

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

12 CSR 10-110.601 Electrical, Other Energy, Chemicals, Machinery, Equipment, Materials, and Water as Defined in Section 144.054, RSMo, Exempt From Sales Tax When Used in Manufacturing

PURPOSE: Section 144.054, RSMo, exempts from state and local sales and use tax certain equipment, materials, goods, machinery, electricity, gas (natural, artificial, or propane), water, coal, and energy sources used or consumed in manufacturing, processing, compounding, mining, or producing any product or used in research and development related to manufacturing, processing, compounding, mining, or producing any product or in the processing of recovered materials. This rule explains when this exemption applies and how a taxpayer may claim the exemption at the time of purchase.

(1) In general, purchases of electricity, gas (natural, artificial, or propane), water, coal, energy sources, chemicals, machinery, equipment, and materials used or consumed in manufacturing, processing, compounding, mining, or producing any product, or used or consumed in the processing of recovered materials, or used in research and development related to manufacturing, processing, compounding, mining, or producing any product are exempt from state and local sales and use tax.

(2) Definition of Terms.

(A) Compounding—Producing a product by combining two (2) or more ingredients or parts.

(B) Energy source—Those resources, such as petroleum, coal, gas, wind, steam, nuclear fuel and sunlight, from which energy is produced.

(C) Fabrication—See 12 CSR 10-111.010.

(D) Manufacturing—See 12 CSR 10-111.010.

(E) Material recovery processing plant—See 12 CSR 10-111.060.

(F) Mining—See 12 CSR 10-111.010.

(G) Producing—See 12 CSR 10-111.010.

(H) Recovered materials—See 12 CSR 10-111.060.

(3) Basic Application of Exemption.

(A) A taxpayer may claim the exemption for state and local sales and use tax at the time of purchase.

(B) Purchases reported to the department under direct pay and Electrical Energy Direct Pay (EEDP) are exempt from the application of subsection (3)(A) of this rule.

(C) The energy source and water that is subject to this exemption is not required to be directly used in the process for which the exemption is being claimed. There is also no requirement that the energy source and water comprise ten percent (10%) of the cost of a primary or secondary production process in order to qualify for this exemption. There is also no requirement that twenty-five percent (25%) of the raw materials be recycled in order for the purchaser to claim this exemption.

(4) Method of Collection and Apportionment

(A) Energy and water vendors are responsible for remitting tax to the department. Purchasers are responsible for informing energy vendors on the Form 149 (Sales/Use Tax Exemption Certificate) of the percentage of energy used for activities exempt under section 144.054, RSMo. The purchaser should use a square footage analysis to calculate the percentage of energy used. The exemption will be applied as follows:

Purchaser's Calculated

Exempt Percentage	Percentage Exempt
76–100	100
51–75	75
26–50	50
1–25	25
0	0

(5) Exempt Examples.

(A) A manufacturer purchases propane to operate forklifts that move works-in-process between production steps. The fuel is exempt from state and local sales and use tax.

(B) A manufacturer uses coal to fuel boilers that generate steam used to manufacture a product. The purchase of the coal is exempt from state and local sales and use tax because it is used or consumed in producing a product.

(C) A manufacturer purchases compressed gas used for welding a product. The purchase of the compressed gas is exempt from state and local sales and use tax because it is used or consumed in manufacturing a product.

(D) A manufacturer uses water to cool a product during the manufacturing process. The manufacturer's purchase of water is exempt from state and local sales and use tax.

(E) A manufacturer preserves its final product in a warehouse located at the production facility while awaiting shipment. The purchase of energy to maintain the desired environment is exempt from state and local sales and use tax.

(F) A construction company that has been deemed a manufacturer purchases fuel to be used in a concrete ready-mix truck. The fuel is subject to motor fuel tax; however, if a refund claim is made, the refund is exempt from state and local sales and use tax because the fuel is used in producing a product.

(G) A manufacturer builds manufactured homes in its factory. The manufacturer's purchases of energy sources, chemicals, machinery, equipment, and materials used or consumed in the manufacturing process are exempt from state and local sales and use tax.

(H) A company uses energy to test manufacturing equipment as it is installed. This energy is exempt from state and local sales and use tax.

(I) A telecommunication company produces a wireless or landline-based telephone call. The energy sources, chemicals, machinery, equipment, and materials used by the telecommunication company to manufacture the phone call are exempt from state and local sales and use tax.

(J) A factory purchases safety equipment such as earplugs and goggles for use by the employees on the manufacturing floor. These items used by the employees who are manufacturing a product are exempt from state and local sales and use tax.

(K) A toy manufacturer purchases sandpaper to use in the manufacturing of wooden rocking horses. The purchase of sandpaper is exempt from state and local sales and use tax because it is a material that is consumed in producing a product.

(L) A photographer purchases chemicals and other supplies used to develop photographs. These chemicals and supplies are not intended to remain with the photograph. These purchases are exempt from state and local sales and use tax because they are consumed in the developing process.

(6) Taxable Examples.

(A) A restaurant preparing food for immediate consumption is not exempt as a manufacturer. Therefore, all state and local taxes apply.

(B) A wireless company operates a customer support call center to assist its customers with questions. The call center is not exempt. Therefore, all state and local taxes apply.

(C) The construction of a road, building, or other fixed structure is not exempt. Therefore, all state and local taxes apply.

(D) An auto repair facility repairs vehicles by installing or replacing parts. This is not exempt because they are not creating a new or distinct item. Therefore, all state and local taxes apply.

(E) A cable television provider's purchase of energy is not exempt if the energy is used solely to provide cable television service. Therefore, all state and local taxes apply.

AUTHORITY: section 144.270, RSMo 2016, and section 144.054, RSMo Supp. 2025.
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**Original authority: 144.054, RSMo 2007, amended 2009, 2015, 2018, 2021, 2024, and 144.270,
RSMo 1939, amended 1941, 1943, 1945, 1947, 1955, 1961, 2008.*