
DIGEST

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Ellington

HB No. 818

Abstract: Phases-in an exclusion on the state sales and use tax on tangible property consumed in the manufacturing process beginning on July 1, 2009, and ending on July 1, 2012.

Present law provides that the "cost price" means the actual cost of the articles of tangible personal property without any deductions therefrom on account of the cost of materials used, labor, or service cost, except those service costs for installing the articles of tangible personal property if such cost is separately billed to the customer at the time of installation, transportation charges, or any other expenses whatsoever, or the reasonable market value of the tangible personal property at the time it becomes susceptible to the use tax, whichever is less.

Proposed law provides that for purposes of the state sales and use tax, the cost price of tangible property consumed in the manufacturing process, such as fuses, belts, felts, wires, conveyor belts, lubricants and motor oils; the cost price of spare and replacement parts for manufacturing machinery and equipment, such as valves, pumps, motors, and other manufacturing machinery and equipment components; and the cost price of repairs and maintenance of manufacturing machinery and equipment shall be reduced as follows:

- (1) For the period beginning July 1, 2009, and ending on June 30, 2010, the state sales and use tax on the cost price shall be reduced by 25%.
- (2) For the period beginning July 1, 2010, and ending June 30, 2011, the state sales and use tax on the cost price shall be reduced by 50%.
- (3) For the period beginning July 1, 2011, and ending June 30, 2012, the sales and use tax on the cost price shall be reduced by 75%.
- (4) For all periods beginning on and after July 1, 2012, the state sales and use tax on the cost price shall be reduced by 100% percent.

Proposed law provides that for purposes of proposed law, a manufacturer shall mean a person whose principal activity is manufacturing and who is assigned an industry group designation of 3211 through 3222 pursuant to the North American Industry Classification System (NAICS) of 2007.

(Adds R.S. 47:301(3)(k))