

## Sales/Use/Indirect:

### Ohio Supreme Court Holds that Some Fracking Equipment Qualifies for Oil and Gas Production Exemption

*Slip Opinion No. 2022-304, Ohio (8/2/23)*. In a case involving a hydraulic fracturing company and whether certain equipment it purchased qualified for Ohio's sales and use tax exemption as equipment used directly in the production of crude oil and natural gas, the Ohio Supreme Court (Court) reversed earlier rulings in the case to hold in the taxpayer's favor that the equipment (*i.e.*, certain blenders, hydration units, chemical-additive units, sand kings, and t-belts) qualified for the exemption because they were used in unison with the manifold and pumps to create the injection of the mixture that is sent downhole to free the oil and gas. Among its arguments to the contrary, the Ohio Tax Commissioner had argued that the equipment at issue did not qualify for the exemption because it was not used directly in hydraulic fracturing and no item was a "thing transferred." The Court opted for a broader interpretation of the exemption statute, as amended, reasoning that equipment whose primary function is part of hydraulic fracturing may qualify for the exemption even if it has a secondary storage or delivery function. Please contact us with any questions.

**URL:** <https://www.supremecourt.ohio.gov/rod/docs/pdf/0/2023/2023-ohio-2598.pdf>

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