

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. **Patron** Mamie E. Locke

2. **Bill Number** SB 1315

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** House Finance

4. **Title** Machinery and Tools Tax; Precision
Investment Castings

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide a separate classification for local machinery and tools tax purposes for machinery and tools used directly in the manufacture of precision investment castings.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. Fiscal implications:

This bill would have no impact on state revenues. Unless a locality elects to change the tax rate applicable to this new classification of machinery and tools from the current rate at which it is assessed, there would be no effect on local revenues.

9. Specific agency or political subdivisions affected:

All localities

10. **Technical amendment necessary:** No.

11. Other comments:

Machinery and Tools Tax

Generally, machinery and tools used in manufacturing, mining, water well drilling, processing or reprocessing, radio and television broadcasting, dairy, dry cleaning or a laundry business are segregated as a separate class of tangible personal property and are subject to local taxation only. The tax rate imposed on machinery and tools may not exceed that imposed on other classes of tangible personal property.

As established in a 1950 opinion of the Tax Commissioner, machinery and tools used in the manufacturing business are those machinery and tools (1) actually and directly used in manufacturing processes and (2) those machinery and tools used in the manufacturing business that are necessary in the particular manufacturing business and are used in connection with operation of machinery that is actually and directly used in manufacturing processes.

Precision Investment Casting

Random House Dictionary defines “investment casting” as “a casting process in which an expendable pattern is surrounded by an investment compound and then baked so that the investment is hardened to form a mold and the pattern material may be melted and run off.” According to the North American Industry Classification System (“NAICS”), investment molds are formed by covering a wax shape with a refractory slurry. After the refractory slurry hardens, the wax is melted, leaving a seamless mold. Metals are then poured into the mold to manufacture castings.

The NAICS has codes for industries that comprise establishments primarily engaged in 1) manufacturing steel investment castings, 2) pouring molten aluminum into molds to manufacture aluminum castings, including investment castings, 3) pouring molten copper into molds to manufacture copper castings, including investment castings, and 4) pouring molten nonferrous metals (except aluminum and copper) into molds to manufacture nonferrous metals (except aluminum and copper) castings, including investment castings.

Proposal

This bill would provide a separate classification for local machinery and tools tax purposes for machinery and tools used directly in the manufacture of precision investment castings.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/10/2009 AM
DLAS File Name: SB1315FE161