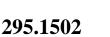
STATE OF CALIFORNIA





STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA (P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001) (916) 445-6450

September 22, 1988

Mr. F. E. H---, Jr. Corporate Tax Manager D--- P---, Inc. P. O. Box XXXX ---, --- XXXX

SZ – XX-XXXXXX

Dear Mr. H----:

This is in reply to your August 11, 1988 letter regarding the application of sales and use tax to a handling charge in connection with sales by D--- P---, Inc. You explained the following facts:

D--- manufactures custom business forms. The following format is one of the ways a transaction can be structured. A customer has D--- produce, store, and distribute the forms to various locations in California. After production, the various forms are moved to a D--- storage facility. At this facility, inventory levels of each of the customer's forms are recorded and reported to the customer. As the customer requests forms in less than carton quantities, they are billed for the amount released. D--- will then invoice the customer as follows: quantity released x price per item. Total the number of lines and add a handling or release charge based on the number of lines on a release (see attached sample)."

The example you attached shows the following:

"EXAMPLE

			Quantity	Price/Ea.	Amount
ATM Cash Sh Com – IA	neet	x/x/88 x/x/88	100 400	.042550 .01665	4.26 6.66
Lines	Product	Freight	Handling	Tax	Total
2	10.92	.00	10.00"		

The California use tax and sales tax are respectively computed on the "sales price" and "gross receipts" of the sale. (Rev. & Tax. Code §§ 6011, 6012.) Both "sales price" and "gross receipts" are defined to include, "any services that are a part of the sale." (Rev. & Tax. Code § 6011, subd. (b)(1); 6012, subd. (b)(1).) Your charge to your customer for handling tangible personal property that you sell at retail is subject to tax as a service that is part of the sale.

We hope this has answered your question; however, if you need further information, feel free to write again.

Very truly yours,

Ronald L. Dick Tax Counsel

RLD:sr