



## Senate

General Assembly

February Session, 2000

**File No. 140**

Senate Bill No. 560

*Senate, March 21, 2000*

The Committee on Energy and Technology reported through SEN. PETERS of the 20<sup>th</sup> Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

### ***An Act Concerning The Sales Tax Related To The Manufacture Of Electricity.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (18) of section 12-412 of the general statutes is  
2 repealed and the following is substituted in lieu thereof:

3 (18) Sales of and the storage or use of materials, rope, fishing nets,  
4 tools and fuel or any substitute therefor, which become an ingredient  
5 or component part of tangible personal property to be sold or which  
6 are used directly in the fishing industry or in an industrial plant in the  
7 actual fabrication of the finished product to be sold. Sales of and the  
8 storage or use of materials, tools and fuel or any substitute therefor,  
9 when such products are used directly in the furnishing of power to an  
10 industrial manufacturing plant, [or] in the generation of electricity  
11 principally for sale to others or in the furnishing of gas, water, steam or  
12 electricity when delivered to consumers through mains, lines or pipes.

13 Sec. 2. Subdivision (34) of section 12-412 of the general statutes is  
14 repealed and the following is substituted in lieu thereof:

15 (34) Sales of and the storage, use or other consumption of machinery  
16 used directly in a manufacturing production process. The word  
17 "machinery" as used in this subsection means the basic machine itself,  
18 and includes all of its component parts and contrivances, such as belts,  
19 pulleys, shafts, moving parts, operating structures and equipment or  
20 devices, which component parts and contrivances are used or required  
21 to control, regulate or operate the machinery or to enhance or alter its  
22 productivity or functionality, whether such component parts and  
23 contrivances are purchased separately or in conjunction with such  
24 machine and all replacement and repair parts for the basic machine or  
25 for its component parts and contrivances, whether such replacement or  
26 repair parts are purchased separately or in conjunction with such  
27 machine. For the purposes of this subsection, "machinery" includes  
28 machinery used exclusively to control or monitor an activity occurring  
29 during the manufacturing production process and machinery used  
30 exclusively during the manufacturing production process to test or  
31 measure materials and products being manufactured but shall not  
32 include office equipment or data processing equipment other than  
33 numerically controlled machinery used directly in the manufacturing  
34 process, and "manufacturing production process" includes the  
35 generation of electricity principally for sale to others.

36 Sec. 3. Subsection (b) of section 12-412i of the general statutes is  
37 repealed and the following is substituted in lieu thereof:

38 (b) As used in this section: (1) "Manufacturing" means the activity of  
39 converting or conditioning tangible personal property by changing the  
40 form, composition, quality or character of the property for ultimate  
41 sale at retail or use in the manufacturing of a product to be ultimately  
42 sold at retail. "Manufacturing" includes the generation of electricity  
43 principally for sale to others. Changing the quality of property shall

44 include any substantial overhaul of the property that results in a  
45 significantly greater service life than such property would have had in  
46 the absence of such overhaul or with significantly greater functionality  
47 within the original service life of the property, beyond merely  
48 restoring the original functionality for the balance of the original  
49 service life; (2) "fabricating" means to make, build, create, produce or  
50 assemble components or tangible personal property so that they work  
51 in a new or different manner; (3) "processing" means the physical  
52 application of the materials and labor necessary to modify or change  
53 the characteristics of tangible personal property; (4) "machinery"  
54 means the basic machine itself, including all of its component parts  
55 and contrivances such as belts, pulleys, shafts, moving parts, operating  
56 structures and all equipment or devices used or required to control,  
57 regulate or operate the machinery, including, without limitation,  
58 computers and data processing equipment, together with all  
59 replacement and repair parts therefor, whether purchased separately  
60 or in conjunction with a complete machine, and regardless of whether  
61 the machine or component parts thereof are assembled by the taxpayer  
62 or another party; (5) "equipment" means any device separate from  
63 machinery but essential to a manufacturing, processing or fabricating  
64 process; and (6) "measuring or testing" includes both nondestructive  
65 and destructive measuring or testing, and the alignment and  
66 calibration of machinery, equipment and tools, in the furtherance of  
67 the manufacturing, processing or fabricating of tangible personal  
68 property.

69 Sec. 4. This act shall take effect July 1, 2000.

**ET Committee Vote:** Yea 16 Nay 0 JF

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Revenue Loss

**Affected Agencies:** Department of Revenue Services, Department of Public Utility Control

**Municipal Impact:** None

**Explanation****State Impact:**

The revenue loss for FY 01 and FY 02 is estimated to be in the range of \$25 million to \$45 million as a result of exempting goods consumed in the generation of electricity for sale to others.

There is a potential revenue loss of \$100 million anticipated after FY 02 for the construction of five electricity generation plants under consideration but not yet approved by the DPUC.

The administrative cost to the Department of Revenue Services is anticipated to be minimal.

**OLR Bill Analysis**

SB 560

***AN ACT CONCERNING THE SALES TAX RELATED TO THE MANUFACTURE OF ELECTRICITY.*****SUMMARY:**

This bill expands the sales tax exemption for goods used in the generation of electricity. By law, materials, tools, and fuel used directly in the furnishing of power to an industrial plant are exempt from the tax. The bill extends this exemption to include (1) such goods used directly in the generation of electricity principally for sales to others and (2) machinery used for this purpose. The bill also provides a 50% exemption from the sales and use taxes for certain other things used in the generation of electricity principally for sales to others. Among other things, this exemption covers material, tools, or fuels that become part of tangible personal property used in an industrial plant for such generation. Example of goods eligible for the 50% exemption are pre-production and testing equipment.

EFFECTIVE DATE: July 1, 2000

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable Report

Yea 16    Nay 0