

# MINNESOTA DEPARTMENT OF REVENUE

## Revenue Notice # 07-07: Sales and Use Tax – Direct Mail – Tax Rates and Delivery or Distribution Exemption

### Purpose

The purpose of this Revenue Notice is to explain the department's position on determining the appropriate sales tax rate to be imposed on charges to print direct mail and to explain the types of activities that the department considers to be included within the exemption for the delivery or distribution of direct mail.

### Sales Tax Rate to be Charged on Direct Mail Printing

Charges for printing direct mail pieces are taxable. The rate of sales tax charged is the rate imposed in the location from which the mail was shipped unless the purchaser provides either delivery information or a certificate of exemption (direct mail form) as explained below.

### Statutory Authority

Minnesota Statutes, § 297A.668, subd. 7, provides, in part, that a purchaser of direct mail that is not a holder of a direct pay permit shall provide to the seller, in conjunction with the purchase, either a direct mail form or information to show the jurisdictions to which the direct mail is delivered to recipients. Upon receipt of the direct mail form, the seller is relieved of all obligations to collect, pay, or remit the applicable tax and the purchaser is obligated to pay or remit the applicable tax on a direct pay basis. Upon receipt of the delivery information, the seller shall collect the tax according to the delivery information provided by the purchaser. If the purchaser who is not a direct pay permit holder does not provide either a direct mail form or delivery information to the seller, the seller must collect tax at the rate imposed at the location from which the direct mail was shipped.

### Department Position

- If the purchaser provides delivery information to the seller, the delivery information must show the taxing jurisdiction where the direct mail will be delivered. The seller must charge tax according to the delivery information provided and Minnesota tax must be charged and remitted on the portion of direct mail that the purchaser has indicated will be delivered in Minnesota. The fact that the seller has possession of a mailing list to perform the mailing service is not sufficient documentation to assume that the seller can properly source the direct mail, since most mailing lists are proprietary information that are not retained by the printer once the printing job is completed. The purchaser must provide the seller with some other form of documentation to identify the jurisdictions where the direct mail will be delivered. Purchasers must retain this information in their business records.
- If the purchaser provides a direct mail form, which is a fully completed Form ST3 Certificate of Exemption, claiming the direct mail exemption or provides a direct pay number issued by Minnesota Revenue, the seller does not charge any sales tax. It is then the purchaser's responsibility to pay use tax to the appropriate taxing jurisdiction.

### Exemption for Charges for the Delivery or Distribution of Direct Mail

Charges for the delivery or distribution of direct mail are exempt. This section of the Revenue Notice sets out the department's position on how to determine when fees charged for the sale of printed material are part of the taxable charge for printing direct mail and when fees are exempt charges for the delivery or distribution of direct mail.

### Statutory Authority

Minnesota Statutes, § 297A.68, subd. 36, exempts charges for the delivery or distribution of direct mail from the sales and use tax if the charges are separately stated on an invoice or similar billing document given to the purchaser.

Minnesota Statutes § 297A.61, subd. 30, defines "delivery charges" to mean charges by the seller of personal property or services for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating, and packing.

### Department Position

Separately stated fees for services that are performed primarily to prepare direct mail for delivery or distribution qualify for the exemption. The following services, sometimes referred to in the industry as "mail entry services," are examples of services that may be part of the nontaxable delivery charges for direct mail

if they are separately stated. These charges are taxable if they are part of the production of the printed product.

- affixing postage
- boxing (putting in shipping boxes)
- bursting (separate at perforations, e.g., separating dividend checks to mail individually)
- collating
- folding (for mailing or distribution purposes)
- gluing (to hold the piece together during mailing)
- inserting
- metering (applying postage)
- shrink wrapping
- tabbing (affixing a tab to hold the piece together during mailing)

**Example:**

The charge to fold an 11" x 17" printed page in half, so that the printed document is a four-page, 8 ½" x 11" document is part of production of the printed material, and is taxable. However, the charge to fold this document so that it can be inserted into an envelope is not taxable if separately stated, because it is part of the delivery charge.

JOHN H. MANSUN, Assistant Commissioner  
for Tax Policy and External Relations

Publication Date: April 30, 2007