

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)
(916) 445-3237

July 2, 1982

Ms. J. J--- H---
W--- P--- Services
XX --- Way
---, CA XXXXX

SR --- XX XXXXXX

Dear Ms. H---:

On June 25, 1980 and August 7, 1980 we wrote to you regarding the correct application of tax to several transactions you frequently encounter in operating your word processing business. Since that time we have had several discussions with various representatives of the word processing industry and have gained a broader understanding of the work which is performed on word processing machines. As a result, in some situations we have reached different conclusions than those expressed to you in our previous letters. In order to clarify this matter, we will repeat the specific questions you asked and our revised answers to each. (A line in the margin indicates a change in our previous interpretation.)

1. A client brings a letter and 250 names and addresses. You keyboard and record the address list and the letter on magnetic media. The operator inserts a sheet of paper, pushes the right buttons on the keyboard and the equipment automatically types the letter to the first person on the list; the operator removes that letter, inserts a new paper, pushes the buttons again and the machine types the letter to the next name, etc.

What portion of your services is taxable?

Setting up the machine and recording (keyboarding) the material? TAXABLE

Typing out the letters automatically? TAXABLE

Using the same pre-recorded address list and inserting envelopes to be type addressed by the machine? NONTAXABLE, if charges are separately stated.

2. An author brings you a manuscript (could come to you in many forms -- dictated on a cassette, handwritten, previously typed, or a combination of all three). You keyboard the material and record it on magnetic media. You print out (type automatically) a draft copy of each page of the recorded material and give it to the author to proofread. He/she makes corrections and changes

on the draft and returns it to you. You make the necessary changes using the word processing machine (and the magnetic media). You then print out a final copy for the author to submit to a publisher.

What portion is taxable?

Original keyboarding of the manuscript? NONTAXABLE

Printing out the draft copy? NONTAXABLE

Editing? NONTAXABLE

Printing out the final copy? NONTAXABLE

What if the author asked for two or more final copies to submit to various publishers? If carbon copies are prepared at the time of the original final copy -- NONTAXABLE. If photocopies -- TAXABLE.

3. An attorney brings you a number of various paragraphs (again, they could come to you dictated on a cassette to be transcribed, handwritten or previously typed). There could be 50, 100, 200 or more paragraphs. Using word processing equipment, you keyboard and record those paragraphs on magnetic media to form a "paragraph library." The attorney can then notify you to select, for example, paragraphs 1, 8, 11, 29, 16, 12, 87, 100, 56 and 57 in that order to create a will for his client. The attorney would provide variable information to be inserted into Proper position in those paragraphs, for example: maker of the will' maker's spouse, maker's children and their date of birth, city and county of residence.

The state-of-the-art of word processing equipment allows you to instruct the machine (with keyboard commands) to assemble those specified paragraphs with the necessary variable client information and print out (automatically type) a document:

What portion is taxable?

Keyboarding original paragraphs? NONTAXABLE

Printing out draft of all paragraphs for the attorney's use? (Single copy and/or carbon copies) NONTAXABLE

Assembling the paragraphs as requested and printing out individual wills? (single copy and/or carbon copies of original) NONTAXABLE

What if the attorney requests three copies of an individual will instead of one. Are all three taxable? Only the last two taxable? Carbon copies of original are NONTAXABLE. Photocopies are TAXABLE.

4. A client brings you a list of 2,000 names that he is going to use monthly for a mailing. Every month, they have to be typed on labels to be applied to envelopes, sorted into zip code sequence and mailed.

You keyboard the names and addresses and record them on magnetic media. The state-of-the-art now available in word processing equipment allows you to instruct the machine (using keyboard commands) to sort the names into correct zip code sequence before the list is finally stored on the magnetic media.

Each month you set up the equipment and with an operator in attendance (giving keyboard commands) you print out (automatically type) the names on continuous form labels.

What portion is taxable? ALL NONTAXABLE. These are all charges for addressing.

Keyboarding original names and addresses? NONTAXABLE

Setting up and performing sorting? NONTAXABLE

The monthly setup and print out of the names onto labels? NONTAXABLE. NOTE: the envelopes, if supplied by you are taxable.

5. A client brings four letters into your service to be typed. Let's suppose they are collection letters – identical except for names and addresses. You could type these on regular typewriters and would not have to charge tax. But, let's also suppose, that the regular typists are busy and, for your own convenience, you elect to do the typing on the word processing machine. Must you then charge your client tax?

Yes, if this is done on a word processing machine, it is taxable printing because the letters are identical.

6. A client brings a resume to be typed. You do one copy on the word processing machine because he may want to make edits in order to get it all on one page. You type it, print out a draft, he edits and condenses the material, you make the changes on the magnetic media, print out a final copy which he can take to a printer. What portion is taxable? Again, it could have been done on a regular typewriter; in which case you would not charge tax. For your convenience, you elected to use the word processing equipment.

Tax does not apply when the word processor is used to produce copy which is acquired and used exclusively for reproduction purposes. Tax would not apply in this instance since Revenue and Taxation Code section 6010.3 provides that:

“‘Sale’ and ‘purchase,’ for the purposes of this part, do not include (a) the fabrication or transfer by a typographer of composed type or reproduction proofs thereof for use in the preparation of printed matter, or (b) the fabrication or transfer of such reproduction proofs or impressed mats when the fabrication is for, and the transfer is to, a printer or publisher for use in printing.”

In summary, the conclusions we have reached are as follows:

1. Charges for single or carbon copies of a letter or other document typed on a typewriter or a word processing machine are not subject to tax.
2. Charges made for setting up a word processing machine, keyboarding the material, and typing out a single letter automatically are nontaxable. Carbon copies of the same letter done simultaneously are nontaxable.
3. If the purchaser contracts for multiple copies of the same letter (or a slight variation which personalizes essentially the same letter), the total charge is taxable.
4. If the purchaser contracts for a single letter plus carbon copies of the letter, the charges are nontaxable. A subsequent order for multiple copies of the letter is subject to tax.
5. Charges made for keyboarding stock paragraphs of wills or other legal documents, printing out a draft of all the paragraphs for an attorney's use, assembling various paragraphs as requested, and printing or finishing one.
6. When a word processing company types multiple copies or identical letters using word processing equipment, the charges made are taxable.
7. Charges made by a word processing company for keyboarding original names and addresses, setting up and performing sorting, and the monthly setup and printout of the names onto mailing labels are nontaxable.
8. Charges made when a word processing company is used to produce copy which is acquired and used exclusively for reproduction purposes are nontaxable. This exemption is pursuant to section 6010.3 of the Sales and Use Tax Law.

If you have further questions concerning this matter, please write this office.

Very truly yours,

Mary C. Armstrong
Staff Counsel

MCA:ba

Encl.



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July 2, 1982

Ms. J. J--- H---
W--- P--- S---
XX P--- Way
---, CA XXXXX

SR --- XX XXXXXX

Dear Ms. H---:

A sentence was inadvertently omitted from conclusion number 5 in our letter to you of July 2, 1982.

Number 5 should properly read as follows:

“Charges made for keyboarding stock paragraphs of wills or other legal documents, printing out a draft of all the paragraphs for an attorney’s use, assembling various paragraphs as requested, and printing or finishing one original and carbon copies are nontaxable.”

Underlined portion previously omitted).

Very truly yours,

Mary C. Armstrong
Staff Counsel

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