

# HOUSE RESEARCH

## Bill Summary

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**Subject:** Eliminating the refund provision for capital equipment purchases

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### Overview

Currently businesses purchasing qualifying capital equipment must pay the sales tax at the time of purchase and apply for a refund. This requirement is a holdover from a time when the state imposed a different sales tax rate on "new and expansion" capital equipment versus "replacement" capital equipment. The Department of Revenue needed documentation to determine which rate should apply.

This bill would eliminate the requirement that a business first pay the tax and then apply for the refund.

#### Section

- 1 Capital equipment.** Eliminates the requirement that the sales tax be collected at the time of sales on qualifying capital equipment purchases. Effective for sales made after June 30, 2007.
- 2 Refund; appropriation.** Eliminates the refund mechanism for sales taxes paid on capital equipment. Under current law, a purchaser may not apply for this refund more than twice in a calendar year. Also eliminates an obsolete reference to an expired sales tax exemption. Effective for sales made after June 30, 2007.