



Newspaper Production Exemption

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Tax: Sales and Use Tax

In the last several years, the newspaper industry has undergone many technological advances that may affect the application of the language in the Sales and Use Tax exemption. For example, computers and digital imaging have automated the newspaper publishing industry, integrated multiple processes, and replaced the more traditional methods of publishing.

The sale of machinery, apparatus, or equipment used directly and primarily in the publication of newspapers is exempt from Sales Tax under N.J.S.A. 54:32B-8.29. The availability of new technology has resulted in a re-evaluation of how the phrase "directly and primarily" applies in the context of newspaper production. In general, "primarily" means used more than 50% of the time in the exempt activity, and "directly" refers to the physical proximity of the machinery, apparatus, or equipment in relation to the physical production of newspapers as a process.

In terms of newspaper production in a digital environment, the physical location of the equipment is not determinative of exempt status. Equipment that is used directly and primarily in the production process qualifies for the exemption even if it is physically located at a facility other than where the actual printing occurs. For example, the equipment used directly and primarily to coordinate the creation and layout of the newspaper pages may not be located at the same location as the actual printing operation. Small newspaper publishers may even outsource the entire printing process so that more of the printing takes place at their own facility.

In addition, computer equipment is likely to have dual uses; some "direct and primary," and some peripheral or administrative. One factor which may be used to evaluate whether the purchase of a particular piece of equipment is exempt is the presence of software on the equipment which is used in the page layout process. The presence of such software creates a rebuttable presumption that the computer equipment is used directly and primarily in the production process; however, this presumption will be overcome if the equipment's actual use in the workplace indicates a non-exempt use more than 50% of the time. For example, a computer used in a business office, where its operator does a variety of tasks related to the conduct of business including page composition, may not meet the primary test and thus, may not qualify for exemption.

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