



STATE BOARD OF EQUALIZATION

916-445-3723

July 11, 1991

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Dear X-----:

This is in response to your letter of June 20, 1991. You have sought our opinion as to the application of sales tax in certain described circumstances.

We understand that you have a client who began a video transfer service. As such, they take a customer's personal snapshots, slides, home movies, etc. and transfer it to video. However, they also add music, organize the flow of the video and actually produce a video that has a great deal of creative time put into it.

Your question is whether the entire charge made to the client is subject to sales tax or whether the charge can be broken down into two parts, with labor or creative costs not being subject to sales tax. You further inquire as to whether a separate billing for video and for labor would have an impact.

The entire charge made to the customer is subject to sales tax. This includes labor, service, creative and other charges. Under the Sales and Use Tax Law, "gross receipts" means the total contract price without any deduction for labor, service, or other cost or expense. It is immaterial that labor or service charges may be separately itemized or may be billed on separate invoices.

Your client will need a seller's permit, which can be obtained from his local State Board of Equalization office.

If we may be of further assistance, please write this office again.

Very truly yours,

Gary J. Jugum
Assistant Chief Counsel

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