

**Florida Department of Revenue
Tax Information Publication**

TIP 00A01-28

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**Silicon Exemption on Machinery and Equipment
Clarified and Expanded**

Overview

Effective January 1, 2001, the sales and use tax exemption for industrial machinery and equipment purchased for use in silicon technology production and research and development will be amended to reflect the machinery and equipment as being that used in semiconductor technology production and research and development. The exemption is also expanded to specifically include "clean rooms."

Additionally, a partial exemption is provided for machinery and equipment used in defense or space technology production and research and development.

Clarification of Statutory Language

Qualifying industrial machinery and equipment used to manufacture, process, compound, or produce semiconductor technology products, or to predominantly perform research and development, is exempt from tax. Such machinery and equipment includes molds, dies, machine tooling, other appurtenances or accessories to machinery and equipment, testing equipment, test beds, computers, and software. The machinery and equipment may be purchased or self-fabricated. If the machinery and equipment is self-fabricated, the exemption includes materials, and labor for design, fabrication, and assembly.

"Semiconductor technology products" means raw semiconductor wafers or semiconductor thin films that are transformed into semiconductor memory or logic wafers, including wafers containing mixed memory and logic circuits; related assembly and

test operations; active-matrix flat panel displays; semiconductor chips; semiconductor lasers; optoelectronic elements; and related semiconductor technology products as determined by the Office of Tourism, Trade and Economic Development (OTTED).

Exemption Expanded

Clean Rooms

The exemption is expanded to include building materials purchased by a semiconductor manufacturing facility for manufacturing or expanding a "clean room". A clean room is defined as a manufacturing facility enclosed in a manner that meets the clean manufacturing requirements necessary for high-technology semiconductor-manufacturing environments.

Defense and Space Technology Facilities

The exemption is also expanded to include a 25% exemption from tax on machinery and equipment used by certified defense or space technology facilities for technology production and research and development.

"Defense technology products" means products that have a military application, including, but not limited to, weapons, weapons systems, guidance systems, surveillance systems, communications or information systems, munitions, aircraft, vessels, or boats, or components thereof, which are intended for military use and manufactured in performance of a contract with the United States Department of Defense or the military branch of a recognized foreign government or a subcontract thereunder which relates to matters of national defense.

"Space technology products" means products that are specifically designed or manufactured for application in space activities, including, but not limited to, space launch vehicles, missiles, satellites or research payloads, avionics, and associated control systems and processing systems. The term does not include products that are designed or manufactured for general commercial aviation or other uses even though those products may

also serve an incidental use in space applications.

Certification of semiconductor and defense and space technology facilities is achieved pursuant to an application process conducted jointly by OTTED and Enterprise Florida, Inc., (contact Crystal Sircy at 850-488-6300). Application is made once a year for the exemption.

Following certification of a facility by OTTED, the Department of Revenue will issue a tax exemption permit to the business. A copy of the permit must be presented by the business, including a business certified as a defense or space technology facility, to its vendor when making qualifying tax exempt purchases. The certified defense or space technology facility is to accrue the tax due, less the 25% exemption, and remit the tax directly to the Department.

Example for Application of Partial Exemption: Machinery and equipment costing \$100,000 is purchased on or after January 1, 2001 and qualifies for the 25% exemption from tax. After applying the 25% exemption (\$25,000), the tax is computed on \$75,000, resulting in use tax of \$4,500 (plus any applicable discretionary sales surtax).

To record the information on a Sales and Use Tax Return, Form DR-15, the certified defense or space technology facility, would include \$75,000 in Line B, Column 3 (Taxable Amount). Column 4 (Tax Collected) would include the tax of \$4,500 (plus any applicable surtax) on the taxable amount of \$75,000.

For More Information

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

Information and forms are available on our Internet site at <http://sun6.dms.state.fl.us/dor/>

To receive forms by mail:

- * Order multiple copies of forms from our Internet site at <http://sun6.dms.state.fl.us/dor/forms/order>, or
- * Fax your form request to the DOR Distribution Center at 850-922-2208, or
- * Call the DOR Distribution Center at 850-488-8422, or
- * Mail your form request to:

DISTRIBUTION CENTER, FLORIDA DEPARTMENT OF REVENUE, 168A
BLOUNTSTOWN HWY, TALLAHASSEE FL 32304-3702

To receive a fax copy of a form, call 850-922-3676 from your FAX machine telephone.

To speak with a Department of Revenue representative, call Taxpayer Services, Monday through Friday, 8 a.m. to 7 p.m., ET, at 1-800-352-3671 (in Florida only) or 850-488-6800.

For a written response to your questions, write:

TAX INFORMATION SERVICES, FLORIDA DEPARTMENT OF REVENUE,
1379 BLOUNTSTOWN HWY, TALLAHASSEE FL 32304-2716

Hearing or speech impaired persons may call the TDD line at 1-800-367-8331 or 850-922-1115.

Department of Revenue service centers host educational seminars about Florida's taxes. For a schedule of upcoming seminars,

- * visit us online at <http://sun6.dms.state.fl.us/dor/>,
- or
- * call the service center nearest you.

References:

Chapter 2000-351 L.O.F.

Section 212.08(5)(j), F.S.