



**June 4, 2008**  
**Pennsylvania Sales and Use Tax**  
**SUT No. 08-008**  
**Manufacturing Inkjet Cartridges**

ISSUE:

Does the process of repairing and refilling inkjet cartridges qualify as manufacturing for Pennsylvania Sales and Use Tax purposes.

CONCLUSION:

The process of repairing and refilling inkjet cartridges is not manufacturing for Pennsylvania Sales and Use Tax purposes.

FACTS:

Taxpayer's process begins with the procurement of empty, previously used toner cartridges. Each core is opened to reveal its internal components. Technicians remove major components and install new replacement parts. All other parts that may have been subject to wear are removed, cleaned, inspected, evaluated, and, if required, replaced. Most cartridges require installation of a replacement computer chip. The toner tanks then are filled with toner compound and the cartridges are reassembled and tested.

DISCUSSION:

Pennsylvania's Sales and Use Tax statute provides an exemption for tangible personal property and services directly and predominately used in a manufacturing operation. "Manufacturing" is defined in Section 201(c) of the Tax Reform Code of 1971, as follows:

The performance of manufacturing, fabricating, compounding, processing or other operations, engaged in as a business, which place any tangible personal property in a form, composition or character different from that in which it is acquired whether for sale or use by the manufacturer, and shall include, but not be limited to-

- (1) Every operation commencing with the first production stage and ending with the completion of tangible personal property having the physical qualities (including packaging, if any, passing to the ultimate consumer) which it has when transferred by the manufacturer to another.

72 P.S. § 7201(c).

The functions performed by Taxpayer do not place any tangible personal property in a form, composition or character different from that in which it is acquired whether for sale or use by Taxpayer. Taxpayer acquires empty inkjet cartridges and ink, performs some tests and evaluations on the cartridges and refills the cartridges with ink. None of the

tangible personal property involved, the inkjet cartridges or the ink are changed in form, composition or character during this process. As a result the repair and refill of toner cartridges performed by Taxpayer is not a manufacturing operation, but merely a repair service and is subject to Pennsylvania Sales Tax.