stove, refrigerator, etc.

Progress Payments

Common with special custom or fabricated equipment

Deposits on furniture, appliances and lab equipment

Sales and use tax is due when the title transfers to Caltech which generally occurs after installation and final acceptance by the end-user.

Checklist

Obtaining accurate information is critical to preventing tax errors.

- ✓ Request more info from end-user or supplier, if necessary
- ✓ Validate if PTA or E-Type is exempt
- ✓ Do not combine taxable and nontaxable items on the PO
- ✓ Verify Ship-To Site
- ✓ Document, document, document!



Resources & Contacts

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Website:

- [Procurement Services](#)
- [Controller's Office](#)