

New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau

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Corporation Tax
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Business Allocation Percentage

Allocation Of Printing Receipts

Introduction

Generally, the business allocation percentage (BAP) results in a fair allocation of a taxpayer's business capital and business income to New York State. However, experience has shown that for certain businesses, this percentage may work hardship and not do justice to the taxpayer or the state. The business allocation percentage must reflect a fair and reasonable attribution of business income and business capital to New York State.

Printing as referred to in this memorandum is intended to include what is the common definition, i.e. the affixing of ink, in a particular pattern, by an automatic process, to paper. Industries that consider themselves to be "printing" but do not meet this general definition, should write to Technical Services Bureau for an opinion as to whether they are "printing".

Background

In computing its BAP a taxpayer must take into account all business receipts used in the computation of entire net income for the period covered by the report. Receipts are allocated to New York State in several ways. For instance, sales of tangible personal property are allocated based on the destination of the goods. Receipts from services are allocated based on where the services were performed. Thus, a determination that a receipt is from sales rather than from services would result in entirely different treatment for purposes of the BAP.

Based on a Tax Commission decision issued in 1964 (American Book-Stratford Press), the Department of Taxation and Finance has treated the printing industry as providers of a service. Accordingly, their receipts were allocated based on where the service was performed, not the destination of the product.

Commercial printing has changed significantly over the years; labor is now a minimal cost and paper and other supplies now constitute a major portion of the end product. Therefore, the printing industry should in certain instances properly be classified as a producer of tangible personal property for purposes of the BAP computation, and thus entitled to allocate receipts based on the destination of the product.

Method of Allocation

No industry can be uniformly classified as a producer of goods or as a provider of a service. Certain distinctions must be made to ensure that all taxpayers receive fair and equitable treatment under the Tax Law. To this end the Department of Taxation and Finance has established the following policies:

1. Where the customer of a printer supplies the paper, the printer is deemed to be a provider of a service. Receipts should be allocated to New York based on where such service was provided.
2. Where the printer supplies the paper, the printer is deemed to be a producer of tangible personal property. Receipts should be allocated to New York based on the delivery destination of the product.

Effective Date

This revised policy is effective immediately and applies to all taxable periods for which the statute of limitations has not expired pursuant to sections 1083 and 1087 of the Tax Law.