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April 9, 1986

Dear X-----,

I am responding to your letter of January 27, 1986 wherein you requested a legal opinion as to the application of sales or use tax as it applies to the activities engaged in by your company. Specifically, you requested information concerning seven items that you provide to your customers and which are set forth below.

“1. Is data processing taxable? All of it? Does that include data processing for analyzing results?”

Generally, charges for producing, fabricating, processing, printing, imprinting, or otherwise physically altering customer-furnished tangible personal property, such as computer discs, are subject to sales tax. (See Regulation 1502 (c) (2).) However, charges for processing, customer-furnished information such as sales or payroll data into human readable form are generally not subject to tax. For information concerning specific applications, please refer to Regulation 1502, a copy of which is enclosed for your information.

“2. Is computer programming taxable? (The programming might be. to prepare special computerized letters that will integrate the person's name and address into the text of the letter.)”

Although your question refers to computer programming, from the other information you have provided it does not appear that what you are referring to is in fact true "programming." Section 6010.9 of the Revenue and Taxation Code defines a computer program as a complete plan for the solution of a problem, such as the complete sequence of automatic data processing equipment instructions necessary to solve a problem. What you appear to be referring to would be the keying of commands to carry out a specific task, i.e., personalization of letters. Regulation 1502 (d)(5) states that the using of a computer as a mere printing instrument, as in the preparation of the personalized computer printed letters does not constitute processing of customer furnished information which would otherwise be nontaxable. Thus, the charges to produce personalized letters by means of a computer are subject to sales tax.

“3. Is laser imaging taxable? This is a computerized process that produces personalized letters on sort of a giant photo copier.”

Tax applies to charges for printing, imprinting, and other similar operations for consumers, regardless of whether or not paper or materials are furnished by the customer (Regulation 1541). Hence, charges for printing of personalized letters by means of laser imaging are subject to tax.

“4. Is computer fill (filling in the name and address only on a letter or a business reply card) taxable?”

Again, the use of the computer as a printing instrument to personalize letters is subject to sales tax. Similarly, the imprinting of a business's name and address on a business reply card is also subject to tax. (Regulation 1502 (d)(3).)

“5. Is match-fill (filling in the name and address using word processing equipment, but with a pre-printed letter) taxable?”

Regulation 1502.1 states that charges for furnishing original copies of letters or documents prepared either by using a typewriter or word processor are not subject to sales tax. Nor does sales tax apply to charges for carbon copies produced simultaneously with the original. However, sales tax does apply to charges for multiple copies produced on word processing equipment. Multiple copies include form letters which are produced with a slight variation which personalizes essentially the same letter. For more information on specific applications of word processing equipment, please see Regulation 1502.1, a copy of which is enclosed for your information.

“6. How about if a computer or word processing equipment were used to address the outer envelope?”

Regulation 1502 (d)(3) states that tax does not apply to charges for services rendered in preparing materials for mailing. Such exempt services include addressing of envelopes, using either computers or word processing equipment. Therefore, this charge for services provided to your clients would not be subject to sales or use tax.

“7. Admarking is a process for addressing. It is used in place of labels on outer envelopes, or in the business reply card. Is this taxable? It is usually handled as a part of letter shop.”

The imprinting or affixing of names and addresses on property to be mailed is considered to be an exempt service (see Regulation 1504). Thus, the charges for addressing by means of using the admarking process would not be subject to sales or use tax. However the charges for the printing of addresses on business reply cards is subject to sales tax as indicated in 4 above.

I hope that the information provided adequately answers your questions. If you need additional information, please contact us again.

Sincerely,

Teresa Armstrong
Legal Counsel

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