

SECTION 7 - PRINTERS, NEWSPAPER OR MAGAZINE PUBLISHERS AND BOOKBINDERS**7-1 COMMERCIAL PRINTERS AND PUBLISHERS**

- A. All retail sales of tangible personal property by commercial printers or publishers are subject to the general rate of State tax and any applicable local sales or use tax unless such sales are exempt under the provisions of G.S. 105-164.13. **The following transactions are also exempt from sales or use tax:**

1. charges for advertising space in newspapers, magazines and other publications;
2. sales of newspapers by newspaper street vendors and by newspaper carriers making door to door deliveries and sales of magazines by magazine vendors making door to door sales;

Note: For additional information on newspapers and magazines, refer to Sales and Use Tax Technical Bulletin 7-16.

3. charges made by printers for imprinting or binding books or forms or other similar items that are owned by their customers;
4. sales to manufacturers, producers, wholesalers and retailers of wrapping paper, labels, bags, cartons and other similar items when such items are used for packaging, shipment or delivering tangible personal property sold at wholesale or retail, and when such items constitute a part of the sale of such tangible personal property and are delivered with it to the customer;
5. sales of advertising supplements and any other printed matter ultimately to be distributed with or as a part of a newspaper;
6. printed material sold by a retailer to a purchaser within or without this State when such printed material is delivered in this State by the printer to a common carrier or to the United States Postal Service for delivery to the purchaser or the purchaser's designees outside this State, if the purchaser does not thereafter use the printed material in this State. Printed material sold by a retailer to a purchaser within or without this State is exempt from sales or use tax when the printed material is delivered directly to a mailing house or to a common carrier or to the United States Postal Service for delivery to a mailing house in this State that will preaddress and presort the material and deliver it to a common carrier or to the United States Postal Service for delivery to recipients outside this State designated by the purchaser.
 - a. Sales of printed material by a retailer located within or without this State that is delivered directly to the purchaser in this State for the original purpose of preparing and delivering the printed material to the United States Postal Service or a common carrier for delivery to prospective customers or other recipients outside this State are exempt from sales and use tax provided such purpose is consummated. A purchaser of such printed material for preparation and delivery to prospective customers and other recipients outside this State must furnish the vendor a written statement certifying that the printed material is being purchased for use in a mailing program that is in place at the time of purchase; otherwise, the vendor must collect and remit the tax on such sales. Sales of printed materials to a user or consumer in this State to be placed in the purchaser's inventory for use as needed are subject to sales or use taxes notwithstanding that all or a portion of the printed material may be delivered to the United States

Postal Service or a common carrier for delivery to prospective customers or other recipients outside this State.

- b. A retailer who sells printed material delivered to a common carrier or the United States Postal Service for delivery to the purchaser at a point within this State who prepares the material to be mailed to prospective customers or other recipients without charge and transports the material outside this State to be delivered to the United States Postal Service or a common carrier or to a mailing house outside this State for delivery to designated recipients is liable for sales or use tax except as provided in G.S. 105-164.13.
- c. Retailers in North Carolina who engage out-of-state printers to print and mail printed material to North Carolina designees owe use tax on the delivered cost price of the printed material.

7. **Effective July 1, 2005**, sales of paper, ink, and other tangible personal property to commercial printers and commercial publishers for use as ingredients or component parts of free distribution periodicals, and sales by printers of free distribution periodicals to the publishers of these periodicals. As used in this bulletin, the term “**free distribution periodical**” means a publication that:

- a. is published on a periodic basis monthly or more frequently;
- b. is provided without charge to the recipient; and
- c. is distributed in any manner other than by mail.

- B. Retail sales of advertising circulars, catalogues, booklets, pamphlets, forms, tickets, letterheads, envelopes and similar items and retail sales of books, magazines, periodicals, newspapers and other publications are subject to the general rate of State tax and any applicable local sales or use tax unless such sales are exempt from tax under the provisions of G.S. 105-164.13. When publications, other than magazines, are sold by subscription, the tax accrues at the time the subscription is accepted.
- C. Purchases of paper, ink and other tangible personal property by commercial printers or publishers for use as an ingredient or component part of the printed matter that they produce for sale are exempt from tax.
- D. Purchases by commercial printers and publishers of machinery and equipment and parts therefor and accessories thereto for use directly in the production of newspapers, magazines and other printed matter for sale are subject to the 1% State rate of tax with a maximum tax of \$80.00 per article. Included herein are custom made plates and dies when title thereto does not pass to the printers' customers. Purchases by commercial printers and publishers of tangible personal property such as wood and metal that is used to fabricate plates and dies for use in the production of printed matter for sale are likewise subject to the 1% State rate of tax when title to the plates and dies does not pass to the printers' customers. Purchases by commercial printers and publishers of machinery, equipment, film and similar items of tangible personal property for use or consumption directly in the production of such plates and dies are also subject to the 1% State rate of tax. It is a printing trade practice that title to lithographic and gravure plates and dies is retained by the printer or publisher. Unless it is otherwise agreed in writing, the Secretary will consider such items to be purchased by the printer or publisher for use or consumption and taxable at the 1% State rate of tax on the cost price thereof. **(Effective January 1, 2006, purchases of qualifying machinery or machinery parts or accessories used in the production process are exempt from sales and use tax and subject to the 1% privilege tax**

with a maximum tax of \$80.00 per article. The privilege tax is paid directly to the Department of Revenue by the purchaser.)

- E. Purchases by commercial printers of custom made plates and dies for resale are exempt from sales or use tax when supported by the **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**. This form can be obtained from the North Carolina Department of Revenue website or the Taxpayer Assistance Division. Purchases by commercial printers of tangible personal property such as wood and metal that becomes a component part of printing plates produced by such printers for sale to customers are likewise exempt from sales or use tax when supported by Certificates of Exemption. However, purchases by commercial printers of machinery, equipment, film and similar items of tangible personal property that do not enter into or become a component part of such plates and dies but are used or consumed by the printer in the direct production of such plates and dies are subject to the 1% State rate of tax. When, at the request of the customer, commercial printers purchase custom made printing plates and dies for use in the direct production of the printed matter or when they purchase wood and metal that becomes a component part of printing plates and dies fabricated by the printer for use in the direct production of printed matter and title to the plates and dies passes to the printers' customers, such items can be properly purchased for resale. The printer is, of course, liable for collecting and remitting the general rate of State tax and any applicable local sales or use tax on the total retail sales price of such plates and dies including charges for tangible personal property and art work or any other services that go into the manufacture or delivery thereof. In such cases, the printer's sales invoices and records must show that the plates and dies are actually sold to the customer; otherwise, such items will be deemed to have been used by the printer and the cost price of same will be subject to the 1% State rate of tax. **(Effective January 1, 2006, purchases of qualifying machinery or machinery parts or accessories used in the production process are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)**
- F. Purchases by commercial printers and publishers of tangible personal property that is not resold as such, or that does not become an ingredient or component part of the tangible personal property which they produce for sale, or that is not production machinery or production machinery parts or accessories are subject to the general rate of State tax and any applicable local sales or use tax without any maximum tax.
- G. The preferential rate of sales and use tax **(through December 31, 2005)** and the 1% privilege tax with a maximum tax of \$80.00 per article **(effective January 1, 2006)** do not apply to purchases of printing equipment and supplies by firms that operate print shops for the production of printed matter for their own use and not for sale. Purchases of printing equipment and supplies by such consumer or captive printers are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.5; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: June 1, 1996;
Revised: December 1, 2008; February 1, 2007; July 1, 2005;
February 1, 2004; June 1, 2002; November 15, 2000;
October 1, 1999; October 15, 1998.

7-2 PRINTING OF CONTAINERS

Purchases of printing presses by manufacturers for use in the manufacturing process in printing labels, cartons or boxes for their manufactured products are properly classified as mill machinery and are subject to the 1% State rate of tax with a maximum tax of \$80.00 per article. **(Effective**

January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: June 1, 1996; Revised: February 1, 2007.

7-3 PRINTING SURFACE SUPPLIES

Purchases of cushion paper, cover paper and tissue by commercial printers and publishers for use in building up the printing surface of the press are taxable at the 1% State rate of tax. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)**

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 101-264; Issued: June 1, 1996; Revised: February 1, 2007.

7-4 OFFSET PRINTING EQUIPMENT

Purchases of offset or direct relief duplicating machines and repair parts and accessories for such machines, including offset blankets and plates, by commercial printers for use in the production of printed matter for sale are subject to the 1% State rate of tax with a maximum tax of \$80.00 per article. Purchases of positives and negatives by commercial printers for use in preparing plates for use in the printing process are also subject to the 1% State rate of tax with a maximum tax of \$80.00 per article. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)** Purchases of such items by consumer printers for use or consumption are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: June 1, 1996; Revised: February 1, 2007; June 1, 2002.

7-5 CHEMICALS USED IN PRINTING

Purchases of chemicals by commercial printers or publishers that enter into or become an ingredient or component part of printed matter that such purchasers sell are exempt from sales and use tax. Chemicals used by commercial printers and publishers to clean printing machinery are subject to the 1% State rate of tax. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)** Chemicals used by commercial printers and publishers for sanitation purposes are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: June 1, 1996; Revised: February 1, 2007; June 1, 2002.

7-6 GAS PURCHASED BY COMMERCIAL PRINTERS

Purchases of bottled gas by commercial printers for use in heating paper as it is printed and for melting metal to be used in making type are taxable at the 1% State rate of tax. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)**

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: June 1, 1996; Revised: February 1, 2007; February 1, 2004; March 1, 1997.

7-7 METAL FOR MAKING TYPE

Purchases of metal by commercial printers for making type are taxable at the 1% State rate of tax. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)**

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: June 1, 1996; Revised: February 1, 2007.

7-8 TYPEWRITERS PURCHASED BY COMMERCIAL PRINTERS

Purchases of typewriters by commercial printers to be used in the printing process are taxable at the 1% State rate of tax. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)** Typewriters used for administrative purposes are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: June 1, 1996; Revised: February 1, 2007; June 1, 2002.

7-9 MOUNTING TAPE PURCHASED BY COMMERCIAL PRINTERS

Mounting tape purchased by commercial printers for use in the preparation of plates is taxable at the 1% State rate of tax. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)**

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: June 1, 1996; Revised: February 1, 2007.

7-10 TYPESETTING

Charges made by typesetters for setting type for users are charges for services rendered and receipts therefrom are exempt from tax. Typesetters are liable for remitting the general rate of State tax and any applicable local sales or use tax on purchases of metal or other tangible personal property for use in performing such services. Charges by typesetters to commercial printers for reproduction proofs used in the production of printed matter are not subject to the tax.

Purchases of proof paper and ink by typesetters for use in the production of proofs for sale are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

7-11 POSTAGE CHARGES BY PRINTERS

The total amount a printer charges its customers for postal cards or stamped envelopes, including postal charges, that are printed and sold to customers for use, is subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: December 1, 2008; February 1, 2007; June 1, 2002.

7-12 REPRODUCTION PROOFS PURCHASED BY COMMERCIAL PRINTERS

Purchases of reproduction proofs by commercial printers to be used to produce negatives that are then used to produce plates for the printing of tangible personal property for sale are exempt from tax.

History Note: Authority G.S. 105-164.3; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2007.

7-13 MACHINERY PURCHASED BY NEWSPAPER PUBLISHERS

Purchases of printing machines by newspaper publishing companies are subject to the 1% State rate of tax with a maximum tax of \$80.00 per article when the machines are used to produce newspapers or other printed material for sale. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)** Purchases of machines by newspaper publishing companies for use in printing their customers' addresses are subject to the general rate of State tax and any applicable local sales or use tax without any maximum tax. Purchases of addressograph plates by commercial printers for use in the mailing and shipping process are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2007; June 1, 2002.

7-14 PHOTOGRAPHS FOR NEWSPAPERS

Purchases of photographs by newspaper printers to be reproduced in newspapers are classified as accessories to the manufacturing process and subject to the 1% State rate of tax. **(Effective January 1, 2006, purchases of these items are exempt from sales and use tax and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.)**

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: June 1, 1996;

Revised: February 1, 2007.

7-15 BOOKBINDERS AND BOOKBINDING SUPPLIES FOR USE BY PRINTERS

- A. Persons engaged in the business of binding books, magazines or other printed matter belonging to other persons are rendering services, and the receipts therefrom are not subject to sales or use tax. Sales of cloth, leather, cardboard, glue, thread or other such items of tangible personal property to bookbinders for use in performing such services are subject to the general rate of State tax and any applicable local sales or use tax.
- B. Sales of cloth, leather, cardboard, glue, thread or other such items of tangible personal property to registered bookbinders for use in binding their own books, magazines or other printed matter for sale or for use in making loose-leaf or detachable binders for sale are wholesale sales and are exempt from tax when supported by properly a completed **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**. This form can be obtained from the North Carolina Department of Revenue website or the Taxpayer Assistance Division. Such bookbinders must collect and remit the general rate of State tax and any applicable local sales or use tax on their retail sales of tangible personal property.
- C. Sales of padding cement, stripping tape and stitching wire used to bind or join forms, booklets, etc., printed by commercial printers for sale are exempt from tax as an ingredient or component part of the manufactured products.

History Note: Authority G.S. 105-164.4; 105-164.5; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: December 1, 2008; February 1, 2007; July 1, 2005;
June 1, 2002.

7-16 NEWSPAPERS AND MAGAZINES

- A. G.S. 105-164.13(28) exempts from sales tax sales of newspapers by newspaper street vendors, by newspaper carriers making door-to-door deliveries, and by means of vending machines and sales of magazines by magazine vendors making door-to-door sales.
- B. **Newspapers**
 - 1. The following retail sales by newspaper publishers located inside or outside North Carolina and engaged in business in North Carolina are taxable:
 - a. over the counter sales;
 - b. sales by subscription delivered through the mail to subscribers in North Carolina.
 - 2. The following retail sales by newspaper publishers located inside or outside North Carolina and engaged in business in North Carolina are exempt:
 - a. sales by subscription delivered through the mail to subscribers outside North Carolina;
 - b. sales by subscription delivered door-to-door by employees or contract carriers of the publisher.
 - 3. All sales of newspapers through vending machines are exempt from tax.
 - 4. Sales by persons physically selling newspapers as newspaper street vendors are exempt from tax.

5. Over-the-counter sales of newspapers made by retailers such as newsstands, grocery stores, restaurants, drug stores, etc. are taxable.
6. Sales by independent newspaper carriers making door-to-door deliveries are exempt from tax.
7. Sales of gift subscriptions by publishers who have nexus in North Carolina to donors in North Carolina are taxable when delivery is made by mail to donees located inside North Carolina without regard to whether the publisher is located inside or outside North Carolina.
8. Sales of gift subscriptions by publishers who have nexus in North Carolina to donors located inside or outside North Carolina are exempt from tax when delivery is made by mail to donees located outside North Carolina.
9. Subscription sales delivered through the mail to subscribers located in North Carolina by a publisher located outside North Carolina who does not have nexus in this State are taxable. The publisher is not liable for collecting tax; however, the subscriber is liable for remitting use tax directly to the Department of Revenue.

C. Magazines

1. Magazine publishers as well as other retailers who are engaged in business in this State are liable for State and local tax on their over the counter sales of magazines.
2. Retail sales of magazines by subscription delivered through the mail to subscribers inside or outside North Carolina are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.5; 105-164.13; 105-264;
Issued: October 15, 1998;
Revised: February 1, 2007; June 1, 2002.

7-17 DIRECT MAIL

A. Definition

“**Direct mail**” is defined in G.S. 105-164.3(7a) as “printed material delivered or distributed by the United States Postal Service or other delivery service to a mass audience or to addresses on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items is not billed directly to the recipients. The term includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. The term does not include multiple items of printed material delivered to a single address.”

B. Sourcing

1. Direct mail is sourced to the location where the property is delivered if one of the following conditions is met:
 - a. Direct mail is purchased pursuant to a direct pay permit. Upon receipt of the **Direct Pay Permit for Sales and Use Taxes on Direct Mail**, the seller is relieved of all obligations to collect, pay, or remit the applicable tax and the purchaser is obligated to pay or remit the applicable tax on a direct pay basis. A **Direct Pay Permit for Sales and Use Taxes on Direct Mail** shall remain in

effect for all future sales of direct mail by the seller to the purchaser until it is revoked in writing.

- b.** The purchaser provides the seller with information to show the jurisdictions to which the direct mail is to be delivered. Upon receipt of information from the purchaser showing the jurisdictions to which the direct mail is delivered to recipients, the seller shall collect the tax according to the delivery information provided by the purchaser. In the absence of bad faith, the seller is relieved of any further obligation to collect tax on any transaction where the seller has collected tax pursuant to the delivery information provided by the purchaser.
- 2.** In all other cases, direct mail is sourced to the address from which the tangible personal property was shipped or from which the service was provided.

3. Examples

- a.** A purchaser provides a seller that is engaged in business in North Carolina with information that shows the destination to which the direct mail sold is to be delivered. The seller is liable for collecting and remitting the general State and applicable local rates of sales or use tax on the sales price of the items delivered to addressees in North Carolina.
 - b.** A North Carolina purchaser does not provide a seller with information as to the destination of the direct mail or submit a Direct Pay Permit for Sales and Use Taxes on Direct Mail. The seller is liable for collecting and remitting the general State and local rates of tax on the entire charge for the direct mail pursuant to the principles of Sales and Use Tax Technical Bulletin 7-17 B. 2.

C. Direct Pay Permit

1. Eligibility

A direct pay permit can be issued to a person who purchases direct mail. The permit issued for direct mail does not apply to any purchase other than the purchase of direct mail as defined in Sales and Use Tax Technical Bulletin 7-17 A.

2. Application

Form E-595C, Application for Direct Pay Permit for Sales and Use Taxes on Direct Mail, must be completed and submitted to the Sales and Use Tax Division. A copy of the application can be requested by calling the Department's Forms Line at 1-877-252-3052 (toll-free). A copy of the application is also available on the Department's website.

3. Issuance of Permit

a. Traditional Commerce

When an application is approved, the Department will issue a numbered direct pay permit. The permit holder should issue a copy of the permit to a vendor of direct mail. Once received, a vendor is relieved of the liability from collecting and remitting sales or use tax on its sales of direct mail to the purchaser. The permit holder is liable for accruing and remitting the applicable use tax directly to the Department.

A vendor must maintain a copy of the direct pay permit in its records in support of the exemption from tax or maintain similar electronic storage. A registry of direct pay permit holders is available on the Department's website.

b. Electronic Commerce

If a vendor has the capability of retaining records electronically, the vendor may retain direct pay permit information in a digitized format in lieu of obtaining a paper copy of the permit. The information must include the following: direct pay permit number, name and address of the purchaser and date of issue of the permit.

4. Use of Permit

A permit holder is responsible for accruing and remitting use tax for all purchases of direct mail from vendors. A permit holder is responsible for accruing and remitting any applicable tax on its purchases of direct mail notwithstanding that it may have failed to provide a copy of its permit to a vendor.

A permit cannot be used by a subsidiary or an affiliate of an entity; only the entity to which the permit is issued by the Department is entitled to submit the permit to vendors. If a permit holder undergoes reorganization and forms a new business entity, the new entity must apply for a permit of its own.

A permit holder should maintain the records necessary to verify the accrual of tax in an electronic format.

5. Revocation

The Department may revoke a direct pay permit if the holder of the permit does not file a sales and use tax return timely, does not pay sales or use tax on time, or otherwise fails to comply with the Sales and Use Tax Laws.

D. Exemption for Delivery Charges

Delivery charges for delivery of direct mail are exempt from the sales or use tax if the charges are separately stated on an invoice or similar billing document given to the purchaser.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.4B; 105-164.6;
105-164.13; 105-164.27A; 105-264;
Issued: February 1, 2004;
Revised: December 1, 2008; February 1, 2007; July 1, 2005.