

**STATE BOARD OF EQUALIZATION**

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November 21, 1991

Ms. D--- R---  
R--- H--- D---  
XX --- ---  
--- ---, CA XXXXX

SR -- XX-XXXXXX

Dear Ms. R---:

This is reply to your September 23, 1991 letter regarding the application of sales tax to your charges for graphic design. You noted the following facts:

“The items at issue are meetings I have with the client and the printer. I have assumed this is taxable production time. The client meetings occur at the beginning of a project, for example, the quarterly Insights newsletter. At these meetings, I go over the material for the current newsletter with the copywriter and/or client. I receive hard copy of the stories and all applicable photographs. At this time, we also discuss layout options and ideas for additional art.

“The other meeting item in question is the time I spend with the printer either on the phone, at his place of business or at a prearranged location to check and sign-off on the blueline. Since I deliver press-ready film to the printer, I often talk with him by phone so I can prepare the film to his specifications. I then frequently deliver the film to the printer and meet with him at that time to go over the job. Finally, I meet with the printer and/or client when a blueline proof is ready so I can make sure the job will be printed according to my specifications.”

We assume that, under your contract with the client, you are responsible for producing the layout of the newsletter, and the client contract separately for the printing.

California sales tax is imposed upon retailers at the applicable rate of the gross receipts of the retail sales of tangible personal property in this state. (Rev. & Tax. Code § 6051.) Section 6012 of the Code defines “gross receipts” to mean the total amount of the sale price without any deduction on account of the cost of materials used, labor or service cost, or any other expense.

Accordingly, when you make a sale of a layout, tax applies to your total charge for the layout, including the portion of your charge attributable to any meetings you have with the client or the printer.

Tax does not apply to the transfer of the product of a type composition service containing type matter only. If you transfer a layout to a client which contains pages with photographs or artwork and pages with type matter only, tax applies to the portion of your charge attributable to the pages which contain the artwork or photographs.

We hope this answers your questions; however, if you need further information, feel free to write again.

Very truly yours,

Ronald L. Dick  
Senior Tax Counsel

RLD:sr