

Georgia Letter Ruling Number: LR SUT-2017-19
Topic: Manufacturing Exemption
Date Issued: December 14, 2017

This letter is in response to your request for guidance on the application of Georgia sales and use tax to certain purchases made by [Redacted] (“Taxpayer”).

Facts as Provided by Taxpayer

Taxpayer is a [Redacted] manufacturer located in [Redacted], GA. Taxpayer purchases bulbs, lamps, and light fixtures for use in Taxpayer’s manufacturing and administrative areas. Typically, most bulbs, lamps, and light fixtures are purchased for general use; however, some are purchased for specific applications. While the light fixtures at issue are attached to a building, the removal of a fixture would not damage either the fixture itself or the building to which the fixture is attached.

Issue(s)

1. Are bulbs and lamps qualifying manufacturing machinery or equipment?
2. Are light fixtures attached to a building or land qualifying manufacturing machinery or equipment?

Analysis

Georgia levies and imposes a tax (subject to certain specific exemptions) on the retail purchase, retail sale, storage, use, or consumption of tangible personal property, certain enumerated services, and utilities.¹

Manufacturing Exemptions

Georgia offers several sales and use tax exemptions specific to the manufacturing industry. Only those entities meeting the definition of a manufacturer can qualify for these exemptions.²

A “manufacturer” is a person or business, or a location of a person or business that is engaged in the manufacture of tangible personal property for sale or further manufacturing. To be considered a manufacturer, the person or business, or the location of a person or business, must be:

- Classified as a manufacturer under the 2007 North American Industrial Classification System Sectors 21, 31, 32, or 33, or North American Industrial Classification System industry code 22111 or specific code 511110; or
- Generally regarded as a manufacturer.

Businesses that are primarily engaged in providing services or in the operation of retail outlets, generally including, but not limited to, grocery stores, pharmacies, bakeries, or restaurants, are not considered manufacturers.³

Manufacturing Machinery and Equipment Exemption

The sale, use and storage of machinery or equipment that is necessary and integral to the manufacture of tangible personal property are exempt from sales and use tax.⁴ The manufacture of tangible personal property begins when industrial materials are received at a manufacturing plant and ends once the packaging operation is complete and the tangible personal property is ready for sale or shipment.⁵

¹ O.C.G.A. §§ 48-8-1, 48-8-2(31)(A), and 48-8-30.

² O.C.G.A. § 48-8-3.2(b). Ga. Comp. R. & Regs. r. 560-12-2-.62(3).

³ O.C.G.A. § 48-8-3.2(10). Ga. Comp. R. & Regs. r. 560-12-2-.62(2)(j).

⁴ O.C.G.A. § 48-8-3.2(b); Ga. Comp. R. & Regs. r. 560-12-2-.62(3).

⁵ O.C.G.A. § 48-8-3.2(d)(1); Ga. Comp. R. & Regs. r. 560-12-2-.62(2)(i).

The following definitions are relevant to this discussion:

“Consumable supplies” means tangible personal property, other than machinery and industrial materials, that is consumed or expended during the manufacture of tangible personal property. The term includes items that are readily disposable. The term excludes packaging supplies and energy.⁶

Bulbs and lamps that are consumed or expended during the manufacturing process are consumable supplies.

“Equipment” means tangible personal property, other than machinery and industrial materials, that are generally designed for long-term continuous or repetitive use. The term includes consumable supplies. The term also includes components, and repair or replacement parts. This term excludes real property.⁷ Whether designed for long-term continuous or repetitive use, or readily disposable, bulbs and lamps are manufacturing equipment. Real property is specifically excluded from the definition of equipment.

“Fixtures” means tangible personal property that has been installed or attached to land or to any building thereon and that is intended to remain permanently in its place. Fixtures are classified as real property. Examples of fixtures include, but are not limited to, plumbing, lighting fixtures, slabs, and foundations.⁸ Lighting fixtures attached to a building or land are fixtures. Fixtures are real property.

“Machinery” means an assemblage of parts that transmits force, motion, and energy one to the other in a predetermined manner to accomplish a specific objective. The term includes repair or replacement parts. The term excludes real property and consumable supplies.⁹ Real property is specifically excluded from the definition of machinery.

“Real property” means land, any buildings attached to the land, and any fixtures attached to such building or land.¹⁰ Fixtures attached to a building or land are real property.

Ruling(s)

1. Whether readily disposable, or designed for long-term continuous or repetitive use, a light bulb or lamp used by a manufacturer in the manufacture of tangible personal property at a manufacturing plant meets both the statutory and regulatory definition of qualifying manufacturing equipment.
2. As evidenced by the specific exclusion of real property from both the statutory and regulatory definitions of qualifying machinery and equipment, Georgia’s manufacturing machinery and equipment exemption does not extend to real property or fixtures to real property. Light fixtures attached to a building or land are real property and as such are not qualifying manufacturing machinery and equipment.

The opinions expressed in this ruling are based upon the information contained in your request and limited to the specific transactions, facts, circumstances, and taxpayer in question. Should the circumstances regarding the transactions change or differ materially from those represented, this ruling may become invalid. Subsequent statutory or administrative rule changes or judicial interpretations of the statutes or rules upon which this ruling is based may subject similar future transactions to different tax treatment than that expressed in this ruling.

⁶ O.C.G.A. § 48-8-3.2(a)(1); Ga. Comp. R. & Regs. r. 560-12-2-.62(2)(a).

⁷ O.C.G.A. § 48-8-3.2(a)(3); Ga. Comp. R. & Regs. r. 560-12-2-.62(2)(c).

⁸ O.C.G.A. § 48-8-3.2(a)(4); Ga. Comp. R. & Regs. r. 560-12-2-.62(2)(d).

⁹ O.C.G.A. § 48-8-3.2(a)(7); Ga. Comp. R. & Regs. r. 560-12-2-.62(2)(g).

¹⁰ O.C.G.A. § 48-8-3.2(a)(14); Ga. Comp. R. & Regs. r. 560-12-2-.62(2)(n).