



(916) 445-6493

July 25, 1988

REDACTED TEXT

Legal services – preparation of business documents

REDACTED TEXT

In your June 17, 1988 letter to the Board's legal staff, you request our opinion on the application of sales and use tax to a service that your new law firm is offering. You and your partner, both attorneys, are offering a document preparation service for other attorneys (your clients). You will be preparing ready-for-signature business documents for private and corporate counsel. You prepare the documents from model forms stored in your computer system or from a model form provided by your client. You might quote a flat rate for preparing the average form, or you might have an estimated project cost based on the applicable fact situation.

Our opinion is that no sales or use tax will apply to your charges for your legal services. Under Sales and Use Tax Regulation 1501, the Board employs a true object of the contract test to determine whether a contract calls for nontaxable services or taxable sales of tangible personal property. In this situation, we view the true object of the contract between you and your clients to be the providing of professional services, not the transfer of the documents you prepare. The tangible property transferred (the paper on which the documents are written) is considered incidental to the service provided. Tax would apply to your purchases of paper and other tangible property which you use in providing your services. If, by contrast, a law firm sold prewritten business documents for use by other attorneys, or by non-attorneys, then the law firm would be selling tangible property, not providing a service, and tax would apply to the sales of the blank documents.

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

Sincerely,

John Abbott
Tax Counsel

JA:jb
Enclosure