



STATE BOARD OF EQUALIZATION
(916) 445-8900

June 30, 1982

[X]

Dear [X]:

After careful consideration of your request for advice on the application of sales tax to the described medical data processing services you provide to nursing homes, we have concluded that such activities constitute an exempt service rather than the taxable sale of tangible personal property.

According to your letter, client nursing facilities furnish handwritten patient records reflecting physician's orders, plan of care, etc. for the subject patient. You process this information in your computer, creating a file on the patient, and print out the various patient chart forms requested by the client facility with the appropriate patient information printed on the form. As the changes in the physician's orders, plan of care, etc. are made, the facility transmits the information in writing to you. The new data is entered in the computer and merged with the patient file. New forms with the revised patient information are printed and sent to the client.

Regulation 1502(d)(5) defines "processing of customer – furnished information" as the development of original information from raw data furnished by the customer. Our auditors have questioned whether the above-described medical data processing services qualify under this definition because it does not appear that original information is being produced.

Although our conclusion is not free of doubt, we conclude that your activities do qualify as processing of customer – furnished information because you maintain a file of information on the patient which is periodically updated to reflect reported changes. The regulation specifically provides that processing of customer – furnished information includes the updating of a continuous file of information maintained by the customer with the service bureau. We conclude, therefore, that your medical data processing activities qualify as an exempt service.

Very truly yours,

Richard H. Ochsner
Tax Counsel

RHO:sw

bc: Mr. Don Hennessy