

This Week in State Tax (TWIST)

October 14, 2024



Multistate: Indiana and Missouri Issue Manufacturing Exemption Rulings

Indiana and Missouri issued letter rulings determining whether taxpayers qualified for their respective manufacturing exemptions.

Indiana Ruling: The Indiana Department of Revenue ruled that an excavation company that provided certain services at surface mines could not claim a sales and use tax mining exemption on certain of its purchases, finding that the equipment and supplies in question were not directly involved in the mining process. The taxpayer provided services to surface coal mine operators, disposing of waste materials remaining after the coal was processed. Specifically, after the coal was removed, processed, washed, and sorted, the taxpayer removed waste materials (primarily dirt and rock) from the site and transported them to a location specified by the operator.

Indiana law exempts sales of machinery, tools, and equipment directly used by the purchaser in extraction or mining from state gross retail sales tax, provided the property is acquired for direct use in the production of tangible personal property in the business of mining. The Department found that the taxpayer's activities did not meet the criteria for exemption because the equipment and supplies were used for post-processing waste management, not directly in the mining process. The Department viewed the taxpayer as a service provider fulfilling contracts and not directly engaged in the extraction or processing of coal. For information on [Indiana Letter of Findings: 04-20241336](#), please contact [Dave Perry](#).

Missouri Ruling: The Missouri Department of Revenue recently issued a letter ruling informing the applicant that it did not qualify for the manufacturing sales and use tax exemption. The company performed custom machining and laser services to produce custom products for its customers. Most orders were shipped out of Missouri, but the company often did not know the end use of its products due to the custom nature of the orders. The applicant inquired whether it qualified as a manufacturer and could avail itself of the manufacturing exemption for certain of its purchases.

Missouri law exempts machinery, equipment, and parts used directly in manufacturing, mining, fabricating, or producing a product intended for sale for final use or consumption. Manufacturing is defined as creating new and distinct items through alteration or physical change, adapting something unsuitable for common use into something suitable, or producing new articles with different applications. In assessing the company's activity, the Department noted that the state supreme court had held that to qualify for the manufacturing exemption, the taxpayer must show that its product could be marketed to multiple buyers, having market value and being an output the price for which is set by competing buyers and sellers.

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The Department concluded that the applicant did not qualify for the manufacturing exemption because the company's activities did not produce marketable products with distinct use, identity, and value from the original materials. Neither did they meet the marketability requirement outlined by the Missouri Supreme Court. For questions on [Missouri Letter Rulings - LR 8310](#), please contact [John Griesedieck](#).

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