

GUIDANCE FROM MISSOURI DEPARTMENT OF REVENUE
REGARDING WHETHER CERTAIN ACTIVITIES ARE
“MANUFACTURING, PROCESSING, COMPOUNDING, MINING,
OR PRODUCING A PRODUCT” UNDER SECTION 144.054 RSMo
August 28, 2007

It is the intention of the Department of Revenue (Department) to promulgate a proposed and emergency rule addressing this topic in the near future. This document constitutes notice of the Department’s preliminary determinations.

I. Definitions:

- A. Producing (12 CSR 10-111.010) – Includes the meanings of “manufacturing” and “fabricating,” and is used in connection with the creation of intangibles that are taxable but which are not manufactured or fabricated in the sense those terms are commonly understood, e.g., information organized by computer and then sold on tangible media.
- B. Manufacturing (12 CSR 10-111.010) – i) the alteration or physical change of an object or material to produce an article with a use, identity and value different from the use, identity and value of the original; or ii) a process which changes and adapts something practically unsuitable for any common use into something suitable for common use; or iii) the production of new and different articles, by the use of machinery, labor and skill, in forms suitable for new applications; or iv) a process that makes more than a superficial transformation in quality and adaptability and creates an end product quite different from the original; or v) requires the manipulation of an item in such a way as to create a new and distinct item, with a value and identity completely different from the original. Manufacturing does not include processes that restore articles to their original condition (e.g., cleaning, repairing); processes that maintain a product (e.g., refrigeration); or processes that do not result in a change in the articles being processed (e.g., inspecting, sorting).
- C. Fabrication (12 CSR 10-111.010) – The process of transforming an item into a higher stage of development. It does not imply or signify manufacturing, but the meaning of the term is limited to cutting, carving, dressing, shaping; advancing an elementary shape to a higher stage of development; reworking and cutting shapes to required length.
- D. Mining (12 CSR 10-111.010) – The process of extracting from the earth precious or valuable metals, minerals or ores. This process includes quarrying, but does not include equipment used for water-well drilling or reclamation performed to restore previously mined land to its original state.
- E. Compounding (12 CSR 10-110.601) – Producing a product by combining two (2) or more ingredients or parts.

- II. Examples of Activities That Are Not “Manufacturing, Processing, Compounding, Mining, or Producing a Product:”
 - A. Preparing a meal in a restaurant.
 - B. Constructing a road, building, or other fixed structure.
 - C. Florist activities.

- III. Examples of Activities That Are “Manufacturing, Processing, Compounding, Mining, or Producing a Product:”
 - A. Making cabinets and countertops.
 - B. Making modular homes.
 - C. Making pre-fabricated steel or concrete products.
 - D. Preparing framed photographs or pictures.
 - E. Testing of manufacturing equipment before it is installed.
 - F. Commercial printing.
 - G. Producing a wireless or landline based telephone call.
 - H. Bakeries.