

# Newsprint & Printer's Ink and Newspapers Exemptions



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The Newsprint & Printer's Ink Exemption allows newspaper publishers and commercial printers to purchase newsprint and printer's ink without paying state sales and use tax. The exemption was likely created to define the types of sales subject to state sales tax and avoid charging sales taxes on the production inputs of newspapers and commercial printers.

The Newspapers Exemption exempts the purchase and distribution of newspapers from state sales and use tax and was likely created to clarify which purchases were intended to be taxed under the State's sales tax, which was enacted in 1935.

**The exemptions are meeting their purposes because newspaper publishers, commercial printers, and newspaper retailers are aware of the exemptions and both exemptions appear to be applied to eligible sales.**

- Representatives from Colorado newspapers reported that they have not paid state sales or use tax on newsprint and printer's ink.
- Representatives from newspapers that we spoke with reported that their newspapers are consistently exempted from state sales and use tax.

## Policy Considerations

We did not identify any policy considerations in this evaluation.

	Newsprint & Printer's Ink	Newspapers
Tax Type:	Sales and Use	Sales and Use
Expenditure Type:	Exemption	Exemption
Statutory Citation:	Sections 39-26-102(21)(a) and 705(1), C.R.S.	Section 39-26-102(15)(a)(I), C.R.S.
Year Enacted:	1943 (sales tax), 1945 (use tax)	1943
Repeal/Expiration Date:	None	None
Revenue Impact:	\$300,000 (2021)	\$2.7 million (2017)
Purpose given in statute or enacting legislation? No		



# Newsprint & Printer's Ink and Newspapers Exemptions

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## Background

This evaluation covers two related tax expenditures:

- **The Newsprint & Printer's Ink Exemption allows newspaper publishers and commercial printers to purchase newsprint and printer's ink without paying state sales and use tax.**
- **The Newspapers Exemption exempts the purchase and distribution of newspapers from state sales and use tax.**

We inferred that newspaper publishers and commercial printers are the intended beneficiaries of the Newsprint & Printer's Ink Exemption since they are the only eligible parties. Newspaper purchasers might also indirectly benefit from the Newsprint & Printer's Ink Exemption because some of the savings on paper and ink may be passed on to purchasers through lower retail prices. We inferred that the intended beneficiaries of the Newspapers Exemption are newspaper purchasers and newspaper publishers, including publishers of free newspapers since they would be responsible for paying use tax if the exemption did not exist. Both exemptions were created in 1943, and the use tax exemption was added to the Newsprint & Printer's Ink Exemption in 1945.

**The Newsprint & Printer's Ink Exemption was likely created to define the types of sales subject to state sales tax and avoid charging sales taxes on the production inputs of newspapers and commercial printers.** This exemption is consistent with other sales tax exemptions in the state, which exempt purchases of raw materials that are incorporated into a final product. Similar structural provisions are common in states with a sales tax to prevent the tax from being applied at multiple stages of a good's manufacturing and distribution process, which is referred to as "tax pyramiding." Tax pyramiding can increase the effective tax on a consumer good to the extent that taxes on manufacturers' inputs are passed on to the final consumers of their products. Of the 44 other states that impose a retail sales or similar tax, 43 provide an exemption for newsprint and printer's ink, either by exempting them specifically or because they are considered to be component parts of a manufactured product, which are also typically exempt from sales tax.

**The Newspapers Exemption was likely created to clarify which purchases were intended to be taxed under the State's sales tax that was enacted in 1935.** Specifically, the legislative

declaration for House Bill 43-155, which created the exemption, states that it was always the General Assembly's intent to exempt newspapers in their entirety from sales and use tax and that, in practice, they had never been taxed. This policy is consistent with other states with a sales tax, most of which have historically exempted newspapers from sales taxes because of their importance in fostering a more informed public and serving as a forum for posting required legal notices. Thirty-two states exempt newspapers from sales tax.

In order to determine whether the exemptions are meeting their purposes, we assessed the extent to which sales of newsprint and printer's ink purchased by newspaper publishers and commercial printers, along with newspapers purchased by consumers, are being exempted from state sales and use tax.

## Evaluation Results

**The exemptions are meeting their purposes because newspaper publishers, commercial printers, and newspaper retailers are aware of them and both exemptions generally appear to be applied to eligible sales.**

Although we lacked data to confirm the exemptions are always applied, during our 2018 evaluation of these tax expenditures, we interviewed representatives from 23 Colorado newspapers—two of which oversee substantial printing operations of national and local newspapers in Colorado—and all of them reported that they have not paid state sales or use tax on newsprint and printer's ink. Both large printers reported that newsprint and printer's ink have continuously and consistently been exempted from Colorado sales and use tax—although some printers noted that they periodically must provide their printer's ink suppliers or distributors with documentation, such as an affidavit, attesting that the ink is being used to print newspapers. In 2022, during our most recent evaluation, our outreach to industry representatives confirmed that they have continued not to pay state sales or use tax on newsprint and printer's ink. The newspaper representatives we contacted in 2018 and 2022 reported that retail sales of their publications are also consistently exempted from state sales and use tax. Additionally, the Department of Revenue has issued guidance and regulations, which provide that newspaper sales should not be subject to state sales tax.

**We estimate that the Newsprint & Printer's Ink Exemption had a revenue impact to the State of about \$300,000 in Calendar Year 2021, which is a \$200,000 decrease from its 2017 revenue impact.** Based on the volume of newsprint sold and the average price of newsprint in Colorado in 2021 provided by the Pulp and Paper Products Council, we estimated that approximately \$10.1 million in newsprint and about \$600,000 in printer's ink sales

### Technical Note:

We were unable to identify a source to directly obtain data on total printer's ink sales in Colorado; however, we used data provided by two large newspaper printers in Colorado to create an average ratio of the cost of printer's ink compared to newsprint, which, as of 2017, was about \$0.06 for every \$1.00 of newsprint sales. We used the ratio to estimate that there were about \$600,000 in eligible printer's ink sales in Colorado in 2021.

occurred in Colorado in 2021. We then multiplied the printer's ink and newsprint sales estimates (totaling \$10.7 million) by the State sales tax rate of 2.9 percent, which resulted in an estimated \$300,000 revenue impact to the State. Using the same methodology in our 2018 evaluation, we estimated the revenue impact was \$500,000 in 2017, so the exemption's revenue impact has decreased in recent years due to lower sales of newsprint and printer's ink.

Due to trends in the newspaper industry, the revenue impact of this expenditure will likely decline over time. While the price of newsprint has gradually risen over the last 10 years, the demand in Colorado for newsprint has continually and substantially declined since print circulation has decreased for most newspapers. This exemption will likely have a diminishing impact on state tax revenue as demand for newsprint and printer's ink continues to decline.

**In our 2018 evaluation, we estimated that the Newspapers Exemption reduced state tax revenue in Calendar Year 2017 by about \$2.7 million.** It is likely that the revenue impact of the Newspapers Exemption has decreased since 2018, but we were unable to estimate a more recent revenue impact because the U.S. Census Bureau no longer publishes data on newspaper subscription sales by state, which is the data we used to estimate the revenue impact for Calendar Year 2017. According to the Pew Research Center, nationally, total circulation revenue for local newspapers dropped from \$1.5 billion in 2019 to \$1.1 billion in 2020. Additionally, demand for newsprint in the state also decreased substantially (41 percent) between 2018 and 2021, so it is likely that sales from print newspapers have decreased as well. This is consistent with stakeholder feedback from newspapers that print subscription sales have decreased, although newspapers mentioned that they have increased print subscription prices, which may partially offset some of the expected decrease in the revenue impact of the Newspapers Exemption.

In addition to the state exemption, sales of newsprint and printer's ink to newspaper publishers and commercial printers and sales of newspapers are exempt from local sales taxes levied by local governments that have their sales taxes collected by the State on their behalf. Statute mandates that these local governments apply most of the State's sales tax exemptions, including the Newsprint & Printer's Ink Exemption and Newspapers Exemption. Home rule municipalities established under Article XX, Section 6 of the Colorado Constitution that collect their own taxes have the authority to set their own tax policies independent from the State and are not required to exempt such sales from their local sales tax. Based on our review of the 15 most-populated home rule cities, all exempt both newsprint and printer's ink from sales tax, and only Denver and Broomfield impose a sales tax on newspapers. We estimated that the exemption reduced local government revenue by \$1.7 million in Calendar Year 2017. To estimate this amount, we used the same newspaper sales estimate (\$91.4 million) arrived at for calculating the state revenue impact, but applied the average population-weighted local sales tax rate of 1.8 percent after excluding home rule jurisdictions with self-collected sales taxes. Because we were unable to estimate a more current State-level revenue impact for the Newspapers Exemption for this report, we also were not able to estimate a more current local government revenue impact.

## Policy Considerations

We did not identify any policy considerations for these exemptions. In our previous evaluation of the Newsprint & Printer's Ink and Newspapers Exemptions, released in September 2018, we included a policy consideration that the General Assembly could consider clarifying whether digital newspapers or other electronic news sources are also exempt from sales and use tax. The General Assembly did not take any legislative action on this policy consideration.

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