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**STATE BOARD OF EQUALIZATION**

916-445-6450

May 26, 1988

Dear Mr. X-----,

Your January 14, 1988 letter to the State Board of Equalization's X----- office has been referred to the legal staff for reply. You asked for the application of sales tax to your charges involved with the following facts:

"I am a Desktop Publisher. As a service I design Master Pages (Mechanicals) i.e., Business Cards, Letter Heads, Manual Pages, Newsletters, Forms, etc. I charge a design fee.

"I sometimes buy paper, envelopes etc., for which I pay sales tax. I take these materials along with my mechanical to a Printer for reproduction of copies. The Printer also charges me sales tax."

If your designing pages results only in your transfer of composed type on a page to the client, you perform a service, and sales tax does not apply to your charge. See Sales and Use Tax Regulation 1541, Printing and Related Arts, at subdivision (f)(1). Tax does apply to your charge for designing pages if the product you transfer to your client consists of composed type combined with artwork. In this regard, Regulation 1541 provides at subdivision (f)(5), in relevant part:

"A transfer of type matter combined with artwork in the form of a paste-up, mechanical, assembly, or camera-ready copy, or of a flat (including an assemblage of page negatives or positives which contain type matter only), or the transfer of a photoreproduction (including film plates) of such properties is subject to tax without any deduction on account of the cost or expense of typography."

When you contract to provide the client not only the page design but also the printed matter, tax applies to the total gross receipts of your sale including the part of the charge attributable to the charge for designing the pages. Subdivision (f)(1) of Regulation 1541 provides:

“The composition of type, whether text type or display type, is the performance of a service, and tax does not apply to charges for such service, unless the service is a part of the sale of printed matter in which case tax applies to the gross receipts from the sale of the printed matter without any deduction for typography.”

(Emphasis added.)

Tax does not apply to the sale of paper or printing to you for resale to your client. You should issue a resale certificate to the vendor of the paper and to the printer.

You indicated that one of the items you may design and sell is a newsletter. If the printed matter that you sell to the client qualifies as a “newspaper” or “periodical” as those terms are defined in Sales and Use Tax Regulation 1590, Newspapers and Periodicals (copy attached), which the client will either sell or distribute, your sale of the newspaper or periodical to the client is exempt from tax. In such case, you should take a certificate from the client in the form provided at subdivision (c) of Regulation 1590.

We hope this answers your question; however, if you need further information, feel free to write again.

Very truly yours,

Ronald L. Dick  
Tax Counsel

RLD:sr  
Attachment

Bc: X----- District Administrator