

Streamlined Sales Tax Implementing States
Motion for September Meeting

Motion to provide states an additional option in regard to the definition of “Delivery Charges”

The Implementing States previously approved the following definition of “Delivery Charges”:

“Delivery charges” means charges by the seller for the preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating, and packing.

Optional exemption:

“Delivery Charges for Direct Mail. Delivery charges for direct mail are exempt if the charges are separately stated on an invoice or similar billing document given to the purchaser.”

Definition for “Direct Mail”:

“Direct mail” means printed material delivered or distributed by U.S. Mail or other delivery service to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. “Direct mail” includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. “Direct mail” does not include multiple identical items of printed material delivered to a single address.

Reasons for Option:

1. Currently, 45 states either do not tax or have a specific sales tax exemption for direct mail delivery charges. Fourteen states would be forced to tax direct mail delivery charges under the Streamlined

definition where they currently exempt these charges. According to the industry, these states include: AR, CO, CT, GA, MN, MS, NV, NC, PA, SD, TX, WA, WI and WY.

2. This provides tax equity for large and small-to-medium printers. Large printers are able to use postal permits for their large customers so there is no tax due on the direct mail delivery charges. Small-to-medium printers with smaller customers do not have the volume of mailings to enable them to purchase postal permits.
3. There are some constitutional arguments. A tax on postage could be construed as a tax on the federal government as was decided by the Mississippi Supreme Court.
4. Many states hold to the view that the printer is acting as an agent for the purchaser in the purchase of direct mail delivery where it is impractical for the purchaser to make the purchase directly.
5. When Minnesota adopted all of the Streamlined definitions, the printing industry argued for and obtained an exemption for delivery or distribution charges for printed materials. Other states will likely experience the same pressure from the printing industry to provide the exemption.