



Member Associations of

PRINTING INDUSTRIES OF CALIFORNIA

Printing Industries
Association of **Southern California**
Phone: (323) 728-9500 Web: www.piasc.org

Printing Industries
Association of **San Diego**
Phone: (858) 800-6900 Web: www.piasd.org

(formerly Printing Industries
of Northern California) **Visual Media Alliance**
Phone: (415) 495-8242 Web: www.visualmediaalliance.org

Headline Summary

- Sales Tax Exemption
- Form I-9 Videos
- New Shop Towel Rule
- Paper Check-Off
- Coalition Fights Move to Web
- Anti-Smoking Law
- BOE Waiver of Limitation

Form I-9 Videos

The U.S. Citizenship and Immigration Services (USCIS) released three videos that review the proper way to complete Form I-9 for new hires. The first video covers Section One, which is what the new employee is responsible for. Employers might find this video useful in the employment verification of a new hire.

The other two videos are good reviews for owners and managers responsible for completing the rest of the form. To review the videos, go to <http://www.uscis.gov/videos/video-form-i-9-employment-eligibility-verification-section-one>.

WatchDog

Guarding the Business of Print

March 2014

Sales Tax Exemption

Proposed Regulation 1525.4 allows businesses in manufacturing to purchase or lease manufacturing equipment at a reduced sales and use tax rate for purchases occurring on or after July 1, 2014.

The partial exemption is 4.185 for the period July 1, 2014 to December 31, 2016 and then will adjust to 3.9375 on January 1, 2017 through the end of the program.

The exemption will be taken at the time of purchase of the equipment, with the exclusion recorded on your sales and use tax return. When making a qualified purchase, you provide the seller with a timely exemption certificate to obtain the reduced tax rate. The Board of Equalization will make the exemption certificate available in the Forms section on its website by July 2014.

Tangible personal property that qualifies for exemption includes:

- Machinery and equipment, including component parts, such as belts, shafts, moving parts and operating structures.
- Pollution control equipment that meets standards established by this state or any local or regional government within the state.
- Equipment used to operate, regulate, or maintain the equipment, including but not limited to, computers, data processing equipment, and computer software.
- Specific purpose building and foundations used as an integral part of the manufacturing process.

New Shop Towel Rule

In July of last year EPA released its final rule on shop towels with an effective date of January 31, 2014. Since the rule exempts solvent-contaminated reusable or launderable towels from being regulated as waste and disposable towels from being classified as hazardous waste, it is deemed deregulatory.

Therefore, each state must adopt the rule in order for it to be effective in their area. It was anticipated that it was going to take most of 2014 for most states to adopt the rule. However, many states such as PA, NJ, FL, and NC have simply adopted the rule by reference, effective January 31, 2014.

It is doubtful that California will adopt the rule; most of the exempt solvents are classified as hazardous waste by California, which would probably need legislative action, and the new EPA requirements are already in place under current state law (labeled and non-leaking containers, closed containers during collection, sealed containers when containers are full, accumulation time 180 days after the first towel enters the container, no free liquids, documentation of destination).

Paper Check-Off

The purpose of the Paper Check-off is to maintain and expand markets for paper and paper-based packaging.

The final rule for the program was issued in late January. The assessment rate will initially be \$0.35 per short ton. Companies assessed are ones producing or importing 100,000 short tons or more of the four covered grades. Newsprint and carbonless papers are not included in the program.

The US Secretary of Agriculture will appoint a 12-person Board of Directors to oversee the paper check-off program.

The board is composed solely of representatives of companies that are assessed (i.e., only paper producers, not other stakeholders). It will be comprised of a cross-section of assessed companies by both geography and size.

It is expected that the first year (minimum) of the board's efforts and program expenditures will be on message development. To follow the program development, go to <http://www.papercheckoff.com/>

Coalition Fights Move to Web

This coalition—spearheaded by the Envelope Manufacturers Association and Consumers for Paper Options—wants to slow the government's move away from some paper communications to the Internet (e.g., social security statements and tax forms).

The group argues paper-based communications are important for millions of seniors and the nearly 30 percent of Americans without online access.

The group got language included in the budget requiring government to resume paper delivery of annual Social Security Earnings statements to some of the nations' 150 million future retirees.

More information on this movement can be found on the Consumers for Paper Options website at <http://www.paperoptions.org/>.

Anti-Smoking Law

California's Attorney General issued an opinion on this issue in late 2013, in response to this question from a member of California's Legislature: When does an owner-operated business with no employees constitute a place of employment subject to the state's prohibition on smoking in the workplace?

The Attorney General's answer:

An owner-operated business with no employees nevertheless constitutes a "place of employment" under Labor Code section 6404.5 when employment of any kind is carried on at the business location — that is, even when such employment is carried on by persons who are employed by someone other than the business owner.

Under Labor Code section 6404.5, "No employer shall knowingly or intentionally permit, and no person shall engage in, the smoking of tobacco products in an enclosed space at a place of employment."

According to the Attorney General, if the owner-operator performs all of his or her own services without paid help of any kind, the smoking prohibition does not apply. But, if the owner-operator pays for workers to come onto its premises to perform any type of work, the smoking prohibition applies.

Thus, if you own your own printing business but hire "temps" to come onto your premises to perform accounting services the smoking prohibition applies. Workers coming onto your premises to provide clerical, janitorial, maintenance or repair services, for instance, are subject to the anti-smoking law.

BOE Waiver of Limitations

During a sales and use tax audit, you might be asked by the Board of Equalization (BOE) to sign a Waiver of Limitation. By signing this document, you will extend the three-year statute of limitations for the periods indicated on the form.

Generally, you are asked to sign a waiver when you need to delay the start of or the completion of an audit. A waiver is also requested when the BOE has information or a good indication that additional tax or refund may be due, but there is insufficient time in which to complete the audit. There may also be insufficient time to thoroughly review the issue or issues in question that may arise in an audit.

Signing the waiver is voluntary, but there are benefits you gain by doing so.

- It provides you and the BOE the ability to adapt to both foreseen and unforeseen time constraints. The BOE may question one of your transactions as taxable; however, upon further review or additional documentation this transaction may result in no tax assessment. The waiver gives you and the BOE the time to address difficult issues.
- A signed waiver allows both you and the BOE the time necessary to resolve audit issues before the audit is finished and billing is issued. By having additional time to resolve audit issues "up front" rather than during the appeals process you may eliminate the necessity to appeal the audit findings.

You are not giving up any of your rights as a taxpayer by signing a Waiver of Limitation. You may still file an appeal at any time within the time limits allowed by law.

