

INFORMATION BULLETIN #14

SALES TAX

DECEMBER, 2002

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SUBJECT: Taxability of Purchases by Advertising Agencies

REFERENCE: IC 6-2.5-4

Items Used in the Everyday Performance of the Business:

Any purchases of personal property to be used in the everyday performance of the business are taxable to the advertising agency, (e.g., stationery, office supplies, office equipment, furniture, etc.).

Purchases by Advertising Agencies for Their Clients:

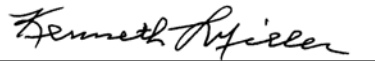
If an agency relationship exists between the advertising agent and his client, the principal, the agent may pay the sales tax for the principal when the advertising agency makes purchases of personal property in the client's behalf in the process of performing his services, (e.g., printing plates, photographs, advertising brochures). The agency may then seek reimbursement from the client at the time of billing. Similarly, if the purchase by the advertising agent is for an exempt organization and if the agent is duly authorized by his client to do so, then the agent may execute an exemption certificate using the client's

Registered Retail Merchant Certificate Number and signing as agent for the client.

Failure of the agency to pay the sales tax on purchases as outlined above shall not relieve the principal of liability for the tax due.

Retail Sales by Advertising Agencies:

The transfer of tangible personal property for a consideration shall constitute a retail sale by the advertising agency and is subject to Gross Retail Tax unless transferred to the principal for whom the agency purchased the tangible personal property as outlined in the above paragraph.



Kenneth L. Miller
Commissioner