OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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March 14, 2000

Re: Our File Number LR-00-52; Taxability of equipment used for manufacturing operation

Dear

This is in response to your request for an assessment of the sales tax status on the equipment described in your correspondence that will allow your company to recover and reuse the caustic cleaning solutions from the clean-up waste in your company's manufacturing plant.

The exemption for goods purchased by a manufacturer is found at 68 O.S. Section 1359 which reads in part:

> ". There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:
> 1. Sales of goods, wares, merchandise, tangible personal property, machinery and equipment to a manufacturer for use in a manufacturing operation,"

The term "manufacturer" and the phrase "manufacturing operation" are defined in 68 O.S. Section 1352. The applicable portion of which reads:

> "As used in the Oklahoma Sales Tax Code:
> 9. "Manufacturing" means and includes the activity of converting or conditioning some existing material or materials, by procedures commonly regarded as manufacturing, tangible personal property by changing the form, composition, of quality of character of compounding, processing or assembling, into a material or materials with a different form or use. "Manufacturing" does not include extractive industrial activities such as mining, quarrying, logging, and drilling for oil, gas and water, but may include processes subsequent to extraction if such process result in a change of the form or use of the material extracted;

10. "Manufacturing operation," means the designing, manufacturing, compounding, processing, assembling, warehousing, or preparing of articles for sale as tangible personal property. A manufacturing operation begins at the point where the materials enter the manufacturing site and ends at the point where a finished product leaves the manufacturing site. "Manufacturing operation" does not include administration, sales, distribution, transportation, site construction, or site maintenance;" [Emphasis added]

Therefore, your company, which holds a manufacturers' Sales Exemption Permit may purchase the equipment that will allow your company to recover and reuse the caustic cleaning solution from the clean-up waste in your company's plant, exempt from Oklahoma's sales and use tax.

This response applies only to the circumstances set out in your request of February 24, 2000, and may not be relied upon by any entity other than the addressee. In the event of any change in the facts surrounding the transaction described, this letter ruling would no longer be applicable. You are further advised that subsequent statutory or administrative rule changes or judicial construction of the statutes or rules upon which this advice is based may yield a different result from that which is expressed here.

If I can be of further assistance, please feel free to contact me.

Sincerely,

OKLHAHOMA TAX COMMISSION

Brenda J. Sullivan
Tax Policy Analyst