

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)
(916) 445-5550

July 30, 1976

Mr. C--- W---
President
W--- A--- M---
Services, Inc.
XXXX --- Boulevard, Number ---
---, California XXXX

Dear Mr. W---:

This is in response to your letter of July 23, 1976.

You have requested an opinion from our office as to the proper method of reporting sales tax for services that your company will be providing beginning this August.

Briefly, W--- A--- M--- Services, Inc., (WAMS) specializes in providing computerized billing and management services to law firms. WAMS will be receiving from the law firm time records kept by attorneys detailing the client's name, the matter and the amount of time spent completing work for that client. WAMS will also be receiving records of telephone expenses, duplications, costs advanced and cash receipts for the law firms' clientele. From this information and utilizing your own computer system, WAMS will be creating statements that the law firm will send to its clients each month. Along with the statements, the law firm will also be receiving from WAMS an accounts receivable aging, a summary of activity and up to twelve (12) other reports which analyze profitability, the attorneys' time, collections, and various other aspects of the management of the law firm.

The monthly charge to the law firm will be \$75.00 per billing attorney per month; thus, if there are ten (1) attorneys the charge would be \$750.00 per month.

Periodically the law firm will also be charged separately for their statement paper, which will be customized with the law firm's letterhead printed on the continuous form paper. WAMS will contract with M--- Business Forms or a similar company to print the blank statement paper in six (6) month quantities.

In addition, when a law firm is first converted to the WAMS billing service, there will be a charge made that is approximately equal to one month's billing. The actual charge will be determined by the quantity of historical information that is initially converted to the system. This charge will also include documentation, forms, training of the personnel and custom made binders which the attorney will use to keep his time sheets in.

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First, tax would not apply to any portion of the normal monthly charge. See our Regulation 1501 "Service Enterprises Generally," copy enclosed for your reference.

Second, since you are making a separate charge for the statement paper, we are of the opinion that you would be the retailer of this item and sales tax would apply to your charge to your client. You would be required to hold a California seller's permit, under Revenue and Taxation Code Section 6066. You would be permitted to purchase the paper from your supplier without payment of tax upon your issuance of a resale certificate.

Third, tax would not apply to any portion of the initial conversion charge.

Very truly yours,

Gary J. Jugum
Tax Counsel

Enclosure