PIC
Printing Industries of California
Government Affairs

Member Associations of
Printing Industries of California

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Headline Summary

- Student Loan: Wage Garnishment
- When Is Labor Taxable?
- Meal Period Litigation
- Budget Talk
- California Sales & Use Tax Rates

Meal Period Litigation

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.

WatchDog

Guarding the Business of Print

July 2011

Student Loans: Wage Garnishment

The Federal government backs billions of dollars annually in education loans to students and their parents made by banks, schools, and the government itself. Most students repay their debts. However, between 10 percent and 15 percent of these borrowers do not repay their loans. Many of these borrowers are employed and able to make payments.

The U. S. Department of Education (ED) pursues collection of student loans aggressively through borrower contact, credit reporting, litigation, collection agencies and offset against Federal payments, such as Federal income tax refunds. ED also uses another tool for collection of defaulted student loans—garnishment of wages of defaulted borrowers.

The Higher Education Act authorizes ED as well as student loan guaranty agencies (Ed Fund in California) to collect defaulted Federally-financed student loans by means of an administrative order to the employer, and without the need for a court order. This order requires the employer to withhold and pay over to ED or the guarantor up to 15% of the debtor's disposable pay. This Federal law supersedes any state law governing wage garnishment.

Relying on a newer Federal law, the U.S. Department of Education can now order employers to withhold 15% of disposable pay (unless the debtor provides ED with written consent to deduct a greater amount) to satisfy loan or grant obligation(s) owed to the Department.

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.

Budget Talk

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. The "trigger" cuts fall into three groups, depending on how much of the $4 billion comes in.

- Group 1: If the state gets $3 billion to $4 billion of the money, the state will not impose additional cuts and roll over any balance of the problem into the 2012-13 budget.
- Group 2: If the state gets $2 billion to $3 billion of the money, the state will impose about $600 million of cuts and roll over the remainder into the 2012-13 budget. The $600 million in cuts include:
  - $100 million cut to UC
  - $100 million cut to CSU
  - $100 million cut to In-Home Supportive Services hours
  - $100 million cut to Department of Developmental Services
  - $80 million cut to public safety programs
  - $30 million cut to community colleges triggering a $10/unit fee hike
  - $23 million across-the-board cut to childcare funding
  - $20 million cut to Department of Corrections and Rehabilitation
  - $16 million cut to California State Library in library grants
  - $15 million cut related to Medi-Cal Managed Care
  - $15 million cut to California Emergency Management Agency
  - $10 million cut to Department of Social Services in anti-fraud grants
- Group 3: If the state gets $0 to $2 billion of the money, the state will also impose as much as $1.9 billion in additional cuts, proportionate to revenues:
  - $1.5 billion reduction to K-12 schools that allows districts to drop seven classroom days. That would lower the required total to 168 days, down from 180 days three years ago.
  - $248 million cut that eliminates school bus transportation
  - $72 million cut to community colleges

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

California Sales and Use Tax

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

ALAMEDA CO	**8.75%**
ALPINE CO	**7.25%**
AMADOR CO+	**7.75%**
BUTTE CO	**7.25%**
CALAVERAS CO.	**7.25%**
COLUSA CO.	**7.25%**
City of Williams	**7.75%**
CONTRA COSTA CO.	**8.25%**
City of Richmond	**8.75%**
City of Pinole	**8.75%**
DEL NORTE CO.	**7.25%**
EL DORADO CO.	**7.25%**
City of Placerville	**7.50%**
City of So. Lake Tahoe	**7.75%**
FRESNO CO.	**7.975%**
City of Reedley	**8.475%**
City of Sange	**8.725%**
City of Selma	**8.475%**
GLENN CO.	**7.25%**
HUMBOLDT CO.	**7.25%**
City of Arcata	**8.00%**
City of Eureka	**8.50%**
City of Trinidad	**8.00%**
IMPERIAL CO.	**7.75%**
Caalexico	**8.25%**
INYO CO.	**7.75%**
KERN CO.	**7.25%**
City of Arvin	**8.25%**
City of Delano	**9.25%**
KINGS CO.	**7.25%**
LAKE CO.	**7.25%**
City of Clearlake	**7.75%**
City of Lakeport	**7.75%**
LASSEN CO.	**7.25%**
LOS ANGELES CO.	**8.25%**
City of Avalon	**8.25%**
City of El Monte	**8.25%**
City of Inglewood	**8.75%**
City of Pico Rivera	**9.75%**
City of Santa Monica	**9.25%**
City of South El Monte	**9.25%**
City of South Gate	**9.75%**
MADERA CO.	**7.75%**
MARIN CO.	**8.00%**
Hamilton A. F.B.(Novato)	**8.00%**
Ignacio (Navato)	**8.00%**
City of San Rafael	**8.50%**
MARIPOSA CO.	**7.75%**
MENDOCINO CO.	**7.25%**
City of Fort Bragg	**7.75%**
City of Point Arena	**7.75%**
City of Ukiah	**7.75%**
City of Willits	**7.75%**
MERCED CO.	**7.25%**
City of Los Banos	**7.75%**
City of Merced	**7.75%**
MODOC CO.	**7.25%**
MONO CO.	**7.25%**
Mammoth Lakes	**7.75%**
MONTEREY CO.	**8.25%**
City of Del Rey Oaks	**8.25%**
City of Pacific Grove	**8.25%**
City of Salinas	**7.75%**
City of Sand City	**7.75%**
City of Seaside	**8.25%**
NAPA CO.	**7.75%**
NEVADA CO.	**7.375%**
Town of Truckee	**7.875%**
City of Nevada City	**7.875%**
ORANGE CO.	**7.75%**
City of La Habra	**8.25%**
PLACER CO.	**7.25%**
PLUMAS CO.	**7.25%**
RIVERSIDE CO.	**7.75%**
SACRAMENTO CO.	**7.75%**
City of Galt	**8.25%**
SAN BENITO CO.	**7.25%**
City of Hollister	**8.25%**
City of San Juan Bautista	**8.00%**
SAN BERNARDINO CO.	**7.75%**
City of Montclair	**8.00%**
City of San Bernardino	**8.00%**
SAN DIEGO CO.	**7.75%**
City of El Cajon	**8.75%**
City of La Mesa	**8.50%**
City of National City	**8.75%**
City of Vista	**8.25%**
SAN FRANCISCO CO.	**8.50%**
SAN JOAQUIN CO.	**7.75%**
City of Manteca	**8.25%**
City of Stockton	**8.00%**
Tracy	**8.25%**
SAN LUIS OBISPO CO.	**7.25%**
City of Arroyo Grande	**7.75%**
City of Grover Beach	**7.75%**
City of Morro Bay	**7.75%**
City of Pismo Beach	**8.75%**
City of San Luis Obispo	**8.75%**
City of Shell Beach	**7.75%**
SAN MATEO CO.	**8.25%**
City of San Mateo	**8.50%**
SANTA BARBARA CO.	**7.75%**
SANTA CLARA CO.	**8.25%**
City of Campbell	**8.50%**
SANTA CRUZ CO.	**8.00%**
City of Capitola	**8.25%**
City of Santa Cruz	**8.50%**
City of Seabright	**8.50%**
City of Watsonville	**8.25%**
SHASTA CO.	**7.25%**
SIERRA CO.	**7.25%**
SISKIYOU CO.	**7.25%**
SOLANO CO.	**7.375%**
SONOMA CO.	**8.00%**
City of Santa Rosa	**8.50%**
City of Sebastopol	**8.25%**
STANISLAUS CO.	**7.375%**
City of Ceres	**7.875%**
SUTTER CO.	**7.25%**
TEHAMA CO.	**7.25%**
TRINITY CO.	**7.25%**
TULARE CO.	**7.75%**
City of Dinuba	**8.50%**
City of Farmersville	**8.25%**
City of Porterville	**8.25%**
City of Tulare	**8.25%**
City of Visalia	**8.00%**
TUOLUMNE CO.	**7.25%**
City of Sonora	**7.75%**
VENTURA CO.	**7.25%**
City of Oxnard	**7.75%**
City of Port Hueneme	**7.75%**
YOLO CO.	**7.25%**
City of Davis	**7.75%**
City of West Sacramento	**7.75%**
City of Woodland	**8.00%**
YUBA CO.	**7.25%**