



MISSISSIPPI DEPARTMENT OF REVENUE

Sales and Use Tax Bureau

Notice 72-13-006

June 26, 2013

NOTICE TO TAXPAYERS CONCERNING THE INCLUSION OF CERTAIN ACTIVITIES OF SCRAP METAL RECYCLERS IN THE MANUFACTURING DEFINITION

Effective July 1, 2013, House Bill 1680 of the 2013 Regular Session amends Miss. Code Ann. Section 27-65-11 to include certain activities of scrap metal recyclers in the definition of "manufacturing" or "to manufacture". Activities of scrap metal recyclers that primarily convert material into a more useful product such as a specification-grade commodity, by processing the metal into separate types, removing waste material, and/or cutting, chipping, sorting, sizing or shaping the material into a usable product for sale such as a specification-grade commodity, shall be included in the terms "to manufacture" and "manufacturing."

The law change will allow scrap metal recyclers performing the activities above the one and a half percent (1½%) industrial rate of tax on the purchase of manufacturing machinery, manufacturing machine parts, electricity, current, power, steam, coal, natural gas, liquefied petroleum gas or other fuel used exclusively and directly in the manufacturing process. Effective with the law change, scrap metal recyclers performing the activities listed above must be issued and provide a direct pay permit to their vendors. It is the direct pay permit holders responsibility to self accrue the correct rate of tax once the permit is issued using the use tax account number. An application for a direct pay permit can be found on our website at www.dor.ms.gov. In order to claim the reduced rate of tax please submit a letter to the Sales Tax Bureau requesting the reduced rate including a description of the manufacturing process and the reasons why it qualifies for the reduced rate along with a completed direct pay permit application. Once approved, a direct pay permit will be issued.

This reduced rate of tax only applies to the purchases mentioned above. For additional information regarding purchases that qualify for the reduced rate of tax please see Title 35.IV.7.03 – Manufacturers and Custom Processors, located on our website. Proper documentation must be retained in order to substantiate the reduced rate of tax.

The reduced rate of tax applies to sales beginning July 1, 2013 and does not apply to sales prior to July 1, 2013 even though the customer may be billed for sales prior to or after July 1, 2013.

Please contact the Sales and Use Tax Bureau should you need additional information.