

Grand Junction Sales and Use Tax FYI

Manufacturing Equipment

The City of Grand Junction exempts the sales, storage, and use of manufacturing equipment from sales and use tax. Sec. 3.12.070 (pp) & Sec. 3.12.080 (f)

Manufacturing means the operation or performance of an integrated series of operations which places a product, article, substance, commodity, or other tangible personal property in a form, composition or character different from that in which it was acquired whether for sale or for use by a manufacturer. The change in form, composition or character must result in a different product having a distinctive name, character or use from the raw or prepared materials.

Manufacturing equipment means machinery or machine tools used directly and exclusively in manufacturing by a person engaged in manufacturing, compounding for sale, profit or use any article, substance or commodity.

To qualify for this exemption, a purchase must also qualify for the investment tax credit provided by section 38 of the Internal Revenue Code of 1954, as amended. Generally, this requires that the equipment have a useful life of three years or longer. The purchase order or invoice, excluding blanket or open purchase orders, must be in excess of five hundred dollars (\$500.00).

Leases of equipment used in manufacturing are exempt under the following conditions:

- 1) The lease must be for more than three years;
- 2) The lessee must qualify for the investment tax credit;
- 3) The minimum lease payments must be for more than \$1,000.00 during the three-year period; and
- 4) The equipment must be used within the city limits of Grand Junction directly and exclusively in manufacturing.

The equipment must be used exclusively in the manufacturing of tangible personal property within the city limits of Grand Junction. If the equipment is purchased for any purpose outside the beginning and ending points of manufacturing, it is not exempt from use tax.

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 the material and is deemed to end at the point at which manufacturing has altered material to its completed form,

including packaging, if applicable.

Legal information: GJ FYIs are intended to provide general information concerning tax topics. Although the GJ FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the City of Grand Junction, nor does it replace, alter, or supersede the City of Grand Junction Ordinances or Resolutions.

The City of Grand Junction is a Home Rule City. This information is obtained from the City's sales and use tax laws and regulations. To view the City's Sales and Use Tax Ordinance and other sales and use tax guides and forms, please visit [Sales, Use and Lodging Taxes](#).