

DEPARTMENT OF STATE REVENUE

Information Bulletin #69
Sales Tax
November 2022
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SUBJECT: Commercial Printers

REFERENCES: [IC 6-2.5-1-10](#); [IC 6-2.5-5-3](#); [IC 6-2.5-5-4](#); [IC 6-2.5-5-5.1](#); [IC 6-2.5-5-6](#); [IC 6-2.5-5-36](#); [IC 6-2.5-8-8.5](#)

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SUMMARY OF CHANGES

Apart from technical, nonsubstantive changes, this bulletin has been revised to incorporate language from the statutes and regulations that were merely referenced in the prior version of the bulletin.

INTRODUCTION

The purpose of this bulletin is to explain the Indiana sales tax exemptions available for items purchased by commercial printers.

DEFINITION OF COMMERCIAL PRINTING

"Commercial printing" means a process or an activity, or both, that is related to the production of printed materials for others. The term includes receiving, processing, moving, storing, and transmitting, either physically or electronically, copy elements and images to be reproduced; plate making or cylinder making; applying ink by one or more processes, such as printing by letter press, lithography, gravure, screen, or digital means; casemaking and binding; and assembling, packaging, and distributing printed materials. The term does not include the business of photocopying.

TAX EXEMPTIONS FOR ITEMS PURCHASED BY COMMERCIAL PRINTERS

For purposes of the exemption for tangible personal property purchased to be directly used in direct production, commercial printing is also treated as the production and manufacturing of tangible personal property. A commercial printer is, therefore, entitled to an exemption for machinery, tools, and equipment that are directly used to directly perform the activities previously set out. This includes equipment (computers, scanners, etc.) that is used to perform what is commonly referred to as "prepress activities," which allows for the receiving, processing, moving, storing, and transmitting, either physically or electronically, of copy elements and images to be reproduced and plate making or cylinder making. Exempt prepress activities do not include drafting of copy or the creation of artwork for reproduction.

Commercial printers are also exempt from Indiana sales and use tax on purchases of tangible personal property directly consumed in direct commercial printing, property acquired for the printer's direct use in the direct production of the machinery, tools, or equipment described in the paragraph above, or for incorporation as a material part of other tangible personal property which the purchaser prints for sale in their business. Such sales that would fall under these exemptions may include capital equipment, consumables, and other materials. Like other manufacturers, commercial printers may also be exempt from tax under other sections of the Indiana Code.

NOTE: It is important to mention that the production exemptions described in the paragraphs above are subject to extremely nuanced and fact-based analysis. Machinery, tools, and equipment are directly used (or property is directly consumed) in the direct production process if they have an immediate effect on the article being produced. A machine, tool, or piece of equipment, or property consumed, has an immediate effect on the product being produced if it is an essential and integral part of an integrated process that produces the product. An integrated process is one where the total production process is comprised of activities or steps that are functionally interrelated and where there is a flow of "work-in-process." Direct use or direct consumption in the production process begins at the point of the first operation or activity constituting part of the integrated production process and ends at the point that the production has altered the item to its completed form, including packaging,

if required. Therefore, machinery, tools, or equipment used or property consumed in preproduction or postproduction would not be exempt.

A business or part of a business that performs one or more, but not all, of the processes or activities related to the production of printed materials (such as a prepress house) is also exempt from Indiana sales and use tax on its purchases of machinery, tools and equipment, consumables, and materials, to the same extent that a business that performs all such commercial printing processes or activities would be exempt on its purchases of the same items. An exempt process or activity related to the production of printed materials does not become taxable simply because it is performed by an entity separate from the entity that performs the rest of the commercial printing processes or activities. Photocopying is expressly excluded from the type of commercial printing that is entitled to exemptions described above.

A commercial printer must collect and remit Indiana sales tax on the full price charged to the customer for the tangible personal property sold, unless the transaction is otherwise exempt from tax or the customer provides a direct pay permit, an exemption certificate, or a statement declaring that the tangible personal property sold by the commercial printer to the customer will be resold in the ordinary course of the customer's business without changing the form of the property.

If you have any questions concerning this bulletin, please contact the Tax Policy Division at taxpolicy@dor.in.gov.

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Commissioner

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