

SALES TAX EXEMPTIONS YOU (POSSIBLY) AREN'T AWARE OF

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December 9, 2017

THE RESALE EXEMPTION



THE RESALE EXEMPTION

Also applies to rentals

This includes replacement parts on rented items

Many opportunities for restaurants

TPP TRANSFERRED IN CONNECTION WITH A TAXABLE SERVICE

When a provider of taxable services transfers tangible personal property in connection with the providing of the service, the tangible personal property transferred may be purchased tax-free by the service provider.

TPP TRANSFERRED IN CONNECTION WITH A TAXABLE SERVICE

- † Janitorial Services
- † Lawn Maintenance Services
- † Pool Cleaning Services
- † Golf Courses

THE MANUFACTURING EXEMPTION

In general, a purchase of otherwise taxable TPP or a taxable service will be nontaxable when purchased by a manufacturer in the process of making a chemical or physical change to property being manufactured for ultimate sale so long as the item purchased is necessary and essential to the manufacturing process.

THE MANUFACTURING EXEMPTION

The manufacturing process is defined to be “Each operation beginning with the first stage in the production of tangible personal property and ending with the completion of tangible personal property.”

THE MANUFACTURING EXEMPTION

Raw Materials



THE MANUFACTURING EXEMPTION

Manufacturing Equipment



THE MANUFACTURING EXEMPTION

Energy



THE MANUFACTURING EXEMPTION

Packaging Supplies

- ▶ Boxes
- ▶ Tape
- ▶ Strappers
- ▶ Labels
- ▶ Pallets



THE MANUFACTURING EXEMPTION

Industrial Solid Waste Disposal

- ▶ **Scrap**
- ▶ **Must be a result of the manufacturing process**
- ▶ **Take a percentage**



THE MANUFACTURING EXEMPTION

► **Pollution Control Equipment**



► **Quality Control Equipment**



THE MANUFACTURING EXEMPTION

► Cleanrooms



THE RESIDENTIAL EXEMPTION

Improvements - the labor to improve real residential property is nontaxable (exclusion). If labor charges are separated from materials charges, the labor charges are exempt and the materials charges are taxable. If there is a lump-sum charge for both materials and labor, the entire amount is nontaxable.

THE RESIDENTIAL EXEMPTION

Applies to:

- ▶ Single family homes
- ▶ Apartment complexes
- ▶ Nursing homes

Does not apply to:

- ▶ Hospitals
- ▶ Most hotels

THE RESIDENTIAL EXEMPTION

ABC Carpet Cleaning Co.

- ▶ Heavy clean
- ▶ Deodorize
- ▶ Spot treatment
- ▶ Pet stains
- ▶ Mildew treatment

THE RESIDENTIAL EXEMPTION

ABC Carpet Cleaning Co.

- ▶ Water extraction
- ▶ Furniture moving
- ▶ Replace pad
- ▶ Dehumidifier rental
- ▶ Blower charge
- ▶ After-hours service call

THE RESIDENTIAL EXEMPTION

Energy



THE HOME BUILDER'S EXEMPTION

Builders of residential properties are eligible.

- ▶ **Single family homes**
- ▶ **Apartment complexes**
- ▶ **Nursing homes**

THE HOME BUILDER'S EXEMPTION

Applies to real property services.

- ▶ Landscaping
- ▶ Lawn and yard maintenance
- ▶ Janitorial/custodial services
- ▶ Waste disposal services
- ▶ Pest control
- ▶ Surveying

EXEMPT ENTITIES

- ▶ **It is important to keep in mind that the sales tax exemption for exempt entities applies to their purchases, not their sales.**
- ▶ **There is an exemption available to for-profit entities owned in a partnership by tax-exempt entities.**

NEW CONSTRUCTION EXEMPTION

The labor to build newly constructed property is nontaxable (exclusion). If labor charges are separated from materials charges, the labor charges are exempt and the materials charges are taxable. If there is a lump-sum charge for both materials and labor, the entire amount is nontaxable.

NEW CONSTRUCTION EXEMPTION

New construction defined

- ▶ Building new structures
- ▶ Adding new usable square footage to an existing building (expansion)
- ▶ Initial finish out work
- ▶ Rebuilding from the ground up a structure that has been demolished down to the foundation

OIL AND GAS EXEMPTION

- ▶ **Fracturing**
- ▶ **Perforating**
- ▶ **Workover**
- ▶ **Acidizing**
- ▶ **Logging**
- ▶ **Plug and abandon**
- ▶ **Pull back charges**
- ▶ **Swabbing**
- ▶ **Jetting**

MAINTENANCE OF REAL PROPERTY

- ▶ Distinguished from repair, remodeling or restoration
- ▶ Must be scheduled and periodic

GOOD PROSPECTS FOR SAVING FROM HAVING A SALES TAX REFUND REVIEW

- ▶ **Manufacturers**
- ▶ **Apartment Complexes and Nursing Homes (Property Management Companies)**
- ▶ **Home Builders**
- ▶ **Construction Companies**
- ▶ **Oil and Gas Companies**