



Sales and Use Tax Exemptions

The state of Texas provides 100 percent exemption from sales or use tax on equipment and material used in the direct manufacturing process, as well as certain pollution-control equipment, and research and development equipment. Additional information on the potential range of exemptions are seen in the Texas Administrative Code for State Sales and Use Tax.

- Manufacturing Machinery and Equipment — Leased or purchased machinery, equipment, replacement parts and accessories that have a useful life of more than six months, and that are used or consumed in the manufacturing, processing, fabricating or repairing of tangible personal property for ultimate sale, are exempt from state and local sales and use tax.

Texas businesses are exempt from paying state sales and use tax on labor for constructing new facilities.

Texas businesses are exempt from paying state sales and use tax on the purchase of machinery exclusively used in processing, packing or marketing agricultural products by the original producer at a location operated by the original producer.

- Natural Gas and Electricity — Texas companies are exempt from paying state sales and use tax on electricity and natural gas used in manufacturing, processing or fabricating tangible personal property. The company must complete a predominant-use study showing that at least 50 percent of the electricity or natural gas consumed by the business directly causes a physical change to a product.