

This Tax Facts is designed to explain how sales and use tax applies to printers, newspapers, magazines and other publications. If this Tax Facts does not answer your specific question, please call the department's toll-free Helpline at 1-800-TAX-9188 between 8:00 AM – 5:00 PM CT, Monday through Friday.

Information found in this document rescinds and replaces all previous written information on this subject. All users of this publication are responsible for keeping informed about changes in tax laws and regulations by reading the Department of Revenue newsletters, press releases, Tax Facts, and other documents published by the department.

Printers and newspapers engage in a variety of retail sales and services. This Tax Fact Sheet will advise businesses how sales tax applies to the sales and services they offer to clients as well as supplies, materials, and equipment used in providing their services.

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Printers

Printing or duplicating services, including delivery charges, are subject to the 4% state sales tax, plus applicable municipal tax based on where the product is delivered.

Printers that provide mailing services should also refer to the mailing service section for the sales tax application to those services.

Examples of printing and printing related services subject to sales tax are:

- Binding
- Calligraphy
- Collating
- Color Separation
- Copying
- Designing
- Desktop Publishing
- Die Cutting
- Digitally Imaged Printing
- Duplicating
- Editing
- Electronic Printing
- Electro-Coagulation Printing
- Electrophotography
- Embossing
- Flexography
- Folding
- Gravure
- Heat Transfer Printing
- Imprinting
- Ink-Jet Digital Printing
- Ion or Electron Charge Deposition Printing
- Keylining
- Laser Printing
- Layout
- Letterpress
- Magnetography
- Multigraphing
- Multilithing
- Offset Lithography
- Photolithography
- Photostats
- Scoring
- Screen Printing
- Steel-Die Engraving
- Stitching
- Sublimation Printing
- Thermal Transfer Printing
- Thermal Transfer Dye
- Thermography
- Typesetting

Purchases by the Printers

All equipment purchased for use in the printing process is subject to the 4% state sales tax, plus applicable municipal tax.

Supplies and materials are taxed based on where they are used in the printing process.

The printing process is usually divided into four stages:

- Design and Layout
- Pre-Press
- Pressroom
- Assembly, Binding, and Shipping

Design and Layout

Design and layout is the creating or preparing of the image to be printed. Design and layout includes the process through the camera-ready image. The camera-ready image is the point at which the image is ready to be printed. At this point the camera-ready image may be transferred to a press plate or other image carrier or sent directly to the printer.

Equipment and supplies used or consumed in design and layout are subject to the 4% state sales tax, plus applicable municipal tax.

Examples of equipment and supplies used or consumed in design and layout are:

- Cameras and other photography equipment
- Computer equipment and software
- Crescent or matte board
- Linotype, intertype magazines
- Lubricating oils and greases
- Matrices
- Paste-up sheets/grid sheets
- Photo display tape
- Photo film and chemicals used for developing the film
- Photo paper
- Phototypesetting machines, parts, supplies
- Process lettering
- Purchased composition
- Sample books
- Sponges
- Spray fixative
- Toner
- T-squares, rules, and composition sticks
- Tapes and borders, symbols, etc.
- Transfer lettering
- Typesetting machinery parts (hot or cold)
- Type gauge
- Wax or adhesive

Pre-Press

Once the image is ready to be printed, the plate must be made. The image must be transferred to a press plate.

Supplies and materials used in making press plates are not subject to sales or use tax. Equipment used in platemaking is subject to the 4% state sales tax, plus applicable municipal tax.

Examples of materials and supplies used in making press plates that are not subject to sales or use tax are:

- Chemicals used in processing press plates
- Masking film
- Opaque masking sheets, screen tints, and red litho tape used in preparing the film for platemaking
- Press plates
- Process camera film (includes halftone film, PMT paper, color key film) and chemicals used to process the film
- Reproduction proof paper and blue-lines

Examples of equipment used in making press plates that are subject to the 4% state sales tax, plus applicable municipal tax are:

- Camera
- Plate burner
- Plate processor
- Image setter or Film recorder

Supplies used to repair or maintain equipment used in making plates are subject to 4% state sales tax, plus applicable municipal tax.

Pressroom

The pressroom is where the product is printed. Supplies and materials used in the pressroom are not subject to sales or use tax. Equipment used in the pressroom is subject to the 4% state sales tax, plus applicable municipal tax.

Examples of materials and supplies used in the pressroom that are not subject to sales or use tax are:

- Acids and glues
- Anti-static spray
- Blanket coating
- Blanket saver or repair
- Blankets
- Blanket and type wash
- Bronze powder
- Copying machine toner and fuser oil
- Dampener sleeves
- Dampening solution
- Etch solutions
- Flying pasters
- Fountain solutions
- Inks, varnishes, and lacquers including:
 - Additives
 - Concentrates
 - Conditioners
 - Driers
 - Reducers
 - Toners
- Litho perforation and scoring rules
- Non-offset spray
- Paper stock
- PH indicator sticks
- Press plates
- Press wash (during production)
- Presspack
- Pumice powder
- Roller covering
- Scoring tape
- Splicing tape
- Spray powders
- Tympan and drawsheets

Examples of equipment used in the pressroom that are subject to the 4% state sales tax, plus applicable municipal tax are:

- Coating machines
- Drum and pail pumps
- Electronic printers
- Forklifts
- Hand trucks
- Ink curing equipment
- Offset duplicators
- Pail rack

Printers and Newspapers

- Paper roll cores
- Press machinery and parts including:
 - Bearers
 - Calendar rolls
 - Cylinders
 - Feeders
 - Grippers
 - Guides
 - Ink fountains
 - Rollers
 - Sheet detectors
- Quality control equipment instruments including:
 - Control targets
 - Densitometers
 - Fadometer
 - Gauges
 - Inkometers
 - Magnifying glasses
 - Paper hygrosopes
 - Psychrometer
 - Tackoscopes
- Roller metal core shafts
- Scissors, knives, tools
- Shelving and storage
- Skids (reusable)
- Suction cups
- Tables and desks
- Viewing booths
- Weighing scales

Supplies used to repair or maintain equipment in the pressroom are subject to the 4% state sales tax, plus applicable municipal tax.

Assembling, Binding, and Shipping

After printing, the product may be trimmed, assembled, bound, and folded, then packaged and delivered to the customer.

Supplies and materials used in assembling, binding, and shipping are not subject to sales or use tax. Equipment used in this process is subject to the 4% state sales tax, plus applicable municipal tax. The following items are exempt from sales and use tax when used in assembling, binding, and shipping:

- Back lining
- Cartons, cans, and bags (non-returnable)
- Cutter sticks
- Labeling mats, supplies
- Metal banding
- Mailing materials
- Mailing and shipping tags and labels
- Packing slips and envelopes
- Packaging
- Padding compound
- Paste and glue for bindery
- Rubber bands
- Sealing tape for cartons
- Skids, pallets, tops (non-returnable)

- Staples
- Stitching, tying wire for packaging
- Tape used in product
- Wire, cord, string for packaging
- Wrapping paper
- Shrink wrap

Examples of equipment used in assembling, binding, and shipping that are subject to the 4% state sales tax, plus applicable municipal tax are:

- Banding machinery
- Cheshire mailing equipment
- Clipboard
- Collators
- Counters
- Die cutting equipment
- Drillers
- Folding machines
- Fork lifts
- Glue brushes and pots
- Labeling plates
- Mullen tester
- Padding frames
- Papercutters
- Pressure sensitive mailing machines
- Shelving and storage
- Staplers and dispensers
- Stitchers
- Suction cups
- Tape dispensers
- Truck (hand) and handling equipment
- Weighing scales

Supplies used to repair or maintain equipment in assembling, binding, and shipping are subject to the 4% state sales tax, plus applicable municipal tax.

Newspapers

The sale of newspapers is subject to the 4% state sales tax, plus applicable municipal tax.

A newspaper is a publication intended for general circulation published regularly at daily or weekly intervals, consisting of printed sheets without substantial binding bearing a date of issue and numbered consecutively, devoted to intelligence of current events and news of general interest and not merely the expression of opinion.

Newspapers may collect the sales tax from the customer by itemizing the tax or including the tax in the price. If sales tax is included in the price, a statement must be on the invoice that sales tax is included. When sales tax is included in the price remember to back the tax out of the receipts before reporting the gross receipts on the sales tax return.

Effective July 1, 2004, contractor haulers do not owe sales tax on their charges for intrastate transportation services.

Subscriptions delivered by mail

Newspaper subscriptions delivered by mail are subject to the 4% state sales tax, plus applicable municipal tax based on where the newspaper is delivered. Newspapers published at locations outside South Dakota and delivered by mail to South Dakota locations are subject to the municipal tax where the newspaper is delivered.

Subscriptions delivered by independent carriers

Newspaper subscriptions sold by and delivered by independent carriers in South Dakota are subject to the 4% state sales tax, plus applicable municipal tax where the paper is delivered to the carrier. The newspaper publisher is responsible for remitting the sales tax on the wholesale price of the newspaper subscriptions sold by an independent carrier, unless the carrier has provided an exemption certificate to the newspaper publisher. The wholesale price means the price a publisher charges a reseller of the newspaper.

If the independent carrier has furnished the newspaper publisher with an exemption certificate, the carrier is responsible for remitting the 4% state sales tax, plus applicable municipal sales tax on the selling price of the newspaper based on where the newspaper is delivered.

Publishers that collect directly from the customer or sell direct to the customer and contract with a carrier to deliver the paper owe sales tax on the full charge for the paper, which includes any delivery charge, based on where the paper is delivered to the customer. The fee paid to the carrier for delivery is not subject to sales tax.

Single Copy Sales

Single copy sales of newspapers are to be taxed in one of the following ways:

- Retailers and agents who supply the newspaper publisher with a valid exemption certificate are responsible for collecting sales tax on sales through retail outlets or vending machines. The 4% state sales tax, plus applicable municipal tax is applied to the retail price of the newspaper. The municipal tax is based on where the paper is delivered to the customer. The retailer or agent is then responsible for remitting the tax to the state.
- Agents or independent carriers who do not supply the publisher with a valid exemption certificate must pay the 4% state sales tax, plus applicable municipal tax to the publisher on the wholesale price of the newspaper. The municipal tax is based on where the paper is delivered to the agent or carrier. The publisher is then responsible for remitting the tax to the state.
- Newspaper publishers are responsible for remitting sales tax on all gross receipts from retail sales made by that publisher within the state. This applies to sales of newspapers sold over the counter at the newspaper office.

A newspaper publisher may also provide printing and mailing services. Tax applies to printing and mailing services as explained in those sections of this Tax Facts.

Tax Rate Changes

When state or municipal tax rates increase or decrease, you should use the following guide to determine the proper tax rate to report for your business:

1. Reporting on an Accrual Basis? The sales tax rate in effect at the time of the sale applies to the sale. Sales made during December, 2003, are subject to the tax rate in effect during December. Sales made in January, 2004, are subject to the tax rate in effect in January. It does not matter when the actual payment for the sale is received.

2. Reporting on a Cash Basis? The sales tax rate in effect at the time payment is received applies to that payment. A sale made in December, 2003, but paid for in January, 2004, is subject to the tax rate in effect in January.

Newsprint and Ink

Newspaper and ink purchased for use in a newspaper may be purchased for resale.

Shoppers' Guides

Ink and newsprint used in the production of shoppers' guides are exempt from sales and use tax. Receipts from printing shoppers' guides are subject to the 4% state sales tax, plus applicable municipal tax. Sales tax applies where the paper is delivered to the customer. Guides printed and mailed directly to a mailing list are taxed as follows:

- A. If the purchaser provides the seller an exemption certificate claiming direct mail, the seller does not owe sales tax. The purchaser owes state and municipal use tax where the items are delivered.
- B. If the purchaser provides the seller with delivery locations, the seller owes state and municipal sales tax where the items are delivered.
- C. If an exemption certificate claiming direct mail or delivery locations are not provided, the seller owes state and municipal sales tax based on where they provide the service. This does not remove the purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.

Shoppers' guides include advertising publications:

- whose advertisements are solicited from the general public;
- whose publications are for free distribution to the general public;
- are published regularly at least once a month; and,
- consist of printed sheets containing advertising, bearing a date of issue, and devoted to advertising of general interest.

Publications and Inserts

Charges for printing publications and for printing advertising brochures or flyers prepared predominantly for a single advertiser which are inserted as a separate section in the newspaper or shoppers' guide are subject to the 4% state sales tax, plus applicable municipal tax.

Charges by the newspaper to insert a publication or advertising flyer are not subject to sales or use tax. Advertising printed for a single advertiser that is an integral part of the newspaper or shoppers' guide is not subject to sales or use tax. Advertising printed for a single advertiser is considered an integral part of the newspaper or shoppers' guide if the advertisement is:

- Printed on the same paper stock and paper size as the newspaper or shoppers' guide;
- Folded in the same manner as the newspaper or shoppers' guide;
- Sequentially numbered with the rest of the newspaper or shoppers' guide; and,
- Distributed with the newspaper or shoppers' guide.

Printers and Newspapers

Examples

1. Toby's Supermarket prints a one-page flyer listing sale items for that week. Toby's Supermarket contracts with the newspaper to print this flyer on separate paper from the newspaper and to deliver the flyer with the newspaper. The fee for printing the flyer is subject to sales tax.
2. Toby's Supermarket also runs a 1/2-page ad on the upper half of the second page of the newspaper. The newspaper fee for this ad is not subject to sales or use tax because this ad is an integral part of the newspaper.

Magazines and Periodicals

Sales of magazines and similar publications are subject to the 4% state sales tax, plus applicable municipal tax based on where the item is delivered. If the magazine is given away at no charge, the printing costs of the magazine are subject to sales or use tax.

Direct Mail and Mailing Services

Mailing services and other services that prepare items to be mailed are subject to the 4% state sales tax, plus applicable municipal tax. For further information, refer to Tax Facts Direct Mail available online at www.state.sd.us/drr or by calling 1-800-829-9188.

Advertising

The services of preparing and placing an advertisement in the advertising media are exempt from state sales and use tax. To be exempt, the printer must prepare the ad and place it directly in the media. Charges for advertising in newspapers, magazines, or other publications are exempt from sales and use tax.

The printing of advertising material that the printer does not place in the media is subject to the 4% state sales tax, plus applicable municipal tax, based on where the material is delivered.

Advertising material may include:

- Posters
- Brochures
- Business cards
- Pens and pencils
- Calendars
- Note pads
- Hats, shirts, or jackets

For more information on advertising view Tax Fact Sheet #105 on our website at www.state.sd.us/drr or request a copy by calling the department at 1-800-TAX-9188.

Purchases for Resale

Printers, newspapers, and mailing services must give an exemption certificate to their suppliers in order to purchase services and supplies for resale.

State law requires exemption certificates to be complete and accurate. The buyer will be held responsible for properly completing an exemption certificate. Exemption certificates may be obtained

from the department's website, www.state.sd.us/drr, or by calling 1-800-TAX-9188.

Services

A printer may purchase services for resale if the following two criteria are met:

1. The printer does not use the service in any manner other than resale; and
2. The service is delivered or resold to the ultimate customer without any alteration or change.

Services purchased to help the printer create their own product, such as a brochure for their business, cannot be purchased for resale.

Examples of services that may be purchased for resale if the above two criteria are met are:

- Design and layout
- Editing
- Graphic art and designs
- Mailing service
- Photography services
- Printing
- Proofreading service

Examples of services subject to sales or use tax are:

- Clip art services
- Accounting and attorney services
- Consulting services
- Telemarketing services

Examples

1. A printing company hires an artist to do design and layout. The artist charges the printer on a per hour basis for her services. If the artist provides a camera-ready copy of the work to the printer, the artist can sell the design and layout to the printer as a sale for resale because the purchase is for a specific client and is resold to the customer without alteration or change.
2. A printer hires a photographer to take pictures of their client's personnel. The pictures are used in the client's annual report. The photographer's services may be purchased for resale as the purchase is for a specific client and is resold to the customer without alteration or change.
3. A printer creates a brochure about their business to mail to potential customers. The printer hires a photographer to take pictures of their business and hires a graphic artist to design the cover. The photographer and graphic artist's services are subject to sales tax. These services may not be purchased for resale because the photos and artwork are not being resold.
4. A printer is creating a book about their community to sell to local businesses. The printer hires a photographer to take pictures of the community. The photographer's service may be purchased for resale as the pictures become part of a product to be sold.

Use Tax

Supplies, materials, or services purchased without an exemption certificate are subject to use tax, if sales tax was not paid at the time of purchase. The state use tax rate is 4%, plus applicable municipal use tax, and is payable to the Department of Revenue in the filing period in which the printer, newspaper, or mailing service receives the supplies or services. Tangible personal property delivered into South Dakota by the supplier or by a transportation company hired by the seller, is subject to the South Dakota sales or use tax, even if the supplier charges another state's sales tax.

When a purchase is made out-of-state and possession is taken out-of-state the supplier may charge that state's sales tax. If the other state's sales tax is the same or more than South Dakota's tax, there is no South Dakota tax owed. If it is less than South Dakota's, the difference must be paid to South Dakota. The state plus applicable municipal taxes must be added together to determine if additional tax is owed.

Use tax is also due on supplies taken out of retail inventory for the business' use. Use tax is due on these items in the filing period they are taken out of inventory.

Municipal Tax

Many municipalities in South Dakota have a sales and use tax in addition to the state sales tax. If the customer receives a product or service in one of these municipalities, the product or service is subject to that municipality's sales tax. A list of municipal tax rates is available on our website at www.state.sd.us/drr or by calling 1-800-TAX-9188.

Exempt Entities

Accredited schools, non-profit hospitals, approved relief agencies, and government entities are exempt from sales and use tax.

The seller must keep copies of payment documents received from the exempt purchaser in their records. Accredited schools and relief agencies have license numbers assigned by the department that should be provided to the seller.

Required Records

Records, such as purchase and sales invoices, bills of lading, books of all receipts and sales, cash register receipts, and other pertinent papers and documents, are required to be kept for at least three years and be available for inspection during business hours.

Talk to Us!

If you have a tax problem or question, call the South Dakota Department of Revenue toll-free at 1-800-TAX-9188. Visit us on the web at www.state.sd.us/drr, email us at bustax@state.sd.us or write us:

**South Dakota
Department of Revenue
445 East Capitol Ave.
Pierre, SD 57501-3100**

Aberdeen
419 Moccasin Drive
Aberdeen, SD 57401

Sioux Falls
300 S. Sycamore, Ste 102
Sioux Falls, SD 57110

Mitchell
417 N. Main, Suite 112
Mitchell, SD 57301

Watertown
1505 10th Ave. SE, Suite 1
Watertown, SD 57201

Rapid City
4447 S. Canyon Road, Suite 6
Rapid City, SD 57702

Yankton
1900 Summit Street
Yankton, SD 57078-1951