



North Carolina Department of Revenue

Beverly Eaves Perdue
Governor

David W. Hoyle
Secretary

April 30, 2012

FEIN: [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

Attention: [REDACTED]

Re: Private Letter Ruling Request

Dear Ms. [REDACTED]

We have your letter dated January 6, 2012, in which you inquired as to your firm's North Carolina sales and use tax liability on particular transactions. Your firm's brochure, a copy of which you furnished, advertises that your firm provides "desktop geospatial services to businesses." Your firm provides Geographic Information Systems ("GIS") expertise to its clients, who are typically involved in building or other projects where they require geographic information to be collected, assessed, or analyzed.

You have inquired whether your firm's various charges to its clients represent an "information service" within the meaning of N.C. Gen. Stat. § 105-164.3(14a) and, therefore, are exempt from North Carolina sales and use tax. An information service is defined as "[a] service that generates, acquires, stores, processes, or retrieves data and information and delivers it electronically to or allows electronic access by a consumer whose primary purpose for using the service is to obtain the processed data or information".

Listed below are examples of your firm's activities, followed by a response as to your firm's potential sales and use tax liability for each activity.

Activity One: Your firm creates custom cartography (presentation-quality maps and exhibits) using your client's GIS data or databases and GIS data from publicly-available sources. This product creates a detailed visual to help the client use the information for its projects. The data is transferred to the client utilizing a variety of methods, such as by e-mail, FTP websites, CD, external hard drive, or flash drive. Your client's customer normally dictates which delivery method is used.

Response One: Your firm's charges for custom cartography (presentation-quality maps and exhibits) as described above are not sales of taxable tangible personal property or digital property and are not subject to sales or use tax.

Activity Two: Your firm assesses and catalogs its client's data and then creates a custom list of GIS data necessary to complete the client's projects. GIS data gaps are identified and recommendations are made to the client. This information is transferred to the client utilizing a variety of methods, such as by e-mail, FTP websites, CD, external hard drive, or flash drive. Your firm's customer normally dictates which delivery method is used.

- Response Two: Your firm's charges for data assessing and cataloging services are not subject to North Carolina sales or use tax.
- Activity Three: Your firm will collect a client's GIS data, increase the quality of the data by creating descriptive metadata, and review the data for errors and omissions. The data is transferred to the client utilizing a variety of methods, such as by e-mail, FTP websites, CD, external hard drive, or flash drive. Your firm's customer normally dictates which delivery method is used.
- Response Three: Your firm's charges for GIS data collection, metadata creation, and quality assurance services are not subject to North Carolina sales or use tax.
- Activity Four: Your firm charges clients for providing custom internet and intranet mapping applications. Your firm will take a source map and make customizations using programming and scripting tools. The resulting mapping applications are transferred to clients utilizing a variety of methods, such as by e-mail, FTP websites, CD, external hard drive, or flash drive. Your firm's customer normally dictates which delivery method is used. Your firm does not provide prewritten or custom software to its customers.
- Response Four: Your firm's charges for providing custom internet and intranet mapping systems to its clients are not subject to North Carolina sales or use tax.
- Activity Five: Your firm furnishes personnel to perform quality control checks for its client's field staffs.
- Response Five: Your firm's charge for providing personnel to perform quality control checks is not subject to sales and use tax.
- Activity Six: Your firm provides custom programming to enhance or automate tasks associated with the maintenance and development of a client's GIS data. The custom programming could involve providing database applications or programming specific macros or calculations for the client, but does not include providing or selling prewritten or custom computer software.
- Response Six: Your firm's charge for providing custom programming services is not subject to sales and use tax, and you have advised that your firm does not sell prewritten or custom computer software in conjunction with the custom programming service.
- Activity Seven: Your firm reviews and evaluates the current GIS production processes for a client's project to ensure efficiency and accuracy and to minimize man-hours. Your firm then creates a report of recommendations, which is transferred to the client via e-mail, an FTP website, CD, external hard drive, or flash drive.
- Response Seven: Your firm's charge for providing process evaluations and recommendations is not subject to sales and use tax.
- Activity Eight: Your firm will provide a client with an assessment of a client's GIS department staff's skills and expertise compared to the client's current project needs. The written assessment will include recommendations regarding which staff need further professional development. This report is usually transferred via e-mail, but can also be delivered via FTP websites, CD, external hard drive, or flash drive.
- Response Eight: Your firm's charge for an assessment discussed above is not subject to sales and use tax.
- Activity Nine: Your firm will review a request for qualifications (RFQ) for a client to determine the GIS qualifications necessary to perform the scope of work. Your firm recommends to the client the work-flow process needed to provide GIS files required for the RFQ. Your firm may help

the client compute budget estimations for the GIS component of the project. Your firm may also author for the client a formal, technical proposal which will describe and illustrate in detail the work the client proposes to perform to satisfy the RFQ. The recommendations and/or technical proposal can be delivered via e-mail, FTP websites, CD, external hard drive, or flash drive.

Response Nine: Your firm's charges to review a client's RFQ, recommend work-flow processes, and/or author a technical proposal associated with a specific RFQ are not subject to sales and use tax

Activity Ten: Your firm will assist a client in determining its GIS staffing needs, drafting job descriptions, recruiting and advertising for potential employees, conducting candidate interviews, and hiring and compensation recommendations. Your client may provide information to a client via e-mail, FTP websites, CD, external hard drive, or flash drive.

Response Ten: Your firm's charges relating to recruiting and hiring staff for a client are not subject to sales and use tax.

Your firm's purchases of tangible personal property and taxable digital property it uses to provide the services discussed in the foregoing activities and otherwise are subject to sales or use tax unless they are otherwise exempt from tax under the provisions of N.C. Gen. Stat. § 105-164.13.

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. If the facts and circumstances given are not accurate, or if they change, then the taxpayer requesting this ruling may not rely on it. If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

If you have any questions, you may reach me at the number listed below.

Very truly yours,

Administration Officer
Sales and Use Tax Division

cc: [redacted], Director of Sales and Use Tax Division