

ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES
Code of Alabama 1975, Sections 40-23-31 and 40-23-83

810-6-2-.108. Paper Manufacturers, Tax Rates Applicable to.

(1) Purchases of machines by paper manufacturers to be used in manufacturing, processing, or compounding tangible personal property and purchases by paper manufacturers of the parts, attachments, or replacements for these machines which are (i) made or manufactured for use on or in the operation of the machines, (ii) necessary to the operation of the machines, and (iii) customarily so used are taxable at the reduced machine rates of sales and use tax levied in Sections 40-23-2(3) and 40-23-61(b). Examples of tangible personal property that are taxable at the reduced machine rate when purchased by paper manufacturers are:

- (a) machine clothing - felts, screen plates, and wire
- (b) tanks to be used in manufacturing
- (c) recording instruments attached directly to manufacturing machinery
- (d) pipes, valves, pipe fittings, and pipe fitting supplies attached to manufacturing machinery (all other pipes, valves, pipe fittings, and pipe fitting supplies are taxable at the general rate except for those which are used in a water treatment plant and, therefore, qualify for the pollution control exemption in Sections 40-23-4(a)(16) and 40-23-62(18))
- (e) all machinery and equipment used to generate electricity including boilers, engines, condensers, generators, transformers, and attachments thereto (machinery and equipment used solely for the transmission of electricity is taxable at the general rate)
- (f) electrical equipment used as direct controls of manufacturing machines
- (g) all transformers, wherever used
- (h) insulating material, both bulk and preformed, which is applied to manufacturing machinery
- (i) shafting, whether purchased prefabricated to exact size or unfinished to be cut and machined by the purchaser, when used on manufacturing machinery
- (j) packing, whether purchased prefabricated or in bulk form, when purchased for use on manufacturing machinery
- (k) steam hose purchased for use as a part or attachment to manufacturing machinery
- (l) steel, steel plate, steel angles, bushing, bronze, steel shapes, and tool steel from which machine parts or attachments are fabricated
- (m) fire clay and bulk lining materials

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(n) equipment used in measuring, weighing, and packaging product when it is a part of the production line machinery and is used to put the product in condition for sale

(o) computers directly linked to manufacturing machinery and used to control or monitor manufacturing machinery

(p) machinery used during the manufacturing process to test or measure materials entering the product.

(2) Tangible personal property purchased by paper manufacturers is taxable at the general rate of sales or use tax levied in Sections 40-23-2(1) and 40-23-61(a) unless it qualifies for the reduced automotive, manufacturing machine, or farm machine rate of tax or for a specific statutory exemption or exclusion. Property purchased for use in general plant maintenance, administration, general management, or marketing is taxable at the general rate. The following items are taxable at the general rate of sales or use tax when purchased by paper manufacturers with certain exceptions as noted:

(a) steam hose used for cleaning purposes including bulk purchases of steam hose of the kind which may be used either for cleaning the plant and plant equipment or for use as an attachment to manufacturing machinery (unless the purchaser can document that all of the steam hose purchased in bulk was used on manufacturing machinery)

(b) bulk or preformed insulating material not becoming an attachment to manufacturing machinery

(c) machinery and equipment used solely to transmit electricity from the powerhouse to motor control centers on manufacturing machinery (these items transmit electricity rather than manufacture electricity)

(d) all wire, fixtures, and other materials used in lighting

(e) baling wire pulp for internal use

(f) skid and anchor plates

(g) steel strapping, when not furnished as part of a one-time-use container

(h) gummed tape, when not furnished as part of a one-time-use container

(i) wooden skids

(j) pulpwood saws and saw parts (taxable at the reduced farm machine rate when purchased for use in harvesting timber)

(k) yard switcher repair parts

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- (l) safety shoes
- (m) lumber
- (n) magazine subscriptions
- (o) repair parts for electric trucks
- (p) office supplies
- (q) laboratory supplies
- (r) cafeteria equipment
- (s) charts used on recording instruments that are attached directly to manufacturing machinery
- (t) tractor repair parts
- (u) paints
- (v) auto, truck, and trailer repair parts
- (w) hand-operated hoists and parts
- (x) portable air compressors and parts
- (y) tools
- (z) first aid supplies, fire protection supplies and equipment, safety supplies and equipment
- (aa) welding machines and parts
- (bb) fuel oil
- (cc) Dowicide (not taxable when it becomes an ingredient or component part of the paper manufacturer's manufactured product)
- (dd) Nopco K. F. foam killer (exempt when used primarily for air or water pollution control purposes)
- (ee) seedlings and plants

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(ff) repair parts for gas-driven and electric lift trucks (new units taxable at the reduced automotive rate)

(gg) building materials including brick, structural steel, concrete, lumber rails, paint, insulation materials, plumbing fixtures, and all other materials becoming a part of a structure

(hh) pipes, valves, pipe fittings, and pipe fitting supplies including those which are used in drinking water lines and fire protection lines (pipes, valves, pipe fittings, and pipe fitting supplies which are attached to manufacturing machinery are taxable at the reduced machine rate; those which are used in a water treatment plant qualify for the pollution control exemption in Sections 40-23-4(a)(16) and 40-23-62(18))

(ii) construction supplies including welding rods, acetylene, oxygen, screws, nuts, bolts, and rivets.

(3) The rates of sales and use tax applicable to purchases of used machinery and equipment by paper manufacturers are the same as the rates applicable to purchases of new equipment.

(4) Exemptions and exclusions which commonly apply to paper manufacturers include the wholesale exclusion for purchases of materials becoming an ingredient or component part of a manufactured product and the one-time-use containers or container components in which the manufacturer's product is furnished, the exemption for oils and greases otherwise taxed as lubricants, and the exemption for certain railroad cars, vessels, and barges of over five tons load displacement. (Sections 40-23-1(a)(9)b, 40-23-1(a)(9)c, 40-23-4(a)(1), 40-23-4(a)(12), 40-23-60(4)b, 40-23-60(4)c, 40-23-62(4), and 40-23-62(17)) (Adopted through APA effective November 3, 1998)