



**STATE BOARD OF EQUALIZATION**

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January 22, 1993

REDACTED TEXT

Dear Mr. REDACTED TEXT:

This is in response to your letter dated January 12, 1993 to the Board of Equalization. Attached to that letter is a copy of a letter dated September 21, 1992 in which you state:

"Recently my corporation hired another firm to perform the work of creating a book index. The contractor was instructed to review the written manuscript and index each occurrence of relevant terms and phrases found within the manuscript and note the appropriate page numbers. The contractor returned to my firm a computer floppy disk with the index.

"When the contractor remitted an invoice for this work, sales tax was included. I would appreciate a ruling as to whether the following items are or are not subject to State of California sales tax:

"Indexing service

Messenger service (contractor hired a delivery service to pickup and deliver to and from contractor's business site)

Management fee"

Revenue and Taxation Code section 6051 imposes a sales tax on all retailers measured by their gross receipts from retail sales of tangible personal property. To be subject to tax, a transaction must be a sale which includes any transfer of title or possession of tangible personal property for a consideration. Rev. & Tax. Code § 6006(a). On the other hand, a transaction which is a service is not subject to sales tax even though there is a transfer of tangible personal property if the transfer of such property is incidental to the performance of the service. Sales and Use Tax Regulation 1501 (copy enclosed).

The Board's staff generally regards indexing as a service even though the completed index is transferred to a client on tangible medium. As long as only one floppy disk containing the index was transferred to you by your vendor, none of the vendor's charges for indexing are subject to tax.

Sincerely,

Elizabeth Abreu  
Tax Counsel

EA:cl  
REDACTED TEXT

Enclosure

bc:     Oakland District Administrator