

FIRST REGULAR SESSION

[PERFECTED]

HOUSE COMMITTEE SUBSTITUTE FOR

# HOUSE BILL NO. 131

94TH GENERAL ASSEMBLY

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Reported from the Special Committee on Tax Reform February 26, 2007 with recommendation that House Committee Substitute for House Bill No. 131 Do Pass. Referred to the Committee on Rules pursuant to Rule 25(21)(f).

Reported from the Committee on Rules February 28, 2007 with recommendation that House Committee Substitute for House Bill No. 131 Do Pass.

Taken up for Perfection March 26, 2007. House Committee Substitute for House Bill No. 131 ordered Perfected and printed, as amended.

D. ADAM CRUMBLISS, Chief Clerk

0716L.02P

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## AN ACT

To repeal sections 142.817, 144.030, 144.062, and 144.518, RSMo, and to enact in lieu thereof seven new sections relating to sales and use taxes on manufacturing.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Sections 142.817, 144.030, 144.062, and 144.518, RSMo, are repealed and  
2 seven new sections enacted in lieu thereof, to be known as sections 137.1014, 142.817, 144.030,  
3 144.054, 144.062, 144.518, and 1, to read as follows:

**137.1014. 1. As used in this section the following terms mean:**

2 **(1) "Eligible expenses", expenses incurred in this state to manufacture, maintain,**  
3 **or improve a freight line company's qualified rolling stock;**

4 **(2) "Qualified rolling stock", any freight, stock, refrigerator, or other railcars**  
5 **subject to the tax levied pursuant to this section.**

6 **2. A freight line company is allowed a credit against the tax levied pursuant to**  
7 **section 137.1018 for the applicable tax year equal to the amount of eligible expenses**  
8 **incurred during the calendar year immediately preceding the tax year for which the credit**  
9 **pursuant to this section is claimed.**

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

10           **3. The sum of the credits pursuant to subsection 2 of this section shall not exceed a**  
11 **freight line company's liability for the tax levied pursuant to this section in the tax year in**  
12 **which the credit is claimed.**

13           **4. A freight line company may apply for the credit pursuant to subsection 2 of this**  
14 **section by submitting to the commission an application in the form prescribed by the state**  
15 **tax commission.**

16           **5. The state shall reimburse, on an annual basis, any political subdivision of this**  
17 **state for any decrease in revenue due to the provisions of this section.**

**142.817. Motor fuel sold to be used to operate public mass transportation service**  
2 **by a city transit authority, a city utilities board, or an interstate transportation authority,**  
3 **as such terms are defined in section 94.600, RSMo, a city, or an agency receiving funding**  
4 **from either the Federal Transit Administration's urban or nonurban formula transit**  
5 **programs is exempt from the fuel tax imposed by this chapter. The department shall**  
6 **promulgate rules to implement the provisions of this section. Any rule or portion of a rule,**  
7 **as that term is defined in section 536.010, RSMo, that is created under the authority**  
8 **delegated in this section shall become effective only if it complies with and is subject to all**  
9 **of the provisions of chapter 536, RSMo, and, if applicable, section 536.028, RSMo. This**  
10 **section and chapter 536, RSMo, are nonseverable and if any of the powers vested with the**  
11 **general assembly pursuant to chapter 536, RSMo, to review, to delay the effective date, or**  
12 **to disapprove and annul a rule are subsequently held unconstitutional, then the grant of**  
13 **rulemaking authority and any rule proposed or adopted after August 28, 2007, shall be**  
14 **invalid and void.**

          144.030. 1. There is hereby specifically exempted from the provisions of sections  
2 144.010 to 144.525 and from the computation of the tax levied, assessed or payable pursuant to  
3 sections 144.010 to 144.525 such retail sales as may be made in commerce between this state and  
4 any other state of the United States, or between this state and any foreign country, and any retail  
5 sale which the state of Missouri is prohibited from taxing pursuant to the Constitution or laws  
6 of the United States of America, and such retail sales of tangible personal property which the  
7 general assembly of the state of Missouri is prohibited from taxing or further taxing by the  
8 constitution of this state.

9           2. There are also specifically exempted from the provisions of the local sales tax law as  
10 defined in section 32.085, RSMo, section 238.235, RSMo, and sections 144.010 to 144.525 and  
11 144.600 to 144.761 and from the computation of the tax levied, assessed or payable pursuant to  
12 the local sales tax law as defined in section 32.085, RSMo, section 238.235, RSMo, and sections  
13 144.010 to 144.525 and 144.600 to 144.745:

14           (1) Motor fuel or special fuel subject to an excise tax of this state, unless all or part of  
15 such excise tax is refunded pursuant to section 142.824, RSMo; or upon the sale at retail of fuel  
16 to be consumed in manufacturing or creating gas, power, steam, electrical current or in furnishing  
17 water to be sold ultimately at retail; or feed for livestock or poultry; or grain to be converted into  
18 foodstuffs which are to be sold ultimately in processed form at retail; or seed, limestone or  
19 fertilizer which is to be used for seeding, liming or fertilizing crops which when harvested will  
20 be sold at retail or will be fed to livestock or poultry to be sold ultimately in processed form at  
21 retail; economic poisons registered pursuant to the provisions of the Missouri pesticide  
22 registration law (sections 281.220 to 281.310, RSMo) which are to be used in connection with  
23 the growth or production of crops, fruit trees or orchards applied before, during, or after planting,  
24 the crop of which when harvested will be sold at retail or will be converted into foodstuffs which  
25 are to be sold ultimately in processed form at retail;

26           (2) Materials, manufactured goods, machinery and parts which when used in  
27 manufacturing, processing, compounding, mining, producing or fabricating become a component  
28 part or ingredient of the new personal property resulting from such manufacturing, processing,  
29 compounding, mining, producing or fabricating and which new personal property is intended to  
30 be sold ultimately for final use or consumption; and materials, including without limitation,  
31 gases and manufactured goods, including without limitation, slagging materials and firebrick,  
32 which are ultimately consumed in the manufacturing process by blending, reacting or interacting  
33 with or by becoming, in whole or in part, component parts or ingredients of steel products  
34 intended to be sold ultimately for final use or consumption;

35           (3) Materials, replacement parts and equipment purchased for use directly upon, and for  
36 the repair and maintenance or manufacture of, motor vehicles, watercraft, railroad rolling stock  
37 or aircraft engaged as common carriers of persons or property;

38           (4) Replacement machinery, equipment, and parts and the materials and supplies solely  
39 required for the installation or construction of such replacement machinery, equipment, and  
40 parts, used directly in manufacturing, mining, fabricating or producing a product which is  
41 intended to be sold ultimately for final use or consumption; and machinery and equipment, and  
42 the materials and supplies required solely for the operation, installation or construction of such  
43 machinery and equipment, purchased and used to establish new, or to replace or expand existing,  
44 material recovery processing plants in this state. For the purposes of this subdivision, a "material  
45 recovery processing plant" means a facility that has as its primary purpose the recovery of  
46 materials into a useable product or a different form which is used in producing a new product and  
47 shall include a facility or equipment which are used exclusively for the collection of recovered  
48 materials for delivery to a material recovery processing plant but shall not include motor vehicles  
49 used on highways. For purposes of this section, the terms "motor vehicle" and "highway" shall

50 have the same meaning pursuant to section 301.010, RSMo. Material recovery is not the reuse  
51 of materials within a manufacturing process or the use of a product previously recovered. The  
52 material recovery processing plant shall qualify under the provisions of this section regardless  
53 of ownership of the material being recovered;

54 (5) Machinery and equipment, and parts and the materials and supplies solely required  
55 for the installation or construction of such machinery and equipment, purchased and used to  
56 establish new or to expand existing manufacturing, mining or fabricating plants in the state if  
57 such machinery and equipment is used directly in manufacturing, mining or fabricating a product  
58 which is intended to be sold ultimately for final use or consumption;

59 (6) Tangible personal property which is used exclusively in the manufacturing,  
60 processing, modification or assembling of products sold to the United States government or to  
61 any agency of the United States government;

62 (7) Animals or poultry used for breeding or feeding purposes;

63 (8) Newsprint, ink, computers, photosensitive paper and film, toner, printing plates and  
64 other machinery, equipment, replacement parts and supplies used in producing newspapers  
65 published for dissemination of news to the general public;

66 (9) The rentals of films, records or any type of sound or picture transcriptions for public  
67 commercial display;

68 (10) Pumping machinery and equipment used to propel products delivered by pipelines  
69 engaged as common carriers;

70 (11) Railroad rolling stock for use in transporting persons or property in interstate  
71 commerce and motor vehicles licensed for a gross weight of twenty-four thousand pounds or  
72 more or trailers used by common carriers, as defined in section 390.020, RSMo, solely in the  
73 transportation of persons or property in interstate commerce;

74 (12) Electrical energy used in the actual primary manufacture, processing, compounding,  
75 mining or producing of a product, or electrical energy used in the actual secondary processing  
76 or fabricating of the product, or a material recovery processing plant as defined in subdivision  
77 (4) of this subsection, in facilities owned or leased by the taxpayer, if the total cost of electrical  
78 energy so used exceeds ten percent of the total cost of production, either primary or secondary,  
79 exclusive of the cost of electrical energy so used or if the raw materials used in such processing  
80 contain at least twenty-five percent recovered materials as defined in section 260.200, RSMo.  
81 For purposes of this subdivision, "processing" means any mode of treatment, act or series of acts  
82 performed upon materials to transform and reduce them to a different state or thing, including  
83 treatment necessary to maintain or preserve such processing by the producer at the production  
84 facility;

85 (13) Anodes which are used or consumed in manufacturing, processing, compounding,  
86 mining, producing or fabricating and which have a useful life of less than one year;

87 (14) Machinery, equipment, appliances and devices purchased or leased and used solely  
88 for the purpose of preventing, abating or monitoring air pollution, and materials and supplies  
89 solely required for the installation, construction or reconstruction of such machinery, equipment,  
90 appliances and devices, and so certified as such by the director of the department of natural  
91 resources, except that any action by the director pursuant to this subdivision may be appealed to  
92 the air conservation commission which may uphold or reverse such action;

93 (15) Machinery, equipment, appliances and devices purchased or leased and used solely  
94 for the purpose of preventing, abating or monitoring water pollution, and materials and supplies  
95 solely required for the installation, construction or reconstruction of such machinery, equipment,  
96 appliances and devices, and so certified as such by the director of the department of natural  
97 resources, except that any action by the director pursuant to this subdivision may be appealed to  
98 the Missouri clean water commission which may uphold or reverse such action;

99 (16) Tangible personal property purchased by a rural water district;

100 (17) All amounts paid or charged for admission or participation or other fees paid by or  
101 other charges to individuals in or for any place of amusement, entertainment or recreation, games  
102 or athletic events, including museums, fairs, zoos and planetariums, owned or operated by a  
103 municipality or other political subdivision where all the proceeds derived therefrom benefit the  
104 municipality or other political subdivision and do not inure to any private person, firm, or  
105 corporation;

106 (18) All sales of insulin and prosthetic or orthopedic devices as defined on January 1,  
107 1980, by the federal Medicare program pursuant to Title XVIII of the Social Security Act of  
108 1965, including the items specified in Section 1862(a)(12) of that act, and also specifically  
109 including hearing aids and hearing aid supplies and all sales of drugs which may be legally  
110 dispensed by a licensed pharmacist only upon a lawful prescription of a practitioner licensed to  
111 administer those items, including samples and materials used to manufacture samples which may  
112 be dispensed by a practitioner authorized to dispense such samples and all sales of medical  
113 oxygen, home respiratory equipment and accessories, hospital beds and accessories and  
114 ambulatory aids, all sales of manual and powered wheelchairs, stairway lifts, Braille writers,  
115 electronic Braille equipment and, if purchased by or on behalf of a person with one or more  
116 physical or mental disabilities to enable them to function more independently, all sales of  
117 scooters, reading machines, electronic print enlargers and magnifiers, electronic alternative and  
118 augmentative communication devices, and items used solely to modify motor vehicles to permit  
119 the use of such motor vehicles by individuals with disabilities or sales of over-the-counter or  
120 nonprescription drugs to individuals with disabilities;

121           (19) All sales made by or to religious and charitable organizations and institutions in  
122 their religious, charitable or educational functions and activities and all sales made by or to all  
123 elementary and secondary schools operated at public expense in their educational functions and  
124 activities;

125           (20) All sales of aircraft to common carriers for storage or for use in interstate commerce  
126 and all sales made by or to not-for-profit civic, social, service or fraternal organizations,  
127 including fraternal organizations which have been declared tax-exempt organizations pursuant  
128 to Section 501(c)(8) or (10) of the 1986 Internal Revenue Code, as amended, in their civic or  
129 charitable functions and activities and all sales made to eleemosynary and penal institutions and  
130 industries of the state, and all sales made to any private not-for-profit institution of higher  
131 education not otherwise excluded pursuant to subdivision (19) of this subsection or any  
132 institution of higher education supported by public funds, and all sales made to a state relief  
133 agency in the exercise of relief functions and activities;

134           (21) All ticket sales made by benevolent, scientific and educational associations which  
135 are formed to foster, encourage, and promote progress and improvement in the science of  
136 agriculture and in the raising and breeding of animals, and by nonprofit summer theater  
137 organizations if such organizations are exempt from federal tax pursuant to the provisions of the  
138 Internal Revenue Code and all admission charges and entry fees to the Missouri state fair or any  
139 fair conducted by a county agricultural and mechanical society organized and operated pursuant  
140 to sections 262.290 to 262.530, RSMo;

141           (22) All sales made to any private not-for-profit elementary or secondary school, all sales  
142 of feed additives, medications or vaccines administered to livestock or poultry in the production  
143 of food or fiber, all sales of pesticides used in the production of crops, livestock or poultry for  
144 food or fiber, all sales of bedding used in the production of livestock or poultry for food or fiber,  
145 all sales of propane or natural gas, electricity or diesel fuel used exclusively for drying  
146 agricultural crops, natural gas used in the primary manufacture or processing of fuel ethanol as  
147 defined in section 142.028, RSMo, natural gas, propane, and electricity used by an eligible new  
148 generation cooperative or an eligible new generation processing entity as defined in section  
149 348.432, RSMo, and all sales of farm machinery and equipment, other than airplanes, motor  
150 vehicles and trailers. As used in this subdivision, the term "feed additives" means tangible  
151 personal property which, when mixed with feed for livestock or poultry, is to be used in the  
152 feeding of livestock or poultry. As used in this subdivision, the term "pesticides" includes  
153 adjuvants such as crop oils, surfactants, wetting agents and other assorted pesticide carriers used  
154 to improve or enhance the effect of a pesticide and the foam used to mark the application of  
155 pesticides and herbicides for the production of crops, livestock or poultry. As used in this  
156 subdivision, the term "farm machinery and equipment" means new or used farm tractors and such

157 other new or used farm machinery and equipment and repair or replacement parts thereon, and  
158 supplies and lubricants used exclusively, solely, and directly for producing crops, raising and  
159 feeding livestock, fish, poultry, pheasants, chukar, quail, or for producing milk for ultimate sale  
160 at retail, including field drain tile, and one-half of each purchaser's purchase of diesel fuel  
161 therefor which is:

162 (a) Used exclusively for agricultural purposes;

163 (b) Used on land owned or leased for the purpose of producing farm products; and

164 (c) Used directly in producing farm products to be sold ultimately in processed form or  
165 otherwise at retail or in producing farm products to be fed to livestock or poultry to be sold  
166 ultimately in processed form at retail;

167 (23) Except as otherwise provided in section 144.032, all sales of metered water service,  
168 electricity, electrical current, natural, artificial or propane gas, wood, coal or home heating oil  
169 for domestic use and in any city not within a county, all sales of metered or unmetered water  
170 service for domestic use;

171 (a) "Domestic use" means that portion of metered water service, electricity, electrical  
172 current, natural, artificial or propane gas, wood, coal or home heating oil, and in any city not  
173 within a county, metered or unmetered water service, which an individual occupant of a  
174 residential premises uses for nonbusiness, noncommercial or nonindustrial purposes. Utility  
175 service through a single or master meter for residential apartments or condominiums, including  
176 service for common areas and facilities and vacant units, shall be deemed to be for domestic use.  
177 Each seller shall establish and maintain a system whereby individual purchases are determined  
178 as exempt or nonexempt;

179 (b) Regulated utility sellers shall determine whether individual purchases are exempt or  
180 nonexempt based upon the seller's utility service rate classifications as contained in tariffs on file  
181 with and approved by the Missouri public service commission. Sales and purchases made  
182 pursuant to the rate classification "residential" and sales to and purchases made by or on behalf  
183 of the occupants of residential apartments or condominiums through a single or master meter,  
184 including service for common areas and facilities and vacant units, shall be considered as sales  
185 made for domestic use and such sales shall be exempt from sales tax. Sellers shall charge sales  
186 tax upon the entire amount of purchases classified as nondomestic use. The seller's utility  
187 service rate classification and the provision of service thereunder shall be conclusive as to  
188 whether or not the utility must charge sales tax;

189 (c) Each person making domestic use purchases of services or property and who uses any  
190 portion of the services or property so purchased for a nondomestic use shall, by the fifteenth day  
191 of the fourth month following the year of purchase, and without assessment, notice or demand,  
192 file a return and pay sales tax on that portion of nondomestic purchases. Each person making

193 nondomestic purchases of services or property and who uses any portion of the services or  
194 property so purchased for domestic use, and each person making domestic purchases on behalf  
195 of occupants of residential apartments or condominiums through a single or master meter,  
196 including service for common areas and facilities and vacant units, under a nonresidential utility  
197 service rate classification may, between the first day of the first month and the fifteenth day of  
198 the fourth month following the year of purchase, apply for credit or refund to the director of  
199 revenue and the director shall give credit or make refund for taxes paid on the domestic use  
200 portion of the purchase. The person making such purchases on behalf of occupants of residential  
201 apartments or condominiums shall have standing to apply to the director of revenue for such  
202 credit or refund;

203 (24) All sales of handicraft items made by the seller or the seller's spouse if the seller or  
204 the seller's spouse is at least sixty-five years of age, and if the total gross proceeds from such  
205 sales do not constitute a majority of the annual gross income of the seller;

206 (25) Excise taxes, collected on sales at retail, imposed by Sections 4041, 4061, 4071,  
207 4081, 4091, 4161, 4181, 4251, 4261 and 4271 of Title 26, United States Code. The director of  
208 revenue shall promulgate rules pursuant to chapter 536, RSMo, to eliminate all state and local  
209 sales taxes on such excise taxes;

210 (26) Sales of fuel consumed or used in the operation of ships, barges, or waterborne  
211 vessels which are used primarily in or for the transportation of property or cargo, or the  
212 conveyance of persons for hire, on navigable rivers bordering on or located in part in this state,  
213 if such fuel is delivered by the seller to the purchaser's barge, ship, or waterborne vessel while  
214 it is afloat upon such river;

215 (27) All sales made to an interstate compact agency created pursuant to sections 70.370  
216 to 70.441, RSMo, or sections 238.010 to 238.100, RSMo, in the exercise of the functions and  
217 activities of such agency as provided pursuant to the compact;

218 (28) Computers, computer software and computer security systems purchased for use  
219 by architectural or engineering firms headquartered in this state. For the purposes of this  
220 subdivision, "headquartered in this state" means the office for the administrative management  
221 of at least four integrated facilities operated by the taxpayer is located in the state of Missouri;

222 (29) All livestock sales when either the seller is engaged in the growing, producing or  
223 feeding of such livestock, or the seller is engaged in the business of buying and selling, bartering  
224 or leasing of such livestock;

225 (30) All sales of barges which are to be used primarily in the transportation of property  
226 or cargo on interstate waterways;

227 (31) Electrical energy or gas, whether natural, artificial or propane, water, or other  
228 utilities which are ultimately consumed in connection with the manufacturing of cellular glass

229 products or in any material recovery processing plant as defined in subdivision (4) of subsection  
230 2 of this section;

231 (32) Notwithstanding other provisions of law to the contrary, all sales of pesticides or  
232 herbicides used in the production of crops, aquaculture, livestock or poultry;

233 (33) Tangible personal property purchased for use or consumption directly or exclusively  
234 in the research and development of prescription pharmaceuticals consumed by humans or  
235 animals;

236 (34) All sales of grain bins for storage of grain for resale;

237 (35) All sales of feed which are developed for and used in the feeding of pets owned by  
238 a commercial breeder when such sales are made to a commercial breeder, as defined in section  
239 273.325, RSMo, and licensed pursuant to sections 273.325 to 273.357, RSMo;

240 (36) All purchases by a contractor on behalf of an entity located in another state,  
241 provided that the entity is authorized to issue a certificate of exemption for purchases to a  
242 contractor under the provisions of that state's laws. For purposes of this subdivision, the term  
243 "certificate of exemption" shall mean any document evidencing that the entity is exempt from  
244 sales and use taxes on purchases pursuant to the laws of the state in which the entity is located.  
245 Any contractor making purchases on behalf of such entity shall maintain a copy of the entity's  
246 exemption certificate as evidence of the exemption. If the exemption certificate issued by the  
247 exempt entity to the contractor is later determined by the director of revenue to be invalid for any  
248 reason and the contractor has accepted the certificate in good faith, neither the contractor or the  
249 exempt entity shall be liable for the payment of any taxes, interest and penalty due as the result  
250 of use of the invalid exemption certificate. Materials shall be exempt from all state and local  
251 sales and use taxes when purchased by a contractor for the purpose of fabricating tangible  
252 personal property which is used in fulfilling a contract for the purpose of constructing, repairing  
253 or remodeling facilities for the following:

254 (a) An exempt entity located in this state, if the entity is one of those entities able to issue  
255 project exemption certificates in accordance with the provisions of section 144.062; or

256 (b) An exempt entity located outside the state if the exempt entity is authorized to issue  
257 an exemption certificate to contractors in accordance with the provisions of that state's law and  
258 the applicable provisions of this section;

259 (37) Tangible personal property purchased for use or consumption directly or exclusively  
260 in research or experimentation activities performed by life science companies and so certified  
261 as such by the director of the department of economic development or the director's designees;  
262 except that, the total amount of exemptions certified pursuant to this section shall not exceed one  
263 million three hundred thousand dollars in state and local taxes per fiscal year. For purposes of  
264 this subdivision, the term "life science companies" means companies whose primary research

activities are in agriculture, pharmaceuticals, biomedical or food ingredients, and whose North American Industry Classification System (NAICS) Codes fall under industry 541710 (biotech research or development laboratories), 621511 (medical laboratories) or 541940 (veterinary services). The exemption provided by this subdivision shall expire on June 30, 2003;

(38) All sales or other transfers of tangible personal property to a lessor who leases the property under a lease of one year or longer executed or in effect at the time of the sale or other transfer to an interstate compact agency created pursuant to sections 70.370 to 70.441, RSMo, or sections 238.010 to 238.100, RSMo; [and]

(39) Sales of tickets to any collegiate athletic championship event that is held in a facility owned or operated by a governmental authority or commission, a quasi-governmental agency, a state university or college or by the state or any political subdivision thereof, including a municipality, and that is played on a neutral site and may reasonably be played at a site located outside the state of Missouri. For purposes of this subdivision, "neutral site" means any site that is not located on the campus of a conference member institution participating in the event; **and**

(40) **All purchases by an authority created pursuant to section 64.920 RSMo.**

**144.054. 1. As used in this section, the following terms mean:**

(1) "Processing", any mode of treatment, act, or series of acts performed upon materials to transform or reduce them to a different state or thing, including treatment necessary to maintain or preserve such processing by the producer at the production facility;

(2) "Recovered materials", those materials which have been diverted or removed from the solid waste stream for sale, use, reuse, or recycling, whether or not they require subsequent separation and processing.

**2. In addition to all other exemptions granted under this chapter, there is hereby specifically exempted from the provisions of sections 144.010 to 144.525 and 144.600 to 144.761, and section 238.235, RSMo, and the local sales tax law as defined in section 32.085, RSMo, and from the computation of the tax levied, assessed, or payable under sections 144.010 to 144.525 and 144.600 to 144.761, and section 238.235, RSMo, and the local sales tax law as defined in section 32.085, RSMo, electrical energy and gas, whether natural, artificial, or propane, water, coal, and other utilities, chemicals, machinery, equipment, and materials used or consumed in the manufacturing, processing, compounding, mining, or producing of any product, or used or consumed directly in television or radio broadcasting or used or consumed in the processing of recovered materials, or used in research and development related to manufacturing, processing, compounding, mining, or producing any product and all sales and purchases of tangible personal property, utilities, services, or any other transaction that would otherwise be subject to the state or local sales**

22 or use tax when such sales are made to or purchases are made by a contractor for use in  
23 fulfillment of any obligation under a defense contract with the United States government,  
24 and all sales and leases of tangible personal property by any county, city, incorporated  
25 town, or village, provided such sale or lease is authorized under chapter 100, RSMo, and  
26 tangible personal property brought into this state for processing, fabrication, or other  
27 modification for use outside the state in the regular course of business.

144.062. 1. With respect to exempt sales at retail of tangible personal property and  
2 materials for the purpose of constructing, repairing or remodeling facilities for:

3 (1) A county, other political subdivision or instrumentality thereof exempt from taxation  
4 under subdivision (10) of section 39 of article III of the Constitution of Missouri; or

5 (2) An organization sales to which are exempt from taxation under the provisions of  
6 subdivision (19) of subsection 2 of section 144.030; or

7 (3) Any institution of higher education supported by public funds or any private  
8 not-for-profit institution of higher education, exempt from taxation under subdivision (20) or  
9 authority exempt from taxation under subdivision (40) of subsection 2 of section 144.030;  
10 or

11 (4) Any private not-for-profit elementary or secondary school exempt from taxation  
12 under subdivision (22) of subsection 2 of section 144.030; or

13 (5) **After June 30, 2008, the department of transportation or the state highways and**  
14 **transportation commission**, hereinafter collectively referred to as exempt entities, such  
15 exemptions shall be allowed for such purchases if the purchases are related to the entities'  
16 exempt functions and activities. In addition, the sales shall not be rendered nonexempt nor shall  
17 any material supplier or contractor be obligated to pay, collect or remit sales tax with respect to  
18 such purchases made by or on behalf of an exempt entity due to such purchases being billed to  
19 or paid for by a contractor or the exempt entity contracting with any entity to render any services  
20 in relation to such purchases, including but not limited to selection of materials, ordering, pickup,  
21 delivery, approval on delivery, taking of delivery, transportation, storage, assumption of risk of  
22 loss to materials or providing warranties on materials as specified by contract, use of materials  
23 or other purchases for construction of the building or other facility, providing labor, management  
24 services, administrative services, design or technical services or advice to the exempt entity,  
25 whether or not the contractor or other entity exercises dominion or control in any other manner  
26 over the materials in conjunction with services or labor provided to the exempt entity.

27 2. When any exempt entity contracts for the purpose of constructing, repairing or  
28 remodeling facilities, and purchases of tangible personal property and materials to be  
29 incorporated into or consumed in the construction of the project are to be made on a tax-exempt  
30 basis, such entity shall furnish to the contractor an exemption certificate authorizing such

31 purchases for the construction, repair or remodeling project. The form and content of such  
32 project exemption certificate shall be approved by the director of revenue. The project  
33 exemption certificate shall include but not be limited to:

- 34 (1) The exempt entity's name, address, Missouri tax identification number and signature  
35 of authorized representative;
- 36 (2) The project location, description, and unique identification number;
- 37 (3) The date the contract is entered into, which is the earliest date materials may be  
38 purchased for the project on a tax-exempt basis;
- 39 (4) The estimated project completion date; and
- 40 (5) The certificate expiration date.

41 Such certificate is renewable for a given project at the option of the exempt entity, only for the  
42 purpose of revising the certificate expiration date as necessary to complete the project.

43 3. The contractor shall furnish the certificate prescribed in subsection 2 of this section  
44 to all subcontractors, and any contractor purchasing materials shall present such certificate to all  
45 material suppliers as authorization to purchase, on behalf of the exempt entity, all tangible  
46 personal property and materials to be incorporated into or consumed in the construction of that  
47 project and no other on a tax-exempt basis. Such suppliers shall execute to the purchasing  
48 contractor invoices bearing the name of the exempt entity and the project identification number.  
49 Nothing in this section shall be deemed to exempt the purchase of any construction machinery,  
50 equipment or tools used in constructing, repairing or remodeling facilities for the exempt entity.  
51 All invoices for all personal property and materials purchased under a project exemption  
52 certificate shall be retained by the purchasing contractor for a period of five years and shall be  
53 subject to audit by the director of revenue.

54 4. Any excess resalable tangible personal property or materials which were purchased  
55 for the project by a contractor under a project exemption certificate but which were not  
56 incorporated into or consumed in the construction of the project shall either be returned to the  
57 supplier for credit or the appropriate sales or use tax on such excess property or materials shall  
58 be reported on a return and paid by such contractor not later than the due date of the contractor's  
59 Missouri sales or use tax return following the month in which it was determined that the  
60 materials were not to be used in the project.

61 5. No contractor or material supplier shall, upon audit, be required to pay tax on tangible  
62 personal property and materials incorporated into or consumed in the construction of the project,  
63 due to the failure of the exempt entity to revise the certificate expiration date as necessary to  
64 complete any work required by the contract. If it is determined that tax is owed on such property  
65 and materials due to the failure of the exempt entity to revise such certificate expiration date, the  
66 exempt entity shall be liable for the tax owed.

67           6. If an entity issues exemption certificates for the purchase of tangible personal property  
68 and materials which are incorporated into or consumed in the construction of its project and such  
69 entity is found not to have had the authority granted by this section to issue such exemption  
70 certificates, then such entity shall be liable for the tax owed on such personal property and  
71 materials. In addition, if an entity which does have the authority granted by this section to issue  
72 exemption certificates issues such certificates for the purchase of tangible personal property and  
73 materials which are incorporated into or consumed in the construction of a project, or part of a  
74 project, which is found not to be related to such entity's exempt functions and activities, then  
75 such entity shall be liable for the tax owed on such personal property and materials.

144.518. **1.** In addition to the exemptions granted pursuant to section 144.030, there is  
2 hereby specifically exempted from the provisions of sections [66.600 to 66.635, RSMo, sections  
3 67.391 to 67.395, RSMo, sections 67.500 to 67.545, RSMo, section 67.547, RSMo, sections  
4 67.550 to 67.594, RSMo, sections 67.665 to 67.667, RSMo, sections 67.671 to 67.685, RSMo,  
5 sections 67.700 to 67.727, RSMo, section 67.729, RSMo, sections 67.730 to 67.739, RSMo,  
6 sections 67.1000 to 67.1012, RSMo, section 82.850, RSMo, sections 92.325 to 92.340, RSMo,  
7 sections 92.400 to 92.421, RSMo, sections 94.500 to 94.570, RSMo, section 94.577, RSMo,  
8 sections 94.600 to 94.655, RSMo, section 94.660, RSMo, sections 94.700 to 94.755, RSMo,  
9 sections 94.800 to 94.825, RSMo, section 94.830, RSMo, sections 94.850 to 94.857, RSMo,  
10 sections 94.870 to 94.881, RSMo, section 94.890, RSMo, sections] 144.010 to 144.525, [and]  
11 sections 144.600 to 144.761, sections 190.335 to 190.337, RSMo, [sections] **section 238.235**  
12 **[and] , RSMo, section 238.236, RSMo, section 238.410, RSMo, section 321.242, RSMo,**  
13 **section 573.505, RSMo, [and] section 644.032, RSMo, and any local sales tax law as defined**  
14 **in section 32.085, RSMo, and** from the computation of the tax levied, assessed or payable  
15 pursuant to sections [66.600 to 66.635, RSMo, sections 67.391 to 67.395, RSMo, sections  
16 67.500 to 67.545, RSMo, section 67.547, RSMo, sections 67.550 to 67.594, RSMo, sections  
17 67.665 to 67.667, RSMo, sections 67.671 to 67.685, RSMo, sections 67.700 to 67.727, RSMo,  
18 section 67.729, RSMo, sections 67.730 to 67.739, RSMo, sections 67.1000 to 67.1012, RSMo,  
19 section 82.850, RSMo, sections 92.325 to 92.340, RSMo, sections 92.400 to 92.421, RSMo,  
20 sections 94.500 to 94.570, RSMo, section 94.577, RSMo, sections 94.600 to 94.655, RSMo,  
21 section 94.660, RSMo, sections 94.700 to 94.755, RSMo, sections 94.800 to 94.825, RSMo,  
22 section 94.830, RSMo, sections 94.850 to 94.857, RSMo, sections 94.870 to 94.881, RSMo,  
23 section 94.890, RSMo, sections] 144.010 to 144.525, sections 144.600 to 144.761, sections  
24 190.335 to 190.337, RSMo, [sections] **section 238.235 [and] , RSMo, section 238.236, RSMo,**  
25 **section 238.410, RSMo, section 321.242, RSMo, section 573.505, RSMo, [and] section 644.032,**  
26 **RSMo, [machines or parts for machines used in a commercial, coin-operated amusement and**  
27 **vending business] and any local sales tax law as defined in section 32.085, RSMo, coin-**

28 **operated amusement devices and parts for such devices purchased prior to September 1,**  
29 **2007, where sales tax is paid on the gross receipts derived from the use of [commercial,**  
30 **coin-operated amusement and vending machines] such devices.**

31 **2. Beginning September 1, 2007, in addition to any other exemption provided by**  
32 **law, there is hereby specifically exempted from the provisions of sections 144.010 to**  
33 **144.525, sections 144.600 to 144.761, sections 190.335 to 190.337, RSMo, section 238.235,**  
34 **RSMo, section 238.236, RSMo, section 238.410, RSMo, section 321.242, RSMo, section**  
35 **573.505, RSMo, section 644.032, RSMo, and any local sales tax law as defined in section**  
36 **32.085, RSMo, and from the computation of the tax levied, assessed, or payable pursuant**  
37 **to sections 144.010 to 144.525, sections 144.600 to 144.761, sections 190.335 to 190.337,**  
38 **RSMo, section 238.235, RSMo, section 238.236, RSMo, section 238.410, RSMo, section**  
39 **321.242, RSMo, section 573.505, RSMo, section 644.032, RSMo, and any local sales tax law**  
40 **as defined in section 32.085, RSMo, amounts paid for the temporary use of a coin-operated**  
41 **amusement device.**

42 **3. As used in this section, "coin-operated amusement device" means a device**  
43 **accepting payment or items representing payments to allow one or more users temporary**  
44 **use of the device for entertainment or amusement purposes. Examples of coin-operated**  
45 **amusement devices include, but are not limited to, video games, pinball games, table games**  
46 **such as billiards and air hockey, and redemption games such as the claw and skee ball that**  
47 **may award prizes of tangible personal property.**

48 **4. In addition to any other exemptions provided by law, there is hereby specifically**  
49 **exempted from the provisions of sections 144.010 to 144.525, sections 144.600 to 144.761,**  
50 **sections 190.335 to 190.337, RSMo, section 238.235, RSMo, section 238.236, RSMo, section**  
51 **238.410, RSMo, section 321.242, RSMo, section 573.505, RSMo, section 644.032, RSMo,**  
52 **and any local sales tax law as defined in section 32.085, RSMo, and from the computation**  
53 **of the tax levied, assessed, or payable pursuant to sections 144.010 to 144.525, sections**  
54 **144.600 to 144.761, sections 190.335 to 190.337, RSMo, section 238.235, RSMo, section**  
55 **238.236, RSMo, section 238.410, RSMo, section 321.242, RSMo, section 573.505, RSMo,**  
56 **section 644.032, RSMo, and any local sales tax law as defined in section 32.085, RSMo,**  
57 **vending machines or parts for vending machines used in a commercial vending business**  
58 **where sales tax is paid on the gross receipts derived from such vending machines.**

**Section 1. 1. Notwithstanding any rule or law to the contrary, the department of**  
2 **revenue shall promulgate a uniform and simplified rule for all motor fuel tax exemptions.**  
3 **This uniform and simplified rule shall preempt all similar existing rules, shall minimize,**  
4 **if applicable, the time between requesting a refund and receiving a refund, and shall**

5 ensure that any document and administrative burdens be kept to a minimum and be  
6 shared equitably by the fuel wholesaler or fuel retailer and the tax exempt entity.

7       2. Any rule or portion of a rule, as that term is defined in section 536.010, RSMo,  
8 that is created under the authority delegated in this section shall become effective only if  
9 it complies with and is subject to all of the provisions of chapter 536, RSMo, and, if  
10 applicable, section 536.028, RSMo. This section and chapter 536, RSMo, are nonseverable  
11 and if any of the powers vested with the general assembly under chapter 536, RSMo, to  
12 review, to delay the effective date, or to disapprove and annul a rule are subsequently held  
13 unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted  
14 after August 28, 2007, shall be invalid and void.

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