

September 1, 2009

<REQUESTER>

Formal Ruling 2009-05

Dear <REQUESTER>:

You requested a formal ruling on behalf of <COMPANY> on whether its purchase of a drying kiln is exempt from sales and use tax.

<COMPANY> purchases logs which it cuts and splits into standard firewood dimensions and then dries in a kiln. In addition to drying the firewood, the heat kills any insects or disease the wood carries. The kiln is used exclusively to dry firewood. <COMPANY> sells the firewood.

Vermont law exempts from the sales and use tax “machinery and equipment for use or consumption directly and exclusively...in the manufacture of tangible personal property for sale...” 32 V.S.A. § 9741(14). Manufacturing includes industrial processing, which is defined as “an integrated series of operation, usually involving machinery and equipment, which changes the form, composition or character of tangible personal property by physical, chemical or other means.” Reg. §1.9741(14)-2(B).

While neither the form nor character of the firewood is changed by the kiln, the composition of the wood is changed in that the moisture content is reduced – presumably to make it usable immediately upon sale. This change is sufficient to bring it within the meaning of industrial process. Consequently the purchase of the kiln is exempt from sales and use tax.

This ruling will be made public after deletion of the parties’ names and identifying information. A copy of this ruling showing the proposed deletions is attached. Further deletions may be requested within thirty days; however, the Commissioner has final discretion as to deletions.

This ruling is issued solely to your business and is limited to the facts presented as affected by current statutes and regulations. Other taxpayers may refer to this ruling for general guidance, but the Department is not bound by the ruling in the case of any other taxpayer or in the case of any change in the relevant statute or regulations.

You have the right to appeal this ruling within thirty days.

Sincerely,

Molly Bachman
General Counsel

Richard Westman
Commissioner