



DEPARTMENT OF TAXATION

STATE OF HAWAII

March 20, 1978

TAX INFORMATION RELEASE

No. 54-78

RE: TAXATION OF NEWSPAPER PRINTING
AND PUBLISHING COMPANIES

Act 160, Session Laws of Hawaii, 1977 (S.B. No. 1297), classifies newspaper printing and publishing companies as manufacturers for purposes of HRS Chapter 237, the Hawaii General Excise Tax Law. Due to their complementary nature, newspaper printing and publishing companies will be taxed as manufacturers for purposes of Chapter 238, the Hawaii Use Tax Law. As a result of the enactment, newspaper printing and publishing companies are placed in the same category as job printers

Prior to the enactment of Act 160, job printers but not newspaper printing and publishing companies were classified as manufacturers. Newspaper printing and publishing companies, however, do engage in several activities some of which may be classified as wholesale and others as retail. Act 160 gives recognition to these different activities and makes it clear that newspaper printing and publishing companies are to be taxed at the one-half of one per cent rate for their wholesale activities and at the four per cent rate for their retail activities. Use taxes are to be correspondingly assessed.

For purposes of administering Act 160, the following guides shall be followed by the Department of Taxation in the taxation of newspaper printing and publishing companies.

A. GENERAL EXCISE TAX.

1. Gross receipt received from the printing of advertising or advertising materials will be taxed at the four per cent rate.

2. Gross receipts derived from the sale of newspapers at the retail level will be taxed at the four per cent rate.

3. Gross receipts derived from the sale of newspapers at the wholesale level will be taxed at the one-half of one per cent rate.

4. Where the newspaper printing and publishing company also engages in job printing activities, the general excise tax will be imposed at the one-half of one per cent rate; where the finished product is not resold but is consumed by the person who orders the printing to be done, general excise taxes will be assessed at the four per cent rate.

B. USE TAX.

1. Use taxes shall be imposed upon the value of newsprint, ink and other tangible property which is imported into the State or which is purchased from an unlicensed seller as provided in HRS Section 238-2(1) and (2).

The amount of use taxes to be assessed upon the value of newsprint, ink and other tangible property attributable to the retail sales of newspapers shall be based upon the amount of circulation revenue attributable to the retail sale of newspapers. Similarly, the amount of use taxes to be assessed upon the value of newsprint, ink and other tangible property attributable to the wholesale sales of newspapers shall be based upon the amount of circulation revenue attributable to the sales of newspapers at the wholesale level.

2. Use taxes at the one-half cent rate will be imposed upon the value of all newsprint, ink and other tangible property which is attributable to newspapers sold at the retail level.

3. Use taxes will be imposed upon the value of any portion of newsprint, ink and other tangible property which is attributable to the sale of newspapers at the wholesale level as provided in HRS Section 238-2(2). Currently, no use taxes will be imposed where sales are made at the wholesale level.

4. Use taxes at the rate of four per cent will be imposed upon the value of all newsprint, ink and other tangible property which is consumed by the printing company for its own use.

5. Where the newspaper printing and publishing company is also engaged in job printing activities, the use tax will be imposed upon the value of all newsprint, ink and other tangible property, which is imported or is purchased from an unlicensed seller. The tax shall be imposed at the four per cent rate where the newsprint, ink, and other tangible property are consumed by the printing company for its own use. The tax shall be imposed at the one-half of one per cent rate where the finished product is thereafter sold by the printing company to an ultimate consumer. No use taxes shall be imposed

where the finished product is thereafter sold by the person ordering the printing.

C. EXAMPLES.

X Corporation contracts to have ABC Evening News print its annual financial report for distribution to its shareholders as well as to the general public without charge. The transaction is deemed to constitute a retail sale. General excise taxes at the four per cent rate will be imposed upon all gross receipts derived by ABC from the transaction. Use taxes at the one-half of one per cent rate will be imposed upon the value of all paper, ink and other tangible property used in the printing of the report.

X Corporation contracts to have ABC Evening News print anniversary, birthday, sympathy or special occasion cards as well as calendars which it then sells at retail to the general public. The transaction is deemed to constitute a wholesale sale. General excise taxes will be imposed at the one-half of one per cent rate upon all gross receipts derived from the transaction by ABC Evening News. No use taxes shall be imposed upon the value of the paper, ink and other tangible property used by ABC.

ABC Evening News prints and sells refills for desk calendars to X Corporation which will distribute the calendars to its employees. In the process, ABC Evening News also prints sufficient supplies of the desk calendar refills for its own employees' use.

The sale of the desk calendar refills to X Corporation is deemed a retail sale for general excise tax purpose.

For use tax purpose, the value of the paper and ink used in printing the desk calendar refills must be apportioned between the sales made to X Corporation and for use and consumption by ABC Evening News subject to tax at the rates of one-half of one per cent and four per cent, respectively.

ABC Evening News prints a travel guide containing advertisements from subscribers which it distributes free and without charge to the general public. The transaction is deemed to be for ABC's own use and consumption. General excise taxes will be imposed at the four per cent rate upon all gross receipts derived from the sale of the advertisements contained in the travel guide. Use taxes will be imposed at the four per cent rate upon the value of all paper, ink and other tangible property used in the printing of the travel guide.

ABC Evening News also sells the travel guides to various travel agencies and the travel agencies, in turn, sell the travel guides to the general public. The sale of the guides to ABC is deemed to constitute a wholesale sale. General excise

taxes will be imposed at the one-half of one per cent rate upon all gross receipts derived from these sales. No use taxes will be imposed upon the value of any paper, ink or other tangible property used in the printing and which is attributable to sales at the wholesale level.

Today in Hawaii, Inc. contracts with ABC Evening News to print a monthly brochure as well as a weekly guide which contains information describing the various tourist attractions in the State. The brochure and guide also contain information relating to tourist oriented activities for the week or the month, advertisements, restaurants, gift shops and other information for the benefit of tourists and visitors to the State. The majority of the printed matter involves advertisements from its advertising subscribers. The brochure and weekly guide are placed in the various hotels, travel agencies, stores and shops, as well as sidewalk stands and are distributed free and without charge. The transaction is deemed to constitute a retail transaction. General excise taxes will be imposed at the four per cent rate upon all gross receipts derived by ABC from the transaction. Use taxes will be imposed at the one-half of one per cent rate upon the value of all paper, ink and other tangible property used in the printing.

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