

**Title 12—DEPARTMENT OF REVENUE
Division 10—Director of Revenue
Chapter 110—Sales/Use Tax—Exemptions**

PROPOSED RULE

12 CSR 10-110.201 Materials and Other Goods Used or Consumed in Manufacturing, as defined by Section 144.054, RSMo.

PURPOSE: Section 144.054.2., RSMo, exempts from taxation certain materials, goods, machinery and parts. This rule explains the requirements for this exemption.

((1) In general, purchases of gas, whether natural, artificial, or propane, water, coal, and energy sources, chemicals, machinery, equipment and materials that are used or consumed in the manufacturing, processing, compounding, mining or producing a product are exempt from state sales and use tax and local use tax, but not from local sales tax. Local sales tax applies to these transactions.

(2) Basic Application of Exemption.

(A) Gas, whether natural, artificial, or propane, water, coal, and energy sources, chemicals, machinery, equipment and materials that are used or consumed in manufacturing, processing, compounding, mining or producing a product are exempt from state sales and use tax and local use tax, but not local sales tax. It is not necessary for the item purchased to be used directly in manufacturing in order to qualify for the exemption.

(3) Examples.

(A) A toy manufacturer purchases sandpaper to use in the manufacturing of wooden rocking horses. The purchase of sandpaper is exempt from state sales and use tax and local use tax, but not local sales tax because it is a material that is consumed in producing a product.

(B) An automobile manufacturer purchases soap to wash all automobiles as they leave the manufacturing plant. The soap qualifies as a material used or consumed in the manufacturing process and is exempt from state sales and use tax and local use tax, but not local sales tax.

(C) A steel fabricator purchases gases for use in fabricating a product out of steel plates. The gases that are consumed in the fabrication process are exempt from state sales and use tax and local use tax, but not local sales tax, because they are consumed in producing a product.

(D) A foundry creates a steel product by casting molten steel. After casting, a cleaning solution is poured over the product to remove impurities from the surface. The solution is used or consumed in the producing of a product and is exempt from state sales and use tax and local use tax, but not local sales tax.

AUTHORITY: section 144.270, RSMo [1994] 2000. Original rule filed Aug. 30, 2000, effective March 30, 2001. Emergency rule filed Aug. ____, 2007, effective Aug. 28, 2007, expires Feb. 23, 2008. Original rule filed Aug. ____, 2007.

PUBLIC COST: This proposed rule will not cost state agencies or political subdivisions more than five hundred dollars (\$500) in the aggregate.

PRIVATE COST: This proposed rule will not cost private entities more than five hundred dollars (\$500) in the aggregate.

*NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support of or in opposition to this proposed rule with the Missouri Department of Revenue, Legal Services Division, Governmental Affairs Bureau, PO Box 475, Jefferson City, MO 65105-0475. To be considered, comments must be received within thirty (30) days after publication of this notice in the **Missouri Register**. No public hearing is scheduled.*