

SECTION 58 - MANUFACTURING AND PROCESSING MACHINERY, ACCESSORIES AND MATERIALS**58-1 PRIVILEGE TAX ON MANUFACTURING AND PROCESSING MACHINERY****A. Mill Machinery, Mill Machinery Parts or Accessories**

Purchases of mill machinery or mill machinery parts or accessories by manufacturing industries and plants are subject to a 1% privilege tax with a maximum tax of \$80.00 per article. The **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, is for use in connection with purchases of mill machinery or mill machinery parts or accessories as the vendor's authority to exempt the transaction from the sales or use tax. This form can be obtained from the North Carolina Department of Revenue website or the Taxpayer Assistance Division.

B. Contractors and Subcontractors Purchasing Mill Machinery or Mill Machinery Parts or Accessories

Purchases by contractors and subcontractors of mill machinery or mill machinery parts or accessories for use by them in the performance of contracts with manufacturing industries and plants, and purchases by subcontractors of mill machinery or mill machinery parts or accessories for use by them in the performance of contracts encompassed in such contracts with manufacturing industries and plants are subject to the 1% privilege tax, with a maximum tax of \$80.00 per article where applicable. Such mill machinery or mill machinery parts or accessories must be for use by a manufacturing industry or plant in the production process, as the term "**production**" is defined in Sales and Use Tax Technical Bulletin 57-1, to qualify for the 1% privilege tax with a maximum tax of \$80.00 per article when purchased by such contractors or subcontractors. Contractors and subcontractors may obtain the **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, from the North Carolina Department of Revenue website or the Taxpayer Assistance Division to be executed by them and furnished to their vendors in connection with such purchases as the vendors' authority to exempt the transaction from the sales and use tax.

C. Items Classified as Mill Machinery

The following items, when purchased by manufacturing industries and plants for use in their manufacturing process, are considered mill machinery or mill machinery parts or accessories within the meaning of Article 5F, Manufacturing Fuel and Certain Machinery and Equipment:

1. motors, pulleys, motor bases but not foundations, gears, belts, chains and textile rope drives, line shafting with hangers and pulleys and other types and makes of drive connecting motors to the driven machinery for direct production processes;
2. controls for motors consisting of:
 - a. magnetic starters, push button stations, pressure and float switches and other types of relays operating motor controllers;
 - b. compensators of auto transformer starters;
 - c. thermal relay types of motor starters;
 - d. drum controllers and resistors;
 - e. disconnecting switches when built as a part of magnetic starters;
 - f. oil switches; and
 - g. synchronous motor controllers if a part of production machinery, but not otherwise;

3. repair and renewal parts for motors and motor controllers as production machinery;
4. steam engines, gasoline engines, diesel engines, motor generators;
5. pumps for industrial processes, air compressors, air hoses and nozzles and pipe for carrying compressed air from compressor to hose for cleaning machinery and equipment; pumps used to remove waste of a manufacturing process;
6. moistening or humidifying equipment on or adjacent to machinery when the function of this equipment is the conditioning of materials for processing. This includes piping located on or immediately adjacent to mill machinery and which supports and supplies water to moistening or humidifying equipment, but does not include general piping in the mill supplying water to moistening or humidifying equipment. General piping in the mill is subject to the general rate of State tax and any applicable local sales or use tax.
7. that portion of the purchase price of general air conditioning systems allocated to conditioning materials for processing;
8. boiler room machinery with flue cleaners, and brushes for boiler tubes, when the boilers are operated for power generation or supplementary thereto in connection with manufacturing processes; stokers, shovels and other equipment used in boiler rooms for feeding fuels and water to power units; smoke stacks which are attached to and are a part of the boilers. Equipment as used here does not include storage places for fuels and water or reserve tanks, bins or other similar items located either inside or outside power rooms or buildings. Storage tanks, bins or other facilities for water, fuel, raw materials or manufactured products are not classified as mill machinery or mill machinery parts or accessories and are therefore subject to the general rate of State tax and any applicable local sales or use tax. However, tanks, bins and other facilities in which mixing, blending or other processing action takes place are classified as mill machinery or mill machinery parts or accessories and are therefore subject to the 1% privilege tax when such items are used in the manufacturing operation;
9. conveyors, hoists and hoist cables (but not track or other fixtures determined to be a part of and which lend support to the building or structure), roving trucks and other materials handling equipment, including lift trucks, used in individual mills for transporting materials or spindles or like articles from inventory to the manufacturing process, transporting materials during temporary interruptions in the manufacturing process in the mill or moving the finished product from the manufacturing or processing line into shipping and storage areas or yards at the individual mill or plant. Included for the purpose of this paragraph are work tables, with seats and other accessories thereto at which employees work on materials in process; racks, bins, canvas baskets and similar equipment for handling goods in process; and roving cans;
10. hand tools designed for use on a particular machine, such as special wrenches supplied by makers of textile machinery for special machines; hammers, screwdrivers, blow torches, soldering irons, rubber mallets and similar general-use tools and machines used in repair shops to repair mill machinery or along the production line to perform work necessary as a part of the manufacturing processes and all files for general and specific use in a mill or manufacturing plant;
11. metal-cutting and wood-cutting lathes and their accessories in all kinds of manufacturing plants, factories and mills; band saws, circular saws, all hack saws and blades; shapers and accessories, jointers, planers; drill presses; welding machines; torches; and all other manufacturing machinery and accessories thereto; spinners' whisks, comber brushes

and other brushes, in hosiery mills and cotton mills, designed for use on particular machines; polishing wheels, sanding machines and drums, whether portable or stationary; sandpaper, emery cloth, rubbing tow, paint brushes and filler brushes, steel wool, rubbing waste or cloths or other hand or machine devices for polishing or other finishing processes on a manufactured product; oils and lubricants for use in lubricating production machinery; and wiping cloths, cleaning compounds and paint for mill machinery or mill machinery parts or accessories; chemicals or other materials used to clean ingredient or component parts of manufactured products but which do not enter into or become an ingredient or component part of property being manufactured;

12. dyehouse thermometers, recording charts for mill machinery, hank scales and yarn scales; and tachometers and other testing devices used for checking performance or output of machinery;
13. air compressors, steam hose and air hose for cleaning mill machinery;
14. cloth pencils and mill crayons for marking cloth, lumber or other ingredients in process;
15. dynamite and other explosives used in mining and quarrying whether or not such mining or quarrying is carried on as a regular or continuous business within itself, or as a part of a manufacturing industry. Purchases of explosives used in excavation in connection with building or construction are subject to the general rate of State tax and any applicable local sales or use tax.
16. machinery and equipment used in packaging manufactured products as a part of the manufacturing process;
17. pollution abatement equipment used in the manufacturing process; and
18. Gloves, boots, caps, hair and beard nets, smocks, aprons, frocks, lab-type coats and other similar items of clothing which are worn by employees in production areas to protect the quality of and prevent contamination of the manufactured product are subject to the 1% privilege tax. When these items are worn by employees in non-production areas or primarily to protect the employees rather than the product, they are subject to the general rate of State tax and any applicable local sales or use tax.

Note: For additional items classified as mill machinery, refer to individual bulletins in this Section.

D. Items Not Mill Machinery

The following items are not considered mill machinery or mill machinery parts or accessories and are therefore subject to the general rate of State tax and any applicable local sales or use tax:

1. tangible personal property attached to or in any way a part of any building or structure of any kind whatsoever; freight elevators; plumbing and sprinkler systems; electric wiring and electric fixtures; electric lamps and tubes; and fuses and fuse links. Electrical equipment, including control panels, or wiring and related conduit affixed to mill machinery to furnish power to mill machinery and equipment, is classified as an accessory to such machinery and is therefore subject to the 1% privilege tax; however, electrical equipment or wiring and related conduit which is used for general distribution of power to or in a manufacturing industry or plant is subject to the general rate of State tax and any applicable local sales or use tax.

2. that part of the purchase price of a general air conditioning or humidifying system charged to general building heating or cooling or to moistening of air for the comfort and convenience of employees;
3. ventilating fans in walls or roofs of buildings and portable or stand type fans for plant ventilation; make-up air systems used for the purpose of ventilating manufacturing industries and plants. However, exhaust fans or hoods that are a part of mill machinery and which remove fumes, vapors or dust arising from the manufacturing operation which would damage the product in process or the mill machinery unless removed from the area would be classified as mill machinery or mill machinery parts or accessories and subject to the 1% privilege tax.
4. all scales not used in the manufacturing process;
5. time clocks and cards and all signal systems operated therewith; watch clocks and watch clock stations; and all parts and supplies therefor;
6. protective clothing, such as gloves, safety shoes and similar items, regardless of whether they are purchased and paid for by the employer or the employee;
7. machinery and equipment used in warehouses, shipping rooms or other locations separate and apart from the manufacturing process to prepare property for shipment;
8. electricity is not considered a mill machinery accessory and therefore is not subject to the 1% privilege tax, but is subject to sales and use tax as described in Sales and Use Tax Technical Bulletin 58-3.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007;
Revised: December 1, 2008.

58-2 SINGLE ARTICLE APPLICATION AND FUNCTIONAL UNIT OR OPERATING SYSTEM

- A. Persons purchasing articles subject to the \$80.00 maximum tax shall not treat as one article two or more articles which, when joined together, make a functional unit or operating system. Each single article within the functional unit or operating system is subject to the 1% privilege tax with a maximum tax of \$80.00 per article.
- B. A manufacturer or processor which purchases various components of mill machinery or equipment, otherwise taxable at the 1% rate, is not purchasing a single article of mill machinery, as such, even though the assembled machinery or equipment constitutes a single article. The purchaser has made numerous purchases of components of machinery or equipment and the tax is due on each purchase at the rate of 1%, and if the cost of any one component does, in fact, exceed \$8,000, the \$80.00 maximum tax would be applicable thereto. If any one article, as such, is purchased by a manufacturer, it does not lose its identity as a single article because it is too large or cumbersome to be shipped as **“one” single article** and has to be disassembled for shipping purposes or is billed on more than one invoice. The single article limitation does not apply to numerous purchases from the same or different vendors, even though the various components so purchased may be assembled by the purchaser into a single article. The purchase of a quantity of repair parts necessary to recondition or upgrade mill machinery is not the purchase of a single article.

- C. If there is any question as to whether property involved in any transaction constitutes one or more articles, such question shall be submitted to the Department for a decision.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-163.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-3 FUEL SOLD TO MANUFACTURING INDUSTRIES AND PLANTS

A. Electricity

1. G.S. 105-164.4(a)(1f) imposes the State sales tax at the rate of 2.83% (through June 30, 2007) on sales of electricity to manufacturing industries and manufacturing plants for use in connection with the operation of the industries and plants other than sales of electricity to be used for residential heating purposes. The quantity of electricity purchased or used at any one time shall not be a determinative factor as to whether its sale or use is or is not subject to the rate of tax provided in this subdivision.

Effective July 1, 2007, the rate of tax on sales of electricity to manufacturing industries and plants for use in the operation of the industries and plants and measured by a separate meter or device is reduced from 2.83% to 2.6%. **Effective October 1, 2007**, the rate is reduced to 1.8%. **Effective July 1, 2008**, the rate is reduced to 1.4%. **Effective July 1, 2009**, the rate is reduced to 0.8%. **Effective July 1, 2010**, sales of electricity to manufacturers for qualifying purposes are exempt.

a. Eligibility and Certification

Vendors of electricity must maintain as a part of their customer accounting records specific information to identify customers which qualify for the 2.83% State rate of tax. A **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, or other similar written documentation, must be completed by customers and provided to vendors in connection with the customer's purchases of electricity which qualify for a lower State rate of tax. The forms may be obtained by calling telephone number 1-877-252-3052 (toll free) or from the North Carolina Department of Revenue website or the Taxpayer Assistance Division. Vendors may use internal data, such as Standard Industrial Classification (SIC) or North American Industry Classification System (NAICS) codes, to identify customers that might be subject to the reduced rate; however, the vendor must obtain the certificate or similar written documentation from the customer.

b. Determination of Usage

The statute provides that in order to qualify for a lower State rate of tax, the electricity must be measured by a separate meter or other device.

2. **Effective October 1, 2004**, the rate of 0.17% applies to the sales price of electricity sold to an aluminum smelting facility for use in connection with the operation of that facility and measured by a separate meter or measuring device. The 0.17% State rate of tax is repealed effective October 1, 2007.

- B. Purchases of fuels or combustibles, other than electricity and those exempt by statute, are subject to the 1% privilege tax when made by a manufacturing industry or plant for use in connection with the operation of such industry or plant provided the fuel is not used for residential heating purposes. **Effective October 1, 2007**, the rate is reduced to 0.7%. **Effective July 1, 2008**, the rate is reduced to 0.5%. **Effective July 1, 2009**, the rate is reduced to 0.3%. **Effective**

July 1, 2010, purchases of fuel by manufacturers are exempt. Fuels and combustibles include bottled gas, coal, coke, fuel oil, oxygen, acetylene, hydrogen, and liquefied petroleum gas.

- C. Purchases of sawdust by manufacturing plants for use as a fuel in connection with the manufacturing operation are subject to the 1% privilege tax. See Sales and Use Tax Technical Bulletin 58-3 B. for the reduced rates.
- D. Sales of fuel, other than electricity, to manufacturing industries and plants for residential heating purposes are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007;
Revised: December 1, 2008.

58-4 LIFT TRUCKS

Purchases of lift trucks by manufacturing industries and plants for use in moving materials between the beginning and ending step in the manufacturing process are considered to be mill machinery and are subject to the 1% privilege tax on the purchase price with a maximum tax of \$80.00 per article. Lift trucks which are for use in receiving and shipping areas are subject to the general rate of State tax and any applicable local sales or use tax, and no maximum tax is applicable thereto.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007.

58-5 MIXING TANKS

Tanks used by a manufacturer in mixing of ingredients to maintain a uniform product are classified as mill machinery or accessories to the manufacturing process and subject to the 1% privilege tax with a maximum tax of \$80.00 per article.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007.

58-6 PACKAGING MACHINERY AND MATERIALS

A. Packaging Machinery

Purchases of packaging machinery by manufacturers to be used to package their manufactured product during the initial stage and through the final steps of production are subject to the 1% privilege tax with a maximum tax of \$80.00 per article. Machinery and equipment used in the shipping room, warehouse or other locations separate and apart from the manufacturing process to prepare property for shipment is subject to the general rate of State tax and any applicable local sales or use tax.

B. Packaging Materials

1. Purchases of bagging and ties or other packaging materials by manufacturers for use in processing their customers' animal feed are exempt from tax provided their customers will resell the feed and such packaging materials are a part of the sale. If the

manufacturers use bagging and ties or other packaging materials in processing their customers' feed, which the customers will use and not resell, such bagging and ties and other packaging materials are subject to the general rate of State tax and any applicable local sales or use tax.

2. Box wraps, labels, printed toppers for polyethylene bags and cardboard hosiery inserts upon which hosiery is placed are exempt from tax when sold to hosiery manufacturers and such items attach to, contain or otherwise become a part of the sale of the hosiery.
3. Purchases of scotch tape, sealing paper and steel strapping by manufacturers, producers and retailers for use as set forth under the provisions of G.S. 105-164.13(23) are exempt from tax.
4. Purchases of drums by manufacturers, producers, wholesalers and retailers are exempt from tax under G.S. 105-164.13(23) when such drums are used for packaging, shipment or delivery of tangible personal property which is sold at wholesale or retail and when such drums constitute a part of the sale of such tangible personal property and are delivered with it to the customer. Purchases of paint by manufacturers, producers, wholesalers and retailers for use in painting such drums are also exempt from tax.
5. Purchases by manufacturers, producers, wholesalers and retailers of instruction sheets, instruction booklets or pamphlets, direction folders and similar items which constitute a part of the sale of tangible personal property at wholesale or retail and are delivered with it to the customer to give instructions as to the proper use of such property are not subject to tax. However, this exemption shall not apply to sales of any items of tangible personal property which accompany products being sold to advertise other products and do not give instructions as to the proper use of the products being sold.
6. Purchases by manufacturers of strapping, bagging, ties and other packaging materials for use in the production line to package or hold materials which are not for sale but which are held for further processing in the same plant or at another plant are classified as accessories to the production process and thus are subject to the 1% privilege tax. The 1% privilege tax is also applicable to purchases of packaging materials by manufacturers to be used to package materials or hold materials in process which are transferred to a contract manufacturer for further processing even though such packaging materials are not sold to the contract manufacturer by the owner thereof.
7. Packaging materials which are purchased by a contract manufacturer and used to package products which it is manufacturing or processing for its manufacturer-customers to be sold by such manufacturer-customers in such packages or containers are not subject to the tax since the packaging materials will become a part of the sale of the products by the owner thereof. Such packaging materials used by the contract manufacturer to package or hold products which are returned to the manufacturer-customers or sent to other contract manufacturers for further processing would be subject to the 1% privilege tax.
8. A container that is used as packaging by the owner of the container or another person to enclose tangible personal property for delivery to a purchaser of the property and is required to be returned to its owner for reuse is exempt from tax under G.S. 105-164.13(23)b. The exemption applies to reusable containers such as barrels, drums, and other containers used for the aforementioned purposes. Enclosed containers are deemed to be containers which enclose the products sold from all sides.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;

105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007.

58-7 TAPE DISPENSING MACHINES

Purchases of tape dispensing machines by manufacturers and other industrial processors for use in packaging their manufactured products in the line of process as a part of the manufacturing operations are subject to the 1% privilege tax with a maximum tax of \$80.00 per article. Purchases of tape dispensing machines by manufacturers for use in shipping rooms are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007.

58-8 STRAPPING MACHINES

Purchases of strapping machines by manufacturers for use in packaging products during the manufacturing process are subject to the 1% privilege tax, with a maximum tax of \$80.00 per article. Purchases of strapping machines by manufacturers for use in distribution or finished goods storage areas are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007.

58-9 IDENTIFICATION AND INSTRUCTION TICKETS

Purchases by manufacturers of tickets which accompany products through the manufacturing process to identify orders or to give instructions regarding the next step to be performed in the manufacturing process but which do not become a part of the sale are subject to the 1% privilege tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007.

58-10 HANG TAGS AND LABELS

Purchases by manufacturers of hang tags which are placed on their manufactured products to advertise other products they manufacture are subject to the general rate of State tax and any applicable local sales or use tax. Tags or labels that describe the product to which they are attached and which become a part of the sale are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: January 1, 2007.

58-11 STOCK CONTROL CARDS

Purchases of stock control cards by users or consumers are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-12 PRINTING PLATES AND PRINTING PRESSES

- A. Purchases of printing plates by manufacturers who use them in their printing presses to imprint containers or furnish them to others who use them to imprint containers in which the manufacturers' products are packaged for shipment are subject to the 1% privilege tax with a maximum tax of \$80.00 per article.
- B. Purchases of printing presses by manufacturers for use in the manufacturing process in printing labels, cartons or boxes for their manufactured products are classified as mill machinery and are subject to the 1% privilege tax with a maximum tax of \$80.00 per article.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-13 INSULATION MATERIALS USED BY MANUFACTURERS AND CONTRACTORS

A. Manufacturers

Insulation materials purchased by manufacturing industries or plants for use by them in repairing or maintaining machinery or equipment which is properly classified as mill machinery or parts or accessories thereto are subject to the 1% privilege tax. Insulation materials used in repairing or maintaining buildings or machinery and equipment which are not properly classified as mill machinery or accessories are subject to the general rate of State tax and any applicable local sales or use tax.

B. Contractors

Purchases by contractors of insulation materials which are properly classified as parts or accessories to mill machinery for use by them in the performance of contracts with manufacturing industries and plants and purchases by subcontractors of such insulation materials for use in the performance of contracts encompassed in such contracts with manufacturing industries and plants are subject to the 1% privilege tax, with a maximum tax of \$80.00 per article where applicable. Such insulation materials must be for use by a manufacturing industry or plant in the production process, as the term "**production**" is defined in Sales and Use Tax Technical Bulletin 57-1, to qualify for the 1% privilege tax with a maximum tax of \$80.00 per article when purchased by such contractors and subcontractors. Contractors and subcontractors may obtain the **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, from the North Carolina Department of Revenue website or the Taxpayer Assistance Division to be executed by them and furnished to their vendors in connection with such purchases as the vendors' authority to exempt the sale.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007; Revised: December 1, 2008.

58-14 GAS STACKS

Purchases by manufacturers of gas stacks used in the manufacturing process to vent gases for pressure control are classified as purchases of mill machinery and subject to the 1% privilege tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-15 CHEMICALS FOR BOILERS

Purchases of chemicals by manufacturing industries and plants for use in water for boilers to prevent corrosion, control scale and foaming and to act as sludge containers are accessories to such machinery and subject to the 1% privilege tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-16 COMBUSTIBLE SOOT REMOVERS

Purchases of combustible soot removers by manufacturing industries and plants which are added to fuel that is used in the operation of manufacturing industries and plants are subject to the 1% privilege tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-17 SANDBLAST SAND

Sandblast sand used by a manufacturer to clean its mill machinery or to finish or clean products which it manufactures for sale is subject to the 1% privilege tax. Sandblast sand which enters into or becomes an ingredient or component part of products manufactured for sale is exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-18 WELDING RODS

Welding rods used by manufacturers to repair machinery or equipment which is properly classified as mill machinery or mill machinery parts or accessories are subject to the 1% privilege tax. Welding rods which become an ingredient or component part of tangible personal property manufactured for sale are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-19 ELECTRIC LIGHT BULBS

Electric light bulbs which attach to items properly classified as mill machinery are classified as accessories to such machinery and are subject to the 1% privilege tax. Such bulbs for electric

fixtures which attach to buildings or structures to provide general lighting for the buildings or structures are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-20 ELECTRIC POWER DRIVE

Purchases by manufacturers of electric power drives for mill machinery are subject to the 1% privilege tax with a maximum tax of \$80.00 per article.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-21 CALCIUM CHLORIDE, SALT AND AMMONIA

Purchases of calcium chloride and salt by ice manufacturers to be used in the making of brine and purchases of ammonia and ammonia oils by such manufacturers which are used to lower the temperature of the brine and other chemicals used in the brine to prevent corrosion are classified as accessories to the manufacturing process and are subject to the 1% privilege tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-22 WATER PURIFICATION EQUIPMENT AND CHEMICALS

- A. Purchases by manufacturers of machinery for use in the purification of water for use in the manufacturing process are subject to the 1% privilege tax with a maximum tax of \$80.00 per article applicable thereto. Purchases by such manufacturers of pumps and pipe to be used to pump the water from a river or other source to the purification plant are subject to the general rate of State tax and any applicable local sales or use tax.
- B. Purchases of chemicals by manufacturing industries and plants to purify and clarify water to be used for manufacturing purposes are subject to the 1% privilege tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-23 POLLUTION ABATEMENT EQUIPMENT AND CHEMICALS

- A. Purchases by manufacturers of pollution abatement equipment are subject to the 1% privilege tax with a maximum tax of \$80.00 per article. For the purposes of this Bulletin, the term “**pollution abatement equipment**” means any equipment, or parts and accessories therefor, used for the purpose of eliminating, preventing or reducing air and water pollutants emitted from or as a result of the manufacturing process or for the purpose of treating, pretreating or modifying any potential solid, liquid or gaseous pollutants from the manufacturing process which, if released into the environment without such treatment, pretreatment or modification, might be harmful, detrimental or offensive to human, plant or animal life or to property. The term “**pollution abatement equipment**” does not include buildings or structures housing such equipment or any equipment

used within the interior of any building or structure primarily for the health, comfort and safety of the employees.

- B.** Purchases by manufacturers of chemicals for use in air or stream pollution abatement equipment or processes are subject to the 1% privilege tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-24 ANIMALS AND ANIMAL CAGES

- A.** Purchases of animals from a commercial animal breeder or producer by manufacturers, research laboratories, other businesses or individuals are exempt from tax.
- B.** Purchases of animals and animal cages by manufacturers for use in experimentation and research purposes for the improvement of their manufactured products or for the development of products which they will manufacture are subject to the 1% privilege tax with a maximum tax of \$80.00 per article unless otherwise exempt by statute. Purchases of animal cages by manufacturers for use to contain animals in holding areas or storage areas are subject to the general rate of State tax and any applicable local sales or use tax.
- C. Prior to July 1, 2007**, purchases of animals and animal cages by research laboratories for use in performing research services for others and for use in performing research for the purpose of selling the findings and results to others are subject to the general rate of State tax and any applicable local sales or use tax unless otherwise exempt by statute. **Effective July 1, 2007**, purchases of animals and animal cages by research laboratories for use in performing research services for others are subject to the 1% privilege tax with a maximum tax of \$80.00 per article provided the purchase meets all the requirements set forth in Sales and Use Tax Technical Bulletin 56-1 D.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007; Revised: December 1, 2008.

58-25 OFFICE SUPPLIES, STENCILS AND PAPER STOCK

- A.** Purchases of office supplies, stencils and other tangible personal property by manufacturing industries and plants for use in receiving or shipping areas and other raw materials or finished goods storage areas are subject to the general rate of State tax and any applicable local sales or use tax.
- B.** Purchases by manufacturers of paper stock for use in printing its own stationery, office forms, accounting forms, stock or production control records or similar items for use are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-26 SCALES

Scales used to weigh truck loads of peanuts as they are brought to peanut manufacturing or processing plants from the markets are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-27 ELEVATORS

Purchases of elevators by manufacturers which become a part of the building or structure are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.

58-28 GRAIN AND PEANUT ELEVATOR OPERATORS

Grain and peanut elevator operators are not manufacturers or processors within the meaning of the Sales and Use Tax Law. Purchases of taxable tangible personal property by such firms for use or consumption in the operation of their business are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264; Issued: January 1, 2007.