

Florida Department Of Revenue
Tax Information Publication

TIP 99A01-22

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Changes to the Exemptions for Industrial Machinery and Equipment

Effective July 1, 1999, certain industries are not subject to sales or use tax on labor charges for the repair of, and parts and materials used in the repair of and incorporated into, industrial machinery and equipment that is used for manufacturing, processing, compounding, or production of items of tangible personal property at a fixed location in Florida. Industrial machinery and equipment generally consists of mechanical, electrical, or electronic devices used to perform a function and produce a result regarding tangible personal property.

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, 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.**

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 is attached.)

The exemption is phased in over a 4-year period. Beginning on July 1, 1999, 25 percent of the charges for repair parts and labor is 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, 1999, is subject to a 25% exemption from tax. After applying the 25% exemption, the tax is computed on \$750, resulting in sales tax of \$45 (plus any applicable discretionary sales surtax). The exempt portion of the repair (\$250) 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); \$250 in LINE A, Column 2 (Exempt Sales); and \$750 in LINE A, Column 3 (Taxable Amount). The amount to be included in LINE A, Column 4 (Tax Collected) would be \$45 plus any applicable surtaxes on the taxable amount of \$750.

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.

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, Tax Information Services, 1379 Blountstown Highway, Tallahassee, FL 32304.

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

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:

Ch. 99-364, L.O.F.

s. 212.08(7), F.S.

**SUGGESTED PURCHASER'S EXEMPTION CERTIFICATE
REPAIRS TO QUALIFYING INDUSTRIAL MACHINERY AND EQUIPMENT**

FOR USE ON OR AFTER JULY 1, 1999

_____ (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, 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.

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| 22 | Textile Mill Products |
| 23 | Apparel and Other Finished Products Made from Fabrics and Similar Materials |
| 24 | Lumber and Wood Products, Except Furniture |
| 25 | Furniture and Fixtures |
| 26 | Paper and Allied Products |
| 27 | Printing, Publishing, and Allied Industries |
| 28 | Chemicals and Allied Products |
| 29 | Petroleum Refining and Related Industries |
| 30 | Rubber and Miscellaneous Plastics Products |
| 31 | Leather and Leather Products |
| 32 | Stone, Clay, Glass, and Concrete Products |
| 33 | Primary Metal Industries |
| 34 | Fabricated Metal Products, Except Machinery and Transportation Equipment |
| 36 | Electronic and Other Electrical Equipment and Components, Except Computer Equipment |
| 37 | Transportation Equipment |
| 38 | Measuring, Analyzing, and Controlling Instruments; Photographic, Medical and Optical Goods; Watches and Clocks |
| 39 | Miscellaneous Manufacturing Industries |

| SIC Industry Group Number | Short Title |
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| 212 | Cigars |
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"SIC" means those classifications contained in Standard Industrial Classification Manual, 1987, as published by the Office of Management and Budget, Executive Office of the President.