

New York State Department of Taxation and Finance  
**Taxpayer Services Division**  
**Technical Services Bureau**

TSB-M-89 (19)S  
Sales Tax  
November 10, 1989

New York City Exemption for  
Production Machinery and Equipment

Effective December 1, 1989, the Tax Law is amended to provide that the exemption from the sales and compensating use tax granted by section 1115(a)(12) of the Tax Law (the "Production Exemption") is applicable to the 4% local sales and compensating use tax imposed within the city of New York under section 1107 of the Tax Law.

Therefore, as of December 1, 1989, the following will be exempt from the local sales and use taxes imposed in the city of New York, provided the purchaser furnishes the vendor a properly completed Form ST-121, Exempt Use Certificate, not later than 90 days after delivery of the property purchased.

- S machinery and equipment for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration or steam for sale, by manufacturing, processing, generating, assembling, refining, mining or extracting;
- telephone central office equipment or station apparatus or comparable telegraph equipment for use directly and predominantly in receiving at destination or initiating and switching telephone or telegraph communications; and
- S all pipe, Pipeline, drilling rigs, service rigs, vehicles and associated equipment used in the drilling, production and operation of oil, gas and solution mining activities to the point of sale to the first commercial purchaser.

For purposes of the tax imposed under section 1107 of the Tax Law in the city of New York only, this exemption does not apply to:

- S parts with a useful life of one year or less;
- S tools or supplies used in connection with exempt machinery, equipment or apparatus;
- S fuel, gas, electricity, refrigeration and steam and gas, electric, refrigeration and steam service.

The services of installing, repairing, maintaining or servicing exempt machinery, equipment or apparatus, or parts, tools or supplies used in

connection with exempt machinery, equipment or apparatus, which services are exempt from the statewide sales and compensating use tax, are excluded from the scope, of this exemption and remain taxable in the city of New York as well as all other local taxing jurisdictions throughout the State.

Example:

A furniture manufacturer located in Brooklyn, New York, purchased a lathe, a set of turning dies, a spare electric motor, various spare parts and a maintenance agreement for the lathe from a registered vendor; delivery occurred in Brooklyn. The dies and the spare motor have a useful life of one and one half (1 1/2) years; the spare parts have a useful life of one (1) year or less. The furniture manufacturer furnished the vendor a properly completed Form ST-121, Exempt Use Certificate, not later than 90 days after the property was delivered. The following chart illustrates the imposition of sales or use tax on these purchases:

	Exempt from Statewide <u>Tax</u>	New York City <u>Local Tax</u>	Taxable in <u>New York City</u>
Lathe	X	X	
Turning dies	X	X	
Spare motor	X	X	
Spare parts	X		X
Maintenance agreement	X		X