

Limit M&E exemption to machinery and equipment used exclusively for manufacturing

Description This proposal would limit the retail sales and use tax exemptions for manufacturing machinery and equipment by requiring that machinery and equipment must be used *exclusively* for manufacturing.

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.

Exempt equipment must be primarily used in manufacturing or the testing process, but need not be used exclusively for this purpose.

Revenue Impact

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$71.2	\$ 71.2

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.*
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Expenditure Impact

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