



# This Week in State Tax (TWIST)

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## Missouri: Telecommunications Company Qualifies for Manufacturing Sales Tax Exemption

The Missouri Supreme Court recently affirmed an Administrative Hearing Commission determination holding that a telecommunications service provider qualified for the sales and use tax manufacturing exemption. The case involved the taxpayer's purchases of replacement equipment for use in its network in Missouri. The first issue on appeal was whether the taxpayer's provision of telecommunications services qualified as manufacturing under Missouri law. Since 2018, the term "manufacturing" has been expressly defined to include the provision of telecommunications services. The director asserted that the Commission erred because it retroactively applied the 2018 amendments to the 2011 and 2012 tax periods at issue. The court, however, did not find that the Commission applied the 2018 amendments retroactively. Rather, in the court's view, the pre-2018 definition of "manufacturing" captured the taxpayer's act of transforming an input into an output with a separate and distinct value from the original. The court rejected the director's reliance on the *IBM* case where the Missouri Supreme Court concluded that the transmission and analysis of credit card data was not manufacturing. In the court's view, the issue in *IBM* was different, and the statement in *IBM* regarding whether the electronic transfer of voices qualified as "manufacturing" was *obiter dictum* and not binding. The court next held that under the "integrated plant doctrine" all of the replacement equipment was used directly in manufacturing and therefore qualified for the exemption. The director's position that the equipment had to also be "substantially used" in manufacturing was rejected. Please contact [John Griesedieck](#) with questions on *Charter Communications Entertainment I, LLC. V. Director of Revenue*.



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