

Sales and Use Tax Exemption for Purchases or Leases by a Manufacturer: Historical Highlights

Utah Code Subsection 59-12-104 (14) and Prior Subections

This summary contains provisions relating to the sales and use tax exemption for certain purchases or leases by a manufacturer. Some of these provisions are part of larger statutory sections. However, only the portions of the statutory sections relating to the exemption for manufacturers are included in this summary.

1985 - Exemption enacted

§ 59-15-6 (5) There are exempted from the taxes imposed by this chapter the gross receipts from all sales or leases of machinery and equipment purchased or leased by a manufacturer for use in new or expanding operations (excluding normal operating replacements as determined by the State Tax Commission) in any manufacturing facility in Utah. Normal operating replacements shall include replacement machinery and equipment which increases plant production or capacity. Manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the Standard Industrial Classification Manual 1972, of the federal Executive Office of the President, Office of Management and Budget. For purposes of this subsection, the State Tax Commission shall by rule define 'new or expanding operations' and 'establishment.'

§ 59-16-4 The storage, use, or other consumption in this state of the following tangible personal property is specifically exempted from the tax imposed by this [æ] chapter: ... all sales or leases of machinery and equipment purchased or leased by a manufacturer for use in new or expanding operations (excluding normal operating replacements as determined by the State Tax Commission) in any manufacturing facility Utah. Normal operating replacements shall include replacement machinery and equipment which increases plant production or capacity. Manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the Standard Industrial Classification Manual 1972, of the federal Executive Office of the President, Office of Management and Budget. For purposes of this subsection, the State Tax Commission shall by rule define 'new or expanding operations' and 'establishment.'

1986 - Provision enacted requiring amount of exempt sales to be reported to State Tax Commission

§ 59-15-6 (6) The amount of sales exempt under Subsections (3), (4), and (5) shall be reported to the State Tax Commission by the purchaser or retailer: The State Tax Commission shall disallow the exemptions granted under Subsections (3), (4), and (5) upon failure by the purchaser or retailer to report the full amount of such exempt sales.

1987 Sales and Use Taxes -Phase II Recodification includes: (1) renumbering and amending Utah Code Ann. § 59-15-6; (2) repealing Utah Code Ann. § 59-16-4; and (3) renumbering and amending exempt sales reporting requirements

§ 59-12-104 [~~There are exempted~~] The following sales and uses are exempt from the taxes imposed by this chapter [the gross receipts from: (a) all];... (16) [(5) There are exempted from the taxes imposed by this chapter the gross receipts from all] sales or leases of machinery and equipment purchased or leased by a manufacturer for use in new or expanding operations (excluding normal operating replacements, which includes replacement machinery and equipment even though they may increase plant production or capacity, as determined by the [State Tax] commission) in any manufacturing facility in Utah For purposes of this subsection, the [State Tax] commission shall by rule define 'new or expanding operations' and 'establishment[-]';

~~[(6) The amount of sales exempt under Subsections (3), (4), and (5) shall be reported to the State Tax Commissioner by the purchaser or retailer. The State Tax Commission shall disallow the exemptions granted under Subsections (3), (4), and (5) upon failure by the purchaser or retailer to report the full amount of such exempt sales.]"~~

§ 59-12-105 The amount of sales or uses exempt under Subsections 59-12-104(15), (16), and (22) shall be reported to the commission by the owner, vendor, or purchaser, as the case may be. The commission shall disallow the exemptions granted under Subsections 59-12-104 (15), (16), and (22) upon failure by the vendor or purchaser to report the full amount of such exempt sales.*

**Note: Utah Code Ann. § 59-12-105 has been amended several times since the 1987 Phase II Recodification. These changes do not appear in this history, but are summarized as follows: (1) references to Utah Code Ann. § 59-12-104 have been amended to reflect section renumbering; (2) penalty provisions were added for failure to report exemption amounts; and (3) changes that do not directly pertain to the exemption for manufacturers were also made.*

1989 State Tax Commission study requirement enacted

§ 59-12-104 (16) ... the commission shall by rule define 'new or expanding operations' and 'establishment.' By October 1, 1991, and every five years thereafter, the tax commission shall review this exemption and make recommendations to the Revenue and Taxation Interim Committee concerning whether the exemption should be continued, modified, or

repealed. In its report to the Revenue and Taxation Interim Committee, the tax commission review shall include at least:

(a) the cost of the exemption;

(b) the purpose and effectiveness of the exemption; and

(c) the benefits of the exemption to the state;

1991 Definition of "normal operating replacements" modified; and technical changes enacted

§ 59-12-104 [~~(16)~~] (15) sales or leases of machinery and equipment ... in any manufacturing facility in Utah. [~~Normal operating replacements shall include replacement machinery and equipment which increases plant production or capacity.~~] By October 1, 1991, and every five years thereafter, the State Tax Commission shall review this exemption and make recommendations to the Revenue and Taxation Interim Committee concerning whether the exemption should be continued, modified, or repealed....

1992 - Technical changes enacted

§ 59-12-104 (15) sales of leases of machinery and equipment ... in any manufacturing facility in Utah. Manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the 1987 Standard Industrial Classification Manual [~~1972~~], of the federal Executive Office of the President, Office of Management and Budget.

1994 - Technical changes enacted

§ 59-12-104 (15) sales or leases of machinery and equipment purchased or leased by a manufacturer for use in new or expanding operations (excluding normal operating replacements, which includes replacement machinery and equipment even though they may increase plant production or capacity, as determined by the commission) in any manufacturing facility in Utah [-];

(a) manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the 1987 Standard Industrial Classification Manual, of the federal Executive Office of the President, Office of Management and Budget [-];

(b) for purposes of this subsection, the commission shall by rule define 'new or expanding operations' and 'establishment[-];

(c) by October 1, 1991, and every five years thereafter, the commission shall review this exemption and make recommendations to the Revenue and Taxation Interim Committee concerning whether the exemption should be continued, modified, or repealed. In its report to the Revenue and Taxation Interim Committee, the tax commission review shall include at least:

[~~(a)~~] (i) the cost of the exemption;

[~~(b)~~] (ii) the purpose and effectiveness of the exemption; and

[~~(c)~~] (iii) the benefits of the exemption to the state;

1995 - Exemption expanded to include replacement parts; provisions enacted to phase in the exemption for replacement parts; and technical changes enacted

§ 59-12-104 [~~(15)~~] (16)(a) sales or leases of machinery and equipment purchased or leased by a manufacturer on or after July 1, 1995 for :

(i) use in new or expanding operations [~~(excluding normal operating replacements, which includes replacement machinery and equipment even though they may increase plant production or capacity, as determined by the commission)~~] related to the manufacturing process in any manufacturing facility in Utah;

[~~(a)~~] (A) manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the 1987 Standard Industrial Classification Manual, of the federal Executive Office of the President, Office of Management and Budget;

[~~(b)~~] (B) for purposes of this subsection, the commission shall by rule define the terms "new or expanding operations" and "establishment";

(ii) normal operating replacements, which includes replacement machinery and equipment in any manufacturing facility in Utah, at the following rate:

(A) for taxable years beginning July 1, 1996, 30% of the exemption shall be allowed;

(B) for taxable years beginning July 1, 1997, 60% of the exemption shall be allowed;

and

(C) for taxable years beginning July 1, 1998, 100% of the exemption shall be allowed.

[~~(e)~~] (b) by October 1, 1991, and every five years thereafter, the commission shall review [~~this exemption~~] these exemptions and make recommendations to the Revenue and Taxation Interim Committee concerning whether the [~~exemption~~] exemptions should be continued, modified, or repealed. In its report to the Revenue and Taxation Interim Committee, the tax commission review shall include at least:

(i) the cost of the [~~exemption~~] exemptions;

(ii) the purpose and effectiveness of the [~~exemption~~] exemptions; and

(iii) the benefits of the [~~exemption~~] exemptions to the state;

1996 - Technical changes enacted

§ 59-12-104 [~~(16)~~] (15) sales or leases...

(ii) normal operating replacements, which [~~includes~~] include replacement machinery and equipment in any manufacturing facility in Utah, at the following rate: ...

(C) for taxable years beginning July 1, 1998, 100% of the exemption shall be allowed [~~;-~~]; ...

1996 Third Special Session of the Legislature - *Qualification criteria established for manufacturing machinery, equipment, or normal operating replacements; and technical changes enacted*

- § 59-12-104 (15)(a) ~~[sales]~~ the following purchases or leases ~~[of machinery and equipment purchased or leased]~~ by a manufacturer on or after July 1, 1995 ~~[for]~~:
- (i) ~~[use]~~ machinery and equipment:
 - (A) used in the manufacturing process;
 - (B) having an economic life of three or more years; and
 - (C) used:
 - (I) to manufacture an item sold as tangible personal property; and
 - (II) in new or expanding operations ~~[related to the manufacturing process]~~ in ~~[any]~~ a manufacturing facility in ~~[Utah]~~ the state;
 - ~~[(A) manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the 1987 Standard Industrial Classification Manual, of the federal Executive Office of the President, Office of Management and Budget;]~~
~~[for purposes of this subsection, the commission shall by rule define the terms 'new or expanding operations' and 'establishment';]~~
 - (ii) ~~subject to the provisions of Subsection (15)(a)(iii), normal operating replacements ~~[which include replacement machinery and equipment]~~ that:~~
 - (A) have an economic life of three or more years;
 - (B) are used in the manufacturing process in ~~[any]~~ a manufacturing facility in ~~[Utah, at the following rate:]~~ the state;
 - (C) are used to replace or adapt an existing machine to extend the normal estimated useful life of the machine; and
 - (D) do not include repairs and maintenance;
 - (iii) the rates for the exemption under Subsection (15)(a)(ii) are as follows:
 - (A) ~~[for taxable years]~~ beginning July 1, 1996, through June 30, 1997, 30% of the ~~[exemption shall be allowed]~~ sale or lease described in Subsection (15)(a)(ii) is exempt;
 - (B) ~~[for taxable years]~~ beginning July 1, 1997, through June 30, 1998, 60% of the ~~[exemption shall be allowed]~~ sale or lease described in Subsection (15)(a)(ii) is exempt;
 - and
 - (C) ~~[for taxable years]~~ beginning July 1, 1998, 100% of the ~~[exemption shall be allowed]~~ sale or lease described in Subsection (15)(a)(ii) is exempt; and
 - (iv)(A) manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the 1987 Standard Industrial Classification Manual of the federal Executive Office of the President, Office of Management and Budget; and
(B) for purposes of this subsection, the commission shall by rule define the terms 'new or expanding operations' and 'establishment'; and
- (b) ~~[by]~~ on or before October 1, 1991, and every five years ~~[thereafter]~~ after October 1, 1991, the commission shall:
- (i) review ~~[these]~~ the exemptions described in Subsection (15)(a) and make recommendations to the Revenue and Taxation Interim Committee concerning whether the exemptions should be continued, modified, or repealed~~[-In its report to the Revenue and Taxation Interim Committee, the tax commission review shall]; and~~
 - (ii) include ~~[at least]~~ in its report:
 - ~~[(i)]~~ (A) the cost of the exemptions;
 - ~~[(ii)]~~ (B) the purpose and effectiveness of the exemptions; and
 - ~~[(iii)]~~ (C) the benefits of the exemptions to the state;

1997 - Definition of manufacturing facility expanded to include a scrap recycler; and technical changes enacted

§ 59-12-102 (12) For purposes of Subsection 59-12-104(15), 'manufacturing facility' means:
(a) an establishment described in SIC Codes 2000 to 3999 of the 1987 Standard Industrial Classification Manual of the federal Executive Office of the President, Office of Management and Budget; or
(b) a scrap recycler if:
(i) from a fixed location, the scrap recycler utilizes machinery or equipment to process one or more of the following items into prepared grades of processed materials for use in new products:
(A) iron;
(B) steel;
(C) nonferrous metal;
(D) paper;
(E) glass;
(F) plastic;
(G) textile; or
(H) rubber; and
(ii) the new products under Subsection (12)(b)(i) would otherwise be made with nonrecycled materials.

§ 59-12-104 (15)(a) the following purchases or leases by a manufacturer on or after July 1, 1995:
(i) machinery and equipment:
(A) used in the manufacturing process;
(B) having an economic life of three or more years; and
(C) used:
(I) to manufacture an item sold as tangible personal property; and
(II) in new or expanding operations in a manufacturing facility in the state; and
(ii) subject to the provisions of Subsection (15)~~(a)(iii)~~ (b), normal operating replacements that: ...
~~(iii)~~ (b) the rates for the exemption under Subsection (15)(a)(ii) are as follows:
~~(A)~~ (ii) beginning July 1, 1996, through June 30, 1997, 30% of the sale or lease described in Subsection (15)(a)(ii) is exempt; ~~(B)~~ (ii) beginning July 1, 1997, through June 30, 1998, 60% of the sales of lease described in Subsection (15)(a)(ii) is exempt; and ~~(C)~~ (iii) beginning July 1, 1998, 100% of the sales of lease described in Subsection (15)(a)(ii) is exempt; and ~~(iv)(A) manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the 1987 Standard Industrial Classification Manual of the federal Executive Office of the President, Office of Management and Budget; and~~ ~~(B)~~ (c) for purposes of this subsection, the commission shall by rule define the terms 'new or expanding operations' and 'establishment'; and ~~(b)~~ (d) on or before October 1, 1991, and every five years after October 1, 1991, the commission shall:
...

***1998 - Exemption/or replacement parts reduced to 80% beginning on July 1, 1999;
and study requirement imposed***

- §59-12-104** ~~[(15)](14)~~(a) the following purchases or leases by a manufacturer on or after July 1, 1995: ...
- (ii) subject to the provisions of Subsection ~~[(15)](14)~~(b), normal operating replacements that:...
 - (b) the rates for the exemption under Subsection ~~[(15)](14)~~(a)(ii) are as follows:
 - (i) beginning July 1, 1996, through June 30, 1997, 30% of the sale or lease described in Subsection ~~[(15)](14)~~(a)(ii) is exempt;
 - (ii) beginning July 1, 1997, through June 30, 1998, 60% of the sale or lease described in Subsection ~~[(15)](14)~~(a)(ii) is exempt; ~~and~~
 - (iii) beginning July 1, 1998, through June 30, 1999, 100% of the sale or lease described in Subsection ~~[(15)](14)~~(a)(ii) is exempt; and
 - (iv) beginning on or after July 1, 1999, 80% of the sale or lease described in Subsection (14)(a)(ii) is exempt; ...
 - (d) on or before October 1, 1991, and every five years after October 1, 1991, the commission shall:
 - (i) review the exemptions described in Subsection ~~[(15)](14)~~(a) and make recommendations to the Revenue and Taxation Interim Committee concerning whether the exemptions should be continued, modified, or repealed; ...

Uncodified

Section 2. Revenue and Taxation Interim Committee study.

- (1) The Revenue and Taxation Interim Committee shall, beginning on the May 1998 interim meeting and ending on or before the November 1998 interim meeting, study the exemptions provided for in Section 59-12-104 for purchases or leases of:
 - (a) machinery;
 - (b) equipment; and
 - (c) normal operating replacements.
- (2) The Revenue and Taxation Interim Committee shall include in its study an analysis of:
 - (a) the cost of the exemptions;
 - (b) the purpose and effectiveness of the exemptions;
 - (c) whether the exemptions benefit the state; and
 - (d) whether the exemptions should be:
 - (i) continued;
 - (ii) modified; or
 - (iii) repealed.
- (3) The Revenue and Taxation Interim Committee may request assistance from the Tax Review Commission in conducting the study under this section.

1999 - 100% exemption restored

- (14) (a) the following purchases or leases by a manufacturer on or after July 1, 1995:
- (i) machinery and equipment:
 - (A) used in the manufacturing process;
 - (B) having an economic life of three or more years; and
 - (C) used:
 - (I) to manufacture an item sold as tangible personal property; and
 - (II) in new or expanding operations in a manufacturing facility in the state; and
 - (ii) subject to the provisions of Subsection (14)(b), normal operating replacements that:
 - (A) have an economic life of three or more years;
 - (B) are used in the manufacturing process in a manufacturing facility in the state;
 - (C) are used to replace or adapt an existing machine to extend the normal estimated useful life of the machine; and
 - (D) do not include repairs and maintenance;
- (b) the rates for the exemption under Subsection (14)(a)(ii) are as follows:
- (i) beginning July 1, 1996, through June 30, 1997, 30% of the sale or lease described in Subsection (14)(a)(ii) is exempt;
 - (ii) beginning July 1, 1997, through June 30, 1998, 60% of the sale or lease described in Subsection (14)(a)(ii) is exempt; and
 - (iii) beginning July 1, 1998, [~~through June 30, 1999,~~] 100% of the sale or lease described in Subsection (14)(a)(ii) is exempt; [~~and~~]
 - ~~{(iv) beginning on or after July 1, 1999, 80% of the sale or lease described in Subsection (14)(a)(ii) is exempt;}~~
- (c) for purposes of this Subsection (14), the commission shall by rule define the terms "new or expanding operations" and "establishment"; and

2006 – Technical changes made and exemption for a scrap recycler and a new cogeneration facility added

- (14) (a) [~~the following purchases or leases by a manufacturer on or after July 1, 1995 :~~]
except as provided in Subsection (14)(b), amounts paid or charged on or after July 1, 2006, for a purchase or lease by a manufacturing facility other than a cogeneration facility, for the following:
- (i) machinery and equipment that:
 - (A) is used:
 - (I) for a manufacturing facility other than a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(40)(b):
 - (Aa) in the manufacturing process; and
 - (Bb) to manufacture an item sold as tangible personal property; or
 - (II) for a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(40)(b), to process an item sold as tangible personal property; and
 - (B) [~~having~~] has an economic life of three or more years; and
 - ~~{(C) used;}~~
 - ~~{(D) to manufacture an item sold as tangible personal property; and}~~
 - ~~{(E) in new or expanding operations in a manufacturing facility in the state; and}~~

- (ii) ~~subject to the provisions of Subsection (14)(b),~~ normal operating ~~replacements~~ repair or replacement parts that:
- (A) have an economic life of three or more years; and
 - (B) are used:
 - (I) for a manufacturing facility in the state other than a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(40)(b), in the manufacturing process ~~in~~; or
 - (II) for a manufacturing facility in the state ~~;~~ that is a scrap recycler described in Subsection 59-12-102(40)(b), to process an item sold as tangible personal property;
 - ~~[(C) are used to replace or adapt an existing machine to extend the normal estimated useful life of the machine; and]~~
 - ~~[(D) do not include repairs and maintenance;]~~
 - ~~[(b) the rates for the exemption under Subsection (14)(a)(ii) are as follows:]~~
 - ~~[(i) beginning July 1, 1996, through June 30, 1997, 30% of the sale or lease described in Subsection (14)(a)(ii) is exempt;]~~
 - ~~[(ii) beginning July 1, 1997, through June 30, 1998, 60% of the sale or lease described in Subsection (14)(a)(ii) is exempt; and]~~
 - ~~[(iii) beginning July 1, 1998, 100% of the sale or lease described in Subsection (14)(a)(ii) is exempt;]~~
 - (b)(i) amounts paid or charged on or after July 1, 2005, for a purchase or lease by a manufacturing facility that is a cogeneration facility placed in service on or after May 1, 2006, for the following:
 - (A) machinery and equipment that:
 - (I) is used:
 - (Aa) in the manufacturing process; and
 - (Bb) to manufacture an item sold as tangible personal property; and
 - (II) has an economic life of three or more years; and
 - (B) normal operating repair or replacement parts that:
 - (I) are used in the manufacturing process in a manufacturing facility in the state; and
 - (II) have an economic life of three or more years; and
 - (ii) for amounts paid or charged on or after July 1, 2005, but on or before June 30, 2006, for a purchase or lease described in Subsection (14)(b)(i), a cogeneration facility may claim the exemption allowed by Subsection (14)(b)(i) by filing for a refund:
 - (A) for sales and use taxes paid under this chapter on the purchase or lease payment; and
 - (B) in accordance with Section 59-12-110;
 - (c) for purposes of this Subsection (14) and in accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the commission:
 - (i) shall by rule define the ~~[terms "new or expanding operations" and]~~ term "establishment"; and
 - (ii) may by rule define what constitutes processing an item sold as tangible personal property; and

2007 – Equipment used in certain mining operations added

- (14) (a) except as provided in Subsection (14)(b), amounts paid or charged on or after July 1, 2006, for a purchase or lease by a manufacturing facility other than a cogeneration facility, for the following:
- (i) machinery and equipment that:
 - (A) is used:
 - (I) for a manufacturing facility other than a manufacturing facility that is a scrap recycler described in Subsection 59-12-102[(45)](46)(b):
 - (Aa) in the manufacturing process; and
 - (Bb) to manufacture an item sold as tangible personal property; or
 - (II) for a manufacturing facility that is a scrap recycler described in Subsection 59-12-102[(45)](46)(b), to process an item sold as tangible personal property; and
 - (B) has an economic life of three or more years; and
 - (ii) normal operating repair or replacement parts that:
 - (A) have an economic life of three or more years; and
 - (B) are used:
 - (I) for a manufacturing facility in the state other than a manufacturing facility that is a scrap recycler described in Subsection 59-12-102[(45)](46)(b), in the manufacturing process; or
 - (II) for a manufacturing facility in the state that is a scrap recycler described in Subsection 59-12-102[(45)](46)(b), to process an item sold as tangible personal property;
- (b) (i) amounts paid or charged on or after July 1, 2005, for a purchase or lease by a manufacturing facility that is a cogeneration facility placed in service on or after May 1, 2006, for the following:
- (A) machinery and equipment that:
 - (I) is used:
 - (Aa) in the manufacturing process; and
 - (Bb) to manufacture an item sold as tangible personal property; and
 - (II) has an economic life of three or more years; and
 - (B) normal operating repair or replacement parts that:
 - (I) are used in the manufacturing process in a manufacturing facility in the state; and
 - (II) have an economic life of three or more years; and
 - (ii) for amounts paid or charged on or after July 1, 2005, but on or before June 30, 2006, for a purchase or lease described in Subsection (14)(b)(i), a cogeneration facility may claim the exemption allowed by Subsection (14)(b)(i) by filing for a refund:
 - (A) for sales and use taxes paid under this chapter on the purchase or lease payment; and
 - (B) in accordance with Section 59-12-110;
- (c) amounts paid or charged for a purchase or lease made on or after January 1, 2008, by an establishment described in NAICS Subsector 212, Mining (except Oil and Gas), or NAICS Code 213113, Support Activities for Coal Mining, 213114, Support Activities for Metal Mining, or 213115, Support Activities for Nonmetallic Minerals (except Fuels) Mining, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget:
- (i) machinery and equipment that:
 - (A) are used in:

(I) the production process, other than the production of real property; or
(II) research and development; and
(B) have an economic life of three or more years; and
(ii) normal operating repair or replacement parts that:
(A) have an economic life of three or more years; and
(B) are used in:
(I) the production process, other than the production of real property, in an
establishment described in this Subsection (14)(c) in the state; or
(II) research and development in an establishment described in this Subsection (14)(c)
in the state;
[~~(e)~~] (d) for purposes of this Subsection (14) and in accordance with Title 63, Chapter
46a Utah Administrative Rulemaking Act, the commission:
(i) shall by rule define the term "establishment"; and
(ii) may by rule define what constitutes:
(A) processing an item sold as tangible personal property;
(B) the production process, other than the production of real property; or
(C) research and development; and
[~~(e)~~] (e) on or before October 1, [~~1994~~] 2011, and every five years after October 1,
[~~1994~~] 2011, the commission shall:
(i) review the exemptions described in this Subsection (14) and make
recommendations to the Revenue and Taxation Interim Committee concerning whether the
exemptions should be continued, modified, or repealed; and
(ii) include in its report:
(A) the cost of the exemptions;
(B) the purpose and effectiveness of the exemptions; and
(C) the benefits of the exemptions to the state;

2009 – Technical changes

(14) (a) except as provided in Subsection (14)(b), amounts paid or charged on or after
July 1, 2006, for a purchase or lease by a manufacturing facility [~~other than~~] except for a
cogeneration facility, for the following:
(i) machinery and equipment that:
(A) [~~is~~] are used:
(I) for a manufacturing facility [~~other than~~] except for a manufacturing facility that is a
scrap recycler described in Subsection 59-12-102(52)(b):
(Aa) in the manufacturing process; [~~and~~]
(Bb) to manufacture an item sold as tangible personal property; and
(Cc) beginning on July 1, 2009, in a manufacturing facility described in this
Subsection (14)(a)(i)(A)(I) in the state; or
(II) for a manufacturing facility that is a scrap recycler described in Subsection
59-12-102(52)(b)[,];
(Aa) to process an item sold as tangible personal property; and
(Bb) beginning on July 1, 2009, in a manufacturing facility described in this
Subsection (14)(a)(i)(A)(II) in the state; and

(B) ~~has~~ have an economic life of three or more years; and

(ii) normal operating repair or replacement parts that:

(A) have an economic life of three or more years; and

(B) are used:

(I) for a manufacturing facility ~~[in the state other than]~~ except for a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(52)(b)[7];

(Aa) in the manufacturing process; and

(Bb) in a manufacturing facility described in this Subsection (14)(a)(ii)(B)(I) in the state; or

(II) for a manufacturing facility ~~[in the state]~~ that is a scrap recycler described in Subsection 59-12-102(52)(b)[7];

(Aa) to process an item sold as tangible personal property; and

(Bb) in a manufacturing facility described in this Subsection (14)(a)(ii)(B)(II) in the state;

(b) ~~(4)~~ amounts paid or charged on or after July 1, 2005, for a purchase or lease by a manufacturing facility that is a cogeneration facility placed in service on or after May 1, 2006, for the following:

~~(A)~~ (i) machinery and equipment that:

~~(1) is~~ (A) are used:

~~(Aa)~~ (I) in the manufacturing process; ~~and~~

~~(Bb)~~ (II) to manufacture an item sold as tangible personal property; and

(III) beginning on July 1, 2009, in a manufacturing facility described in this Subsection (14)(b) in the state; and

~~(H) has~~ (B) have an economic life of three or more years; and

~~(B)~~ (ii) normal operating repair or replacement parts that:

~~(4)~~ (A) are used:

(I) in the manufacturing process; and

(II) in a manufacturing facility described in this Subsection (14)(b) in the state; and

~~(H)~~ (B) have an economic life of three or more years; ~~and~~

~~{(ii) for amounts paid or charged on or after July 1, 2005, but on or before June 30, 2006, for a purchase or lease described in Subsection (14)(b)(i), a cogeneration facility may claim the exemption allowed by Subsection (14)(b)(i) by filing for a refund:}~~

~~(A) for sales and use taxes paid under this chapter on the purchase or lease payment; and}~~

~~{(B) in accordance with Section 59-12-110;}~~

(c) amounts paid or charged for a purchase or lease made on or after January 1, 2008, by an establishment described in NAICS Subsector 212, Mining (except Oil and Gas), or NAICS Code 213113, Support Activities for Coal Mining, 213114, Support Activities for Metal Mining, or 213115, Support Activities for Nonmetallic Minerals (except Fuels) Mining, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget:

(i) machinery and equipment that:

(A) are used ~~[in]~~:

(I) (Aa) in the production process, other than the production of real property; or

~~(H)~~ (Bb) in research and development; and

(II) beginning on July 1, 2009, in an establishment described in this Subsection (14)(c) in the state; and

- (B) have an economic life of three or more years; and
- (ii) normal operating repair or replacement parts that:
 - (A) have an economic life of three or more years; and
 - (B) are used in:
 - (I) (Aa) the production process, [~~other than~~] except for the production of real property[~~, in~~]; and
 - (Bb) an establishment described in this Subsection (14)(c) in the state; or
 - (II) (Aa) research and development; and
 - (Bb) in an establishment described in this Subsection (14)(c) in the state;
- (d) for purposes of this Subsection (14) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission:
 - (i) shall by rule define the term "establishment"; and
 - (ii) may by rule define what constitutes:
 - (A) processing an item sold as tangible personal property;
 - (B) the production process, [~~other than~~] except for the production of real property; or
 - (C) research and development; and
- (e) on or before October 1, 2011, and every five years after October 1, 2011, the commission shall:
 - (i) review the exemptions described in this Subsection (14) and make recommendations to the Revenue and Taxation Interim Committee concerning whether the exemptions should be continued, modified, or repealed; and
 - (ii) include in its report:
 - (A) the cost of the exemptions;
 - (B) the purpose and effectiveness of the exemptions; and
 - (C) the benefits of the exemptions to the state;

2010 – Web search portal added

- (14) (a) except as provided in Subsection (14)(b), amounts paid or charged on or after July 1, 2006, for a purchase or lease by a manufacturing facility except for a cogeneration facility, [for] of the following:
- (i) machinery and equipment that:
 - (A) are used:
 - (I) for a manufacturing facility except for a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(52)(b):
 - (Aa) in the manufacturing process;
 - (Bb) to manufacture an item sold as tangible personal property; and
 - (Cc) beginning on July 1, 2009, in a manufacturing facility described in this Subsection (14)(a)(i)(A)(I) in the state; or
 - (II) for a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(52)(b):
 - (Aa) to process an item sold as tangible personal property; and
 - (Bb) beginning on July 1, 2009, in a manufacturing facility described in this Subsection (14)(a)(i)(A)(II) in the state; and
 - (B) have an economic life of three or more years; and
 - (ii) normal operating repair or replacement parts that:

- (A) have an economic life of three or more years; and
- (B) are used:
 - (I) for a manufacturing facility except for a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(52)(b):
 - (Aa) in the manufacturing process; and
 - (Bb) in a manufacturing facility described in this Subsection (14)(a)(ii)(B)(I) in the state; or
 - (II) for a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(52)(b):
 - (Aa) to process an item sold as tangible personal property; and
 - (Bb) in a manufacturing facility described in this Subsection (14)(a)(ii)(B)(II) in the state;
- (b) amounts paid or charged on or after July 1, 2005, for a purchase or lease by a manufacturing facility that is a cogeneration facility placed in service on or after May 1, 2006, ~~[for]~~ of the following:
 - (i) machinery and equipment that:
 - (A) are used:
 - (I) in the manufacturing process;
 - (II) to manufacture an item sold as tangible personal property; and
 - (III) beginning on July 1, 2009, in a manufacturing facility described in this Subsection (14)(b) in the state; and
 - (B) have an economic life of three or more years; and
 - (ii) normal operating repair or replacement parts that:
 - (A) are used:
 - (I) in the manufacturing process; and
 - (II) in a manufacturing facility described in this Subsection (14)(b) in the state; and
 - (B) have an economic life of three or more years;
- (c) amounts paid or charged for a purchase or lease made on or after January 1, 2008, by an establishment described in NAICS Subsector 212, Mining (except Oil and Gas), or NAICS Code 213113, Support Activities for Coal Mining, 213114, Support Activities for Metal Mining, or 213115, Support Activities for Nonmetallic Minerals (except Fuels) Mining, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget, of the following:
 - (i) machinery and equipment that:
 - (A) are used:
 - (I) (Aa) in the production process, other than the production of real property; or
 - (Bb) in research and development; and
 - (II) beginning on July 1, 2009, in an establishment described in this Subsection (14)(c) in the state; and
 - (B) have an economic life of three or more years; and
- (ii) normal operating repair or replacement parts that:
 - (A) have an economic life of three or more years; and
 - (B) are used in:
 - (I) (Aa) the production process, except for the production of real property; and
 - (Bb) an establishment described in this Subsection (14)(c) in the state; or
 - (II) (Aa) research and development; and
 - (Bb) in an establishment described in this Subsection (14)(c) in the state;

(d) (i) amounts paid or charged for a purchase or lease made on or after July 1, 2010, but on or before June 30, 2014, by an establishment described in NAICS Code 518112, Web Search Portals, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget, of the following:

(A) machinery and equipment that:

(I) are used in the operation of the web search portal;

(II) have an economic life of three or more years; and

(III) are used in a new or expanding establishment described in this Subsection (14)(d) in the state; and

(B) normal operating repair or replacement parts that:

(I) are used in the operation of the web search portal;

(II) have an economic life of three or more years; and

(III) are used in a new or expanding establishment described in this Subsection (14)(d) in the state; or

(ii) amounts paid or charged for a purchase or lease made on or after July 1, 2014, by an establishment described in NAICS Code 518112, Web Search Portals, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget, of the following:

(A) machinery and equipment that:

(I) are used in the operation of the web search portal; and

(II) have an economic life of three or more years; and

(B) normal operating repair or replacement parts that:

(I) are used in the operation of the web search portal; and

(II) have an economic life of three or more years;

[(d)] (e) for purposes of this Subsection (14) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission:

(i) shall by rule define the term "establishment"; and

(ii) may by rule define what constitutes:

(A) processing an item sold as tangible personal property;

(B) the production process, except for the production of real property; [or]

(C) research and development; [and] or

(D) a new or expanding establishment described in Subsection (14)(d) in the state; and

2014 – Technical changes and certain mining activities ancillary to the direct production process added

~~[(14) (a) except as provided in Subsection (14)(b), amounts paid or charged on or after July 1, 2006, for a purchase or lease by a manufacturing facility except for a cogeneration facility, of the following:]~~

~~[(i) machinery and equipment that:]~~

~~[(A) are used:]~~

~~[(I) for a manufacturing facility except for a manufacturing facility that is a scrap recycler described in Subsection 59-12-102(64)(b):]~~

~~[(Aa) in the manufacturing process:]~~

~~{(Bb) to manufacture an item sold as tangible personal property; and}
{(Cc) beginning on July 1, 2009, in a manufacturing facility described in this
Subsection (14)(a)(i)(A)(I) in the state; or}
{(H) for a manufacturing facility that is a scrap recycler described in Subsection
59-12-102(64)(b);}
{(Aa) to process an item sold as tangible personal property; and}
{(Bb) beginning on July 1, 2009, in a manufacturing facility described in this
Subsection (14)(a)(i)(A)(II) in the state; and}
{(B) have an economic life of three or more years; and}
{(ii) normal operating repair or replacement parts that:}
{(A) have an economic life of three or more years; and}
{(B) are used:}
{(I) for a manufacturing facility except for a manufacturing facility that is a scrap
recycler described in Subsection 59-12-102(64)(b);}
{(Aa) in the manufacturing process; and}
{(Bb) in a manufacturing facility described in this Subsection (14)(a)(ii)(B)(I) in the
state; or}
{(H) for a manufacturing facility that is a scrap recycler described in Subsection
59-12-102(64)(b);}
{(Aa) to process an item sold as tangible personal property; and}
{(Bb) in a manufacturing facility described in this Subsection (14)(a)(ii)(B)(II) in the
state;}
{(b) amounts paid or charged on or after July 1, 2005, for a purchase or lease by a
manufacturing facility that is a cogeneration facility placed in service on or after May 1, 2006,
of the following:}
{(i) machinery and equipment that:}
{(A) are used:}
{(I) in the manufacturing process;}
{(II) to manufacture an item sold as tangible personal property; and}
{(H) beginning on July 1, 2009, in a manufacturing facility described in this
Subsection (14)(b) in the state; and}
{(B) have an economic life of three or more years; and}
{(ii) normal operating repair or replacement parts that:}
{(A) are used:}
{(I) in the manufacturing process; and}
{(H) in a manufacturing facility described in this Subsection (14)(b) in the state; and}
{(B) have an economic life of three or more years;}~~
(14) (a) amounts paid or charged for a purchase or lease:
(i) by a manufacturing facility located in the state; and
(ii) of machinery, equipment, or normal operating repair or replacement parts if the
machinery, equipment, or normal operating repair or replacement parts have an economic life
of three or more years and are used:
(A) in the manufacturing process to manufacture an item sold as tangible personal
property; or
(B) for a scrap recycler, to process an item sold as tangible personal property;
[~~(e)~~ (b) amounts paid or charged for a purchase or lease [made on or after January 1,
2008;]:

(i) by an establishment:

(A) described in NAICS Subsector 212, Mining (except Oil and Gas), or NAICS Code 213113, Support Activities for Coal Mining, 213114, Support Activities for Metal Mining, or 213115, Support Activities for Nonmetallic Minerals (except Fuels) Mining, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget~~[, of the following:]; and~~

~~{(i) machinery and equipment that:}~~

~~{(A) are used:}~~

~~{(I) (Aa) in the production process, other than the production of real property; or}~~

~~{(Bb) in research and development; and}~~

~~{(II) beginning on July 1, 2009, in an establishment described in this Subsection (14)(c) in the state; and}~~

~~{(B) have an economic life of three or more years; and}~~

~~{(ii) normal operating repair or replacement parts that:}~~

~~{(A) have an economic life of three or more years; and}~~

~~{(B) are used in:}~~

~~{(I) (Aa) the production process, except for the production of real property; and}~~

~~{(Bb) an establishment described in this Subsection (14)(c) in the state; or}~~

~~{(II) (Aa) research and development; and}~~

~~{(Bb) in an establishment described in this Subsection (14)(c) in the state;}~~

~~{(d) (i) amounts paid or charged for a purchase or lease made on or after July 1, 2010, but on or before June 30, 2014, by an establishment described in NAICS Code 518112, Web Search Portals, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget, of the following:}~~

~~{(A) machinery and equipment that:}~~

~~{(I) are used in the operation of the web search portal;}~~

~~{(II) have an economic life of three or more years; and}~~

~~{(III) are used in a new or expanding establishment described in this Subsection (14)(d) in the state; and}~~

~~{(B) normal operating repair or replacement parts that:}~~

~~{(I) are used in the operation of the web search portal;}~~

~~{(II) have an economic life of three or more years; and}~~

~~{(III) are used in a new or expanding establishment described in this Subsection (14)(d) in the state; or}~~

(B) located in the state; and

(ii) of machinery, equipment, or normal operating repair or replacement parts if the machinery, equipment, or normal operating repair or replacement parts have an economic life of three or more years and are used in:

(A) the production process to produce an item sold as tangible personal property;

(B) research and development;

(C) transporting, storing, or managing tailings, overburden, or similar waste materials produced from mining;

(D) developing or maintaining a road, tunnel, excavation, or similar feature used in mining; or

(E) preventing, controlling, or reducing dust or other pollutants from mining;

{(ii) (c) amounts paid or charged for a purchase or lease [made on or after July 1, 2014,];}

(i) by an establishment;

(A) described in NAICS Code 518112, Web Search Portals, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget~~[, of the following];~~ and

~~[(A) machinery and equipment that:]~~

(B) located in the state; and

(ii) of machinery, equipment, or normal operating repair or replacement parts if the machinery, equipment, or normal operating repair or replacement parts:

~~[(F)]~~ (A) are used in the operation of the web search portal; and

~~[(H)]~~ (B) have an economic life of three or more years; ~~[and]~~

~~[(B) normal operating repair or replacement parts that:]~~

~~[(I) are used in the operation of the web search portal; and]~~

~~[(H) have an economic life of three or more years;]~~

~~[(e)]~~ (d) for purposes of this Subsection (14) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission:

(i) shall by rule define the term "establishment"; and

(ii) may by rule define what constitutes:

(A) processing an item sold as tangible personal property;

(B) the production process, ~~[except for the production of real property;]~~ to produce an item sold as tangible personal property; or

(C) research and development; ~~[or]~~ and

~~[(D) a new or expanding establishment described in Subsection (14)(d) in the state; and]~~

~~[(f)]~~ (e) on or before October 1, ~~[2011]~~ 2016, and every five years after October 1, ~~[2011]~~ 2016, the commission shall:

(i) review the exemptions described in this Subsection (14) and make recommendations to the Revenue and Taxation Interim Committee concerning whether the exemptions should be continued, modified, or repealed; and

(ii) include in its report:

(A) an estimate of the cost of the exemptions;

(B) the purpose and effectiveness of the exemptions; and

(C) the benefits of the exemptions to the state;