

# SALES TAX AND USE EXEMPTIONS

## Kansas

The Kansas state sales and use tax rates is 6.5%. However, there are several sales tax exemptions available which include:

- Labor services related to original construction
- Remodeling costs, furnishings, furniture, machinery and equipment for qualified projects
- New machinery and equipment for manufacturing and distribution. This also includes pre- and post-production machinery and equipment, including raw material handling, waste storage, water purification and oil cleaning, as well as ancillary property such as gas pipes, electrical wiring and pollution control equipment.
- Tangible personal property that becomes an ingredient or component part of a finished product
- Tangible personal property that is immediately consumed in the production process, including electric power, natural gas and water
- Incoming and outgoing interstate telephone or transmission services (WATTS)
- Real and personal property financed with an Industrial Revenue Bond

## Missouri

- Machinery and equipment used to establish a new or expand an existing manufacturing facility, provided such machinery or equipment is used directly to manufacture a product ultimately intended for sale.
- Replacement machinery and equipment used directly in manufacturing a product ultimately intended for sale.
- Machinery, equipment, and devices that abate air or water pollution.
- Machinery and equipment used to establish or expand a material recovery processing plant.
- All materials and supplies used to install tax exempt machinery and equipment.
- Electricity consumed in the manufacturing process, provided the cost of electricity exceeds 10% of total production costs; and anodes, with a useful life of less than one year, used in manufacturing or production.
- Computers, computer software, and computer security systems purchased for use by architectural or engineering firms headquartered in Missouri.

## Oklahoma

### Manufacturers

Oklahoma has a comprehensive sales tax exemption for manufacturers who obtain a Manufacturer's Sales Tax Exemption Permit from the Oklahoma Tax Commission. The permit must be renewed every three years. This permit must be presented to the vendor, and a claim for exemption made at or before the time of purchase, to relieve the vendor of the liability for collecting sales tax. The exemptions cover purchases of machinery and equipment, energy, and tangible personal property used in design, development, and manufacturing.

Sales to a manufacturer of exempt property must be used in the manufacturing operation at a manufacturing site. The exemption is not extended to purchases for administration, sales, distribution, transportation, site construction or site maintenance.



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## **Computer Services and Data Processing**

Oklahoma recognizes the importance of companies engaged in computer services or data processing activities by offering exemptions from sales tax on:

Sales of machinery and equipment purchased and used by persons and establishments primarily engaged in computer services and data processing:

- A. As defined under Industrial Group Numbers 7372 and 7373 of the Standard Industrial
- B. Classification (SIC) Manual, latest version, which derive at least fifty percent (50%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer; and

As defined under Industrial Group Number 7374 of the SIC Manual, latest version, which derive at least eighty percent (80%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer.

Eligibility for the exemption set out in this paragraph shall be established, subject to review by the Tax Commission, by annually filing an affidavit with the Tax Commission stating that the facility so qualifies and such information as required by the Tax Commission. For purposes of determining whether annual gross revenues are derived from sales to out-of-state buyers or consumers, all sales to the federal government shall be considered to be to an out-of-state buyer or consumer.

## **Sales at Aircraft Maintenance Facilities**

Sales of aircraft and aircraft parts are tax exempt; provided such sales occur at a qualified aircraft maintenance facility. As used in this paragraph, "qualified aircraft maintenance facility" means a facility operated by an air common carrier at which there were employed at least two thousand (2,000) full-time-equivalent employees in the preceding year as certified by the Oklahoma Employment Security Commission, and which is primarily related to the fabrication, repair, alteration, modification, refurbishing, maintenance, building or rebuilding of commercial aircraft or aircraft parts used in air common carriage. For purposes of this paragraph, "air common carrier" shall also include members of an affiliated group as defined by Section 1504 of the Internal Revenue Code, 26 U.S.C.

## **Aircraft Repairs and Modifications**

Sales of aircraft engine repairs, modification, and replacement parts, sales of aircraft frame repairs and modification, aircraft interior modification, and paint, and sales of services employed in the repair, modification and replacement of parts of aircraft engines, aircraft frame and interior repair and modification, and paint are also exempt from sales tax.

## **Aircraft Maintenance or Manufacturing Facility**

Oklahoma provides a sales tax exemption for sales of computers, data processing equipment, related peripherals and telephone, telegraph or telecommunications service and equipment for use in a qualified aircraft maintenance or manufacturing facility.

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A "qualified aircraft maintenance or manufacturing facility" means:

- A. A new or expanding facility primarily engaged in aircraft repair, building or rebuilding whether or not on a factory basis.
- B. A facility whose total cost of construction exceeds the sum of five million dollars (\$5,000,000.00) and which employs at least two hundred fifty (250) new full-time-equivalent employees, as certified by the Oklahoma Employment Security Commission, upon completion of the facility.

In order to qualify for the exemption, the cost of the items purchased by the qualified aircraft maintenance or manufacturing facility shall equal or exceed the sum of two million dollars (\$2,000,000.00).

## **Excise Tax on Aircraft Sales**

Sales of aircraft to commercial airlines are free of the excise sales charge.

## **Telecommunications**

Sales tax exemptions apply to Interstate 1-800, WATS, and interstate private-line business telecommunication services, and to cell phones sold to a vendor who transfers the equipment as part of an inducement to a consumer to contract for wireless telecommunications.

## **Spaceport**

Sales of any tangible property to a spaceport user as determined by the Oklahoma Space Industry Development Authority are exempt from sales tax. Launch vehicles, satellites and such related attached or used property may also be purchased free from sales and use tax.

## **Sales Tax Refunds**

Oklahoma offers sales tax refunds for qualified companies. To qualify, a company must submit an Application/Intent to Qualify to the Oklahoma Tax Commission to establish an interest-bearing account. Upon receiving the application and documentation concerning the sales/use taxes to be paid by the applicant or their contractors, the Oklahoma Tax Commission will determine whether a company qualifies. If so, the Oklahoma Tax Commission will immediately set up an account to track sales taxes paid on sales as shown by the invoices submitted.

For purposes of the exemption at section 1359 (7) of Title 68 for qualified manufacturers, interest is determined according to the amount earned as invested by the State Treasurer's Office. For the remaining refunds at Sections 1357(17) and 54003 of Title 68, interest accrues at the rate of a 3-month Treasury bill from the date invoiced items are approved.

Sales taxes paid on construction materials incorporated in certain new manufacturing facilities by the manufacturer or by a contractor or subcontractor on behalf of a qualified manufacturer are refundable.

Sales taxes paid for machinery and equipment by certain service businesses (computer services, R & D, and aircraft repair) are refundable. Invoices of each vendor that distinguish the state and local sales taxes paid must be submitted with claims.

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Affidavits from vendors or contractors that the sales taxes were charged, paid, and have not been refunded by the vendor must be submitted with claims. Eligible applicants must file for a refund within 36 months of the date of purchase. The Oklahoma Tax Commission requires certification from the Oklahoma Employment Security Commission regarding the number of jobs.

Note: Participation in the Quality Jobs Program or other incentive payment programs precludes participation in these refunds.

## **Computer Services / Data Processing / Telecommunications Equipment**

Oklahoma offers a sales tax refund on the purchase of computers, data processing equipment, related peripherals, telegraph or telecommunications services, and equipment.

- Applies to NAICS Nos. 51121, 336411, 541512, 518210 and 518111 (Computer services and data processing) and 541712, 541720, 541712 and 541380 (Research and Development).
- New or expanding businesses.
- Addition of 10 new full-time employees that have an average salary of \$35,000.
- These new employees must be employed for at least 36 months.
- 50% of annual gross revenues must result from sales to out-of-state buyers but may include the federal government.
- 75% of annual gross income results from computer services, data processing activities, or research and development activities.
- If the company is in 518210, it must also purchase \$100,000 worth of exempt items.

Note: This refund is not as favorable to computer services and data processing companies as the sales tax exemption found at 68 O.S. § 1357 (21).

## **Construction Materials**

Oklahoma refunds sales taxes paid on construction materials for certain new or expanding manufacturing facilities including:

- Facilities with construction costs exceeding \$5 million which create 100 new manufacturing jobs and are maintained for a minimum of 36 months. Construction costs include building and construction costs, and engineering and architectural fees, but not legal fees.
- Facilities with construction costs exceeding \$10 million, and with combined total costs of material, construction, and machinery exceeding \$50 million, which add 75 new employees who are retained for 36 months.
- Facilities with construction costs exceeding Three Hundred Million Dollars (\$300,000,000) which maintain an employment level of a least 1,750 full time equivalent employees.
- Qualified new or expanding aircraft maintenance and overhaul facilities that create 250 or more jobs, with construction costs totaling at least \$5 million. [68 O.S. 1357(17)].



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These construction exemptions are unique not only because they are refunds, but also because they allow contractors or subcontractors that have previously entered into a written contractual relationship with the manufacturer, or a qualified aircraft maintenance facility operator, to make refundable purchases on behalf of manufacturers. The manufacturer may use invoices made out in the contractors' names for proof when applying for sales tax refunds. Generally, refundable purchases do not include machinery and equipment. Warehousing/Distribution for manufacturers, structures, or land used for packaging, re-packaging, labeling, or assembly for distributing products that are at least 70% made in Oklahoma, but at an off-site, in-state manufacturing facility or facilities are also deemed manufacturing facilities for purposes of these sales tax refunds.