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## Government Reform and Land Use Committee

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### BILL ANALYSIS HB 2356

**Title of the Bill:** Eliminating requirements for filing certificates or annual summaries for sales and use tax exemptions on manufacturing machinery and equipment.

**What this Bill Does:** Eliminates requirement for reporting sales and use tax exemptions for machinery and equipment to the Department of Revenue.

**Sponsors:** Representatives Reams, Romero, Gardner and Linville; by request of Department of Revenue.

**Hearing Date:** 1/19/98

**Fiscal Note:** Requested, 1/14/98

**Analysis Prepared By:** Joan Elgee, 786-7135

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#### BACKGROUND:

In 1995, the Legislature enacted a sales and use tax exemption for machinery and equipment used directly in a manufacturing operation. The exemption was expanded in 1996 to include machinery and equipment used directly in a research and development operation.

The purchaser must provide the seller with an exemption certificate and provide the Department of Revenue with a duplicate of the certificate or a summary of their exempt sales.

The 1995 legislation directed the legislative fiscal committees to report to the legislature by December 1, 1999 on the economic impacts of the exemption. The report must analyze employment and other relevant economic data from before and after the enactment of the exemption, and measure the effect on the creation or retention of family wage jobs and diversification of the state's economy. The Department of Revenue must provide data requested by the committees to perform the analysis.

**SUMMARY:**

The requirement to report sales and use tax exemptions for machinery and equipment used directly in a manufacturing operation or research and development operation to the Department of Revenue is eliminated.