

Department of Revenue

Modification of Revenue Notice # 93-03: Sales and Use Tax - Application of Tax to the Printing Industry

The following technical information generally applies to persons who, in the normal course of business, are engaged in printing or in a step in the printing process. The printing process includes graphic design work and preparing print files, preparing copy, artwork and photographs, film assembly, platemaking, actual printing or presswork, binding, and other finishing operations.

Sales

1. Taxable sales. The following sales are taxable:

- Sales of tangible personal property. This includes charges for printing, lithography, photolithography, gravure, rotogravure, screen printing, electronic and jet printing, copying and duplicating, imprinting, multilithing, multigraphing, mimeographing, photostats, steel die engraving, and similar operations.
- Sales of services. Sales tax applies to the total retail charge for services that are a part of the sale of printed material. For example, die cutting, slitting, embossing, and other binding and finishing operations, including scoring, folding, collating, stitching, and trimming are taxable.
- Labor charges. Sales tax applies to charges that result in the alteration, modification or assembly of raw materials.

2. Exempt sales. Certain sales made by a printer may be exempt if the purchaser provides the printer with a properly fully completed exemption certificate. For example, sales of identification labels or name plates to a person who will affix them to a product intended for sale are exempt from sales tax if the purchaser provides ~~you the printer~~ with a properly fully completed exemption certificate. Likewise, sales of direction sheets, instruction books, warranties, and other printed matter packaged with or available only with the purchase of products held for sale are not taxable. Again, the purchaser must provide a properly fully completed exemption certificate.

Other sales made by a printer are exempt from sales tax under specific provisions of the law. For example, advertising circulars, catalogs and newsletters distributed to the general public are exempt publications if regularly issued at intervals of three months or less.

Purchases

1. Taxable purchases. Items that are not used in the production process are taxable. For example, items used in administrative functions, utilities used in non-production functions, and cleaning solvents used to clean equipment and accessories while the production process is shut down are taxable.

2. Exempt purchases. Items purchased by a printer that are used or consumed in the production of tangible personal property intended to be sold at retail are exempt from sales and use tax. For example, cleaning solvents such as blanket and roller wash, dampener cleaner, plate cleaner, and copper wash are exempt as being consumed in industrial production if these products are used during the actual production process. But note that these items are taxable if the property is being produced for the printer's own use rather than for sale.

3. Maintenance contracts for equipment that provide repair and replacement parts and consumable items to maintain the equipment at no additional cost are subject to sales tax. Warranty contracts that

cover future unexpected repair costs and do not include consumable items needed to maintain the equipment are exempt from sales and use tax. represent charges for services and are exempt from sales and use tax provided the charges are stated separately on the invoice. If the maintenance warranty contract for equipment covers the entire cost of parts to maintain-repair the item covered by the contract, the company providing the service is responsible for paying the sales or use tax on their cost of parts used in repairing the equipment. If there is a charge to the customer for repair parts used under the contract, the charges for those parts are taxable. See Revenue Notice # 12-12: Sales and Use Tax - Warranty and Maintenance Contracts – Optional Contracts on Equipment for additional information.

4. Installation, Fabrication, and Repair. Charges for installation and fabrication labor are taxable. Repair labor is not subject to sales tax when separately stated, but Charges for labor that do not result in a new or changed product are not taxable provided they are stated separately from charges for taxable items on the customer's invoice. This includes charges for travel expenses and repair and installation labor. Any parts or materials used to repair tangible personal property are taxable. See Revenue Notice # 06-11: Sales and Use Tax – Sales Price – Labor Charges; Revocation of Revenue Notice # 91-20 for additional information on the taxability of installation, fabrication, and repair labor.

PRINTING INDUSTRY GUIDELIST

Composition - Text Copy/Art Preparation

Taxable items include: earned prewritten computer software; computer/data storage equipment; floppy/rigid disks, magnetic tape; foundry type (re-usable); line-up tables, chairs, desks; linotype/intertype magazines; matrices; personal computers; phototypesetting machines and parts, imaging systems (printout devices), input devices, editing equipment; reusable press lock-up parts for metal composition (chase, furniture, quoins, etc.); saws; telecommunications modems and equipment; T-squares, rules and composing sticks; type gauge; typesetting machinery and parts (hot or cold type); word processors. **Exempt items include:** custom software; exposure chemicals; film negatives; film positives; ink; lubricating oils and greases; masking tape; phototypesetter supplies (photographic paper, film, offset paper plate); process lettering and photodisplay tape; purchased author alterations; purchased compositions (machine or hand set); purchased phototypesetting; TTS tapes; utilities used in production (electricity, gas, water, steam, etc.)

Composition - Commercial Art Department

Taxable items include: air brushes; brushes; cameras, parts and attachments; dispensers for tape, ink, etc. (when purchased separately from supply item); drawing boards; enlargers; photo processing equipment; scissors; T-squares. **Exempt items include:** art board; blow-ups; ink paste; marking pencils; mat service; paper, film, acetate; photo prints and photostats; photographic supplies (film, exposure chemicals, etc.); screen tints; strip type; spray, such as fixative; tape; tissue overlay; utilities used in production (electricity, gas, water, steam, etc.).

Graphic Arts Photography and Film Assembly

Taxable items include: air brushes; anti-static devices; automatic plate processor; copyboard; densitometer; diffusion transfer system; dispensers for supply items (when purchased separately from supply items); electronic pre-press system and parts; electronic scanning equipment and parts; film dryer equipment; film processors; film punch; glass screens; graphic arts cameras, parts and attachments; knives and scissors; laser imaging devices; light fixtures; light tables; off-press color proofing system and parts; photo composing machines; pin register devices; projection system equipment and parts for automated stripping; proof presses and parts; roller coater; sinks; step and

repeat machines and parts; whirlers. **Exempt items include:** acids, developers, fix, chemicals; anti-halation backing; carbon tissue (drawings, keylines, photographs); color filter; color separations; contacts and duplicate prints or films; diazo coatings; electrotypes; exposure light bulbs and arcs; goldenrod paper; gum, ink, masks; litho wipes (like Webril); masking tape; metal toner; mylar; opaque, film, process paper; photographic materials (paper, plastic film desensitizer, emulsion); photopolymer coatings; plastic plates; platemaking (see below); proofing paper and process printing supplies (color key); purchased paste-up and keylines; purchased stripping; repro proofs; rubber plates; stereotype mats and mat service; utilities used in production (electricity, gas, water, steam, etc.).

Platemaking

An exemption is provided for accessory tools equipment and other short lived items that meet the following criteria: 1) separate detachable unit; 2) produces a direct effect on the product; and 3) has an ordinary useful life of less than 12 months. The Department of Revenue considers all printing plates to meet the criteria in #1 and #2, so the test for taxability or exemption is based on 'ordinary useful life' in #3. **Ordinary useful life is measured by the length of time an item would last if used continuously in production under the normal conditions of the user.** Platemaking-related exempt items and services include: contact negatives/positives; continuous tone separations; creative art; dot etching; halftone negatives/positives; line negatives/positives; masking paper; opaquing; proof press plates; proof processes such as opaquing, proof press plates, proof processes such as blue prints, color key, cromalin, dry key, ozalid, photostats, poly proofs, silver prints, technifax; repro proofs; stripping; tape.

Pressroom

Taxable items include: coating machines; drum and pail pumps; electronic printers; hand cleaner; ink curing equipment; offset duplicators; pail rack; press machinery and parts (all processes) including calendar rolls, grippers, feeders, guides, cylinders, rollers, bearers, ink fountains, sheet detectors; quality control equipment and instruments including densitometers, paper hygrosopes, gauges, magnifying glasses, control targets (reusable), inkometers, tackoscopes, fadometer, psychrometer; roller metal core (shafts); scissors, knives, tools; tables, desks. **Exempt items include:** acids and glues; anti-static spray, blanket coating; blanket saver; blankets; bronze powder; custom die-cutting materials; dampener sleeves; dampening solution; disposal gloves; etch solutions; flying pasters, inks and varnishes: reducers, toners, driers, additives, conditioners, and concentrates; lubricating oils and greases; non-offset spray; padding compound; paper roller cores; paper stock; PH indicator sticks (used once); plates (see Platemaking under Graphic Arts Photography); press wash (used during production only); presspack; pumice powder; roller covering, including molletron which has a direct effect on the product (covering for rollers that feed or transport the product during production and do not modify or change the product is taxable); types, including splicing tape; tympan and drawsheets; utilities used in production (electricity, gas, water steam, etc.).

Bindery, Mailing Rooms & and Shipping Rooms

Taxable items include: banding machinery (excluding metal bands used); clipboards; collators; cutters and trimmers (including original knife); die cutting jackets; folding machines; glue brushes, pots; labeling plates; Mullen tester; staplers (dispenser); stitchers; tape dispensers; trucks and handling equipment. **Exempt items include:** back lining; cartons (non-returnable) packaging bindery and mailing materials; cartons, wrapping paper, chipboard; knives, dies, punches, cutting rules, press punches, perforating rules, blades, etc. used in cutting, scoring, slitting, perforating, collating and stitching, which 1) are separate detachable tools, 2) produce a direct effect on product, and 3) have an ordinary useful life of less than 12 months when used continuously in production; labeling mats and supplies; lubricating oils and greases; metal banding; paste and glue used in production; rubberbands,

tapes (including carton sealing tape), suction cups used in production; signature boards; skids and tops shipped with job (non-returnable); staples and refills; stitching and tying wire, cord, string; utilities (electric power) used in production; wire, cording and string used in production.

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