

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA  
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(916) 445-3723

March 4, 1983

M. L--- D. J---  
President  
D--- S---, Inc.  
P. O. Box XXXXX  
--- ---, CA XXXXX

Dear M. J---:

This is in response to your letter of February 2, 1983.

We understand that D--- S---, Inc., is a computer software house. You develop medical and dental programs for use on in-office computers. Each of your software packages is tailored to each of your users to the extent that:

1. The name and address of the purchaser is encoded into the system prior to purchase.
2. This information is utilized in all programs either as part of a screen display or for printing on forms, statements, reports, etc.

We are of the opinion that sales tax applies to sales of your software packages notwithstanding the fact that the packages are adapted to the specific needs of the user, as specified. Programs of the type in question do not qualify for nontaxability under recently enacted exclusions from the definition of "sale." However, the term "custom computer program" includes those services represented by separately stated charges for modifications to an existing prewritten program. Thus, charges for tailoring the programs to individual users in the manner specified above are nontaxable if separately stated.

Very truly yours,

Gary J. Jugum  
Assistant Chief Counsel

GJJ:rdv