



QUALITY ON-TIME

Sierra Proto Express
1108 West Evelyn Avenue
Sunnyvale, California 94086

Tel: 800-763-7503
Fax: 408-735-1408

Email: files@protoexpress.com
FTP: ftp.protoexpress.com

www.protoexpress.com

Subject: TAX status of Assembly NRE charges

From time to time, some of our customers have a question about the applicability of the California Sales TAX on the Assembly NRE charges in our quotes/ Invoices.

This note explains the nature of these charges and their taxability.

Firstly, Our Assembly NRE charges are NOT Engineering Service Charges; they are for making **ASSEMBLY STENCILS & FIXTURES** specific to a particular PCB Assembly. These charges are alternately described as: **Charges for ASSEMBLY TOOLING & FIXTURES** – which are made and used as manufacturing aids during assembly process of a specific PCB Assembly.

Thus the Assembly NRE charges are clearly for specific **Tangible Items – and, are therefore TAXABLE as per current California Tax Codes.**

Further, since these Assembly Tooling & Fixtures are not for resale to end customers, but are used in California during the assembly process, the California Resale Sales Tax Exemption OR Out-of-California Sales Tax Exemption scenario does not apply to them.

The Assembly NRE Charges are **Non-Recurring** - in the sense, that if **exactly the same job comes for repeat assembly** in moderate quantities, we use the old tooling and fixtures again (till they get worn out - which happens in case of large quantity assembly jobs) , hence we do not charge the customer again for such repeat orders.
