

# FYI – For Your Information

## Enterprise Zone Exemption for Machinery and Machine Tools Used in Mining

### GENERAL INFORMATION

Purchases of machinery or machine tools and parts thereof are exempt from state sales and use tax when the machinery will be used in manufacturing. [§39-26-709(1)(a)(II) C.R.S.] For businesses in an enterprise zone, the statewide sales and use tax manufacturing exemption is expanded to include the purchase of machinery and machine tools used in certain mining or oil and gas operations.

The machine, tool or part must also meet all other qualifications as required for the statewide manufacturing exemption. As such, the information in this FYI is intended to supplement the information provided in FYI Sales 10 "Manufacturing Equipment Exemption."

### EXPANDED EXEMPTION

For purposes of this enterprise zone exemption, the definition of manufacturing has been expanded to include "mining" as follows:

"refining, blasting, exploring, mining and mined land reclamation, quarrying for, processing and beneficiation, or otherwise extracting from the earth or from waste or stockpiles or from pits or banks any natural resource."  
[§ 39-30-106(1)(b) C.R.S.]

To qualify for this exemption, the machine, tool or part must be used directly in the mining process. Using a machine in the mine is not sufficient evidence by itself of exemption.

### Oil and Gas Operations

Refining is exempt under the definition of manufacturing found in §39-26-709 C.R.S. The machines in a refinery that are necessary to add value or protect the value of the products are exempt. The associated pipes, holding tanks, structures, electrical work and other non-machines are not exempt. The mining exemption stated under the "general information" section, page 1, broadens the exemption for oil and gas operations only within enterprise zones to include machinery, machine tools and parts that are directly and exclusively used in exploring and extraction.

### Examples of Exempt and Nonexempt Machines

In general, any machine that facilitates removing the mined article from the ground is exempt.

- Trucks used to carry ore from the mine site to a crusher would not be exempt. Trucks used to carry ore to a storage area awaiting shipping would not be exempt. Trucks designed and predominantly used for hauling explosives would be exempt.
- Repair parts for an exempt truck would be exempt only if the parts meet all other requirements.
- Safety equipment required by state, federal or other government agencies or union contracts is exempt only if it meets all other requirements. Examples of non-exempt safety equipment would include ventilation units, machines to move miners in and out of the mine, gas detectors and fire suppression units.



Colorado Department  
of Revenue  
Taxpayer Service Division  
1375 Sherman St.  
Denver, Colorado 80261

Forms and other services:  
(303) 238-FAST (3278)  
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- Tools used in the repair of machines are taxable. Machines used in maintenance are taxable. Repair and maintenance tools and machinery are not directly a part of the mining process.
- Machines to install shoring are exempt, but the shoring itself is taxable. Roof bolts are taxable, but the roof bolter is exempt. Bolts and shoring are not integral parts of the mining machinery itself.
- Monitoring devices directly controlling mining machines are exempt. Monitoring devices that merely give an alarm are not.
- Downhole pumps, sucker rods, etc. used to extract oil or gas would be exempt. The pipeline used to carry the oil or gas would be taxable, as would the compressors used to move gas through a pipeline.

**LOCAL TAXES**

Cities, counties and special districts may or may not exempt manufacturing equipment from local sales taxes. Refer to publication DR 1002 for a list of localities that exempt this equipment from local tax. Special districts that impose sales tax on manufacturing equipment cannot impose use tax on the equipment.

**FURTHER INFORMATION**

FYIs and commonly used forms are available on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)

More information is available through the Colorado Office of Economic Development located at 1625 Broadway, Room 1700, Denver, CO 80202; (303) 892-3840. You may also visit the OED Web site at [www.advancecolorado.com/enterprisezone](http://www.advancecolorado.com/enterprisezone) for more information on Colorado Enterprise Zones.

For additional sales tax information visit the "Tax Information Index" at [www.taxcolorado.com](http://www.taxcolorado.com)

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having authority to bind the Department, has not formally reviewed and/or approved these FYIs.