

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

TSB-M-79 (7.1)S
 Sales Tax
 May 15, 1980

This Memorandum supplements and should be attached to TSB-M-79(7)S, dated March 10, 1979.

Printing Industry

The following information will clarify the position of the Tax Commission with respect to the sales and/or use tax on machinery, equipment, utilities and labor purchased for use by the Printing Industry.

1. MACHINERY AND EQUIPMENT

The following items listed as machinery or equipment will be subject to tax as indicated below. When claiming exemption from any taxes, the purchaser must furnish his supplier with a properly completed Exempt Use Certificate (ST-121). To qualify for exemption, machinery or equipment must be used directly and predominantly (more than 50% of use) in production of property for sale.

MACHINERY AND EQUIPMENT	STATEWIDE *		LOCAL (Except NYC)		NEW YORK CITY 4%	
	<u>Taxable</u>	<u>Exempt</u>	<u>Taxable</u>	<u>Exempt</u>	<u>Taxable</u>	<u>Exempt</u>
A. Printing presses		x		x	x	
B. Typesetting and photocomposition machines and related equipment		x		x	x	
C. Computers used predominantly for typesetting and/or other production activity		x		x	x	
D. Conveyors to transport plates, paper, etc., to and within production area		x		x	x	
E. Conveyors used to transport printed material to shipping area for distribution	x		x		x	
F. Offset plates, photoengraving plates (aluminum, bimetal, trimetal, deep etch, paper, photopolymer, plastic, rubber, zinc) and glass screens		x		x	x	
G. Lithographic positives, negatives, color separations, film (exposed and unexposed)		x		x	x	
H. Office equipment and machines	x		x		x	
I. Paper cutting machines		x		x	x	
J. Collating machines		x		x	x	
K. Folding machines		x		x	x	
L. Bookbinding machines		x		x	x	
M. Graphic arts cameras		x		x	x	
N. Densitometers		x		x	x	
O. Steel rules and hollow dies		x		x	x	
P. Fuel and utilities used directly and exclusively in production		x		x	x	
Q. Heat and light for plant and office areas	x		x		x	
R. Outside labor to repair or install production machinery, equipment or parts	x		x		x	
S. Outside labor for on-site assembly of production machinery or equipment provided by seller of machinery or equipment		x		x	x	
T. Artwork, illustrations, layouts, drawings, paintings, mechanicals, overlays, designs, photographs, paste-ups		x		x	x	

* See page 2, EXPLANATION OF EXPANDED PRODUCTION EXEMPTION

JAMES H. TULLY., COMMISSIONER

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2. COMPOSITION, TYPOGRAPHY AND PROGRESSIVE PROOFS

Prior to June 1, 1980, purchases of composition, typography and progressive proofs by printers were considered purchases for resale. The tax treatment for the pre June 1, 1980 period is indicated in the following chart.

	STATEWIDE		LOCAL (Except NYC)		NEW YORK CITY 4%	
	<u>Taxable</u>	<u>Exempt</u> x	<u>Taxable</u>	<u>Exempt</u> x	<u>Taxable</u>	<u>Exempt</u> x
Composition (cold type)		x		x		x
Typography (hot type)		x		x		x
Progressive proofs (pre-press)		x		x		x

As of June 1, 1980, composition, typography and progressive proofs are considered equipment. Such equipment shall be exempt from the New York State 4% sales and use tax and any sales and use tax imposed by a locality outside of New York City, provided such equipment is used or consumed directly and predominantly in the production of tangible personal property for sale. Purchases or uses of this equipment within New York City shall be subject to the 4% tax applicable in that city.

Persons having paid the 4% tax imposed within New York City on any machinery or equipment which is eligible for exemption from the statewide 4% tax are entitled to apply for a credit, in the amount of such tax paid, against any business taxes paid to New York City by the applicant. For additional information about such credit, contact the New York City Finance Administration.

The tax treatment, as of June 1, 1980, for composition, typography and progressive proofs used or consumed directly and predominantly in the production of tangible personal property for sale is indicated in the following chart.

EQUIPMENT	STATEWIDE *		LOCAL (Except NYC)		NEW YORK CITY 4%	
	<u>Taxable</u>	<u>Exempt</u> x	<u>Taxable</u>	<u>Exempt</u> x	<u>Taxable</u> x	<u>Exempt</u>
Composition (cold type)		x		x	x	
Typography (hot type) including advertising typography		x		x	x	
Progressive proofs (pre-press)		x		x	x	

* See EXPLANATION OF EXPANDED PRODUCTION EXEMPTION

* EXPLANATION OF EXPANDED PRODUCTION EXEMPTION EFFECTIVE SEPTEMBER 1, 1980

The Sales and Use Tax Law has been amended to provide for a rate reduction and subsequent exemption from the statewide sales and use taxes imposed on parts with a useful life of one year or less for production machines and equipment, and tools and supplies used in production. The amendment also provides exemption for installing, repairing, maintaining and servicing exempt machinery, equipment and parts used directly and predominantly in production. Effective September 1, 1980 and continuing through February 28, 1981, the statewide tax rate imposed on these items and services will be reduced to 2%. On March 1, 1981 and thereafter, these items and services will be exempt from statewide tax. This amendment does not affect the sales and use taxes imposed in New York City or by other localities.

When claiming exemption from any taxes, the purchaser must furnish his suppliers with a properly completed Exempt Use Certificate (ST-121).

FOLLOWING EXAMPLES ALL RELATE TO TRANSACTIONS AS OF JUNE 1, 1980

Example 1. An advertising agency purchases typography. The typography is to be used in the printing of a client's annual report. Since the annual report is not being produced for sale, the typography is subject to the state and local sales tax.

Example 2. A printer purchases composition for use in a printing job for a customer. Since the final printed material is for sale by the printer, the composition is exempt from the statewide tax and any local taxes outside of New York City. If the printer is located in New York City, he is required to pay only the 4% tax imposed in New York City. (See above for possible credit for the tax paid in New York City.)

Example 3. An advertising agency purchases typography to be used in an advertisement which will be published in a publication which will be sold. Since the typography will be used in producing a publication for sale, the typography is exempt from the statewide tax and any local sales tax outside of New York City. The typography will be subject to the 4% tax imposed in New York City if it is delivered to the purchaser or his agent in New York City or is used in New York City for the purchaser. (See above for possible credit for the tax paid in New York City.)

3. COMPONENTS OF PRINTED PRODUCTS

All tangible personal property purchased for the purpose of becoming a physical component part of a product for sale, may be purchased for resale and without payment of sales tax. When making such exempt purchases, a properly completed Resale Certificate (ST-120) must be furnished to the supplier of the exempt item.

4. INSPECTION OF EQUIPMENT, PLATES, LITHOGRAPHIC POSITIVES OR NEGATIVES, AND COLOR SEPARATIONS

Where the privilege to inspect equipment, plates, lithographic positives or negatives, and color separations exists and is utilized in New York State by the purchaser or his designee, and such items, immediately after inspection are shipped to a point outside of this state for use outside this state, a taxable occurrence will not be deemed to have taken place provided:

- 1. the obligation of the supplier of the equipment does not cease upon delivery for inspection, and
- 2. the supplier of the equipment is responsible for delivery of the items immediately after inspection.

5. EDITING AND PROOFREADING

Editing and proofreading of copy of routing proofs is a service which is not subject to the sales or use tax when limited to:

- 1. a check for consistency in spelling, capitalization and abbreviation,
- 2. the identification of incorrect punctuation and grammar,
- 3. the verification of days and dates with a calendar,
- 4. a check of all statements of fact,
- 5. the verification of addresses and other numbers,
- 6. a check of style, and
- 7. the verification of author's instructions.

THE PRINCIPLES SET FORTH IN THIS MEMORANDUM SHALL,
WHENEVER APPROPRIATE, APPLY TO PUBLISHERS