

**STATE BOARD OF EQUALIZATION**

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December 13, 1991

REDACTED TEXT

Dear REDACTED TEXT,

This is in reply to your October 21, 1991 letter regarding the application of sales tax to various charges by your client. You note that your client performs the following:

- “-- translation of documents from one language to another, providing a word-processed copy, either laser printed on paper or as an electronic file on a diskette;
- “-- desktop publishing (DTP), i.e., page-layout services, either as printout on resin-coated paper or as film, to be used as a master by a professional printer. (Note: my client does not provide printing services.)”

Given this information, you asked whether sales tax would apply to charges for the following transactions:

- “1. Customer provides my client with a document in one or more languages and requests translations into one or more different languages. My client provides the customer with a single word processed copy, laser printed (300 dots per inch (dpi) on regular bond paper.”

We are enclosing for your information a copy of Sales and Use Tax Regulation 1501, Service Enterprises Generally, which distinguishes between the application of tax to charges for sales of tangible personal property and charges for transactions that are the performance of a service where tangible personal property is merely transferred incidental to the performance of the service. Assuming that your client provides its customer with only a translation of language and no artwork, tax does not apply to the charge for the translation.

- “2. My client provides its customer with an electronic copy (floppy disk) of the translated document.”

The application of tax is the same. Tax does not apply to your client's charge for the translation regardless that it is transferred on computer disk. (Sales and Use Tax Reg. 1502, Computers, Programs, and Data Processing, subd. (c)(3).)

- “3. My client provides its customer with multiple photocopies of the translated document.”

Tax applies to your client's sale of the multiple photocopies of the translated document. (Reg. 1502, subd. (d) (5) (F).)

- "4. My client provides its customer with a (desktop published or typeset) copy of the translated document, either on resin-coated paper or on film, with a resolution of 1200 dpi (the customer may use the translated and typeset document as a retail product, e.g., a book or a user's manual.)"

We assume that the resin-coated paper is used as a reproduction proof. Assuming that the copy of the translated document your client provides its customer contains text only, the charge is nontaxable. If the copy your client transfers to the customer contains artwork, then tax applies to the entire charge to the customer, including any charge for typography.

When you client transfers more than one proof for reproduction, the proofs that contain text only are nontaxable; proofs containing artwork are taxable. If you client makes a lump-sum charge for typography where some pages contain artwork, the charge should be allocated between the taxable and nontaxable charges.

- "5. My client provides its customer with an electronic file of the formatted document so that the customer may output film or paper at 1200 dpi (again, the customer may use the translated and typeset document as a retail product, e.g., a book or a user's manual.)"

The response to situation number 4 applies here as well. Charges for the computer output which embodies composed type only is nontaxable. The output which embodies composed type with artwork is taxable. Our response to transactions 6 and 7 is the same and will follow transaction 7.

- "6. My client provides translation services, and gives its work to Vendor X for formatting and typesetting. Vendor X charges my client Sales and Use tax for its typeset (resin-coated or film) deliverable. Should my client then charge its customer for Sales and Use taxes:

- A) on only the typesetting, or also
- B) on the formatting, or
- C) on the translation, or
- D) on the entire service/product?"

- "7. My client provides translation services, and gives its work to Vendor X for formatting, and to Vendor Y for typesetting. Vendor Y charges my client Sales and Use tax for its typeset (resin-coated or film) deliverable. Should my client then charge its customer:

- A) on only the typesetting, or also
- B) on the formatting, or
- C) on the translation, or
- D) on the entire service/product?"

Since the vendors consider their charge as subject to sales tax, we assume that the vendors' final product contains artwork. If your client sells that product to its customer, your client's charge to its customer is subject to sales tax on the entire charge. Assuming that your client transfers to its customers title to the vendors' product prior to making any use of the product, your client is entitled to take a tax-paid purchase resold deduction on its sales and use tax return.

You asked whether the term "the composition of type" means formatting and DTP. The terms are not synonymous. The term "formatting" is defined in Sales and Use Tax Regulation 1543, Publishers, at subdivision (a)(4)(B), as "manuscript mark-up when done electronically." We are enclosing a copy of Regulation 1543 for your further information. You defined DTP in your letter as "page layout services." Charges for composition of type are nontaxable. Charges for formatting or for desktop publishing may be taxable when the resulting product contains artwork. If you have specific questions as to the application of tax to charges for formatting or desktop publishing which are not answered here, please present us with the facts.

You asked whether the term "type matter" means a printout on regular paper at 300 dpi or only at 1200 dpi output on resin-coated paper. If a typographer only performs the service of composing type and does not provide artwork or printed matter to the client, the charge for composing the type is nontaxable regardless of the resolution of the output.

Finally, you asked for the difference between "type matter," "printed matter," "artwork," and "camera-ready copy". The expression "type matter" as used in Sales and Use Tax Regulation 1541 refers to the product of a type composition service which is used in the preparation of printed matter. See Revenue and Taxation Code section 6010.3. "Printed matter" is the product a printer produces for its customer; that is, generally, the final duplicate copies of the type matter. For purposes of Regulation 1541, "Artwork," is one of the kinds of illustrations, such as photographs, drawings, paintings, and handlettering. (Sales and Use Tax Reg. 1541, subd. (f)(4).) "Camera-ready copy" is one of the terms used to describe a mechanical or paste-up; that is, it is the reproduction copy consisting of both text and illustrations, that is ready to be photographed and made into a lithographer's film. (See Sales and Use Tax Reg, 1543, Publishers, subd. (a)(4)(G).)

Please provide us with the name of your client to enable the Board's staff to maintain appropriate records with respect to the information provided and properly document the client's file regarding the request for information. Since you did not identify your client, our response is intended only to provide general information as to the application of tax and cannot be a basis for reliance by your client for purposes of Revenue and Taxation Code section 6596.

We hope this answers your questions; however, if you need further information, feel free to write again.

Very truly yours,

Ronald L. Dick  
Senior Tax Counsel

RLD:sr  
Encs.