

**Florida Department of Revenue
Tax Information Publication**

**TIP 06A01-06
Date June 23, 2006**

**Changes to Specified Sales Tax Exemptions on
Purchases of Machinery and Equipment**

The closing of the 2006 Florida Legislative Session resulted in a change in the law on several tax exemptions relating to purchases or leases of machinery and equipment. The tax exemptions that were affected are discussed below.

Machinery and Equipment Purchased by Expanding Manufacturers

Effective July 1, 2006, expanding manufacturing businesses are no longer required to meet a \$50,000 tax threshold. Purchase transactions completed, or lease payments required to be made, prior to July 1, 2006, remain subject to the \$50,000 tax threshold.

To qualify for the exemption, expanding manufacturing businesses:

Must be registered for sales and use tax purposes with the Department of Revenue;

Must file Form DR-1214, an Application for Temporary Tax Exemption Permit, with the Department of Revenue;

Must purchase or lease qualifying machinery and equipment to manufacture, process, compound, or produce tangible personal property for sale at a fixed location; and

Must show an increase in productive output of not less than 10 percent to qualify for the exemption. The increase is generally measured by comparing the number of physical units produced for 12 continuous months immediately following the completion of installation of qualifying machinery and equipment to the number of physical units produced over the 12 continuous months immediately preceding such installation.

In response to a properly filed Form DR-1214, the Department will issue a temporary tax exemption permit to qualified expanding businesses or provide instructions on how to apply for a refund of previously paid taxes on qualifying machinery and equipment.

Machinery and Equipment Purchased for Use in Mining Operations

Effective July 1, 2006, sales and use tax exemption for purchases or leases of machinery and equipment by a new or expanding manufacturing business is equally available to mining operations. Accordingly, mining operations are no longer required to obtain the exemption by way of a credit against severance taxes, nor are they required to show an

increase in the creation of new jobs.

To qualify for tax exemption, an eligible mining business:

Must be registered for sales and use tax purposes with the Department of Revenue;

Must file Form DR-1214, an Application for Temporary Tax Exemption Permit, with the Department of Revenue; and

Must purchase or lease qualifying machinery and equipment for use at a fixed location.

In response to a properly filed Form DR-1214, the Department will issue a temporary tax exemption permit to qualified mining businesses or provide instructions on how to apply for a refund of previously paid taxes on qualifying machinery and equipment.

Machinery and Equipment Purchased Under Federal Procurement

Effective July 1, 2006, expanding manufacturing businesses that purchase or lease qualifying machinery and equipment for use under a federal procurement contract are no longer required to meet a \$100,000 tax threshold. Purchase transactions completed, or lease payments required to be made, prior to July 1, 2006, remain subject to the \$100,000 tax threshold.

Machinery and Equipment Purchased for Research and Development

Effective July 1, 2006, purchases or leases of machinery and equipment that will be used predominantly in research and development activities are exempt from tax. The term "predominantly" means at least 50 percent of the time.

To purchase qualifying machinery and equipment for use in research and development tax exempt, the purchaser must issue an exemption certificate or a direct pay permit to the selling dealer. A suggested format of an exemption certificate is attached. For purposes of this exemption, "research and development" means research that has one of the following as its ultimate goal:

Basic research in a scientific field of endeavor;

Advancing knowledge or technology in a scientific or technical field of endeavor;

The development of a new product, whether or not the new product is offered for sale;

The improvement of an existing product, whether or not the improved product is offered for sale;

The development of new uses of an existing product, whether or not a new use is offered as a rationale to purchase the product; or

The design and development of prototypes, whether or not a resulting product is offered for sale.

How to Register with the Department

Registration with the Department can be accomplished by using one of the following methods:

Accessing the Department's Internet site at www.myflorida.com/dor and using the Department's "e-Services". No fee is required for this method of registration; or

Filing Form DR-1, an Application to Collect and/or Report Tax in Florida, with the Department. This method requires payment of a \$5 registration fee.

References: Ch. 2006-56 and 57, L.O.F. s. 212.08(5)(b) and (18), F.S.

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 forms and other information, visit our Internet site at www.myflorida.com/dor. Or call Taxpayer Services, 8:00 a.m., to 7:00 p.m., ET, Monday through Friday, excluding holidays, at 800-352-3671 or 850-488-6800.

Persons with hearing or speech impairments may call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, 1379 Blountstown Highway, Tallahassee, FL 32304-2716.

**SUGGESTED PURCHASER'S EXEMPTION CERTIFICATE
MACHINERY AND EQUIPMENT FOR USE IN
RESEARCH AND DEVELOPMENT**

This is to certify that all machinery and equipment purchased or leased on or after (DATE) from (VENDOR) , including purchases of materials and labor for self-fabrication of machinery and equipment, will be used predominantly in research and development activities at (ADDRESS) in (CITY) , Florida, County of (COUNTY) . Further, said machinery and equipment is exempt from tax pursuant to Section 212.08(18), F.S., and will be used in research and development that has one of the following as its ultimate goal:

Basic research in a scientific field of endeavor;

Advancing knowledge or technology in a scientific or technical field of endeavor;

The development of a new product, whether or not the new product is offered for sale;

The improvement of an existing product, whether or not the improved product is offered for sale;

The development of new uses of an existing product, whether or not a new use is offered as a rationale to purchase the product; or

The design and development of prototypes, whether or not a resulting product is offered for sale.

This certificate may be used to make future qualifying purchases or leases of machinery and equipment, including purchases of materials and labor for self-fabrication of machinery and equipment, and it will remain in affect until rescinded by the purchaser.

I understand that if I fraudulently issue this certificate to evade the payment of tax, I will be liable for payment of the tax plus a penalty of 200% of the tax and be liable for fine and punishment provided by law for conviction of a felony of the third degree, as provided in s. 775.082, s. 775.083, or s. 775.084.

Under penalties of perjury, I declare that I have read the foregoing document and that the facts stated in it are true.

Purchaser's Name (Print or Type) Purchaser's Address

Signature and Title Florida Sales and Use
Tax No. (if required)

Date Federal Employer's
Identification No.
(if applicable)