

Department of Finance and Administration

Legislative Impact Statement

Bill: SB252

Bill Subtitle: TO AMEND THE DEFINITIONS OF ?MANUFACTURING? AND ?PROCESSING? FOR PURPOSES OF THE USE-TAX EXEMPTION FOR MACHINERY AND EQUIPMENT USED TO RETREAD TIRES TO MATCH THEIR DEFINITIONS FOR PURPOSES OF THE SALES-TAX EXEMPTION.

Basic Change :

Sponsors: Sen. Crowell and Rep. D. Hodges

SB252 amends state law to provide that the use tax exemption for machinery and equipment used to retread tires is allowed regardless of whether the retreaded tires are sold by the retreader directly to consumers.

State law provides sales and use tax exemptions for machinery and equipment used to retread tires. The exemptions were originally not available if the tire retreader sold the retreaded tires directly to the consumer. The prohibition against selling the retreaded tires directly to the consumer was later removed from the sales tax exemption but not from the use tax exemption. SB252 removes the direct-to-consumer sale limitation from the use tax law to prevent confusion.

SB252 would be effective on the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

None.

Taxpayer Impact :

None.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the Sales and Use Tax Rules will be promulgated.

Other Comments :

None.

Legal Analysis :

SB252 addresses a conflict in current state law between the sales tax exemption and the use tax

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exemption for tire retreading machinery and equipment. The Department of Finance and Administration currently administers the use tax exemption for tire retreading machinery and equipment consistent with the sales tax exemption and this bill based on the language in § 26-53-112 which requires sales and use tax exemptions to apply equally.