

## **8130.0700 PRODUCING, FABRICATING, PRINTING, OR PROCESSING OF PROPERTY FURNISHED BY CONSUMER.**

Subpart 1. **General.** A sales tax is assessed on the retail sale of tangible personal property. See Minnesota Statutes, section 297A.61, subdivision 3, paragraph (b).

In addition, a sales tax is assessed on the production, fabrication, printing, or processing of tangible personal property for retail consumers who furnish directly or indirectly the materials used in the production, fabrication, printing, or processing. See Minnesota Statutes, section 297A.61, subdivision 3, paragraph (c).

Producing, fabricating, printing, and processing include any operation which results in the creation or production of tangible personal property, or which is a step in a process or in a series of operations resulting in the creation or production of tangible personal property, except sales for resale.

Subp. 2. **Repairs.** Application of labor to tangible personal property, other than clothing, so that such property may continue to be used in the same form and for the purpose for which acquired represents repairs and does not constitute producing, fabricating, printing, or processing of property. The repair and alteration of clothing, however, is taxable under Minnesota Statutes, section 297A.61, subdivision 3, paragraph (g), clause (6)(i). If the expenditure is made for the purpose of modifying, altering, or assembling it in some other manner, the application of labor to tangible personal property represents a sale under the provisions of Minnesota Statutes, section 297A.61, subdivision 3, paragraph (c).

### **Subp. 3. Tax applications.**

A. Example 1. A customer enters into an agreement with an upholsterer whereby the latter will remove old fabric from the customer's living room sofa and replace it with fabric chosen by the customer. The cost agreed upon is \$300. Service charges are \$150, with the remaining \$150 representing the cost of the materials. As the reupholstering repair permits the customer to continue to use the sofa for the purpose for which it was acquired, only the \$150 for material represents a sale, provided the charges for materials are billed separately, and that such charges represent a reasonable sales price for such material were it purchased without the service charge for reupholstering. If the customer had furnished the material, no sale would have resulted.

B. Example 2. A customer furnishes material which is thereafter produced into a slipcover for sofa. The charge for producing the slipcover is a sale in accordance with Minnesota Statutes, section 297A.61, subdivision 3, paragraph (c), since it results in the fabrication of tangible personal property. If the customer had purchased material from the upholsterer, the entire cost to the customer would be a sale.

C. Example 3. Custom sawing of logs by a saw mill where logs are furnished by the customer constitutes a sale.

D. Example 4. Developing prints of home movies or stills for customers who furnish the exposed film constitutes a sale.

E. Example 5. Printing on paper stock furnished by customers constitutes a sale.

F. Example 6. Reproducing copies of typewritten or printed matter on a stock furnished by customers constitutes a sale.

G. Example 7. Recapping of a tire carcass supplied by the customer is a repair. If the materials and labor are separately stated, only the material portion is taxable. If no separation is shown on the invoice, the entire amount is taxable. These rules apply even though the new cap is of a different tread design, i.e. a snow tread cap applied over a summer tread, or vice versa. If a carcass is traded in for a recapped tire, the entire charge, less allowance for the trade-in is taxable. (See part 8130.1500.)

H. Example 8. Cutting and milling charges by a lumberyard or woodworking shop, and pipe cutting or threading charges by a hardware store or plumbing shop are taxable whether the materials are supplied by the buyer or the seller.

I. Example 9. Engraving of an item furnished by the customer is considered a service not subject to tax. This service engraving is to be differentiated from product engraving which is taxable. Product engraving is billed along with or included in the sales price by the seller at the time the item is sold.

J. Example 10. The entire amount charged for the initial electroplating, heat treating, or painting of tangible personal property furnished by the customer is taxable as fabrication labor.

K. Example 11. Collating and assembling done by stapling or using a similar process affixing items together is taxable. The punching, assembly, stamping, burning, electroplating, etc. of goods supplied by a customer is taxable.

L. Example 12. A locksmith changes a combination on a safe or changes the tumblers in a lock so that a different key must be used. The transaction is considered to be a nontaxable service and the locksmith is required to pay the sales or use tax on purchases of the parts and materials used to perform such service. However, retail sales of keys and parts which are billed separately are taxable.

M. Example 13. Additional types of fabrication charges which are taxable regardless of whether the customer or fabricator furnishes the materials include charges for the following:

- (1) assembling kits to produce a completed article;
- (2) bending glass tubing into neon signs;
- (3) bookbinding;

- (4) conversion of a vehicle into a stretch limousine;
- (5) drilling holes in bowling balls;
- (6) engraving when it is charged with or included in the sales price by the retailer;
- (7) firing of ceramics or china;
- (8) making of a fur coat from pelts, or gloves or a jacket from a hide;
- (9) making curtains, drapes, pillows, slipcovers, or other household furnishings;
- (10) laminating identification cards;
- (11) lumber cut to specifications and producing cabinets, counter tops, or other items from materials for customers;
- (12) matting and framing of art work;
- (13) printing and imprinting, including lithography, silk screen printing, multilithing, mimeographing, photostating, and similar processes;
- (14) photography, the taking of pictures and developing of films which result in sale of photographs or movies;
- (15) production of a sound recording or a motion picture;
- (16) rebuilt auto parts by a manufacturer of a previously manufactured article such as radiators, generators, carburetors, fuel pumps, transmissions, engine blocks, or similar parts;
- (17) steel fabrication, which may involve cutting the steel to length and size, bending and drilling holes in the steel to the specifications of a particular construction job when the end result of the fabrication is a modification of a previously manufactured article; and
- (18) taxidermy, the charges for stuffing and mounting.

Subp. 4. **Custom made goods.** The total gross receipts from the sale of custom made products are taxable, without deduction for labor costs, provided that the manufactured item remains personal property after installation. Labor charges to install manufactured items which become part of real property are not taxable.

**Statutory Authority:** *MS s 14.388; 270.06; 270C.06; 297A.29*

**History:** *17 SR 1279; 18 SR 2483; L 2005 c 151 art 1 s 114; 31 SR 449*

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