

Texas Sales Tax Rules Summary
American Cotton Growers
1926 FM 54
Littlefield, TX 79339

Tax Rate: 8.25% (State, City, Local)

Sales tax will be collected on the total selling price including Buyer's Premium unless the sale qualifies for one of the following exemptions:

EXEMPTIONS:

Manufacturing Machinery and Equipment –

- Tangible personal property directly used or consumed in or during the actual manufacturing, processing, or fabrication of tangible personal property for ultimate sale is exempt if:
 - It is essential to such operation; its use or consumption of the property directly makes or causes a chemical or physical change to the product being manufactured for ultimate sale, or it is machinery, equipment, and replacement parts or accessories used or consumed in the actual manufacturing, processing, or fabrication of tangible personal property for ultimate sale if their use or consumption is necessary and essential to a pollution control process.
- Piping or conveyor systems that are a component part of a single item of manufacturing equipment or pollution control equipment are eligible for the exemption.
- *Quality control* .—Tangible personal property used or consumed during the actual manufacturing, processing, or fabrication of tangible personal property for ultimate sale is exempt if the use or consumption of the property is necessary and essential to a quality control process that tests tangible personal property that is being manufactured, processed, or fabricated for ultimate sale. ([Sec. 151.318\(a\), Tax Code](#); [34 TAC Sec. 3.300](#))
- The exemption does not include:
 - Intraplant transportation equipment, including intraplant transportation equipment used to move a product or raw material in connection with the manufacturing process and specifically including all piping and conveyor systems, provided that the following remain eligible for the exemption, as discussed above.
 - Hand tools;
 - Maintenance supplies not otherwise exempted under this section, maintenance equipment, janitorial supplies or equipment, office equipment or supplies, equipment or supplies used in sales or distribution activities, research or development of new products, or transportation activities;
 - Machinery and equipment or supplies to the extent not otherwise exempted used to maintain or store tangible personal property; or
 - Tangible personal property used in the transmission or distribution of electricity, including transformers, cable, switches, breakers, capacitor banks, regulators, relays, reclosers, fuses, interruptors, reactors, arrestors, resistors, insulators, instrument transformers, and telemetry units not otherwise exempted under this section, and lines, conduit, towers, and poles.
- A taxpayer claiming the manufacturing exemption has the burden of proving that the exemption applies. ([Sec. 151.318\(r\), Tax Code](#))

Resale -

- Sales for resale are exempt. A buyer may issue a resale certificate to a seller in lieu of paying sales or use tax on purchases for resale ([Sec. 151.151, Tax Code](#)).
- The resale certificate must show the name and address of the purchaser, the number of the purchaser's sales tax permit, a description of the item, the purchaser's signature, and the date ([Sec. 151.152\(b\), Tax Code](#) ; [34 TAC Sec. 3.285\(g\)](#)). If an application for a sales tax permit is pending, the purchaser should so indicate and include the date the application was made ([34 TAC Sec. 3.285\(g\)\(2\)](#)). An invoice or order itemizing the item may be attached to the certificate in lieu of a description. The certificate of an out-of-state purchaser must show the purchaser's out-of-state registration number instead of the sales tax number ([34 TAC Sec. 3.286\(i\)\(2\)](#)).
- To qualify for this exemption, items purchased for resale must be for resale within the geographical limits of the United States, its territories and possessions.

Motor Vehicles -

Texas residents who buy a used vehicle from anyone other than a licensed vehicle dealer are required to pay motor vehicle sales tax on its purchase price. Actual sales tax due will not be collected by Hilco Industrial; it is calculated at the county tax office when the title transaction is submitted. Motor vehicles sold to out-of-state buyers are not taxable in Texas.

Mexico Resale Exemption –

- A resale certificate from a person engaged in business in Mexico reselling the taxable item in Mexico must provide the purchaser's United Mexico States federal identification number and any other information required by the Texas Comptroller of Public Accounts (Sec. 151.006, Tax Code)
- Mexican retailers purchasing taxable items for resale must show their Federal Taxpayers Registry (RFC) identification number for Mexico on the resale certificate and give a copy of their Mexican Registration Form to the Texas seller (34 TAC Sec. 3.285(d)(2)).

Texas Direct Payment Exemption -

- Buyers that have established direct payment status with the Texas Comptroller may issue blanket direct pay exemption certificate in lieu of paying taxes (Sec. 151.417(a), Tax Code).
- Items purchased under a direct pay permit must be for the purchaser's own use and not for resale (34 TAC Sec. 3.288(a)).
- The applicant must agree to issue a resale certificate, rather than a direct payment exemption certificate, for any item that will be resold (34 TAC Sec. 3.288(b)(4)).
- The certificate must contain the direct payment permit number and a statement that the direct payment permit holder agrees to accrue and pay to the state all taxes that are or may become due on items sold under the certificate (Sec. 151.417(b), Tax Code).
- A direct payment permit holder may not authorize another person or firm (other than its own branches or divisions) to purchase items under its permit (34 TAC Sec. 3.288(e)).

EXEMPTION CERTIFICATE FORMS:

- The resale and exemption certificate Form 01-339 is at:
<http://www.window.state.tx.us/taxinfo/taxforms/01-339.pdf>.
This is a 2-sided form, with a resale certificate on one side and an exemption certificate on the other side. Seller may refuse to accept a claimed exemption if in its judgment the buyer has failed to meet the standard of proof required to claim such exemption. Seller will confirm the validity of the sales tax permit or out-of-state registration number with the issuing state and may not accept the resale certificate until the number has been confirmed.
- Resellers from Arizona, California and New Mexico have the option of providing a Border States Uniform Sale for Resale Certificate. Form 01-909 is at:
<http://www.window.state.tx.us/taxinfo/taxforms/01-909.pdf>.
- The direct pay exemption certificate Form 01-919 is at:
<http://www.window.state.tx.us/taxinfo/taxforms/01-919.pdf>.