

TIP 00A01-15

DATE ISSUED: Jul 05, 2000

### **Changes to the Exemption for Industrial Machinery and Equipment Repairs**

Effective July 1, 1999, a sales and use tax exemption was enacted for labor charges for the repair of, and parts and materials used in the repair of and incorporated into, industrial machinery and equipment used by certain industries for manufacturing, processing, compounding, or production of items of tangible personal property at a fixed location in Florida. Effective July 1, 2000, this exemption is expanded to cover repairs of machinery and equipment used to prepare tangible personal property for shipping by such industries.

To be eligible for this exemption, the industry's SIC Code must be within the following Industry Major Group numbers: 10, 12, 13, 14, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, and 39, or Industry Group Number 212. "SIC Code" means those classifications contained in the Standard Industrial Classification Manual, 1987, as published by the Office of Management and Budget, Executive Office of the President. Only taxpayers in those industries whose SIC Code appears above and in the attached chart may claim the exemption. When the exemption was enacted in 1999, SIC Major Group Number 35 was inadvertently omitted. Legislation passed in 2000 clarifies that businesses whose SIC code number is in Major Group 35 qualify for the exemption as of July 1, 1999.

Purchasers may extend to the seller a completed Purchaser's Exemption Certificate to claim this exemption. The Department of Revenue will look to the purchaser for recovery of the tax if it determines that the purchaser was not entitled to this exemption. A suggested Purchaser's Exemption Certificate for use on or after July 1, 2000, is attached. This certificate includes repairs to machinery and equipment used in preparation of tangible personal property for shipping, which are not exempt

prior to July 1, 2000.

A suggested Purchaser's Exemption Certificate for charges billed from July 1, 1999, through June 30, 2000, is also attached for taxpayers entitled to claim the exemption for purchases during that period. This would include those with SIC Codes in Major Group 35 who paid tax on qualified repair charges and are entitled to refunds from their sellers. A taxpayer with an SIC Code in Major Group 35 that self-accrued and remitted tax on exempt repair charges may either claim credits against current sales and use tax liabilities or file a refund application with the Department.

The exemption is phased in over a 4-year period. Effective July 1, 1999, only 25 percent of the charges for repair parts and labor was exempt. The exemption increases at the rate of 25 percent on July 1 of each year until it reaches 100 percent on July 1, 2002. The date a repair is billed, not the date of the repair, determines whether the exemption applies.

Example: A \$1,000 qualifying machinery repair billed on July 1, 2000, is subject to a 50% exemption from tax. After applying the 50% exemption, the tax is computed on \$500, resulting in sales tax of \$30 (plus any applicable discretionary sales surtax). The exempt portion of the repair (\$500) is recorded as an exempt sale on the sales tax return. To report this repair on its sales tax return, the repair provider would include \$1,000 in LINE A, Column 1 (Gross Sales); \$500 in LINE A, Column 2 (Exempt Sales); and \$500 in LINE A, Column 3 (Taxable Amount). The amount to be included in LINE A, Column 4 (Tax Collected) would be \$30 plus any applicable surtaxes on the taxable amount of \$500.

The exemption does not change the current law applicable to purchases or rentals of materials or supplies by the repair provider. The repair provider remains subject to tax on the cost of items that are consumed or used in the course of making repairs, if the items are not incorporated into the machinery or equipment. Current law also allows the repair provider to use a resale certificate to purchase materials and supplies that are incorporated into the machinery or equipment repaired.

## For More Information

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

Information and forms are available on our Internet site at <http://sun6.dms.state.fl.us/dor/>

To receive forms by mail:

- \* Order multiple copies of forms from our Internet site at <http://sun6.dms.state.fl.us/dor/forms/order>, or
- \* Fax your form request to the DOR Distribution Center at 850-922-2208, or
- \* Call the DOR Distribution Center at 850-488-8422, or
- \* Mail your form request to:

DISTRIBUTION CENTER, FLORIDA DEPARTMENT OF REVENUE, 168A BLOUNTSTOWN HWY, TALLAHASSEE FL 32304-3702

To receive a fax copy of a form, call 850-922-3676 from your FAX machine telephone.

To speak with a Department of Revenue representative, call Taxpayer Services, Monday through Friday, 8 a.m. to 7 p.m., ET, at 1-800-352-3671 (in Florida only) or 850-488-6800.

For a written response to your questions, write:

TAX INFORMATION SERVICES, FLORIDA DEPARTMENT OF REVENUE,  
1379 BLOUNTSTOWN HWY, TALLAHASSEE FL 32304-2716

Hearing or speech impaired persons may call the TDD line at 1-800-367-8331 or 850-922-1115.

Department of Revenue service centers host educational seminars about Florida's taxes. For a schedule of upcoming seminars,

- \* visit us online at <http://sun6.dms.state.fl.us/dor/>,

- or
- \* call the service center nearest you.

References:  
Ch. 2000-355, L.O.F.  
s. 212.08(7), F.S.

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**SUGGESTED PURCHASER'S EXEMPTION CERTIFICATE  
REPAIRS TO QUALIFYING INDUSTRIAL MACHINERY AND EQUIPMENT  
FOR USE JULY 1, 1999 THROUGH JUNE 30, 2000**

\_\_\_\_\_ (Purchaser's Name) certifies that the labor charges and/or repair parts and materials billed on or after \_\_\_\_\_ (date) were used in the repair of and incorporated into, industrial machinery and equipment on or after \_\_\_\_\_ (date), and that the industrial machinery and equipment were used for manufacturing, processing, compounding, or production of items of tangible personal property at a fixed location in Florida. Any labor charges, repair parts, or materials which are not eligible for the exemption will be so designated by the purchaser.

\_\_\_\_\_ (Purchaser's Name) further certifies that its four-digit SIC Industry Number is listed below, and this number is classified under SIC Industry Major Group Number 10, 12, 13, 14, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, or 39, or Industry Group Number 212, as contained in the Standard Industrial Classification Manual, 1987, as published by the Office of Management and Budget, Executive Office of the President. The undersigned understands that if such labor charges and/or repair parts and materials do not qualify for this exemption, the undersigned will be subject to sales and use tax, interest, and penalties. The undersigned further understands that when any person fraudulently, for the purpose of evading tax, issues to a vendor or to any agent of the state a certificate or statement in writing in which he or she claims exemption from the sales



below, and this number is classified under SIC Industry Major Group Number 10, 12, 13, 14, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, or 39, or Industry Group Number 212, as contained in the Standard Industrial Classification Manual, 1987, as published by the Office of Management and Budget, Executive Office of the President. The undersigned understands that if such labor charges and/or repair parts and materials do not qualify for this exemption, the undersigned will be subject to sales and use tax, interest, and penalties. The undersigned further understands that when any person fraudulently, for the purpose of evading tax, issues to a vendor or to any agent of the state a certificate or statement in writing in which he or she claims exemption from the sales tax, such person, in addition to being liable for payment of the tax plus a mandatory penalty of 200% of the tax, shall be liable for fine and punishment provided by law for conviction of a misdemeanor of the second degree, as provided in s. 775.082, s. 775.083, or s. 775.084, Florida Statutes.

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Purchaser's Name (Print or Type)      Four-digit SIC Industry  
Number

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Signature and Title      Date      Florida Sales Tax Number

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Federal Employer Identification      Telephone Number  
Number (F.E.I.) or Social Security  
Number

**Form to be retained in repairer's records.**

**DO NOT send to Department of Revenue.**