



# MAINE REVENUE SERVICES SALES, FUEL & SPECIAL TAX DIVISION INSTRUCTIONAL BULLETIN NO. 17

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## PRINTERS AND PUBLISHERS

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This bulletin is intended solely as advice to assist persons in determining, exercising or complying with their legal rights, duties or privileges. It contains general and specific information of interest as well as interpretations and determinations by Maine Revenue Services regarding issues commonly faced by your business. Portions of the Sales and Use Tax Law referred to in this bulletin can be found at the end of the bulletin in Attachment #1. Also attached are applicable Sales and Use Tax Rules.

Printers and publishers are engaged in producing and selling tangible personal property and fabrication services. Accordingly, they are required to be registered as sellers with Maine Revenue Services and collect and report sales tax on their taxable sales. As producers of tangible personal property for sale, they are entitled to certain exemptions on the purchases of tangible personal property.

The following interpretations relate only to the above-mentioned occupations and are intended as general guidance to businesses in connection with the Maine Sales and Use Tax Law.

### 1. PRINTERS AND PUBLISHERS

**A. Definition.** The terms "printer" and "publisher" as used in this instruction bulletin includes commercial printers and publishers of newspapers, magazines, newsletters and books.

**B. Sales by printers.** Charges for printing, imprinting, engraving, multi-graphing, multilithing, folding, binding and photocopying are generally subject to tax whether or not the paper and other materials are furnished by the customer, unless the sale is for resale, or to an exempt entity, or constitutes publications regularly issued at average intervals not exceeding 3 months.

Charges for performing the service of addressing, enclosing, sealing, or mailing printed materials are not taxable when performed solely as a service and not in conjunction with the sale of tangible personal property. If such services are performed in conjunction with tangible personal property the charges for these services will be considered part of the sale price of the tangible personal property. When stamped envelopes or United States postal cards are imprinted and sold, the tax does not apply to the cost of the uncanceled postage, measured by the face value of the postage stamps or indicia.

Any other charges for labor or services rendered in producing printed materials are a part of the taxable sale price of the tangible personal property or fabrication services, whether or not such charges are separately stated.

**C. Purchases by printers and publishers.** Printers and publishers will generally be liable for sales or use tax on purchases of tangible personal property for use in their business unless the items purchased will be resold in the form of tangible personal property; or constitute machinery and equipment for use directly and primarily in the production of tangible personal property for later sale or lease; or will become an ingredient or component part of, or be consumed or destroyed directly and primarily in the production of tangible personal property for later sale or lease, other than lease for use in this State.

**i. Purchases for resale.** Tangible personal property and fabrication services purchased by a printer or publisher who will resell them without making use of them are not subject to tax.

When purchasing for resale, the printer or publisher should furnish the supplier with a resale certificate in substantially the form set forth in Rule No. 301. If items purchased exempt from tax as being for resale are subsequently used by the printer or publisher, that person becomes liable for use tax based on the cost of the items so used, even if the items are in fact ultimately sold.

**ii Machinery and equipment.** Maine law provides an exemption from sales and use tax for machinery and equipment used directly and primarily in the production of tangible personal property for later sale. In the case of printers and publishers, the tangible personal property produced and sold is the final printed product, for example: a newspaper, brochure, catalog, magazine, or book. Since many so-called "pre-press" functions in the modern printing industry constitute an integral and essential part of an integrated series of operations leading to the production of the final printed product, much of the machinery and equipment used in such functions is considered by Maine Revenue to be exempt from the sales and use tax. A list of items that will generally be considered by Maine Revenue as exempt provided that the "primarily" (more than 50% of the time) test is met is found below, along with a list of items that will generally not be entitled to exemption.

Exempt items should be purchased tax-free by furnishing the supplier with an industrial user's certificate of exemption. See attachments.

**Items of machinery and equipment generally entitled to exemption:**

1. Equipment (whether on or off the production site) used in the process of the front-end editorial or composing functions, including, without limitation, equipment used to input and/or edit text and/or graphics, including, without limitation, laptops, other PCs and workstations, and also including, without limitation, output devices used to output text and/or graphics to a typesetter or imager;
2. Color separations, negatives, and "flats," and machinery and equipment, including, without limitation, sheets of film, computer disks, mylar, and other image holding mediums used to make these items;
3. Printing plates or press plates, including, without limitation, those made from mylar, aluminum, rubber, plastic, or paper, and components of plates and associated supplies;
4. Equipment used to produce printing plates;
5. Equipment and materials used in preparing photographs or other graphics for purposes of making printing plates including, without limitation, electronic image processing equipment such as computers, monitors, scanners, modems and printers;
6. Press fax machines and components thereof;
7. Large-scale, fixed-position cameras used to photograph two-dimensional copy to produce negatives or positives used in the production of plates and darkroom equipment and supplies used to develop or otherwise alter film or prints from such cameras;
8. Equipment used to collate, bind or finish the final printed product;
9. Equipment used to move work in process between production functions at the same production site including, without limitation, skids, conveyors and fork lifts;

10. Equipment used to deliver raw material to the press and other production processes after the later of transportation to the production site or storage.

**Items of machinery and equipment not generally entitled to exemption:**

1. Computers used primarily to perform business accounting, administrative, or other non-production functions;
2. Laptop computers used primarily off the production site, except those used primarily A) to input or edit text in the process of the front-end editorial or composing functions, or B) in conjunction with electronic image processing functions;
3. Cameras used off the production site, and any associated supplies and attachments, including film, tripods, etc., and darkroom equipment and supplies used to develop film from such cameras;
4. Photocopying machines;
5. General office equipment and supplies;
6. Wire service teletype or telecopier machines or terminals.

**iii. Ingredient or component part.** Items such as paper, ink, glue and staples which become an ingredient or component part of tangible personal property produced by a printer or publisher are exempt from tax, whether used in production of tangible personal property for sale by the printer or publisher or in performance of fabrication services upon tangible personal property belonging to the customer. The printer or publisher should purchase such items tax-free by providing the supplier with an industrial user's certificate of exemption. See attachments.

**iv. Consumed or destroyed items.** Items which are consumed or destroyed in the printing or publishing process but which do not become an ingredient or component part of the finished product are exempt when used in the production of tangible personal property for later sale but taxable when used in the performance of fabrication services on tangible personal property which is owned by the customer and will be used by the customer rather than resold.

Tax-exempt items in this category will typically include materials and supplies consumed or destroyed in connection with the use of exempt machinery and equipment listed at section 1(C)(ii) above, as well as proofing materials and press solutions, including, without limitation, fountain solution, silicon solution and blanket wash.

The printer or publisher should purchase tax-exempt items by furnishing the supplier with an industrial user's blanket certificate of exemption, and report and pay use tax directly to the State on those purchases which ultimately are used in the performance of fabrication services.

## 2. EXEMPT SALES

**A. Sales for resale.** A sale for resale in the form of tangible personal property is not taxable. A printer or publisher, when selling to others for resale, should require the customer to furnish a resale certificate in substantially the form set forth in Rule No. 301. Otherwise, the burden of proving that a sale actually was for resale is upon the person making the sale. More detailed information regarding sales for resale will be found in Rule No. 301.

**B. Sales to exempt organizations.** Sales made directly to the federal government, the State of Maine or any political subdivision of the State of Maine (such as counties, cities or towns), or to any agency of any of the above governments, are exempt from sales tax. The Sales and Use Tax Law also provides exemptions for various other organizations, such as hospitals, schools, regularly organized churches or houses of religious worship, and certain other organizations.

In the case of sales to governments and government agencies, no evidence of exemption is required other than the invoice indicating sale to government or government agency. When selling to other exempt organizations, the seller should request the customer to furnish a certificate of exemption in accordance with Rule No. 302.

**C. Delivery to customer outside Maine.** When a printer or publisher delivers or ships tangible personal property sold by him to a point outside the State, the sale is not subject to Maine sales tax.. Generally, if the customer takes delivery in Maine, however, the tax must be charged regardless of the ultimate destination of the products.

**D. Sales of advertising and promotional materials.** Sales of advertising or promotional materials printed on paper and subsequently transported outside the State for use by the purchaser solely outside the State are not subject to tax. An "Affidavit for Out of State Use of Promotional Materials" should be completed by the purchaser and kept on file by the printing vendor. One completed affidavit per customer is allowable if the sales are consistently exempt or partially exempt. If the exempt percentage of any given purchase changes, a separate affidavit is required.

## 3. ADDITIONAL INFORMATION.

The information in this bulletin addresses some of the more common questions regarding the Sales and Use Tax Law faced by your business. It is not intended to be all inclusive. Requests for information on specific situations should be in writing, should contain full information as to the transaction in question and should be directed to the:

**MAINE REVENUE SERVICES  
SALES, FUEL & SPECIAL TAX DIVISION  
P.O. BOX 1065  
AUGUSTA, ME 04332-1065  
TEL: (207) 624-9693  
TTY: (207) 287-4477**

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**ATTACHMENT #1**  
**Excerpts taken from 36 M.R.S.A.**

**§1752. Definitions**

**2-A. Directly.** "Directly," when used in relation to production of tangible personal property, refers to those activities or operations which constitute an integral and essential part of production, as contrasted with and distinguished from those activities or operations which are simply incidental, convenient or remote to production.

**6-A. Manufacturing facility.** "Manufacturing facility" means a site at which is located machinery and equipment used directly and primarily in either the production of tangible personal property intended to be sold or leased ultimately for final use or consumption or the production of tangible personal property pursuant to a contract with the United States Government or any agency thereof. It includes the machinery and equipment and all machinery, equipment, structures and facilities located at the site and used in support of production or associated with the production. "Manufacturing facility" does not include a site at which a retailer is primarily engaged in making retail sales of tangible personal property not produced by the retailer.

**7-B. Machinery and equipment.** "Machinery and equipment" means machinery, equipment and parts and attachments for machinery and equipment, but excludes foundations for machinery and equipment and special purpose buildings used to house or support machinery and equipment.

**9-A. Primarily.** "Primarily," when used in relation to production, means more than 50% of the time.

**9-B. Production.** "Production" means an operation or integrated series of operations engaged in as a business or segment of a business which transforms or converts personal property by physical, chemical or other means into a different form, composition or character from that in which it originally existed.

Production includes manufacturing, processing, assembling and fabricating operations which meet the definitional requisites, including biological processes that are part of an integrated process of manufacturing organisms or microorganic materials through the application of biotechnology..

Production does not include biological processes, wood harvesting operations, the severance of sand, gravel, oil, gas or other natural resources produced or severed from the soil or water, or activities such as cooking or preparing drinks, meals, food or food products by a retailer for retail sale. The foregoing are examples of activities that are not included within the term "production."

**11. Retail sale.** "Retail sale" means any sale of tangible personal property in the ordinary course of business for any purpose other than for resale, except resale as a casual sale, in the form of tangible personal property. "Retail sale" also means any sale of a taxable service in the ordinary course of business for any purpose other than for resale, except resale as a casual sale.

A. "Retail sale" includes:

(1) Conditional sales, installment lease sales and any other transfer of tangible personal property when the title is retained as security for the payment of the purchase price and is intended to be transferred later; and

(2) Sale of products for internal human consumption to a person for resale through coin-operated vending machines when sold to a retailer whose gross receipts from the retail sale of tangible personal property derived through sales from vending machines are more than 50% of the retailer's gross receipts. The tax must be paid by the retailer to the State. [1989, c. 871, §5 (new).]

B. "Retail sale" does not include:

- (1) Any casual sale;
- (2) Any sale by a personal representative in the settlement of an estate, unless the sale is made through a retailer, or unless the sale is made in the continuation or operation of a business;
- (3) The sale, to a person engaged in the business of renting automobiles, of automobiles, integral parts of automobiles or accessories to automobiles, for rental or for use in an automobile rented on a short-term basis;
- (4) The sale, to a person engaged in the business of renting audio or video tapes and audio or video equipment, of audio or video tapes or audio or video equipment for rental;
- (5) The sale, to a person engaged in the business of renting or leasing automobiles, of automobiles for rental or lease for one year or more; or
- (6) The sale, to a person engaged in the business of providing cable television services, of cable converter boxes for rental or lease; or
- (7) The sale, to a person engaged in the business of renting furniture, of furniture for rental.

**13. Sale.** "Sale" means any transfer, exchange or barter, in any manner or by any means whatsoever, for a consideration and includes leases and contracts payable by rental or license fees for the right of possession and use, buy only when such leases and contracts are deemed by the State Tax Assessor to be in lieu of purchase.

**17. Tangible personal property.** "Tangible personal property" means personal property which may be seen, weighed, measured, felt, touched or in any other manner perceived by the senses, but does not include rights and credits, insurance policies, bills of exchange, stocks and bonds and similar evidences of indebtedness or ownership. "Tangible personal property" includes electricity.

## **§1760. Exemptions**

**31. Machinery and equipment.** Sales of machinery and equipment:

A. For use by the purchaser directly and primarily in either the production of tangible personal property intended to be sold or leased ultimately for final use or consumption, or in the production of tangible personal property pursuant to a contract with the United States Government or any agency thereof. This exemption applies even if the purchaser sells the machinery or equipment and leases it back in a sale and leaseback transaction. This exemption also applies whether the purchaser agrees before or after the purchase of the machinery or equipment to enter into the sale and leaseback transaction and whether the purchaser's use of the machinery or equipment in production commences before or after the sale and leaseback transaction occurs; and [1999, c. 516, §6 (new); §7 (aff).]

B. To a bank, leasing company or other person as part of a sale and leaseback transaction, by a person that uses the machinery or equipment as described in paragraph A, whether the original purchaser's use of the machinery or equipment in production commences before or after the sale and leaseback transaction occurs. [1999, c. 516, §6 (new); §7 (aff).]

**74. Property used in production.** Sales of tangible personal property, other than fuel or electricity, that becomes an ingredient or component part of, or that is consumed or destroyed or loses its identity directly and primarily in either the production of tangible personal property for later sale or lease, other than lease for use in this State, or the production of tangible personal property pursuant to a contract with the United States Government or any agency of the United States Government. Tangible personal property is "consumed or destroyed" or "loses its identity" in that production if it has a normal physical life expectancy of less than one year as a usable item in the use to which it is applied.

**83. Sales of certain printed materials.** Sales of advertising or promotional materials printed on paper and purchased for the purpose of subsequently transporting such materials outside the State for use by the purchaser thereafter solely outside the State.



# MAINE REVENUE SERVICES SALES/EXCISE TAX DIVISION

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## INDUSTRIAL USERS BLANKET CERTIFICATE OF EXEMPTION

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For purchases of Tangible Personal Property for Use in Production  
Under Section 1760, subsections 9-D, 29, 30, 31, 32 and 74 of the Maine Sales and Use Tax Law.

I hereby certify that I hold a valid Sales Tax Registration No. \_\_\_\_\_ issued pursuant to the Sales and Use Tax Law, that I am engaged in the production of \_\_\_\_\_ and that tangible personal property to be purchased from \_\_\_\_\_ is exempt for the reason(s) indicated below:

- [ ]a. To become an ingredient or component part of tangible personal property either in the production of tangible personal property for later sale or lease, other than lease for use in this State, or in the production of tangible personal property pursuant to a contract with the Federal Government or any agency thereof. §1760 (74)
- [ ]b. To be consumed or destroyed or to lose its identity directly and primarily either in the production of tangible personal property for later sale or lease, other than lease for use in this State, or in the production of tangible personal property pursuant to a contract with the Federal Government or any agency thereof. §1760 (74)
- [ ]c. Constitutes machinery and equipment, or repair or replacement parts, to be used by me directly and primarily in either the production of tangible personal property for sale or lease, the production of tangible personal property pursuant to a contract with the Federal Government or any agency thereof or in the generation of radio and television broadcast signals by broadcast stations regulated under 47 Code of Federal Regulations, Part 73. §1760 (31)
- [ ]d. Constitutes machinery and equipment, or repair or replacement parts, to be used by me directly and exclusively in research and development in the experimental and laboratory sense or machinery, equipment, instruments and supplies to be used by me directly and primarily in biotechnology applications. §1760 (32)
- [ ]e. Is fuel or electricity for use at a manufacturing facility (95% of the sale price is exempt) Meter/Account Number(s) \_\_\_\_\_. §1760 (9-D)
- [ ]f. To be used as part of or for the construction, repair or maintenance of a water or air pollution control facility, certified as such by the Commissioner of Environmental Protection. §1760 (29-30)

I further certify that I assume full liability for payment to the State of Maine of any use taxes, together with penalties and interest, that may later be determined to be due on any purchases covered by this certificate because of a taxable use of the property.

\_\_\_\_\_  
NAME OF COMPANY

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
TITLE

**NOTICE TO RETAILERS:** Retailers making exempt sales covered by this certificate must appropriately mark or stamp all invoices to indicate they are exempt sales. For items a through d and f above, the words "Maine Sales Tax Exempt" will satisfy this requirement. For item e above, the words "Fuel/electricity used at a manufacturing facility" will satisfy this requirement.

The certificate may also be used for occasional exempt purchases rather than blanket use by filling out as far as applicable, striking out the word "Blanket" and listing on the reverse side the date of order and the quantity and description of the tangible personal property ordered; or by incorporating the purchase order by reference to this certificate, as by listing date and order number.