

New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau

TSB-M-96 (8) S
Sales Tax
August 30, 1996

Data Entry services Not Subject to Sales & Compensating Use Tax

TSB-M-81(3)S, *Taxability of Major Data Entry Techniques*, indicated that the service of entering data on "cards, disc, tape, cassettes, or other medium" supplied by the customer constituted a fabrication service which was taxable under Section 1105(c)(2) of the Tax Law. Changes in technology led the Department to change that interpretation.

Effective on and after September 1, 1996, data entry services, performed by independent contractors and temporary service contractors or similar service providers who furnish personnel to perform data entry services, are no longer subject to state or local sales or compensating use taxes, regardless of who supplies the medium on which the data is recorded. The Tax Department will now treat these services, for sales and use tax purposes, in the same manner as non-taxable typing and word processing services.

Independent contractors, temporary service contractors and similar service providers are no longer required to collect sales tax from their customers on the receipts from data entry services.

Data entry service is the transcribing and entering of data (words or numbers) by a person directly to a magnetic tape, punch card, disc, or computer via an alphanumeric keyboard or other data entry device.

Data entry service **does not** include the design and development of custom software or prewritten software as defined under section 1101(b)(14) of the Tax Law.