

Printing Industry

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Sales Tax
Fact Sheet

This sales tax fact sheet provides general information about how Minnesota sales and use tax applies to printing and related items and services. Lists of taxable and exempt sales and purchases are included to help you determine the taxability of items. Forms and fact sheets mentioned in this fact sheet are available on our web site or by calling or writing us at the address below.

Sales by printers

Charges for items and services such as those listed at right 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, and it does not matter who furnishes the ingredient materials.

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

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.

Occasional sales of business assets. If you sell or lease equipment or other items you used in your business, the sale may be subject to sales tax. See Fact Sheet 132, Occasional Sales of Business Equipment and Goods, for more information.

Examples of taxable items and services

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

Exempt publications

Newspapers or other publication regularly issued to the 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. This exemption applies to both printed materials and to publications issued on other media such as diskettes and CD-ROM. To claim exemption, use Form ST3, Certificate of Exemption, and write in *Exemption publication* in Exemption Code I.

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 to be charged.

General rules

Charge sales tax on the total sales price of printed product, including charges to deliver the product. The following rules for charging sales tax 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 applies based on the sales tax imposed in the taxing jurisdiction where the product is delivered.
- If neither 1 nor 2 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.

Note: In situations where the seller is not required to be registered to collect sales tax in the taxing jurisdiction where goods are delivered, it is the customer's responsibility to report and pay any tax due directly to that taxing jurisdiction.

Direct mail

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

1. it is delivered or distributed by U.S. Mail or 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; and
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.

Direct mail taxing rules. For sales of direct mail, the seller must charge sales tax on the sales price, excluding separately stated delivery charges, based on the location from which the mail was shipped, unless the purchaser gives the seller one of the following:

- Delivery information – documentation showing the taxing jurisdictions where the direct mail will be delivered. The seller must charge tax according to the delivery information provided.
- Certificate of Exemption, Form ST3, claiming the direct mail exemption or providing a direct pay number (issued by Minnesota Revenue) – The seller does not charge any sales tax. It is the purchaser's responsibility to pay use tax to the appropriate taxing jurisdictions.

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 the services meet the following three criteria:

- 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. See Fact Sheet 133, Advertising- Creative Promotional Services, for more information.

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 Certificate of Exemption, Form ST3, using exemption Code F and indicating the percentage of the total 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 STAD, 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 (Sales Tax Form ST3, Exemption Code I). 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 Certificate of Exemption, Form ST3. See Fact Sheet 145, Industrial Production, and 129, Utilities Used in Production, for more information.

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.

Capital equipment. Sales or use tax must be paid on the purchase or rental of all capital equipment and tools. However, a refund may apply to capital equipment and its repair or replacement parts. To qualify, the equipment must be primarily used in Minnesota to manufacture or fabricate tangible personal property to be sold ultimately at retail. To claim a refund on capital equipment purchases, complete a Capital Equipment Refund Claim, Form ST11, and provide the documentation requested on the form. For more information, see Fact Sheet 103, Capital Equipment.

Maintenance contracts

Equipment: Maintenance 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. However, if the maintenance contract only covers repair labor, charges for repair parts are taxable.

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. See Fact Sheet 134, Computer Software for more information.

How to report sales and use tax

Report state and local sales and use taxes electronically over the Internet at www.taxes.state.mn.us. If you don't have Internet access, you can file by phone at 1-800-570-3329. See Fact Sheet 170, A Step-by-Step Guide to Filing and Paying Sales and Use Tax Electronically, for more information.

Local sales and use taxes

If you are located or working in an area with a local tax, local sales or use tax may also be due. Local taxes are listed and explained in detail in Fact Sheet 164, Local Sales and Use Taxes.

References

M. S. 297A.01, Subd. 15, Capital Equipment
M. S. 297A.67, Exemptions
Rule 8130.1100, Utilities and Residential Heating Fuels
Rule 8130.5500, Subp. 8, Taxable Equipment
Rule 8130.5500, Subp. 9, Separate Detachable Units
Rule 8130.5550, Special Tooling
Rule 8130.9230, Advertising

Other fact sheets that may be helpful:

142 Sales to Governments
146 Use Tax for Businesses
164 Local Sales and Use Taxes
170 A Step-by-Step Guide to Filing and Paying Sales and Use Tax Electronically

Purchases by the printing industry

Composition Room

(Text Copy, Art Preparation)

Taxable

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
 Shelving and storage
 Telecommunications modems and equipment
 Type gauge
 T-squares, rules and composition sticks
 Typesetting machinery, parts (hot or cold)
 Word processors

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 items include:

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

Taxable

Screens
 Frames
 Hand or machine rollers
 Squeegees
 Squeegee handles
 Blade refills

Exempt

Ink
 Film positives
 Artwork

Graphic arts, film assembly and proofing

Taxable

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
 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

Taxable	Exempt
Air brushes	Art board
Brushes	Blow-ups
Cameras, parts, attachments	Color matching swatch books
Dispensers for tape, ink, etc.	Fixative spray
Drawing boards	Ink paste
Enlargers	Marking pencils
Photo processing equipment	Paper, film, acetate, amber-lith
Scissors	Photo prints and photostats
Shelving and storage	Photographic supplies
T-squares	Screen tints
Xacto knives and blades	Strip type
	Tape
	Tissue overlay

Pressroom

Taxable	Exempt
Coating machines	Acids and glues
Drum and pail pumps	Anti-static spray
Electronic printers	Blanket coating
Forklifts	Blanket saver
Hand trucks	Blankets
Ink curing equipment	Bronze powder
Offset duplicators	Custom die-cutting materials
Pail rack	Dampener sleeves
Press machinery processes, parts including:	Dampening solution
bearers	Disposable gloves
calendar rolls	Etch solutions
cylinders	Flying pasters
feeders	Inks and varnishes includes:
grippers	additives
guides	concentrates
ink fountains	conditioners
rollers	driers
sheet detectors	reducers
Quality control equipment, instruments:	toners
control targets	Lubricating oil and greases
densitometers	Non-offset spray
fadometer	Padding compound
gauges	Paper roller cores
inkometers	Paper stock
magnifying glasses	PH indicator sticks
paper hygrosopes	Press wash (during production)
psychrometer	Presspack
tackoscopes	Pumice powder
Roller metal core shafts	Roller covering including molletron which has a direct effect on the product
Scissors, knives, tools	Scoring tape
Shelving and storage	Splicing tape
Skids (paper)	Tympans and drawsheets
Tables and desks	
Viewing booths	
Weighing scales	

Assembling, binding, mailing and shipping

Taxable	Exempt
Banding machinery (not metal bands)	Back lining
Cheshire mailing equipment	Cartons, cans and bags (non-returnable)
Clipboard	Chipboard
Collators	Labeling mats, supplies
Counters	Lubricating oils and greases
Die cutting jackets	Metal banding
Drillers	Mailing materials
Folding machines	Packaging (external, internal)
Fork lifts	Paste and glue for bindery
Glue brushes and pots	Rubber bands
Labeling plates	Sealing tape for cartons
Mailing and shipping tags and labels	Suction cups
Packing slips and envelopes	Signature boards
Mullen tester	Skids, pallets, tops (non-returnable)
Padding frames	Staples, refills
Papercutters	Stitching, tying wire for packaging
Pressure sensitive mailing machines	Tape used in production
Staplers and dispensers	Wire, cord, string for packaging
Stitchers	Wrapping paper
Shelving and storage	Shrink wrap
Tape dispensers	
Truck (hand) and handling equipment	
Weighing scales	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.