Over the past decade, California has been litigating the definition of “provide” in the Meal Period statute. A little over a year ago the California Supreme Court granted review of the Brinker v. Hohnbaum decision which would determine whether California law requires employers to ensure non-exempt employees take a full 30-minute lunch break. No oral arguments have been set and a decision is not expected anytime soon.

The Supreme Court has also granted review of Hernandez v. Chipotle, which stated that employers need not ensure employees take meal breaks so long as they are provided an opportunity to take them. By granting review of the Chipotle case, it’s now ordered to be de-published, pending the Court’s decision and employers can no longer rely on this opinion.

Meal Period Litigation

When Is Labor Taxable?

Many printers believe there is a general exemption from sales tax for labor charges. However, in California many types of labor charges are subject to tax. Tax applies to charges for producing, fabricating, or processing tangible personal property for your customers. Tax does not apply to installation labor, labor charges related to nontaxable sales or itemized charges for repair labor.

Fabrication labor is generally taxable whether you itemize labor charges or include them in the price of your product. This is true whether you supply the materials or your customers supply the materials for fabrication. Modifying an item is also considered fabrication labor, since it results in a step in the production of a new item and charges for such labor are taxable.

Charges for services related to a taxable sale are generally taxable whether you itemize the charges or include them in the price of the product, for example, an itemized “trip charge” you make related to a taxable sale.

If you have questions on how tax applies to a specific transaction, please Gerry Bonetto at (323) 728-9500, Ext. 248.
A key piece of the state budget that passed on June 28th is a $4 billion assumption in increased revenues in 2011-12. The anticipated increase in revenue is backed by $2.5 billion in “trigger” cuts in case only some or none of that money materializes. The plan requires the Department of Finance to certify on December 15th whether the $4 billion projection is accurate. The Department is required to choose between its own forecast and the Legislative Analyst’s, whichever is higher.

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### Rates by County and City - Effective July 1, 2011 (includes state, county, local, and district taxes)

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All cuts would take effect Jan. 1, 2012, except for the school year reduction, which districts could impose starting February 1, 2012.