

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

810-6-1-.131. Withdrawals of Products Manufactured, Compounded, or Processed for Sale.

(1) Except as noted in paragraphs (2) and (3) below, manufacturers, compounders, and processors shall include in taxable sales reported for sales tax purposes the costs of materials purchased at wholesale which have become ingredients or components of products manufactured or compounded for sale by them but which are withdrawn from stock for their own use or consumption.

(2) Neither the withdrawal, use, or consumption of a manufactured product by the manufacturer thereof in quality control testing performed by employees or independent contractors of the manufacturer nor a gift by the manufacturer of a manufactured product, withdrawn from the manufacturer's inventory, to an entity listed in 26 U.S.C. Sections 170(b) or (c), is subject to sales tax. (Sections 40-23-1(a)(6), 40-23-1(a)(10) and 40-23-1(e))

(3) Refinery, residue, or fuel gas, whether in a liquid or gaseous state, that has been generated by, or is otherwise a by-product of, a petroleum-refining process, which gas is then utilized in the process to generate heat or is otherwise utilized in the distillation or refining of petroleum products is not taxable under the withdrawal provisions of the sales or use tax statutes. (Sections 40-23-1(a)(6), 40-23-1(a)(8) and 40-23-60(5)) (Readopted through APA effective October 1, 1982, amended January 5, 1996, amended December 23, 1999)