

STREAMLINED SALES AND USE TAX AGREEMENT
COMPLIANCE REVIEW AND INTERPRETATIONS COMMITTEE

Interpretative Opinion Recommendation 2006-12

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 26th day of October, 2006 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is McCarter & English, LLP. The request was made on the prescribed form on October 6, 2006 and was made pursuant to the provisions for consideration contained in Rule 902, subsection (H).

Issue

The issue presented is an interpretation of the definition of "direct mail" found in Appendix C, Part I of the Agreement. The specific question is whether billing invoices, return envelopes and any additional marketing materials are included in the definition of "direct mail." The definition in question reads as follows:

"Direct mail" means printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addresses 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 items of printed material delivered to a single address.

The Interpretation Request provided the following background facts. A company in the business of printing and mailing billing statements for clients in a wide variety of industries receives customer data electronically and prints statements, letters, invoices and additional pages on preprinted paper or forms to meet the client's specifications. The printed material is sorted, folded and inserted into envelopes, bundled based on zip codes and given to the United States Postal Service for delivery. The mailed packet typically also will include a return envelope, coupons and other marketing materials.

Public Comment

Written public comments were received from a state agency.

Recommendation

The Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that billing invoices, return envelopes and any additional marketing materials included with the mailing are included in the definition of direct mail provided the sale meets the criteria set out in the definition of direct mail. The criteria requires that the sale is of printed material delivered or distributed to a mass audience or to addresses 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.

It is important to note that this definition applies only for the purposes of determining proper sourcing, and for determining whether delivery charges are included in the taxable sales price of the direct mail.

Rationale

A plain reading of the definition of direct mail supports the recommendation that billing invoices, return envelopes and additional marketing materials included with the printed material meets the definition of direct mail. However, the discussion surrounding this interpretation request indicates that there is a misunderstanding about the intended use of the definition of "direct mail." The definition is placed in the Administrative Definitions section of the Agreement purposely, because it is not intended to be a product definition. The definition was created only to define the term as used in the Direct Mail Sourcing provisions found in Section 313, and for the exclusion from "delivery charges" allowed for charges for delivery of "direct mail." States may tax or exempt any service or sale of printed material included in the definition of "direct mail in any way they choose. For example, a state may impose sales and use tax on charges to print billing invoices, and exempt charges to print advertising material, both of which are included in the definition of direct mail. However, if the sale is taxable and includes mailing or delivering the printed material to a mass audience or to a mailing list as stated in the definition, it must be sourced under the provisions of Section 313, and the exclusion for delivery charges allowed apply if a member state has adopted that exclusion.

Committee members

Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Dan Noble, Andy Sabol, Joe VanDevender, and Myles Vosberg