

**Illinois Department of Revenue
Regulations**

Title 86 Part 130 Section 130.2000 Persons Engaged in the Printing, Graphic Arts or Related Occupations, and Their Suppliers

**TITLE 86: REVENUE
PART 130
RETAILERS' OCCUPATION TAX**

Section 130.2000 Persons Engaged in the Printing, Graphic Arts or Related Occupations, and Their Suppliers

a) Classification of Businesses

Falling into the classification of persons engaged in the graphic arts or related occupations are printers, book binders, typographers, portrait or commercial photographers, commercial artists, portrait painters, sign painters, photostaters and blueprinters. This list is illustrative, but not exhaustive. Persons falling under this Part may or may not qualify for the graphic arts machinery and equipment exemption set forth in Section 130.325.

b) Persons Engaged in the Graphic Arts -- When Liable For Tax

- 1) Persons engaged in the graphic arts or related occupations may, under certain circumstances, be considered to be engaged in the business of selling tangible personal property to purchasers for use or consumption, in which event they incur Retailers' Occupation Tax liability. This is the case, for example, when they sell to purchasers for use or consumption tangible personal property which is standard enough to be stocked for sale or offered for sale from catalogues or other sales literature, or which otherwise is sold at retail apart from the seller's engaging in a service occupation. Illustrations would include legal forms, stock or standard greeting cards, pictures or other items which are stocked for sale or offered for sale to the public generally, or products of photoprocessing.
- 2) Effective August 1, 1961, a person who is engaged in the graphic arts also incurs Retailers' Occupation Tax liability on his receipts from sales, to users, of items which he produces on special order if such item serves substantially the same function as stock or standard items of tangible personal property that are sold at retail. Items which "serve substantially the same function" are those which, when produced on special order, could be sold substantially as produced to someone other than the original purchaser at substantially the same price. A printed item that is personalized is always considered to be printed on special order.
- 3) Effective September 1, 1988, photographers, film makers, and other servicemen, are subject to Retailers' Occupation Tax on the photoprocessing component of their total service charge when they sell products of photoprocessing. The tax on the photoprocessing component will apply regardless of whether the

photographer performs the photoprocessing in-house, or engages a third-party photoprocessor. *For purposes of the tax imposed on photographs, negatives and positives by this Section, photoprocessing includes, but is not limited to, developing films, positives and negatives, transparencies, tinting, coloring, making and enlarging prints. Photoprocessing does not include products of photoprocessing produced for use in motion pictures for public commercial exhibition, color separation, typesetting and platemaking by photographic means in the graphic arts industry and does not include any procedure, process or activity connected with the creation of the images on the film from which the negatives, positives or photographs are derived. The sale of digital photography is not a sale of products of photoprocessing. The charge for in-house photoprocessing may not be less than the photoprocessor's cost price of materials. In transactions in which products of photoprocessing are sold in conjunction with other services, if a charge for the photoprocessing component is not separately stated, tax is imposed on 50% of the entire selling price unless the sale is made by a professional photographer, in which case tax shall be imposed on 10% of the entire selling price.* (Section 2 of the Act) The tax on photoprocessing may be paid when purchasing self-developing film, such as Polaroid, or film which includes photoprocessing charges in the purchase of the film.

- A) EXAMPLE: The professional photographer receives an assignment to shoot a specified layout from an advertising agency. The photographer selects the location, hires the models, arranges for the make-up, rents the equipment and shoots the scene. The photographer sends the undeveloped film to an outside photoprocessing laboratory for development. The photographer's bill for the sale of the photograph includes a charge for his artistic and other services and a separately-stated charge for the photoprocessing component which is either the charge made to him by the photoprocessing laboratory or such an amount plus his customary mark-up. The tax should only be applied to the photoprocessing component.

- B) EXAMPLE: The same facts as above except the professional photographer does not separately state a charge for the photoprocessing component and bills his client a lump sum. A tax is collected on 10% of the lump sum price.

- C) EXAMPLE: A portrait photographer photographs a family in his studio and develops the film in-house. The photographer's bill includes a sitting fee and a separately-stated charge for the product of photoprocessing. A tax is collected on the photoprocessing charge only.

- D) EXAMPLE: A photographer develops exposed film and transfers negatives and prints to a consumer. Tax is collected on the entire bill.

- E) EXAMPLE: An advertising agency prepares advertising brochures for a customer using images provided by the customer on film, which the advertising agency develops, enlarges, and prints. The photoprocessing

component is not separately stated on the bill. Tax is based upon 50% of the bill.

- c) Persons Engaged in the Graphic Arts -- When Not Liable For Tax
 - 1) A photostater who is employed to reproduce material for his customer by the photostating process, or a printer who is employed to print material for his customer in accordance with copy supplied to the printer by the customer or otherwise in accordance with the customer's specifications and special order, or a person who otherwise engages primarily in the transaction in furnishing graphic arts' services is not engaged in such transaction in the business of selling tangible personal property within the meaning of the Act, if the item so produced does not serve substantially the same function as stock or standard items of tangible personal property that are sold at retail, but is engaged in such transaction primarily in a service occupation. For example, a printer that is hired by a customer to print personalized wedding invitations or greeting cards is engaged in the transaction as a serviceman.
 - 2) To the extent to which any such person engages in a service occupation, he is not liable for Retailers' Occupation Tax on his receipts therefrom, including receipts from both labor and tangible personal property. (For further illustrations, see Section 130.1995(b) of this Part.)
 - 3) If the tax exemption described in this Section would otherwise apply, the person supplying the printed item or other item that is produced through the graphic arts' processes to the user will not lose that exemption because of the fact that he farms the work of producing the item out to someone else.
- d) Suppliers of Persons Engaged in the Graphic Arts -- When Liable For Tax
 - 1) When persons who are engaged in the business of selling tangible personal property sell any such tangible personal property, for use or consumption, to persons engaged in the graphic arts or related occupations, such vendors incur Retailers' Occupation Tax liability unless such purchases qualify for the graphic arts Machinery and Equipment Exemption (see Section 130.325). This class of sales includes, but is not limited to, sales of machinery, tools, equipment, office supplies and other tangible personal property which the purchasers retain and use or consume. This class of sales also includes sales of plates, film, pre-sensitized plates, alcohol, chemicals, etc., which are consumed by those engaged in the graphic arts or related occupations in the course of the performance of their work.
 - 2) It is not material whether the plates, film, pre-sensitized plates, alcohol, chemicals, etc., are consumed in the course of producing, by the graphic arts' processes, items which have a commercial value, or whether the plates, film, pre-sensitized plates, alcohol, chemicals, etc., are consumed in producing, on special order, items of noncommercial value.

- 3) Likewise, this class of sales includes sales of film to photographers who use such film in producing negatives which remain the property of such photographers.
 - 4) Furthermore, this class of sales includes sales of paper stock, ink, duplicating materials (stencil sheet masters, offset masters and spirit masters) and other tangible personal property to printers and other graphic arts' servicemen who incorporate such tangible personal property as ingredients into items which remain the property of such servicemen instead of being resold by them in some manner.
- e) Suppliers of Persons Engaged in the Graphic Arts -- When Not Liable For Tax
- 1) Persons who sell tangible personal property to persons who are engaged in the graphic arts or related occupations and who resell such property to others are not required to remit Retailers' Occupation Tax measured by their gross receipts from such sales. This class of sales includes sales of ink, paper stock, chemicals, developing paper, sensitized paper, bookbindings, metal, wood, glue, brads, staples, binding tape and other tangible personal property where such property is purchased by persons engaged in the graphic arts or related occupations and incorporated by them into printed matter, pictures or other tangible personal property which they sell.
 - 2) It is not material whether the ink, paper, developing paper and other similar items are resold as ingredients of articles which have a commercial value or whether the ink, paper stock, developing paper and other similar items are resold as ingredients of articles which are produced on special order and which have no commercial value.
- f) Liability Under the Service Occupation Tax

For information concerning the application of the Service Occupation Tax to purchases, by graphic arts' servicemen, of tangible personal property which they retransfer as an incident to rendering service, see the Service Occupation Tax, 86 Ill. Adm. Code 140.

(Source: Amended at 24 Ill. Reg. 15104, effective October 2, 2000)