

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
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July 25, 2005

Re: Our File Number LR-05-082; Whether the exemption from sales tax for manufacturing operations is applicable to a "demonstration plant."

Dear

This is in response to your inquiry concerning whether a "demonstration plant" that is being built by \_\_\_\_\_ will qualify for the manufacturing exemption from sales tax in Oklahoma.

According to your letter, the plant will be built and produce products in conjunction with an existing manufacturing plant.

Oklahoma Tax Commission Rule 710:65-13-150.1 exempts from sales tax, purchases of tangible personal property for use in a manufacturing operation.

In that rule, "Manufacturing Operation" is defined as "*the designing, manufacturing, compounding, processing, assembling, warehousing, or preparing of articles for sale as tangible personal property.*"

Also in that rule, "Manufacturing" is defined to mean "*the activity of converting or conditioning tangible personal property by changing the form, composition, or quality of character of some existing material or materials, including natural resources, by procedures commonly regarded by the average person as manufacturing, compounding, processing or assembling, into a material or materials with a different form or use.*"

Furthermore, the rule exempts machinery used in product development when used by a manufacturer, in a manufacturing operation at a manufacturing site.

Therefore tangible personal property purchased by \_\_\_\_\_ and used to build a demonstration plant for use in a manufacturing operation, at a manufacturing site may be purchased exempt from sales tax.

This response applies only to the circumstances set out in your request of April 11, 2005. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

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

Sincerely,  
*OKLAHOMA TAX COMMISSION*

A handwritten signature in black ink, appearing to read "Michael G. Pillow". The signature is written in a cursive style with some loops and flourishes.

Michael G. Pillow  
*Tax Policy Analyst*