



515.1435

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

(916) 445-3237

October 6, 1982

REDACTED TEXT

Dear REDACTED TEXT,

This is in reply to your letter of September 3, 1982. You have requested additional information concerning the correct application of tax to your word processing activities.

Specifically, you would like to know the correct application of tax under the following circumstances:

1. You keyboard (type) and print out a manuscript for an author to send to a publisher in the hope of getting it accepted for publication. Does tax apply to the \$1,000 charge to make to the author?

Any charges made by you for keyboarding the manuscript, printing out a draft copy, editing, or printing out a final copy are nontaxable. If carbon copies are prepared at the time of the original copy, they are nontaxable. If any photocopies are prepared, they are taxable.

2. After a period of time has elapsed, a publisher is found to take a chance on the above author, and decided he wants you to insert codes for the typesetter from the diskette containing the manuscript which you have stored in your office. It might take you a total of three hours, at \$15 per hour, to insert minor codes within the text for paragraph indentation, ellipses, words to be set in boldface and italics, etc. The typesetter then does his coding according to the publisher's book design for type sized and faces, chapter heads, subheads, page numbers and any other "fancy" type, using what is stored on your diskette for the main body of the text, after which he returns your diskette, or another compatible used diskette, to you. (Your original "stock" of 24 brand-new diskettes can be used over and over ad infinitum.) Does your billing to the publisher include tax, even though your diskette containing the rest of the manuscript is used for typesetting?

Your charges for preparation of coded information on a diskette, which is given to a typesetter and used to set type, are taxable even though the actual diskette or a similar one may eventually be returned to you.

3. The author in Example 1 takes a diskette with him. You charge \$1,000 for the manuscript and \$10 plus tax for the diskette?

Correct, tax will apply to the charges made for the diskette.

4. A poet wants to self-publish his work. To cut down on expenses, at the same time you keyboard (type) the manuscript, you code it in basically the way described in Example 2, and give the poet a printout from your OCR wheel that can be scanned by typesetting computer. (You keep the diskette to use over on some other project.) The poet takes these normal letter-size pieces of paper, which very much resemble an ordinary manuscript printout, to a typesetter, who then codes headlines, etc., as in Example 2, from the sheets scanned on his/her typesetting computer. Does your charge include tax?

Tax would not apply to your charges in this instance. Tax will apply if you transfer the diskette to your customer.

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

Very truly yours,

Mary C. Armstrong
Staff Counsel

MCA:jlc

bc: Oakland – District Administrator