

810-6-1-.112 Signs

(1) Signs are subject to tax on the full sales price when such signs are standard, prefabricated by the seller or his supplier, and delivered as a complete unit.

(2) When the signs are custom built into a building or otherwise affixed to real property, they come within the building materials provision with the tax being due from the person who erects the sign to his supplier on the cost of materials used to construct the sign, in which case no tax would be due from the person installing the sign on his service in attaching the materials to the building and/or real property. The same rule applies when a builder constructs an outdoor advertising sign that will become affixed to real property from the ground up using lumber, nails, sheetmetal, etc.

(3) In instances where the sign company subcontracts the installation or subcontracts a portion of the construction of the sign, taxation of the materials will be as described above in paragraph (2), with tax being due on the cost of the materials used by the contractor and/or subcontractor that builds the custom-made signs.

(4) The courts have held that the contractor provision provided in §40-23-1(a)(10), Code of Ala. 1975, applies if all of the following criteria are met:

(a) The taxpayer must be a contractor.

(b) The materials must be building materials.

(c) The materials must become a part of the real estate. See Department of Revenue v. James A. Head & Co., 306 So.2d 5 (Ala. Civ. App.1974), cert. denied 306 So.2d 12 (1975).

(5) In some instances, the sign dealer will be in a dual business, both selling and building signs. When both parts of the business are substantial rather than incidental, the dealer should be set up to purchase all material at wholesale, tax free, and pay tax directly to the department on sales and withdrawals. See Rule 810-6-1-.56, Dual Business and Rule 810-6-1-.29, Building Materials Manufactured by Contractors.

(6) Billboard advertising is a service and is not subject to sales tax. The provider of billboard advertising services must pay sales or use tax on purchases of supplies, materials, and equipment used in the operation of the business.

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