



Important Notice

February 2000

Expanded Exemption for Services to Property Used in Production

Effective March 1, 2000, the Tax Law has been amended to eliminate local sales and use taxes imposed on the **services of installing, repairing, maintaining, or servicing** the following property:

1. machinery or equipment used or consumed 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;
2. telephone and telegraph central office equipment or station apparatus used directly and predominantly in receiving at destination or initiating and switching telephone or telegraph communication or in receiving, amplifying, processing, transmitting, and retransmitting telephone or telegraph signals;
3. 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; and
4. parts, tools, and supplies used directly and predominantly in connection with machinery, equipment, or apparatus described above.

Accordingly, if the above services are performed or delivered on or after March 1, 2000 (even if rendered under a prior contract), they are not subject to local sales or use taxes. Further, since Schedule U is currently used to report tax on sales or uses of these services, it will be eliminated from the sales tax return packets beginning with the quarterly return for the period March 1, 2000, through May 31, 2000. The last Schedule U that taxpayers will be required to file is for the period ending February 29, 2000.

Box (c) of Part I of Form ST-121, *Exempt Use Certificate*, has been modified to reflect the expanded exemption. **Note:** Vendors who have accepted properly completed ST-121 forms from customers before March 1, 2000, are not required to have new certificates completed by these customers. All certificates that were completed as *blanket certificates* (which cover more than a single purchase) and that have box (c) checked, under *Part I - Manufacturing exemptions*, will be entitled to the expanded exemption for these services.