

Printing Industry

109

Sales Tax Fact Sheet 109

Fact Sheet

What's New in 2018

We clarified when sellers are required to collect local sales taxes. See Local Sales and Use Taxes on page 3.

This sales tax fact sheet provides general information about how Minnesota Sales and Use Tax applies to printing and related items and services. Lists are included to help you determine the taxability of sales and purchases. Forms and fact sheets mentioned in this fact sheet are available on our website.

Sales by printers

Charges for items and services such as those listed below are taxable. The total retail price is taxable, including raw materials, production labor, outside or prepress services, overhead, profit and delivery charges. It does not matter how these charges appear on the customer's invoice or who furnishes the ingredient materials.

You can make sales of taxable items without collecting sales tax if your customer gives you a completed Form ST3, *Certificate of Exemption*.

Labor that results in the fabrication, alteration, modification, installation or assembly of materials is taxable. Labor charges for a step in a process resulting in the production of a printed product (including prepress services, and other sublet charges) are also taxable.

Delivery, freight, shipping and handling charges to your customer are taxable.

Examples of taxable sales and services

binding	laser and ink jet printing
calligraphy	layout
collating (by hand or machine)	lithography
color separation	multigraphing
copying	multilithing
designing	photolithography
desktop publishing	photostats
die cutting	printing
duplicating	rotogravure
editing	scanning
electronic printing	scoring
electrophotography	screen printing
gravure	slitting
imprinting	steel die engraving
keylining	stitching
	typesetting

Exempt publications

Newspapers or other publications regularly issued to the general public at least four times per year are exempt. Publications that may qualify for this exemption are newsletters, annual reports (if quarterly reports are also issued), catalogs, programs, bulletins, circulars, handbills and newspaper inserts. If a publication is "confidential" or "internal only," it is not an exempt publication.

This exemption applies to both printed materials and to publications issued on other media such as CDs or DVDs. To claim exemption, use a completed Form ST3, *Certificate of Exemption*. Specify the Exemption publication exemption.

What tax should you charge?

General rules for state and local sales tax are listed below. If the printed product qualifies as either direct mail or advertising material, see the special rules defined in the following sections, to determine the sales tax.

General rules

Charge sales tax on the total sales price of printed product, including charges to deliver the product. The following rules apply to sales of most taxable products:

- When the customer picks up the printed product at the seller's location the seller charges the sales tax that applies in that taxing jurisdiction.
- When the seller ships the printed product to a location at the direction of the customer, sales tax is based on the sales tax imposed in the taxing jurisdiction where the product is delivered.

- If neither of the above rules applies, the seller charges sales tax based on the address they have in their records for the customer.
- If none of the above applies, the seller charges sales tax based on the customer's address obtained during the sale transaction such as the address on the customer's check.
- If none of the above applies and the seller does not have an address for the customer, the seller charges sales tax based on the address the printed product was shipped from.

Direct mail

Definition. Direct mail is printed material that meets all three following guidelines:

1. It is delivered or distributed by mail or any other delivery service.
2. It is sent to a mass audience or to addresses on a mailing list provided by the purchaser or at the direction of the purchaser.
3. The cost of the items is not billed directly to the recipients.

Items to be included with the printed material also qualify as direct mail, if supplied by the purchaser to the direct mail seller. (For example, shampoo samples to be included with shampoo coupons.) Direct mail does not include multiple items of printed material delivered to a single address.

Direct mail delivery exemption. Charges for delivering or distributing direct mail are not subject to sales tax as long as the charges are separately stated on the invoice to the purchaser. Delivery charges include charges for transportation, shipping, postage, handling, crating, and packing.

For more information, see Fact Sheet 173, *Direct Mail and Fulfillment Services*.

Advertising materials

Definition. Advertising is creative promotion. It makes you want to buy something, think positively about an idea or organization, hear about a public concern, or vote for a candidate. It promotes the sale of a product or public image. It may be a public service announcement or a

political message. Charges for advertising *services* are not taxable if all of the following apply:

- There is no functional use of the product except to carry the message.
- The seller must be involved in the creation of advertising.
- The seller must have a direct relationship with the advertiser.

However, inputs to nontaxable advertising services *are* taxable. For more information, see Fact Sheet 133, *Advertising*.

Taxable advertising. Printing is a taxable input to advertising services. The total charge, including delivery charges, is taxable unless the advertising material qualifies as direct mail described above. In addition, there is an exemption from sales tax for advertising materials that will be used outside of Minnesota. Do not charge Minnesota sales tax on the cost of advertising materials you ship outside of Minnesota for your customer. If your customer takes possession of the advertising material in Minnesota, they may claim exemption for the portion of advertising materials that they intend to ship outside of the state by giving you a completed Form ST3, *Certificate of Exemption*, using the Percentage exemption and indicating the percentage claimed as exempt.

Nontaxable advertising. If the printer is creating the concept and design of the advertising, rather than just set-up and printing, it may be a nontaxable advertising service. It must be clearly indicated on the customer's invoice that the job is a nontaxable advertising service, rather than a printing job. In this case, tax is due on the input costs to the printer rather than on the sales price to the customer.

When nontaxable advertising is to be distributed outside Minnesota, the customer should give the printer Form ST3, or any written documentation that identifies the percent of advertising used outside Minnesota. The printer owes tax only on the portion of inputs for advertising used in Minnesota.

Because of the complexity of the sales tax advertising rule, persons may claim a **full** exemption when purchasing advertising inputs such as printing (Form ST3). The purchaser must then self-assess use tax on the taxable portion.

Purchases by printers

Items used in industrial production

There is an exemption for materials used or consumed in the production of printed materials that will be sold ultimately at retail. Printers can buy these materials exempt from tax by giving the seller a completed Form ST3, *Certificate of Exemption*. For more information, see Fact Sheet 145, *Industrial Production* and 129, *Utilities Used in Production*.

Capital equipment

To qualify for the capital equipment exemption, the equipment must be primarily used in Minnesota to manufacture or fabricate tangible personal property to be sold ultimately at retail.

Beginning July 1, 2015, the capital equipment exemption is allowed at the time of purchase. To purchase exempt, the purchaser must give the seller a completed Form ST3, *Certificate of Exemption*.

Before July 1, 2015, you must continue to pay the sales or use tax on all capital equipment and apply for a refund. To claim a refund on capital equipment purchases, complete Form ST11, *Sales and Use Tax Refund Request and Multiple Period Amended Return*, and provide the documentation requested.

For more information, see Fact Sheet 103, *Capital Equipment*.

Maintenance and warranty contracts

Maintenance contracts for equipment that include repair and replacement parts and consumable items at no additional cost are taxable. Maintenance contracts for equipment used primarily to manufacture tangible personal property may qualify for the capital equipment exemption.

Example: A maintenance contract for copy machines used for making business cards that are sold at retail qualifies for the capital equipment exemption. Beginning July 1, 2015, the maintenance contract is exempt. Before July 1, 2015, you must pay the sales tax on the contract and apply for the refund.

Example: A maintenance contract for office copy machines where parts and consumable items such as toner, developer, drums, etc. are replaced at no additional cost is taxable.

Warranty contracts act like insurance against future unexpected repair cost. Warranty contracts for equipment are *generally* nontaxable service charges as long as they are separately stated on the invoice. The service provider must pay sales or use tax on the cost of all parts and materials used under the contract.

If a maintenance contract only covers repair labor, charges for the repair labor are exempt, charges for repair parts are taxable.

For more information, see Revenue Notices 16-03, *Optional Warranty and Maintenance Contracts on Equipment* and 93-03, *Application for tax to the Printing Industry*.

Computer software

There are different types of maintenance agreements for computer software. For optional maintenance agreements, upgrades or enhancements are taxable; support services such as consulting or phone support are exempt. Charges for a combination of the above are taxed on 20% of the price of the maintenance agreement. For more information, see Fact Sheet 134, *Computer Software*.

Taxable purchases

All purchases of office supplies, furniture, lighting, computers, printers and other equipment used for administration and record keeping, inventory control, tracking, or any use other than production are taxable. If you buy these items and the seller doesn't charge sales tax, you must pay use tax.

How to report Sales and Use Tax

Report state and local sales and use taxes online at www.revenue.state.mn.us. If you don't have internet access, you can file by phone at 1-800-570-3329 (toll-free).

Local Sales and Use Taxes

If you are located in or make sales into an area with a local tax, you may owe local sales or use tax. For more information, see Fact Sheet 164, *Local Sales and Use Taxes*.

Legal References

Minnesota Statutes 297A.68, subd. 5, Capital Equipment
Minnesota Statutes 297A.68, Exemptions
Minnesota Rule 8130.1100, Utilities and Residential Heating Fuels
Minnesota Rule 8130.5500
 subpart 8, Taxable Equipment
 subpart 9, Separate Detachable Units
Minnesota Rule 8130.5550, Special Tooling
Minnesota Rule 8130.9230, Advertising

Revenue Notices

16-03, Optional Warranty and Maintenance Contracts on Equipment
93-03, Application of Tax to the Printing Industry

Other Fact Sheets

103, *Capital Equipment*
129, *Utilities Used in Production*
133, *Advertising*
134, *Computer Software*
142, *Sales to Government*
145, *Industrial Production*
146, *Use Tax for Businesses*
164, *Local Sales and Use Taxes*
173, *Direct Mail and Fulfillment Services*

Purchases by the printing industry

(starting July 1, 2015, the capital equipment exemption is allowed at the time of purchase)

Composition Room

(Text Copy, Art Preparation)

Items which may qualify for the capital equipment exemption

Canned software
Computer equipment
Computer data storage equipment
Diskettes, magnetic tape
Foundry type (re-usable)
Line-up tables, chairs, desks
Linotype, intertype magazines
Matrices
Personal computers
Phototypesetting machines and parts
Press lock-up parts for metal composition
Saws
Type gauge
T-squares, rules and composition sticks
Typesetting machinery, parts (hot or cold)

Exempt

Double sided tape
Developing chemicals
Film negatives, positives
Ink
Lubricating oils and greases
Masking tape
Phototypesetter supplies
Photo display tape
Process lettering
Purchased author alterations
Purchased composition
Purchased phototypesetting
Spray fixative
TTS tapes

Platemaking (Pre-Press)

Accessory Tools, Equipment and Other Short Lived Items are exempt as long as:

1. The item is a separate detachable unit.
2. It produces a direct effect on the product.
3. It has an ordinary useful life of less than 12 months.

Most printing plates meet the criteria in #1 and #2. The taxability test hinges on #3. "Ordinary useful life" is measured by the length of time a plate would last if used continuously in production under the normal working conditions of the "user."

Exempt

Contact negatives, positives
Continuous tone separations
Creative art (drawings, keylines, photographs)
Dot etching
Halftone negatives, positives
Line negatives, positives
Masking tape
Opaquing
Proof press plates
Proof processes (blue print, color key)
Proof processes (cromalin, dry key, ozalid)
Proof processes (photostats, poly proofs)
Proof processes (silver prints, technifax)
Laminated color proofs
Prefilm proofs from electronic image devices
Repro proofs
Stripping
Tape

Silk Screen Printing

Items which may qualify for the capital equipment exemption

Screens
Frames
Hand or machine rollers
Squeegees
Squeegee handles
Blade refills

Exempt

Ink
Film positives
Artwork

Pressroom

Items which may qualify for the capital equipment exemption

Coating machines
Drum and pail pumps
Electronic printers
Forklifts
Hand trucks
Ink curing equipment
Offset duplicators
Pail rack
Press machinery processes, parts including:
bearers
calendar rolls
cylinders
feeders
grippers
guides
ink fountains
rollers
sheet detectors
Quality control equipment, instruments:
control targets
densitometers
fadometer
gauges
inkometers
magnifying glasses
paper hygrosopes
psychrometer
tackoscopes
Roller metal core shafts
Scissors, knives, tools
Shelving for work in progress
Skids (paper)
Viewing booths
Weighing scales

Exempt

Acids and glues
Anti-static spray
Blanket coating
Blanket saver
Blankets
Bronze powder
Custom die-cutting materials
Dampener sleeves
Dampening solution
Disposable gloves
Etch solutions
Flying pasters
Inks and varnishes includes:
additives
concentrates
conditioners
driers
reducers
toners
Lubricating oil and greases
Non-offset spray
Padding compound
Paper roller cores
Paper stock
PH indicator sticks
Press wash (during production)
Presspack
Pumice powder
Roller covering including molletron which has a direct effect on the product
Scoring tape
Splicing tape
Tympan and drawsheets

Graphic arts, film assembly and proofing

May qualify for the capital equipment exemption

Airbrushes (photography)
Anti-static devices
Automatic plate processor
Autostripper
Copyboard
Control targets
Densitometer
Diffusion transfer system
Dispensers for supply items
Electronic scanning equipment and parts
Electronic pre-press system and parts
Film dryer equipment
Film processors
Film plate, proofing and stripping punch
Graphic arts cameras, parts, attachments
Knives and scissors
Laser imaging devices:
 Black and white laser printers
 Die subs
 Image setters
 Ink jets
 Thermal works
Light fixtures
Light tables
Magnifying glasses
Off-press color proofing systems, parts
Opti-copyer
Pin register devices
Parts for automated stripping
Proof presses, parts
Process cameras
Scanners
Sinks
Shelving and storage
Spread and choke machine
Step and repeat machines and parts
T-squares
Tables, desks, chairs
Vacuum frames
Viewing booths
Whirlers

Exempt

Acids, developers, fix, chemicals
Anti-halation backing
Carbon tissue
Color filter
Color separations
Contacts, duplicate prints or films
Diaz coatings
Electrotypes
Exposure light bulbs, arcs
Goldenrod paper
Gum, ink, masks
Litho wipes
Masking tape, litho tape, scotch tape
Metal toner
Mylar
Opaque, film, process paper
Photographic materials
Photopolymer coatings:
 Acetate
 Amberlith
 Masking materials
 Mylar
 Vinyl film carriers
 Vubylith
Paper plates
Plastic plates
Proofing paper, process printing supplies
Purchased paste-up and keylines
Purchased stripping
Repro proofs
Rubber or latex gloves
Scoring tape
Stereotype mats, mat services
Various other color proofing materials

Commercial art and advertising department

May qualify for the capital equipment exemption

Air brushes
Brushes
Cameras, parts, attachments
Dispensers for tape, ink, etc.
Drawing boards
Enlargers
Photo processing equipment
Scissors
Shelving and storage
T-squares
Xacto knives and blades

Exempt

Art board
Blow-ups
Color matching swatch books
Fixative spray
Ink paste
Marking pencils
Paper, film, acetate, amberlith
Photo prints and photostats
Photographic supplies
Screen tints
Strip type
Tape
Tissue overlay

Assembling, binding, mailing and shipping

May qualify for the capital equipment exemption

Banding machinery (not metal bands)
Cheshire mailing equipment
Clipboard
Collators
Counters
Die cutting jackets
Drillers
Folding machines
Fork lifts
Glue brushes and pots
Labeling plates
Mullen tester
Padding frames
Papercutters
Pressure sensitive mailing machines
Staplers and dispensers
Stitchers
Shelving for work in progress
Truck (hand) and handling equipment
Weighing scales

Exempt

Back lining
Cartons, cans and bags (non-returnable)
Chipboard
Labeling mats, supplies
Lubricating oils and greases
Metal banding
Mailing materials
Packaging (external, internal)
Paste and glue for bindery
Rubber bands
Sealing tape for cartons
Suction cups
Signature boards
Skids, pallets, tops (non-returnable)
Staples, refills
Stitching, tying wire for packaging
Tape used in production
Wire, cord, string for packaging
Wrapping paper
Shrink wrap

Accessory tools, equipment and other short lived items used in cutting, scoring, slitting, perforating, collating or stitching are exempt, as long as:

1. The item is a separate detachable unit.
2. It produces a direct effect on the product.
3. It has an ordinary useful life of less than 12 months.

Examples that usually meet these three criteria include knives, dies, punches, cutting rules, press punches, perforating rules, blades, etc.