

This notice was revoked by Revenue Notice # 98-22.

Revenue Notice # 94-08

Sales and Use Tax - Capital Equipment - Ready Mix Mixing Units

Minnesota Statutes section 297A.25, subd. 42, provides that the gross receipts from the sale of capital equipment are exempt. The purchaser must pay sales or use tax on capital equipment at the time of purchase, but may apply for a refund of the tax paid by filing a claim for refund with the commissioner as provided by Minnesota Statutes section 297A.15, subd. 5. Under the definition of capital equipment in Minnesota Statutes section 297A.01, subd. 16, the capital equipment must be used for manufacturing, fabricating, mining, quarrying, or refining tangible personal property to be sold at retail in order to qualify for the exemption.

Issue: Does the mixing unit on a ready mix truck qualify for exemption as capital equipment?

To determine whether the mixing unit on a ready mix truck qualifies for exemption as capital equipment the following factors must be considered:

1. Whether the motor vehicle excise tax imposed by Minnesota Statutes section 297B.02 was paid on the mixing unit or whether the sales or use tax was paid on the mixing unit.
2. Whether the mixing unit is being used during the production process or after the production process has ended.

Whether the motor vehicle excise tax or the sales or use tax was paid.

If the motor vehicle excise tax was paid on the mixing unit then the capital equipment exemption does not apply and no refund is available. If the sales tax was paid then the mixing unit may qualify for the capital equipment exemption.

Whether the mixing unit is being used during the production process.

Once it has been determined that the sales tax rather than the motor vehicle excise tax has been paid on the mixing unit the next step in determining whether the capital equipment exemption applies is to determine whether the mixing unit is used during the production process or after the production process has ended. Equipment must be used during the production process in order to qualify for the exemption for capital equipment. If the ready mix is no longer being processed as it is transported to the construction site then the exemption for capital equipment does not apply. The mixing unit is considered to be used primarily to transport a product in a completed state to the construction site and the mixing of the product is incidental to the primary use of the mixing unit which is to transport the product. If the ready mix is still in the production process as it is being transported to the construction site then the mixing unit may qualify for exemption as capital equipment. If the ready mix is still in the production process as it is being transported to the construction site then all of the transportation or delivery charges would be charges for transportation incurred prior to the time of sale and would be considered part of the sales price subject to sales tax under the provisions of Minnesota Statutes section 297A.01, subd. 8.

It is the department's understanding that the ready mix industry generally does not charge sales tax on delivery charges, considering these charges as charges for transportation incurred after the time of sale and therefore after the production process has ended. In this situation, the ready mix would not qualify as capital equipment because it is only used to transport the ready mix after it is produced.

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