



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2003(6)

25 Sigourney Street
Hartford CT 06106-5032

SPECIAL NOTICE

Media Advertising and Cooperative Direct Mail Advertising

Purpose: This Special Notice discusses the repeal of the exclusion for media advertising and cooperative direct mail advertising and describes the taxability of these services. It also provides transitional rules for applying tax to sales of advertising services occurring before and after the effective date of the legislation.

Effective Date: Applicable to sales of media advertising and cooperative direct mail advertising services made on and after April 1, 2003.

Statutory Authority: Conn. Gen. Stat. §12-407(a)(37)(U), as amended by 2003 Conn. Pub. Acts 2, §27; Conn. Gen. Stat. §12-408(1), as amended by 2003 Conn. Pub. Acts 2, §25; and Conn. Gen. Stat. §12-411(1), as amended by 2003 Conn. Pub. Acts 2, §26.

Media Advertising Services and Cooperative Direct Mail Advertising Services: Advertising services related to the development of media advertising or cooperative direct mail advertising are subject to 3% sales and use taxes for services rendered on and after April 1, 2003. Sales of non-media advertising services and direct mail advertising services, other than cooperative direct mail, remain taxable at 6%.

Taxable advertising services include layout, art direction, graphic design, mechanical preparation, or production supervision. Separately stated charges for the direct cost of the sale or purchase of time or space in or on a preexisting medium are not taxable. However, any markup or fee that an advertising services provider charges for the purchase of time or space is taxable at the 3% rate. If the fees for time or space are not separately stated from the fees for

taxable advertising services, the entire charge is subject to tax at 3%.

Postage and mailing service charges, such as folding, inserting, and addressing the mail, that are part of a contract for cooperative direct mail advertising services are subject to 3% tax even if the postage and mailing charges are separately stated.

Definitions:

Media advertising services involve the development of advertising in connection with:

- The sale of time or space;
- In or on a preexisting medium; **and**
- For broadcast or dissemination to all or a segment of the public.

Examples of media on which advertising may appear include:

- Radio, broadcast television, cable television, or satellite television;
- Newspapers, magazines, and advertising newspapers; including advertising inserts and coupon inserts distributed inside newspapers;
- Trade publications and professional publications;
- Signs or billboards in sports fields;
- Computers made available to the public in airports, hotels, or other public places;
- Billboards;
- Public transportation, such as buses, taxicabs, and trains;
- Trade or campus directories;
- Church bulletins;
- Telephone books, real estate books, or road maps;
- Paper placemats used in restaurants;
- The backs of cash register tapes; **and**

- The Internet. Charges for creating, maintaining, and updating advertisements on the Internet, such as banner ads, pop-up ads, and advertising by mass e-mails, are taxable at 3%.

Cooperative direct mail advertising services mean the preparation and dissemination of advertisements or coupons for more than one business mailed in a single package or bundle to potential customers.

Printed Material Component of Certain Media Advertising or Cooperative Direct Mail Advertising:

Certain media advertising and cooperative direct mail advertising transactions may have an advertising services component and printed material component. The sale of printed material connected with media and non-media advertising or cooperative direct mail advertising remains subject to 6% sales and use taxes.

An advertising service provider that sells media advertising services with a printed material component must separately state the charges for developing the media advertising, the printed material costs, and the fees for time and space. The charges associated with developing the media advertising are subject to 3% tax; the charges for printed materials are subject to 6% tax; and the separately stated fees for time and space are not taxable.

An advertising service provider that sells cooperative direct mail advertising services must separately state the charge for developing the cooperative direct mail advertising from the charge for printing it. The charge for developing the cooperative direct mail advertising is subject to 3% tax and the charge for printing is subject to 6% tax. A separately stated charge for postage and mailing services is subject to 3% tax.

Media advertising services that are sold without a printed material component are taxable at 3%. A separately stated fee for time and space to disseminate the media advertising is not taxable.

Media Advertising and Cooperative Direct Mail Advertising Services Rendered Within and Outside Connecticut:

In general, advertising services are taxable where the media advertising or cooperative direct mail advertising is disseminated. The details for sourcing the advertising services for print advertisements, broadcast advertisements, and Internet advertisements follow.

Print Advertising: Media advertising services and cooperative direct mail advertising services are taxable when the benefit and use of the service occurs in Connecticut regardless of the location of the place of business of either the service provider or the service recipient. Media advertising services and cooperative direct mail advertising services are sourced to the location or locations where the advertising materials are disseminated. For print media or publications, the determination of where an advertisement is disseminated is based on the circulation data for the print media or publication. For cooperative direct mail advertising, the determination of where an advertisement is disseminated is based on the mailing list that is used.

Thus, when a media advertising campaign is directed exclusively within Connecticut, the charge for the media advertising services are subject to 3% tax, any charge for printed materials is subject to 6% tax, and separately stated fees for time and space are not taxable. When cooperative direct mail advertising is disseminated exclusively within Connecticut, the charge for the advertising services to create and develop the cooperative direct mail advertising is subject to 3% tax and the printed material component is subject to 6% tax. Mailing service charges, including postage charges, are subject to 3% tax as part of the cooperative direct mail advertising service.

When a media advertising campaign is directed exclusively outside Connecticut, the total charge is not taxable even if the service recipient's place of business is in Connecticut. When cooperative direct mail advertising is disseminated exclusively outside Connecticut, the total charge is not taxable even if the service recipient's place of business is in Connecticut.

When a taxable media advertising campaign is directed both within and outside Connecticut, the charge for the media advertising services that is taxable at 3% is the percentage of the total charge that equals the percentage of the advertising that is disseminated within Connecticut. If the media advertising contract contains a printed material component, the charge for the printed material disseminated within Connecticut is taxable at 6% and the charge for printed material disseminated outside Connecticut is not subject to Connecticut sales or use tax. If separately stated, the fees for time and space are not subject to tax regardless of where the advertising materials are disseminated.

When cooperative direct mail advertising is distributed both within and outside Connecticut, the charge for the cooperative direct mail advertising services that is taxable at 3% is the percentage of the total charge that equals the percentage of the advertising that is disseminated within Connecticut, including the mailing service and postage fees. The percentage of the printing charges that are subject to 6% tax is the percentage of the total charge that equals the percentage of the advertising that is disseminated within Connecticut. The charges for the cooperative direct mail advertising disseminated outside Connecticut, including the mailing service and postage fees, and the printing charges are not subject to Connecticut sales and use tax.

Broadcast Advertising: Charges for media advertising services, excluding separately stated fees for time and space, where the advertisements are broadcast by radio or television are taxable at 3% in the proportion that the intended audience for the advertisement located in Connecticut bears to the intended audience everywhere. The determination of where the intended audience is located is based on the market share data of the broadcaster.

Internet Advertising: Charges for advertising over the Internet are taxable at 3% in the proportion that the intended audience for the advertisement located within Connecticut bears to the intended audience everywhere. The determination of where the intended audience is located is based on data maintained by the U.S. Department of Commerce.

Transitional Rules For Media Advertising Services and Cooperative Direct Mail Advertising Services: Payments made before April 1, 2003, for media advertising services and cooperative direct mail advertising services provided before April 1, 2003, are not subject to tax. (Printing charges connected with media advertising services or cooperative direct mail advertising services provided before April 1, 2003, remain subject to 6% tax.)

Payments made after February 28, 2003, for media advertising services and cooperative direct mail advertising services provided before and after April 1, 2003, are subject to 3% tax on the portion of the services provided on and after April 1, 2003. (Printing charges connected with media advertising services or cooperative direct mail advertising services provided before and after April 1, 2003, remain subject to 6% tax.)

Payments made after February 28, 2003, for media advertising services and cooperative direct mail advertising services provided on or after April 1, 2003, are fully subject to 3% tax. (Printing charges connected with media advertising services or cooperative direct mail advertising services provided on or after April 1, 2003, remain subject to 6% tax.)

Information for New Retailers: Service providers that will be charging and remitting sales and use taxes for the first time should consult **Informational Publication 2000(26)**, *Getting Started In Business*, for information on how to register as retailers and file sales and use tax returns.

Effect of This Document: A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS) and may be referred to for general guidance by taxpayers or tax practitioners.

Effect on Other Documents: TSSN 30, *Special Notice Sales and Use Taxes On Advertising and Public relations Services*, is obsoleted in part.

For Further Information: Please call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to electronically file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the internet or telephone. Visit the DRS Web site at: www.drs.state.ct.us and click on *Fast File Program*.

- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at: www.drs.state.ct.us and click on *File Tax Returns On-Line*.

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Media Advertising and Cooperative Direct Mail
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