

TIP 98A01-10

DATE ISSUED: Jun 26, 1998

**Changes in Electricity and Steam Exemption for Manufacturers
Take Effect July 1, 1998**

Since July 1, 1996, charges for electricity used at a fixed location directly and exclusively to operate machinery and equipment that is used to manufacture, process, compound, or produce items of tangible personal property for sale, or to operate pollution control equipment, recycling equipment, maintenance equipment, or monitoring or control equipment used in such operations, have been exempt from the sales tax, subject to the following limitations and conditions:

- * To qualify, a taxpayer must be registered with Work and Gain Economic Self-sufficiency (WAGES) Program. (For WAGES Program Business Registry information, contact the Florida Department of Labor and Employment Security at 800-342-3450.)
- * A taxpayer's SIC Code must be within the following major industry group numbers: 10, 12, 13, 14, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, and 39. ("SIC" 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.)
- * Unless electricity used for exempt purposes is separately metered, only 50% of the charge for electricity is considered to be used for exempt purposes.
- * The exemption is being phased in at 20% per year. Beginning on July 1, 1996, 20% of the qualifying electricity charges were exempt. The exemption increased to 40% beginning on July 1, 1997, and will increase to 60% beginning on July 1, 1998, 80% beginning on July 1, 1999,

and finally to 100% on July 1, 2000.

- * Taxpayers may claim the exemption by providing their electricity provider with a written certification of entitlement to the statutory exemption. The certification relieves the seller from the responsibility of collecting tax on exempt amounts. The Department looks solely to the purchaser for recovery of tax if the purchaser was not entitled to the exemption.

Effective July 1, 1998, the statute granting the exemption has been amended. Charges billed on or after that date will be subject to the amended law. Changes to the exemption include:

- * Taxpayers with SIC codes in major industry group 21 (Tobacco Products) no longer qualify for exemption.
- * The exemption now also includes steam energy.
- * Machinery used to prepare tangible personal property for shipment is added to the types of qualifying machinery.
- * Separate metering of electricity used to operate qualifying machinery and equipment is no longer necessary to claim the maximum exemption. If a taxpayer uses at least 75 percent of the electricity at a facility for exempt uses, electricity for the facility is 100 percent exempt, regardless of how it is metered. If exempt usage of electricity at a facility is at least 50 percent but less than 75 percent of total usage, electricity for the facility is 50 percent exempt, whether or not there is separate metering. If exempt usage of electricity at a facility is less than 50 percent of total usage, no exemption will be available for charges on or after July 1, 1998, even if manufacturing machinery and equipment at the facility is separately metered. Separate metering can be used to establish that a facility meets the 50% or 75% exemption threshold. However, for audit purposes, a taxpayer may establish the percentage by providing any satisfactory documentation, such as engineering reports.

- * A new certification must be used by all taxpayers claiming the exemption on or after July 1, 1998, to reflect the changes in the statute. Suggested formats for certification regarding electricity and steam are attached.

The WAGES registration requirement and the phase-in of the exemption remain in effect.

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.

For more information call Tax Information Services, Monday - Friday, 8:00 a.m. to 5:00 p.m., ET, at 850-488-6800.

Hearing or speech impaired persons should call our TDD at 1-800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, PO Box 7443, Tallahassee, FL 32314-7443.

Also, visit our Web site at <http://sun6.dms.state.fl.us/dor/> for forms and other information.

Get tax forms quickly by FAX ON DEMAND. Call 850-922-3676, twenty-four hours a day, seven days a week, using your fax machine handset and follow the instructions.

References:

s. 212.08(7)(ii), F.S., (1997)

Ch. 98-318, L.O.F. (1998)

**SUGGESTED PURCHASER'S EXEMPTION CERTIFICATE
ELECTRICITY USED TO MANUFACTURE ITEMS FOR SALE
FOR USE ON OR AFTER JULY 1, 1998**

_____ (Purchaser's Name) certifies that the electricity purchased on or after _____ (July 1, 1998, or effective date of WAGES registration, whichever is later) under the following account number(s) is exempt from sales tax, because such electricity will be used at a fixed location to operate machinery and equipment that is used to manufacture, process, compound, produce, or prepare for shipment items of tangible personal property for sale, or to operate pollution control equipment, recycling equipment, maintenance equipment, or monitoring or control equipment used in such operations.

_____ (Purchaser's Name) further certifies that: a) 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, as contained in the Standard Industrial Classification Manual, 1987, as published by the Office of Management and Budget, Executive Office of the President; b) it has registered effective _____ with the Florida Department of Labor and Employment Security, Division of Jobs and Benefits, to participate in the WAGES Program; and either c) 75% or more of the electricity used at a fixed location is used to operate machinery and equipment as described above, and the location qualifies for the a 100% exemption, or d) more than 50% but less than 75% of the electricity used at a fixed location is used to operate machinery and equipment as described above, and the location qualifies for a 50% exemption.

SIC INDUSTRY NUMBER _____

Address of Exempt Locations Claimed	Utility account numbers	Amount of Exemption
---	----------------------------	------------------------

(Circle One)

_____ 100% / 50%

_____ 100% / 50%

_____ 100% / 50%

The undersigned understands that if such purchases of electricity do not qualify for exemption, the undersigned will be subject to sales and use tax, interest, and penalties. Purchaser further understands that when any person shall fraudulently, for the purpose of evading tax, issue 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.

_____ Date
Purchaser's Name (Print or Type)

_____ Florida Sales Tax Number
Signature and Title

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

Effective Date of Registration with the Florida Department of Labor and Employment Security, WAGES Program Business Registry:

**SUGGESTED PURCHASER'S EXEMPTION CERTIFICATE
STEAM USED TO MANUFACTURE ITEMS FOR SALE
FOR USE ON OR AFTER JULY 1, 1998**

_____ (Purchaser's Name) certifies

that the steam purchased on or after _____ (effective date of WAGES registration) under the following account number(s) is exempt from sales tax, because such steam will be used at a fixed location to operate machinery and equipment that is used to manufacture, process, compound, produce, or prepare for shipment items of tangible personal property for sale, or to operate pollution control equipment, recycling equipment, maintenance equipment, or monitoring or control equipment used in such operations.

_____ (Purchaser's Name) further certifies that: a) 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, as contained in the Standard Industrial Classification Manual, 1987, as published by the Office of Management and Budget, Executive Office of the President; and b) it has registered effective _____ with the Florida Department of Labor and Employment Security, Division of Jobs and Benefits, to participate in the WAGES Program.

SIC INDUSTRY NUMBER _____

Address of Exempt Locations

Utility Account Numbers

The undersigned understands that if such purchases of steam do not qualify for exemption, the undersigned will be subject to sales and use tax, interest, and penalties. Purchaser further understands that when any person shall fraudulently, for the purpose of evading tax, issue 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.

Purchaser's Name (Print or Type) Date

Signature and Title Florida Sales Tax Number

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

Effective Date of Registration with the Florida Department of
Labor and Employment Security, WAGES Program Business Registry:
