



STATE BOARD OF EQUALIZATION

(916) 445-2488

July 22, 1977

Mr. F--- G. B---
Chief Accountant
P--- V---
XXXX --- ---
--- ---, California XXXXX

SR -- XX XXXXXX

Dear Mr. B---:

Your letter of May 13, 1977 to Mr. S. Katz of our --- office has been referred to the undersigned for reply. Your inquiry concerns whether or not certain sales of seismic calculations, made as a condition of sale of industrial valves, are tangible personal property within the meaning of the California Sales and Use Tax Law and thus subject to sales tax.

Specifically, you state that the subject calculations are a mathematical engineering report, billed separately as part of your customer's purchase order which includes the purchase of valves believed to be taxable within the meaning of the sales tax regulations. Your customer, a California consumer, claims such seismic calculations are not tangible personal property, but merely special knowledge committed to paper and therefore not taxable.

We assume that the engineering reports are prepared specifically for the customer in question and are not in the nature of previously calculated specifications furnished to all purchasers of valves. We note that if the reports are of the latter type, tax would apply to the sale of the reports as sales of tangible personal property. Printed matter is regarded under the California Sales and Use Tax Law as tangible personal property, and sales of printed matter are ordinarily subject to the tax. It is immaterial that the printed matter may serve as a means of recording or conveying ideas or information.

If you perform engineering services in accordance with the special request of an individual customer, tax would apply to the charges made to the customer for the performance of such services where those services are performed as a part of the sale of tangible personal property.

Revenue and Taxation Code Section 6012 defines "Gross Receipts," the measure of the sales tax, to mean:

"The total amount of the sale or lease or rental price, as the case may be of the retail sales of retailers, valued in money, whether received in money or otherwise..." (6012(a)).

"The total amount of the sale or lease or rental price includes all of the following:

- (1) Any services that are part of the sale."

Thus, tax would apply to all charges made to the customer for seismic calculations made as a condition of sale of industrial valves.

Very truly yours,

Mary C. Armstrong
Legal Counsel

MCA:jw