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PRINTING INDUSTRIES OF CALIFORNIA

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Headline Summary

- California's Fiscal Outlook
- New Valuation Study
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Did You Know...

Print in the Mix is a clearinghouse advocating print as a viable and effective ROI in the marketing media mix. This website presents compelling, verifiable, and factual data from a variety of academic and reputable sources that make the case for print, <http://printinthemix.org/>.

Podi, the digital printing initiative, has the most comprehensive library of successful digital printing case studies available. There are over 430 successful digital printing case studies from around the world, covering over 12 market segments and dozens of different business applications, <http://www.podi.org>.

WatchDog

Guarding the Business of Print

December 2010

California's Fiscal Outlook

The nonpartisan Legislative Analyst's Office (LAO) just released its economic outlook for the 2011-12 fiscal year, showing that the state faces a budget deficit of \$25.4 billion heading in to the budget year. The deficit consists of \$6 billion from 2010-11 and a projected \$19 billion overrun between revenues and spending in 2011-12. The LAO also projected annual budget problems of about \$20 billion each year through 2015-16.

LAO's forecast indicated that General Fund revenues and transfers will decline by over \$8 billion in 2011-12 due to the expiration of the temporary tax increases adopted in 2009. Additional contributions to the deficit include the required repayment of local borrowing (and future inability to borrow again through passage of Proposition 22) and significantly lower federal funds coming in to the state than were projected in the 2010-11 budget passed earlier this Fall.

The full LAO report can be found here:

www.lao.ca.gov/reports/2010/bud/fiscal_outlook/fiscal_outlook_2010.pdf

New Valuation Study

PIC and the State Board of Equalization have agreed to explore the possibility of doing a valuation study for high speed production printers (i.e., those that have the capability of producing variable data). The study would commence at the beginning of next year.

The study would address the percent good factors (the flip side of depreciation) for these presses. Currently high speed production printers have either an eight or ten year life, depending in which county the equipment is located.

PIC believes that a more reasonable "life" of such presses is four to five years, one which we'll have to demonstrate to change the percent good factor.

Forklift Training Manual

PIC has produced a comprehensive forklift operator's training course. As of July 15, 2000, all employees who operate a forklift must be certified. There are no exceptions to this rule. You can see a video of the content of the course at the following link, bit.ly/PIC-FkLt.

You don't have to hire an outside consultant or a certified trainer to conduct the training; however, if you choose someone from within your company to do the training, you must make sure that individual has not only extensive knowledge and experience with forklifts, but also the skill to conduct the training.

The PIC manual provides the trainer with the necessary tools to conduct the on-site training: the trainer's guide, with appendices, and PowerPoint presentation with notes for the trainer on what to emphasize on each subject.

The price for members is \$21.50 and the price for non-members is \$99. To order your copy of the Forklift Training Manual, please contact Marcos Uribe at Ext. 299.

Compliance Posters

PIC has the 2011 mandatory workplace poster for sale. California businesses must display this poster by January 1, 2011, where all employees can see it to be in compliance with federal and state laws.

Every year, it seems, the state amends the language in various notices, thus forcing employers to get new posters. This year is no exception.

The 2010 poster does not meet federal and state 2011 requirements. Updated required notices include the Cal/OSHA Safety and Health Notice, and the workers' compensation notice.

Attorneys are soliciting employees to identify employers who do not post current labor law requirements. It's easy money for them, so don't potentially jeopardize your company by not having current required postings.

The all-in-one poster contains the California and federal notices that every California business must post. There are no changes to the Wage Order posters.

The all-in-one poster (23" x 39") is attorney approved and laminated on both sides and printed in full color.

The poster is available to PIC members for \$24.50—which includes packaging and postage. If you check around, you see the price is well below the retail price elsewhere.

Some companies may be required to post additional notices depending on their operation. For example, if you have a forklift you are required to post the safe operating rules. We also have those posters. We have whatever posting you may need. Just ask.

Moreover, if more than ten percent of your employees speak a foreign language, you must offer the notice in their language. You can't assume they can understand or read English.

You can order the posters you need by calling Marcos Uribe at (323) 728-9500, Ext. 299.

Drop Shipments Are Taxable

Sometimes an out-of-state retailer hires a California printer to produce a job and ship it to the retailer's California customers. Such transactions are termed "drop shipment" transactions.

In general, drop shipment transactions involve one consumer, two sales, and two businesses:

- The consumer in California who buys and receives the product.
- The "true retailer," a business located outside the state and not registered to collect California tax, which sells the product to the California consumer.
- The "drop shipper" who sells the product to the true retailer and ships the product directly to the California consumer on behalf of the retailer.

When you drop ship products directly to California consumers on behalf of true retailers, you are liable for sales tax on the transaction.

Example

A San Francisco company orders printing from XYZ Printing, a company in Arizona, and pays the company for the order. XYZ hires ABC Graphics, a California company, to do the printing and ship the printing directly to the California client. Moreover, XYZ Printing is not registered to collect and pay California use tax.

ABC Graphics owes sales tax on the transaction since the job was produced and delivered in California.

ABC Graphics has two options for calculating the taxable amount of the sale.

1. As a drop shipper, you generally owe tax on the retail selling price the consumer paid the true retailer.
2. However, if you don't know that amount, you may calculate the tax based on your selling price to the true retailer plus a markup of 10 percent.

Using the example above, if ABC Graphics, the drop shipper, knows that the consumer paid the retail price of \$4,000 for the printing, tax would be due on a \$4,000 sale.

However, if ABC Graphics charged the true retailer \$3,000 and doesn't know how much the consumer paid, they could report and pay tax on a \$3,300 sale (\$3,000 + 10% markup of \$300 = \$3,300).

Do Not Mail

Even though the economy continues to struggle, the movement to ban or greatly curtail advertising mail has not faded away. It hasn't. The groups initiating the proposal are changing their tactics.

They have moved away from the obvious environmental argument (i.e., saving trees) to focusing on cash-strapped city governments, arguing that advertising mail is a burden on city resources (e.g., waste separation collection).

This tactic worked in Seattle, where the city is implementing a new so called "junk mail registry," and in San Francisco, they persuaded the Board of Supervisors to pass a resolution critical of advertising mail.

Fortunately, Mail Moves America has successfully countered these efforts in cities like Berkeley and Oakland. But we know our opponents will stay active in the year ahead... and, be reassured, so will we.