

PATRICE S. NANCE  
D/B/A Ptl Printing  
211 Queensbury Drive, Apt. 3  
Huntsville, AL 35802,

Taxpayer,

v.

STATE OF ALABAMA  
DEPARTMENT OF REVENUE.

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STATE OF ALABAMA  
DEPARTMENT OF REVENUE  
ADMINISTRATIVE LAW DIVISION

DOCKET NO. S. 03-298

### OPINION AND PRELIMINARY ORDER

The Revenue Department assessed Patrice S. Nance (“Taxpayer”), d/b/a Ptl Printing, for State sales tax for January 1999 through October 2002. The Taxpayer appealed to the Administrative Law Division pursuant to Code of Ala. 1975, §40-2A-7(b)(5)a. A hearing was conducted on September 30, 2003 in Birmingham, Alabama. The Taxpayer attended the hearing. Assistant Counsel Keith Maddox represented the Department.

The Taxpayer operates a printing business out of her residence in Huntsville, Alabama. During the period in issue, the Taxpayer printed obituaries for two funeral homes in the Huntsville area. When she began her business, the Taxpayer’s CPA informed her that she was performing a service, and that she did not need an Alabama sales tax number. Consequently, she failed to collect sales tax from her customers and file monthly sales tax returns with the Department.

The Department subsequently audited the Taxpayer and assessed her for sales tax on her sales during the subject period. It also allowed her a credit for the sales tax she had paid on those materials that became ingredient or component parts of the printed obituaries she sold to her customers.

The Taxpayer concedes that she owes sales tax for the subject period. She claims, however, that she should be allowed an additional credit for sales tax she paid on certain items used in her business. Those items are (1) oil rollers, (2) OPC drums, and (3) toner cartridges. The Taxpayer explained that those items were necessary for her to print her obituaries.

Printers are allowed to purchase tax-free at wholesale all materials that become an ingredient or component part of the final product produced for sale. Dept. Reg. 810-6-1-.130(5). As indicated, the Department allowed the Taxpayer a credit for all materials that, in the Department's opinion, became a component part of the Taxpayer's obituary notices.

The Taxpayer explained that she was required to use oil rollers in her printing machine that applied oil to the finished product. The rollers and oil are a single item. Consequently, the Taxpayer should be allowed to purchase the oil rollers tax-free because a part of the rollers, the oil, becomes an ingredient or component part of the printed materials. Likewise, the toner cartridges used by the Taxpayer also can be purchased tax-free because the toner becomes a part of the printed materials.

The OPC drums cannot be purchased tax-free because while a drum is necessary to print the materials, no part of the drum becomes an ingredient or component part of the printed materials.

The Department is directed to recompute the Taxpayer's liability by allowing her credit for sales tax she paid on the oil rollers and toner cartridges she purchased during the subject period. A Final Order will then be entered for the adjusted amount due.

This Opinion and Preliminary Order is not an appealable Order. The Final Order, when entered, may be appealed to circuit court within 30 days pursuant to Code of Ala.

1975, §40-2A-9(g).

Entered October 3, 2003.