

CHAPTER 298

TAXATION

HOUSE BILL 96-1333

BY REPRESENTATIVES Schwarz, Dean, Martin, McPherson, Pankey, Salaz, Sullivan, Sullivant, and Tool;
also SENATORS Alexander, Bishop, Dennis, Norton, R. Powers, Schaffer, Tebedo, and Wattenberg.

AN ACT

CONCERNING THE EXEMPTION OF PURCHASES OF MACHINERY AND MACHINE TOOLS FROM SALES AND USE TAX.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. 39-26-114 (11) (a) (II) and (11) (c), Colorado Revised Statutes, 1994 Repl. Vol., as amended, are amended, and the said 39-26-114 (11) is further amended BY THE ADDITION OF THE FOLLOWING NEW PARAGRAPH, to read:

39-26-114. Exemptions - disputes - credits or refunds - repeal. (11) (a) (II) On or after July 1, ~~1995~~ 1996, purchases of machinery or machine tools, or parts thereof, in excess of five hundred dollars to be used in Colorado directly and ~~exclusively~~ PREDOMINANTLY in manufacturing tangible personal property, for sale or profit, are exempt from taxation under this part 1.

(c) As used in this subsection (11):

(I) "MACHINERY" MEANS ANY APPARATUS CONSISTING OF INTERRELATED PARTS USED TO PRODUCE AN ARTICLE OF TANGIBLE PERSONAL PROPERTY. THE TERM INCLUDES BOTH THE BASIC UNIT AND ANY ADJUNCT OR ATTACHMENT NECESSARY FOR THE BASIC UNIT TO ACCOMPLISH ITS INTENDED FUNCTION.

(II) "Manufacturing" means the operation of producing a new product, article, substance, or commodity different from and having a distinctive name, character, or use from raw or prepared materials.

(c.5) FOR PURPOSES OF THIS SUBSECTION (11), DIRECT USE IN MANUFACTURING IS

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

DEEMED TO BEGIN FOR ITEMS NORMALLY MANUFACTURED FROM INVENTORIED RAW MATERIAL AT THE POINT AT WHICH RAW MATERIAL IS MOVED FROM PLANT INVENTORY ON A CONTIGUOUS PLANT SITE AND TO END AT A POINT AT WHICH MANUFACTURING HAS ALTERED THE RAW MATERIAL TO ITS COMPLETED FORM, INCLUDING PACKAGING, IF REQUIRED. MACHINERY USED DURING THE MANUFACTURING PROCESS TO MOVE MATERIAL FROM ONE DIRECT PRODUCTION STEP TO ANOTHER IN A CONTINUOUS FLOW AND MACHINERY USED IN TESTING DURING THE MANUFACTURING PROCESS IS DEEMED TO BE DIRECTLY USED IN MANUFACTURING.

SECTION 2. No appropriation. The general assembly has determined that this act can be implemented within existing appropriations, and therefore no separate appropriation of state moneys is necessary to carry out the purposes of this act.

SECTION 3. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Approved: June 5, 1996