

810-6-1-.130. Printers.

(1) Gross receipts accruing from the retail sales of printed matter of all kinds are subject to the sales tax. (Also see rule 810-6-1-.137 entitled Raw Materials & Supplies Purchased by Manufacturers and Compounders.

(2) Sales to consumers of printed matter such as catalogs, books, letterheads, invoice forms, envelopes, folders, advertising circulars, and the like by printers or others engaged in selling printed matter are subject to the sales tax. A printer may not deduct from the selling price of such tangible personal property charges for the labor or service of performing the printing even though such labor or service charges may be billed to the customer separately from the charge for the stock. Such labor or service is embodied in and becomes a part of the tangible personal property sold.

(3) Where printers purchase from the United States Post Office stamped cards and envelopes and print thereon various legends for customers, the printers must pay sales tax measured by their gross proceeds of sales of the printed cards or envelopes to their customers. Such cards and envelopes constitute tangible personal property and, if they are not resold by such customers, the sales by the printers are at retail. Such printers will not be required to pay sales tax on the amount of the postage where stated separately in billing to customers.

(4) No tax arises from the service of printing or from the service of typesetting performed by the printer for a customer or for another printer where there is no transfer of ownership of tangible personal property from the printer to his customer. (Section 40-23-1(a)(6))

(5) Sales of materials to printers are at wholesale, tax free, when such materials become a component of the printed matter produced for sale. The machines used in the printing come within the machine levy and are taxed at the one and one-half percent rate. The supplies, materials, and equipment not becoming a component of the product sold or not constituting a machine used in manufacturing are subject to the sales or use tax, whichever may apply, at the general rate of four percent.

(6) Newspaper advertising supplements or circulars inserted in newspapers usually fall in the following categories:

(a) A buyer enters into a contract with a printer for the printing of advertising circulars, catalogs, etc., and directs the printer to deliver the printed material to a newspaper or several newspapers, or directs that they be delivered to another location, sometimes the buyer's place of business. The buyer then enters into a second contract with the newspaper for distribution of the inserts. That portion of advertising supplements or inserts retained by the buyer for distribution to buyer's customers, that do not become part of newspapers manufactured for sale, will be subject to sales tax. However, those advertising supplements or inserts that are delivered to the purchasers or newspaper

companies to be inserted into and become part of the newspaper are purchased at wholesale, tax free. Ralph P. Eagerton, Jr. v. Dixie Color Printing Corporation.

(b) Newspaper advertising supplements and inserts which are inserted into newspapers and sold as part and parcel of the newspaper, the retail sales of which are subject to the sales tax, no sales tax arises where such advertising supplements or inserts are

(1) printed by the publishers of the newspaper and inserted into and sold as part and parcel of the newspaper published by such publishers, or

(2) printed by another printer for the newspaper publisher and paid for by the newspaper publisher for insertion into and sold as part and parcel of the newspaper.

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