



STATE BOARD OF EQUALIZATION
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Fourth District, Los Angeles

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Executive Director

May 16, 1997

Mr. A--- W---
G--- C---
XXXX --- Way
--- ---, UT XXXXX

Account No. SC -- XX-XXXXXX

Dear Mr. W---:

This is in response to your facsimile transmission of May 15, 1997.

We understand that you provide a conference calling service to your customers. This service allows your customers to confer, via telephone, with any number from three to 200 people located throughout the world. To use this service, the participants can call in and you can then connect them, or the chairperson can give you a list of names and numbers and you will call to connect them. Either way, conferencing equipment is located in Salt Lake City and anyone can use your service by making a telephone call. No special equipment is required for the user. The users of this service are charged only for the time they are on the line. There are no connection, reservation, membership, or any other charges.

You have two questions with regard to the service. First, does California sales tax apply to the telephone charges? California tax does not apply to the telephone charges. Rev. & Tax. Code § 6006.

Your second question concerns the use of your service by the courts in Northern California. In an effort to speed up trials and to keep costs to a minimum, some of the bankruptcy courts in Northern California are requiring lawyers to appear telephonically. Your company goes into the courtroom and installs some special equipment that will allow the judge to better hear and communicate with all participants without holding a phone receiver. In these courts, the judge's staff notifies the lawyers when their case will be heard. The participant then contacts your company and makes a reservation to appear telephonically. The lawyers then sit by their telephone and wait for their trial to proceed. All participants are again linked together by equipment located in Salt Lake City. There is usually a clerk of the court in the courtroom who controls the caseload. As the judge is ready for a case, the clerk contacts your company.

You call the parties and connect them together. On this type of call, there is no fee for the court. Only the legal representatives are charged for these calls. You have a flat fee of \$25 for the first 30 minutes, and then a flat rate for every minute thereafter.

The charge to the lawyers is not taxable. There is no sale of tangible personal property.

We have assumed that, when you place the specialized equipment in the courtroom, you do not make a charge to the court. If a charge is made to the court, we would be happy to consider further the California tax implications of such a charge.

You may have a California use tax liability with respect to the equipment placed in the courtroom in California. For sales and use tax purposes, your company would be regarded as the consumer of the equipment used by you in the performance of your communication service. Revenue and Taxation Code section 6201 provides that California use tax must be paid with respect to the use in this state of tangible personal property purchased from a retailer for use in this state. This tax liability would be reported on line 2 "Purchases Subject to Use Tax" of your State, Local & District Use Tax Return.

Very truly yours,

Gary J. Jugum
Assistant Chief Counsel

GJJ:sr