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

12 CSR 10-110.200 Ingredient or Component Part Exemption, as Defined in Section 144.030, RSMo. The department is deleting subsection (4)(B) and renumbering as necessary.

PURPOSE: This amendment removes an example that is not accurate.

PURPOSE: Section 144.030.2(2), RSMo exempts from taxation certain materials, goods, machinery and parts. This rule explains the requirements for this exemption.

(1) In general, purchases of ingredients or component parts are exempt from tax if they blend with the final product and are intended to and do become a part of the finished product. In addition, materials that are consumed in the manufacturing, processing, compounding, mining, producing or fabricating of products intended to be sold ultimately for final use or consumption are exempt from tax.

(2) Definition of Terms.

(A) Component part—a constituent element of a manufactured or fabricated product.

(B) Ingredient—an element in a mixture or compound.

(C) Interacting—means that the materials and component parts or ingredients act upon each other in manufacturing a steel product.

(D) Reacting—means that the materials cause a chemical change in the component parts or ingredients in manufacturing a steel product.

(E) Steel product—the product made entirely of steel resulting from:

1. Smelting and refining molten pig iron, scrap steel or other metals; or

2. Rolling, drawing, casting or alloying steel.

(3) Basic Application of Exemption.

(A) Materials, manufactured goods, machinery, and parts that become a component part or ingredient of new personal property to be sold ultimately for final use or consumption are not subject to tax. Purchases of ingredients or component parts are exempt from tax if they are intended to and do become a part of the finished product. The exemption does not apply to materials that are totally consumed and are not intended to and do not become a part of the final product. In order to qualify for this exemption, the material in question must be intended to remain in the finished product in at least trace amounts for a specific purpose.

(B) Materials, including without limitation, slagging materials and firebrick, which are consumed in the manufacturing process by blending, reacting or interacting with or by becoming, in whole

or in part, component parts or ingredients of steel products to be sold ultimately for final use or consumption are exempt from tax.

(C) If any portion of purchased material qualifies as an exempt ingredient or component part, the entire purchase is exempt from tax. The material is exempt even if a significant portion is consumed in the manufacturing process.

(D) Materials purchased to be used as an ingredient or component part to repair existing property does not qualify for these exemptions because the property produced from the repair work does not constitute "new personal property."

(4) Examples.

(A) A toy manufacturer purchases wood, glue, and paint to use in the manufacturing of wooden rocking horses. The purchases of wood, glue and paint are exempt from tax.

[(B) A restaurant purchases apple wood to use in the smoking of foods. The restaurant burns the wood in a closed chamber, called a smoker, in which it places the food. The burning wood releases compounds, and small but measurable quantities of the compounds enter and permeate the food. Because a part of the wood, in the form of smoke particles, blends with and remains as part of the finished product, the apple wood may be purchased tax exempt as an ingredient or component part.]

*(C)]***(B)** An automobile manufacturer purchases wax to wax all automobiles as they leave the manufacturing plant. The wax qualifies as a component part because it is intended to remain with the product.

[(D)] **(C)** A steel mill purchases firebrick and various gases to be used in the production of steel. These purchases are exempt.

[(E)] **(D)** A steel fabricator purchases welding rods for use in fabricating a product out of steel plates. The welding rods are exempt because they become a component part of new personal property.

AUTHORITY: section 144.270, RSMo [2000] ***2016****.* Original rule filed Aug. 30, 2000, effective March 30, 2001. Emergency amendment filed Aug. 14, 2007, effective Aug. 28, 2007, expired Feb. 23, 2008. Amended: Filed Aug. 14, 2007, effective Feb. 29, 2008. Amended: Filed Sept. 10, 2026*

**Original authority: 144.270, RSMo 1939, amended 1941, 1943, 1945, 1947, 1955, 1961.*

The Doe Run Resource Company, d/b/a/ Doe Run Company Smelting Division, et al., S.W.2d (Mo. banc 1998). The issue was the taxability of coke used in the processing of lead. The Missouri Supreme Court found the case to be analogous to the facts in **Sipco, Inc v. Director of Revenue,** 875 S.W.2d 539 (Mo. banc 1994). In that case the court held natural gas used in a singer to remove hair from hog carcasses before butchering did not qualify as an ingredient or component part, because no part of the natural gas used in Sipco's singer remained as an essential or necessary element of a finished pork product. The Court in Sipco concluded that no

part of the natural gas used in Sipco's singer remained as an essential or necessary element of the finished pork product. Accordingly, the purchase was not tax exempt.

Spacewalker, Inc., v. Director of Revenue (AHC 1997). The purchase of shielding gas used in welding was held taxable. The purpose of the shielding gas was to shield the puddle (molten metal) from the atmosphere and not to become mixed with the metal. The AHC referenced the Al-Tom decision, which found that if any part of a material is intended and does remain as an essential or necessary element of the finished product, the entire purchase is exempt. Because the shielding gases were present in the finished product, incidentally or accidentally, they were not exempt as component parts. The Missouri Court of Appeals affirmed the decision by the AHC.

Concord Publishing House, Inc. d/b/a Cape Mississippi Development, Inc., d/b/a Southeast Missourian v. Director of Revenue (AHC 1995). The taxpayer, a newspaper publisher and printer, claimed an ingredient or component part exemption on its toner. The AHC held that the toner and toner cartridges did not qualify for exemption because the toner became a component part of the layout from which the photonegative was developed. The toner was not physically present in the newspaper sold to the public.

Robertson's Creative Photography, (AHC 1994). The Commission held that the taxpayer as a commercial photographer was subject to sales tax on its purchases of film. The film was not a component part or ingredient because it did not remain as an essential or necessary element of the finished product.

Public Cost: This proposed amendment will not cost state agencies or political subdivisions more than five hundred dollars ($500) in the aggregate.

Private Cost: This proposed amendment 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 amendment with the Missouri Department of Revenue, Legislative Office, 301 West High Street, Room 218, 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.*