

(916) 445-6493

December 12, 1986

REDACTED TEXT

Work processing – transfer of original text on diskettes

Dear REDACTED TEXT,

In your October 17, 1986 letter to the Board's legal staff, you relate that you are a free-lance technical writer, and you want to know whether or not you have to pay sales tax in any of the three situations under which you work.

In summary, you relate that first, sometimes you work through a writing agency which contracts with its customer, and you contract with the agency. You write an instruction manual on word processing equipment and turn over printed copy and diskettes to the agency. Second, sometimes you work directly for a customer, and turn over a printed manuscript only. Third, sometimes you work directly for a customer and turn over both a printed manuscript and diskettes containing your word processing files. Your customer uses the diskettes to format your word processing files so the files can be printed. The customer may format the files in various ways, such as adding blank lines so art work can be pasted in. After these files are formatted, the customer sends the manuscript to a printer.

Opinion

Our opinion is that tax does not apply to your charges to your customers under any of the three situations you describe. Our view is that you are providing a service of writing original text for your customers, which is non-taxable under the Board's Regulation 1502.1(a). It makes no difference whether your original text is transferred to your customers in the form of printed copy or on diskettes. In contrast to sales of original artwork, illustrations, and graphics designs, which are taxable transactions whether computer-generated or not, the writing of original text has long been considered as an exempt service transaction. See Regulation 1501. Accordingly, since you are the consumer of paper and diskettes which you use in performing your services, tax applies to your purchases of these items. However, please note that tax would apply to multiple copies of either the printed copy or diskettes which you may transfer to your customers. Regulation 1502.1(a).

I enclose a copy of Regulations 1501 and 1502.1 for your information. Please feel free to contact me if you have any further questions or comments about this letter.

Sincerely,

John Abbott
Tax CounselJGA:jb
Enclosures
bc: Mr. Les Sorensen