

INFORMATION BULLETIN #69

SALES TAX

NOVEMBER 2011

(Replaces Bulletin #69 dated December 2002)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: Commercial Printers

REFERENCES: IC 6-2.5-1-10; IC 6-2.5-5-3; IC 6-2.5-5-4; IC 6-2.5-5-5.1; IC 6-2.5-5-6; IC 6-2.5-5-36; IC 6-2.5-8-8.5

DIGEST: Apart from technical, nonsubstantive changes, the section of this bulletin related to free distribution newspapers that appeared in the previous version has been deleted and added to Sales Tax Information Bulletin #13.

INTRODUCTION

This bulletin explains the tax exemptions available for items purchased by commercial printers.

Tax Exemptions for Items Purchased by Commercial Printers

IC 6-2.5-5-3 provides that commercial printing shall be treated as the production and manufacture of tangible personal property. "Commercial printing" is described in IC 6-2.5-1-10 as a process or an activity, or both, that is related to the production of printed materials for others. The term includes receiving, processing, moving, storing, and transmitting, either physically or electronically, copy elements and images to be reproduced; plate making or cylinder making; applying ink by one or more processes, such as printing by letter press,

lithography, gravure, screen, or digital means; casemaking and binding; and assembling, packaging, and distributing printed materials. The term does not include the business of photocopying.

A commercial printer is, therefore, entitled to an exemption for machinery, tools, and equipment that are directly used to perform the activities previously set out. This includes equipment (computers, scanners, etc.) that is used to perform what is commonly referred to as “prepress activities,” which include the receiving, processing, moving, storing, and transmitting, either physically or electronically, of copy elements and images to be reproduced and plate-making or cylinder-making. Exempt prepress activities do not include drafting of copy or the creation of artwork for reproduction.

Commercial printers are also exempt from sales and use tax on purchases of capital equipment, consumables, and materials used in commercial printing under IC 6-2.5-5-4, IC 6-2.5-5-5.1, and IC 6-2.5-5-6. Like other manufacturers, commercial printers may also be exempt from tax under other sections of the Indiana Code.

A business or part of a business that performs one or more, but not all, of the processes or activities related to the production of printed materials (such as a prepress house) is also exempt from sales and use tax on its purchases of machinery, tools and equipment, consumables, and materials, to the same extent that a business that performs all such commercial printing processes or activities would be exempt on its purchases of the same items. An exempt process or activity related to the production of printed materials does not become taxable simply because it is performed by an entity separate from the entity that performs the rest of the commercial printing processes or activities. Photocopying is expressly excluded from the type of commercial printing that is entitled to exemption under IC 6-2.5-5-3, IC 6-2.5-5-4, IC 6-2.5-5-5.1, and IC 6-2.5-5-6.

A commercial printer must collect and remit Indiana sales tax on the full price charged to the customer for the tangible personal property sold, unless the transaction is otherwise exempt from tax or the customer provides a direct pay permit, an exemption certificate, or a statement under IC 6-2.5-8-8.5.

A handwritten signature in black ink that reads "John Eckart". The signature is written in a cursive, flowing style with a large loop at the end of the word "Eckart".

John Eckart
Commissioner