



APA-6  
10/96

**ECONOMIC IMPACT STATEMENT  
FOR APA RULE  
(Section 41-22-23(f))**

Control No. 810 Department or Agency REVENUE

Rule No: 810-6-1-.119

Rule Title: Photographs, Photostats, Blueprints, etc.

           New      X   Amend               Repeal               Adopt by Reference

- NO  
 YES

This rule has no economic impact.

This rule has an economic impact, as explained below:

1.           NEED/EXPECTED BENEFIT OF RULE:
  
2.           COSTS/BENEFITS OF RULE AND WHY RULE IS THE MOST EFFECTIVE,  
EFFICIENT, AND FEASIBLE MEANS FOR ALLOCATING RESOURCES  
AND ACHIEVING THE STATED PURPOSE:
  
3.           EFFECT OF THIS RULE ON COMPETITION:
  
4.           EFFECT OF THIS RULE ON COST OF LIVING AND DOING BUSINESS IN  
THE GEOGRAPHICAL AREA WHERE THE RULE IS TO BE  
IMPLEMENTED:
  
5.           EFFECT OF THIS RULE ON EMPLOYMENT IN THE GEOGRAPHICAL  
AREA HERE THE RULE IS TO BE IMPLEMENTED:
  
6.           SOURCE OF REVENUE TO BE USED FOR IMPLEMENTING AND  
ENFORCING THIS RULE:
  
7.           THE SHORT-TERM/LONG-TERM ECONOMIC IMPACT OF THIS RULE ON  
AFFECTED PERSONS, INCLUDING ANALYSIS OF PERSONS WHO WILL  
BEAR THE COSTS AND THOSE WHO WILL BENEFIT FROM THE RULE:
  
8.           UNCERTAINTIES ASSOCIATED WITH THE ESTIMATED BENEFITS AND

**BURDENS OF THE RULE, INCLUDING QUALITATIVE/QUANTITATIVE  
BENEFITS AND BURDEN COMPARISON:**

9. **THE EFFECT OF THIS RULE ON THE ENVIRONMENT AND PUBLIC  
HEALTH:**

10. **DETRIMENTAL EFFECT ON THE ENVIRONMENT AND PUBLIC HEALTH  
IF THE RULE IS NOT IMPLEMENTED:**

11. **OTHER COMMENTS:**

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APA-2  
11/96

**ALABAMA DEPARTMENT OF REVENUE**  
**Sales & Use Tax Division**

**NOTICE OF INTENDED ACTION**

**RULE NO. & TITLE**

810-6-1-.119                      Photographs, Photostats, Blueprints, etc.

**INTENDED ACTION:**        Amend rule

**SUBSTANCE OF PROPOSED ACTION:** The department proposes to amend the above rule to provide clarification, guidance, and examples as to the taxation of various fees charged by photographers.

**RULE NO. & TITLE**

810-6-3-.76                      Property Purchased for Export and Sales Tax Refunds on Certain Purchases of Tangible Personal Property in Alabama for Export to and Use in a Foreign Country

**INTENDED ACTION:**        Amend rule

**SUBSTANCE OF PROPOSED ACTION:** The department proposes to amend the above rule to clarify code sections, remove a date reference and to provide that sales made within Alabama are made inside Alabama regardless of whether the tangible personal property purchased is to be exported.

**RULE NO. & TITLE**

810-6-3-.78                      Sales of Aircraft Manufactured, Sold and Delivered in Alabama

**INTENDED ACTION:**        Adopt rule

**SUBSTANCE OF PROPOSED ACTION:** The department proposes to adopt the above rule pertaining to the exemption for sales of aircraft manufactured, sold and delivered in Alabama that are not permanently domiciled in Alabama and are removed from Alabama.

**TIME, PLACE, MANNER OF PRESENTING VIEWS:** A public hearing will be held at **2:00 p.m. on Wednesday, June 10, 2015, Room 1203, First Floor**, Gordon Persons Building, located at 50 N Ripley Street, Montgomery, Alabama. Copies of the rule(s) can be obtained at <http://revenue.alabama.gov/analysis/upcoming-rule-hearings.cfm>

All interested parties may present their views in writing to the **Secretary of the Alabama Department of Revenue, Room 4131, Gordon Persons Building, 50 N Ripley Street, Montgomery, Alabama 36132** at any time during the thirty-five (35) day period following publication of the notice or by appearing at the hearing.

**FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:**

Wednesday, June 10, 2015

**CONTACT PERSON AT AGENCY:**

Patricia Toles  
Alabama Department of Revenue  
4131 Gordon Persons Building  
Montgomery, Alabama 36132  
(334) 242-1380



Michael D. Gamble, Secretary  
Alabama Department of Revenue

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810-6-1-.119 Photographs, Photostats, Blueprints, etc.

(1) The gross proceeds accruing from retail sales of photographs, blueprints and other similar articles are subject to sales or use tax, without any deduction for any part of the cost of production, whether delivered in final printed form or delivered in digital form via telephone lines, over the Internet, by e-mail, or by another alternative form of transmission. The transfer of digital images of these items from a seller to a purchaser for a price constitutes the sale of tangible personal property. The form in which tangible property is delivered by the seller to the purchaser is of no consequence. (Sections 40-23-2(1) and 40-23-61(a)) (Robert Smith FlipFlopFoto v. State of Alabama (Admin. Law Div. Docket No. S. 05-1240, Final Order entered April 30, 2007))

(a) In cases where negatives belonging to the customer are developed, the charge for developing the negatives is not subject to sales or use tax if a separate charge is made to the customer.

(b) In cases where an airplane is chartered for use in making aerial photographs, the charge for use of the airplane is not subject to sales or use tax if a separate charge is made to the customer.

(c) In cases where individuals deliver pictures to photographers or photographic studios for tinting or coloring, the receipts from such tinting or coloring are not subject to tax, since such receipts result from services rendered and do not result from sales of tangible personal property. (Section 40-23-2(1))

**(2) Any fee for consultation or any other activity that is done in preparation of the final product, even when separately stated, is a part of the labor or service cost and cannot be deducted from the gross proceeds accruing from retail sales. Therefore, gross proceeds, as referenced in paragraph (1) include, but are not limited to consultation fees, sitting fees, and all other contract fees when such fees are charged in conjunction with a sale of photographs, blueprints, and other items sold by the retailer as provided in paragraph (1). Any reasonable and customary retainer fee separately stated on the photographer's contract that is both non-refundable and may not be credited toward any purchase of photographs is not taxable. The separate fee is unrelated to the production of the finished photographs.**

**(a) Example 1. Photographer charges \$3,500 for a contract to provide wedding pictures. This amount is billed either as a lump sum or the amount is broken down on the invoice showing \$3,000 due for consulting fees and \$500 for a disk or access to digital photos and pictures are purchased either in tangible form or digitally. In both cases, the full amount of \$3,500 is subject to sales or use tax.**

(b) Example 2. Photographer charges \$3,500 for a contract to provide wedding pictures. The amount is provided as a lump sum or it is broken down on the invoice showing \$3,000 due for consulting fees and \$500 for a disk or access to digital photos. The contracting party decides to cancel the photo session and not purchase any photos. The full amount or a partial amount has been paid and is non-refundable. There are no sales or use taxes due on this amount.

(c) Example 3. Photographer charges \$3,500 for a contract to provide wedding pictures. This amount is billed either as a lump sum or the amount is broken down on the invoice showing \$3,000 due for consulting fees and \$500 for a disk or access to digital photos and pictures are purchased either in tangible form or digitally.

1. After the wedding, the photographer edits the photographs and then mails the disc, album, and/or the printed photographs ordered by the customer to the in-state or out-of-state address provided by the customer. The customer and others can also later order additional photographs from the photographer's online gallery. The photographer also mails those additional photographs to the in-state or out-of-state address provided by the customer.

(i) Prepaid fees constitute a part of taxable gross proceeds because they are for the photographer's labor in planning, shooting, and editing the photographs, which are required and necessary steps in producing the finished, tangible products being sold by the photographer.

(ii) The prepaid contract amount is taxable only if the photographer subsequently sells a disc, album, and/or printed photographs to a customer in Alabama. That is, if a customer cancels before the wedding day, any prepaid fees collected by the photographer would not be subject to sales tax.

(iii) The above does not apply, however, to any reasonable and customary retainer fee separately stated on the photographer's contract that is both non-refundable and may not be credited toward any purchase of photographs. The separate fee is unrelated to the production of the finished photographs.

(d) Example 4. Photographer books a client one year prior to his/her wedding. The contract is broken down showing a \$3000 service fee, \$250 for a disc of images, and a \$250 print credit. After the wedding, the client instructs the photographer to mail the disc of images to a location outside of Alabama and to send \$250 worth of prints to a location in Alabama.

1. The \$250 disc mailed out-of-state would constitute a nontaxable sale closed outside of Alabama provided it is separately stated on the invoice and the

photographer has proof that the disc was placed in interstate commerce. The \$250 worth of prints mailed to a location in Alabama would be taxable in Alabama.

2. The \$3000 service fee is fully taxable and is considered the photographer's labor in producing the finished photographs. If the service fee includes a separately stated retainer fee as described in Example 3, the retainer fee would not be taxable. The photographer's labor was necessary to produce the items sold in Alabama. Therefore, the entire labor fee would be taxable, even if the photographer also sold additional photographs, in whatever form, outside of Alabama.

3. In summary, except for any separately stated retainer fee, the photographer's prepaid fee for taking, editing, and otherwise preparing the discs, albums, or printed photographs for sale is for the photographer's labor associated with those activities, and is a part of taxable gross proceeds. Consequently, in the above example, while the \$250 disc delivered outside of Alabama would be nontaxable, the photographer would owe Alabama sales tax on the \$3,250 balance, less the amount designated as a retainer, if applicable. If the photographer subsequently sells additional discs, albums, or photographs that were not included in the contract, the proceeds from those sales would be taxable if delivered in Alabama and nontaxable if delivered outside of Alabama. (Jaclyn L. Robinson v. State of Alabama (Admin. Law Div. Docket No. S. 13-807, Opinion and Preliminary Order entered September 8, 2014, Final Order entered October 8, 2014))

~~(3) (2)~~—The materials which become a physical part of the photographic prints, photostats, blueprints, etc., are purchased tax free at wholesale by the seller of the photographic print, photostat, blueprint, etc. (Sections 40-23-1(a)(9)b and 40-23-60-(4)b

~~(4) (3)~~ The materials and chemicals used or consumed by the seller of photographic prints, blueprints, etc., but not becoming a component thereof, are purchased at retail by the seller and are subject to the sales or use tax, whichever may apply at the time of such purchase. (Sections 40-23-1(a)(10) and 40-23-60-(5))

~~(5) (4)~~ The mechanical equipment used in the production of photographic negatives, photographic prints, photostats, and blueprints including cameras are taxed at the reduced machine rate of sales or use tax. (Sections 40-23-2(3) and 40-23-61-(b))

Author: **Ginger Buchanan Donna Joyner, Patricia A. Estes**

Authority: Sections 40-2A-7(a)(5), 40-23-31, 40-23-83, 40-23-1(a)(10), 40-23-2(1), 40-23-2(3), 40-23-61(a), 40-23-1(a)(9)b, 40-23-2(3), 40-23-60(4)b, 40-23-60(5), 40-23-61(a), 40-23-61(b), Code of Alabama 1975

History: Amended November 3, 1980.

Readopted through APA effective October 1, 1982.

Amended February 3, 1998, effective date March 10, 1998.

Amended: Filed January 11, 2008, effective February 15, 2008.