





















Raw milk obtained and transported to facility

Machinery stores raw milk

Manufacturing Process – filters, heaters, dryers, mixers, sifters and piping transforms and moves material through facility, into initial packaging

Machinery puts product into secondary packaging, palleting, moves product around facility or warehouse

Machinery and trucks ship product

All taxable prior to **Manufacturing Process** During manufacturing process, machinery that acts on, moves or transforms material into finished product is exempt.

Waste removal, cleaning, testing is exempt only if integrated into a synchronized process and protects quality of product.

Machinery for initial packaging is exempt, otherwise all taxable

All taxable prior to **Manufacturing Process**

During manufacturing process, all machinery that acts on, moves or transforms material into finished product is exempt,

Waste removal, cleaning, testing is exempt.

All machinery for packaging, quality assurance is exempt, otherwise all taxable

Summary:

The Proposal eliminates the confusing "integration" analysis during the manufacturing process, and the exemption is expanded to include quality assurance and testing equipment used at any time. All machinery used for packaging is exempt, even if used after initial packaging.



This simplification avoids confusing tax consequences arising only because quality assurance equipment is moved to another point in production, or if equipment is used for initial and secondary packaging.

Easier for manufacturers, easier for the Tax Department.

Current Law