

Limit M&E exemption to production machinery and equipment only

Description This proposal would limit the retail sales and use tax exemptions for machinery and equipment used directly in a manufacturing operation to include *only* production machinery and equipment.

- Machinery and equipment used for R&D purposes, testing, and other activities that are integral to a manufacturing operation -- but not directly part of the production process -- would no longer qualify for the exemption.

Current Law The manufacturers' sales and use tax (M&E) exemption provides retail sales and use tax exemptions for:

- Machinery and equipment used directly in a manufacturing operation or research and development operation;
- Sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving qualifying machinery and equipment; and
- Qualifying machinery and equipment used directly in a testing operation by a person engaged in testing for a manufacturer or processor for hire.

Revenue Impact General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$74.7	\$74.7

Notes:

- *Estimates assume a July 1, 2012, effective date, representing 11 months of collections for FY 2013.*
 - *Estimates reflect the September 2011 Economic & Revenue Forecast Council revenue forecast.*
-

Expenditure Impact

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
TBD	TBD	TBD
