



UC San Diego

Policy & Procedure Manual

[Search](#) | [A-Z Index](#) | [Numerical Index](#) | [Classification Guide](#) | [What's New](#)

PURCHASING

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APPLICABILITY OF STATE OF CALIFORNIA SALES AND USE TAX TO PURCHASES OF GOODS AND SERVICES BY THE UNIVERSITY OF CALIFORNIA

I. REFERENCES

- A. Federal Laws Relating to State Taxation (4 U.S.C.A., Sections 105-110; 61 STAT. 641, as amended by 68 STAT. 1227).
- B. California Sales and Use Tax Law

II. DEFINITIONS

- A. "Sales Tax" means the tax imposed by the State of California on the following transactions:
 - 1. Any transfer of title to the University because of possession or exchange, conditional or otherwise, of tangible personal property for a consideration.
 - 2. The producing, fabricating, processing, printing, or imprinting of tangible personal property for a consideration when University furnished materials are utilized.
 - 3. A transaction whereby the possession of personal property is transferred to the University but the seller retains the title as security for the payment of the price.
 - 4. Any lease, hire, rental or license of tangible personal property by the University, EXCEPT:
 - a. Motion picture (including television) films and tapes;
 - b. Linen supplies and similar articles when an essential part of the lease (or rental) agreement is the furnishing of the recurring service of laundering or cleaning the articles; and
 - c. Mobile transportation equipment for use in transportation of University personnel or property; EXCEPT that "one-way rental trucks", certain passenger vehicles and trailers or baggage containers designed for hauling by passenger vehicles ARE TAXABLE.
- B. "Use Tax" means the tax imposed by the State of California upon tangible personal property purchased or leased outside the State and brought to this State, OR, to say it another way, the "use" tax rather than the "sales" tax applies where the property purchased is shipped from an out-of-state point to a University delivery point within the State of California.
- C. "Tangible Personal Property" means personal property which may be seen, weighed, measured, felt, or touched, or which is in any other manner perceptible to the senses.

- D. "Purchases for the Purpose of Resale" means that the seller must secure from the University a certificate of resale bearing the University's seller's permit number or have other evidence to show that the purchase was, in fact, for resale.

III. POLICY

The State of California Sales and Use Tax applies to purchases of tangible personal property made by the University of California with the exception of certain items excluded in paragraph IV.A. below.

Ordering departments are, therefore, to include sufficient lien authorization in purchase requisitions, sub-orders under specific blanket purchase orders, and in releases under Low Value Purchase Orders to pay invoices in accordance with the tax law of the State of California.

IV. PROCEDURE

A. Exclusions to Sales / Use Tax

Sales tax or the use tax should *note* be included in budgeted amounts for the purchase of the following categories of tangible personnel property

1. For the purpose of RESALE
2. For property purchased with Federal funds where title to the property vests in the Federal government. Generally, Federal contracts, fund numbers 25000-28999, are tax exempt while Federal grants, fund numbers 21100-24999 and 29000-33999, are not exempt.

A constitutional exemption prohibits the State from taxing the Federal government.

3. For gas, electricity, and water delivered through mains, lines, or pipes;
4. For gold and silver bullion, gold concentrates, or precipitates sold by the producer or refiner;
5. For animal life and animal feed, seeds, annual plants, and fertilizer, the products of which are to be used as FOOD FOR HUMAN CONSUMPTION;
6. For food products FOR HUMAN CONSUMPTION. The term "food products" DOES NOT include bottled water, spirituous, malt or vinous liquors; carbonated beverages; medicines, tonics, and preparations in liquid, powdered, granular, tablet, capsule, lozenge, and pill form sold as dietary supplements or adjuncts;
7. For newspapers and periodicals regularly issued at intervals not exceeding three months;
8. For containers when sold with the contents if the sales price of the contents is NOT required to be included in the measure of the taxes;
9. For non-returnable containers when sold without the contents to persons who place the contents in the container and sell the contents TOGETHER with the container;
10. For certain medicines for human use;
11. For property purchased solely for use outside the State of California and delivered to a forwarding agent or export packer and actually delivered to a port outside the United States prior to making any use thereof; and

12. For property loaned by a retailer to the University for an educational program.

B. Lease of Tangible Personal Property

See definition of "Sales Tax", paragraph II.A.4. above.

C. Resale Certificates

The burden of proof is on the University for establishing eligibility for exemption from sales or use tax when acquisition is for resale. When placing orders for such tax exempt tangible personal property, the normal practice is to inform the vendor, "this order is for resale". Should the vendor ask for the University's "resale number" (State of California Board of Equalization Seller's Permit Number), it is SXFH 25-610105. Contact the Purchasing Division, Materiel Management Department, should the vendor ask for written certification of the permit.

V. RESPONSIBILITY

A. Department Chair/Heads

1. Make these instructions available to departmental personnel delegated authority to place orders with commercial sources under LVPO/Specific Blanket Purchase Orders.

B. Materiel Management

1. Provide advice and assistance in sales-use tax matters to departmental personnel as required.
2. Furnish certificates of resale upon request and when appropriate.

C. Accounting Officer

Pay the correct California Sales and Use Tax, amounts shown on purchase orders or on invoices notwithstanding.