



STATE BOARD OF EQUALIZATION

LEGAL DIVISION (MIC:82)
450 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0082)
Telephone: (916) 324-2637
FAX: (916) 323-3387

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Executive Director

April 18, 1996

Ms. T--- S---
XX --- ---,
--- ---, CA XXXXX

Re: Account No. SR -- XX-XXXXXX

Dear Ms. S---:

This is in response to your letter dated April 3, 1996 regarding the application of tax on the transfer of computer generated illustrations.

You state that your business creates these illustrations and transfers them to its customers via computer modem. We understand that you do not provide your customers with any tangible personal property (such as computer disks or other storage media) as part of its transfer of these illustrations. You ask whether tax applies to the transfer of these illustrations.

Discussion

Regulation 1502(f)(1)(D) provides that tax does not apply to the sale or lease of software that is transferred by remote telecommunications (e.g., modem or e-mail) where the purchaser does not obtain possession of any tangible personal property such as storage media in the transaction. In this type of situation, we do not regard the transfer of the software as the sale of tangible personal property inside this state. Since your company only transfers its illustrations by computer modem and does not provide its customers with any tangible personal property, tax does not apply to the gross receipts from the sale of its' computer generated illustrations.

If you have any further questions, please write again.

Sincerely,

Warren L. Astleford
Staff Counsel

WLA:rz

cc: --- District Administrator - (--)