



Revenue Information Bulletin

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Sales Tax

Eligible Manufacturing Machinery and Equipment to be Totally Excluded From State Sales Tax, Effective July 1, 2009

Eligible manufacturing machinery and equipment will be totally excluded from state sales tax effective July 1, 2009, as provided for by Act 12 of the 2nd Extraordinary Legislative Session of 2008. The excluded percentage of manufacturing equipment was to have increased only from 68 percent to 82 percent on July 1, 2009, and not to 100 percent until July 1, 2010. Act 12, however, eliminated the last segment of the phase-in and made the exclusion fully effective on July 1, 2009.

The exclusions are from the state sales, use, lease, and rental tax for machinery and equipment used by eligible manufacturers in plant facilities predominantly and directly in the actual manufacturing for agricultural purposes or in the actual manufacturing of tangible personal property that is for sale to another. The exclusions provided are from the definition of “cost price” for use tax purposes under Revised Statute 47:301(3), “sales price” for sales tax purposes under R.S. 47:301(13), and “gross proceeds” (from lease or rental), “monthly lease or rental price paid” and “monthly lease or rental price contracted or agreed to be paid” as used in R.S. 47:302(B), 321(B), and 331(B) imposing the tax on lease and rental transactions. The legislation authorizes political subdivisions of the state to provide these exclusions from local sales, use, lease, and rental taxes but does not require that they do so.

Qualifications for Exclusion

In order for tangible personal property to be excluded from sales taxation, the tangible personal property must be:

- **Manufacturing “machinery and equipment”**

“Machinery and equipment” is defined by R.S. 47:301(3)(i)(ii)(aa) as tangible personal property or other property that is eligible for depreciation for federal income tax purposes and that is used as an integral part in the manufacturing of tangible personal property for sale. “Machinery and equipment” also includes tangible personal property or other property that is eligible for depreciation for federal income tax purposes and that is used as an integral part of the production, processing, and storing of food and fiber or of timber.

Specific examples of tangible personal property that this statute categorizes as eligible “machinery and equipment” are computers and software that are an integral part of the machinery and equipment used directly in the manufacturing process; machinery and equipment necessary to control pollution at a plant facility where pollution is produced by the manufacturing operation; machinery or equipment used to test or measure raw materials, the property undergoing manufacturing, or the finished product, when such test or measurement is a necessary part of the manufacturing process; machinery and equipment used by an industrial manufacturing plant to generate electric power for self consumption or cogeneration; and

machinery and equipment used to produce news publications whether the news publications are ultimately sold at retail, for resale, or distributed at no cost.

Categorized by the statute act as ineligible for the manufacturing “machinery and equipment” exclusions are a building and its structural components, unless the building or structural component is so closely related to the machinery and equipment that it houses or supports that the building or structural component can be expected to be replaced when the machinery and equipment are replaced; heating, ventilation, and air-conditioning systems, unless their installation is necessary to meet the requirements of the manufacturing process, even though the system may provide incidental comfort to employees or serve, to an insubstantial degree, nonproduction activities; tangible personal property used to transport raw materials or manufactured goods prior to the beginning of the manufacturing process or after the manufacturing process is complete; and tangible personal property used to store raw materials or manufactured goods prior to the beginning of the manufacturing process or after the manufacturing process is complete.

- **Used by a “manufacturer”**

The term “manufacturer” is defined in the statute as a person whose principal activity is manufacturing, and who is assigned by the Louisiana Workforce Commission a North American Industry Classification System (NAICS) code within the agricultural, forestry, fishing, and hunting Sector 11; the manufacturing Sectors 31-33; the information sector 511110, all as they existed in 2002, or under industry code 423930 as a recyclable material merchant wholesaler who is engaged in manufacturing activities, which must include shredding facilities. R.S. 47:301(16)(o) additionally defines the term manufacturer to include a person regulated by the Louisiana Public Service Commission or the Council of the City of New Orleans who is assigned a NAICS code 22111. This 22111 NAICS code applies to electric power generation businesses.

Persons whose principal activity is manufacturing, but who are not required to register with the Louisiana Workforce Commission for purposes of unemployment insurance, can apply to the Louisiana Department of Revenue to be classified as a “manufacturers” under NAICS sectors 11, 31-33, or 511110 for purposes of this sales tax exclusion. The department will determine from income tax data whether applicant would have been so classified had the applicant been required to register with the Louisiana Workforce Commission.

- **Used by that manufacturer in a “plant facility” predominantly and “directly” in the actual “manufacturing for agricultural purposes” or in the actual “manufacturing” process of an actual item of tangible personal property which is for ultimate sale to another, and not for internal use, at one or more fixed locations in Louisiana**

The term “plant facility” is defined as “a facility, at one or more locations, in which manufacturing referred to in sectors 11 and 31-33 of the North American Industry Classification System of 2002, of a product of tangible personal property takes place.” “Used directly” means used in the actual process of manufacturing or manufacturing for agricultural purposes.

“Manufacturing for agricultural purposes,” means the production, processing, and storing of food and fiber and the production, processing, and storing of timber.

“Manufacturing”, the statute provides, means putting raw materials through a series of steps that brings about a change in their composition or physical nature in order to make a new and different item of tangible personal property that will be sold to another. The statute provides that manufacturing begins at the point at which raw materials reach the first machine or piece of equipment involved in changing the form of the material and ends at the point at which manufacturing has altered the material to its completed form. Placing materials into containers, packages, or wrapping in which they are sold to the ultimate consumer is part of this manufacturing process.

For purposes of the sales tax exclusions, manufacturing does not include repackaging or redistributing; the cooking or preparing of food products by a retailer in the regular course of retail trade; the storage of tangible personal property; the delivery of tangible personal property to or from the plant; the delivery of tangible personal property to or from storage within the plant; and actions such as sorting, packing, or shrink wrapping the final material for ease or transporting and shipping.

- **Purchased by a person who has received a certificate of exclusion from the Louisiana Department of Revenue certifying that he is a manufacturer.**

The department has published [Form R-1070](#) for use in applying for this certificate, which can be accessed from the department’s web site using the link provided.

Questions concerning this matter can be directed to the Taxpayer Services Division at 225.219.7356.

Cynthia Bridges
Secretary