

BILL ANALYSIS

Senate Research Center

S.B. 1424
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Finance
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As Filed

DIGEST

Currently, there is confusion as to sales tax exemptions for manufacturing equipment. This bill requires to be eligible for an exemption, equipment used in the manufacturing process must have direct involvement with the item being manufactured for ultimate sale. Additionally, this bill will put the burden on the taxpayer claiming the exemption to prove that manufacturing equipment purchased is not excluded from the exemption.

PURPOSE

As proposed, S.B. 1424 requires to be eligible for an exemption, equipment used in the manufacturing process to have direct involvement with the item being manufactured for ultimate sale. Additionally, this bill will put the burden on the taxpayer claiming the exemption to prove that manufacturing equipment purchased is not excluded from the exemption.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 151.318, Tax Code, by amending Subsections (a) and (c) and adding Subsection (r), as follows:

- (a) Provides that certain property is exempt from taxes under this chapter if the personal property directly makes or causes chemical or physical change to the product being manufactured, processed, or fabricated for ultimate sale.
- (c) Provides that the exemption does not include certain intraplant transportation equipment or machinery and equipment or supplies used to maintain or store tangible personal property.
- (r) Requires a taxpayer to maintain proof that purchases of taxable services and tangible personal property are exempted under this section and not excluded from the exemption.

SECTION 2. Effective date: September 1, 1997.

SECTION 3. Emergency clause.