



STATE BOARD OF EQUALIZATION

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Fourth District, Los Angeles

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State Controller

CYNTHIA BRIDGES
Executive Director

November 7, 2014

Dear Interested Party:

Enclosed are the Agenda, Issue Paper, and Revenue Estimate for the proposed amendments to Regulation 1574, *Vending Machine Operators* which will be discussed at the Business Taxes Committee meeting on November 19, 2014. The proposed amendments update tax rates and provide uniformity in rounding of the cold food factor percentage.

Please feel free to publish this information on your website or otherwise distribute it to your associates, members, or other persons that may be interested in this issue.

Due to the amendments being technical in nature, no interested parties meetings were held. I look forward to seeing you at the Business Taxes Committee meeting at **10:00 a.m.** on **November 19, 2014** in Room 121 at the address shown above.

Sincerely,

A handwritten signature in cursive script that reads "Susanne Buehler".

Susanne Buehler, Chief
Tax Policy Division
Sales and Use Tax Department

SB:tmc

Enclosures

cc: (all with enclosures)

- Honorable Jerome E. Horton, Chairman, Fourth District
- Honorable Michelle Steel, Vice Chair, Third District
- Honorable Betty T. Yee, Member, First District (MIC 71)
- Senator George Runner (Ret.), Member, Second District (via email)
- Honorable John Chiang, State Controller, c/o Ms. Marcy Jo Mandel (via email)

Mr. David Hunter, Board Member's Office, Fourth District
Ms. Jaclyn Appleby, Board Member's Office, Fourth District
Mr. Neil Shah, Board Member's Office, Third District
Mr. Tim Treichelt, Board Member's Office, Third District
Mr. Alan LoFaso, Board Member's Office, First District
Ms. Yvette Stowers, Board Member's Office, First District
Mr. Ramon Salazar, Board Member's Office, First District
Mr. Sean Wallentine, Board Member's Office, Second District
Mr. James Kuhl, Board Member's Office, Second District
Mr. Lee Williams, Board Member's Office, Second District
Mr. Alan Giorgi, Board Member's Office, Second District
Ms. Tanya Vandrick, Board Member's Office, Second District
Ms. Natasha Ralston Ratcliff, State Controller's Office
Ms. Cynthia Bridges (MIC 73)
Mr. Randy Ferris (MIC 83)
Mr. David Gau (MIC 101)
Mr. Jeffrey L. McGuire (MIC 43)
Mr. Robert Tucker (MIC 82)
Mr. Bradley Heller (MIC 82)
Mr. Lawrence Mendel (MIC 82)
Mr. John Thiella (MIC 73)
Mr. Kevin Smith (MIC 82)
Ms. Kirsten Stark (MIC 50)
Mr. Clifford Oakes (MIC 50)
Mr. Marc Alviso (MIC 101)
Mr. Chris Lee (MIC 101)
Mr. Bradley Miller (MIC 92)
Mr. Robert Wilke (MIC 50)
Ms. Tracy McCrite (MIC 50)

AGENDA — November 19, 2014 Business Taxes Committee Meeting
Proposed Amendments to Regulation 1574, *Vending Machine Operators*

<p>Action 1 — Agreed Upon Items</p> <p>See Agenda, page 2</p>	<p>Alternative 1</p> <p>Approve and authorize publication of proposed amendments to Regulation 1574 to update the tax rates and provide uniformity in rounding of the cold food factor percentage.</p> <p style="text-align: center;">OR</p> <p>Alternative 2</p> <p>Do not approve proposed amendments to Regulation 1574.</p>
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**AGENDA — November 19, 2014 Business Taxes Committee Meeting
Proposed Amendments to Regulation 1574, Vending Machine Operators**

Action 1 — Staff Recommendation

(Only the proposed amendments are provided. Staff has omitted other subdivisions or sections of the regulations that are not being amended.)

Regulation 1574
subdivision (b)(2)(C)

REGULATION 1574. VENDING MACHINE OPERATORS.

Beginning January 1, 1988, a partial exemption from the tax is allowed any retailer who receives gross receipts through vending machines from the sale of cold food products, hot coffee, hot tea and hot chocolate which are subject to the tax. The following percentages of the gross receipts from the sales of such products are subject to the tax: 77% for the calendar year 1988, 55% for the calendar year 1989, and 33% thereafter. This partial exemption does not apply to sales of hot prepared food products (except hot coffee, hot tea and hot chocolate) and receipts from such sales may not be included in the computation of the exemption.

“Gross receipts from the sale of cold food products, hot coffee, hot tea and hot chocolate” represents total receipts after adjusting for sales tax included. Therefore, in order to determine taxable receipts, an adjustment must be made to compensate for sales tax included in total receipts. Following is an example of the computation using the 7 1/4 percent rate:

Total receipts from sales of cold food products, hot coffee, hot tea and hot chocolate through vending machines.....	\$10,000.00
Factor.....	<u>x 32.2030289%</u>
Taxable receipts.....	<u>= \$3,220.30289</u>
Tax rate.....	<u>x 7.250%</u>
Tax included.....	<u>= \$241.5233.66</u>
Exempt receipts.....	\$6,538.1843.45

Proof: \$10,000 - 241.5233.66 = \$9,758.4866.34
 \$9,758.4866.34 x 33% = \$3,220.302.89 \$9,758.48 - \$3,220.30 = \$6,538.18

Gross receipts from the sale of cold food products, hot coffee, hot tea and hot chocolate subject to the tax may be calculated for the year 1990 and forward using the following percentages for the tax rates indicated:

AGENDA — November 19, 2014 Business Taxes Committee Meeting
Proposed Amendments to Regulation 1574, *Vending Machine Operators*

TAX RATE	PERCENTAGE
7.25%	32.2289%
7.375%	32.2160%
7.50%	32.2030%
7.625%	32.19010%
7.75%	32.1771%
7.875%	32.16421%
7.975%	32.1538%
8.00%	32.1512%
8.125%	32.1383%
<u>8.225%</u>	<u>32.1280%</u>
8.25%	32.1254%
8.275%	32.1228%
8.375%	32.1125%
8.475%	32.1022%
8.50%	32.0996%
<u>8.625%</u>	<u>32.0868%</u>
8.725%	32.0765%

AGENDA — November 19, 2014 Business Taxes Committee Meeting
Proposed Amendments to Regulation 1574, Vending Machine Operators

8.75%	32.0739%
<u>8.975%</u>	<u>32.0508%</u>
9.00%	32.0482%
<u>9.225%</u>	<u>32.0251%</u>
9.25%	32.0225%
<u>9.50%</u>	<u>31.9969%</u>
<u>9.75%</u>	<u>31.9714%</u>
<u>10.00%</u>	<u>31.9458%</u>

To compute the cold food factor for other tax rates the formula is as follows:

Cold food factor percentage = $100 \div [3.0303 + \text{tax rate (decimal form)}]$ (Results are to be rounded to the nearest ten thousandths of a percent).

Example: Cold food factor at 7.5025% = $100 \div (3.0303 + .075025) = 100 \div 3.10534028 = 32.2030289\%$

Issue Paper Number **14-007**



BOARD OF EQUALIZATION
KEY AGENCY ISSUE

- Board Meeting
- Business Taxes Committee
- Customer Services and Administrative Efficiency Committee
- Legislative Committee
- Property Tax Committee
- Other

Proposed Amendments to Regulation 1574, *Vending Machine Operators*

I. Issue

Whether the Board should amend Regulation 1574, *Vending Machine Operators*, to update tax rates and provide uniformity in rounding of the cold food factor percentage.

II. Alternative 1 – Staff Recommendation

Staff recommends the Board approve and authorize publication of the proposed amendments to Regulation 1574, as set forth in Exhibit 2. Staff's proposed amendments update the tax rates in the example, table, and formula, and provide uniformity in rounding in the computation of the cold food factor percentage.

III. Other Alternatives Considered

Do not approve the proposed amendments to Regulation 1574.

IV. Background

The current provisions of Regulation 1574 (b)(1) provide that persons operating vending machines dispensing tangible personal property of a kind the gross receipts from the retail sale of which are subject to tax must report and pay tax upon their gross receipts. The sale of tangible personal property through vending machines is presumed to be made on a tax-included basis. Gross receipts from retail sales through vending machines are the total receipts less the amount of sales tax reimbursement included therein. In order to determine gross receipts, an adjustment must be made to compensate for the sales tax included.

Revenue and Taxation Code section [6359.2 \(c\)](#) provides that 33 percent of the gross receipts from the sale at retail of food products sold through vending machines are subject to tax. The Legislature found that 33 percent represented a reasonable statewide average of food products sold through vending machines which are subject to tax and chose this average to simplify tax auditing procedures and provide for uniformity in the taxation of gross receipts derived from the sale of food products sold through vending machines. For purposes of this section, “food products” includes cold food products, hot coffee, hot tea, and hot chocolate when sold through vending machines.

Regulation 1574(b)(2)(C) prescribes a methodology for determining taxable receipts from the sale of cold food products, hot coffee, hot tea, and hot chocolate through vending machines. For each tax rate a “cold food factor” is calculated which takes into account that 33% of sales are subject to tax and these sales are tax included. The cold food factor percentage is used to calculate taxable receipts. An example calculation is provided in the regulation along with a table of current tax rates and their respective cold food factor percentages. A formula used to compute the cold food factor percentages is shown below the table. Vending machine operators can use the formula if their applicable tax rate is not displayed in the table. The table displays the results of this computation rounded to ten thousandths of a percent.

V. Discussion

Updating Tax Rates

California voters approved Proposition 30 in the General Election of 2012, which adds section 36 to article XIII of the California Constitution. This constitutional amendment temporarily increases the state sales and use tax rate by one quarter of one percent of the sales price of tangible personal property sold or purchased for use in this state on and after January 1, 2013. The higher tax rate will be in effect for four years and will expire on December 31, 2016.

As a result of the approval of Proposition 30, the tax rates in the example, table, and formula need to be updated. Currently, the table includes percentages applicable to tax rates from 7.25% to 9.25% and the formula and example use 7.25% as the example rate. Since the total tax rates now range from 7.5% to 10.00%, revisions to the table are needed to add the current percentages.

Rounding Consistency

Staff found that the percentages in the example, table, and formula are not rounded consistently. Some results are rounded up or down to the *nearest* ten thousandths of a percent, while other results are rounded to the *lowest* ten thousandths of a percent. Common rounding practice rounds a number down when the succeeding digit has a value of 0 through 4 and rounds a number up when the succeeding digit has a value of 5 through 9. To keep in line with the Board’s policy of maintaining uniformity, staff recommends adjusting all cold food factor percentages to comply with this common rounding practice.

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There is no provision in the regulation for the rounding of the computation results of the cold food factor percentage. Staff recommends that the regulation specifically provide for rounding of the computation results to the nearest ten thousandths of a percent. This will provide for consistency and uniformity in all computation results and facilitate the processing of future rate changes.

Interested Parties Meetings

No interested parties meetings were held. The proposed amendments are technical in nature and do not change the application of tax to sales made through vending machines. The proposed amendments are substantive in nature because they do more than simply apply the formula in the regulation to update the rates. As such, the amendments are being made according to the general rulemaking requirements. Staff believes the changes simplify tax auditing procedures and provide uniformity.

Alternative 1 - Staff Recommendation**A. Description of Alternative 1**

Staff recommends the Board approve and authorize publication of the proposed amendments to Regulation 1574, as provided in Exhibit 2, to update the example, table, and formula to add the current tax rates and their respective cold food factor percentages, to adjust all cold food factor percentages so that they are rounded consistently, and provide for rounding of the computation results to the nearest ten thousandths of a percent to provide uniformity and facilitate consistency for future rate changes.

B. Pros of Alternative 1

The revised regulation will provide vending machine operators with an updated table that displays the cold food factor for all current tax rates. This will assist them in the process of completing their sales and use tax returns.

C. Cons of Alternative 1

None.

D. Statutory or Regulatory Change for Alternative 1

No statutory change is required. However, staff's recommendation does require a regulatory change.

E. Operational Impact of Alternative 1

Staff will publish the proposed amendments to Regulation 1574 and begin the formal rulemaking process.

F. Administrative Impact of Alternative 1**1. Cost Impact**

The workload associated with publishing the regulation and updating the publication is considered routine. Any corresponding cost would be absorbed within the BOE's existing budget.

2. Revenue Impact

None. See Revenue Estimate (Exhibit 1).

G. Taxpayer/Customer Impact of Alternative 1

Amendments to Regulation 1574 provide the vending machine operators with current rates and cold food factors to assist them in the preparation of their sales and use tax returns and eliminates

the need for them to compute the cold food factor percentages for those rates that are not currently listed.

H. Critical Time Frames of Alternative 1

None.

VII. Alternative 2

A. Description of Alternative 2

Do not amend Regulation 1574.

B. Pros of Alternative 2

The BOE will not incur the workload associated with revising the regulation.

C. Cons of Alternative 2

Taxpayers may not be able to find their applicable tax rate in the table and will have to compute their cold food factor using the formula.

D. Statutory or Regulatory Changes for Alternative 2

None.

E. Operational Impact of Alternative 2

None.

F. Administrative Impact of Alternative 2

1. Cost Impact

None.

2. Revenue Impact

None. See Revenue Estimate (Exhibit 1).

G. Taxpayer/Customer Impact of Alternative 2

Without the regulatory amendment, vending machine operators can still use the formula to compute the cold food factor percentage for their applicable rate if it is not displayed in the table.

H. Critical Time Frames for Alternative 2

None.

Preparer/Reviewer Information

Prepared by: Tax Policy Division, Sales and Use Tax Department

Current as of: October 30, 2014

REVENUE ESTIMATE

STATE OF CALIFORNIA
BOARD OF EQUALIZATION



Proposed Amendments to Regulation 1574, Vending Machine Operators

I. Issue

Whether the Board should amend Regulation 1574, Vending Machine Operators, to update tax rates and provide uniformity in rounding of the cold food factor percentage.

II. Alternative 1 - Staff Recommendation

Staff recommends the Board approve and authorize publication of the proposed amendments to Regulation 1574, as set forth in Exhibit 2. Staff's proposed amendments update the tax rates in the example, table, and formula, and provide uniformity in rounding in the computation of the cold food factor percentage.

III. Other Alternative(s) Considered

Do not approve the proposed amendments to Regulation 1574.

Background, Methodology, and Assumptions

Alternative 1 – Staff Recommendation

There is nothing in the staff recommendation that would impact revenue. Staff only recommends that the Board approve and authorize publication of the proposed amendments to Regulation 1574, as provided in Exhibit 2, to update the example, table, and formula to delete the obsolete tax rates and their respective cold food factor percentages, to add the current tax rates and their respective cold food factor percentages, to adjust all cold food factor percentages so that they are rounded consistently, and provide for rounding of the computation results to the nearest ten thousandths of a percent to provide uniformity and facilitate consistency for future rate changes.

The revised regulation will provide vending machine operators with an updated table that displays the cold food factor for all current tax rates. This will assist them in the process of completing their sales and use tax returns.

Other Alternatives Considered

Do not approve the proposed amendments to Regulation 1574.

Revenue Summary

Alternative 1 – staff recommendation will not have revenue impact.

Other alternative considered – the other alternative considered will not have a revenue impact.

Preparation

Mr. Bill Benson, Jr., Research and Statistics Section, Legislative and Research Division, prepared this revenue estimate. This estimate has been reviewed by Mr. Mark Durham, Manager, Research and Statistics Section, Legislative and Research Division, and Ms. Susanne Buehler, Chief, Tax Policy Division, Sales and Use Tax Department. For additional information, please contact Mr. Benson at (916) 445-0840.

Current as of October 30, 2014.

Vending Machine Operators.

(a) General.

(1) Permits. Persons operating vending machines dispensing tangible personal property of a kind the gross receipts from the retail sale of which are subject to tax or dispensing food products at retail for more than 15 cents must obtain permits to engage in the business of selling tangible personal property. One permit is sufficient for all machines of one operator.

A statement in substantially the following form must be affixed upon each vending machine in a conspicuous place:

"This vending machine is operated by

Name of Operator

Address of Operator

who holds Permit No. _____ issued pursuant to the Sales and Use Tax Law."

(2) Records. Adequate and complete records must be kept by the operator showing the location or locations of each machine operated by him or her, the serial number thereof, purchases and inventories of merchandise bought for sale through all such machines, the prices charged by the operator, the gross receipts derived from the operation at each location, the receipts from exempt sales, and where applicable, the sales price to the operator of all tangible personal property of which the operator is the consumer, see subdivision (b). Records must be kept of the receipts derived from each machine at a location if differing kinds of merchandise are vended through separate machines at that location.

(3) Schedule Showing Allocation by County. If the machines are operated in more than one county, a schedule must be attached to the return showing the tax allocable to each county. If a person purchases property under a resale certificate and dispenses it through a vending machine under circumstances where the person is considered to be the consumer of the property, see subdivision (b), a schedule must be attached to the return showing the use tax due thereon allocable to each county.

(4) Sales to Operators Not Furnishing Resale Certificates. Persons making sales of tangible personal property of a kind the gross receipts from the retail sale of which are taxable, to operators of vending machines to be resold through such machines, must notify this board of the name and address of each operator who fails to furnish a valid resale certificate. In the event such persons fail to so notify the board, or desire to assume tax liability for the operations of particular vending machines, then, pursuant to Revenue and Taxation Code section 6015, they are required to return the tax to the state, measured by the receipts from the retail sale of the property.

(b) Application of Tax.

(1) In General. Persons operating vending machines dispensing tangible personal property of a kind the gross receipts from the retail sale of which are subject to tax must report and pay to the state the tax upon gross receipts from all sales of such property made through such machines. Sales of tangible personal property through vending machines are presumed to be made on a tax-included basis. Gross receipts from retail sales of tangible personal property through the vending machines are total receipts less the amount of sales tax reimbursement included therein.

(A) Photocopies. Tax applies to the gross receipts from sales of photocopies through coin- or card-operated copy machines. However, library districts, municipal libraries, county libraries, or any vendor making sales pursuant to a contract with a library district, municipal library, or county library are consumers of photocopies sold at retail through a coin- or card-operated copy machine located at a library facility.

(B) Sales by Parent-Teacher Associations. Parent-teacher associations or equivalent associations under Regulation 1597(f) (18 CCR 1597(f)), are consumers of tangible personal property dispensed through vending machines and are not required to hold seller's permits by reason of such activities.

(C) Sales by Nonprofit, Charitable, or Education Organizations. Nonprofit, charitable, or education organizations dispensing tangible personal property for 15 cents or less through a vending machine are the consumers of such property and are not required to hold a seller's permit by reason of such activities.

(D) Sales of Water. Sales of purified drinking water through vending machines where the water enters the machine through local supply lines and is dispensed into the customer's own containers are exempt from the tax under Revenue and Taxation Code Section 6353.

(2) Food Products.

(A) Effective January 1, 1986, tax applies to the gross receipts from the retail sale of food products, including candy and confectionery, dispensed through a vending machine at retail for more than 15 cents unless otherwise exempted as provided below. Since sales through vending machines are presumed to be made on a tax-included basis, total receipts from the taxable retail sale of food products through vending machines should be adjusted to compensate for the sales tax included therein. The term "food products" does not include carbonated beverages. A vending machine operator is a consumer of, and not a retailer of, food products, including candy and confectionery, dispensed through a vending machine at retail for 15 cents or less, effective January 1, 1986. Tax is measured by the sale price to the vending machine operator of such items unless otherwise exempt. If the property sold to the operator is an exempt food product or a nonreturnable container, no tax is payable regardless of the nature of the product when dispensed through the vending machine, and regardless of whether facilities for consumption are furnished at locations of the vending

machines. For the purposes of this subdivision, the term “candy and confectionery” includes candy-coated gum products.

(B) Operative January 1, 1988, tax does not apply to the sales, and the vending machine operator is the consumer, of any food products, including candy and confectionery other than beverages or hot prepared food products, sold through a coin-operated bulk vending machine if the amount of each sale is twenty-five cents (\$0.25) or less. For purposes of this regulation, “bulk vending machine” means a vending machine containing unsorted food products, including candy and confectionery, which, upon insertion of a coin, dispenses those products in approximately equal portions, at random, and without selection by the customer. For the purposes of this subdivision, the term “candy and confectionery” includes candy-coated gum products.

(C) Beginning January 1, 1988, a partial exemption from the tax is allowed any retailer who receives gross receipts through vending machines from the sale of cold food products, hot coffee, hot tea and hot chocolate which are subject to the tax. The following percentages of the gross receipts from the sales of such products are subject to the tax: 77% for the calendar year 1988, 55% for the calendar year 1989, and 33% thereafter. This partial exemption does not apply to sales of hot prepared food products (except hot coffee, hot tea and hot chocolate) and receipts from such sales may not be included in the computation of the exemption.

“Gross receipts from the sale of cold food products, hot coffee, hot tea and hot chocolate” represents total receipts after adjusting for sales tax included. Therefore, in order to determine taxable receipts, an adjustment must be made to compensate for sales tax included in total receipts. Following is an example of the computation using the 7 1/24 percent rate:

Total receipts from sales of cold food products, hot coffee, hot tea and hot chocolate through vending machines.....	\$10,000.00
Factor.....	<u>x 32.2030289%</u>
Taxable receipts.....	<u>= \$3,220.30289</u>
Tax rate.....	<u>x 7.250%</u>
Tax included.....	<u>= \$241.523366</u>
Exempt receipts.....	\$6,538.184345

Proof: $\$10,000 - 241.523366 = \$9,758.486634$
 $\$9,758.486634 \times 33\% = \$3,220.30289$ $\$9,758.48 - \$3,220.30 = \$6,538.18$

Gross receipts from the sale of cold food products, hot coffee, hot tea and hot chocolate subject to the tax may be calculated for the year 1990 and forward using the following percentages for the tax rates indicated:

TAX RATE	PERCENTAGE
7.25%	32.2289%
7.375%	32.2160%
7.50%	32.2030%
7.625%	32.19019%
7.75%	32.1771%
7.875%	32.16421%
7.975%	32.1538%
8.00%	32.1512%
8.125%	32.1383%
<u>8.225%</u>	<u>32.1280%</u>
8.25%	32.1254%
8.275%	32.1228%
8.375%	32.1125%
8.475%	32.1022%
8.50%	32.0996%
<u>8.625%</u>	<u>32.0868%</u>
8.725%	32.0765%
8.75%	32.0739%
<u>8.975%</u>	<u>32.0508%</u>
9.00%	32.0482%
<u>9.225%</u>	<u>32.0251%</u>
9.25%	32.0225%
<u>9.50%</u>	<u>31.9969%</u>
<u>9.75%</u>	<u>31.9714%</u>
<u>10.00%</u>	<u>31.9458%</u>

To compute the cold food factor for other tax rates the formula is as follows:

Cold food factor percentage = $100 \div [3.0303 + \text{tax rate (decimal form)}]$ (Results are to be rounded to the nearest ten thousandths of a percent.)

Example: Cold food factor at 7.~~5025~~% = $100 \div (3.0303 + .07\del{5025}) = 100 \div 3.\del{10534028} = 32.2\del{030289}%$

(D) Tax does not apply to sales of any food products, whether sold through a vending machine or otherwise, to students of a school by public or private schools, school districts, student organizations, or any blind person (as defined in Section 19153 of the Welfare and Institutions Code) operating a restaurant or vending stand in an educational institution under Article 5 (commencing with Section 19625) of Chapter 6 of Part 2 of Division 10 of the Welfare and Institutions Code.

(3) Definitions.

(A) Food Products. For the period July 15, 1991 through November 30, 1992, the term “food products” does not include snack foods (as defined in Regulation 1602 (18 CCR1602), “Food Products”), nonmedicated gum, candy, and confectionery. Sales during this period of such items through vending machines are subject to the tax unless exempted under subdivisions (b)(1) and (b)(2) above.

(B) Nonprofit Organizations. Nonprofit organizations include any group, association, or corporation which is formed for charitable, religious, scientific, social, literary, educational, recreational, benevolent or any other purpose, provided that no part of the net earnings of such organization inures to the benefit of any member, shareholder, director, officer, or any person having a personal and private interest in the activities of the organization. Examples of this type of organization are museums, veterans organizations, youth sportsmanship organizations, clubs such as the Kiwanis Club, fraternal societies, orders or associations operating under the lodge system such as the Loyal Order of the Moose, and student organizations.

(C) Charitable Organizations. Charitable organizations include any group, association, or corporation created for or devoted to charitable purposes, the net earnings of which are used solely for charitable purposes such as the relief of poverty, the advancement of education, the advancement of religion, the promotion of health and the promotion of government. Examples of this type of organization are libraries, museums, hospitals, senior citizen community centers, thrift shops, and organizations such as the Salvation Army and Goodwill.

(D) Education Organizations. Education organizations include any profit or nonprofit group, association, or corporation which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its education activities are regularly carried on. Examples of such organizations are primary and secondary schools, colleges, professional and trade schools, whether public, private, nonprofit or profit making.

(4) Resale and Exemption Certificates.

(A) Vendors of Items for 15 Cents or Less Only. A purchaser who sells the property purchased only through vending machines for 15 cents or less may give an exemption certificate with respect to the purchase of nonreturnable containers, but may not give a resale certificate with respect to the purchase of any other property. The supplier is responsible for payment of sales tax on the gross receipts from the sales to the purchaser of property, the sale of which is subject to tax.

(B) Vendors of Items for 15 Cents or Less and Over 15 Cents. A purchaser who holds a valid seller's permit and who sells the property purchased only through vending machines both at prices of 15 cents or less and at prices of more than 15 cents may give a resale certificate with respect to the purchases of such property.

(C) Vendors Selling Both Through Vending Machines and Otherwise. A purchaser who holds a valid seller's permit and who sells the property purchased both through vending machines and other than through vending machines may give a resale certificate with respect to the purchases of such property.

(D) Vendors Not Segregating Purchases. A purchaser who does not wish to segregate the purchases of property which is sold through vending machines for 15 cents or less from purchases of like property which is otherwise sold, may reimburse his or her vendor for sales tax measured by the retail selling price of all such property provided the vendor is authorized to report and pay the tax to the state in the manner provided by section 6015.