

CITY OF GRAND JUNCTION  
RETAIL SALES AND USE TAX ORDINANCE  
ADMINISTRATIVE REGULATIONS

**\*\*\* EXEMPTION OF CONSUMABLE MANUFACTURING MATERIALS \*\*\***

**REGULATION 34-108 (7)**

[95-02]

**MANUFACTURING & CONSUMABLE MANUFACTURING MATERIALS**

*Manufacturing* means the operation of producing a new product, article, substance or commodity different from and having a distinctive name, character or use from raw or prepared materials.

*Consumable Manufacturing Materials* means tangible personal property used and consumed exclusively and directly in the manufacturing process when such tangible personal property does not become a necessary and recognizable ingredient, component and constituent part of the finished product.

**QUALIFYING FOR THE EXEMPTION**

In order to qualify for this exemption, a consumable material must be *used exclusively* in manufacturing of tangible personal property within the city limits of Grand Junction. If the consumable material is purchased for any purpose outside of the beginning and ending points of manufacturing, it would not be exempt, and tax on its value must be paid.

*Direct use* in manufacturing is deemed to begin at the point at which raw material reaches the first machine involved in changing the form of material and deemed to end at the point at which manufacturing has altered material to its completed form, including packaging if applicable. To be used directly in manufacturing, a consumable material must act upon, and have a positive effect on, the manufactured article.

The following are **not** direct uses of manufacturing:

- 1) Tangible personal property used for moving raw materials to a plant prior to their entrance into the manufacturing process;
- 2) Tangible personal property used for moving finished goods from a plant after manufacture. This includes vehicles used both to carry manufacturing equipment and to move goods after they are finished. Machinery added to a vehicle, which does not itself qualify for exemption, may qualify for the exemption providing it is used directly and exclusively in

the manufacture of tangible personal property;

Page 2

**REGULATION 34-108 (7)**

[95-02]

- 3) Tangible personal property used to transport work in process or semi-finished materials to or from storage;
- 4) Tangible personal property used in normal repair and maintenance;
- 5) Tangible personal property used to test and inspect the product; and
- 6) Tangible personal property used in managerial, sales research and development, or other non-operational activities.

**RECEIVING THE EXEMPTION**

If the exemption applies, the manufacturer does not pay the City of Grand Junction use tax on qualifying consumable materials. If sales tax is paid to a vendor when purchasing qualifying consumable materials, the manufacturer may file a claim for sales tax refund with the City Finance Department.

The foregoing regulation, having been duly promulgated and the public having had opportunity to comment on the propriety of said regulation after public notice, is hereby adopted and is deemed effective this 29<sup>th</sup> day of December 1995.

/s/ Ron Lappi  
Ronald M. Lappi  
Finance Director  
City of Grand Junction