

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 City sales tax on the purchase price paid inclusive of the gross value of all materials used, labor and services performed, and the profit thereon if the purchaser does not resell the articles but uses or consumes them, such as by distributing them at no charge, unless the purchaser is otherwise tax exempt. Labor and service charges, even if separately stated on the invoice are taxable except as noted below.

**Supplies and Materials**

Tangible personal property which becomes a constituent part of the finished product may be purchased by the printer tax free for resale. Such property must be actually and factually transformed or a necessary and recognizable ingredient whose physical presence in the finished product is essential to the use by the ultimate consumer. Some examples include:

Paper/Newsprint; stock on which the finished product is printed and delivered to the customer and the 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 component chemicals when used with the above materials.

Finishing materials; padding compound, stitching wire and staples, and book-binders tape.

**Manufacturing Labor and Services**

Labor or 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 the stock charges. With few exceptions, any labor or services performed to create a finished, made-to-order product are 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, freight, delivery and transportation charges are not subject to Louisville sales tax.

**Examples**

A Louisville print shop purchases paper, printers ink, blanket conditioner, blanket wash, plate cleaner and toner from an out-of-state vendor. The vendor does not charge sales tax on the items shipped to the print shop. The Louisville print shop must report and remit Louisville use tax on all supplies except for the paper and printer's ink which are exempt.

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The information contained in the Tax Guide publications is intended to offer general guidance in layman's terms, for this topic, industry or business segment, and is not intended for legal purposes to be substituted for the full text of the Louisville Municipal Code rules and regulations. This guide does not constitute a city tax policy.

A Louisville business contracts with a Denver vendor to design and print an advertising brochure. The printer charges \$300 for the design, \$100 for typesetting, \$150 royalty payment for a photo used on the brochure, \$500 for labor and \$150 for other materials. The design, typesetting and shipping charge are exempt from Louisville sales and use tax. The other items, including the royalty payment, labor and other materials are subject to sales/use tax.

A Louisville business places an order with a printer for 5,000 business cards. The cards are to be printed with the company logo, address and web address. The cards are to be stored with the printer and as business cards are needed, the cards will be pulled from the stock and specific names, departments, titles, phone numbers and email addresses added. The invoice for the initial run of 5,000 cards included \$150 for the design, \$50 for typesetting and \$850 for the printing. The charge for adding employee specific information to the cards is \$45 per 500 cards. Sales tax is due on the initial printing charge of \$850 and also on the subsequent printing charge of \$45.

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