**Private Letter Ruling**

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| **Ruling Number:** | **P-2001-122** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Medical chart information; electronic database solutions.** |
| **Keywords:** |  |
| **Approval Date:** | **10/26/2001** |

**Body:**

Office of Policy & Research  
  
  
October 26, 2001

XXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXX  
  
Dear XXXXXXXXXX:  
  
The purpose of this letter is to respond to your letter dated September 28, 2001.  
  
In your letter you stated:

XXXXXXXXXX, an industry leader in the administration of patient charts, provides traditional and virtual file room solutions. We are in the process of compiling information regarding the taxability of our sales for the following product lines.  
  
Product #1: Release of Information:  
  
We contract directly with hospitals to perform the copying of medical records for all requesting parties, which may include other hospitals, doctors, insurance companies, attorneys, governmental agencies as well as individuals. Our company places a copy machine at each hospital for our use. On predetermined days, company personnel report to the hospital to copy the charts and to invoice and mail the documents to the requesting party. Included on the invoices are the charges for the copying services, handling, and shipping (paid to a common carrier or the US post office).  
  
Product #2: Storage  
  
XXXXXXX rents a storage space outside of hospitals & clinics to store all medical records and we charge our customers a monthly storage fee based on size and volume of their records.  
  
Product #3: XXXXXXXXXXX Virtual File Room  
  
Where we digitally capture all patient charts into the XXXXXXXXX, which are stored in a database and charge our customers a monthly fee based on size, volume, and number of users.  
  
Product #4: File Management Services  
  
XXXXXXXXXXXX also provide staffing to support hospitals and clinics with their medical records management. In return, we charge our customers an hourly rate for the work performed.

In deciding whether a particular transaction is subject to sales tax, a two step analysis is generally necessary. The first step is to determine whether the sales tax act generally imposes tax on the type of transaction in question. The second step is to determine whether the act provides an exemption for the particular type of transaction.  
  
As a rule, sales tax is imposed on all transactions involving the transfer of tangible personal property. With services, however, tax is imposed only on those transactions that are specifically enumerated in the sales tax act. Exemptions for transactions involving either tangible personal property or services are allowed as specifically enumerated.  
  
Your letter continues with a series of questions:  
  
1. Are the service transactions described above taxable?  
  
Answer: It is the opinion of the Department that no imposition exists in the law to impose Kansas sales tax on the services as described in this letter.  
  
Your Company is required to pay Kansas sales and compensating taxes on all purchases of tangible personal property and taxable services used or consumed by their business.  
  
2. If the service transaction is taxable,  
  
Is the actual postage taxable?  
  
Answer: Not applicable.  
  
Is the handling taxable?  
  
Answer: Not applicable.  
  
3. If the service transaction is not taxable, are the paper costs to generate revenue taxable?  
  
Answer: Yes, your company is responsible to pay sales or compensating (use) taxes on all tangible personal property purchased in state or delivered into Kansas from out of state.  
  
4. 4. If the requesting party is located outside your state, is the transaction taxable?  
  
Answer: Not applicable.  
  
Please provide a letter and a copy of the rules and regulations as they relate to the photocopying of medical records and our other lines of product.  
  
Answer: I am unaware of any rules or regulations regarding the taxation of photocopying of medical records.  
  
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 make 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 affects this private letter ruling.  
  
  
  
Sincerely,  
  
  
  
Mark D. Ciardullo  
Tax Specialist  
  
MDC  
  
  
**Date Composed: 10/30/2001 Date Modified: 10/30/2001**