

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB441**

**Bill Subtitle: TO AMEND THE SALES AND USE TAX LAWS CONCERNING EXEMPTIONS RELATED TO CERTAIN MACHINERY AND EQUIPMENT; AND TO ALLOW A SALES AND USE TAX EXEMPTION FOR CERTAIN MACHINERY AND EQUIPMENT PLACED IN INVENTORY.**

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### **Basic Change :**

**Sponsors: Sen. D. Wallace and Rep. Joey Carr**

SB441 amends the sales and use tax exemption for certain machinery and equipment. Under current law, the purchase of machinery and equipment used directly in manufacturing an article of commerce is exempt from sales and use tax. SB441 removes obsolete language under the definition of "used directly" under § 26-52-402(c)(2)(C) relating to machinery and equipment used by a manufacturer to produce or repair replacement dies, molds, repair parts, or replacement parts used or consumed in the manufacturer's own manufacturing process.

SB441 clarifies that as of June 1, 2022, a manufacturer may purchase the following exempt from sales and use tax:

- Machinery and equipment to modify, replace, repair, or maintain existing exempt manufacturing machinery and equipment;
- Services to install, alter, clean, refinish, replace, or repair that machinery and equipment; and
- Machinery and equipment to modify, replace, or repair molds and dies used directly in manufacturing an article of commerce.

Prior to June 1, 2022, the above items were subject to a partial refund of the sales or use tax paid.

SB441 would also extend the exemption to machinery or equipment purchased for future use placed into inventory. SB441 clarifies that a piece of machinery or equipment that is withdrawn from inventory for a purpose other than those outlined above is taxable at the time of withdrawal from inventory. The taxable amount is the original purchase price of the machinery or equipment.

SB441 is effective on the first day of the calendar quarter following the effective date of the act.

### **Revenue Impact :**

None.

### **Taxpayer Impact :**

None.

### **Resources Required :**

None.

### **Time Required :**

Adequate time is provided for implementation.

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### **Procedural Changes :**

Updates to the Sales and Use Tax Rules will be promulgated.

### **Other Comments :**

None.

### **Legal Analysis :**

None.