

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

810-6-1-.80. Ingredient or Component of Product Manufactured or Compounded for Sale.

(1) Subject to the qualifications outlined in paragraph (2), tangible personal property which is purchased by a manufacturer or compounder and which enters into and becomes an ingredient or component part of the final product manufactured or compounded for sale may be purchased at wholesale, tax free, for both sales and use tax purposes, regardless of whether the property is used with the intent that it becomes an ingredient or component part of the finished product. The burden of proving that materials become an ingredient or component part of the finished product shall be carried by the manufacturer or compounder. (Sections 40-23-1(a)(9)b and 40-23-60(4)b)

(2) In order to qualify for the wholesale sale exclusion contained in Sections 40-23-1(a)(9)b and 40-23-60(4)b, the tangible personal property purchased by the manufacturer or compounder must be present in the final product and must not be deducted as depreciation or as a Section 179 expense deduction as allowed under Section 40-18-35(a)(17), on the manufacturer's or compounder's Alabama income tax return. (Section 40-23-1(a)(9)b and 40-23-60(4)b), (Adopted October 1, 1959; readopted through APA effective October 1, 1982; amended February 4, 1985, amended December 10, 1997)