

**STATE BOARD OF EQUALIZATION**

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January 18, 1977

Mr. A--- C. R---
Law Offices
---, --- & ---
XXX --- Avenue
--- ---, California XXXXX

Your File No. D 101

Dear Mr. R---:

SR -- XX XXXXXXX
D--- C---
A---

This is in response to your letter of December 9, 1976. You have inquired on behalf of D--- C--- A--- ("DCA"), a California corporation, as to the California sales and use tax consequences of the transactions described more particularly below.

We understand that DCA is engaged in the business of providing automatic data processing ("ADP") services for clients who make periodic mailings to their respective addressees. DCA generally maintains on computer tape a mailing list (the "Mailing List") of the names and addresses of the addressees of each of DCA's clients. DCA's clients include nonprofit organizations, public bodies, and publishers of periodicals.

The level of DCA's involvement in a client's mailings varies depending on the client's desires. In almost all such cases, however, DCA uses its ADP equipment to produce the address labels (the "Address Lables") required for mailings to a client's addressees. Depending on the client's desires, either DCA or the client may actually affix the Address Labels to material to be mailed to that client's addressees. In this latter case, DCA may also provide the client with a printed copy of its Mailing List to facilitate the mailing.

DCA updates the Mailing List for a client by printing a single galley-bookrun on which the client indicates corrections, deletions, or additions. DCA then integrates these changes into an updated Mailing List on DCA's computer tapes.

On occasion a client may ask DCA to provide the client with a copy of DCA's computer tape containing the names and addresses of that client's addressees. The client may in turn either rent or sell the tape to a third party mailer or integrate the information on the tape with other names and addresses acquired by the client.

In rare instances, DCA's only service for a client may be the one-time production of a tape furnished to that client for the client's own use in producing its Address Labels.

We concur in your analysis and conclusions as follows:

A. Charges for Addressing Services.

Where DCA maintains a Mailing List for a client and performs addressing services for that client, DCA's charges to the client for addressing services are not subject to California sales or use tax.

B. Charges for Addressing Labels.

Where DCA prepares for a client through DCA's ADP equipment labels to be affixed by DCA, the client or the client's other agents to material to be mailed, DCA's charges to the client for those labels are not subject to California sales or use tax.

C. Charges for Updating Mailing Lists.

Where DCA maintains a Mailing List for a client and prepares through DCA's ADP equipment a single galley-bookrun of names and addresses to be updated by the client and returned to DCA for use in updating DCA's Mailing List for that client, DCA's separately stated charges to the client for that galley-bookrun are not subject to California sales or use tax.

D. Charges for Tapes Containing Names and Addresses.

1. Client Whose Mailing List is Maintained by DCA.

Where DCA maintains a Mailing List for a client and prepares through DCA's ADP equipment a duplicate tape containing the recorded Mailing List for that client, DCA's charges to the client for that tape are subject to California sales or use tax unless DCA obtains a resale certificate from the client.

2. Client Whose Mailing List is not Maintained by DCA.

Where DCA does not maintain a Mailing List for a client and prepares through DCA's ADP equipment a tape on which are recorded the names and addresses of that client's addressees, DCA's charges to the client for that tape are subject to California sales or use tax unless DCA obtains a resale certificate from the client.

Very truly yours,

Gary J. Jugum
Tax Counsel