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## PRINTING INDUSTRY

The *Arvada Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain taxable services in the City by the ultimate user or consumer. This also includes a use tax upon using, storing, distributing or otherwise consuming in the City any article of tangible personal property purchased, leased or rented from sources outside the City on which a lawfully imposed sales tax has not been paid.

Printers are primarily engaged in the business of manufacturing and selling tangible personal property in the form of printed matter. As with other tangible personal property, printed matter is subject to sales tax on the purchase price paid, inclusive of the gross value of all materials used, labor and services performed, and the profit and/or mark-up thereon.

All sales of tangible personal property are taxable at the Arvada business location unless the article or commodity is delivered to the purchaser who resides or does business outside the city for their use outside the city.

### Manufacturing Labor vs. Other Services

Labor and services expended in the production of the article sold are part of the taxable purchase price of the printed matter even though the printer may elect to state these charges separately from stock. With only a few exceptions, any labor or services performed to create a finished, made-to-order product is subject to tax. These charges include without limitation, setup charges, batch charges, cutting and finishing charges, binding and assembly charges, minimum charges, rush charges, and other similar labor or service charges.

If separately stated on the invoice, services for typesetting or graphic design, design, art, and camera mechanicals performed by a printer or its subcontractor for a customer or another printer are not subject to tax.

### Supplies and Materials

Materials that are neither prepress items nor items that would be considered wholesale purchases

ALCOHOL / ISOPROPYL ALCOHOL	GREASE / OIL
BLANKET	PACKING SHEETS
BLANKET BLENDER	PLATE CLEANER
BLANKET CONDITIONER	PLATE FINISHER
BLANKET SAVER / BLANKET WASH	PLATE PRESERVER
BLENDER SOLUTION	
DEVELOPER	PRESS WAX
DISKS AND DATA TAPES	ROLLER WASH
FILM / PLATE	SCRATCH REMOVER
FILM DEVELOPING	TONER CARTRIGES ***
FINISHER FIXER	
FOUNTAIN SOLUTION	WATER DEDUCTOR

Tangible personal property which becomes a constituent part of the finished product may be purchased by the printer tax free for resale.

Exempt purchases of tangible personal property for resale include:

- **Paper** – Stock or newsprint on which the finished product is printed and delivered to the customer; and wrapping materials for finished products sold to customers.
- **Ink** – Printers ink, ink additives, and overprint varnishes.
- **Chemicals** - Anti-offset sprays, fountain etch solutions, gum solutions, and all other component chemicals when used with the above materials.
- **Finishing Materials** - Padding compounds, stitching, wire and staples, and bookbinders tape.
- **Prepress Preparation Materials** - Padding compounds, stitching, wire and staples, and bookbinders tape.

A printer shall be deemed to have separately invoiced such items as photoengraving, photostat, electrotypes, stereotypes and matrices to the extent such items are utilized for the production of specific product for a specific customer and there is a statement on the invoice for the particular job which reads “the above invoice price includes the cost of pre-press preparation materials used in the production of the above product”, and such invoices give the specific job number, and the cost of the pre-press preparation materials used in the job is specifically listed on the copy of the invoice retained by the printer. In addition, if the final product is tax exempt because it is being shipped out of state by common carrier or otherwise, it will be necessary for the printer to include on the invoice the amount of sales tax due on the pre-press preparation materials and remit the amount of such tax to the city. The basis for this requirement is that possession was taken in Arvada by the printer as agent for the customer of the pre-press preparation materials in order to produce the final product which itself is exempt from tax because it is shipped in interstate commerce. If separately invoiced as herein provided, pre-press preparation materials used in the production of a product sold and delivered to a tax exempt entity will not be deemed subject to the payment of use tax by the printer.

In order to avoid liability for the payment of use tax on pre-press preparation materials, the printer must maintain adequate records of such materials in detail as to each specific job, so that the indication of pre-press material designation on the ultimate billing can be determined upon an audit and segregated from other-press materials, manufacturing aids or plant property. There must be an audit trail which clearly reflects the passing on to the customer of a particular item or pre-press preparation materials and shows the billing for same and the collection of sales tax on a particular invoice when such sales are subject to tax.

## Freight, Delivery and Transportation Charges

Freight, delivery and transportation charges passed on to a customer are also subject to tax if the delivery takes place within Arvada.

### EXAMPLE

1. An Arvada print shop is purchasing materials and supplies from an out-of-state vendor. The print shop purchased paper, printers ink, film, screens, blankets wash, flash oil, toner, roller wash and press wax. The vendor does not collect any sales tax. The shop must report and remit Arvada use tax on everything except the paper and the printer's ink.
2. ABC T-Shirts is an Arvada silk-screening print shop that specializes in custom t-shirts. The business purchases t-shirts, ink, screens, frames, squeegees and emulsions for the production of t-shirts. The only products that can be purchased without paying sales / use tax are the ink and the t-shirts, all other products are subject to tax.
3. Westminster Seed Company, a Westminster business, has placed an order with Arvada Quick Printing to have their Spring Catalog printed and distributed by mail from the mailing list that they have provided. The total order is for 500 catalogs at \$5,000. Four hundred of the catalogs will be mailed to customer addresses from the mailing list and will be taxed at the Arvada Sales Tax Rate \$4,000 x 7.96%. The remaining 100 catalogs will be delivered by the printer to Westminster Seed Company and will be taxed at the Westminster rate.

## **ARVADA MUNICIPAL CODE – Chapter 98 – Taxation**

### **Sec. 98-61. Definitions.**

The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

**Freight and delivery** means the price paid or charges for freight and delivery services including:

- (1) Freight-in paid by a retailer to obtain tangible personal property before resale which is passed on to the purchaser in the price of the property or through a separate invoice;
- (2) Charges to the purchaser for delivery where the vendor transports the property being sold or leased;
- (3) Freight and delivery charges included in the price of the property being delivered; but not including charges for US Postal Service;
- (4) Delivery charges include both delivery and pick up of an item.

**Manufacturing** means the operation or performance of an integrated series of operations which places a product, article, substance, commodity, or other tangible personal property in a form, composition or character different from that in which it was acquired whether for sale or for use by a manufacturer. The change in form, composition or character must result in a different product having a distinctive name, character or use from the raw or prepared materials.

**Sec. 98-66. Property and service taxed.** There is hereby levied and there shall be collected and paid a tax in the amount stated in section 98-76 as follows:

- (1) On all sales and services taxable, including, but not limited to the following:
  - a. On the purchase price paid or charged upon all sales and purchases of tangible personal property at retail within the city, except as the purchase price is reduced by an allowance for an exchange of tangible personal property, at fair market value, and which, is intended to be offered for resale.
    - i. On freight and delivery charges (as defined in section 98-61).
    - k. Tangible personal property purchased at wholesale or component parts purchased for manufacturing which are subsequently used by the taxpayer, either personally or in the business.

### **Sec. 98-70. Exempt sales.**

There shall be exempt from taxation under the provisions of this article the items of sales and services including, but not limited to the following:

- (9) Additional provisions of exemption from the tax under this article:
  - a. All sales of tangible personal property if both the following conditions exist: The sales are to those who reside or do business outside the city for their use outside the city and the article or commodity is delivered to the purchaser by common carrier, by mail or conveyed by the seller.
  - p. Nontaxable service sales. The amount equal to the consideration received for installation labor or services sold with tangible personal property, if such services are separately stated on the invoice from the tangible personal property sold; except that manufacturing or fabricating or other processing labor is never exempt.

## **RELATED TOPICS** **GRAPHIC DESIGN**

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT ARVADA TAX LAW FOR THIS SUBJECT, INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE ARVADA MUNICIPAL CODE. HOWEVER, THE TAX GUIDE SHALL BE USED IN CONJUNCTION WITH THE ARVADA MUNICIPAL CODE (CHAPTER 98) IN DETERMINING TAX LIABILITY.