

Sales/Use/Indirect:

Missouri Supreme Court Affirms that Telecom's Affiliate Qualifies for Manufacturing Exemption

Case No. SC99517, Mo. (4/18/23). The Missouri Supreme Court (Court) affirmed that an affiliate of a telecommunications company qualified for Missouri's use tax manufacturing exemption on telecommunications replacement equipment purchased in 2011 and 2012, because the facts showed that such equipment is "used directly" in manufacturing telecommunications services. Specifically, the Court agreed with the Missouri Administrative Hearing Commission (AHC) that because the affiliate uses the equipment to transform an input (a caller's voice) into an output (a reproduction of the caller's voice that can be heard and understood by the recipient) with a separate and distinct value from the original it is used directly in manufacturing telecommunications services. The Court explained that the AHC did not err in finding the affiliate's provision of telecommunications services qualifies as "manufacturing" for purposes of the sales and use tax exemptions under Missouri Rev. Stat. sections 144.030.2(4) and 144.054.2. Likewise, according to the Court, the AHC did not err in finding the affiliate was *not* required to establish its replacement equipment is "substantially used" in manufacturing in addition to proving the equipment satisfies the integrated plant doctrine and is "used directly" in manufacturing. Please contact us with any questions.

URL: <https://www.courts.mo.gov/file.jsp?id=194613>

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