

## **17 NCAC 07B .4105 PHOTO SUPPLIES AND MATERIALS**

(a) Sales of items, as the term item is defined in G.S. 105-164.3, such as frames, films, storage media, and other articles by photographers, photo finishers, videographers, or others are retail sales subject to sales and use tax, pursuant to G.S. 105-164.4.

(b) Purchases of items by a commercial or portrait photographer or videographer for use or consumption are subject to sales and use tax, pursuant to G.S. 105-164.4. However, pursuant to G.S. 105-164.13(5), purchases by commercial or portrait photographers of items including mounts, frames, and paper, which become an ingredient or component part of the finished product are not subject to the sales and use tax when purchased for resale.

(c) Pursuant to G.S. 105-164.13(5e), purchases by a commercial or portrait photographers of mill machinery or mill machinery parts or accessories such as films, chemicals, proof paper, cameras, trays, and similar items are exempt from the sales and use tax when the mill machinery or mill machinery parts or accessories are for use in the "production" phase of the manufacturing of photographs. For purposes of this Rule, "Production" as a phase of industrial or manufacturing operations shall mean all steps performed in processing and refining rooms, and in other quarters and departments of a plant, where conditioning, treating, or other operations are done on ingredient materials as an actual routine on the assembly or processing line turning out a finished product of manufacture for sale. The "Production" phase also includes the following:

- (1) The movement of raw materials or ingredients from an inventory or a stockpile located on the premises of the manufacturing facility to the assembly or processing line.
- (2) The movement of goods in process along the assembly or processing line.
- (3) The movement of manufactured products from the assembly or processing line into shipping or storage areas and yards located on the premises of the manufacturing facility.
- (4) The work of experimentation and research performed on the manufactured products.

"Production" does not include any activity connected with the movement of raw materials or ingredients into inventory nor does it include "distribution" which is any activity connected with the movement of manufactured products within storage warehouses, shipping rooms, and other such finished product storage areas and the removal of such products therefrom for sale or shipment, or "administration" which is any administrative work of offices, promotion of sales, and collection of accounts.

*History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-164.13; 105-262; 105-264; 105-467; 105-468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-510.1; 105-511.3; 105-537; 105-538;  
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