

Printing Industry

Sales Tax Fact Sheet 109

What's New

We clarified when sellers are required to collect local sales taxes. See Local Sales and Use Taxes on page 4.

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.

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
- Calligraphy
- Collating (by hand or machine)
- Color separation
- Copying
- Designing
- Desktop publishing
- Die cutting
- Duplicating
- Editing
- Electronic printing
- Electrophotography
- Gravure
- Imprinting
- Keylining
- Laser and ink jet printing
- Layout
- Lithography
- Multigraphing
- Multilithing
- Photolithography
- Photostats
- Printing
- Rotogravure
- Scanning
- Scoring
- Screen printing
- Slitting
- Steel die engraving
- 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:

- Annual reports (if quarterly reports are also issued)
- Bulletins
- Catalogs
- Circulars
- Handbills
- Newsletters
- Newspaper inserts
- Programs

Note: 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 sales 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.
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Direct Mail

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 address 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 the *Direct Mail and Fulfillment Services Fact Sheet*.

Advertising Materials

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 the *Advertising Fact Sheet*.

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.

Nontaxable Advertising

If the printer is creating the concept and design of the advertising, rather than just setup 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 must give the printer Form ST3, or 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 sheets

- *Industrial Production*
- *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.

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

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.

Examples

- A maintenance contract for copy machines used for making business cards that are sold at retail qualifies for the capital equipment exemption. The maintenance contract is exempt.
- 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*
- 93-03, *Application for Tax to the Printing Industry*

Computer Software

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

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 through e-Services at www.revenue.state.mn.us.

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 the Local Sales and Use Tax Guide.

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*

Fact Sheets

Advertising
Capital Equipment
Computer Software
Direct Mail and Fulfillment Services
Sales to Governments
Use Tax for Businesses
Utilities Used in Production

Guides

Local Sales and Use Tax

Printing Industry Purchases

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 tape (reusable)
- 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
 - Cromalin, dry key, ozalid
 - Photostats, poly proofs
 - Silver prints, techifax
- 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 chocke 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
- Diazo 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
- Forklifts
- Glue brushes and pots
- Labeling plates
- Mullen tester
- Padding frames
- Paper cutters
- 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 (nonreturnable)
- 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 (nonreturnable)
- Staples, refills
- Stitching, tying wire for packaging
- Tape used in production
- Wire, cord, string for packing
- 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.