



DEPARTMENT OF TAXATION

STATE OF HAWAII

July 23, 1970

TAX INFORMATION RELEASE

No. 26-70

RE: Application of the General Excise Tax to Commercial Job Printers

Advice has been requested as to the application of general excise tax rates on certain transactions relating to commercial job printers doing business in Hawaii since the recent court decision and the enactment of H. B. No. 1267-70 (Act 180) on June 30, 1970.

In the recent case, the court ruled that job printers are manufacturers. It further ruled that sales to licensed job printers of paper, which is incorporated by the job printers into a finished or saleable product, are sales at wholesale within the meaning of Section 237-4(2) and 238-2(1), HRS.

Subsection 237-13(1)(A), HRS relating to imposition of tax on manufacturers has been amended by Act 180, L. 1970, to include "commercial job printing but not including the printing and publishing of a newspaper." (Effective 1/1/71)

Section 237-4, HRS has also been amended by Act 180 adding a new subsection (7) which provides that sales of tangible personal property to a licensed person engaged in the service business are sales at wholesale, provided that: (1) said property is not consumed or incidental to the performance of the services; (2) there is a resale of said article at the retail rate of four percent; and (3) the resale of said article is separately charged or billed by the person rendering the services. (Effective 1/1/71)

With the foregoing court decision and new tax provisions relating to job printers in mind, the following guidelines are furnished to promote uniformity in the application of the pertinent tax provisions:

(1) Sales of tangible property such as paper products, ink, or printed materials to licensed job printers, which are incorporated by the job printers into a finished or saleable product during the course of its manufacture, and which will remain in such finished or saleable product in a form which is perceptible to the senses, which finished or saleable product is to be sold and not otherwise used by the job printers, are sales at wholesale.

(2) Sales of manufactured tangible property such as business forms, advertising materials and other printed products by job printers to retailers, wholesalers or other licensed sellers for purposes of resale are sales at wholesale; whereas, the manufacturing of the above products for export purposes are taxable at the manufacturing rate.

(3) Sales of tangible property such as printed materials by job printers to licensed persons engaged in a service business such as an advertising agency are sales at wholesale, provided that (1) the property is not consumed or incidental to the performance of the services; (2) there is a resale of said article at the retail rate of four percent; and (3) the resale of said article is separately charged or billed by the persons rendering the services.

(4) Where, through the activity of a service business, a product has been milled, processed, or otherwise manufactured upon the order of a job printer taxable upon the value of the entire manufactured products, which consist in part of the value of the services taxable under section 237-13(6), the gross income received by the person rendering such services to the job printer is subject to tax at the rate of one-half of one percent. This would include services rendered in supplying processed negatives and plates, composition and bindery work to a job printer.

(5) The use tax is not applicable on tangible personal property, which is imported or purchased by job printers from unlicensed sellers, where the property is incorporated by the job printers into a finished or saleable product in a form which is perceptible to the senses, and which product is to be sold in such manner as to result in a further tax on the activity of the job printers as manufacturers and not as retailers.

(6) The use tax is applicable at the rate of one-half of one percent on tangible property which is imported or purchased by job printers from unlicensed sellers, where the property is incorporated by the job printers into a finished or saleable product in a form which is perceptible to the senses, and which product is to be sold at retail in this State, in such manner as to result in a further tax on the activity of the job printers as retailers.

Items (1), (2), (4), (5) and (6) are effective as of April 15, 1970. Item (3) is effective as of January 1, 1971.

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Legal References:

Tax Appeal Court Case No. 1250

Act 180, L. 1970