**Private Letter Ruling**

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| **Ruling Number:** | **P-1998-129** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **On-line services and mailing lists.** |
| **Keywords:** |  |
| **Approval Date:** | **09/11/1998** |

**Body:**

Office of Policy & Research

September 11, 1998  
  
  
XXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXX  
  
  
Dear XXXXXXXXXX:  
  
The purpose of this letter is to respond to your letter dated August 10, 1998. This is a private letter ruling pursuant to Kansas Administrative Regulation 92-19-59.  
  
You requested the Kansas Department of Revenue advise you on how to apply Kansas retailers’ sales tax to sales by your company. Your company, XXXXXXXXXXXXXXXXXXX is a network marketing company that sells nutritional and personal care products. The products are distributed through independent contractors (“Team Members”) who recruit other Team Members. Certain fees may be charged to the Team Members that relate to services provided by XXXXX. Additionally, Team Members may purchase certain information which has been gathered and compiled by XXXXXXX. All services, including Information Services, are performed by XXXXX employees in XXXXXXXX.  
  
You describe the following sales.  
  
Mailing labels.  
  
Members who want pre-addressed mailing labels to their downline may purchased them from XXXXXXX, for $5.00 plus $.025 per label. The labels contains downline Team Member’s names and addresses. The labels are customized to each Team Member’s downline and are not general lists or canned information. A Team Member may not purchase another Team Member’s downline information in any format.  
  
Mailing diskettes.  
  
The mailing diskette contains the same information as the mailing labels but is contained on a 3.5 inch diskette. Mailing diskettes may be purchased for $50.00. There is a $2.00 charge per diskette if additional diskettes are required to store the Team Member’s information. Additional copies of the mailing diskettes are not available for purchase by Team Members.  
  
Downline information diskette.  
  
The downline information diskette contains detailed information on the Team Member’s of downline, such as the downline members level, phone number, volume information, etc. in addition to the mailing information. The downline information diskette is available to Team Members for $100.00. There is a $2.00 charge for each additional diskettes if additional diskettes are required to store the purchased information  
  
Downline and commission reports.  
  
The group downline report provides the name, level, phone number, current month’s purchase volume and prior month's volume of the Team Members of the downline members. This report costs $15.00 plus $.50 per page. The group downline report is faxed to the Team Member.  
  
The monthly commission report provides purchase volume information for each member of that Team Members downline and costs $4.00 to $10.00 per report depending on the level of the Team Member. The commission reports are mailed to the Team Members.  
  
On-line services.  
  
XXXXXX offers on-line computer access to services through the Internet for a monthly fee. The on-line service allows the Team Members to place orders and access information to twenty-four hours a day, seven days a week. The Internet service also allows Team Members to check the status of orders, personal volumes status, downline volumes status, request informational faxes on products, execute downline inquiries and track shipments. There are currently no additional charges for downloading information from the on-line side.  
  
Success club.  
  
Team Members of a certain rank may join a XXXXXXXX Club for $10.00 a month. XXXXXXXXX Club members have access to of an Internet site which provides motivational audio clips, selling tips and other news. XXXXXX Club members also receive periodic mailings and are entitled to attend special meetings.  
  
Sales leads.  
  
XXXX generates sales leads through the use of mass media (i.e. television and radio ads, etc.) The leads are collected and made available for purchase to existing Team Members. The charge for the lead is $7.00 which includes the information on the lead as well as mailing services. Each prospect is mailed a 12 minute videotape which explains the New Vision business opportunity and solicits the prospective member to contact the Team Member who purchased the sales lead. A separate charge is made to the Team Member who purchased the sales lead for the videotape at the same price that is otherwise available for purchase from XXXXXXX.  
  
Admission charges.  
  
The company holds conventions and conducts motivational meetings for which it charges  
admission. The conventions are typically for three or four days and the location is determined on a convention by convention basis. The other meetings will typically last for a half day to a day and or organized as tours with multiple stops during the tour. The charges range from $10.00 to $200.00.  
  
Is the opinion of the Kansas Department of Revenue that sales of mailing labels and sales lead videotapes are subject Kansas retailers’ sales tax pursuant to K.S.A. 79-3603.  
  
Sales tax is not imposed on the following items and activities as described in your letter: Mailing diskettes, downline information diskette, downline and commission reports, on-line services, success club, sales leads, and admission charges.  
  
This private letter ruling is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to an accurate determination by the department, this ruling is null and void. This private letter ruling will be revoked in the future by operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or a published revenue ruling, that materially effects this private letter ruling.  
  
Sincerely,  
  
  
Mark D. Ciardullo  
Tax Specialist  
  
MDC  
  
  
**Date Composed: 09/22/1998 Date Modified: 10/10/2001**