

Sales/Use/Indirect:

Missouri: M&E Used to Produce Vehicle History Reports Qualifies for Manufacturing Exemption

Case No. 18-1587, Mo. Admin. Hrg. Comm. (9/30/21). The Missouri Administrative Hearing Commission (AHC) held that a taxpayer providing vehicle history reports (VHRs) to individual consumers and automobile dealers that buy, sell, and service used automobiles nationwide was entitled to a Missouri sales and use tax manufacturing exemption on its purchase of certain machinery and equipment at issue – concluding that:

1. The taxpayer was a qualified “manufacturer” under state law;
2. The disputed items were purchased as machinery or equipment (M&E) used to expand its existing in-state VHR manufacturing process;
3. The disputed items were used directly in manufacturing or fabricating a product (i.e., the VHRs); and
4. The VHRs were intended to be sold ultimately for final use or consumption with set prices for individual customers and dealer subscriptions.

In doing so, the AHC rejected the Missouri Department of Revenue’s claims that the taxpayer is *not* a manufacturer, the VHRs are *not* “products,” and the VHRs were *not* intended to be sold ultimately for final use or consumption. Under the facts, the taxpayer evaluates data and draws its own conclusions about a vehicle, such as:

- Whether it was well maintained in accordance with industry standards;
- Whether the vehicle was ever located in an area of known flooding;
- Whether the vehicle was driven less than industry standards;
- An explanation of title information such as whether the vehicle may have been a leased vehicle; and
- What the vehicle’s fair market value is based on its history.

In light of these facts, the AHC reasoned that the taxpayer alters or physically changes the raw data to “produce an article with a use, identity and value different from the use, identity and value of the original.”

Please contact us with any questions.

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