

CR 80-84

CERTIFICATE

STATE OF WISCONSIN)
DEPARTMENT OF REVENUE) SS

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FEB 10 1983
9:35 am
Revisor of Statutes
Bureau

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Michael Ley, Secretary of the Department of Revenue and custodian of the official records of said department do hereby certify that the annexed Order relating to rule Tax 11.56, "Printing industry", was duly approved and adopted by this department on February 4, 1983

I further certify that said copy has been compared by me with the original on file in this department and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 125 South Webster Street in the city of Madison, this fourth day of February 1983.



Michael Ley
Secretary of Revenue

4-1-83

ORDER OF THE DEPARTMENT OF REVENUE

ADOPTING RULE TAX 11.56, PRINTING INDUSTRY

Relating to the sales and use tax status of purchases and sales by persons engaged in the printing industry.

Analysis by the Department of Revenue

This rule interprets the Wisconsin sales and use tax statutes as they apply to the printing industry. The rule codifies the Department of Revenue's interpretations and incorporates the Wisconsin Tax Appeals Commission's decision in W. A. Krueger Co. vs. Department of Revenue, dated February 27, 1979.

Subsection (1) of the proposed rules provides definitions. Subsection (2) describes the types of taxable sales typically made by printers. Subsection (3) indicates that sales of tangible personal property by so-called "trade shops" such as typesetters and color separators are taxable unless an exemption applies, describes one exemption, and provides that certain items sold by such shops are tangible personal property. Subsection (4) provides that mailing services are not taxable. Subsection (5) describes the exemption for machinery and equipment used in the printing process. Subsections (6) and (7) describe the tax status of purchases for use in manufacturing printed matter which are for sale and not for sale, respectively.

Pursuant to authority vested in the Department of Revenue by section 227.014, Wis. Stats., the Department of Revenue hereby adopts a rule interpreting sections 77.51(4)(h) and (25); 77.52(1) and (2)(a)11 and 77.54(2) and (6)(a) and (b), Stats., as follows:

Section Tax 11.56 of the Wis. Adm. Code is adopted to read:

Tax 11.56 Printing Industry. (Sections 77.51(4)(h) and (25); 77.52(1) and (2)(a)11 and 77.54(2) and (6)(a) and (b), Wis. Stats.) (1) DEFINITIONS. In this section: (a) The process of manufacturing printed matter by a manufacturer includes initial typesetting and composition, producing a paste-up, combining photographs with words, making page makeups and taking pictures of them, making proofs and paper for editing, producing negatives which go to the stripping department for assembly of a flat and taking a picture, either positive or negative, of the flat which after it is finally proofed is known as plate-ready film, and producing an image carrier which is installed on a printing press, or equivalent prepress technology employed to produce an image carrier, and the bindery/finishing stage.

(b) "Typesetting" includes converting images into standardized letter forms of a certain style which usually are hyphenated, justified and indented automatically by means of machinery and equipment. Typesetting machinery and equipment includes, fonts, video display terminals, tape and disc making equipment, computers and typesetters which are interconnected to operate essentially as one machine. A system shall be considered to operate essentially as one machine whether or not the tape or disc is automatically fed to the typesetter.

(c) "Manufacturer" includes a printer or other person who performs any one or more of the processes in manufacturing printed matter, provided that the printer or other person qualifies as being engaged in manufacturing under s. 77.51(27), Stats., whether or not the printed matter is sold.

(2) PRINTERS' TAXABLE SALES. Taxable receipts of printers include gross receipts from the following, unless otherwise exempt: (a) Charges for printing, lithography, photolithography, rotogravure, gravure, letter press, silk screen printing, imprinting, multilithing, mimeographing, photostating, steel die engraving, and similar operations for consumers, whether or not the paper and other materials are furnished by the consumers. A printer's charge for printing on paper furnished by a customer to produce printed matter not to be sold is subject to the tax.

(b) Charges for services in connection with the sale of printed matter, such as overtime and set-up charges, die cutting, embossing, folding, and binding operations, and charges for painting signs, show cards and posters, whether the materials are furnished by the printer or by the customer.

(c) Charges for envelopes, but not for separately stated charges for postage in the sale of prestamped envelopes.

(3) TAXABLE SALES BY OTHERS. (a) Sales of tangible personal property by persons who are not printers (e.g., so-called "trade shops" such as type-setters, image reproduction manufacturers, color separators and binder/finishers) are taxable unless the sales qualify for exemption under s. 77.54(2) or other statutes.

(b) Section 77.54(2) exempts the gross receipts from sales of "... tangible personal property becoming an ingredient or component part of an article of tangible personal property or which is consumed or destroyed or loses its identity in the manufacture of tangible personal property in any form destined for sale...."

(c) Tangible personal property includes type-matter, whether or not combined with artwork, such as typeset output, a paste-up, mechanical, assembly, camera-ready copy, flat or a photoreproduction (including film plates).

(4) NONTAXABLE SALES. Tax does not apply to charges, if stated separately on invoices and in the accounting records, for mailing services such as: (a) Addressing printed matter by hand or mechanically for the purpose of mailing.

(b) Enclosing, sealing and preparing for mailing.

(c) Mailing letters or other printed matter.

(5) EXEMPT PRINTING MACHINERY AND EQUIPMENT. Section 77.54(6)(a), Stats., provides that: "Machinery and specific processing equipment and repair parts or replacements thereof, exclusively and directly used by a manufacturer in manufacturing tangible personal property" are exempt from the sales or use tax. This includes machinery and equipment and repair parts or replacements thereof used exclusively and directly by a manufacturer in the printing process to manufacture tangible personal property. Interpretations of this statute are contained in section 11.40, Wis. Adm. Code.

(6) PURCHASES FOR USE IN MANUFACTURING PRINTED MATTER FOR SALE. (a) Persons engaged in manufacturing printed matter for sale may purchase the following items without tax under the statutes indicated:

1. Section 77.54(2). Property becoming an ingredient or component part of an item destined for sale (e.g., paper stock or printing ink).

2. Section 77.54(2). Property such as chemicals, emulsions, acids, raw film, lubricating oils, greases, nonoffset spray, finished art, color separations, plate-ready film, other positives and negatives, flats and similar items which are consumed, destroyed or lose their identity in the manufacture of tangible personal property to be sold. For example, a printer's purchases of positives and negatives which are used to produce catalogs and shoppers guides it sells to other persons.

3. Section 77.54(6)(b). Containers and packaging and shipping materials for use in packing, packaging or shipping printed matter to their customers.

(b) The exemptions under s. 77.54(2), Stats., described in par. (a) 1 and 2, apply to property purchased by a person who does not use the property other than to provide it to a manufacturer described in par. (a) for use by the manufacturer in manufacturing tangible personal property to be sold. The exemption under s. 77.54(2) does not apply if the manufactured tangible personal property is not to be sold. Examples of nontaxable purchases include:

1. A paper manufacturer's purchases of negatives which it transfers to a printer, who uses the negatives to produce printing on the manufacturer's products which are to be sold.

2. An advertising agency's purchases of color separations which are furnished to a commercial printer who uses the color separations to produce advertising material the agency sells to a retailer.

3. A publisher's purchases of paper and ink which are furnished to a commercial printer to produce a publication to be sold.

(7) PURCHASES FOR USE IN MANUFACTURING PRINTED MATTER NOT FOR SALE. The tax applies to purchases of artwork, single color or multicolor separations, negatives, flats and similar items if such purchases are used in the manufacture of tangible personal property not to be sold. An example of taxable purchases is a retailer's purchases of color separations which are used in its own printing plant to produce advertising material it distributes to its customers in Wisconsin.

NOTE: The interpretations in this rule are effective under the general sales and use tax law on and after September 1, 1969, except that sales of typeset material shall first be considered sales of tangible personal property on _____*, the effective date of this rule.

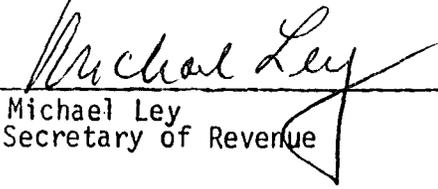
* Revisor to determine

The rules contained in this order shall take effect as provided by s. 227.026(1)(intro.), Stats.

DEPARTMENT OF REVENUE

Dated: February 4, 1983

By:



Michael Ley
Secretary of Revenue