

**M e m o r a n d u m****120.0275**

To: West Los Angeles – Auditing (MML)

Date: September 27, 1979

From: Tax Counsel (GJJ) - Headquarters

Subject: S--- D--- Corporation

SR -- XX-XXXXXX

This is in response to your memorandum of August 10, 1979. You have sought our opinion as to the application of tax to off-line printouts furnished by S--- D--- Corporation (SDC) to its customers as part of a computer search service.

We understand that SDC maintains a number of data bases on tapes (leased from international sources) containing information of interest to customers who have remote access to SDC's computer through their own terminals.

For example, one data base is the A--- Index which is produced by the A--- and corresponds to their printed publication of the same name. The Index contains source references to major articles, news items, books, etc. written about accounting and business matters. The customer who desires bibliographic information regarding a particular subject would transmit his request to the computer by keying in key phrases or vocabulary terms. The resulting citations, including additional key words for further searching, would be displayed on the terminal screen and could be printed out if the customer has an on-line printer. For this activity, SDC makes separate charges for network time (use of telephone lines, radio transmission via satellite, etc.) computer time and a charge per citation (representing recovery of royalties for use of leased tapes).

To save on expensive line charges, a customer may be means of his terminal, instruct the computer to print search output at SDC's facility. The computer will then produce citations on a magnetic tape which SDC inserts in an off-line printer. Printouts on better quality paper than on-line copy is mailed by SDC to the customer. SDC makes a single charge based on a unit price per citation (which obviously includes computer time and royalties). You inquire as to whether the charges for these printouts mailed by SDC to its customers are taxable.

We are of the opinion that the tax applies. Taxpayer is sending printed matter to its customers. The term "sale" includes a transfer for a consideration of title to tangible personal property printed to the special order of the customer. We have regarded transactions wherein taxpayers produce printouts from previously compiled data bases as sale transactions and not as service transactions.