# Rules of Department of Revenue
## Division 10—Director of Revenue
### Chapter 3—State Sales Tax

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Title 12—DEPARTMENT OF REVENUE
Division 10—Director of Revenue
Chapter 3—State Sales Tax

12 CSR 10-3.002 Rules

PURPOSE: This rule is a general statement describing the nature of all sales tax rules.

1. Rules are published in order to exemplify the sales tax statute and to inform the reader as to the interpretation which the Department of Revenue places upon the statute in the course of its administration and enforcement of the sales tax law itself. Any interpretive rule is subject to immediate change without prior notice to reflect statutory amendments and the final decisions of the Administrative Hearing Commission and Missouri courts.

2. If a particular question or problem is considered and covered by these rules, it is not necessary that the taxpayer be issued a ruling on that question or problem.

3. The rules issued by the Department of Revenue are intended to convey general principles, concepts and guidelines to the lay reader and the audit staff personnel of the department. They are intended to supplement and exemplify the statute and not to replace it.

4. Particular facts and circumstances surrounding any given transaction may vary greatly and the reader whose particular question or problem is not covered by these rules is urged to consult the statute itself, seek advice from competent tax practitioners and, when necessary, seek a written revenue ruling from the Department of Revenue.


12 CSR 10-3.003 Rulings

(Rescinded January 30, 2000)


State ex rel. Thompson-Stearns-Roger v. Schaffner, 489 SW2d 207 (Mo. banc 1973). The legislature’s repeal of old section 144.261 and enactment of new section 144.261 abolished the need for review by the tax commission before judicial review could be sought. Act can only properly be held to have intended to restore the prior system of direct judicial review, without intervening administrative review, of the director’s (of revenue) decisions in sales tax matters. Therefore, after the director had rejected claimant’s request for refund of sales and use tax, claimant was entitled to direct judicial review by mandamus, without need to seek review of decision by State Tax Commission.

12 CSR 10-3.004 Isolated or Occasional Sales

(Rescinded November 30, 2000)


In Staley v. Missouri Director of Revenue, 623 SW2d 246 (Mo. banc 1981), a partnership contracted to sell all furnishings in a one-time liquidation sale. The court found since section 144.010.1(2) specifically provides that “business” and an “isolated or occasional sale” are distinct terms, no tax is due on isolated or occasional liquidation sales by parties not engaged in the business of selling items sold.

12 CSR 10-3.005 Isolated or Occasional Sales by Businesses

(Rescinded November 30, 2000)


In Staley v. Missouri Director of Revenue, 623 SW2d 246 (Mo. banc 1981), a partnership contracted to sell all furnishings in a one-time liquidation sale. The court found since section 144.010.1(2) specifically provides that “business” and an “isolated or occasional sale” are distinct terms, no tax is due on isolated or occasional liquidation sales by parties not engaged in the business of selling items sold.

12 CSR 10-3.006 Isolated or Occasional Sales vs. Doing Business—Examples

(Rescinded November 30, 2000)


In Staley v. Missouri Director of Revenue, 623 SW2d 246 (Mo. banc 1981), a partnership contracted to sell all furnishings in a one-time liquidation sale. The court found since section 144.010.1(2) specifically provides that “business” and an “isolated or occasional sale” are distinct terms, no tax is due on isolated or occasional liquidation sales by parties not engaged in the business of selling items sold.

12 CSR 10-3.007 Partial Liquidation of Trade or Business

(Rescinded November 30, 2000)


12 CSR 10-3.008 Manufacturers and Wholesalers

PURPOSE: This rule interprets the sales tax law as it applies to manufacturers and wholesale, and interprets and applies sections 144.010.1(8) and 144.020, RSMo.

(1) Manufacturers, processors, wholesalers, jobbers and others engaged primarily in the sale of tangible personal property at wholesale are subject to tax on all retail sales even...
12 CSR 10-3.010 Fireworks and Other Seasonal Businesses

PURPOSE: This rule interprets the sales tax law as it applies to the sellers of fireworks and others engaged in seasonal businesses and interprets and applies section 144.010, RSMo.

(1) Sales of fireworks or other items will not be treated under the isolated or occasional sale exception merely because the sales are for a short duration or are seasonal. Persons who engage in the business of selling these items at retail are required to obtain a Missouri retail sales tax license and to otherwise comply with the sales tax law.


12 CSR 10-3.012 Sellers Subject To Sales Tax

(Rescinded August 9, 1993)


State ex rel. Thompson-Stearns-Roger v. Schaffner, 489 SW2d 207 (Mo. banc 1973). The legislature’s repeal of old section 144.261 and enactment of new section 144.261 abolished the need for review by the tax commission before judicial review could be sought. Act can only properly be held to have intended to restore the prior system of direct judicial review, without intervening administrative review, of the director’s (of revenue) decisions in sales tax matters. Therefore, after the director had rejected claimant’s request for refund of sales and use tax, claimant was entitled to direct judicial review by mandamus, without need to seek review of decision by State Tax Commission.


The Department of Revenue assessed petitioner sales tax on the sales of these boats on the theory that petitioner was the “seller” of the boats, as defined in 144.010.1(9), RSMo.

Petitioner entered into written agreements with boat owners to arrange sale of these boats for a commission. Petitioner’s responsibilities regarding these sales included publishing lists of boats for sale and showing the boats. In nearly every case, payment was made directly from the buyer to the boat owner. Petitioner never held title to the boat.

The Administrative Hearing Commission held petitioner did not act as a seller of the boats, as it did not direct who was to receive title and took physical control of the boats only when directed and then only as an agent of the owner.

Barter Systems International v. Director of Revenue, Case No. RS-84-2357 (A.H.C. 11/9/88). The taxpayer operated as one part of its business an exchange for its member clients to barter goods and services with one another. The member-to-member trades did not involve cash, only goods and services. The taxpayer acted as a conduit between members. It notified one member when another member had some item to trade and kept records of the transactions. The selling member set the price and was responsible for remitting sales tax to the department. Taxpayer did not police the price of the goods exchanged.

H. Matt Dillon, d/b/a Midwest Home Satellite Systems v. Director of Revenue, Case No. RS-85-1741 (A.H.C. 12/9/88). The Administrative Hearing Commission concluded that the taxpayer operated a business which regularly bought and sold goods in the showroom. The taxpayer purchased goods using the clients’ assets’ accounts. The buying of goods using its own funds consisting of clients’ assets’ accounts and selling them to the customer on its own terms constituted two separate transactions, one between petitioner and the original supplier and one between petitioner and its customers. The Administrative Hearing Commission concluded that the two separate transactions could not be collapsed into one by describing petitioner as merely a conduit between its buyer and a customer (see Martin Coin Co. of St. Louis v. King, 665 SW2d 939 (Mo. banc 1984)).
12 CSR 10-3.014 Auctions Disclosed Principal
(Rescinded September 11, 1983)

AUTHORITY: section 144.270, RSMo 1978.

12 CSR 10-3.016 Consignment Sales
(Rescinded December 11, 1980)


12 CSR 10-3.017 Ticket Sales

PURPOSE: This rule clarifies what sales tax is required to be paid and collected on the sale of tickets. Applicable sales taxes are enumerated and the method of determining the tax due is specified. This rule interprets and applies sections 144.010.1(3), 144.020 and 144.080.5, RSMo.

(1) All tickets sold to permit admission to any theater, sporting event, exhibit or any other event where sales tax is required to be paid and collected must contain a statement on the face of the ticket “This ticket is subject to a four percent (4%) sales tax,” as provided in section 144.020.2, RSMo.

(2) All tickets stating a single amount as the price for the ticket and containing the statement set forth in section (1) shall be subject to the sales tax on the single amount stated and the tax rate shall be applied against that amount.

(3) If the total selling price of a ticket is intended to include state and local sales tax, the vendor must advise the purchaser of the cost of admission and the amount of tax by printing these amounts on the ticket, by posting a prominently displayed sign stating that amount or by giving other written notice.

(A) The ticket or notice must contain the following language:
Cost of admission $ (amount)
Sales tax $ (amount)
Ticket price $ (amount)

(B) Otherwise, the vendor shall be subject to sales tax on all receipts and the total price of the tickets shall be considered receipts.

(4) All ticket sales are also subject to all applicable local sales taxes and all special purpose state sales taxes, which may now be or become applicable to these sales. The seller may include an additional statement that the ticket is subject to all applicable sales taxes, both state and local.

(5) If the cost of admission and the applicable sales tax is not separately stated to the purchaser, as set out in section (3), the vendor shall be subject to sales tax on all receipts and the total price of the tickets shall be considered taxable receipts.

AUTHORITY: section 144.270, RSMo 1994.*

12 CSR 10-3.018 Truckers Engaged in Retail Business

PURPOSE: This rule interprets the sales tax law as it applies to truckers engaged in retail business and interprets and applies section 144.010, RSMo.

(1) Truckers and haulers selling tangible personal property such as vegetables, fruits and building supplies are making retail sales and are subject to the sales tax on the gross receipts from these sales even though the time intervals between sales activities are considerable.

AUTHORITY: section 144.270, RSMo 1994.*

12 CSR 10-3.020 Finance Charges

PURPOSE: This rule interprets the sales tax law as it applies to finance and trade discounts, and interprets and applies section 144.040, RSMo.

(1) Finance charges are not subject to the sales tax if clearly segregated and separately stated from the tangible personal property on the billing or invoice. Accurate records must be maintained. If finance charges become a part of, or are incorporated into, the agreed purchase or selling price, they are subject to the sales tax.

AUTHORITY: section 144.270, RSMo 1994.*

12 CSR 10-3.022 Cash and Trade Discounts

PURPOSE: This rule interprets the sales tax law as it applies to cash and trade discounts, and interprets and applies section 144.010, RSMo.

(1) Sellers who offer cash discounts for timely payment of an invoice must state that the discount is on the combined total of the regular price plus the sales tax. If the discount is only computed on the selling price and the seller does not refund the sales tax on the discount allowed, the tax not refunded is considered gross receipts subject to the sales tax.

(2) Persons who offer trade and volume discounts must deduct the discount prior to computing the sales tax.

(3) Example 1: Handy Hardware offers its credit customers a two percent (2%) discount on invoices paid within ten (10) days. Handy Hardware should tell their customers to compute the discount on the invoice total, including sales tax, when paying within ten (10) days. If a customer, Mr. Drake, only computes the discount on the sales price and Handy Hardware does not refund the tax on the discount allowed to its customer, Handy Hardware must include this amount in its gross receipts.

(4) Example 2: Handy Hardware also offers Mr. Drake, a special customer, a ten percent (10%) discount when fifty (50) units are purchased. In figuring the invoice on these purchases, Handy Hardware must compute the sales tax on the purchase price less the discount to which Mr. Drake is entitled.
12 CSR 10-3.023 Rebates

PURPOSE: This rule clarifies the sales tax obligation as it applies to the purchase of motor vehicles with rebates.

(1) On all sales occurring on or after August 28, 1994, rebates offered by a motor vehicle dealer or manufacturer may be used as a credit to reduce the amount of sales tax due by a purchaser upon titling a vehicle. A bill of sale or other record showing the actual rebate given by the seller or manufacturer must be provided. The purchase price on the Purchase Price line of the title application should include all receipts that the dealer received less any rebates given by the dealer as a result of the sale of a motor vehicle.

(2) Example: Mr. Smith buys a new car from XYZ Motors carrying a sales tag of twenty thousand five hundred dollars ($20,500). He receives a trade-in allowance on his car for two thousand dollars ($2000) and a rebate of five hundred dollars ($500). Mr. Smith would pay the sales tax on eighteen thousand dollars ($18,000), the purchase price of the new car.

12 CSR 10-3.026 Leases or Rentals Outside Missouri

(Rescinded December 11, 1980)

12 CSR 10-3.027 Quarter-Monthly Period Reporting and Remitting Sales Tax

(Moved to 12 CSR 10-3.626)

12 CSR 10-3.028 Construction Contractors

PURPOSE: This rule interprets the sales tax law as it applies to construction contractors and interprets and applies section 144.010, RSMo.

(1) The term contractor, as referred to in these rules, means any person entering into an agreement to improve, repair, replace, erect or alter real property. Contractors are considered to be the final purchasers and consumers of the materials and supplies which are used in fulfilling a construction contract and which enter into and become part of the completed project. As a consequence, persons selling materials and supplies to contractors are subject to sales tax on the gross receipts from all such sales.

(2) The term contractor does not include any person selling carpet, drapes, sod or other items when title to the property passes to the purchaser prior to being commingled with and becoming a part of the real property.

(3) Sellers of materials and supplies to owners of real property to be used by the owners, their agents or independent contractors in erecting, altering, improving or repairing buildings or other improvements are subject to the sales tax.

(4) When a person sells to a contractor materials or supplies fulfilling his/her contract with that general or prime contractor, the sales are subject to these sales tax.

(5) Example 1: Beaver Construction Company enters into an agreement to erect an elementary school for a school district. The company purchases supplies and materials to erect the school building in the fulfillment of the contract. Sellers of materials and supplies to the contractor, Beaver Construction, are subject to the sales tax since Beaver Construction is the consumer of these supplies and materials.

(6) Example 2: Beaver Construction Company purchases materials to construct a silo on real property (the silo is a building or structure) for a lump-sum contract price. All suppliers to Beaver Construction are subject to sales tax on the materials incorporated into the silo.

12 CSR 10-3.024 Returned Goods

PURPOSE: This rule interprets the sales tax law as it applies to returned goods and interprets and applies sections 144.010 and 144.023, RSMo.

(1) When a purchaser returns tangible personal property to the seller and obtains a full or partial refund of the purchase price, the seller also shall return to the purchaser all sales tax collected on the refunded amount. If the seller previously had included the total gross receipts in a sales tax return filed with the Department of Revenue and paid the sales tax on the gross receipts, s/he should take deduction on his/her next sales tax return for the amount of the purchase price refunded.

AUTHORITY: section 144.270, RSMo. 1994.*

the elevator company is liable for sales tax. Had the contract not contained the title reten-
tions clause the elevator company would not be liable for sales tax.

Where elevator company does repair work on existing elevators and supplies small parts which become part of the elevator, and does not retain title to the parts, the company is not subject to sales tax. The parts become part of the realty (see Air Comfort Service, Inc. v. Director of Revenue, Case No. RS-83-1982 (A.H.C. 4/25/84) and Marsh v. Spradling, 402 SW2d 537 (Mo. banc 1976)).

State ex rel. Thompson-Stearns-Roger v. Schaffner, 489 SW2d 207 (Mo. banc 1973). The legislature’s repeal of old section 144.261 and enactment of new section 144.261 abolished the need for review by the tax commission before judicial review could be sought. Act can only properly be held to have intended to restore the prior system of direct judicial review, without intervening administrative review, of the director’s (of revenue) decisions in sales tax matters. Therefore, after the director had rejected claimant’s request for refund of sales and use tax, claimant was entitled to direct judicial review by mandamus, without need to seek review of decision by State Tax Commission.

In Marsh v. Spradling, 537 SW2d 402 (Mo. banc 1976), where the installation of the cab-

ten was an integral part of the contract for sale, the cabinets installed by contractor became part of the real estate under the doc-

trine of fixtures. The time of transfer of title was upon transfer of the real estate and no transfer of tangible personal property subject to the sales tax law occurred.

United States v. New Mexico, 455 U.S. 720, 102 S.Ct. 1373 (1982). New Mexico’s sales tax was not invalid as applied to purchases made by contractors having contracts with the federal government for construction and repair work on government-owned property, even where title passed directly from vendors to the federal government.

Bath Antiques v. Director of Revenue, Case No. RS-80-0161 (A.H.C.8/17/82). Sales between parent corporations and subsidiary corporations are not exempt “interdepart-

mental transfers” as defined in 12 CSR 10-3.140(1). They are taxable sales.

Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983). There were two issues in this case. The first was whether a taxpayer could claim a sales tax exemption for certain steel if sold, on the grounds that the purchasers were to use it in pollution con-

trol or plant expansion projects. The second was whether or not the transfer of steel to certain customers in Kansas was a sale sub-
ject to sales tax under the Commerce Clause of the United States Constitution. With respect to the first issue, the court found that the taxpayer had the burden of establishing that it was exempt from sales tax, and its failure to produce sales tax exemption certifi-
cates, coupled with the dearth of testimony concerning the exempt activities of taxpayer, fails to meet that burden. With respect to the second issue, the court found that when property is purchased subject to a resale cer-

dificate, the purchaser becomes liable for sales tax if the property is not resold. In this case the court found that because the taxpayer used the steel in question in its capacity as a contractor there was no resale. Therefore, the taxable event was the taxpayer’s original pur-
chase of the steel in Missouri. It was wholly irrelevant that the construction contract pur-
suant to which the steel was used was per-

formed in Kansas. There was no violation of the Commerce Clause, and therefore, taxpayer was liable for tax.

Air Comfort Service, Inc. v. Department of Revenue, Case No. RS-83-1982 (A.H.C. 4/25/84). The issue in this case was whether the mark-up which a heating and air conditioning contractor collected on replacement parts it installed was subject to sales tax. None of the parts were of such a nature that removal of the defective parts would cause substantial damage to the freehold. At issue were belts, switches, freon and certain motors. The taxpayer’s position was that the parts in question become a fixture upon installation. This would result in the sales falling under the rule for contractor’s materi-

als under which the contractor is the final purchaser and consumer of the personal property (and therefore the mark-up would not be taxable).

The commission found the determinative factor to be the point at which title passes. The court looked to the three-part test set out in Marsh v. Spradling, 537 SW2d 403 (Mo. banc 1976). Those elements are: 1) physical annexation to the freehold, 2) the adaption of the article to the location and 3) the intent of the annexor at the time of the annexation. The commission first found that parts (1) and (2) of the Marsh test were met because the parts were physically annexed to and adapted to the freehold. The commission then looked to State ex rel. Otis Elevator Co. v. Smith, 212 SW2d 580 (Mo. banc 1948) and concluded that the third test (the intent of the annexor at the time of annexation) had been met. In that case, because the elevator company had not retained title to the materials in question, it was found that the annexor intended the article to be adapted to and annexed to the freehold at the time of installation. The property in question was therefore part of the contract and the mark-up thereon was not taxable. In the case at hand, the heating and air condi-
tioning company had not kept title to the property, and therefore the contractor’s mark-up was not subject to sales tax.

Planned Systems Interiors, Ltd. v. Director of Revenue, Case No. RS-85-0065 (A.H.C. 7/1/86). The petitioner’s theory was that it was making a sale to an agency of the United States government and could not be required to pay sales tax. The Administrative Hearing Commission rejected petitioner’s contentions and found that the taxpayer had a contractual relation-

ship only as a subcontract with K & S, the primary contractor and that the taxpayer sold the workstations to K & S pursuant to their contract. Under the department’s regulations 12 CSR 10-3.028 and 12 CSR 10-3.262, this sale was subject to sales tax.

Broski Brothers, Inc. v. Director of Revenue, Case No. RS-85-0063 (A.H.C.1/30/87). The Administrative Hearing Commission followed Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983) by ruling that a dual operator’s purchases of inventory materials from Missouri suppliers for delivery in Missouri but subsequently removed for use in out-of-state construction jobs are subject to Missouri sales tax. This is true even though the out-of-state construction jobs may be exempt from sales tax in that out-of-state jurisdic-

tion.

Builders Glass & Products Co. v. Director of Revenue, Case No. RS-85-0453 (A.H.C. 5/13/87). The assessments at issue dealt with transactions between Builders Glass & Products and various sales tax exempt reli-
gious and charitable organizations. The Administrative Hearing Commission found that the petitioner as a contractor should have paid sales tax on its purchases of sup-
plies and materials used in completing its contracts. Therefore, the Department of Revenue did properly impulsive tax upon the purchase by petitioner of materials used and consumed by it as a contractor and the tax was properly collectable directly from the taxpayer who had purchased the materials under an improper claim of exemption.

Becker Electric Company, Inc. v. Director of Revenue, 749 SW2d 403 (Mo. banc 1988). A purchaser was determined to be the person
who acquires title to, or ownership of, tangible personal property, or to whom is tendered services, in exchange for a valuable consideration. Becker was not the purchaser here because the materials were billed to the Housing Authority and the consideration was paid by the Housing Authority. If the materials are billed to the exempt organization and paid for from funds of the exempt organization, then the purchase is exempt if the materials are used in furtherance of the exempt purpose of the organization.

12 CSR 10-3.030 Construction Aggregate

PURPOSE: This rule interprets the sales tax law as it applies to construction aggregate and interprets and applies sections 144.010 and 144.020, RSMo.

(1) When a contractor produces his/her own aggregate, rock, sand and the like, which is used in the fulfillment of his/her own contract, the aggregate is not subject to the sales tax. If the aggregate is sold to another person or to a contractor who acquires the material for use in the fulfillment of a contract, the aggregate is subject to the sales tax.

(2) Example 1: A general or prime contractor uses rock from his/her own quarry to fulfill the requirements of his/her contract to build a road. The rock is not subject to the sales tax.

(3) Example 2: A general or prime contractor sublets to a subcontractor that the subcontractor is to furnish and stockpile rock at a specified price. The rock is to be used by the general or prime contractor in the paving of a road. The aggregate is subject to the sales tax.

(4) Example 3: A contractor who operates his/her own quarry sells crushed rock to an individual for use on his/her driveway. The contractor is subject to the sales tax on the receipts from the sale of the crushed rock.


In Marsh v. Spradling, 537 SW2d 402 (Mo. banc 1976), where the installation of the cabinets was an integral part of the contract for sale, the cabinets installed by the contractor became part of the real estate under the doctrine of fixtures. The time of transfer of title was upon transfer of the real estate and no transfer of tangible personal property subject to the sales tax law occurred.

12 CSR 10-3.031 Dual Operators

PURPOSE: This rule indicates when a contractor is considered a dual operator and sets forth the procedures to be used by the dual operator to determine when purchases become subject to sales tax. Examples are given for clarification purposes.

(1) A contractor who purchases materials and supplies from a Missouri vendor for both consumption and resale is operating as a dual operator. A dual operator shall adopt the following procedures:

(A) For items which the contractor purchases solely for use in his/her operation as a contractor, the seller is subject to sales tax; and

(B) For items which the contractor purchases for both consumption and resale, the contractor may present an exemption certificate to the seller for all items purchased. Subsequently, when those items are removed from the contractor’s inventory for his/her use, the contractor should pay sales tax. On those items which are resold from inventory, the contractor is acting as the seller and should collect and remit sales tax.

(2) Example: Alex Contracting purchases hammers and other small tools from Peach Corporation for use in their construction business. Alex Contracting should purchase these items subject to the sales tax.

(3) Example: Alex Contracting purchases large quantities of ceiling tiles from Peach Corporation, a Missouri company, for use in contracting jobs and resale. Alex Contracting should give Peach Corporation an exemption certificate and upon removing any of the inventory of tiles for a job, Alex Contracting should self-accrue sales tax upon the amount of tile withdrawn. If Alex Contracting withdraws tile from the inventory and sells it to Joe Subcontractor, Alex Contracting is subject to sales tax on the gross receipts.

(4) Example: As part of a specific Missouri contract, Alex Contracting purchases steel from Stanley Structural Steel Company, an out-of-state company. Stanley Structural Steel does not charge use tax, therefore, Alex Contracting must pay Missouri use tax on those purchases.

(5) Example: Alex Contracting purchases large quantities of structural steel from Stanley Structural Steel, an out-of-state company, for use in contracting jobs and for resale. Alex Contracting should give Stanley Structural Steel an exemption certificate and upon removing any of the inventory of structural steel for a contract, Alex Contracting is subject to use tax upon the amount of structural steel withdrawn. If Alex Contracting withdraws structural steel from inventory and sells it to Joe Subcontractor, Alex Contracting is subject to sales tax on the gross receipts.


12 CSR 10-3.032 Fabrication or Processing of Tangible Personal Property

PURPOSE: This rule interprets the sales tax law as it applies to the fabrication or processing of tangible personal property and interprets and applies sections 144.010 and 144.020, RSMo.

(1) Sellers of materials and supplies to a manufacturer, producer, compounder, fabricator, processor or other person which is to be used in fabricating any tangible personal property, such as machinery or equipment, for their own use are subject to the sales tax on the total price of the materials and supplies sold. Contractors who fabricate property which they use in the construction of a building are considered to be the final users and consumers of the materials and supplies which are incorporated into the fabricated product.

(2) A person who purchases material and supplies for use in fabrication of tangible personal property for others is subject to sales tax on the full sales price of the completed or fabricated product.

(3) Example 1: The Torch Welding Company is engaged in the principal business of repair welding. As a sideline the company fabricates and sells barbecue grills. The Torch Welding Company is subject to the sales tax on the total sale price of the barbecue grills which it sells. If the company fabricates a rack to hold steel tubing which it uses in its shops, it is considered to be the final user and consumer of the materials and supplies which are incorporated into the fabricated rack.
(4) Example 2: The Big Red Construction Company fabricates roof trusses for its own use in constructing a barn. The company is considered to be the final user and consumer of all materials and supplies which are incorporated into the roof truss.

(5) Example 3: The Short Company fabricates steel trusses for the Big Red Construction Company which will use the trusses in the construction of a bridge. The Short Company is subject to the sales tax on the total price of the steel trusses which it fabricates for the Big Red Construction Company.

**AUTHORITY:** section 144.270, RSMo 1994.*


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**12 CSR 10-3.034 Modular or Sectional Homes**

**PURPOSE:** This rule interprets the sales tax law as it applies to modular or sectional homes and interprets and applies sections 144.010, 144.020 and 700.110, RSMo.

(1) A manufacturer or dealer who enters into a single contract with the customer which calls for the manufacturer or dealer to sell and install a modular or a sectional home on the premises of the customer is considered a construction contractor if the modular or sectional home is incorporated into the realty of the customer before the title passes. This manufacturer or dealer is considered to be the final user and consumer of the materials and supplies which are incorporated into the real estate under the contract.

(2) A manufacturer or dealer who merely sells a modular or sectional home to a customer but does not at the same time agree to install the home or incorporate it into the realty of the customer is considered a retailer and is required to remit sales tax on the entire sale price of the modular or sectional home excluding any separately stated installation charges.

**AUTHORITY:** section 144.270, RSMo 1994.*


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**12 CSR 10-3.036 Sales Made by Employers to Employees**

**PURPOSE:** This rule interprets the sales tax law as it applies to sales made by employers to employees and interprets and applies sections 144.020, RSMo.

(1) Where an employer provides meals to his/her employees in exchange for cash, services or other valuable consideration, the employer is subject to sales tax on the total amount of cash or other consideration received.

(2) An employer who provides free meals to his/her employees should not purchase the foodstuffs under a resale exemption and should remit sales tax on the cost of the items which become an ingredient or component part of the free meals.

(3) For special circumstances in which employee meals would not be taxed, see State ex rel. Denny’s, Inc. vs. Goldberg, 578 SW2d 925 (Mo. banc 1979).

**AUTHORITY:** section 144.270, RSMo 1994.


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**State ex rel. Denny’s, Inc. vs. Goldberg, 578 SW2d 925 (Mo. banc 1979).** Appellant restaurant franchise provided free meals for its employees on a per-hour-worked basis. The cost of the free meals was included as part of the restaurant’s total food cost, and that total food cost was used to set the menu prices, on which retail sales tax was charged. The Department of Revenue sought to collect sales tax on the employee’s free meals, using the FICA tax valuation of the meals as a fair value for state tax purposes. Since, under the cost scheme employed by the appellant, such a burden would constitute a double sales tax and there is no evidence that the legislature intended such a result, the Department of Revenue may not collect sales tax on the free meals.
12 CSR 10-3.038 Promotional Gifts and Premiums

PURPOSE: This rule interprets the sales tax law as it applies to promotional gifts and premiums, and interprets and applies sections 144.010, 144.020 and 144.021, RSMo.

(1) A seller who uses merchandise for advertising or promotional purposes by giving away the merchandise should not purchase the property under a resale exemption and should pay sales tax on the price paid for the merchandise at the time required.

(2) Sellers of tangible personal property to persons who purchase the tangible personal property for the purpose of giving it away as prizes, premiums, gifts or donations or by any other means are subject to the sales tax on the gross receipts from all these sales.

(3) Example 1: An appliance store holds a skill contest, the prize being a new color television. The sales price of the television is $500. The store should pay sales tax on the two hundred dollars ($500) retail value color television.

(4) Example 2: The State Bank holds a promotion for the purpose of increasing savings account additions. The promotion consists of advertising or promotional purposes by giving away clock radios and hair dryers for the opening of a new account. The sellers of the clock radios and hair dryers are subject to the sales tax on gross receipts from all these sales.

(5) Example 3: A bank purchases balloons and candy to be dispensed to children on the bank premises. The bank must pay sales tax on the cost of the items it buys.

(6) Example 4: John conducts a dart throwing booth at carnivals and other amusement events and he gives out prizes to contestants who score a stated number of points. John must pay sales tax on the cost of the prizes he buys.

12 CSR 10-3.040 Premiums and Gifts

(rescinded December 11, 1980)


12 CSR 10-3.042 State or Federal Concessionaires

PURPOSE: This rule interprets the sales tax law as it applies to state or federal concessionaires and interprets and applies sections 144.010, 144.020 and 144.021, RSMo.

(1) When persons are permitted by the state of Missouri or the United States government to operate concessions within state or federal areas, the concessionaires are subject to the sales tax.

(2) Example 1: The Missouri State Park Board permits Ms. Smith to operate a concession in a state park. Ms. Smith uses her capital and pays a percentage of net profit to the state for the use of the concession. Ms. Smith is subject to the sales tax on all sales.

(3) Example 2: The Army and Air Force Exchange permits Ms. Kernel to operate a concession in a post exchange. Ms. Kernel is subject to the sales tax on all sales even if sales are made to military personnel only.

12 CSR 10-3.044 Labor or Services Rendered

PURPOSE: This rule interprets the sales tax law as it applies to labor services rendered and interprets and applies sections 144.010 and 144.020, RSMo.

(1) Labor charges are taxable if they become part of, or are incorporated into, the agreed purchase or selling price of the property. Labor charges are not taxable if they are separately stated on the billing invoice.

(A) Example: Mr. Jones operates a garage. He repairs a car for his customer and charges one hundred dollars ($100). On his customer’s invoice Mr. Jones separately states the parts at seventy-five dollars ($75) and labor at twenty-five dollars ($25). The twenty-five dollar ($25) labor charge is not taxable.

(2) No deductions are allowed to the seller for labor which is part of the production cost of any property later sold at retail. The cost of doing business, such as raw materials consumed, labor to assemble and the like, under no circumstances is deductible.

(A) Example: Mr. Stitch, a tailor, contracts for the sale of a suit of clothes at seventy-five dollars ($75). The seventy-five dollars ($75) represents twenty-five dollars ($25) in materials and fifty dollars ($50) separately stated labor charges. The entire seventy-five dollars ($75) is to be included in Mr. Stitch’s gross receipts subject to the sales tax.


**Mid-America Enterprises, Inc., d/b/a Worlds of Fun v. Director of Revenue, Case No. RS-84-0022 (A.H.C. Dec. 31, 1986). Petitioner argued that collection of sales and use tax on its purchases of prizes constituted double or even triple taxation because it was currently collecting and remitting sales tax on its gate admissions and was also collecting sales tax on receipts received from customers playing a particular game. In response to this argument, the commission held that the charge and amount paid for admission and receipts from the individual games were separate and distinct incidents of taxation under 144.020.1(2), RSMo and were taxable as fees paid to or in places of amusement, entertainment, or amusement or recreation. Petitioner’s purchases of prizes for the purpose of inducing or enticing prospective participants to play its games was a third incident of taxation as a retail sale of tangible personal property under 144.020.1(1), RSMo because petitioner was purchasing the stuffed animals and novelty items for its use and consumption in the course of operating its amusement park.

**In Kurtz Concrete, Inc. v. Spradling, 560 SW2d 858 (Mo. banc 1978), the court held while title ordinarily will not pass until property is delivered to buyer or reaches the...
agreed place, but title will pass notwithstanding that seller is to make delivery if such is the intention of the parties, the intention of the parties to control.

Signs by Sherri v. Director of Revenue, Case No. RS-84-2142 (A.H.C. 3/5/87). In this sales tax case, the taxpayer was a sign painter, and argued that it provided a nontaxable service. The Administrative Hearing Commission found that the taxpayer was selling tangible personal property and was therefore subject to sales tax. In making this decision, the Administrative Hearing Commission utilized the true object test. This test examines the real object sought by the buyer, that is, whether it was the buyer’s object to obtain an act personally done by an individual as an economic service involving either intellectual or manual effort of an individual, or if it was the buyer’s object to obtain only the salable end product of some individual skill. Here, the Administrative Hearing Commission determined that the taxpayer’s customers sought to obtain the finished end product, that is, signs, and therefore the transactions were subject to sales tax.

Capital Automated Ticket Services, Inc. v. Director of Revenue, Case No. RS-84-1813 and RS-85-1778 (A.H.C. 9/12/88). The issue in this case considered whether sales tax could be imposed on service charges levied by the petitioner as a fee on the purchase of tickets to various events. The Administrative Hearing Commission determined that the service charges were a nontaxable service and not a fee charged for admission to a place of amusement.

12 CSR 10-3.046 Caterers and Mandatory Gratuities

PURPOSE: This rule interprets the sales tax law as it applies to caterers and mandatory gratuities, and interprets and applies section 144.010, RSMo.

(1) Caterers are retail merchants or sellers purchasing raw materials from various suppliers from which finished food, meals and drink are prepared and sold at retail. Caterers are subject to sales tax on their gross receipts including labor, services or so-called mandatory gratuities which are a part of these sales.

(2) Mandatory gratuities are considered to be a necessary part of the sale when charged by restaurants or others and are subject to the sales tax even when the charges are separately stated to the customer.


Penn Corp. v. Director of Revenue, Cole County Circuit Court No. 2994 (March 1980). The court held the taxpayer must include mandatory gratuities in the gross receipts for purposes of payment of sales tax.

12 CSR 10-3.048 Clubs and Other Organizations Operating Places of Amusement

PURPOSE: This rule interprets the sales tax law as it applies to clubs and other organizations operating places of amusement and clarifies the circumstances under which fees and charges paid to clubs are subject to sales tax.

(1) Definitions.

(A) Club is an organization or group of people associated for a common purpose or for mutual advantage, relating to a place of amusement, entertainment or recreation.

(B) Business is an activity engaged in by any person or caused to be engaged in by him/her with the object of gain, benefit or advantage, either direct or indirect, except as otherwise provided in this rule (see section 144.010.1(2), RSMo).

(C) Not-for-profit organization is an organization, including a not-for-profit corporation, no part of the income or property of which is distributable to its members, directors or officers; provided, however, that payment of reasonable compensation for services rendered and the making of distributions not representing pecuniary profits or gains upon dissolution or final liquidation are not deemed a distribution of income or property.

(D) For-profit organization is any organization which does not qualify as a not-for-profit organization.

(E) Place of amusement is any location in which amusement activities comprise more than a de minimis portion of the business activities of the location and includes, but is not limited to, clubs (see St. Louis Country Club v. Administrative Hearing Commission, 657 SW2d 614 (Mo. banc 1983), Spudich v. Director of Revenue, 745 SW2d 677 (Mo. banc 1988) and Soccer World West, Inc. v. Director of Revenue, A.H.C. No. 90-001797RS (1989)).

(F) Amusement is a pleasurable diversion or entertainment (see Spudich v. Director of Revenue, 745 SW2d 677 (Mo. banc 1988)).

(G) Homeowners’ association is a not-for-profit organization whose membership is limited to residential property owners or tenants in a specified development, subdivision or area, which provides services for the betterment of the development, subdivision or area or for the benefit of the property owners or their tenants.

(2) All fees or charges, including fees or charges paid for admission and seating accommodations, paid to or in any place of amusement, entertainment, recreation, games or athletic events, are subject to sales tax when operated by for-profit and not-for-profit organizations as business activities.

(3) Amounts paid in or to a not-for-profit organization by members for the sole purpose of obtaining initial membership rights to participate in the ownership, operation and control of the club are not subject to tax. All operating assessments or operating fees are taxable. Any other assessment or fee charged by an existing club solely to build or create a new place of amusement or a real property addition to a place of amusement is not a fee in or to a place of amusement and is not subject to sales tax.

(4) Amounts paid by or to religious and charitable organizations and institutions in their religious, charitable or educational functions and activities are not subject to sales tax (see section 144.030.2(19), RSMo).

(5) Amounts paid by or to not-for-profit civic, social, service or fraternal organizations solely in their civic or charitable functions and activities are not subject to sales tax. All other fees or charges paid into a place of amusement operated by a not-for-profit civic, social, service or fraternal organization are subject to sales tax. Amounts paid to national or state parent organizations of not-for-profit civic, social, service or fraternal organizations are not subject to sales tax. Other amounts paid to these local organizations are subject to sales tax if the amount authorizes admission, seating accommodations or access to a place of amusement (see section 144.030.2(20), RSMo).

(6) Amounts paid in or to a place of amusement by members or by members on behalf of
their guests are subject to sales tax unless otherwise exempt.

(A) Example: A club charges a member a specific amount each time a facility such as a driving range is used or for an activity such as a dance. Unless otherwise exempt, this amount is subject to sales tax (see section 144.020.1(2), RSMo).

(B) In the example in subsection (11)(A), if the club charges the individual participants and not the charitable organization any fee, sales tax should be collected on that fee.

(7) If a club regularly serves food and beverages to the public, all sales are subject to sales tax on the amount of gross receipts. If a club does not regularly serve food and beverages to the public, other than its members and their guests, and the club acts as a cooperative association for the benefit of its members, the club has the option of either collecting and remitting sales tax on its sales to members and guests or paying sales tax on the club's purchases of food and beverages (see section 144.020.1(6), RSMo).

(8) Involuntary or mandatory gratuities or service charges on food or beverage sales at clubs retain the same character as the underlying sale of food and beverage.

(A) Example: A service charge of twenty percent (20%) is added to all food and beverage sales of a club. If the sales of food or beverage are not subject to sales tax, then the service charge is likewise not subject to sales tax. If the sale of food or beverage is subject to sales tax, then the service charge is subject to sales tax (see section 144.020.1(6), RSMo).

(9) Amounts paid for lessons, whether within or not within a place of amusement, are not subject to sales tax. Examples of those lessons or other nontaxable activities include dance, karate, gymnastic, piano and singing lessons, haircuts, shoe polishing and child care. Notwithstanding this section, all amounts periodically paid in or to an organization as dues or noninstructional participation fees are subject to tax pursuant to section (3) of this rule.

(10) Amounts paid within a place of amusement for any use of golf carts, golf cart sheds, lockers, massage machines, tanning booths or other equipment or property are subject to sales tax.

(11) If a place of amusement is used by an outside organization which pays all fees within the place of amusement, the treatment of these fees is based on the tax status of the outside organization.

(A) Example: Organization A holds a golf tournament to raise funds. Organization A is a charitable organization and has received a sales tax exemption letter from the Department of Revenue for both its sales and purchases. The tournament fee of fifty dollars ($50) is paid by the organization and includes the golf fees, cart rental and a meal. No sales tax should be collected on the charge made by the club for the use of its facilities and equipment.

(B) In the example in subsection (11)(A), if the club charges the individual participants and not the charitable organization any fee, sales tax should be collected on that fee.

(12) Amounts paid in or to homeowners' associations specifically for admission to or use of amusement, entertainment or recreational facilities or events are subject to sales tax. Amounts paid in or to homeowners' associations for nontaxable or non-recreational services, such as subdivision security, street lights, snow removal, insurance, maintenance, utilities or trash removal are not subject to sales tax. If a homeowners' association charges each owner or tenant a set fee which covers operation and maintenance of all recreational and non-recreational services and facilities, regardless if the owner or tenant makes use of the recreational facilities, the entire amount is not taxable.

PURPOSE: This rule interprets the sales tax law as it applies to the sale of drinks and beverages, and interprets and applies sections 144.010 and 144.080, RSMo.

(1) Sales tax applies to the total selling price of drinks and beverages, whether intoxicating or otherwise, unless the business or person selling the drink has a prominently displayed sign separately stating the price of the drink as well as the amount of the applicable sales tax or has an express written notice stating the price of the drink as well as the amount of the applicable sales tax on the menu, ticket, bill or cash register receipt which is supplied to each and every patron.

(2) Example 1: A bar sells mixed drinks for two dollars ($2). There are neither signs in the establishment nor any other written notification supplied to each patron that separately states the price of the drink and the applicable sales tax. The business is subject to sales tax on the two dollars ($2).

(3) Example 2: A bar sells mixed drinks for one dollar and seventy-five cents ($1.75) plus twenty-five cents ($0.25) sales tax for a total price of two dollars ($2). The bar has a prominently displayed sign that reads: Mixed drinks one dollar and seventy-five cents ($1.75). The business is subject to sales tax on the one dollar and seventy-five cents ($1.75).

(4) Example 3: A bar sells mixed drinks for two dollars ($2). The bar supplies the patron, simultaneously with the drink, a cash register receipt that reads: Mixed drinks one dollar and seventy-five cents ($1.75) plus twenty-five cents ($0.25) sales tax, total two dollars ($2). The business is subject to sales tax on the one dollar and seventy-five cents ($1.75).

(5) Example 4: A restaurant sells mixed drinks for one dollar and seventy-five cents ($1.75) plus twenty-five cents ($0.25) sales tax for a total price of two dollars ($2). The restaurant provides to each patron a menu which states: Mixed drinks one dollar and seventy-five cents ($1.75). The restaurant is subject to sales tax on the one dollar and seventy-five cents ($1.75).

(6) Example 5: A restaurant has an attached lounge that sells mixed drinks for two dollars ($2). While the patrons sitting in the restaurant are supplied with a menu which complies with section (5), the lounge patrons are not supplied with any written notification, such as a sign or otherwise, therefore, the restaurant lounge is subject to sales tax on the two dollars ($2).
**12 CSR 10-3.052 Sale of Ice**

**PURPOSE:** This rule interprets the sales tax law as it applies to the sale of ice and interprets and applies sections 144.010 and 144.021, RSMo.

1. **Persons selling ice to other sellers of ice or to sellers of soft drinks for use as a component part of the drink are sales for resale purposes and are not subject to the sales tax when a resale exemption certificate is issued.**

2. **Persons selling ice to manufacturers, carriers or any other consumer for the purpose of cooling or keeping perishable items of property or for other uses are subject to the sales tax.**


**P.F.D. Supply Corporation v. Director of Revenue, Case No. RS-80-0055 (A.H.C. 6/6/85).** The issue in this case was the imposition of sales tax on certain sales transactions of shortening and nonreusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because the purchasing restaurants were not the ultimate consumer of the goods in question. The commission, relying on the exemption set forth in section 144.030.3(1), RSMo for materials purchased for use in "manufacturing, processing, compounding, mining, producing or fabricating" found that the production of food by a restaurant constituted processing.

Relying on its previous decision in **Blueside Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84) the commission found that the petitioner’s sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to **Blueside**, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the user and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in **Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983)** held that the good faith acceptance of an exemption certificate does not absolve the seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission resorted to section 32.200, art. V, section 2, RSMo (1978) of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the **Overland Steel** case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2), in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller’s good faith exempted it from liability.

Finally, the commission held that nonreusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on such items.

**12 CSR 10-3.054 Warehousemen**

**PURPOSE:** This rule interprets the sales tax law as it applies to warehousemen and interprets and applies section 144.010, RSMo.

1. **Warehousemen and others who are primarily engaged in the business of moving, storing, packing and shipping tangible personal property are not subject to sales tax on these services. Persons selling crates, boxes, packaging materials for use or consumption by warehousemen in the performance of these services are subject to the sales tax on the gross receipts from all these sales.**

2. A warehouseman, through indebtedness incurred from services provided by him/her to a customer, may acquire title of tangible personal property through a claim against the customer and may subsequently sell to the public the acquired property. Warehousemen are subject to the sales tax when they offer such acquired property for sale.

3. **Any person selling tangible personal property for the purpose of satisfying a warehouseman’s lien, is engaged in the business of selling at retail and is subject to the sales tax.**


**Floyd Charcoal Co. v. Director of Revenue, 599 SW2d 173 (Mo. banc 1980).** Appellant charcoal company purchased pallets upon which charcoal packages were loaded for sale to its customers and claimed an exemption from the payment of sales tax on its initial purchase of the pallets as being purchases for resale to its customers. The assessment of sales tax was upheld since the charcoal company maintained the practice of crediting the customer’s next purchase for each pallet returned to it.

**12 CSR 10-3.056 Retreating Tires**

(Rescinded January 30, 2000)


**State ex rel. AMF Inc. v. Spradling, 518 SW2d 58 (Mo. banc 1974).** AMF claimed exemptions from sales tax on rental received...
12 CSR 10-3.058 Automotive Refinishers and Painters

PURPOSE: This rule interprets the sales tax law as it applies to automotive refinishers and painters, and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Automotive dealers who refinish vehicles to be sold may purchase paint, body filler and other refinishing materials which become a component part of the vehicles to be sold by issuing their dealer registration number to their suppliers.

(2) Where a person purchases a thinning agent for the paint, it too may be exempt if it becomes an ingredient part of the paint, which in turn becomes an ingredient part of the automobile which is sold at retail. The thinning agent must be used for this purpose to qualify as a deduction. Thinner used as a cleaning compound for cleaning spray guns and other equipment is taxable.

(3) Sellers of rubbing compound, emery cloth, abrasives, sandpaper, spray guns, compressors, paint brushes, polishing cloths, tack cloths and other such supplies and equipment are subject to the sales tax on the gross receipts from these sales.

(4) Suppliers selling paint, wax, polish and other supplies to persons who only provide the service of refinishing automobiles for other persons are subject to the sales tax on all such sales.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.060 Memorial Stones

PURPOSE: This rule interprets the sales tax law as it applies to sellers of memorial stones and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Sellers of memorial or head stones are selling tangible personal property and the total gross receipts are subject to the sales tax, including any labor for the lettering, cutting or polishing. When a seller of memorial stones installs or agrees to set the stone, and the charges incurred are separately billed from the cost of the stone and other production costs, the labor charges are not subject to the sales tax. If no separation in billing is made, sales tax will be applicable to the entire amount of gross receipts.

(2) Example 1: A seller of memorial stones agrees to provide a stone, print, cut, polish and install for a sum of one hundred eighty dollars ($180); sales tax applies on the full amount of one hundred eighty dollars ($180), which includes the installation costs.

(3) Example 2: A seller of memorial stones agrees to provide a stone, print, cut and polish for a sum of one hundred fifty dollars ($150) and install for thirty dollars ($30). The purchaser’s billing clearly identifies the cost of the stone and production of one hundred fifty dollars ($150) as distinguished from a thirty-dollar ($30) installation charge, therefore, the sales tax applies only to one hundred fifty dollars ($150).

(4) Example 3: A seller of memorial stones agrees to provide a stone, print, cut and polish for a sum of one hundred dollars ($100), print, cut and polish for fifty dollars ($50) and install for thirty dollars ($30). The billing clearly identifies these charges. One hundred fifty dollars ($150) is subject to the sales tax but not the thirty-dollar ($30) installation fee.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.062 Maintenance or Service Contracts Without Parts

PURPOSE: This rule interprets the sales tax law as it applies to maintenance contracts without parts and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Persons who offer maintenance or service contracts where maintenance service or repair only is provided for a designated period of time for a charge are not subject to sales tax.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.064 Maintenance or Service Contracts With Parts

PURPOSE: This rule interprets the sales tax law as it applies to maintenance contracts which include parts.

(1) When persons sell merchandise, such as adding machines, calculators, typewriters, radios, television sets and the like, and offer maintenance or service contracts to their customers in which they agree to maintain, service and repair those items for a designated period of time for an initial lump sum charge, the contracts are not subject to sales tax when the contract charges are separated from the sales price of the merchandise. However, the seller must pay sales tax on all repair parts and other items consumed by him/her in the fulfillment of his/her contract. When the buyer purchases a particular article for a specified sum which includes maintaining or servicing the properties and where no segregation has been made, sales tax becomes applicable on the entire amount of the purchase, including the maintenance or service charge.

(2) When a person sells merchandise, such as adding machines, calculators, typewriters, radios, television sets and the like, and offers maintenance or service contracts to his/her customers in which they agree to maintain, service and repair these items for a designated period of time for an initial lump sum
charge and for additional charges for repair parts as needed, the seller must charge sales tax on the repair parts billed to the customer under the contract.

(3) Example 1: P sells a typewriter for three hundred dollars ($300) and a two (2)-year maintenance contract for an additional twenty-five dollars ($25). The maintenance contract is segregated on the billing from the cost of the typewriter. Sales tax is due on the three hundred dollars ($300) but is not due on the twenty-five dollar ($25) maintenance contract.

(4) Example 2: P makes a repair under a maintenance contract on a typewriter which requires a new part. P must pay sales tax on the actual cost of the part.

(5) Example 3: P makes a repair under maintenance contract which requires parts and P bills the customer for the parts. P must collect sales tax on the amount charged for the parts.

(6) Example 4: A car dealer sells an automobile to a buyer which includes as part of the purchase price an initial warranty for certain services including parts. The dealer does not owe sales or use tax on parts supplied pursuant to the initial warranty when the manufacturer provides the parts to the dealer free of charge.

(7) Example 5: A car dealer sells a buyer an extended warranty beyond the initial warranty for services only. The extended warranty contract is not subject to sales tax. If the dealer bills the buyer additional charges for repair parts as needed, the dealer must charge the buyer sales tax on the repair parts.

(8) Example 6: A car dealer sells a buyer an extended warranty for services including parts. The dealer is liable for sales tax on his/her purchase of parts used to fulfill the extended warranty contract.

(9) Example 7: A car dealer sells a buyer an extended warranty reinsured by the manufacturer. The dealer is liable for sales tax on the purchase of parts used to fulfill the warranty contract even though the dealer is reimbursed by the manufacturer.


12 CSR 10-3.066 Delivery, Freight and Transportation Charges—Sales Tax

**PURPOSE:** This rule interprets the sales tax law as it applies to delivery, freight and transportation charges and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Delivery costs, including postage and transportation costs, are subject to sales tax if the parties intend for delivery to be part of the sale.

(2) Delivery costs, including postage and transportation costs, are not subject to sales tax if the parties do not intend for delivery to be part of the sale.

(3) Some factors relevant to the determination of the parties’ intent are—

(A) When title passes to the purchaser;

(B) Whether delivery charges are separately stated on sales invoices;

(C) Whether the method of delivery is entirely up to the purchaser;

(D) Whether the purchaser has the option to take the tangible personal property, hire a carrier or use a carrier selected by the seller;

(E) Whether the seller derives any financial benefit from the delivery and undertakes any risk for damage or loss during delivery; and

(F) Whether there is a written agreement between the parties.


12 CSR 10-3.068 Freight and Transportation Charges

(Rescinded December 11, 1980)


12 CSR 10-3.070 Service-Oriented Industries

**PURPOSE:** This rule interprets the sales tax law as it applies to service-oriented industries and interprets and applies sections 144.010, 144.021 and 144.030, RSMo.

(1) Service-oriented industries are generally providing only services which are not subject to the sales tax and are considered consumers of materials and supplies that they use in performing these services.

(2) Suppliers selling materials and supplies which are used, acquired and consumed by service businesses in the normal conduct and performance of their services are subject to the sales tax on the gross receipts from all such sales.

(3) Should a service industry engage in business themselves as retailers selling tangible personal property, they should obtain a Retail Sales Tax License and are subject to the sales tax on their sales. They may purchase items to be sold under an exemption certificate.

(4) Example: Mr. Booty operates a shoe shine parlor. Mr. Booty should purchase his shoe polish, saddle soap and the like subject to sales tax. If, in addition to shining shoes, Mr. Booty sells cans of shoe polish, shoe trees and the like to his customer he should obtain a sales tax license and purchase those latter items under a resale exemption certificate.

(5) Example: Mr. W is engaged in the business of repleting metals, such as chromium, onto portions of auto bodies. Mr. W has the option of purchasing the repleting metals and chemicals subject to sales tax or of separately stating the costs attributable to the liquid chrome applied to the metal and charging sales tax on that portion. If in addition to repleting certain items, Mr. W sells to his customers items which have been already plated or other chemicals or treatments for those metals, he should obtain a sales tax
license and purchase these items under an exemption certificate.


### K & A Litho Process, Inc. v. Department of Revenue

653 SW2d 195 (Mo. banc 1983). The issue in this case was whether the decision of the Administrative Hearing Commission upholding sales tax on lithographic work performed by the appellant was correct. The court, following its recent decision in *James v. TRES Computer Systems, Inc.*, 642 SW2d 347 (Mo. banc 1982), found that the lithographic process was the nontaxable sale of a technical professional service and that the transfer of ownership to tangible personal property was only incidental. K & A Litho Process received a color transparency from an outside source such as a printer, advertising agency or publishing house and then created a film separation and a color key that the printer, advertising agency or publishing house could use to print the transparency on paper for distribution. Because the color separation and the color key were merely the means of conveying a nontaxable technical service from K & A Litho to its customers, the gross amount paid to K & A Litho was not taxable.

### 12 CSR 10-3.072 Repair Industries

**PURPOSE:** This rule interprets the sales tax law as it applies to repair industries and interprets and applies sections 144.010 and 144.021, RSMo.

1. If a service-oriented business sells parts or materials as well as services, sales tax is applicable on all labor and service charges unless these costs are clearly segregated and separately stated from parts or materials on billing or invoice. Accurate records must be maintained by the business.

2. For the purpose of this rule, repair of tangible personal property means and includes work done, using parts or materials, to preserve or restore to or near the original condition made necessary by wear, normal use, partial destruction or dilapidation; the mending, correction or adjustment made for any defect or defective portion, alterations and changes in the size, shape or content.

3. Service-oriented businesses which sell parts or materials in conjunction with or as part of their repair services may purchase those parts and materials under a resale exemption certificate.

4. Example 1: Handy Dandy Service Station repairs Mr. Big's car and separately states the repair service and the parts on the billing. Handy Dandy Service Station should purchase those parts under a resale exemption certificate.

5. Service-oriented businesses which consume materials and supplies as an insignificant and inconsequential part of their repair services should purchase those materials and supplies subject to sales tax.

### 12 CSR 10-3.074 Garages, Body and Automotive Shops and Service Stations

**PURPOSE:** This rule interprets the sales tax law as it applies to garages, body and automotive shops and service stations, and interprets and applies sections 144.010 and 144.021, RSMo.

1. Persons engaged in automotive repair work should purchase the automotive parts, tires, batteries, accessories and other items sold to their customers as part of or in conjunction with their repair service under a resale exemption certificate.

2. Persons engaged in automotive repair who purchase materials and supplies used or consumed in the repair business and not resold to the customers should purchase these items subject to sales tax.

3. The garage, service station or automotive repair shop is subject to the sales tax on all parts sold, and on labor or services unless the labor or services are separately stated on the billing or invoice.

### 12 CSR 10-3.076 Used Car Dealers

**PURPOSE:** This rule interprets the sales tax law as it applies to used car dealers and interprets and applies sections 144.010 and 144.030, RSMo.

1. Used car dealers who do not make any retail sales other than automobiles are not required to register with the Department of Revenue. When purchasing parts for use in repairing used cars which will later be sold, they should furnish their suppliers with their dealer registration number in order to purchase the parts tax exempt.

2. Used car dealers who repair cars for others or who otherwise sell parts are subject to sales tax on the gross receipts from these sales and they are required to obtain a Missouri Retail Sales Tax License.

### 12 CSR 10-3.078 Laundries and Dry Cleaners

**PURPOSE:** This rule interprets the sales tax law as it applies to laundries and dry cleaners, and interprets and applies sections 144.010 and 144.021, RSMo.

1. Laundries and dry cleaners are providing nontaxable services which are not subject to sales tax. Tangible personal property such as suits, wearing apparel or garment bags when sold by them are subject to the sales tax.
(2) Laundries, dry cleaners and other similar businesses who rent or lease linens, towels and other such items are subject to the sales tax on these receipts, unless the Missouri sales tax was paid on the tangible property by the establishment at the time of purchase.

(3) Persons selling equipment, cleaning agents, soaps, hangers, polyester bags and other items to laundries and cleaners for use or consumption in the performance of their service are subject to the sales tax on the gross receipts from all these sales.

**AUTHORITY:** section 144.270, RSMo 1994.*


**Foto’s Copies, Inc. v. Director of Revenue,** Case Nos. RS-85-0068, RS-85-0069 and RS-85-0109 (A.H.C.6/8/87). Gross receipts from coin-operated copiers are subject to Missouri sales tax. Finding that the true object of obtaining a copy is to obtain a tangible reproduction of the original and that the information is not purchased because the purchaser already has the information on the original, the Administrative Hearing Commission held the transactions to be sales of tangible personal property, subject to Missouri sales tax.

**Tri-State Service Co. v. Director of Revenue,** Case No. RI-85-1602 (A.H.C. 7/9/87). The Administrative Hearing Commission ruled that Tri-State was liable for compensating use tax on those linens and uniforms which are purchased from out-of-state suppliers, delivered to Missouri, placed in inventory in Missouri and then rented to out-of-state users. At the time of placement into inventory, Tri-State did not know which customer would use the items and Tri-State commingled the linens and uniforms with the general mass of property of this state when they were placed in inventory. The linens and uniforms were therefore sold to Tri-State for storage and use in Missouri.

**12 CSR 10-3.080 Ceramic Shops**

**PURPOSE:** This rule interprets the sales tax law as it applies to ceramic shops and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Ceramic shops making sales of greenware and other tangible personal property are subject to the sales tax. The ceramic shop is not subject to the sales tax on charges for firing greenware or other property of its customers where charges for firing are separately stated on the billing. The cost of firing greenware which the shop sells is an element of the selling price and subject to the sales tax.

**AUTHORITY:** section 144.270, RSMo 1994.*


12 CSR 10-3.084 Fur and Garment Repairers

**PURPOSE:** This rule interprets the sales tax law as it applies to fur and garment repairers, and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Persons who repair furs and garments for others are subject to sales tax on the gross receipts of all property sold to the customer as part of or in conjunction with the repair service as well as all labor unless the labor is separately stated.

(2) Persons who repair furs and garments for others should pay sales tax on all materials and supplies used or consumed in the repair service which are not resold to customers in conjunction with the service.

(3) Resale exemption certificates must be issued by fur and garment repairers only for those items which will be resold.

(4) When a furrier or garment repairer sells an item which has been repaired or manufactured, the entire gross receipts are subject to the sales tax with no deduction for labor.

**AUTHORITY:** section 144.270, RSMo 1994.*


12 CSR 10-3.086 Bookbinders, Papercutters, Etc.

**PURPOSE:** This rule interprets the sales tax law as it applies to bookbinders, papercutters and other such persons, and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Bookbinders, papercutters, paperfolders and other such persons, binding, cutting, folding, gathering, padding and punching printed matter for other persons are rendering services not subject to sales tax. All equipment and supplies purchased for use or consumption in fulfilling their services such as cloth, leather, cardboard, glue, thread and similar items are subject to sales tax at the time of purchase.

(2) When bookbinders and the like make, bind, cut, fold and the like, their own books,
magazines, other printed matter, loose leaf or detachable binders, they should purchase their supplies under a resale exemption certificate provided the supplies become a component part of the book, magazine or other item which is ultimately sold at retail. The bookbinders’ gross receipts are subject to the sales tax.


**FOTO’S COPIES, INC. v. DIRECTOR OF REVENUE, CASE NO. RS-85-0068, RS-85-0069 AND RS-85-0109 (A.H.C. 6/8/87).** Gross receipts from coin-operated copiers are subject to Missouri sales tax. Finding that the true object of obtaining a copy is to obtain a tangible reproduction of the original and that the information is not purchased because the purchaser already has the information on the original, the Administrative Hearing Commission held the transactions to be sales of tangible personal property, subject to Missouri sales tax.

**photo’s copies, Inc. v. Director of Revenue, Case No. RS-85-0068, RS-85-0069 and RS-85-0109 (A.H.C. 6/8/87).** Gross receipts from coin-operated copiers are subject to Missouri sales tax. Finding that the true object of obtaining a copy is to obtain a tangible reproduction of the original and that the information is not purchased because the purchaser already has the information on the original, the Administrative Hearing Commission held the transactions to be sales of tangible personal property, subject to Missouri sales tax.

**12 CSR 10-3.088 PHOTOGRAPHERS, PHOTOFINISHERS AND PHOTOENGRAVERS**

**PURPOSE:** This rule interprets the sales tax law as it applies to photographers, photofinishers, photoengravers and services performed by artists, and interprets and applies sections 144.010 and 144.030, RSMo.

1. Sales of photoengravings, photostats, blueprints, electrotypes, wood engravings and the like, to customers for use or consumption, whether on special order, contract or otherwise, are subject to sales tax. Likewise, sales to architects, abstract and title companies are also retail sales for use and consumption and therefore are subject to sales tax. Sales of picture frames, films, cameras and other similar items are sales at retail and are subject to sales tax.

2. Photographers, photofinishers, photoengravers, blueprinters and other persons purchasing tangible personal property such as paper, which becomes a component or an ingredient part of a finished product which will ultimately be sold at retail, should purchase their supplies under a resale exemption certificate. However, supplies, equipment, dry plates, film, chemicals and other materials purchased for their own use or consumption are subject to sales tax.

3. The sale of photographic prints, when the sale price includes the sale of processing, service or labor as well as tangible personal property, is subject to sales tax on the entire sales price. Sales of slides, including services, are subject to sales tax on the gross receipts, where the customer receives tangible personal property incidental to the processing of such slides. The sale of negative development services only, where no new prints, slides or other tangible personal property are received, is not subject to the sales tax (see The Flash Cube, Inc. v. Director of Revenue, A.H.C. No. RS-80-0083).


**In The Flash Cube, Inc. v. Director of Revenue, Case No. RS-80-0083, (A.H.C. 3/16/83), the issue was whether the sale of photographic prints, slides and negatives was a taxable sale of tangible personal property or the sale of a nontaxable service. The Administrative Hearing Commission held that sales tax was due on prints and slides because in preparing these items for the end user the taxpayer added photographic paper and cardboard frames to the finished product. Processing of negatives was held to be nontaxable service since the taxpayer did not add any of his own tangible personal property to the end user’s product.**

**P.F.D. SUPPLY CORPORATION v. DIRECTOR OF REVENUE, CASE NO. RS-80-0055 (A.H.C. 6/6/85).** The issue in this case was the imposition of sales tax on certain sales transactions of shortening and nonreusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because the purchasing restaurants were not the ultimate consumer of the goods in question. The commissioner, relying on the exemption set forth in section 144.030.3(1), RSMo for materials purchased for use in "manufacturing, processing, compounding, mining, producing or fabricating" found that the production of food by a restaurant constituted processing.

Relying on its previous decision in **Blueside Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84) the commission found that the petitioner’s sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to **Blueside**, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the user and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in **Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983)** held that the good faith acceptance of an exemption certificate does not absolve the seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission resorted to section 32.200, art. V, section 2, RSMo (1978) of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the **Overland Steel** case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2), in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller’s good faith exempted it from liability.

Finally, the commission held that nonreusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on such items.

**Foto’s Copies, Inc. v. Director of Revenue, Case Nos. RS-85-0068, RS-85-0069 and RS-85-0109 (A.H.C. 6/8/87).** Gross receipts from coin-operated copiers are subject to Missouri sales tax. Finding that the true
object of obtaining a copy is to obtain a tangible reproduction of the original and that the information is not purchased because the purchaser already has the information on the original, the Administrative Hearing Commission held the transactions to be sales of tangible personal property, subject to Missouri sales tax.

Douglas J. Rousseau, d/b/a Rousseau Photography v. Director of Revenue, Case No. RS-87-0011 (A.H.C. 10/8/87). The Administrative Hearing Commission found that the photographer was making sales of class pictures directly to the students and the sales were subject to sales tax. The agreements with the schools were for the exclusive right to take the pictures at the schools and were not agreements to make sales to the schools or to act as the schools’ agent. Separate contracts were entered into by the photographer and the students for the sale of pictures. The schools had no input as to which students purchased pictures or what picture packages were purchased. In addition, the payment for the pictures were made by the students and did not come from schools’ funds.

Snap Shot Photo v. Director of Revenue, Case No. RS-87-1056 (A.H.C. 8/29/88). The Administrative Hearing Commission found that photofinishing is manufacturing and that contrary to the Department of Revenue’s position, photofinishing is an integrated process and therefore, both stages of the taxpayer’s operation were manufacturing under 144.030.2(2), (4) and (5), RSMo.

The Administrative Hearing Commission also found that all chemicals used in the photofinishing process as part of a closed vat system, and not washed away during the process, were exempt from taxation because “all such chemicals do become ingredients and component parts of all the products over time.”

12 CSR 10-3.090 Watch and Jewelry Repairers

PURPOSE: This rule interprets the sales tax law as it applies to watch and jewelry repairers, and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Repairers of watches and jewelry are performing a service not subject to the sales tax provided no part(s) or other property is sold as part of or in conjunction with the service. Labor to repair the article should be completely segregated from the charge for parts or other property sold in order to be deductible and not subject to the sales tax.

(2) Sellers of watches, watch chains and straps, clocks, pens, rings and other jewelry are subject to the sales tax. Persons selling parts or materials to watch and jewelry repairers are subject to the sales tax on the receipts from these sales unless the purchaser furnishes a resale exemption certificate. Exemption certificates must be issued by watch and jewelry repairers as evidence that the parts or other items purchased will be resold.

(3) Example: Mr. Gemm, a jeweler, repairs and cleans a watch and replaces a crystal and stem. He charges twenty-five dollars ($25), a lump sum for the crystal, stem and labor. Mr. Gemm is subject to the sales tax on the entire twenty-five dollar ($25) charge.


12 CSR 10-3.092 Painters

PURPOSE: This rule interprets the sales tax law as it applies to painters and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Painters, refinishers, wall paper hangers and other such persons are rendering a service not subject to the sales tax. Persons selling supplies such as paint, wallpaper, paste, varnish and tools of the trade to painters or other such persons for use or consumption are subject to the sales tax on the gross receipts from all such sales.


12 CSR 10-3.096 Janitorial Services

PURPOSE: This rule interprets the sales tax law as it applies to janitorial services and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Persons who render janitorial services such as floor waxers, window washers and cleaners are rendering a service not subject to sales tax. Persons selling equipment and supplies such as soap, wax, cleaning fluids, cleaning agents, mops and brooms to persons who render janitorial service are subject to the sales tax on the gross receipts from these sales.


12 CSR 10-3.098 Drugs and Medicines

(Rescinded October 30, 2000)
12 CSR 10-3.100 Barber and Beauty Shops

PURPOSE: This rule interprets the sales tax law as it applies to barber and beauty shops, and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Barber shops, beauty shops and similar establishments render services not subject to sales tax. Persons selling hair conditioners, rinses, dyes, shampoos, tonics, lotions, soaps, other supplies, equipment and items which are used and consumed by the shops and acquired to conduct and perform their services are subject to the sales tax on the gross receipts from all the sales.

(2) Barber and beauty shops making sales of tangible personal property such as wigs, toupees, hair lotions, hair dryers and other hair products are required to register with the department as all sales of this property are subject to the sales tax.


12 CSR 10-3.102 Sheet Metal, Iron and Cabinet Works

PURPOSE: This rule interprets the sales tax law as it applies to sheet metal, iron and cabinet works.

(1) Persons other than contractors involved with sheet metal, iron and cabinet works are subject to the sales tax on all tangible personal property they construct and transfer for final consumption, whether those properties, when completed, are held in stock until sold or constructed for the fulfillment of an order or contract. Under no circumstances will labor to construct those articles be an allowable deduction from gross receipts.

(2) Example: A cabinetmaker agrees to custom build and install kitchen cabinets in Bill’s motor home recreational vehicle for the sum of eight hundred dollars ($800). Labor to construct the cabinets in the fulfillment of his agreement may not be deducted from the eight hundred dollar ($800) purchase price and sales tax is to be applied to the full eight hundred dollars ($800).


12 CSR 10-3.104 Vending Machines Defined

(Rescinded December 11, 1980)


12 CSR 10-3.106 Vending Machines on Premises of Owner

(Rescinded January 30, 2000)


Canteen Corporation v. Goldberg, 592 SW2d 754 (Mo. banc 1980). This company derived income from selling candy bars through coin-operated vending machines. Appellant contended that a candy bar which cost 25¢ should be taxed on that amount. Respondent stated the candy bar really cost 24¢ and the extra penny was sales tax. The court agreed with Canteen Corporation.

L & R Distributing, Inc. v. Department of Revenue, 529 SW2d 375 (Mo. banc 1975). L & R owned several pinball machines and other coin-operated devices. Appellant sought to subject the proceeds from these devices to taxation based on section 144.010.12, RSMo (1978). The court held that the mere placement of a pinball or other
coin-operated amusement device in a public location was not sufficient to turn the location into a place of amusement for taxing purposes.


12 CSR 10-3.108 Vending Machines on Premises Other Than Owner (Rescinded January 30, 2000)


Canteen Corporation v. Goldberg, 592 SW2d 754 (Mo. banc 1980). This company derived income from selling candy bars through coin-operated vending machines. Appellant contended that a candy bar which cost 25¢ should be taxed on that amount. Respondent stated the candy bar really cost 24¢ and the extra penny was sales tax. The court agreed with Canteen Corporation.

L & R Distributing, Inc. v. Department of Revenue, 529 SW2d 375 (Mo. banc 1975). L & R owned several pinball machines and other coin-operated devices. Appellant sought to subject the proceeds from these devices to taxation based on section 144.010.112, RSMo 1978. The court held that the mere placement of a pinball or other coin-operated amusement device in a public location was not sufficient to turn the location into a place of amusement for taxing purposes.

L & R Distributing Co., Inc. v. Department of Revenue, 648 SW2d 91 (Mo. banc 1983). The court held that the proceeds of coin-operated amusement devices located in places of amusement are taxable.

12 CSR 10-3.110 Publishers of Newspapers (Rescinded June 11, 1990)


Daily Record Co., d/b/a Mid-America Printing Company v. Ray James, 629 SW2d 348 (Mo. banc 1982). This opinion by Judge Seiler defines the term “newspaper.” It cites without comment Department of Revenue’s definition of “newspaper” which is contained in 12 CSR 10-3.112. It held that an advertising supplement which is printed solely to be inserted into and distributed by a newspaper is an integral part of that newspaper and is entitled to same exemption from sales tax as is the remainder of newspaper.

James v. Mars Enders, Inc., 629 SW2d 331 (Mo. banc 1982). Printing costs of advertising supplements, which were printed to be distributed as part of newspaper and which, in fact, distributed as part of a newspaper, were not sales of tangible personal property or services and were thus not subject to sales tax; newsprint used to print the supplements was “newspaper used in newspaper” and was exempt from taxation.

Blake D. Thomas, d/b/a The Thomas Report v. Director of Revenue, Case Nos. RS-84-2144 and RZ-86-1162 (A.H.C. 5/11/87). 12 CSR 10-3.112(1) provides the minimum requirements for a publication to qualify as an exempt newspaper. The test is whether the contents of the publication are of the nature required by the regulation. Petitioner’s publication did not disseminate news to the public but was instead intended to serve as a vehicle for petitioner’s investment advice and commentary. It did not qualify, therefore, for the newspaper exemption.

12 CSR 10-3.112 Newspaper Defined

PURPOSE: This rule defines the term newspaper for purposes of the sales tax law and interprets and applies sections 144.010, 144.021 and 144.030, RSMo.

(1) In order to constitute a newspaper, the publication must contain at least the following elements: it must be published at stated short intervals, usually daily or weekly; it must not, when its successive issues are put together, constitute a book; it must be intended for dissemination of news to the general public; it must contain matters of general interest and reports of current events; and it must generally be in sheet form.


Another opinion by Judge Seiler defines the term “newspaper.” It cites

Daily Record Co., d/b/a Mid-America Printing Company v. Ray James, 629 SW2d 348 (Mo. banc 1982). This opinion by Judge Seiler defines the term “newspaper.” It cites
without comment Department of Revenue’s definition of “newspaper” which is contained in 12 CSR 10-3.112. It held that an advertising supplement which is printed solely to be inserted into and distributed by a newspaper is an integral part of that newspaper and is entitled to the same exemption from sales tax as is the remainder of newspaper.

**James v. Mars Enders, Inc.** 629 SW2d 331 (Mo. banc 1982). Printing costs of advertising supplements, which were printed to be distributed as part of newspaper and which were, in fact, distributed as part of newspaper, were not sales of tangible personal property or services and were thus not subject to sales tax; newspaper used to print such supplements was “newsprint used in newspaper” and was exempt from taxation.

**Dolgin’s Incorporated v. Director of Revenue, A.H.C. No. RS-79-0322 (1982).** Dolgin’s advertised its products by using professionally printed advertising supplements in newspapers within this state. They also distributed the same advertising supplement direct to Missouri consumers by mail. These direct mail advertising supplements were held taxable under section 144.610.1, RSMo 1978 because Dolgin’s “used” them within this state. The interruption of transportation of supplements at distribution points in Missouri, prior to their being placed in the U.S. mail, constitutes a taxable moment. The newsprint exemption from sales tax does not apply since these supplements did not become “integral parts of newspapers.”

**12 CSR 10-3.116 Service Station Ownership**

PURPOSE: This rule interprets the sales tax law as it applies to service station ownership and interprets and applies sections 144.010 and 144.021, RSMo.

(1) When a service station, including fixtures and inventory, is owned by a petroleum company and when the petroleum company employs a manager or operator to carry on the functions, objectives and operations of that business, the petroleum company is subject to the sales tax on the sales of each service station selling at retail within this state.

(2) When a service station and fixtures are rented or leased to an operator who owns and has title to inventory, as s/he becomes owner of tangible personal property for sale at retail, whether on consignment or otherwise, the operator is subject to the sales tax.

**12 CSR 10-3.118 Leased Departments or Space**

PURPOSE: This rule interprets the sales tax law as it applies to leased departments or space and interprets and applies sections 144.010 and 144.021.

(1) When a business leases certain of its departments or leases space to other persons- selling tangible personal property or taxable services to consumers, each lessee shall make separate returns and remittances.

(2) Example: Mr. Big, who sells furniture, leases a portion of his store to Mr. Cap for the purpose of selling appliances. Both Mr. Big and Mr. Cap should file separate sales tax returns.

**12 CSR 10-3.120 Food Stamps and W.I.C. (Women, Infants and Children) Vouchers**

PURPOSE: This rule interprets the sales tax law as it applies to food stamps and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Food stamp receipts derived from customers who pay for food products with federal food stamp coupons or W.I.C. (Women, Infants and Children) vouchers are not subject to the sales tax.

(2) Purchases made with food stamps or W.I.C. vouchers shall be treated by the department as an exemption certificate presented to the seller by the purchaser.

**12 CSR 10-3.122 Consideration Other Than Money, Except for Trade-Ins**

PURPOSE: This rule interprets the sales tax law as it applies to consideration other than money, except for trade-ins, and interprets and applies section 144.010, RSMo.

(1) Except in situations involving a trade-in, when the consideration received by the seller for the item sold is in a form other than money, the fair market value of the consideration received must be included in the gross receipts of the seller. Fair market value is to be determined as of the time of the transaction.

**12 CSR 10-3.124 Coins and Bullion**

PURPOSE: This rule interprets the sales tax law as it applies to coins and bullion, and interprets and applies sections 144.010, 144.020 and 144.021, RSMo.

(1) When any coin or currency is exchanged in the open market, at the current exchange rate, that transaction is not subject to the sales tax. However, when coins or currency, although acceptable as legal tender, are purchased at rates not reflecting actual currency value, for numismatic collection purposes or where the precious metal content of the coins determines their value, the transaction is the sale of tangible personal property subject to the sales tax.

(2) Sales of bullion are subject to sales tax. Bullion sold within Missouri which is physically or constructively transferred in the state...
is subject to the sales tax. Sales of gold and silver commodity contracts are not subject to sales tax.

AUTHORITY: section 144.270, RSMo 1994.*


Scotchman’s Coin Shop, Inc. v. Administrative Hearing Commission, 654 SW2d 873 (Mo. banc 1983). The sole issue in this case was whether sales tax was applicable to the purchase price of silver coins, Krugerrands and silver bars. The taxpayer claimed the property was money and thus intangible personal property not subject to sales tax under section 144.020, RSMo 1978. Also at issue was whether the imposition of sales tax interfered with the exclusive power of the federal government to regulate the value of U.S. and foreign coins and to regulate commerce with foreign nations.

The court found against the petitioner and for the department on the grounds that the coins and metal at issue constituted tangible personal property rather than intangible property or money. The court looked beyond legal fictions and academic jurisprudence to the essence of the transaction and found that money has value both as tangible and intangible personal property. In the case at hand the court believed that the sales had been made for the tangible value of the metal rather than for the intangible value of the items as a medium of exchange. The court found that the items in question were sold for their value as precious metal and were therefore personal property subject to sales tax. The court also found that because the department’s regulation 12 CSR 10-3.124, which outlined the basis for taxing certain types of coin or currency, was in compliance with the intent of section 144.020.1, RSMo 1978 that it did not create an irrational, artificial classification.

Finally, the court found that because the tax in question was imposed on the value of the precious metal and not on the intangible values assigned the coins by the federal government that the sales tax in no way infringed upon the exclusive right of the federal government to regulate the value of money or coin or to determine the character of legal tender.

Martin Coin Co. of St. Louis v. Richard A. King, 665 SW2d 939 (Mo. banc 1984). The court held in Scotchmen’s Coin Shop v. Administrative Hearing Commission, 654 SW2d 873 (Mo. banc 1983) that sales of coins for their value as precious metal constituted the sale of personal property subject to sales tax. Martin Coin attempted to distinguish its activities from those of Scotchman’s by asserting that it was an agent between two principals and that it was not a vendor, but merely a broker. Martin Coin purchased the coins in question on its own line of credit, was liable to the vendor of the coins, bore the risk of nonpayment by its customers, deposited the proceeds from the sales in its own bank account and paid the supplier for coins ordered. In the court’s opinion, Martin Coin was involved in both a) the purchase of coins from the supplier and b) the sale of coins to customers. The latter constituted a taxable event. Additionally, the court noted that while Martin Coin attempted to label itself an agent, rather than a vendor, there was no evidence in the record to indicate that the vendors of the coins had any control over Martin Coin; thus a key element of agency was lacking. The court refused on procedural grounds to hear the issue which Martin Coin raised in its brief concerning invasion of the federal government’s exclusive power to regulate foreign commerce.

12 CSR 10-3.126 Federal Manufacturer’s Excise Tax

PURPOSE: This rule interprets the sales tax law as it applies to the federal manufacturer’s excise tax.

(1) When tangible personal property is subject to the federal manufacturer’s excise tax and the manufacturer passed the excise tax on to the seller or retailer, the total amount of money or other consideration received by the seller is subject to the sales tax except the amount of the federal manufacturer’s excise tax separately stated on the invoice.

(2) When the seller is required by the federal law to collect a federal excise tax from the purchaser and remit the tax directly to the federal government, the seller is not required to include the excise tax collected in his/her gross receipts.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.128 Salvage Companies

PURPOSE: This rule interprets the sales tax law as it applies to salvage companies and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Persons who dismember tangible personal property, such as automobiles, and sell the separate parts are subject to the sales tax on those sales.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.130 Assignments and Bankruptcies

PURPOSE: This rule interprets the sales tax law as it applies to assignments and bankruptcies, and interprets and applies sections 144.010, 144.083 and 144.090 in conjunction with Chapter 11 U.S.C.A., Bankruptcy Code.

Editor’s Note: The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law.

(1) The trustee in bankruptcy, or the assignee in the case where an assignment has been made for and on behalf of creditors, should remit any outstanding taxes, interest charges or penalties before a general distribution of funds is made.

(2) When the courts appoint any person, whether trustee, assignee or receiver, to take over any business and operate or liquidate it, those persons are subject to sales tax. Every person should immediately notify the Department of Revenue when appointed by the court to take over or liquidate any business. These persons may continue to report sales taxes under the sales tax number assigned to the debtor.
AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.131 Change of State Sales Tax Rate

(Rescinded February 28, 2001)

AUTHORITY: section 144.270, RSMo 1994.


12 CSR 10-3.132 Purchaser Includes

(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.


12 CSR 10-3.134 Purchaser’s Responsibilities

PURPOSE: This rule interprets the sales tax law as it applies to a purchaser’s responsibilities and interprets and applies sections 144.010 and 144.060, RSMo.

(1) When a person has delivered an exemption certificate and the person delivering the exemption certificate uses the tangible personal property in a manner other than that indicated on the exemption certificate, then the person delivering the exemption certificate is subject to the sales tax on the purchase price of the tangible personal property at the time it is converted to use.

(2) A seller is not subject to the sales tax when a sale is made in good faith reliance upon a signed exemption certificate. The purchaser, however, is subject to tax, interest and penalties on all exemptions which are subsequently determined to be erroneous.

(3) Example 1: Z operates a furniture store in Missouri. S/he issues a sale for resale exemption certificate to all of his/her suppliers. Z decides to take a refrigerator out of stock for use in his/her home. Because the sales tax was not paid at the time of the acquisition, Z must now pay sales tax on the actual cost of the refrigerator. Should Z subsequently return the used refrigerator to his/her stack of goods, sales tax would be due on the selling price of the refrigerator when sold to a subsequent purchaser.

(4) Example 2: G owns and operates a grocery store. G buys two (2) dozen brooms for resale and delivers an exemption certificate. G then removes six (6) of these brooms from stock for use in cleaning the store. G is subject to the sales tax on the actual cost of the six (6) brooms removed from stock.

(5) Example 3: K owns a department store and sells, among numerous items, paint which s/he purchases from his/her wholesaler after delivering a sale for resale exemption certificate. In remodeling his/her store, s/he takes from his stock a quantity of paint. K must incorporate the actual cost of the paint in his/her gross receipts and pay the sales tax accordingly.

AUTHORITY: section 144.270, RSMo 1994.*


P.F.D. Supply Corporation v. Director of Revenue, Case No. RS-80-0055 (A.H.C. 6/6/85). The issue in this case was the imposition of sales tax on certain sales transactions of shortening and nonreusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because it was sold by the purchaser for salvage after being used. The Supreme Court had not addressed this in the Overland Steel case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 3-536(2), in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller’s good faith exempted it from liability.

Finally, the commission held that non-reusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on such items.

12 CSR 10-3.136 Consideration Other Than Money

PURPOSE: This rule interprets the sales tax law as it applies to consideration other than money and interprets and applies section 144.010, RSMo.

(1) Sale, for the purpose of the sales tax law, includes the exchange of tangible personal properties for money or any other valuable consideration. The sales tax is levied on the consideration paid or charged for the exchange of tangible personal property or
taxable services, including the fair market value of the property at the time and place of exchange. Consequently, a sale may exist whether money has been exchanged or not as long as there is a valuable consideration.

(2) Example: An electrician agrees to do electrical work for a grocer in return for fifty dollars ($50) in groceries. The grocer is subject to the sales tax on the fifty dollars ($50) since consideration was passed between both parties.


12 CSR 10-3.138 Consideration Less Than Fair Market Value

PURPOSE: This rule interprets the sales tax law as it applies to consideration less than fair market value and interprets and applies section 144.300, RSMo.

(1) When it appears to the satisfaction of the Department of Revenue that the seller and purchaser have not dealt at arm’s length and the consideration received is less than the fair market value of the item sold, leased or rented, the seller or lessor will be required to include in his/her gross receipts the fair market value of the item sold, leased or rented or the service performed.

(2) Example 1: The Good Company is a corporation which is affiliated with the Zee Equipment Company. Because of their affiliation, Good leases a thirty thousand dollar ($30,000) tractor from Zee for one dollar ($1) a month. Zee must pay sales tax on the adjusted amount of the market value of a monthly lease on a thirty thousand dollar ($30,000) tractor if sales tax was not paid on the tractor at the time of purchase.

(3) Example 2: The Do All Drug Company holds a special sales promotion during which customers buying two (2) bottles of Do All Vitamins for two dollars and ninety-nine cents ($2.99) get a third bottle for one cent (1¢). Stores selling Do All Vitamins are subject to the sales tax on the three dollar ($3) sales price only. The reduction in the selling price of the third bottle is an approved discount as the seller and the purchaser are dealing at arm’s length.


12 CSR 10-3.140 Interdepartmental Transfers

PURPOSE: This rule interprets the sales tax law as it applies to interdepartmental transfers and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Interdepartmental transfers mean the conveyance of tangible personal property between various departments of a single business. This transfer of goods does not constitute a sale and is not subject to sales tax. Transfers of property between separate corporate entities is not an interdepartmental transfer but a sale.

(2) Example: A business having its own printing department prints letterhead on stationery which is consumed by other departments of the business. This printing is not taxable since title has not passed for consideration. Sales tax would be due the supplier of the stationery when purchased by the business.


12 CSR 10-3.142 Trading Stamps

PURPOSE: This rule interprets the sales tax law as it applies to trading stamps and interprets and applies sections 144.010 and 144.021, RSMo.

(1) The person redeeming trading stamps for merchandise is subject to sales tax on the selling price of the merchandise. In the event the stamps are redeemed for cash, the person redeeming the stamps is not subject to the sales tax.

(2) When coupon books are sold to customers for use in lieu of money for purchasing merchandise, the sales of the coupons books are not subject to the sales tax. When merchandise is purchased with the coupons, however, the merchandise is subject to sales tax based on the value of the coupon used.


12 CSR 10-3.144 Redemption of Coupons

PURPOSE: This rule interprets the sales tax law as it applies to the redemption of coupons and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Sellers accepting third-party coupons to be applied to the selling price of tangible personal property are subject to the sales tax on the total sales price including any coupon reimbursement, whether by cash, credit or otherwise, by suppliers, manufacturers or any other party.

(2) Retailers who issue and redeem store coupons and who are not reimbursed by a distributor or manufacturer are subject to sales tax on the sales price of tangible personal property less the stated value of the store coupons actually redeemed.
(3) Sellers accepting third-party coupons to be applied to the selling price of food items, which are purchased with food stamps, are subject to sales tax on that portion of the selling price reimbursed by third-party coupon rather than by cash, credit or otherwise, by suppliers, manufacturers or any other party.

**AUTHORITY:** section 144.270, RSMo 1994.*


12 CSR 10-3.146 Core Deposits

**PURPOSE:** This rule interprets the sales tax law as it applies to core deposits and applies and applies sections 144.010 and 144.021, RSMo.

(1) Persons selling rebuilt items are subject to the sales tax on the total selling price of the rebuilt items, less credits which may be given by that person for rebuildable items traded-in.

(2) Example 1: Mr. Fixy’s generator on his car burns up. He takes the generator off his car and goes to Lefty’s Auto Parts Company. Lefty’s Auto Parts sells to Fixy a rebuilt generator for forty-five dollars ($45) and gives him a fifteen dollar ($15) credit for his rebuildable generator. Lefty’s Auto Parts is subject to the sales tax on thirty dollars ($30).

(3) Example 2: Mr. Fixy also decided to get a different carburetor for his car to increase gas mileage. He drives to Lefty’s Auto Parts and purchases a rebuilt carburetor. Lefty’s Auto Parts charges forty-five dollars ($45) for the rebuilt carburetor and tells Mr. Fixy that if he returns his rebuildable carburetor he will be returned the core deposit of fifteen dollars ($15). Mr. Fixy, after installing the new carburetor, returns to Lefty’s with the old rebuildable carburetor and receives his fifteen dollars ($15) back. Lefty’s Auto Parts is subject to sales tax on thirty dollars ($30).

**AUTHORITY:** section 144.270, RSMo 1994.*


12 CSR 10-3.148 When a Sale Consummates

**PURPOSE:** This rule is a guideline for determining when a sale consummates.

(1) A sale takes place when the ownership of, or title to, tangible personal property is transferred. In cases where the property being purchased is unknown and cannot be readily determined, title does not pass nor is a sale consummated until that is ascertained. When properties for sale are known, title of goods may pass and the sale made at a time agreed upon by both parties under the contract.

**AUTHORITY:** section 144.270, RSMo 1994.*


In Kurtz Concrete, Inc. v. Spradling, 560 SW2d 858 (Mo. banc 1978) the court held that title ordinarily will not pass until property is delivered to buyer or reaches agreed place but title will pass notwithstanding that seller is to make delivery if such is the intention of the parties, the intention of the parties to control.

**Patton Tully Transportation Company v. Director of Revenue, Case No. RS-85-1594 (A.H.C. 11/25/87).** The parties intended that title to the rock would not pass to petitioner unless and until the stone was approved by the Army Corps of Engineers. It is the intent of the parties, the intention of the parties to control.

**Tower Rock Stone Co. v. Director of Revenue, Case No. RS-86-1011 (A.H.C. 4/7/88).** The taxpayer contested the final decision of the director of revenue that its sales of stone were subject to Missouri sales tax. The Administrative Hearing Commission held that it was industry practice for the sale of the stone to be subject to approval by the Army Corps of Engineers. Citing 400.2—400.327, RSMo (1986) (UCC), the Administrative Hearing Commission stated that the sale of the stone was a sale on approval and therefore, title did not pass to the purchaser until the stone was inspected and accepted at the out-of-state job site.

12 CSR 10-3.150 Guidelines on When Title Passes

**PURPOSE:** This rule is a guideline for determining when title passes.

(1) All relevant facts in each case must be examined to determine when title to property transfers. When the intention of both the seller and the purchaser are not indicated, the following will determine when title passes: where there is an unconditional contract to sell specific goods in a deliverable state, title to the goods are delivered to the purchaser; where there is a contract to sell specific goods, and the seller is bound to do something to the goods for the purpose of putting them into a deliverable state, title does not pass until these things are accomplished; and if the contract requires the seller to deliver the goods to the purchaser at a place designated by the purchaser or if the contract calls for the seller to pay transportation or shipping charges, title does not pass until the goods have been delivered to the purchaser as agreed upon.

**AUTHORITY:** section 144.270, RSMo 1994.*


Kaiser Aluminum & Chemical Sales v. Director of Revenue, Case No. RS-82-0303 (A.H.C. 10/28/83). The issue in this case was whether or not certain bricks shipped from a Missouri plant were subject to Missouri sales tax. It was necessary for the commission to determine where the sale took place. When no specific provision for the passage of title is contained in the agreement between the parties, the commission must look to other evidence such as industry practice, passage of risk of loss, party paying transportation costs and method and time of payment. The commission cited Kurtz Concrete, Inc. v. Spradling, 560 SW2d 858 (Mo. banc 1978) and Frontier Bag, Inc. v. Director of Revenue, Case No. R-80-0073 (A.H.C.
11/12/81). Finding that the goods were shipped FOB from Mexico, Missouri, the commission held that petitioner manifested an intent to have title pass to the buyer at the time and place of shipment. The commissioner looked to section 400.2-401(2)(a), RSMo 1978 Uniform Commercial Code (UCC) in reaching this conclusion. Therefore, the sale did take place in Missouri and tax was applicable.

In Kurtz Concrete, Inc. v. Spradling, 560 SW2d 858 (Mo. banc 1978) the court held while title ordinarily will not pass until property is delivered to buyer or reaches agreed place but title will pass notwithstanding that seller is to make delivery if such is the intention of the parties, the intention of the parties to control.

Centrifugal and Mechanical Industries, Inc. v. Director of Revenue, Case No. RS-85-1810 (A.H.C. 9/21/87). The taxable moment in Missouri is generally the moment of passage of title from seller to buyer. The parties may control this occurrence by their clearly expressed intent. This is best shown by a written agreement. Failing this, the taxpayer may show compelling evidence of industry practice. Taxpayer admitted no written agreement existed other than the invoice which said FOB-St. Louis. There was also no industry-wide practice shown.

Patton Tully Transportation Company v. Director of Revenue, Case No. RS-85-1594 (A.H.C. 11/25/87). The parties intended that title to the rock would not pass to petitioner unless and until the stone was approved by the Army Corps of Engineers. It is the intent of the parties, by whatever means shown, that determines passage of title. The Administrative Hearing Commission determined no Missouri sales tax due on these transactions as title passed outside Missouri.

Tower Rock Stone Co. v. Director of Revenue, Case No. RS-86-1011 (A.H.C. 4/7/88). The taxpayer contested the final decision of the director of revenue that its sales of stone were subject to Missouri sales tax.

The Administrative Hearing Commission held that it was “industry practice” for the sale of the stone to be subject to approval by the Army Corps of Engineers. Citing 400.2 — 400.327, RSMo (1986) (UCC), the Administrative Hearing Commission stated that the sale of the stone was a “sale on approval” and therefore, title did not pass to the purchaser until the stone was inspected and accepted at the out-of-state job site.

12 CSR 10-3.152 Physicians and Dentists
PURPOSE: S.T. regulation 010-69 was the predecessor of this rule. This rule interprets the sales tax law as it applies to doctors and dentists.

(1) For purposes of the sales tax law, physicians and dentists are rendering services not subject to sales tax. Persons selling tangible personal property to physicians and dentists, such as instruments, bandages, syringes, furniture, equipment, filling materials, X-ray film and the like are subject to sales tax on the gross receipts from all these sales.

(2) Physicians and dentists acting as retail merchants by making sales of nonexempt drugs, toothbrushes and other similar property are responsible for collecting and remitting sales tax on the gross receipts derived from these sales. Physicians and dentists acting in this capacity should register with the Missouri Department of Revenue and issue exemption certificates for items purchased for resale. Purchases for resale subsequently used or consumed by the physician or dentist are subject to the applicable sales or use tax. The physician or dentist should accrue and remit this tax to the Missouri Department of Revenue.

(3) Physicians and dentists will be considered to have consumed items purchased for resale if these items are dispensed to clients for no charge at the same time a nontaxable service is provided by the physician and dentist.

(4) For purpose of this regulation, only pharmaceuticals and biologicals exhibiting the following legend will be considered exempt from sales/use tax as prescription drugs: “CAUTION: Federal Law prohibits dispensing without prescription” (per Section 503 of the Federal Food and Cosmetic Act).

(5) Physicians or dentists paying sales/use tax on purchases that are eventually sold at retail are required to collect sales tax on these sales but may apply for a refund for the sales/use tax paid at the time of purchase by the physician or dentist.


In Kilbane v. Director of Department of Revenue, 544 SW2d 9 (Mo. banc 1976) the court held that it was “industry practice” for the sale of lenses to its clients. The taxpayer argued that the lenses were, part of, the service, and that petitioner was exempt. In support of its position taxpayer argued that the exemption provided by section 144.010.1(8), RSMo for purchases of tangible personal property made by duly licensed physicians, dentists and veterinarians used in the practice of their professions was applicable to optometrists and this was proved by the fact that the department previously had a regulation, Rule No. 68, in effect which until January 10, 1976 granted optometrists this exemption. The commission found that the express mention of physicians, dentists and veterinarians implied the exclusion of optometrists. Optometrists were not entitled to this exemption, and the department’s regulation (which was repealed) was void, because it went beyond the authority granted by the statute.

Petitioner’s second argument was that it sold these lenses at cost and that any assessment should be limited in amount to its original purchase price for these lenses. The commission found that the sales price should not include overhead costs and overhead costs attributable to contact lenses such as the sales of lenses and overhead fairly attributable to these professional services and profits.

W.H. Hopmeier, Inc. v. Director of Revenue, Case No. RS-79-0295 (A.H.C. 7/19/82). The Department of Revenue is not required to give taxpayers notice of change in law and is not estopped from collection of tax by an unauthorized pronouncement of a department agent that assessments would not be made. Assessment for first five days in May 1979 are void because effective date of the statute was May 5, 1979.
12 CSR 10-3.154 Optometrists, Ophthalmologists and Opticians

PURPOSE: This rule interprets the sales tax law as it applies to optometrists, ophthalmologists and opticians.

(1) Professional service rendered by optometrists and ophthalmologists are not subject to the sales tax.

(2) Persons selling tangible personal property or taxable services to optometrists, ophthalmologists and opticians for use or consumption in connection with their services are subject to the sales tax on the gross receipts from all these sales.

(3) Purchases by duly licensed optometrists and ophthalmologists of tangible personal property including eyeglasses, frames, lenses and ophthalmic materials, and used in the practice of their professions, are deemed to be purchases for use or consumption and not for resale.

(4) An ophthalmologist or optometrist, however, is considered to be a retailer of goggles, sunglasses, colored glasses or occupational eye protective devices, frames and any other tangible personal property sold to a patient or other customer and not used by the ophthalmologist or optometrist in his/her profession of diagnosis, treatment, correction and the like of the human eye.

(5) Sales by opticians of eyeglasses, frames, lenses and ophthalmic materials are considered to be retail sales regardless of whether or not the items are sold on prescription.


Larimore, Baker, Pettigrew & Associates, Inc. v. Director of Revenue, Case No. R-80-0112 (A.H.C. 4/29/83). The issue in this case was the need for an opthometrist to collect and remit the sales tax on the sale of lenses to its clients. The taxpayer argued that the lenses were part of the service and that petitioner was exempt. In support of its position taxpayer argued that the exemption provided by section 144.010.1(8), RSMo for purchases of tangible personal property made by duly licensed physicians, dentists and veterinarians used in the practice of their professions was applicable to optometrists and this was proved by the fact that the department previously had a regulation, Rule No. 68, in effect until January 10, 1976 granted optometrists this exemption. The commission found that the express mention of physicians, dentists and veterinarians implied the exclusion of optometrists. Optometrists were not entitled to this exemption, and the department’s regulation (which was repealed) was void, because it went beyond the authority granted by the statute.

Petitioner’s second argument was that it sold these lenses at cost and that any assessment should be limited in amount to its original purchase price for these lenses. The commission found that the sales price should not include that the costs and overhead costs attributable to contact lenses such as the sales of lenses and overhead fairly attributable to these professional services and profit.

12 CSR 10-3.156 Dental Laboratories

PURPOSE: This rule interprets the sales tax law as it applies to dental laboratories.

(1) Dental laboratories and others are exempt from sales tax on all sales of teeth or structures directly supporting teeth, including dentures, inlays, crowns, bridges and false teeth.

(2) Dental laboratories and others are subject to sales tax on the gross receipts from all other tangible personal property sold to a duly licensed physician or dentist for use in the practice of his/her profession, including any and all labor.


Kilbane v. Director of Dept. of Revenue, 544 SW2d 9 (Mo. banc 1976). Sales tax was assessed on gold and porcelain crown and bridgework fabricated on prescription by dental laboratory for dentists. Fact that rule promulgated by director of revenue does not include crowns or bridgework, but does list several items and then adds “etc.”, indicates that other things are included. It does not purport to list each and every kind of purchase which will be taxable. The fact that the item so used by the dentist retains its form does not mean that the doctor has not used it “in the practice of his profession.” The court held purchases by dental laboratories are for use and consumption of the professional and are subject to sales tax at time of purchase.

12 CSR 10-3.158 Sale on Installed Basis

PURPOSE: This rule interprets the sales tax law as it applies to sales made on an installed basis and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Persons, other than contractors, who sell tangible personal property on an installed basis are subject to sales tax on the entire gross receipts.

(2) Persons selling tangible personal property and who separately and independently contract to install the property are subject to sales tax on the sales price of the property but not on the installation charges.

(3) Example 1: Mr. Rodd is in the carpet business. Ms. Smith contacted Mr. Rodd about carpeting the living quarters in her yacht and he quoted her a price of nine dollars and ninety-five cents ($9.95) per square yard installed. Mr. Rodd is subject to sales tax on nine dollars and ninety-five cents ($9.95) per square yard installed.

(4) Example 2: Mr. Bumble decides to remodel his house with new siding. The local department store has a sale on siding and he purchases the desired quantity at the hardware department. He then goes to another department and arranges for the home improvement personnel of the store to install the siding. The local department store is subject to sales tax on the sale of the siding but not on the receipts under the installation contract.


In Kurtz Concrete, Inc. v. Spradling, 560 SW2d 858 (Mo. banc 1978) the court held while title ordinarily will not pass until property is delivered to buyer or reaches agreed place but title will pass notwithstanding that...
seller is to make delivery if such is the intention of the parties, the intention of the parties to control.

12 CSR 10-3.160 Funeral Receipts

PURPOSE: This rule interprets the sales tax law as it applies to funeral receipts and interprets and applies section 144.010, RSMo.

(1) Persons such as undertakers and funeral directors are engaged in the business of selling tangible personal property and are subject to the sales tax on their receipts from caskets, grave vaults, clothing, flowers and similar articles. Receipts from services rendered, such as embalming, hearse service, family cars and the like, are not subject to the sales tax when separately stated.

(2) Persons selling equipment, embalming fluids and any other supplies are subject to the sales tax on the gross receipts from all the sales when consumed or used by the undertaker or funeral director in performing his/her services.


12 CSR 10-3.162 Pawnbrokers

PURPOSE: This rule interprets the sales tax law as it applies to pawnbrokers and interprets and applies section 144.010, RSMo.

(1) A pawnbroker may be defined as one who loans money where tangible personal property is retained by the broker as collateral until an obligation is satisfied under agreed terms. If within a specified period of time, the pawnor reneges in the fulfillment of the agreed contract, the tangible personal property is forfeited and becomes the property of the pawnbroker. When forfeited property is subsequently sold by the pawnbroker, s/he is subject to the sales tax on the sale.


12 CSR 10-3.164 Installment Sales and Repossessions

PURPOSE: This rule interprets the sales tax law as it applies to installment sales and repossessions, and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Frequently, tangible personal property is sold by the seller under the terms of a written agreement or written contract and the purchaser agrees to pay for the merchandise in monthly payments. When these written agreements have been entered into and the seller has secured from the purchaser written evidence of this indebtedness, the seller is only required to submit sales tax to the director of revenue on the gross receipts received on the periodic payments and in determining the gross receipts charges incident to the extension of credit which are specifically exempted under the sales tax law.

(2) If the seller is on a gross sales method of reporting and the tax rate is changed between the date of the sale and the date installment payments are received, the tax rate in effect on the date of the sale is applicable. The seller must remit all tax during the month in which the sale was made.

(3) Example: Home Appliance Dealer A is on the gross sales reporting method. S/he sells a washer and dryer to customer B for eighteen hundred dollars ($1800). The sale takes place in December, but payments are made by Customer B over a six (6)-month period. The tax rate changes in January. The rate of tax in effect for December is applicable to the total gross sales on this transaction and sales tax must be reported in the month of December.

(4) If the seller is on a gross receipts method of reporting and the tax rate is changed between the date of the sale and the date installment payments are received, the tax rate in effect on the date of the sale is applicable. The seller must report gross receipts from all sales which occurred prior to the effective date of a tax change by filing an additional sales tax return for the month preceding the rate change. Sales tax owed shall be computed according to the tax applicable on the date of the sale. An additional sales tax return and sales tax owed must be remitted for each period in which installment receipts are received.

(5) Example: Home Appliance Dealer C is on a gross receipts reporting method. S/he sells a washer and dryer to Customer D for eighteen hundred dollars ($1800). The sale takes place in December, but payments are made over a six (6)-month period. The sales tax rate changes in January. Home Appliance Dealer C should charge the sales tax rate in effect at the time the sale was made. However, s/he must collect and report the sales tax during the months in which payment is received. In order to report sales tax on the sale made in December, Home Appliance Dealer C must file an additional sales tax return for the month of December for receipts received after the rate change. During the month of February, Home Appliance Dealer C must file his/her regular January sales tax return for receipts on cash sales made during the month of January. The sales tax on these receipts must be calculated at the new rate. Home Appliance Dealer C must also file an additional return for December for receipts received on installment sales made in December. The sales tax on these receipts must be calculated at the old sales tax rate.
In those instances where the seller repossesses the property and sells the repossessed property at public or private sale, these sales are taxable.

**AUTHORITY: section 144.270, RSMo 1994.**


12 CSR 10-3.166 Seller of Boats

(Rescinded November 30, 2000)

**AUTHORITY: section 144.270, RSMo 1994.**


12 CSR 10-3.167 Sales of Food and Beverages to and by Public Carriers

**PURPOSE: This rule sets forth the tax responsibilities of persons who sell food and beverages to airlines, the circumstances in which a seller of food and beverages may accept and rely upon exemption certificates issued by an airline, and includes the provision that public carriers exempt from sales tax by federal law are not subject to tax. This rule interprets and applies sections 144.010 and 144.030, RSMo.**

(1) Sellers of food or beverages, delivered in Missouri to airlines for use in serving passengers or crew on aircraft without a separately stated charge for food or beverages being made by the airline, are subject to the sales tax on the gross receipts from all these sales.

(2) Airlines purchasing food or beverages to be served to passengers or crew on aircraft may issue a resale exemption certificate to their sellers only in those instances in which the airlines sell the food or beverages to its passengers or crew and charge them a separately stated amount for the food or beverages. Airlines which properly issue a resale exemption certificate to their sellers of food or beverages are subject to the sales tax on the gross receipts from all sales in this state of food or beverages to passengers or crew.

(3) Public carriers exempted from sales tax by federal statute are not subject to sales tax on gross receipts from sales in this state of food or beverages to passengers or crew. Example: Amtrak is not subject to sales tax on the gross receipts of sales in this state of food or beverages to passengers or crew.

(4) Airlines which purchase alcoholic beverages from wholesale distributors must remit tax on the sale of those beverages on the following basis:

(A) On all sales made on the ground in a commissary or club, tax should be collected on the sales price of the drink;

(B) The tax due on sales made in flight should be determined by multiplying the use tax rate (currently 4.225%) times the percentage of Missouri gross liquor revenues; and

(C) The Missouri gross liquor revenues shall be the airlines’ total gross liquor revenue times the percentage of Missouri passenger miles (including flyover miles) to total passenger miles.

**AUTHORITY: section 144.270, RSMo 1994.**


12 CSR 10-3.168 Documentation Required

**PURPOSE: This rule interprets the sales tax law as it applies to the documentation required for deductible transactions and interprets and applies sections 144.030 and 144.080, RSMo.**

(1) Transactions which are deductible under the sales tax law can be deducted only if the transaction is documented so as to be capable of verification on audit.

(2) Example 1: Mr. Ray wished to claim a deduction on account of the sale of tangible personal property to an agency of the United States Government. Mr. Ray may deduct the sale if he can identify the source and amount of payment. The check stub may be sufficient for identifying the source of payment for audit purposes.

(3) Example 2: Snap Grocery Store makes a cash sale to Cool Cafe. Cool has issued the appropriate type exemption certificate. Snap Grocery may deduct the receipts from the sale if a ticket is prepared identifying the property purchased, the name of the customer, date, amount of the transaction and a signed exemption certificate.

(4) Example 3: M & M Motor Parts deducts receipts for sales made over the counter to cash customers who have delivered proper exemption certificates. A ticket is prepared by M & M indicating the date, amount and the items purchased. CASH is written in the space provided for the customer’s name. The deduction would be disallowed; the transaction could not be related to a specific purchaser or exemption certificate.

(5) Example 4: Fast Motor Supply sells replacement parts and accessories to Good from his/her gross receipts. Good is registered only as a used car dealer. Good should execute an exemption certificate providing his/her dealer’s number to Fast. Fast may then deduct the sales to Good from his/her gross receipts.

**AUTHORITY: section 144.270, RSMo 1994.**


12 CSR 10-3.170 Computer Printouts

(Rescinded November 12, 1977)

**AUTHORITY: section 144.270, RSMo 1969.**


12 CSR 10-3.172 Advertising Signs

(Rescinded November 30, 2000)

**AUTHORITY: section 144.270, RSMo 1994.**


*State ex rel. Otis Elevator Co. v. Smith, 212 SW2d 580 (Mo. banc 1948). Otis Elevator Company was in the business of designing, constructing, installing and repairing elevators in buildings. Respondent claimed there was no sales tax due to petitioner Smith because the materials used to construct new elevators or to modify existing elevators lost their character or status as tangible personal property at public or private sale, these sales are taxable.\*
property and became a part of the real property coincidently with their delivery and attachment to the building. Respondent kept a title retention clause in his contract with the building contractor allowing him to retain title to the elevator until he was paid in full and if not, to remove the elevator. Judge Ellison held this clause prevented the tangible personal property from being joined with the realty. Absent this contractual clause, the court would have reached a different conclusion.

Where the contract for installation of new elevators, and reconstruction or major repairs to existing elevators whereby elevator company retains title to materials until paid, the elevator company is liable for sales tax. Had the contract not contained the title retention clause the elevator company would not be liable for sales tax.

Where elevator company does repair work on existing elevators and supplies small parts which become part of the elevator, and does not retain title to the parts, the company is not subject to sales tax. The parts become part of the realty (see Air Comfort Service, Inc. v. Director of Revenue, Case No. RS-83-1982 (A.H.C. 4/25/84) and Marsh v. Spradling, 537 SW2d 402 (1976)).

12 CSR 10-3.174 Stolen or Destroyed Property

PURPOSE: This rule interprets the sales tax law as it applies to stolen or destroyed property and interprets and applies section 144.010, RSMo.

(1) When a seller’s stock or inventory is stolen or destroyed by fire, the seller collects insurance on account of the loss, the seller is not subject to sales tax on the moneys received from the insurance company.

(2) When a seller’s stock or inventory is destroyed or damaged and seller disposes of the damaged property at a reduced rate, the seller is subject to sales tax on the gross receipts from these sales.

(3) Example 1: Mr. Cind operates a grocery store and when inventory is taken he discovers that his inventory is five hundred dollars ($500) short. Mr. Cind collects four hundred dollars ($400) from his insurance company. Mr. Cind is not subject to sales tax.

(4) Example 2: Fire destroys Mr. J’s stock of shirts which were purchased under a resale exemption certificate. Some of Mr. J’s shirts were so badly burned that they had to be discarded; no sales tax is due on these shirts. However, some shirts were sold in a fire sale at a reduced rate. Sales tax is due on the gross receipts from the fire sale.

(5) Example 3: Mr. P bought a one hundred thousand dollar ($100,000) yacht. One (1) week later the yacht was totally destroyed by fire. The insurance company declares the yacht a total loss and gives Mr. P one hundred thousand dollars ($100,000) under one (1) insurance contract. Mr. P is not subject to sales tax on the one hundred thousand dollars ($100,000) and this is so even if, under the insurance agreement, Mr. P assigned the title to the wreckage to the insurance company.

(6) Example 4: Mr. Priss purchases a new sail boat for twenty thousand dollars ($20,000) and he takes his wife out to dinner. The boat is stolen while Mr. and Mrs. Priss are at the restaurant. When efforts to find the boat have been exhausted, the insurance company pays Mr. Priss twenty thousand dollars ($20,000) under the insurance policy on account of the theft. Mr. Priss assigns title to the stolen boat to the insurance company in the event that it is ever recovered. Mr. Priss is not subject to sales tax on account of the twenty thousand dollars ($20,000) from the insurance company and this would be the case even if the boat is subsequently found and turned over to the company.

12 CSR 10-3.176 Fees Paid in or to Places of Amusement, Entertainment or Recreation

PURPOSE: This rule interprets the sales tax law as it pertains to the taxation of fees paid in or to places of amusement, entertainment or recreation.

(1) Definitions.

(A) Place of amusement is any location in which amusement activities comprise more than a de minimus portion of the business activities of the location (see Spudich v. Director of Revenue, 745 SW2d 677 (Mo. banc 1988) and Soccer World West, Inc. v. Director of Revenue, A.H.C. No. 89-001797RS (1990)). (B) Amusement is a pleasurable diversion or entertainment (see Spudich v. Director of Revenue, 745 SW2d 677 (Mo. banc 1988)).

(C) Homeowners’ association is a not-for-profit organization whose membership is limited to residential property owners or tenants in a specified development, subdivision or area, which provides services for the betterment of the development, subdivision or area or for the benefit of the property owners or their tenants.

(2) All fees or charges, including fees or charges paid for admission and seating accommodations, paid to or in any place of amusement, entertainment, recreation, game or athletic event are subject to sales tax when operated by for-profit and not-for-profit organizations as business activities. Service charges in addition to the stated ticket price on tickets sold for admission to places of amusement are subject to sales tax if levied by the operator or proprietor of the place of amusement. Service charges on tickets sold for admission to places of amusement levied by sellers or handlers other than the operator or proprietor of the place of amusement are not subject to sales tax. Tax on sales of all tickets, including season tickets, shall be collected and remitted by the seller at the time payment for the tickets is received (also see 12 CSR 10-3.048).

(3) Example: A season ticket holder pays five hundred dollars ($500) for a season ticket entitled him/her to attend all home games of a team. The tax is computed on the five hundred dollars ($500) admission, whether or not the holder attends the games and regardless of the price at which the seat would have been sold for individual games.

(4) Some examples of fees or charges for admission or seating accommodations in or to places of amusement, entertainment or recreation include, but are not limited to, the following: any entrance charges, accommodation charges or other fees to gain entrance or access to theaters, fairgrounds, exhibition halls, rodeos, auto shows, races and tractor pulls, horse shows, boat shows, bowling alleys, opera, concerts, music shows, athletic contests and events (including running and bicycling races and tournaments), gymnasiums, fishing tournaments, zoos, dances, shooting galleries, tennis courts, roller and ice skating rinks, billiard and pool halls, handball courts, arcades, non-therapeutic massage parlors, campgrounds, card and other games, swimming pools, golf courses, circuses, carnivals, fairs, parks, amusement...
parks, resort complexes and other recreational attractions and entertainment including cover charges in nightclubs or taverns and rides on sightseeing helicopters, airplanes, balloons, boats and buses.

(5) No sales tax shall be imposed upon receipts from coin-operated amusement devices unless those devices are located within places of amusement, entertainment or recreation.

(6) Some examples of places which would not normally be treated as places of amusement include a hotel lobby, a restaurant, a motel, a laundromat, a convenience store, an airport, bus terminal or other similar places. However, if a location which would not normally be treated as a place of amusement has a department, room or similar area, which is geographically separated and set aside from the rest of the location through the use of walls, partitions, screens, fences or other partitioning, for amusement purposes or events, then the location will be presumed by the director of revenue to be a place of amusement. Any area, whether segregated or not, which contains fifteen (15) or more coin-operated amusement devices will be presumed by the director of revenue to be a place of amusement.

(7) The operator of a coin-operated amusement device located in a place of amusement, entertainment or recreation shall remit to the Department of Revenue sales tax upon only that portion of the proceeds derived from the coin-operated amusement device as is received by the operator, pursuant to the agreement between the operator and the proprietor of the place of amusement, entertainment or recreation. The proprietor shall remit to the Department of Revenue sales tax on his/her share of the proceeds; provided, that the operator of the device at any time does not gain control of all of the proceeds derived from the device and that the operator issue in duplicate a collection receipt, prepared by the operator, signed by both the proprietor and the operator at the time of the distribution of the proceeds. If this procedure is not followed, both the operator and the proprietor jointly shall be responsible for payment of sales tax on the entire amount of proceeds derived from the coin-operated amusement devices.

(8) Amounts paid by or to not-for-profit civic, social, service or fraternal organizations solely in their civic or charitable functions and activities are not subject to sales tax. All other fees or charges paid into a place of amusement operated by a not-for-profit civic, social, service or fraternal organization are subject to sales tax.

(9) Taxable fees and charges within a place of amusement include, but are not limited to, amounts paid for the use of snow skis, bowling shoes, roller or ice skates, golf carts, water skis, massage machines, lockers, tanning booths and other equipment and property, fees for billiards, bowling and amusement rides, green fees and tennis court fees, lift tickets, fees for sightseeing rides or flights and fees for separate amusement or recreation activities within resort complexes (also see 12 CSR 10-3.048).

(10) Example: Mr. A is the owner and operator of a bowling alley and purchases bowling shoes for use in operating the bowling alley. Mr. A shall pay tax on the purchase of the bowling shoes. When Mr. A charges his customers for the use of the bowling shoes, the usage fees are subject to sales tax as a fee paid in a place of amusement even though sales tax was previously paid on the purchase of the shoes.

(11) Specifically exempted from tax are amounts paid or charges for admission or participation or other fees paid by or other charges to individuals in or to any place of amusement, entertainment or recreation, games or athletic events, including museums, zoos and planetariums, owned or operated by a municipality or other political subdivision where all the proceeds derived from them benefit the municipality or other political subdivision and do not inure to any private person, firm or corporation (see section 144.030.2(17), RSMo).

(12) Amounts paid for lessons, whether within or not within a place of amusement, are not subject to sales tax. Examples of those lessons or other nontaxable activities include dance, karate, gymnastics, piano and singing lessons, haircuts, shoe polishing and child care. Notwithstanding this section, all amounts periodically paid in or to an organization as dues or noninstructional participation fees are subject to tax pursuant to section (2) of this rule.

(13) If a place of amusement is used by an outside organization which pays all fees within the place of amusement, the treatment of these fees is based on the tax status of the outside organization.

(14) Any amount paid for admission and seating accommodations or fees or charges in or to a place of amusement, entertainment, recreation, game or athletic event also are subject to all applicable local sales taxes in the same manner as the amounts paid are subject to the state sales tax. The location of the coin-operated amusement device, not the location of the owner of the device, determines the applicability of the local sales tax.

(15) Amounts paid in or to homeowners’ associations specifically for admission to or use of amusement, entertainment or recreational facilities or events are subject to sales tax. Amounts paid in or to homeowners’ associations for nonentertainment or non-recreational services, such as subdivision security, street lights, snow removal, insurance, maintenance, utilities or trash removal are not subject to sales tax. If a homeowners’ association charges each owner or tenant a set fee which covers operation and maintenance of all recreational and nonrecreational services and facilities, regardless if the owner or tenant makes use of the recreational facilities, the entire amount is not taxable.


L & R Distributing, Inc. v. Missouri Department of Revenue, 529 SW2d 375 (Mo. banc 1975). Places such as hotel lobbies, restaurants, motels, bus stations do not constitute a place of amusement or entertainment within meaning of statute imposing sales tax on fees paid to or in any place of amusement or entertainment and are not converted into such by the installation of coin-operated devices such as pinball machines.

Blue Springs Bowl v. Spradling, 551 SW2d 596 (Mo. banc 1977). Commercial bowling establishment was place of amusement, entertainment or recreation mentioned in statute which provides for sales tax on receipts from amounts paid for admission to places of
amusement, entertainment or recreation, as well as to games and athletic events, which imposes tax on receipts from fees paid to or in these places.

**Chase Resorts, Inc. v. Director of Revenue, Case No. RS-79-251 (A.H.C. 09/30/82).** Taxpayer owns and operates the Lodge of the Four Seasons which provides certain activities and services including room rental, meal and bar service, convention facilities, golf, tennis, horseback riding, bowling and motion pictures. The Administrative Hearing Commission held the lodge to be a place of recreation, amusement and entertainment with section 144.020.1(2), RSMo. The commission noted that “each activity, in and of itself, represents a separate amusement or recreation, but each is related to and inseparable from the overall conduct of petitioner’s resort.” The moneys paid for the rentals in question such as rental of bowling shoes, horse and riding equipment, water skis and equipment, etc. also were held to constitute “fees paid to or in, any place of amusement, entertainment or recreation” as to be subject to sales tax pursuant to section 144.020.1(2), RSMo.

**L & R Distributing Co., Inc. v. Missouri Department of Revenue, 648 SW2d 91 (Mo. banc 1983).** The department appealed from the judgement of the Circuit Court of the City of St. Louis finding the director in civil contempt for violating a 1974 injunction prohibiting the taxation of gross receipts of coin-operated amusement devices. The 1974 injunction was affirmed in L & R Distributing Co., Inc. v. Missouri Department of Revenue, 529 SW2d 375 (Mo. banc 1975). Subsequent to the decision in that case, the department had enacted sales tax rule 12 CSR 10-3.176 which provided that sales tax could be charged on the gross receipts of coin-operated amusement devices so long as they were located in places of amusement. The department relied on section 144.020.1(2), RSMo which imposed a sales tax upon the gross receipts of places of amusement. The court reversed the circuit court agreeing that the decision in L & R Distributing did not prohibit the taxation of gross receipts of places of amusement. The court found that section 144.020.1(2), RSMo placed a tax on all fees paid to or in places of amusement, including those paid for the use of coin-operated devices. Because the department was found to be correct on the merits, the court did not determine whether civil contempt was an appropriate remedy.

**National Land Management, Inc., v. Director of Revenue, Case No. RS-81-0639 (A.H.C. 6/6/84).** The issue in this case was whether time sharing arrangements at resort is subject to sales tax. The commission initially found that the receipts in question were not taxable pursuant to section 144.020.1(2), which provides for imposition of tax on a) sums paid for admission to places of amusement, b) sums paid for seating accommodations therein and c) all fees paid to or in place of amusement.

**City of Springfield v. Director of Revenue, 659 SW2d 782 (Mo. banc 1983).** The issue in this case was whether or not the director of revenue could legally assess sales tax on concession, admission and use fees charged by the city park board. The Supreme Court found that Mo. Const. Art. III, Section 39(10), which prohibits a tax upon the “use, purchase or acquisition of property paid for out of the funds” of the city did not prohibit the imposition of tax upon the fees in question. There was no tax on the use, purchase or acquisition of property paid for from city funds. Secondly, the court found that section 144.020.1(2), RSMo brought the sale of recreational activities and concessions within the purview of the sales tax statute. The operation of the park and its facilities and services did constitute a business by a person making sales at retail and the park board did constitute a seller within the various definitions contained in section 144.010, RSMo.
Fostaire Harbor, Inc. v. Missouri Director of Revenue, 679 SW2d 272 (Mo. banc 1984). Taxpayer first challenged the commission’s finding that fees paid for helicopter flights around the City of St. Louis were taxable fees paid to or in a place of amusement, entertainment or recreation, rather than fees paid for a tax-exempt educational service. Secondly, taxpayer asserted that even if tax liability existed, the finding of the commission that there was not neglect or refusal to file sales tax returns relieved it of any duty to pay interest on the amounts due.

With respect to the first issue, the court held that the tax applies generally to fees paid in or to a place of amusement despite the fact that some educational benefit is derived at that place of amusement. That some educational value might be derived from the expenditure of a particular fee does not make it exempt from tax.

With respect to the second issue, the court held that interest is not a penalty and therefore a finding of neglect or refusal was not required before interest could be imposed. While interest might be a penalty under some circumstances, and thus could only be imposed upon a finding of neglect or refusal, such is not the case under Missouri’s sales tax law.

Richard Lynn, d/b/a Kansas City Excursion v. Director of Revenue, 689 SW2d 45 (Mo. banc 1985). The issues in this case were whether 1) the taxpayer’s receipts from its Missouri River boat excursions were exempt from sales tax under section 144.030.1, RSMo as receipts from activities in interstate commerce; 2) the director was estopped from assessing sales tax and penalties because of certain prior actions and statements by the director’s agent; 3) the taxpayer was shielded from certain prior actions and statements by the director’s agent; 3) the taxpayer was shielded from penalties by the exercise of good faith; and 4) the two-year statute of limitations applied to limit assessment prior to 1978.

The court resolved the interstate commerce issue by citing the decision in Fostaire Harbor, Inc. v. Missouri Director of Revenue, 679 SW2d 272 (Mo. banc 1984). Fostaire held that fees paid for admission to helicopter rides for sightseeing purposes are fees paid to or in a place of amusement and thus are taxable. The fees paid to the taxpayer in Kansas City Excursion were intended to provide a sightseeing tour, not transportation to a point outside the territorial waters of the state of Missouri; the interstate commerce provision of section 144.030.1, RSMo was therefore inapplicable to these local transactions.

Regarding the estoppel issue, the court noted the long-standing rule that the director of revenue and his subordinates have no power to vary the force of statutes. Therefore, the actions of prior directors and their subordinates will not estop subsequent directors from collecting taxes due and owing the state except in situations where manifest injustice would otherwise occur.

In determining the issue of good-faith, the court found that the taxpayer had received an earlier assessment on the same issue and had been advised by counsel of a possible collection action. As the taxpayer was clearly on notice of a possible tax liability, failure to file in years subsequent to that assessment did not constitute good-faith, imposition of the penalty under section 144.250.1, RSMo for neglect to file a tax return was therefore appropriate.

With respect to the second issue, the court held that the director of revenue

Keeley’s Park Rink, Inc. et al. v. Director of Revenue, Case Nos. RS-84-2729, RS-84-2730 and RS-84-2731 (A.H.C. 02/26/87). The Administrative Hearing Commission held that the receipts from the rental of roller skates and coin-operated machines were subject to sales tax.

Bally’s LeMan’s Family Fun Centers, Inc. v. Director of Revenue, 745 SW2d 683 (Mo. banc 1988). The court found that section 144.020.1(2), RSMo was clear and unambiguous in this case. The statute plainly provides for a sales tax to be imposed on all fees paid to or in places of amusement and the like. Since Bally’s fun centers are places of amusement, moneys paid to Bally to operate coin-operated devices are fees paid to or in places of amusement.

Robert Philip Spudich, d/b/a Columbia Billiard Center v. Director of Revenue, 745 SW2d 677 (Mo. banc 1988). The Supreme Court found that billiard halls are commonly thought of as places of amusement. The fact that revenues from the sale of food and drink exceed revenue from the sale of billiard table playing time does not reduce the billiard center’s character as a place of amusement. The billiard table receipts were subject to sales tax.

The court found that there was no equal protection violation. The state has a large leeway in making classifications and drawing lines which in its judgement produce reasonable systems of taxation. The taxation of coin-operated video machines in places of amusement but not in other nonamusement locations is reasonable in that the burdens and expenses of collecting sales tax from locations in which the fees collected for coin-operated amusement devices are minimal. The financial benefits to the state offset the minimal burden placed upon the coin-operated amusement devices located in places of amusement.

Capitol Automated Ticket Services, Inc. v. Director of Revenue, Case No. 90-001797RS (A.H.C. 09/14/90). The issue in this case was whether fees paid by teams to participate in soccer league play were subject to sales tax as “fees paid to or in a place of amusement” or were exempt from the imposition of sales tax as “membership dues”? The Administrative Hearing Commission found that soccer clubs are places of amusement, membership dues are fees paid in or to a place of amusement and that there is no statutory exemption from sales taxes for “membership dues.”

12 CSR 10-3.178 Dues Are Not Admissions (Rescinded April 29, 1991)


St. Louis Country Club v. Administrative Hearing Commission, 657 SW2d 614 (Mo. banc 1983). The issue in this case was whether private country clubs which are not open to the public must pay sales tax on fees charged to members who bring guests to enjoy certain club facilities.

The organization in question was an IRC 501(C)(7) not-for-profit tax-exempt corporation. Attendance at the club by non-members was strictly limited. Fees for golf and tennis were charged.

Before discussing the merits of the matter the court held that a) the director of revenue does not have to personally sign and issue
each deficiency assessment; b) an opinion letter, which is not directed towards the taxpayer, written by an earlier director of revenue and which erroneously states the law does not stop an assessment by a later director of revenue; and c) the waiver of the statute of limitations entered into by the taxpayer was a valid contractual agreement supported by consideration and, therefore, it would be recognized.

With respect to the merits of the case, the taxpayer asserted that it should not be assessed for tax because it is a private not-for-profit social organization which is not engaged in business and the guest fees are not paid to or in any place of amusement or recreation. Therefore, they did not fall within section 144.010.1(8), RSMo nor were they a business as defined in section 144.010.1(2), RSMo.

The court found without comment that the country club was a place of entertainment. With respect to whether it was a place of business, the court said that the definition of business contained in section 144.010.1(2), RSMo is special. The definition “any activity engaged in by any person, or caused to be engaged in by him, with the object of gain, benefit or advantage either direct or indirect” was found by the court to be broad enough to include the activity of allowing guests to use facilities for a fee. Allowing guests to use the facilities benefits the club by attracting members.

12 CSR 10-3.182 Excursions

PURPOSE: This rule interprets the sales tax law as it applies to excursions and interprets and applies sections 144.010 and 144.020, RSMo.

(1) The receipts derived from excursion boats, airplanes and helicopters are subject to the sales tax.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.179 Separate Taxable Transactions Involving the Same Tangible Personal Property and the Same Taxpayer

PURPOSE: This rule identifies the circumstances when the sales tax would apply to tangible personal property in more than one instance under diverse transactions and interprets and applies sections 144.010, 144.020 and 144.021, RSMo.

(1) Separate incidences of sales tax may apply to the same tangible personal property where the property is the subject matter of entirely distinct transactions.

(A) Example: A taxpayer purchased new furniture for renovating its hotel. The taxpayer as purchaser must pay sales tax to the vendor of the furniture as well as collect sales tax from its customers on room charges (see Chase Hotel, Inc. v. Director of Revenue, Case No. RS-80-0042 (A.H.C. July, 1982)).

(B) Example: A taxpayer operates a bowling business. S/he must pay sales tax to the vendor on the purchase of bowling shoes for his/her business and s/he must collect sales tax on the rental fees on the shoes charged to customers in his/her place of amusement.

(C) Example: A taxpayer operates a golf course, a place of amusement. S/he must pay sales tax to the vendor on the purchase of golf carts for his/her business and s/he must collect sales tax on the cart rental fees charged to players.

AUTHORITY: section 144.270, RSMo 1994.*


Richard Lynn, d/b/a Kansas City Excursion v. Director of Revenue, No. 66130 (Mo. banc 4/30/85). The issues in this case were whether 1) the taxpayer’s receipts from its Missouri River boat excursions were exempt from sales tax under section 144.030.1, as receipts from activities in interstate commerce; 2) the director was estopped from assessing sales tax and penalties because of certain prior actions and statements by the director’s agents; 3) the taxpayer was shielded from penalties by the exercise of good-faith; and 4) the two-year statute of limitations applied to limit assessment prior to 1978.

The court resolved the interstate commerce issue by citing the decision in Fostaire Harbor, Inc. v. Missouri Director of Revenue, 679 SW2d 272 (Mo. banc 1984). Fostaire held that fees paid for admission to helicopter rides for sightseeing purposes are fees paid in or to a place of amusement and thus are taxable. The fees paid to the taxpayer in Kansas City Excursion were intended to provide a sightseeing tour, not transportation to a point outside the territorial waters of the state of Missouri; the interstate commerce provision of section 144.030.1, was therefore inapplicable to these local transactions.

Regarding the estoppel issue, the court noted the long-standing rule that the director of revenue and his subordinates have no power to vary the force of statutes. Therefore, the actions of prior directors and their subordinates will not estop subsequent directors from collecting taxes due and owing the state except in situations where manifest injustice would otherwise occur.

In determining the issue of good-faith, the court found that the taxpayer had received an earlier assessment on the same issue and had been advised by counsel of a possible collection action. As the taxpayer was clearly on notice of a possible tax liability, failure to file in years subsequent to that assessment did not constitute good-faith, imposition of the penalty under section 144.250.1 for neglect to file a tax return was therefore appropriate. In addition, neglect or refusal to file returns tolls the statute of limitations in section 144.220, thereby permitting the assessment of sales tax in this case beyond the statutory period.
PURPOSE: This rule interprets the sales tax law as it applies to the sale of electricity, water and gas, and interprets and applies sections 144.010, 144.020 and 144.030.2(23), RSMo.

(1) Sales for domestic use shall mean all sales of electricity, electrical current, natural, artificial or propane gas, metered water service, unmetered water service in St. Louis City, wood, coal and home-heating oil which an individual occupant of a residential premises uses for nonbusiness, noncommercial, or nonindustrial purposes. These domestic purchases are exempt from state sales tax.

(2) The basic rate paid or charged on all sales of electricity, electrical current, water and natural or artificial gas for commercial or industrial consumption is subject to the sales tax whether the seller is a private, municipally-owned or rural electric cooperative or water district. Industrial consumption includes use in manufacturing, processing, compounding, mining, producing, refining, building, construction, irrigation and the like.

(3) Where electricity, water or gas is sold from a single meter to a single purchaser for two (2) or more purposes, the predominant use for which the sale is made through each meter shall determine its taxable status for the seller. Where the purchaser has all the electricity, water or gas used at a given location furnished through a single meter, the purchaser is responsible for determining that portion of the electricity, water or gas which is for domestic, commercial or industrial consumption. When the purchaser has all the electricity, water or gas furnished through a single meter for use at residential apartments or condominiums, including service for common areas and facilities and vacant units, the usage shall be deemed domestic use. If the predominant use of a single meter is for an exempt purpose and no tax is collected from the purchaser by the seller with respect to that meter, the purchaser is responsible for all sales taxes due to that portion which is not exempt. The purchaser should file a sales tax return showing the total amount of electricity, water or gas consumed and the amount claimed as an exemption.

(4) All basic rate charges for electricity, water or gas are subject to the sales tax whether actually consumed or not, including any advance or equalized payment, surcharge, minimum or flat rate. Meter deposits and separately stated service charges are not subject to the sales tax. Receipts from services rendered by utilities, such as installation and repair, are not subject to sales tax when clearly segregated and separately stated from parts or material on the billing or invoice. Any franchise, occupation, sales, license, excise, privilege or similar tax or fee of any kind which is not part of the basic rate paid or charged is not subject to the sales tax.

(5) Sewer service is not taxable and the inclusion of that service charge on water bills is not a part of the basic water rate subject to the sales tax.

(6) Sales of electricity, water or gas to licensed or regulated utilities or common carriers, such as water or pipeline companies, telephone and telegraph companies and railroads, are subject to sales tax.

(7) Example 1: Mr. Jones owns an apartment house which is serviced through a single meter. Mr. Jones charges his tenants a basic rent and he also charges extra for electricity. Mr. Jones is entitled to a domestic use exemption for the electricity purchased for the residential apartments, including service for common areas and facilities and vacant units.

(8) Example 2: Mrs. Smith owns a large home. She rents out the room above the garage to a local student and she operates a beauty parlor in her basement. The home is serviced by a single meter and sixty percent (60%) of the electricity is used by Mrs. Smith for her personal use, twenty-five percent (25%) for her beauty parlor and fifteen percent (15%) for the rental unit. Because the predominant use of the electricity is for domestic use, Mrs. Smith does not pay any sales tax on her monthly bills. Mrs. Smith must file a sales tax return and pay sales taxes on the twenty-five percent (25%) which is not exempt and the tax return should be filed at the same time as her state income tax return (April 15 of the following year).

(9) Example 3: Assume the same facts as in section (8) except that twenty-five percent (25%) of the electricity is for domestic use and seventy-five percent (75%) is for non-domestic use in the beauty parlor. Because the predominant use of the electricity is for non-domestic use, Mrs. Smith pays sales taxes to the utility company on her entire bill. Mrs. Smith should file a request for refund between January 1 and April 15 of the following year to obtain a refund of sales taxes paid on the domestic use portions of her electricity purchases—twenty-five percent (25%).


Hyde Park Housing v. Director of Revenue, 850 SW2d 82 (Mo. banc 1993). Taxpayers appealed a decision of the Administrative Hearing Commission which upheld assessments of sales tax and interest on purchases of electricity used in occupied and vacant apartments. The Missouri Supreme Court held “The plain and ordinary meaning of the 1986 amendment to section 144.030.2(23) is clear and unambiguous: purchased metered electricity sold under a residential tariff is considered as a sale made for domestic use and is exempt from sales tax.” The court also held the exemption is not limited to natural persons and applies without regard to who made the purchase.

12 CSR 10-3.186 Water Haulers

PURPOSE: This rule interprets the sales tax law as it applies to water haulers and interprets and applies section 144.010, RSMo.

(1) Persons who purchase water for resale and deliver the water are subject to the sales tax on the entire charge to a final user or consumer.

(2) Persons who do not sell water but merely contract to haul water for others are not subject to sales tax for the hauling.


12 CSR 10-3.188 Telephone Service

PURPOSE: This rule interprets the sales tax law as it applies to telephone service and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Telephone companies are subject to sales tax on the basic rate paid by telephone subscribers for the act or privilege of originating or receiving intrastate messages and conversations in this state, whether local or long distance, and are subject to sales tax on amounts paid for all services and equipment provided in connection with telephone service.

(A) The sales tax rate for noncellular telephone service is based upon the service address. Service address means, except as in subsections (1)(B)—(D), the location of the telephone equipment from which the noncellular telephone service originates.

(B) The sales tax rate for noncellular interstate collect calls is based upon the service address which is billed for the call.

(C) Intrastate credit card calls are taxable and will be taxed according to the service address from which the telephone service originates.

(D) Due to the fact that current technology does not allow a taxpayer to determine the service address for cellular telephone service, including mobile car phones, maritime systems, air-to-ground systems and the like, the sales tax rate shall be determined by the billing address of the customer billed for the call as defined by telephone number, authorization code or location in Missouri where bills are sent. Cellular telephone service, both incoming and outgoing, consists of the service between the cellular telephone, the cell sites and the mobile telephone switching office (MTSO) (see section (12) for taxation of roamer cellular telephone service charges).

(E) Example: An individual from Texas places a call from the Kansas City, Missouri airport to St. Louis, Missouri and charges the call to a credit card with a billing address in Texas. The caller should be billed Missouri sales tax at the rate in effect at Kansas City, Missouri.

(F) Example: A cellular telephone customer with a billing address in Kansas City, Missouri places a call to St. Louis, Missouri from a cellular telephone located in his/her automobile while driving in Kansas City, Missouri. The charges for cellular telephone services are subject to sales tax based upon the billing address of the customer in Kansas City, Missouri. All other telephone service charges (noncellular) are based upon the general service address rules set forth here. This applies regardless of whether the call is placed with or without a credit card. However, if the call is placed as a collect call to a St. Louis, Missouri location, then the noncellular telephone service charges are subject to sales tax at the rate in effect at the billing address of the receiver.

(2) Sales tax applies to all charges for minimum monthly service, service connections and disconnections, tariff telephone directory listings, equipment such as telephones, computer modems, deaf set extensions, special speakers and any other equipment furnished in conjunction with furnishing or enhancing telephone service. The applicable tax rate will be determined by the location of the equipment. Example: John Doe is charged six dollars and ninety cents ($6.90) per month for his home telephone service. The six dollars and ninety cents ($6.90) consists of six dollars ($6) for line charges, fifty cents (50¢) for the telephone monthly service charge and forty cents (40¢) for federal excise tax. Sales tax would be due on the six dollars ($6) and the fifty-cent (50¢) charge for the telephone. The tax rate would be based on where the telephone is located.

(3) The sale of tangible personal property, such as a telephone, shall be treated as a retail sale and the tax rate applicable will be based on the business location of the seller. Example: The Expo Telephone Company operates a telephone sales and service office which sells telephones to the public on a retail basis. The company should charge tax at the time a sale is made based upon the location of the store. The rental of tangible personal property, when billed separately from telecommunication service, shall be treated as all other rentals for purposes of sales tax (see 12 CSR 10-3.226).

(4) Sales tax applies to customer access charges billed to the user of any telephone line, whether the line is used for intrastate or interstate messages. These access charges include user access line charges for WATS lines, residential and business user access charges and access charges for the use of long distance services. Provided, however, sales of access or similar service to telecommunication companies which will be used to provide telecommunications service are not subject to tax and are considered to be for resale.

(A) Example: A one dollar ($1) access charge is added to each customer’s bill every month. This represents a federally mandated charge for the interstate telephone network. The one dollar ($1) would be subject to tax based on the location of the telephone.

(B) Example: XYZ Long Distance Company charges its subscribers two dollars ($2) per month to access their interstate telephone lines. The two dollars ($2) would be subject to sales tax based on the rate where the telephone is located.

(C) Example: Doe Company pays fifty dollars ($50) per month in end user access line charge for a WATS line. If the charge is for a WATS line accessed through telephone equipment located in Missouri, it would be subject to tax based upon the location of the telephone equipment used by the subscriber to access the WATS line.

(5) Receipts of telephone companies for telephone transmissions made through public pay telephones are not subject to sales tax. Receipts for telephone transmission made through semipublic pay telephones are subject to the sales tax. For purposes of this section, public pay telephones and semipublic pay telephones shall mean—

(A) Public pay telephones refer to an exchange station installed at the telephone company’s option, in charge of an attendant, or equipped with a coin collection or other billing device at a location chosen by the telephone company as suitable and necessary for furnishing service to the general public and for this telephone no listing in a phone directory is generally allowed. Telephone company includes any telecommunications company authorized by the Missouri Public Service Commission to provide pay telephone service in Missouri;

(B) Semipublic telephone shall mean and refer to a business subscriber station, equipped with a coin collection device, designed for a combination of subscriber and public usage, which telephone is located where it may be collectively used by guests, members, employees, boarders, students or other occupants, as well as the subscriber, and for which the subscriber is entitled to a directory listing for purposes of incoming calls and business purposes. The definition of semipublic telephones in this rule also includes customer-owned coin telephones at locations accessible to the public, irrespective of whether or not the coin-operated telephone is designed for use by the subscriber. A customer-owned coin telephone is a phone owned by a person other than a telecommunication company authorized by the Missouri Public Service Commission to provide pay telephone service in Missouri; and

(C) The price charged for a telephone call shall be considered to be inclusive of the applicable sales tax which shall be calculated using the sales tax rate in effect for the location of the pay telephone. Due to the method...
of payment for pay telephone service, it is not necessary that the amount of sales tax be stated separately and it is not necessary that a notice be placed on telephones which advises users that sales tax is included in the rate. Telephone companies may apply to the director of revenue for permission to use a special accounting method to compute the amount of sales tax due based upon statistical sampling.

(6) Sales tax shall apply to the basic rate charged including any advance or equalized payment, surcharge, minimum or flat rate. Any franchise, occupation, sales, license, excise, privilege or similar tax of any kind, which is not a part of the basic rate is not subject to the sales tax. This does not exclude access charges from taxation.

(7) All intrastate telephone service is taxable. Intrastate cellular telephone service for origination or termination of a call is subject to Missouri sales tax whether or not the call is subsequently transmitted interstate or out-of-state by a separate seller of telephone service. An interstate call shall be considered any transmission originating within this state and destined to a point outside of Missouri or any transmission originating outside of this state and terminating at a location within this state whether the service is provided by a single seller or by two (2) sellers participating in the transmission of the call. When a customer is billed for intrastate and interstate calls as a lump sum, and charges for each are not readily ascertainable, the entire amount of the charge is subject to the sales tax.

(A) Example: Ms. Doe receives a bill for toll calls covering the month of January. The bill is for forty dollars ($40) and does not segregate interstate and intrastate calls. The entire forty dollars ($40) would be subject to sales tax.

(B) Example: A cellular telephone customer with a Kansas City, Missouri billing address places a call to Denver, Colorado from a cellular telephone located in his/her automobile while driving in Kansas City, Missouri. The portion of the call relating to separately billed cellular telephone service to transmit the call from the automobile through the transmitting cell sites in the Kansas City area and then to the MTSO in Kansas City, Missouri is subject to sales tax based upon the billing address of the cellular telephone service customer. The interstate portion of the call relating to interstate telephone service from the MTSO over land lines to the Denver, Colorado destination point is not subject to sales tax. If the intrastate and interstate portions are not separately stated to the customer and are not otherwise ascertainable, the entire charge is taxable.

(8) Receipts derived from charges for tariff telephone directory listings are subject to sales tax if a separate charge is made for the listing. Example: Company B which is located in Warrensburg places its name in the Jefferson City directory and is billed six dollars ($6) for this service. The six dollar ($6) charge would be subject to sales tax in its entirety. The tax rate applicable will be based on the domicile of the subscriber.

(9) In situations where telegrams are billed through a telephone subscriber’s account, these charges are subject to sales tax and are to be included in the measure of tax by the telegraph company. The tax rate applicable will be based on the service address for non-cellular telephone service and will be based on the billing address of the subscriber as defined by telephone number, authorization code or location in Missouri where bills are sent for cellular telephone service.

(10) A subscriber of telephone service is any individual, business, corporation or other entity who uses, or maintains for use, equipment necessary to transmit information over telephone lines. Telephone lines refer to any means of transmitting telephone messages, including, but not limited to, wire, radio transmission, microwave and optic fiber technology.

(11) Telephone service applies to the service ordinarily and popularly ascribed to it including, without limitation, the transmission of messages and conversations through use of local, toll and wide area telephone service; private line services; land line services; cellular telephone services; and maritime and air-to-ground telephone service. Telephone service includes the transmission of information over telephone lines and other telephonic media for facsimile transfers. Telephone service does not include value-added services including computer processing applications used to act on the form, content, code and protocol of the information for purposes other than transmission.

(12) Notwithstanding any other provisions of this rule, roaming cellular telephone service charges are subject to sales tax as follows: A cellular telephone company providing roaming cellular telephone service to the customer of a different cellular telephone company shall collect and remit sales tax based on the location of the MTSO that receives and transmits the cellular telephone signals. The sales tax shall apply to all roaming cellular telephone service provided in Missouri.

(A) Example: A cellular telephone customer/subscriber of a Denver, Colorado cellular telephone company places a cellular telephone call from his/her automobile while driving in St. Louis, Missouri. The call is received and transmitted by the MTSO of a St. Louis, Missouri cellular telephone company. The MTSO is located in St. Louis, Missouri. The St. Louis cellular telephone company bills the Denver, Colorado cellular telephone company for the call, which in turn bills the Denver customer/subscriber. The St. Louis cellular telephone company shall collect and remit sales tax on the amounts billed to the Denver, Colorado cellular telephone company based upon the location of the MTSO in St. Louis.

AUTHORITY: section 144.270, RSMo 1994.


Mobile Radio Communications, Inc. v. Director of Revenue, Case No. RS-79-0199 (A.H.C. 12/16/82). The commission held that mobile radio service does not constitute taxable “Service to telephone subscribers and to others through equipment of telephone subscribers” under section 144.202.1(4), RSMo. The commission interprets that language to mean that the purchaser must be receiving telephone service through telephone equipment. Radio service is not telephone service. Furthermore, according to the commission, the telephone line land lines petitioner used were private circuits used solely in connection with the petitioner’s transmission of signals and were not connected or otherwise tied into Southwestern Bell’s telephone system. Additionally, the court held that petitioner was not liable for sales tax on the receipts from the rental of pagers and mobile radios, because petitioner had purchased the pagers and mobile radios under the conditions of
sales at retail and paid tax on them pursuant to section 144.020.1(8), RSMo.

12 CSR 10-3.192 Seller's Responsibilities

PURPOSE: This rule provides guidelines for the seller's responsibilities and interprets and applies sections 144.010, 144.021, 144.080 and 144.210, RSMo.

(1) The burden of proving that a sale of tangible personal property or taxable services was made for resale and not retail shall be upon the seller. The burden of proving that a retail sale of tangible personal property or taxable services was exempt under the sales tax law shall be upon the person claiming the exemption. The seller is required to secure and retain a signed exemption certificate from the purchaser as evidence that the sale is made for resale or otherwise exempted from the sales tax. Acquiring only the Missouri sales tax license number of a letter stating the purchaser will be responsible for the tax is not sufficient proof by itself that the sale is exempt.

(2) When the Department of Revenue has reason to believe the seller acted not in good faith in the acceptance of an exemption certificate, the department is empowered to make an additional assessment of tax due from the seller. When the seller has been determined to have acted not in good faith, both seller and purchaser will be held liable until all liabilities have been satisfied.

(3) The seller must indicate on each invoice or bill of sale the name of each purchaser from whom an exemption certificate has been secured or be subject to the sales tax upon the sale.

(4) Exemption certificates must be available at the establishment of the seller for ready inspection and comparison with the deductions claimed. A seller, duly registered under the provisions of the Sales Tax Act and continually engaged in the business of selling tangible personal property or taxable services at retail, must present an exemption certificate to his/her wholesaler or supplier as to his/her registration as a retailer. The purchaser shall not be required to execute additional certificates of resale for individual purchases as long as there is no change in the character of his/her operation and the purchases are of tangible personal property or taxable services of a sort usually purchased by him/her for resale.

(5) A seller who accepts, in good faith, a signed exemption certificate from the purchaser as authorized under this rule is relieved of all liability on account of any erroneous claim of exemption and the purchaser or other person claiming exemption will be solely responsible for all taxes, interest and penalty due.


P.F.D. Supply Corporation v. Director of Revenue, Case No. RS-80-0055 (A.H.C. 6/6/85). The issue in this case was the imposition of sales tax on certain sales transactions of shortening and non-reusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because the purchasing restaurants were not the ultimate consumer of the goods in question. The commissioner, relying on the exception set forth in section 144.030.3(1), RSMo for materials purchased for use in "manufacturing, processing, compounding, mining, producing or fabricating" found that the production of food by a restaurant constituted processing.

Relying on its previous decision in Blueside Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84), the commission found that the petitioner's sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to Blueside, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the user and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983) held that the good faith acceptance of an exemption certificate does not absolve the seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission resorted to section 32.200, Art. V, section 2, RSMo (1978) of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the Overland Steel case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2) in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller's good faith exempted it from liability.

Finally, the commission held that non-reusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on such items.

12 CSR 10-3.194 Multistate Statutes

PURPOSE: This rule provides that the Multistate Tax Compact relating to sales and use taxes is applicable in Missouri, and interprets and applies section 32.200, RSMo.

(1) The provisions of the Multistate Tax Compact section 32.200, RSMo applicable to sales and use taxes are fully applicable in Missouri.


P.F.D. Supply Corporation v. Director of Revenue, Case No. RS-80-0055 (A.H.C. 6/6/85). The issue in this case was the imposition of sales tax on certain sales transactions of shortening and non-reusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because the purchasing restaurants were not the ultimate consumer of the goods in question. The commissioner, relying on the exception set forth in section 144.030.3(1), RSMo for materials purchased for use in "manufacturing, processing, compounding, mining, producing or fabricating" found that the production of food by a restaurant constituted processing.

Relying on its previous decision in Blueside Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84), the commission found that the petitioner's sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to Blueside, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the user and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983) held that the good faith acceptance of an exemption certificate does not absolve the seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission resorted to section 32.200, Art. V, section 2, RSMo (1978) of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the Overland Steel case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2) in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller's good faith exempted it from liability.

Finally, the commission held that non-reusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on such items.
the goods in question. The commissioner, relying on the exemption set forth in section 144.030.31, RSMo for materials purchased for use in "manufacturing, processing, compounding, mining, producing or fabricating" food products, found that the production of food by a restaurant constituted processing.

Relying on its previous decision in Blue sides Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84), the commission found that the petitioner's sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to Blue sides, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the "user" and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983) held that the good faith acceptance of an exemption certificate does not absolve the seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission referred to section 32.200, Art. V, section 2, RSMo (1978) of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the Overland Steel case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2), in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller's good faith exempted it from liability.

Finally, the commission held that nonreusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on such items.

12 CSR 10-3.196 Nonreturnable Containers

PURPOSE: This rule interprets the sales tax law as it applies to nonreturnable containers and interprets and applies section 144.011(9), RSMo.

(1) Sales of nonreturnable containers to persons who use them to package tangible personal property so that the containers become part of the products ultimately sold are sales for resale. The buyer of this type of container may give a sale for resale exemption certificate for the containers which s/he purchases. Thus, a seller, who sells nonreturnable containers to a person who has delivered a sale for resale certificate and uses the containers in packaging goods which are then sold to consumers may deduct the receipts from his/her sales.

(2) Example: The sale of disposable bottles to a bottler for use in bottling beverages is a sale for resale and is not subject to the sales tax.

(3) Also, a retail sale does not encompass the purchase, by persons operating eating or food service establishments, of items of a nonreusable nature which are furnished to the customers of those establishments with or in conjunction with the retail sales of their food or beverage. This exemption includes, but is not limited to, wrapping or packaging materials and nonreusable paper, wood, plastic and aluminum articles such as containers, trays, napkins, dishes, silverware, cups, bags, boxes, straw, sticks and toothpicks.


Smith Beverage Co. of Columbia, Inc. v. A. Gerald Reiss, 568 SW2d 61 (Mo. banc 1978). Bottlers were not required to pay a use tax on reusuable soft drink bottles purchased from outstate suppliers and transferred to retailers for sale to consumers, since these transactions fall within the purchase for resale exemption.

12 CSR 10-3.200 Wrapping Materials

PURPOSE: This rule interprets the sales tax law as it applies to wrapping materials and interprets and applies section 144.011, RSMo.

(1) Persons selling bags, boxes, paper, twine and similar articles to persons who use the materials to package merchandise for subsequent sale are not subject to sales tax on these sales. A grocer, for instance, who purchases trays and see-through wrapping paper to package meat for subsequent sale may purchase the items under a resale exemption certificate.

(2) Persons who purchase bags, boxes, paper and similar articles to package their own goods for subsequent use or consumption or to package the goods or merchandise for others should not purchase those items under a resale exemption certificate. A store which provides a complimentary gift wrapping...
department for customers who have purchased goods in other departments of the store should pay sales tax on the wrapping materials at the time of purchase.

(3) Specifically exempted under the law are purchases by persons operating eating or food service establishments of nonreusable items furnished to their customers with or in conjunction with the retail sales of food or beverage.

(4) Retailers purchasing bags, boxes and similar articles to be used for packaging customers’ purchases may purchase the items under an exemption certificate (see King v. National Super Markets, Inc., 653 SW2d 220 (Mo. banc 1983)).

(A) Example: A grocer may purchase grocery bags tax exempt.


Rival Manufacturing Co. v. Director of Revenue, Case No. RS-81-0522 (A.H.C. 6/4/83). The issue in this case was the imposition of sales and use tax on shippers (boxes to ship multiple items) which taxpayer used to send crock pots to its customers. The controlling issue in this case was whether or not the shippers were purchased by the petitioner at retail (for its own use and consumption) or purchased for resale (to be sold to its customers). If they were purchased for resale, they were exempt from taxation. The commission cited the three-part test of Smith Beverage Co. v. Reiss, 568 SW2d 61 (Mo. banc 1978) for determining if purchases were for resale. The three parts of that test are: 1) a transfer, barter or exchange of title; 2) of tangible personal property; 3) for consideration.

The Department argued that the third part of the test had not been met because consideration must be bargained for. They were part of petitioner’s overhead and they were optional. The purchasers did not bargain for the shippers because it did not bargain for a particular mode of shipment. The commission found that the cost of the shippers was part of the selling price of the items purchased. They were transferred for a consideration. The court concluded that the shippers were exempt from tax because they were not purchased at retail, but were purchased for resale.

**King v. National Super Markets, Inc., 653 SW2d 220 (Mo. banc 1983).** The purchase of paper bags by a supermarket was considered to be a purchase for resale because they are transferred to the supermarket’s customers for consideration, since customers pay an increased price in exchange for the purchase of bags required to bag their purchases. Since National was including the cost of the bags as part of the gross taxable sale, the purpose of the use tax would not be achieved by allowing its imposition in this case.

**12 CSR 10-3.202 Pallets**

**PURPOSE:** This rule interprets the sales tax law as it applies to pallets and interprets and applies section 144.010, RSMo.

(1) Sales of pallets are subject to sales tax unless purchased under conditions of sale for resale.

**AUTHORITY:** section 144.270, RSMo 1994.* This rule was previously filed as rule no. 34. S.T. regulation 011-4 was last filed Oct. 28, 1975, effective Nov. 7, 1975. Refiled March 30, 1976. Amended: Filed Aug. 13, 1980, effective Jan. 1, 1981.


Floyd Charcoal Co. v. Director of Revenue, 599 SW2d 173 (1980). Appellant charcoal company purchased pallets upon which charcoal packages were loaded for sale to its customers and claimed an exemption from the payment of sales tax on its initial purchase of the pallets as being purchases for resale to its customers. The assessment of sales tax was upheld since the charcoal company maintained the practice of crediting the customer’s next purchase for each pallet returned to it.

**Kaiser Aluminum & Chemical Corp. v. Director of Revenue, Case No. RS-82-0068 (A.H.C. 10/28/83).** The issues in this case were the taxability of the purchase and subsequent transfer of certain pallets which petitioner used to stack its bricks upon as they were transferred to customers. The commission based its conclusions of law upon a factual finding that the pallets were indeed sold to its customers. Because the pallets were sold to petitioner’s customers, the resale exemption certificates which the petitioner presented at the time it purchased the pallets in question were valid. In reaching this conclusion, the commission held that the statutory definition accorded the word sale was applicable to the term resale as well, reasoning by analogy from the decision in Smith Beverage Co. v. Reiss, 568 SW2d 61 (Mo. banc 1978). In making its factual finding the commission noted that while the petitioner’s customers could have returned the pallets for a deposit they were under no obligation to do so, and additionally, that for accounting purposes the transfer of pallets was treated as sales.

The other issue addressed in the case was whether or not the sale of the pallets constituted sales at retail which would be subject to sales tax. Petitioner contended that its subsequent sale of the pallets was exempt because they constituted reusable containers. The commission upheld 12 CSR 10-3.020(2) which provides that pallets are not exempt. The commission pointed to the language in section 144.011.1, RSMo which requires that the containers be sold with “tangible personal property contained therein.” Because goods are not contained in pallets the commission held that they did not constitute containers and were nonexempt.

**12 CSR 10-3.204 Paper Towels, Sales Slips**

**PURPOSE:** This rule interprets the sales tax law as it applies to sales of paper towels, sales slips and like items, and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Sales of paper towels, toilet tissues, sales slips and similar items to businesses are subject to sales tax unless resold.

(2) Example 1: The Book and Stationery Store is engaged in the business of selling office supplies. Among the items which it carries for sale to other merchants are sales slips. B & S purchases the sales slips from Y Company. Y Company will be allowed to treat the sale of slips to B & S as sales for resale if it has received a sale for resale exemption certificate. The sales slips which B & S sells to its customers are subject to sales tax.

(3) Example 2: B & S uses some of the sales slips which it purchases to record transactions between itself and its customers and to bill the customers. B & S must pay sales tax on these sales slips which it uses or consumes.

(4) Example 3: The Fast Food Burger Bar purchases paper towels and toilet tissue for its
12 CSR 10-3.206 Bottle Caps and Crowns

PURPOSE: This rule interprets the sales tax law as it applies to sales of crowns and caps, and interprets and applies sections 144.011, RSMo.

(1) The sale of caps or crowns to persons who use them in bottling soft drinks are sales for resale. The sale of the bottled beverage to a person selling the beverage for ultimate consumption is also a sale for resale.


12 CSR 10-3.208 Crates and Cartons

PURPOSE: This rule interprets the sales tax law as it applies to the sale of crates and cartons, and interprets and applies sections 144.010 and 144.011, RSMo.

(1) Sales of crates and cartons are subject to tax unless purchased under conditions of sale for resale.

AUTHORITY: section 144.270, RSMo 1994.* This rule was previously filed as rule no. 34. S.T. regulation 011-7 was last filed Oct. 28, 1975, effective Nov. 7, 1975. Refiled March 30, 1976. Amended: Filed Aug. 13, 1980, effective Jan. 1, 1981.


12 CSR 10-3.210 Seller Must Charge Correct Rate

(Recinded February 28, 2001)

PURPOSE: This rule interprets the sales tax law as it applies to the sale of rooms, meals and drinks, and interprets and applies sections 144.010, 144.020 and 144.021, RSMo.

(1) Eating, drinking and sleeping establishments deriving receipts from rooms, meals and drinks served to the public are subject to the sales tax on all these receipts.

(2) Persons deriving receipts from room charges, whether rented or leased on a daily, weekly or monthly basis, are subject to the sales tax from these receipts unless a person renting or leasing is deemed to be a permanent resident. In all instances, receipts from permanent residents for food and drink are taxable to the seller, regardless of whether the charge is made daily, weekly or monthly.

(3) Persons engaged in providing rooms are also subject to the sales tax on all sales of tangible personal property and taxable services, including telephone calls. When purchasing tangible personal property which is not resold to guests, residents or employees, no resale exemption certificate should be furnished to suppliers of these items. Instead, the supplier is subject to the sales tax on these items.


12 CSR 10-3.214 Complimentary Rooms, Meals and Drinks

PURPOSE: This rule interprets the sales tax law as it applies to complimentary rooms, meals and drinks, and interprets and applies sections 144.010 and 144.021, RSMo.

(1) Persons such as hotels and motels providing complimentary rooms, meals and drinks or other items may not purchase those meals, beverages or other items under conditions of a sale for resale.

(2) Example: The Big Wheel Hotel provides a complimentary room and bottle for Herb Hubcap who is a very important person. The Big Wheel Hotel is subject to sales tax on the actual cost of the bottle.


12 CSR 10-3.216 Permanent Resident Defined

PURPOSE: This rule interprets the sales tax law as it applies to a permanent resident and interprets and applies sections 144.010 and 144.020, RSMo.

(1) A person who contracts in advance for a room in a hotel or motel for a period of thirty (30) consecutive days or more and who actually remains a guest of the hotel or motel for thirty (30) consecutive days or more is considered a permanent resident and the rental or lease receipts from letting the room are not subject to the sales tax.

(2) A permanent resident is not considered synonymous with a permanent room. Persons who rent or lease accommodations on a permanent basis to industries such as airlines or railroads or other persons for their employee’s use are subject to the sales tax on the receipts from all these accommodations.

(3) Example: The Summit Hotel rents yearly accommodations to the Fly-Away Airlines for

Department of Revenue
pilots and stewards. The Summit Hotel is subject to the sales tax on all Fly-Away accommodation receipts.


National Land Management, Inc., v. Director of Revenue, Case No. RS-81-0639 (A.H.C. 6/6/84). The issue in this case was whether time sharing arrangements at resorts are subject to sales tax. The commission initially found that the receipts in question were not taxable pursuant to section 144.020.1(2), which provides for imposition of tax on: a) sums paid for admission to places of amusement, b) sums paid for seating accommodations therein and c) all fees paid to or in place of amusement.

Regarding the first provision, the commission found that the sums in question were not paid for admission as that term is commonly understood. The commission also found that accommodations were not the subject for which the sums were paid. With respect to the third provision, the commission found that the assessments did not apply to any separate fees charged for the use of petitioner’s amenities but were based on charges for the time share occupancies.

Next, the commission found that section 144.020.1(6) was inapplicable, because the payments in question did not constitute charges for rooms furnished in any hotel, motel, inn, tourist camp or tourist cabin. Arriving at this conclusion the commission held, “If the relationship is that of innkeeper and guest, then petitioner is providing a taxable service; if not, then petitioner’s time share activities are not taxable under section 144.020.1.”

Looking at the law from various states, the commission held that the agreements in question constituted vacation leases creating an assignable interest in real property. Because of the thirty-year lease, the occupants are not transitory in the sense that travelers or tourists are. Rooms in petitioner’s resort are not regularly rented because they are only open to the general public when they are not already reserved pursuant to one of the previously mentioned agreements. Thus, the director of revenue failed to meet his burden of proof by establishing that the agreements in question constituted taxable service in the form of a room furnished at a hotel, motel, tourist camp or tourist cabin by an innkeeper.

**12 CSR 10-3.218 Students**

**PURPOSE:** This rule interprets the sales tax law as it applies to student accommodations and interprets and applies sections 144.010 and 144.030, RSMo.

(1) An educational institution which furnishes room and board to the students in pursuit of their educational objectives is not subject to sales tax on the gross receipts from these services.


**12 CSR 10-3.220 Sales of Accommodations to Exempt Organizations**

**PURPOSE:** This rule interprets the sales tax law as it applies to sales of accommodations to exempt organizations and interprets and applies sections 144.030.2(19), (20) and (22) and 144.080, RSMo.

(1) When accommodations, food and drinks are sold to an organization who has an exemption letter from the Department of Revenue and all billings are directly to the organization and paid for with their funds, the sales are not subject to the sales tax. If the billing is in an individual’s name, it is subject to the sales tax.


**12 CSR 10-3.222 Transportation Fares**

**PURPOSE:** This rule interprets the sales tax law as it applies to transportation fares and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Receipts derived from the intrastate transportation of persons for hire by persons operating buses and trucks licensed by the Missouri Public Service Commission are subject to tax. Also taxed are the receipts from the intrastate transportation of persons for hire by persons operating a railroad, sleeping car, dining car, express car or boat. Receipts derived from the intrastate transportation of persons for hire in air commerce, however, are not subject to sales tax.

(2) Taxi cabs, limousine services and local buses are not subject to tax.

(3) If a passenger is engaged in an interstate trip and purchases transportation between two (2) points in this state, the separate charges for this intrastate journey are subject to the sales tax. Lump sum charges of special charter means of conveyance are subject to the sales tax in the same manner as their individual fares.

(4) Purchases by persons on state or federal expense accounts where each respective government is directly responsible for the payment of the tickets are not subject to the sales tax only when paid for by a governmental draft.

(5) Persons selling meals, drinks, cigarettes, magazines, toiletries and other articles of tangible personal property to persons on intrastate or interstate trips are subject to the sales tax on the gross receipts from all sales in this state. Carriers operating facilities which sell tangible personal property or render taxable services, such as eating and sleeping facilities, are subject to the sales tax on the gross receipts from the sales in this state.


**Aloha Airlines v. Director of Taxation of Hawaii, 104 S.Ct. 291 (1983). 49 U.S.C. section 1513(a) preempts state statutes and expressly prohibits states from taxing directly or indirectly gross receipts derived from interstate air transportation.**
12 CSR 10-3.224 Effective Date of Option
(Rescinded December 11, 1980)


Op. Atty. Gen. No. 71, Buechner (4-8-77). A corporation involved in the rental and leasing of motor vehicles may elect either to pay sales tax at the time it receives the gross receipts from the rental or lease agreements or at the time of registration of motor vehicles. However, either election must include all motor vehicles held for rental or lease and a corporation with separately managed divisions may not elect to have one division pay Missouri sales tax at the time the vehicles are purchased and another division pay sales tax as rental proceeds are received from its customers.

12 CSR 10-3.226 Lease or Rental

PURPOSE: This rule interprets the sales tax law as it applies to lease or rental receipts and interprets and applies sections 144.020 and 144.070, RSMo.

(1) The gross receipts from the sale of tangible personal property which are exempt from the sales or use tax on the sale of the property are similarly exempt from the sales tax on the total gross receipts from any lease or rental of the property. The gross receipts derived from a lease or rental of motor vehicles or trailers leased or rented by an authorized motor vehicle leasing company are subject to the sales tax. The gross receipts derived from a lease or rental of other tangible personal property upon which Missouri sales tax was not paid at the time of purchase are also subject to sales tax.


Op. Atty. Gen. No. 71, Buechner (4-8-77). A corporation involved in the rental and leasing of motor vehicles may elect either to pay sales tax at the time it receives the gross receipts from the rental or lease agreements or at the time of registration of motor vehicles. However, either election must include all motor vehicles held for rental or lease and a corporation with separately managed divisions may not elect to have one division pay Missouri sales tax at the time the vehicles are purchased and another division pay sales tax as rental proceeds are received from its customers.

12 CSR 10-3.228 Lessors-Renters Include

PURPOSE: This rule indicates that a person may be a lessor or renter even though the location of the leased or rented article remains unchanged and interprets and applies sections 144.010 and 144.020, RSMo.

(1) Lessors and renters include those persons whose tangible personal property remains on their own premises, but which is operated by the lessee or is under the direct control of the lessee for a specified period of time.


12 CSR 10-3.230 Repair Parts for Leased or Rented Equipment

PURPOSE: This rule interprets the sales tax law as it applies to parts used in the repair of leased or rented equipment and interprets and applies sections 144.010 and 144.020, RSMo.

(1) Sellers of repair or replacement parts for use in repairing tangible personal property which is rented or leased are subject to the sales tax unless the lessor/renter provides the seller with a properly executed exemption certificate. In order to purchase repair or replacement parts tax exempt under an exemption certificate, the following requirements must be met:

(A) Tax must not have been paid on the property to be repaired at the time of purchase. An exception is motor vehicles or trailers leased or rented by an authorized motor vehicle leasing company which also paid sales tax on the vehicles when they were purchased;

(B) The repair or replacement of the property must be performed at no additional cost to the lessee of the property under the lease agreement; and

(C) The lessor must not use the property or parts in any manner other than holding them for the repair of or for replacement on leased or rental property or for resale.


12 CSR 10-3.232 Maintenance Charges for Leased or Rented Equipment

PURPOSE: This rule interprets the sales tax law as it applies to maintenance charges for leased or rented equipment and interprets and applies sections 144.010 and 144.020, RSMo.

(1) When maintenance or repair charges or other incidental charges are included in a lease or rental contract, all charges are considered gross receipts.

(A) Example: L Corporation leases copy machines to various customers. As part of the lease agreement, L Corporation agrees to perform all maintenance and repair upon the copy machines. All of the gross receipts are subject to sales tax and no deduction is
allowed for the maintenance agreement (also see 12 CSR 10-3.064).

(B) Example: J Corporation leases and ships equipment to persons in various areas of Missouri, separately stating the lease charge and the transportation charges. J Corporation is subject to sales tax on the lease price of the goods, including the transportation charges, as they were incurred prior to transfer of possession to the customer.


12 CSR 10-3.233 Export Sales

PURPOSE: This rule interprets the sales tax law as it applies to export sales and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Sales made to customers located outside Missouri are not subject to the Missouri sales tax if title to the property passes at the customers’ locations.

(A) Example: Mrs. Jones, a resident of Kansas, purchases by telephone a necklace from a Missouri seller and requests that the seller ship the necklace to her out-of-state residence. The transaction is not subject to Missouri sales tax as this transaction is deemed an export sale.

(2) When an out-of-state resident takes delivery at a Missouri location, the sale would be deemed to be consummated at the place of business of the seller and would be subject to Missouri sales tax unless a valid exemption certificate is issued to the seller at the time of purchase.

(A) Example: Mrs. Brown purchases a necklace at a Missouri seller location and has the seller ship the necklace to her sister located outside Missouri. The transaction is subject to Missouri sales tax.


Kaiser Aluminum & Chemical Sales v. Director of Revenue, Case No. RS-82-0303 (A.H.C. 10/28/83). The issue in this case was whether or not certain bricks shipped from a Missouri plant were subject to Missouri sales tax. It was necessary for the commission to determine where the sale took place. When no specific provision for the passage of title is contained in the agreement between the parties, the commission must look to other evidence such as industry practice, passage of risk of loss, party paying transportation costs and method and time of payment. The commission cited Kurtz Concrete, Inc. v. Spradling, 560 SW2d 858 (Mo. banc 1978) and Frontier Bag, Inc. v. Director of Revenue, Case No. R-80-0073 (A.H.C. 11/12/81). Finding that the goods were shipped F.O.B. from Mexico, Missouri, the commission held that petitioner manifested an intent to have title pass to the buyer at the time and place of shipment. The commissioner looked to section 400.2-401(2)(a), RSMo (1978) (Uniform Commercial Code) in reaching this conclusion. Therefore, the sale did take place in Missouri and tax was applicable.

12 CSR 10-3.234 Permit Required

(Rescinded December 11, 1980)


12 CSR 10-3.236 Domicile of Motor Vehicles

PURPOSE: This rule interprets the sales tax law as it applies to the sale of motor vehicles and interprets and applies section 144.010, RSMo.

(1) Sales made to customers located outside Missouri are not subject to the Missouri sales tax if title to the property passes at the customers’ locations.

(A) Example: Mrs. Brown purchases a necklace at a Missouri seller location and has the seller ship the necklace to her out-of-state residence. The transaction is not subject to Missouri sales tax as this transaction is deemed an export sale.

(2) When an out-of-state resident takes delivery at a Missouri location, the sale would be deemed to be consummated at the place of business of the seller and would be subject to Missouri sales tax unless a valid exemption certificate is issued to the seller at the time of purchase.

(A) Example: Mrs. Brown purchases a necklace at a Missouri seller location and has the seller ship the necklace to her sister located outside Missouri. The transaction is subject to Missouri sales tax.


12 CSR 10-3.238 Leasing Motor Vehicles for Release

(Rescinded December 11, 1980)


notarized bill of sale and a copy of the purchase contract agreement, if applicable, showing the purchase price is presented to the Department of Revenue at the time of titling.

(3) In order to qualify for a replacement tax credit, a motor vehicle, trailer, boat or outboard motor must be replaced by a motor vehicle, trailer, boat or outboard motor, respectively. In addition, the replacement unit and the unit being replaced must be titled in the same owner’s name(s).

(4) In order to determine if a motor vehicle, trailer, boat or outboard motor owner qualifies for a ninety (90)-day replacement tax credit based on the date of the purchase contract, the following conditions must be met:

(A) The date of the purchase contract and the sale of the replaced unit must be on or after May 31, 1994. May 31 is the earliest date which can be used in order for the ninety (90)-day time period to include the August 28, 1994, effective date of the new legislation;

(B) The date of the purchase contract and the sale of the replaced unit must be within ninety (90) days of each other; and

(C) A copy of the purchase contract for the new motor vehicle, trailer, boat or outboard motor and a copy of the notarized bill of sale for the unit being replaced must be submitted with the application for title or the request for refund if taxes have already been paid. The following is an example: On May 31, 1994, a vehicle owner sells a passenger motor vehicle. On August 1, 1994, the seller signs a purchase contract for a new passenger motor vehicle. Since both the sale and the contract to purchase occurred on or after May 31 and are within ninety (90) days of each other, the replacement credit will be allowed. The same would be true if the purchase contract was signed on May 31, 1994, and the replaced vehicle sold on August 1, 1994.

(5) A person who purchases a replacement motor vehicle, trailer, boat or outboard motor as a result of a total loss due to theft or casualty will be taxed only that portion, if any, of the purchase price of the replacement unit in excess of the insurance proceeds received for the theft or casualty loss plus any owner’s deductible obligation, provided a certification by the insurance company showing the amount of the insurance proceeds and deductible is presented to the Department of Revenue at the time of titling and the replacement motor vehicle, trailer, boat or outboard motor is purchased within ninety (90) days of the date of payment by the insurance company. This sales tax credit applies regardless of whether the unit was titled and insured in the same name.


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12 CSR 10-3.245 Exempt Federal, State Agency or Missouri Political Subdivision—General Requirements

**PURPOSE:** This rule sets forth general requirements which apply to a federal, state agency or Missouri political subdivision claiming exempt status and interprets and applies section 144.030, RSMo.

1. Each agency must make written application on a form prescribed by the director of revenue for a letter of exemption to be issued.

2. An exemption letter granted to a federal, state agency or Missouri political subdivision will be effective for five (5) years from the date of issuance of the letter.


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12 CSR 10-3.246 General Examples (Rescinded December 11, 1980)


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12 CSR 10-3.247 Information Required to be Filed by a Federal, State Agency or Missouri Political Subdivision Claiming Exemption

**PURPOSE:** This rule sets forth the requirements which must be met by a federal, state agency or Missouri political subdivision making application for exemption and interprets sections 144.030 and 144.080, RSMo.

1. A federal, state agency or Missouri political subdivision claiming exempt status pursuant to section 144.030.1, RSMo is required...
to file the following with the Department of Revenue:

(A) Application for Sales/Use Tax Exemption, Form DOR-1746 and Missouri Sales/Use Tax Exemption Application Affidavit, Form DOR-1922; and

(B) Any other documents, statements and information requested by the director of revenue.

**AUTHORITY:** section 144.270, RSMo 1994.*


The Public School Retirement System of the City of St. Louis v. Director of Revenue, Case No. RS-80-0125 (A.H.C. 2/8/84). The issue in this case was whether The Public School Retirement System of the City of St. Louis is exempt from sales tax as a public elementary or secondary school, a not-for-profit civic or charitable organization or a constitutionally tax-exempt political subdivision.

The commission found that an agreement existed between the taxpayer and the Internal Revenue Service, whereby the Retirement System did not constitute a tax-exempt 501(c)(11) Teachers Retirement Fund, because it had more than an incidental number of nonteacher participants and a large amount of funding from gifts, bequests, and legacies, which was inconsistent with the provisions of section 501(c)(11) of the Internal Revenue Code. The commission found that the taxpayer was not exempt under section 144.030.2(19), RSMo as a public elementary or secondary school, because it was specifically created by the general assembly as a body corporate, separate and distinct from the public schools of the City of St. Louis. The commission found that the taxpayer was not exempt under section 144.030.2(20), RSMo as a civic or charitable organization because, like the hospital at issue in Frisco Employees’ Hospital Assn. v. State Tax Comm., 381 SW2d 772 (Mo. banc 1964), it only provided benefits to its members. Finally, the commission found that collecting sales tax on purchases made by the Retirement System did not constitute the imposition of tax on property paid for out of the funds of a county or other political subdivision in violation of Mo. Const. Art. III, section 39(10) because the taxpayer was not a county or political subdivision. The commission rejected the taxpayer’s argument that the funds which it received from the political subdivisions retained their character when they were used by the Retirement System to make purchases. Pointing out that the Retirement System is separate and independent from the St. Louis School District and that it receives funds from many sources other than the School District, the commission found that the funds in question had lost their character and ceased to be funds of a political subdivision.

12 CSR 10-3.248 Sales to the United States Government

(Rescinded November 30, 2000)

**AUTHORITY:** section 144.270, RSMo 1994.


State ex rel. Thompson-Stearns-Roger v. Schaffner, 489 SW2d 207 (1973). The legislature’s repeal of old section 144.261 and enactment of new section 144.261 abolished the need for review by the tax commission before judicial review could be sought. Act can only properly be held to have intended to restore the prior system of direct judicial review, without intervening administrative review, of the director’s (of revenue) decisions in sales tax matters. Therefore, after the director had rejected claimant’s request for refund of sales and use tax, claimant was entitled to direct judicial review by mandamus, without need to seek review of decision by State Tax Commission. Purchases by a contractor of materials and supplies in performance of cost-plus contracts with the United States government are subject to sales tax, although the contract provides that title to the property purchased shall vest in the United States upon its delivery to the building site.

United States v. New Mexico, 455 U.S. 720, 102 S.Ct. 1373 (1982). New Mexico’s sales tax was not invalid as applied to purchases made by contractors having contracts with the federal government for construction and repair work on government-owned property, even where title passed directly from vendors to the federal government.

12 CSR 10-3.249 Sales to Foreign Diplomats

**PURPOSE:** This rule interprets the sales tax law as it pertains to sales tax exemptions to foreign diplomats and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Foreign diplomats qualifying for a sales tax exemption under the provision of a treaty or agreement existing between the United States or Missouri and their respective country will be required to file an Application for Diplomatic Exemption, Missouri Sales Tax. A copy of the treaty or agreement must accompany the application.

(2) Those persons qualifying for the sales tax exemption will be issued a Foreign Government Government Exemption Card. The card should be displayed to the seller or vendor when purchases are made and all sales tickets must be signed. When the foreign diplomat’s term expires, the exemption card must be returned to the Department of Revenue.

**AUTHORITY:** section 144.270, RSMo 1994.*


12 CSR 10-3.250 Sales to Missouri

**PURPOSE:** This rule interprets the sales tax law as it applies to sales to Missouri and interprets and applies sections 144.010 and 144.020, RSMo.

(1) All sales made to Missouri are not taxable when purchased directly and paid for by warrants drawn on Missouri and an exemption letter is issued to the seller.

**AUTHORITY:** section 144.270, RSMo 1994.*


City of Springfield v. Director of Revenue, 659 SW2d 782 (Mo. banc 1983). The issue in this case was whether or not the director of revenue could legally assess sales tax on concession, admission and use fees charged by the city park board. The Supreme Court found first that Mo. Const. Art. III, section 39(10), which prohibits a tax upon the “use,
12 CSR 10-3.252 Hunting and Fishing Licenses

PURPOSE: This rule interprets the sales tax law as it applies to hunting and fishing licenses.

(1) Sales of Missouri hunting and fishing licenses are not subject to the sales tax.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.254 Sales to Missouri Political Subdivisions

PURPOSE: This rule interprets the sales tax law as it applies to sales to Missouri political subdivisions and interprets subsection 15.

(1) Sales of tangible personal property made to a political subdivision, if paid for out of funds of those subdivisions, are not taxable. Political subdivisions include, but are not limited to, counties, townships, cities, school districts, road districts, library districts, water districts, nursing home districts and other subdivisions empowered to levy a tax.

AUTHORITY: section 144.270, RSMo 1994.*


City of Springfield v. Director of Revenue, 659 SW2d 782 (Mo. banc 1983). The issue in this case was whether or not the director of revenue could legally assess sales tax on concession, admission and use fees charged by the city park board. The Supreme Court found first that Mo. Const. Art. III, section 39(10), which prohibits a tax upon the “use, purchase or acquisition of property paid for out of the funds” of the city did not prohibit the imposition of tax upon the fees in question. There was no tax on the use, purchase or acquisition of property paid for from city funds. Secondly, the court found that section 144.020.1(2), RSMo brought the sale of recreational activities and concessions within the purview of the sales tax statute. The operation of the park and its facilities and services did constitute a business by a person making sales at retail and the park board did constitute a seller within the various definitions contained in section 144.010, RSMo.

12 CSR 10-3.256 Sales Other Than Missouri or its Political Subdivisions

PURPOSE: This rule interprets the sales tax law as it applies to sales made to governments other than Missouri or its political subdivisions and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Sales made to states other than Missouri or to political subdivisions not located in Missouri are not exempt.

(2) Sales made to foreign governments, their residents, officials or employees are not exempt unless specifically provided in a law or treaty of the United States of America.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.258 Petty Cash Funds

PURPOSE: This rule interprets the sales tax law as it applies to sales paid for out of petty cash funds and interprets and applies sections 144.010 and 144.080, RSMo.

(1) Sales paid for with cash will be presumed to be taxable sales unless supported by an invoice or billing to the United States government, Missouri or any of its political subdivisions and a signed claim of exemption showing the title and position of the signatory and the identity of the governmental unit making the purchase.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.260 Nonappropriated Activities of Military Services

(Rescinded November 30, 2000)


State ex rel. Thompson-Stearns-Roger v. Schaffner, 489 SW2d 207 (1973). The legislature’s repeal of old section 144.261 and enactment of new section 144.261 abolished the need for review by the tax commission before judicial review could be sought. Act can only properly be held to have intended to restore the prior system of direct judicial review, without intervening administrative review, of the director’s (of revenue) decisions in sales tax matters. Therefore, after the director had rejected claimant’s request for refund of sales and use tax, claimant was entitled to direct judicial review by mandamus, without need to seek review of decision by State Tax Commission.

United States v. New Mexico, 455 U.S. 720, 102 S.Ct. 1373 (1982). New Mexico’s sales tax was not invalid as applied to purchases made by contractors having contracts with the federal government for construction and repair work on government-owned property, even where title passed directly from vendors to the federal government.

12 CSR 10-3.262 Government Suppliers and Contractors

(Rescinded November 30, 2000)

State ex rel. Thompson-Stearns-Roger v. Schaffner, 489 SW2d 207 (1973). The legislature’s repeal of old section 144.261 and enactment of new section 144.261 abolished the need for review by the tax commission before judicial review could be sought. Act can only properly be held to have intended to restore the prior system of direct judicial review, without intervening administrative review, of the director’s (of revenue) decisions in sales tax matters. Therefore, after the director had rejected claimant’s request for refund of sales and use tax, claimant was entitled to direct judicial review by mandamus, without need to seek review of decision by State Tax Commission.

12 CSR 10-3.264 Repossessed Tangible Personal Property

PURPOSE: This rule interprets the sales tax law as it applies to sales of repossessed tangible personal property and interprets and applies section 144.010, RSMo.

(1) When banks, credit unions, savings and loan associations and other similar institutions acquire tangible personal property through repossession or foreclosure and where these properties are later sold by the creditors, the sales are subject to the sales tax.

12 CSR 10-3.268 General Rule

(Rescinded December 11, 1980)

12 CSR 10-3.270 Carbon Dioxide Gas

PURPOSE: This rule interprets the sales tax law as it applies to sellers of carbon dioxide gas and interprets and applies sections 144.010 and 144.030.2(2), RSMo.

(1) Persons selling carbon dioxide gas to be used in producing carbonated water would not be subject to the sales tax since the gas becomes an ingredient or component part of the end product.

(2) Persons selling carbon dioxide gas to be used as a lifting agent for soft drinks or beer are subject to the sales tax since the gas does not become an ingredient or component part of the soft drink or beer.

12 CSR 10-3.266 Sales to National Banks and Other Financial Institutions

PURPOSE: This rule interprets the sales tax law as it applies to sales to national banks and other financial institutions and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Persons selling tangible personal property or taxable service to national banks, other banks, credit unions or credit institutions and savings and loan associations, whether state or otherwise, are subject to the sales tax. Persons selling to federal reserve banks, federal land banks and federal credit unions are not subject to the sales tax.
12 CSR 10-3.272 Motor Fuel and Other Fuels

PURPOSE: This rule interprets the sales tax law as it applies to sellers of motor fuels and other fuels, and interprets and applies sections 144.010, 144.030.2(1) and (22), RSMo.

(1) Persons selling motor fuel or special fuel in Missouri which is subject to a motor fuel or special fuel tax are not subject to the sales tax on the receipts from these sales. If the special fuel has no special fuel tax imposed or if the special fuel tax is refunded, it is subject to sales tax, unless otherwise exempted. Other fuels are subject to the sales tax when sold without regard to quality or price unless specifically exempted under the sales tax law.

(2) Fuel is not subject to the sales tax when sold for the purpose of pumping or propelling water ultimately sold at retail. Likewise, the sale of fuel to be consumed in manufacturing or in creating gas, power, steam or electrical current to be ultimately sold at retail is not subject to the sales tax. Fuel is subject to the sales tax when sold for consumption by bakeries for baking their products or heating their establishments, by foundries and steel mills for the purpose of melting ores and by railroads within Missouri.

(3) When fuel is purchased for both exempt and taxable purposes, the purchaser must state at the time of purchase what portion of the fuel will be used for exempt purposes as opposed to the portion that is taxable.

(4) Example: The Big D Company sells fuel oil to the Sky High Utility Company for use in creating electricity and pumping water and natural gas to its customers. The Big D Company is not subject to the sales tax on fuel oil sold for this purpose. The sale of fuel oil to the utility company for use in heating its buildings is subject to the sales tax. The Big D Company must obtain a segregation of use statement at the time of sale.

(5) The amount of propane or natural gas, electricity or diesel fuel which is used exclusively for drying agricultural crops is entitled to sales tax exemption. If all of the electricity purchased through a single meter is used for drying agricultural crops, the purchaser should provide a written exemption certificate to the electric company so that all electricity is purchased tax free. If the electricity purchased through a single meter is used for multiple purposes such as domestic use and farm business use and the purchaser has been categorized as a domestic use customer by the electric company, the electric company should not charge sales tax on any of the electricity. At the end of the year when the purchaser is preparing his/her state and federal income tax returns (including Schedule F), s/he will take an income tax deduction for the amount of electricity used in his/her farming business. The purchaser will also be required to show to the Missouri Department of Revenue how much of the farm business electricity was used exclusively for drying crops and how much was used in other facets of his/her farm business. If the purchaser is categorized as a nondomestic use customer by the electric company, s/he will be required to pay sales taxes on the entire amount of electricity purchased. At the end of the year when the purchaser is preparing his/her state and federal income tax returns (including Schedule F), s/he will file an application for refund of sales tax for the electricity used for nondomestic purposes as well as the amount used exclusively for drying agricultural crops. If the total amount of propane gas in a single tank is used for drying agricultural crops, the purchaser should provide a written exemption certificate to the propane seller so that all propane gas is purchased tax free. If the purchases of propane gas in a single tank are used for multiple purposes such as domestic use and farm business use and primary use is a nondomestic use, the customer should notify the propane gas seller to categorize him/her as a nondomestic use customer and s/he will be required to pay sales tax on the entire amount of propane gas purchased. The customer will compute underpayments and overpayments of tax at the end of the year in the same manner as provided previously for electricity and make appropriate payments and refund request in the same manner. Purchasers of diesel fuel to be used exclusively for drying agricultural crops are guided by the same principles set out previously for electricity and propane gas. Purchasers of diesel fuel, propane or natural gas to be used exclusively for drying crops must maintain a separate tank for those purposes unless the only other purpose for which the fuel is used is a nonbusiness domestic use. Diesel fuel which is to be used for drying agricultural crops as well as other farm business purposes may not be purchased under claim of exemption unless the fuel for drying is segregated at the time of purchase into separate tanks used exclusively for that purpose.

(6) One-half (1/2) of each purchase of diesel fuel which is used to operate tax exempt farm tractors and tax exempt farm machinery is itself tax exempt. In order to properly claim tax exemptions for this purpose, the purchaser should maintain separate fuel tanks which are used ONLY to power the exempt items. A written claim of exemption must be on file with the seller for each purchase of fuel. When selling diesel fuel to be used for tax exempt machinery, the seller should divide the total purchase price by two (2) and compute tax only on one-half (1/2) of the purchase price. Under no circumstances should a purchaser use tax exempt diesel fuel for any purpose except the operation of tax exempt farm machinery. A purchaser should maintain adequate records to substantiate the use made of all diesel fuel purchased under a claim of exemption.

(7) All sales of metered water service; electricity; electrical current; natural, artificial or propane gas; wood; coal or home-heating oil for domestic use are exempt from tax. Also exempted is unmetered water service to residents of the City of St. Louis for domestic use. Domestic use means that portion which the individual purchaser does not use for a business, commercial or industrial purpose. Each seller of metered water service; electricity; electrical current; natural, artificial or propane gas service; and unmetered water service in the City of St. Louis shall establish and maintain a system, based upon the apparent or declared predominant use purpose of the purchaser, where individual purchases are classified as domestic use or nondomestic use based upon principal use. No seller shall charge sales tax on purchases classified as domestic use. Sellers shall charge sales tax upon the entire amount of purchases classified as nondomestic use. Each person making domestic use purchases of services or property and who uses any portion of the services or property so purchased for a nondomestic purpose, the fifteenth day of the fourth month following the year of purchase, and without assessment, notice or demand, shall file a return and pay sales tax on that portion of nondomestic purchases. Each person making nondomestic purchases of services or property and who uses any portion of the services or property so purchased for domestic use, between the first day of the first month and the fifteenth day of the fourth month following the year of purchase, may apply for credit or make refund to the director of revenue and the director shall give credit or make refund for taxes paid on the domestic use portion of the purchase.

AUTHORITY: section 144.270, RSMo 1994.* This rule was previously filed as rule no. 46 Jan. 22, 1973, effective Feb. 1, 1973. S.T. regulation 030-12 was last filed Dec. 31, 1975, effective Jan. 10, 1976. Refiled March


In Horn v. Carpenter, 312 SW2d 823 (1958), where subsection 144.030.2, RSMo exempts plaintiffs, who are farmers (purchasers) and a corporate distributor (seller) of motor fuel, from payment of sales tax on sales and purchases of such fuel, the court held all sales of gasoline are exempt from liability for sales tax, including those sales where purchaser declares his intention not to use gasoline for highway purposes and in fact obtains a refund of motor fuel tax paid.

Missouri Public Service Company v. Director of Revenue, 733 SW2d 448 (Mo. banc 1987). Since there is no statutory definition of fuel, the Supreme Court attributed to the work its plain and ordinary meaning. The court found Rolfite exempt from use tax because it is a fuel material which produces heat by burning and is consumed in the manufacture of electricity. The court stated that the fact Rolfite is used primarily for other purposes does not change its essential functional character as a fuel.

Lady Baltimore of Missouri, Inc. v. Director of Revenue, Case Nos. RS-83-2819 and RS-83-2820 (A.H.C. 9/9/87). The petitioner argued that it is exempt under 144.030.2(1), RSMo because diesel fuel is subject to the special fuel tax. The Administrative Hearing Commission held that where the special fuel tax is not paid upon purchase, the fuel is not subject to an excise or sales tax under another law of the state and the sales tax exemption does not apply. Therefore sales tax is due and payable.

The taxpayer in the alternative argued that the respondent was required to collect the tax from the vendor rather than the purchaser as a purchaser. The Administrative Hearing Commission found that under the facts of this case that the petitioner had purchased the special fuel under an improper claim of exemption and was therefore liable for sales tax.

Henderson Implement Co., Inc. v. Director of Revenue, Case No. RS-86-0170 (A.H.C. 6/16/88). The Administrative Hearing Commission held that the taxpayer met its burden of proving that soilmovers were farm machinery within the meaning of the statute. The soilmover was found to be essential to production of farm crops on low-lying land and the farmers used the equipment exclusively for such purposes and the link between controlling drainage on the farmland and the production of the crops is a direct relationship. Therefore, the Administrative Hearing Commission concluded that the soilmovers were exempt from sales tax.

Henderson Implement Co., Inc. v. Director of Revenue, Case No. RS-86-0170 (A.H.C. 6/16/88). The Administrative Hearing Commission found that the petitioner was not entitled to an exemption for his seed cleaner and conveyor for two reasons. First, petitioner used the equipment for commercial processing of soybeans other than his own, a use clearly not within the requirement that the equipment be used exclusively and directly for the production of farm products as required by 144.030.2(22), RSMo and further excluded from exemption by 12 CSR 10-3.274(8) because the commercial cleaning operation was not an agricultural use of the cleaning equipment.

12 CSR 10-3.276 Sales of Baling Wire, Baling Twine and Binder Twine

(Rescinded June 28, 1986)


12 CSR 10-3.278 Agricultural Feed and Feed Additives

(Rescinded November 30, 2000)


12 CSR 10-3.282 Seeds of Seed, Pesticides and Fertilizers

(Rescinded November 30, 2000)


12 CSR 10-3.284 Poultry Defined

(Rescinded November 30, 2000)

Exotic Animal Paradise, Inc. v. Director of Revenue, Case Nos. RS-83-2797, RS-83-2798 and RS-83-2799 (A.H.C. 2/18/86). The taxpayer purchased and maintained animals for display in its wild animal park. The Administrative Hearing Commission determined that these animals were neither poultry nor livestock normally raised or grown as food for human consumption.

12 CSR 10-3.286 Livestock Defined
(Rescinded November 30, 2000)


Exotic Animal Paradise, Inc. v. Director of Revenue, Case Nos. RS-83-2797, RS-83-2798 and RS-83-2799 (A.H.C. 2/18/86). The taxpayer purchased and maintained animals for display in its wild animal park. The Administrative Hearing Commission determined that these animals were neither poultry nor livestock normally raised or grown as food for human consumption.

12 CSR 10-3.288 Florists

PURPOSE: This rule interprets the sales tax law as it applies to florists and interprets and applies sections 144.010 and 144.030, RSMo.

(1) Persons selling flowers and flower arrangements, bouquets, wreaths, seeds, plants, shrubs, trees or any other articles of tangible personal property are subject to the sales tax on all these sales.

(2) A Missouri florist, who receives the original order and subsequently wires that order either to another in-state florist or an out-of-state florist for delivery, is subject to the sales tax on these transactions. Where an out-state florist accepts the original order and subsequently wires that order to a Missouri florist, the Missouri florist is not subject to the Missouri sales tax.


12 CSR 10-3.290 Sellers of Poultry
(Rescinded November 30, 2000)


P.F.D. Supply Corporation v. Director of Revenue, Case No. RS-80-0055 (A.H.C. 6/6/85). The issue in this case was the imposition of sales tax on certain sales transactions of shortening and nonreusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because the purchasing restaurants were not the ultimate consumer of the goods in question. The commission, relying on the exemption set forth in section 144.030.3(1), RSMo for materials purchased for use in “manufacturing, processing, compounding, mining, producing or fabricating” found that the production of food by a restaurant constituted processing.

Relying on its previous decision in Blueside Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84) the commission found that the petitioner’s sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to Blueside, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the user and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983) held that the good faith acceptance of an exemption certificate does not absolve the seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission resorted to section 32.200, Art. V, section 2, RSMo (1978) of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the Overland Steel case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2) in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon the commission found that the seller’s good faith exempted it from liability.

Finally, the commission held that non-reusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on these items.

12 CSR 10-3.292 Ingredients or Component Parts

PURPOSE: This rule defines ingredients or component parts for purposes of the sales tax law and interprets and applies section 144.030.2(2) and (5), RSMo.

(1) In order to be considered as ingredients or component parts of the new personal property resulting from manufacturing, or otherwise, the materials must be purchased by the manufacturer for the purpose of becoming a recognizable, essential and basic ingredient or component part of the new personal property which is to be ultimately sold for final use or consumption. Materials qualify for this exemption only to the extent that they become an ingredient or component part of the new personal property.

(2) Materials which through accident, wear or similar means become incorporated within the product for sale are not exempt because they were not purchased for the purpose of becoming an ingredient or component part of new personal property which will ultimately be sold for final use or consumption.

The Blueside Companies, Inc. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84). The issue in this case was whether chemicals used by the taxpayer in its hide processing operation were partially or totally exempt from sales/use taxes under section 144.030.2(2), RSMo (Supp. 1983) as "materials...which when used...become a component part or ingredient of the new personal property resulting from such manufacturing, processing, compounding, producing or fabricating..."

The Administrative Hearing Commission ruled that section 144.030.2(2) did not just apply to manufacturers. The statute applied instead to materials used in manufacturing. It is the goods that are used, not the purchaser of the goods, which defines the extent of the exemption.

Secondly, the commission found that the taxpayer was entitled to claim the exemption even though it actually performed the work in question on a contractual basis. It is not necessary that the taxpayer be manufacturing its own goods, and even if it were, as noted previously, the exemption in question is not limited to manufacturers but to manufacturing, etc. The fact that the taxpayer worked on a contract basis was irrelevant.

The commission also found that the key to whether materials become a component part or ingredient of the new personal property was whether the taxpayer purchased them for its own use and consumption or for resale. Looking to legislative history the court found that section 144.030.2(2) was in fact simply a repetition of the exclusions already inherent in the definitional provisions of section 144.010(8) defining "sale at retail."

While acknowledging that on two previous occasions courts of the state of Missouri have ruled in the taxpayer's favor in cases similar to this one, the commission noted that such rulings were not in accordance with either the well-established rule that exemption statutes must be strictly construed against the taxpayer or the historical purpose of the statute as it was explained in Southwestern Bell Telephone v. Morris, 343 SW2d 62 (Mo. En Banc 1961). The commission noted that courts in other states have consistently ruled that the component part exemption is akin to the sale-for-resale philosophy and that chemicals which are not detectable in the finished product do not constitute component parts. Numerous cases from other jurisdictions were cited. Moreover, the mere presence of traces of a chemical in a final product does not make the chemical a component part. The court cited an example microscopic particles of water vapor and other gases which are left in mined coal by explosives. These trace chemicals do not make the explosives a component part.

The court also cited the elimination of double taxation as the rationale for the component part exemption. Therefore, if the presence of a material in a finished product is merely incidental then the material was not purchased for resale and the purchase should not be taxable. In the case at hand the court noted that various products that were purchased to form chrome-tan were totally retained in the product. These materials should be exempt because they were purchased with the intent that they would be resold as part of the product.

The court also distinguished cases where part of the material was intended to become a component part. While some states have taken the position that the purchase of a material with the intention that part of it shall remain in the product at the time of resale will exempt all of the material, the commission took the position that only the part which was intended to become a component part should be exempt, noting that section 144.030.2(2) expressly provides that exemptions for various materials only apply to the extent they are incorporated into products which are intended for resale.

Hardee's of Springfield, Inc., et al. v. Director of Revenue, Case No. RS-82-2181 (A.H.C. 6/11/85). The issue in this case was the imposition of use tax upon shortening used for deep fryng foods at petitioner's restaurants. Petitioner asserted that use tax was not due on any of the shortening because it became an ingredient or component part of new personal property and thus exempt as provided by section 144.030.3(1), RSMo (1978). The director countered that petitioner had to be a manufacturer to qualify for this exemption and that no exemption was proper unless the ingredient was totally incorporated into the new product.

The Administrative Hearing Commission cited Blueside Company v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84) for the proposition that the exemption also applies to processing. However, in citing Blueside, the commission held that the ingredient or component part exemption is only applicable to the extent that the article is incorporated in new property. In addition, those articles whose presence in the final product is not necessary or essential are not exempt. The commission found that 50% of the shortening in question was absorbed and therefore exempt.

The bulk of the unabsorbed shortening was sold for salvage. Petitioner contended that this salvage sale constituted a retail sale and that its use of shortening was therefore exempt under section 144.615, RSMo (1978) as property held for resale in the regular course of business. However, the commission rejected petitioner's argument by stating, "If the by-product is an inconsequential portion of the taxpayer's business and the by-product is sold as salvage primarily to avoid the cost of refuse collection, the articles in the by-product would not be exempt from use tax because those articles would be held substantially for use and not for resale."

P.F.D. Supply Corporation v. Director of Revenue, Case No. RS-80-0055 (A.H.C. 6/6/85). The issue in this case was the imposition of sales tax on certain sales transactions of shortening and nonreusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because the purchasing restaurants were not the ultimate consumer of the goods in question. The Administrative Hearing Commission, relying on the exemption set forth in section 144.030.3(1), RSMo for materials purchased for use in "manufacturing, processing, compounding, mining, producing or fabricating" found that the production of food by a restaurant constituted processing.

Relying on its previous decision in Blueside Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84), the Administrative Hearing Commission found that the petitioner's sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to Blueside, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the user and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. En Banc 1983) held that the good faith acceptance of an exemption certificate does not absolve the...
seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission resorted to section 32.200, Art. V, section 2, RSMo (1978) of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the Overland Steel case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2) in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller’s good faith exempted it from liability.

Finally, the commission held that non-reusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on these items.

**Teepak, Inc. v. Director of Revenue, Case Nos. RS-86-0123 and RS-86-1430 (A.H.C. 5/13/88).** In this case, the taxpayer argued that casings used in the manufacture of hot dogs were exempt from sales tax under the component part exemption. The Administrative Hearing Commission rejected the taxpayer’s argument, finding that there was no purposeful incorporation of the casing, or its parts, into the finished hot dog, therefore the component part exemption did not apply.

**Pea Ridge Iron Ore Co., Inc. v. Director of Revenue, Case Nos. RS-84-1398, RS-84-1468, RS-84-1469, RS-84-1470, RS-84-1728, RS-84-1729 and RS-86-0517 (A.H.C. 6/30/88).** The primary substantive issue was whether the taxpayer’s purchases of grinding balls, grinding rods, bentonite and olivine were exempt under the steel products exemption in 144.030.2(2), RSMo which exempts “materials and manufactured goods which are ultimately consumed in the manufacturing process by becoming, in whole or in part, a component part or ingredient of steel products intended to be sold ultimately for final use or consumption.” The Administrative Hearing Commission held that the presence of the grinding media and bentonite in the final product, though a secondary purpose and not the primary intended purpose, was sufficient to qualify the materials for the steel products exemption. The materials were purchased with an intent and purpose of becoming an identifiable and detectable ingredient or component part of the iron or pellets, and therefore were exempt.

**Marshall Scott Enterprises, Inc. v. Director of Revenue, Case No. RS-87-0786, Kentucky Fried Chicken of Spanish Lake, Inc., Case No. RS-87-0787 and Al-Tom Investment, Inc. d/b/a Kentucky Fried Chicken, Case No. RS-87-0788 (A.H.C. 7/8/88).** The taxpayers contended that the purchases of shortening were excluded from taxation under 144.010.1(8), RSMo (1994), because the shortening was substantially incorporated in the food products and therefore was for resale as a portion of the food products. The Administrative Hearing Commission rejected this argument and reaffirmed its decision in Blueside Companies, Inc. v. Director of Revenue, Case No. RS-82-4625 (10/5/84).

**Golden Business Forms, Inc. v. Director of Revenue, Case No. RS-86-2524 (A.H.C. 9/26/88).** The Administrative Hearing Commission ruled that even though printing plates and punches are necessary to the manufacturing process, the plates and punches do not become a component part or ingredient of the final printed product. In order to be a component part or ingredient of the final printed product the plates and punches must be physically incorporated into the printed business forms. The evidence was that they did not.

**St. Joe Minerals Corporation v. Director of Revenue, Case Nos. RS-85-1812 and RS-85-2289 (A.H.C. 9/13/88).** The Administrative Hearing Commission reaffirmed earlier decisions that held that before materials can be exempt as component parts or ingredients they must be shown to have been purchased for the purpose of becoming part of the final product. They must also be shown to have become a part of the product and must be detectable in the final product. They must also serve a purpose in the final product and not be just an impurity. It is not enough that the materials are necessary to the manufacturing process; it must be shown that the materials are purposefully incorporated into that final product.

**12 CSR 10-3.294 Component Parts**

**PURPOSE:** This rule interprets the sales tax law as it applies to component parts and interprets and applies section 144.030.2(4) and (5), RSMo.

(1) Sellers of parts to manufacturers or other producers who sell component parts or substances or who physically incorporate property as an ingredient or constituent of other tangible personal property which they manufacture or otherwise produce and sell are not subject to the sales tax. This exemption is applicable to the extent that the property or its reduced component substances are resold or incorporated into tangible personal property intended to be ultimately sold at retail for use or consumption. Property which is used or consumed in the manufacturing or other production process, but not physically incorporated into tangible personal property for ultimate retail sales as a product which the producer or manufacturer produces or sells, is subject to the sales tax.

**AUTHORITY:** section 144.270, RSMo 1994.*


**The Blueside Companies, Inc. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84).** The issue in this case was whether chemicals used by the taxpayer in its hide processing operation were partially or totally exempt from sales/use taxes under section 144.030.2(2), RSMo (Supp. 1983) as “materials. . . which when used. . . become a component part or ingredient of the new personal property resulting from such manufacturing, processing, compounding, producing or fabricating. . . .” The Administrative Hearing Commission ruled that section 144.030.2(2) did not just apply to manufacturers. The statute applied instead to materials used in manufacturing. It is the goods that are used, not the purchaser of the goods, which defines the extent of the exemption.

Secondly, the commission found that the taxpayer was entitled to claim the exemption even though it actually performed the work in question on a contractual basis. It is not necessary that the taxpayer be manufacturing its own goods, and even if it were, as noted previously, the exemption in question is not limited to manufacturers but to manufacturing, etc. The fact that the taxpayer worked on a contract basis was irrelevant.

The commission also found that the key to whether materials become a component part or ingredient of the new personal property was whether the taxpayer purchased them for its own use and consumption or for resale. Looking to legislative history the court found that section 144.030.2(2) was in fact simply a repetition of the exclusions already inherent in the definitional provisions of section 144.0101. (8) defining “sale at retail.”
While acknowledging that on two previous occasions courts of the state of Missouri have ruled in the taxpayer’s favor in cases similar to this one, the commission noted that such rulings were not in accordance with either the well-established rule that exemption statutes must be strictly construed against the taxpayer or the historical purpose of the statute as it was explained in Southwestern Bell Telephone v. Morris, 345 SW2d 62 (Mo. banc 1961). The commission noted that courts in other states have consistently ruled that the component part exemption is akin to the sale-for-resale philosophy and that chemicals which are not detectable in the finished product do not constitute component parts. Numerous cases from other jurisdictions were cited. Moreover, the mere presence of traces of a chemical in a final product does not make the chemical a component part. The court cited an example microscopic particles of water vapor and other gases which are left in mined coal by explosives. These traces chemicals do not make the explosives a component part.

The court also cited the elimination of double taxation as the rationale for the component part exemption. Therefore, if the presence of a material in a finished product is merely incidental then the material was not purchased for resale and the purchase should be taxable. In the case at hand the court noted that various products that were purchased to form chrome-tan were totally retained in the product. These materials should be exempt because they were purchased with the intent that they would be resold as part of the product.

The commission distinguished cases where part of the material was intended to become a component part. While some states have taken the position that the purchase of a material with the intention that part of it shall remain in the product at the time of resale will exempt all of the material, the commission took the position that only part which was intended to become a component part should be exempt, noting that section 144.030.2(2) expressively provides that exemptions for various materials only apply to the extent they are incorporated into products which are intended for resale.

Hardee’s of Springfield, Inc., et al. v. Director of Revenue, Case No. RS-82-2181 (A.H.C. 6/11/85). The issue in this case was the imposition of use tax upon shortening used for deep frying goods at petitioner’s restaurants. Petitioner asserted that use tax was not due on any of the shortening because it became an ingredient or component part of new personal property and thus was exempt as provided by section 144.030.3(1), RSMo (1978). The director countered that petitioner had to be a manufacturer to qualify for this exemption and that no exemption was proper unless the ingredient was totally incorporated into the new product.

The commission cited Blueside Company v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 6/10/84) for the proposition that the exemption also applies to processing. However, again citing Blueside, the commission held that the ingredient of component part exemption is only applicable to the extent that the article is incorporated in new property. In addition, those articles whose presence in the final product is not necessary or essential are not exempt. The Administrative Hearing Commission found that 50% of the shortening in question was absorbed and therefore exempt.

The bulk of the unabsorbed shortening was sold for salvage. Petitioner contended that this salvage sale constituted a retail sale and that its use of shortening was therefore exempt under section 144.615, RSMo (1978) as property held for resale in the regular course of business. However, the commission rejected petitioner’s argument by stating, “If the by-product is an inconsequential portion of the taxpayer’s business and the by-product is sold as salvage primarily to avoid the cost of refuse collection, the articles in the by-product would not be exempt from use tax because those articles would be held substantially for use and not for resale.”

P.F.D. Supply Corporation v. Director of Revenue, Case No. RS-80-0055 (A.H.C. 6/6/85). The issue in this case was the imposition of sales tax on certain sales transactions of shortening and nonreusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because the purchasing restaurants were not the ultimate consumer of the goods in question. The Administrative Hearing Commission, relying on the exemption set forth in section 144.030.3(1), RSMo for materials purchased for use in “manufacturing, processing, compounding, mining, producing or fabricating” found that the production of food by a restaurant constituted processing.

Relying on its previous decision in Blueside Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84) the commission found that the petitioner’s sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to Blueside, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the user and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983) held that the good faith acceptance of an exemption certificate does not absolve the seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission resorted to section 32.200, Art. V, section 2, RSMo (1978) of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the Overland Steel case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2) in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller’s good faith exempted it from liability.

Finally, the commission held that nonreusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable transaction and no tax was due from the petitioner on such items.

Hardee’s of Springfield, Inc. et al. v. Director of Revenue, Case No. RS-82-wr 42181 (A.H.C. 6/11/85). The Administrative Hearing Commission held that the ingredient or component part exemption is only applicable to the extent that the article is incorporated in new property. In addition, those articles whose presence in the final product is not necessary to essential are not exempt. The commission found that 50% of the shortening in question was absorbed and therefore exempt.
Teepak, Inc. v. Director of Revenue, Case Nos. RS-86-0123 and RS-86-1430 (A.H.C. 5/13/88). In this case, the taxpayer argued that casings used in the manufacture of hot dogs were exempt from sales tax under the component part exemption. The Administrative Hearing Commission rejected the taxpayer’s argument, finding that there was no purposeful incorporation of the casing, or its parts, into the finished hot dog, therefore, the component part exemption did not apply.

Pea Ridge Iron Ore Co., Inc. v. Director of Revenue, Case Nos. RS-84-1398, RS-84-1468, RS-84-1469, RS-84-1470, RS-84-1728, RS-84-1729 and RS-86-0517 (A.H.C. 6/30/88). The primary substantive issue was whether the taxpayer’s purchases of grinding balls, grinding rods, bentonite and olivine were exempt under the steel products exemption in 144.030.2(2), RSMo which exempts “materials and manufactured goods which are ultimately consumed in the manufacturing process by becoming, in whole or in part, a component part or ingredient of steel products intended to be sold ultimately for final use or consumption.” The Administrative Hearing Commission held that the presence of the grinding media and bentonite in the final product, though a secondary purpose and not the primary intended purpose, was sufficient to qualify the materials for the steel products exemption. The materials were purchased with an intent and purpose of becoming an identifiable and detectable ingredient or component part of the iron ore pellets, and therefore were exempt.

Marshall Scott Enterprises, Inc. v. Director of Revenue, Case No. RS-87-0786, Kentucky Fried Chicken of Spanish Lake, Inc., Case No. RS-87-0787 and Al-Tom Investment, Inc. d/b/a Kentucky Fried Chicken, Case No. RS-87-0788 (A.H.C. 7/8/88). The taxpayers contended that the purchases of shortening were excluded from taxation under 144.010.1(8), RSMo, because the shortening was substantially incorporated in the food products and therefore was for resale as a portion of the food products. The Administrative Hearing Commission rejected this argument and reaffirmed its decision in Blueside Companies, Inc. v. Director of Revenue, Case No. RS-82-4625 (10/5/84).

Snap Shot Photo v. Director of Revenue, Case No. RS-87-1056 (A.H.C. 8/29/88). The Administrative Hearing Commission found that all chemicals used in the photofinishing process as part of a closed vat system, and not washed away during the process, were exempt from taxation because “all such chemicals do become ingredients and component parts of all the products over time.”

St. Joe Minerals Corporation v. Director of Revenue, Case Nos. RS-85-1812 and RS-85-2289 (A.H.C. 9/13/88). The Administrative Hearing Commission reaffirmed earlier decisions that held that before materials can be exempt as component parts or ingredients they must be shown to have been purchased for the purpose of becoming part of the final product. They must also be shown to have become a part of the product and must be detectable in the final product. They must also serve a purpose in the final product and not be just an impurity. It is not enough that the materials are necessary to the manufacturing process; it must be shown that the materials are purposefully incorporated into that final product.

12 CSR 10-3.296 Manufacturing Defined

AUTHORITY: section 144.270, RSMo 1978.

Wendy’s of Mid-America, Inc. v. Department of Revenue, Case No. RS-79-0222 (A.H.C. 7/22/82). Machinery and equipment used in fast food restaurants are not entitled to section 144.030.2(4), RSMo exemption because fast food restaurants clearly do not constitute manufacturing plants. Section 144.615(6). RSMo exemption from use tax is applicable to foil, wax paper and bags used in fast food restaurants because they are held solely to be incorporated into products which are resold in the regular course of taxpayer’s business.

12 CSR 10-3.298 Electrical Appliance Manufacturers

AUTHORITY: section 144.270, RSMo 1978.

Western Trailer Service, Inc. v. LePage, 575 SW2d 173 (Mo. banc 1978). Where, under contract, employees of trailer company went to Kansas, picked up trailers and brought them into state and, after repairs were made and repair parts installed, trailers were returned under contract to Kansas by trailer company employees, there was dealing between persons of different states in which importation was an essential feature or formed a component part of the transaction, with retail sales made in commerce between the two states, to which an exemption from sales tax for being in interstate commerce applied.
12 CSR 10-3.302 Airline Defined
(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978. 
S.T. regulation 030-31 was last filed Dec. 
31, 1975, effective Jan. 10, 1976. Rescinded: 

12 CSR 10-3.304 Common Carrier
Exemption Certificates

PURPOSE: This rule provides guidelines as 
to the use of common carrier exemption cer-
tificates and interprets and applies sections 
144.030.2(3) and 144.080, RSMo.

(1) When a sale to a common carrier is made, 
an exemption certificate should be complet-
ed. The certificate should contain the Public 
Service Commission (PSC) number and Inter-
state Commerce Commission (ICC) number. A determination can be made as to 
whether the vehicle is used as a common car-
rrier or a contract carrier from the Missouri 
PSC number. If the vehicle is used as a con-
tract carrier, the PSC number will be fol-
lowed by a dash “X” (T5000—X). If the 
common carrier has only an ICC number, a 
determination should be made by the seller as 
to whether the purchaser is actually engaged 
as a common carrier and the number must 
appear on all supporting documents.

AUTHORITY: section 144.270, RSMo 1994. * 
S.T. regulation 030-28 was last filed Dec. 31, 
30, 1976.

*Original authority: 144.270, RSMo 1939, amended 

12 CSR 10-3.306 Aircraft
(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978. 
S.T. regulation 030-29 was last filed Dec. 31, 
1975, effective Jan. 10, 1976. Rescinded: 

12 CSR 10-3.308 Boat Manufacturing
Equipment
(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978. 
S.T. regulation 030-30 was last filed Oct. 28, 
1975, effective Nov. 7, 1975. Rescinded: 

12 CSR 10-3.310 Truckers
(Rescinded December 11, 1980)
With respect to the step-up transformer, the court found that it had two functions. It had a nonexempt function controlling the transmission of electricity to customers. The commission relied on New York law to the effect that the generation of voltage is manufacturing, the transmission of voltage is not. However, several times a year the transformer was used to start a generator which manufactures electricity. On those occasions the transformer was used in the manufacturing process. Therefore, the transformer is exempt from sales tax or use tax, because section 144.030.3(4), RSMo does not require that machinery be used exclusively or even primarily for manufacturing to qualify for exemption (see also State ex rel. Ozark Lead Co. v. Goldberg, 610 SW2d 954 (1981) and Noranda Aluminum v. Missouri Department of Revenue, 599 SW2d 1 (Mo. banc 1980)).

American Lithographers, Inc. v. Director of Revenue, Case No. RS-87-1355 (A.H.C. 10/25/88). The Administrative Hearing Commission found that the purchase of printing plates was exempt from the imposition of sales and use tax under 144.030.2(4), RSMo as “replacement parts replaced by reason of product or design change.” The Administrative Hearing Commission compared the printing plates with the dies and molds used by automobile manufacturers and then cited the Department of Revenue’s regulation 12 CSR 10-3.316(2) which states in part that “if an automobile plant must replace machinery because the present machinery cannot do the work due to changes on the new models, the machinery is not subject to the sales tax.”

Tension Envelope Corp. v. Director of Revenue, Case No. RS-87-0420 (A.H.C. 12/6/88). The Administrative Hearing Commission found that printing plates were exempt under 144.030.2(4), RSMo as “replacement parts replaced by reason of product or design change.” In reference to the artwork and the prep work, the Administrative Hearing Commission, citing the case of Empire District Electric v. Director of Revenue, Case No. RS-79-0249 (A.H.C. 12/6/88). The Administrative Hearing Commission found that printing plates were exempt under 144.030.2(4), RSMo as “replacement parts replaced by reason of product or design change.” In reference to the artwork and the prep work, the Administrative Hearing Commission, citing the case of Empire District Electric v. Director of Revenue, Case No. RS-79-0249 (A.H.C. 12/6/88). The Administrative Hearing Commission found that printing plates were exempt under 144.030.2(4), RSMo as “replacement parts replaced by reason of product or design change.”

12 CSR 10-3.318 Ceramic Greenware Molds
(Rescinded January 30, 2000)


12 CSR 10-3.320 New or Expanded Plant
(Rescinded January 30, 2000)


Wendy’s of Mid-America, Inc. v. Department of Revenue, Case No. RS-79-0222 (A.H.C. 7/22/82). Machinery and equipment used in fast food restaurants are not entitled to section 144.030.2(4), RSMo exemption because fast food restaurants clearly do not constitute manufacturing plants. Section 144.615(6), RSMo exemption from use tax as applicable to foil, wax paper and bags used in fast food restaurants because they are held solely to be incorporated into products which are resold in the regular course of taxpayer’s business.

Jackson Excavating Co. v. Department of Revenue, 649 SW2d 48 (Mo. banc 1983). The sole issue in this case is whether machinery used to purify water for human consumption is entitled to a sales/use tax exemption under section 144.030.3(4), RSMo as machinery used to establish a new or expand an existing manufacturing plant. In this case the Supreme Court cited West Lake Quarry & Material Co. v. Schaffner, 451 SW2d 140 (Mo. banc 1970), and Heidelberg Central, Inc. v. Director of Revenue, 476 SW2d 502 (Mo. banc 1972), as the basis for finding that the purification of water was “a transformation of raw material by the use of machinery, labor and skill into a product for sale which has an intrinsic and merchantable value in a form suitable for new uses.” In passing, the court acknowledged the decision in State ex rel. A.M.F., Inc. v. Spradling, 518 SW2d 58 (Mo. banc 1974), where it held that the retrofitting of worn tire carcasses was not manufacturing, but did not distinguish it from the case at hand.

St. Joseph Light & Power Co. v. Director of Revenue, Case No. RS-79-0162 (A.H.C. 1/21/83). Taxpayer utility company purchased a new boiler to replace a boiler that was worn out. The issue is whether the boiler’s purchase should be exempt from use tax pursuant to section 144.030.3(3), RSMo which exempts the purchase of machinery and equipment used directly for manufacturing or fabricating when the purchase is caused by reason of a design or product change, or whether it is exempt under section 144.030.3(4), RSMo as machinery or equipment used to expand an existing manufacturing plant. The Administrative Hearing Commission found that because the boiler was purchased to replace a worn-out boiler, it was precluded from finding that the machinery was purchased by reason of a design or product change. Therefore, taxpayer was not entitled to an exemption on this basis. However, the commission found that the new boiler did expand the plant’s capacity by five megawatts and allowed the boiler to operate an additional two days per month. Based upon this finding, the commission concluded that the new boiler was equipment purchased and used to expand an existing manufacturing plant in this state.

Empire District Electric Co. v. Director of Revenue, Case No. RS-79-0249 (A.H.C. 3/29/83). In this case the issue was the taxability of a transformer, concrete, oil and antifreeze used in an electric generating facility. The Administrative Hearing Commission was faced with the task of applying the new “integrated plant” theory which the Missouri Supreme Court adopted in Floyd Charcoal Co. v. Director of Revenue, 599 SW2d 173 (Mo. banc 1980) and Noranda Aluminum v. Missouri Department of Revenue, 599 SW2d 1 (Mo. banc 1980) to determine whether these items were exempt under section 144.030.3(4), RSMo from sales and use tax as “machinery and equipment, purchased and used to establish new or to expand existing manufacturing, mining or fabricating.” The commission found that while Missouri has adopted the integrated plant theory, it is apparent from the statute limiting language that not all items used in the manufacture of a product are exempt from sales or use tax.

With respect to the oil and antifreeze the commission found, first of all, that it did not qualify as a “device” and thus could not be considered equipment and machinery. It also found that the oil and antifreeze, though used in the start up of equipment, was not solely required for installation and construction. It continued to be used in the machinery after start up and, therefore, it was not exempt as supplies used solely for installation or construction of this machinery or equipment.

With respect to the concrete that was used to construct duct banks protecting the electrical system and manhole covers for access to the electrical system, the court found that the
decision in Noranda Aluminum was not controlling, because in that case the materials in question were used to construct duct banks which prevented the spillage of molten aluminum. Because the cement in question was not used to protect the electrical system from the manufacturing process itself, it was found not to be an integral part of that manufacturing process. Therefore, the concrete was not exempt from sales or use tax.

With respect to the step-up transformer, the court found that it had two functions. It had a nonexempt function controlling the transmission of electricity to customers. The commission relied on New York law to the effect that nonexempt function controlling the transmission process. Therefore, the concrete was not the manufacturing process itself, it was found to be exempt from sales or use tax.

Petitioner's removal of rock from the ground is included in the term mining as used in section 144.030.3(4), RSMo exemption does not require that machinery be used exclusively or even primarily for manufacturing to qualify for exemption.

12 CSR 10-3.324 Rock Quarries
(Rescinded January 30, 2000)


West Lake Quarry & Material Co. v. Schaffner, 451 SW2d 140 (Mo. banc 1970). Taxpayer’s removal of rock from the ground is included in the term mining as used in section 144.030.3(4). The court found equipment used to mine and refine rock including crushing equipment, was exempt from sales and use tax. Equipment used to load customer’s trucks is not directly used in either manufacturing or mining the product intended to be sold or required to be exempt under section 144.030.3(4), RSMo.

Rotary Drilling Supply, Inc. v. Director of Revenue, 662 SW2d 496 (Mo. banc 1983). Petitioner contended that its sales of drilling rigs were exempt from sales tax under section 144.030.3(4), RSMo on the grounds that they were purchased from petitioner for the purpose of expanding or establishing mining plants in this state. Petitioner had failed to obtain exemption certificates from its purchasers and, therefore, it would be liable for uncollected tax. The court refused to recognize water-well drilling as a form of mining. The use of rigs to drill water wells for any purpose or exploratory holes would not constitute mining within the exemption requirement. The evidence was that this was the primary function performed by these rotary drills. The court then went on to reject the Administrative Hearing Commission’s conclusion that none of the sales were exempt because a predominant number of rigs were not put to an exempt use. The case was remanded for an evidentiary hearing at which the commission was to determine the exempt status of each rig.

American Industries Resources Corp., Missouri Mining, Inc. v. Director of Revenue, Case Nos. RS 84-0922—0925 (A.H.C. 10/28/88) Taxpayer is in the business of mining coal. It operated a surface coal mine or strip mine. Taxpayer purchased a bulldozer for reclamation purposes but also occasionally used it to remove the last layer of coal covering the coal field. The bulldozer was found to be exempt as “machinery... purchased and used to establish new or expand existing... mining... plants in the state” under 144.030.2(5), RSMo.

12 CSR 10-3.326 Direct Use
(Rescinded January 30, 2000)


Floyd Charcoal Co. v. Director of Revenue, 599 SW2d 173 (Mo. banc 1980). To determine if new or replacement equipment is exempt from sales or use tax, an integrated plant approach is used to determine if it is used directly in manufacturing products.

Wendy’s of Mid-America, Inc. v. Department of Revenue, Case No. RS-79-0222 (A.H.C. 7/22/82). Machinery and equipment used in fast food restaurants are not entitled to section 144.030.2(4), RSMo exemption because fast food restaurants clearly do not constitute manufacturing plants. Section 144.615(6), RSMo exemption from use tax is applicable to foil, wax paper and bags used in fast food restaurants because they are held solely to be incorporated into products which are resold in the regular course of taxpayer’s business.

Jackson Excavating Co. v. Department of Revenue, 646 SW2d 48 (Mo. banc 1983). The sole issue in this case is whether machinery used to purify water for human consumption is entitled to a sales/use tax exemption under section 144.030.3(4), RSMo as machinery used to establish a new or expand an existing manufacturing plant. In this case the Supreme Court cited West Lake Quarry & Material Co. v. Schaffner, 451 SW2d 140 (Mo. banc 1970), and Heidelberg Central, Inc. v. Director of Revenue, 476 SW2d 502 (Mo. banc 1972), as the basis for finding that the purification of water was “a transformation of raw material by the use of machinery, labor and skill into a product for sale which has an intrinsic and merchantable value in a form suitable for new uses.” In passing, the court acknowledged the decision in State ex rel. AMF, Inc. v. Spradling, 518 SW2d 58 (Mo. banc 1974), where it held that the retreading of worn tire carcasses was not manufacturing, but did not distinguish it from the case at hand.

Empire District Electric Co. v. Director of Revenue, Case No. RS-79-0249 (A.H.C. 3/29/83). In this case the issue was the taxability of a transformer, concrete, oil and antifreeze used in an electric generating facility. The commission was faced with the task of applying the new integrated plant theory which the Missouri Supreme Court adopted in Floyd Charcoal Co. v. Director of Revenue, 599 SW2d 173 (Mo. banc 1980) and Noranda Aluminum v. Missouri Department of Revenue, 599 SW2d 1 (Mo. banc 1980) to determine whether these items were exempt under section 144.030.3(4). RSMo from sales and use tax as “machinery and equipment, purchased and used to establish new or to expand existing manufacturing, mining or fabricating.” The commission found that while Missouri has adopted the integrated plant theory, it is apparent from the statute limiting language that not all items used in the manufacture of a product are exempt from sales or use tax.

With respect to the oil and antifreeze the commission found, first of all, that it did not qualify as a device and thus could not be considered equipment and machinery. It also found that the oil and antifreeze, though used in the start up of equipment, was not solely required for installation and construction. It continued to be used in the machinery after start up and, therefore, it was not exempt as supplies used solely for installation or construction of such machinery or equipment.
With respect to the concrete that was used to construct duct banks protecting the electrical system and manhole covers for access to the electrical system, the court found that the decision in *Noranda Aluminum* was not controlling, because in that case the materials in question were used to construct duct banks which prevented the spillage of molten aluminum. Because the cement in question was not used to protect the electrical system from the manufacturing process itself, it was found not to be an integral part of that manufacturing process. Therefore, the concrete was not exempt from sales or use tax.

With respect to the step-up transformer, the court found that it had two functions. It had a nonexempt function controlling the transmission of electricity to customers. The commission relied on New York law to the effect that the generation of voltage is manufacturing, the transmission of voltage is not. However, several times a year the transformer was used to start a generator which manufactures electricity. On those occasions the transformer was used in the manufacturing process. Therefore, the transformer is exempt from sales tax or use tax, because section 144.030.3(4), RSMo does not require that machinery be used exclusively or even primarily for manufacturing to qualify for exemption.

### 12 CSR 10-3.327 Exempt Machinery

**AUTHORITY:** section 144.270, RSMo 1994.


**Wendy’s of Mid-Missouri, Inc. v. Department of Revenue, Case No. RS-79-0222 (A.H.C. 7/22/82).** Machinery and equipment used in fast food restaurants are not entitled to section 144.030.2(4), RSMo exemption because fast food restaurants do not constitute manufacturing plants.

**Jackson Excavating v. Administrative Hearing Commission,** 646 SW2d 48 (Mo. banc 1983). Machinery used to purify water for human consumption is exempt from sales or use tax as machinery used to establish a new or to expand an existing manufacturing plant. The court stated the purifications of water is "a transformation of raw material by the use of machinery, labor and skill into a product for sale which has an intrinsic and merchantable value in a form suitable for new uses."

### 12 CSR 10-3.328 Contractor Conditions
**(Rescinded December 11, 1980)**

**AUTHORITY:** section 144.270, RSMo 1978.


### 12 CSR 10-3.330 Realty
**PURPOSE:** This rule interprets the sales tax law as it applies to sales of tangible personal property for incorporation into realty and interprets and applies section 144.010, RSMo.

1. Sales tax does not apply to the sale of realty or an interest in realty. Nor does it apply to fixtures or improvements to realty where title does not pass until after the property has been attached to and become commingled with and part of the realty.

2. Example: A cabinet maker is not subject to sales tax for the moneys received under a contract where s/he constructs and installs kitchen cabinets in a home under construction.

3. Persons selling tangible personal property to construction contractors, general or prime contractors, subcontractors or special contractors for incorporation into realty, are subject to the sales tax on the gross receipts from all these sales.

**AUTHORITY:** section 144.270, RSMo 1994.

**This rule was previously filed as rule no. 18 Jan. 30, 1976. Amended:** Filed Aug. 13, 1980, effective Jan. 1, 1981.

**State ex rel. Otis Elevator Co. v. Smith,** 212 SW2d 580 (Mo. banc 1948). Otis Elevator Company was in the business of designing, constructing, installing and repairing elevators in buildings. Respondent claimed there was no sales tax due to petitioner Smith because the materials used to construct new elevators or to modify existing elevators lost their character or status as tangible personal property and became a part of the real property coincidently with their delivery and attachment to the building. Respondent kept a title retention clause in his contract with the building contractor allowing him to retain title to the elevator until he was paid in full and if not, to remove the elevator. Judge Ellison held this clause prevented the tangible personal property from being joined with the realty. Absent this contractual clause, the court would have reached a different conclusion.

Where the contract for installation of new elevators, and reconstruction or major repairs to existing elevators whereby elevator company retains title to materials until paid, the elevator company is liable for sales tax. Had the contract not contained the title retention clause the elevator company would not be liable for sales tax.

Where elevator company does repair work on existing elevators and supplies small parts which become part of the elevator, and does not retain title to the parts, the company is not subject to sales tax. The parts become part of the realty (see *Air Comfort Service, Inc. v. Director of Revenue, Case No. RS-83-1982 (A.H.C. 4/25/84)* and *Marsh v. Spradling, 537 SW2d 402 (Mo. banc 1976)).


**Builders Glass & Products Co. v. Director of Revenue, Case No. RS-85-0453 (A.H.C. 5/13/87).** The assessments at issue dealt with transactions between Builders Glass & Products and various sale tax exempt religious and charitable organizations. The Administrative Hearing Commission found that the petitioner as a contractor should have paid sales tax on its purchases of supplies and materials used in completing its contracts. Therefore, the Department of Revenue did properly impose tax upon the purchase by petitioner of materials used and consumed by it as a contractor and the tax was properly collectable directly from the taxpayer who had purchased the materials under an improper claim of exemption.

### 12 CSR 10-3.332 United States Government Suppliers
**(Rescinded November 30, 2000)**

**AUTHORITY:** section 144.270, RSMo 1994.


**State ex rel. Thompson-Stearns-Roger v. Schaffner,** 489 SW2d 207 (1973). The legislature’s repeal of old section 144.261 and enactment of new section 144.261 abolished...
the need for review by the tax commission before judicial review could be sought. Act can only properly be held to have intended to restore the prior system of direct judicial review, without intervening administrative review, of the director’s (of revenue) decisions in sales tax matters. Therefore, after the director had rejected claimant’s request for refund of sales and use tax, claimant was entitled to direct judicial review by mandamus, without need to seek review of decision by State Tax Commission.

12 CSR 10-3.333 Cities or Counties May Impose Sales Tax on Domestic Utilities

PURPOSE: This rule interprets the sales tax law as it applies to local government agencies imposing sales tax on domestic utilities and interprets and applies section 144.030, RSMo.

(1) A city or county local sales tax which was in effect prior to January 1, 1980 applies to domestic utilities until rescinded by ordinance.

(2) A city or county local sales tax which was in effect on or after January 1, 1980, by ordinance, may impose a local sales tax upon all sales of metered water service, electricity, electrical current and natural, artificial or propane gas, wood, coal or home heating oil for domestic use. The ordinance must be submitted to the director of revenue by United States registered mail or certified mail.

(3) The tax will be administered and become effective in the same manner as any other city or county sales tax as provided by sections 66.600–66.635, 67.500–67.545 and 94.500–94.570, RSMo (see Laclede Gas Company v. City of Woodson Terrace, 622 SW2d 315 (Mo. App. 1981)).

AUTHORITY: section 144.270, RSMo 1994.


Richard A. King v. Laclede Gas Co., 648 SW2d 113 (Mo. banc 1983). The director of revenue appealed from the decision of the Administrative Hearing Commission which held that the electricity which taxpayer used to operate its storage facility for natural gas and liquid propane was exempt from sales tax on the ground that it was being used in a noncommercial, nondomestic, nonindustrial manner. The commission relied on the decision in State ex rel. Kansas City Power and Light Co. v. Smith, 111 SW2d 513 (1938) to find that the electricity in question was being used in internal operations and was thus non-commercial. The court chose to broaden the definition of commercial as it is used in section 144.020, RSMo to include those activities which are an integral part of the commercial activities of the taxpayer. Thus, the electricity used to operate the storage facilities was taxable because it was an integral part of the taxpayer’s commercial utility operation. The court overruled the Smith case, but only insofar as it conflicts with the holding in the case at hand.

12 CSR 10-3.334 Breeding Defined

(Rescinded December 11, 1980)

AUTHORITY: section 144.279, RSMo 1978.


12 CSR 10-3.336 Animals Purchased for Feeding or Breeding Purposes

(Rescinded November 30, 2000)

AUTHORITY: section 144.270, RSMo 1994.


Exotic Animal Paradise, Inc., v. Director of Revenue, Case Nos. RS-83-2797, RS-83-2798 and RS-83-2799 (A.H.C. 2/18/86). The general issues raised by petitioner were whether or not it was subject to sales and use tax on its purchases of birds and animals for display in its wild animal park; subject to sales tax on the purchase of feed for those animals; and subject to sales tax on the subsequent resale of those animals, after they had been used by petitioner. The Administrative Hearing Commission ruled for the director on all points.

12 CSR 10-3.340 Newspaper

(Rescinded June 11, 1990)

AUTHORITY: section 144.270, RSMo 1986.


12 CSR 10-3.344 Newsprint

(Rescinded December 11, 1980)

12 CSR 10-3.346 Printing Equipment

(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.


12 CSR 10-3.348 Printers

PURPOSE: This rule interprets the sales tax law as it applies to printers and interprets...
and applies sections 144.010, 144.020 and 144.030, RSMo.

(1) Persons engaged in printing publications, pamphlets, catalogues, leaflets, advertising circulars, stationery and the like, are creating new tangible personal property through these services and are subject to the sales tax on the gross receipts. No deductions are allowed whatsoever for preparing copy, artwork, compositions, phototype or any other services or labor which may be included in the charge.

(2) Materials and supplies such as paper and ink may be purchased tax exempt by printers under the terms of a sale for resale if these materials and supplies become an ingredient or component part of the finished product which will ultimately be sold at retail.

(3) Persons selling supplies and materials such as paper to purchasers who furnish these supplies and materials to printers for use in completing printing jobs for them are subject to the sales tax on the gross receipts from all these sales.

(4) Presses purchased by printers are exempted from sales and use taxes if purchased to establish a new manufacturing plant or to expand an existing manufacturing plant or if purchased for reason of change of design or product and used to produce a product which is to be ultimately sold at retail. Merely the replacement of a printing press, because of obsolescence, the availability of a machine with greater capacity or excessive upkeep and maintenance costs or other similar reasons does not in itself qualify for this exemption.

AUTHORITY: section 144.270, RSMo 1994.*

Universal Images v. Missouri Department of Revenue, 608 SW2d 417 (Mo. banc 1980).
Filmed commercials shown in theaters were subject to tax imposed on privilege of storing, using or consuming any article of tangible personal property within state, where taxpayer purchased films from out-of-state vendors and they remained property of taxpayer and were stored in state during their useful life during which taxpayer charged advertisers fee for use of films; but charges for out-of-state laboratory services which were not incidental to production of film were not subject to the tax.

12 CSR 10-3.352 Recording Devices

PURPOSE: This rule interprets the sales tax law as it applies to persons selling recording devices.

(1) Persons selling recording machines, cameras, screens or other machinery and equipment to broadcasting stations or theaters are subject to the sales tax on the gross receipts from all these sales.

AUTHORITY: section 144.270, RSMo 1994.*

12 CSR 10-3.354 Pipeline Pumping Equipment

PURPOSE: This rule interprets the sales tax law as it applies to sellers of pipeline pumping equipment.

(1) Sales of machinery and equipment used to propel products by pipelines engaged as common carriers are exempt. The exemption does not apply to contract carriers or to persons propelling their own products. All other machinery and equipment such as the lines, connecting, accessory and communication equipment such as fuel tanks to provide fuel for the engines; manifolds used to connect pumping equipment to the main lines and monitoring equipment are subject to the sales tax.

AUTHORITY: section 144.270, RSMo 1994.*

12 CSR 10-3.356 Railroad Rolling Stock

PURPOSE: This rule interprets the sales tax law as it applies to railroad rolling stock.

(1) Railroad rolling stock is exempt provided that it is used in transporting persons or property in interstate commerce. Railroad rolling stock for use in intrastate commerce is not exempt.

(2) Example 1: A person selling a manufacturer boxcar for the purpose of transporting properties to its warehousing facility outside Missouri, would not be subject to the sales tax on the receipts from these sales.
and crush rock would be engaged in manufacturing. For unsuitable for any common use and changes in manufacturing. Manufacturing is defined as a transformation of a raw material into a salable new product which has an intrinsic and merchantable value in a form capable of new uses. The commission noted that pressurization was necessary to maintain purification: both the Missouri Public Service Commission and the Department of Natural Resources require minimum pressure to be maintained to meet consumer needs and to prevent contamination such as backflow and seepage. Further, the commission noted that the petitioner had to produce a product capable of performing work such as activating sprinklers, toilets and showers. The commission found that pressurization was "an integral continuous and indivisible portion of the petitioner's business" and part of the purification process constituting manufacturing.

12 CSR 10-3.358 Electrical Energy

**PURPOSE:** This rule interprets the sales tax law as it applies to taxable sales of electrical energy.

(1) Sales tax applies to the sale of electrical energy for all commercial or industrial consumption unless the use qualifies for exemption. Exemption would be applicable if the user was consuming electricity in the actual primary manufacturing, processing, compounding, mining or producing of a product or electrical energy used in the actual secondary processing or fabricating of the product, if the total cost of the electrical energy so used exceeds ten percent (10%) of the total cost of production, either primary or secondary, exclusive of the cost of the electrical energy so used.

(2) To qualify for the electrical energy exemption, the applicant must be engaged in manufacturing. Manufacturing is defined as a process that takes something practically unsuitable for any common use and changes it so as to adapt it to such common use. For example, a taxpayer using electricity to blast and crush rock would be engaged in manufacturing (see *Westlake Quarry & Material Co. v. Shaffner*, 451 SW2d 140 (Mo. banc 1970)). On the other hand, a taxpayer using electricity in growing plants would not be engaged in the manufacturing business (for an example of how this exemption applies, see *State ex rel. Union Electric Company v. Goldberg*, 578 SW2d 921 (Mo. banc 1979)).

(3) Cost of production means, cost of materials, labor costs, overhead expenses such as plant equipment depreciation and plant equipment insurance, plant rental and other similar expenses which are in accordance with generally accepted accounting principles and procedures and are normally included when determining cost of production. Electrical energy consumed, which is the basis of the exemption may not be included as part of the cost of production.

(4) All consumers of electrical energy who attempt to qualify for this exemption must request an electrical energy direct pay authorization application form. After this authorization is issued by the director of revenue, the recipient of the same shall file, on or before the due date, a return with the director, identifying the amount of electrical energy purchased for direct pay exempt and remit the appropriate tax on energy consumed not covered by this exemption. The director requires an annual calendar report to facilitate the collection of electrical energy direct pay sales tax.

**AUTHORITY:** section 144.270, RSMo 1994.


**12 CSR 10-3.360 Electrical Energy Used in Manufacturing**

(Rescinded December 11, 1980)


**12 CSR 10-3.362 Primary and Secondary Defined**

(Rescinded December 11, 1980)


**12 CSR 10-3.364 Cost of Production Defined**

(Rescinded December 11, 1980)


**State ex rel. Union Electric Co. v. Goldberg**, 578 SW2d 921 (Mo. banc 1979). Section...
12 CSR 10-3.366 Authorization Required  
(Rescinded December 11, 1980) 

AUTHORITY: section 144.270, RSMo 1978.  
Previously filed as rule no. 85 Jan. 22, 1973,  
was last filed Dec. 31, 1975, effective Jan.  

12 CSR 10-3.368 Air Pollution Equipment  

PURPOSE: This rule interprets the sales tax  
law as it applies to air pollution equipment.  

(1) All machinery, equipment, appliances and  
devices used solely for preventing, abating or  
monitoring air pollution and all materials and  
supplies solely required for the installation,  
construction or reconstruction of the machinery,  
equipment, appliances or devices are exempt,  
provided that the items are so certified by the  
director of the Department of Natural Resources.  

(2) Example. A so-called scrubber device that  
washes and removes undesirable particles,  
purchased by a poultry processing plant for  
the purpose of reducing odors and consequently,  
abating air pollution and so certified by the  
director of DNR would not be subject to the  
sales tax.

AUTHORITY: section 144.270, RSMo 1994.  
S.T. regulation 030-60 was last filed Dec. 31,  
effective Jan. 1, 1981.

12 CSR 10-3.370 Water Pollution  

PURPOSE: This rule interprets the sales tax  
law as it applies to water pollution equipment.  

(1) All machinery, equipment, appliances and  
devices used solely for preventing, abating or  
monitoring water pollution and all materials and  
supplies solely required for the installation,  
construction or reconstruction of the machinery,  
equipment, appliances or devices are exempt,  
provided that the items are so certified by the  
director of the Department of Natural Resources.  

AUTHORITY: section 144.270, RSMo 1994.  
S.T. regulation 030-61 was last filed Dec. 31,  
effective Jan. 1, 1981.

12 CSR 10-3.376 Rural Water Districts  

PURPOSE: This rule interprets the sales tax  
law as it applies to rural water districts.  

(1) Persons selling tangible personal property  
to rural water districts are not subject to the  
sales tax when the tangible personal property  
is paid for out of the funds of the rural water  
district.

AUTHORITY: section 144.270, RSMo 1994.  
This rule was previously filed as rule no. 3  
regulation 030-64 was last filed Dec. 31,  
effective Jan. 1, 1981.

12 CSR 10-3.378 Defining Charitable  
(Rescinded December 11, 1980)  

AUTHORITY: section 144.270, RSMo 1978  
S.T. regulation 040-1 was last filed Oct. 28,  
1975, effective Nov. 7, 1975. Rescinded:  

World Plan Executive Counseling v. Director  
of Revenue, Case No. RS-79-0055 (A.H.C.  
8/23/82). Taxpayer was not entitled to sales  
tax exemption for taxes associated with  
the construction of two transcendental  
meditation academies because its activities  
do not relieve government of the burden of  
providing a service which would otherwise  
be a governmental responsibility. Therefore,  
taxpayer is not a charitable organization  
pursuant to section 144.030.2(19), RSMo.

12 CSR 10-3.380 Operating at Public  
Expense  
(Rescinded December 11, 1980)  

AUTHORITY: section 144.270, RSMo 1978.  
S.T. regulation 040-2 was last filed Dec. 31,  
1975, effective Jan. 10, 1976. Rescinded:  
12 CSR 10-3.382 Sales Made to and by Exempt Organizations

PURPOSE: This rule interprets the sales tax law as it applies to sales made to and by exempt organizations.

Editor’s Note: The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law.

(1) Receipts from sales to organizations which have applied for and which have been granted an exemption by the Department of Revenue may be deducted from the seller’s gross receipts if the buyer delivers a copy of the exemption letter issued by the Department of Revenue to the seller and if the sale to the exempt organization in its ordinary functions are paid for out of its funds. Receipts from the sales to an exempt organization which uses the product or service in the conduct of an unrelated trade or business may not be exempted.

(2) Sales to the following organizations are exempt from federal tax under the provisions of the Internal Revenue Code.

(A) Religious and charitable organizations and institutions in their religious, charitable or educational functions;
(B) Elementary and secondary schools operated at public expense in their educational functions and activities;
(C) Not-for-profit civic, social, service or fraternal organizations solely in their civic or charitable functions and activities; and
(D) All ticket sales made by benevolent, scientific and educational associations which are formed to foster, encourage and promote progress and improvement in the science of agriculture and in the raising and breeding of animals and by nonprofit summer theatre organizations if these organizations are exempt from federal tax under the provisions of the Internal Revenue Code.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.384 Sales by Religious, Charitable, Civic, Social, Service and Fraternal Organizations at Community Events


12 CSR 10-3.386 Application for Exemption


St. Louis Sheet Metal Joint Apprenticeship Fund v. Director of Revenue, Case No. RS-82-0424 (A.H.C. 11/16/83). A letter was issued to the petitioner, Apprenticeship Fund, by the director of revenue denying its request for an exemption from the payment of sales and use tax. The director of revenue asserted that the commission had no jurisdiction to rule on the denial of the exemption because the denial did not constitute an appealable final decision. It was the director’s position that until such time as an actual assessment had been issued against the petitioner, any order issued by the commission concerning petitioner’s right to an exemption would constitute a declaratory judgment, which is beyond the jurisdiction of this state’s quasi-judicial bodies according to the decision in State Tax Commission v. Administrative Hearing Commission, 641 SW2d 69 (Mo. banc 1982). The commission rejected this argument on the grounds that the issuance of the letter denying the exemption had an actual immediate impact on the petitioner. In particular, the commission looked to 12 CSR 10-3.382 which requires sellers to receive a letter of exemption before they may treat sales as exempt. Before an assessment could be
issued, both petitioner and its sellers would have to violate the director’s regulation.

With respect to whether the organization was in fact exempt under section 144.030.2(19), 144.030.2(20) or 144.030.2(22), RSMo, the commission found against the taxpayer. Those paragraphs provide an exemption for elementary and secondary schools and institutions of higher education. The commission found that the apprenticeship program was none of these.

12 CSR 10-3.388 Construction Materials

PURPOSE: This rule interprets the sales tax law as it applies to sales of construction materials to exempt organizations and contractors for exempt organizations.

(1) Purchases of construction materials by an exempt organization for use in building a facility to be used by the organization in the conduct of regular activities of the organization are not subject to the sales tax provided a copy of the letter of exemption is furnished to the suppliers of such materials by the organization and the purchases are paid for directly from funds of the organization.

(2) Sales to contractors who purchase construction materials and supplies to fulfill their contracts for exempt organizations are not subject to the sales tax provided the exempt organizations furnish a copy of their current Missouri Tax Identification Number and signature of authorized representative of the organization and the purchases are paid for from funds of the exempt organization and the consideration was paid by the Housing Authority.

(3) A project exemption certificate shall include, but may not be limited to, the following:
   (A) The exempt entity’s name, address, Missouri Tax Identification Number and signature of authorized representative of the exempt entity;
   (B) The project location, description and unique identification number;
   (C) Date the contract is entered into;
   (D) The estimated project completion date; and
   (E) The certificate expiration date.

(4) Contractors must provide a copy of the exempt organization’s exemption letter and the project exemption certificate to suppliers when purchasing materials and supplies to be consumed in the project.

(5) Contractors are not exempt from sales tax on the purchase of machinery, equipment or tools used in fulfilling these contracts.

(6) Suppliers shall render to the contractor invoices bearing the name of the exempt organization and the project identification number. These invoices must be retained by the purchasing contractor for a period of five (5) years.

(7) Contractors must file a sales tax return for all excess resalable supplies or materials which the contractor purchased for the project but which were not returned to the supplier. This return must be filed and paid not later than the due date of the contractor’s sales tax return following the month in which the contractor determines that the materials were not used in the project.

(8) An exempt organization that fails to revise the project exemption certificate expiration date as necessary to complete any work required by the contract will be liable for any sales tax due as determined by an audit of the contractor.


Becker Electric Company, Inc. v. Director of Revenue, 749 SW2d 403 (Mo. banc 1988). A purchaser was determined to be the person who acquires title to, or ownership of, tangible personal property, or to whom is tendered services, in exchange for a valuable consideration. Becker was not the purchaser here because the materials were billed to the Housing Authority and the consideration was paid by the Housing Authority. If the materials are billed to the exempt organization and paid for from funds of the exempt organization, then the purchase is exempt if the materials are used in furtherance of the exempt purpose of the organization.

12 CSR 10-3.390 Sales Made by and to Elementary and Secondary Schools (Rescinded December 11, 1980)


12 CSR 10-3.392 Defining Civic (Rescinded December 11, 1980)


12 CSR 10-3.394 Nonprofit Organization (Rescinded December 11, 1980)


12 CSR 10-3.396 Social and Fraternal Organizations (Rescinded December 11, 1980)


12 CSR 10-3.398 Auxiliary Organizations (Rescinded December 11, 1980)

12 CSR 10-3.402 Boy Scouts and Girl Scouts  
(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.  
S.T. regulation 040-13 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  

12 CSR 10-3.404 Cafeterias and Dining Halls

PURPOSE: This rule interprets the sales tax law as it applies to cafeterias and dining halls.

(1) Tax exempt schools, charitable institutions, colleges and universities operating lunch rooms, cafeterias, dining rooms or any other facilities where meals are provided to students are not in the business of selling regularly to the public and are not subject to the sales tax. This exemption does not apply to food, drink and snacks sold at student unions and the like, where the items are equally available to and sold to the public.

AUTHORITY: section 144.270, RSMo 1994.*  
This rule was previously filed as rule nos. 5 and 10 Jan. 22, 1973, effective Feb. 1, 1973.  
S.T. regulation 040-14 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  


12 CSR 10-3.406 Caterers or Concessionaires

PURPOSE: This rule interprets the sales tax law as it applies to caterers or concessionaires.

(1) Caterers or concessionaires leasing eating establishments on the premises of any taxable organization are subject to the sales tax on all sales.

AUTHORITY: section 144.270, RSMo 1994.*  
This rule was previously filed as rule no. 10 Jan. 22, 1973, effective Feb. 1, 1973.  


12 CSR 10-3.408 Educational Institution’s Sales

(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.  
S.T. regulation 040-16 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  

12 CSR 10-3.410 Junior Colleges

(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.  
S.T. regulation 040-21 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  

12 CSR 10-3.412 Higher Education

(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.  
S.T. regulation 040-22 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  

12 CSR 10-3.414 Yearbook Sales

PURPOSE: This rule interprets the sales tax law as it applies to yearbook sales.

(1) Publishers of school yearbooks are subject to the sales tax on the gross receipts from all sales of yearbooks to students either directly or through schools. Publishers selling yearbooks to tax exempt schools are not subject to the sales tax when the yearbooks are paid for from school funds.

AUTHORITY: section 144.270, RSMo 1994.*  
This rule was previously filed as rule no. 6 Jan. 22, 1973, effective Feb. 1, 1973.  
S.T. regulation 040-19 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  


12 CSR 10-3.416 Eleemosynary Institutions Defined

(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.  
S.T. regulation 040-20 was last filed Dec. 31, 1975, effective Jan. 10, 1979.  

12 CSR 10-3.418 Fraternities and Sororities

(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.  
S.T. regulation 040-21 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  

12 CSR 10-3.420 YMCA and YWCA Organizations

(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.  
S.T. regulation 040-22 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  

12 CSR 10-3.422 Canteens and Gift Shops

PURPOSE: This rule interprets the sales tax law as it applies to canteens and gift shops.

(1) Canteens and gift shops operated by not-for-profit hospitals or their auxiliary organizations who make available certain common necessary items for purchase by patients or families visiting the patients and use all of the proceeds for the patients’ recreational and rehabilitation purposes are not subject to the sales tax.

(2) If a canteen or gift shop is generally open and accessible to the general public, its gross receipts are subject to the sales tax. If the canteen or gift shop is operated for the benefit of patients, their visitors and employees of the hospital, its gross receipts would not be subject to sales tax; however, a sales tax exemption letter must be applied for and obtained.

AUTHORITY: section 144.270, RSMo 1994.*  
This rule was previously filed as rule no. 4 Jan. 22, 1973, effective Feb. 1, 1973.  
S.T. regulation 040-23 was last filed Dec. 31, 1975, effective Jan. 10, 1976.  

12 CSR 10-3.424 Lease and Rental
(Rescinded December 11, 1976)


12 CSR 10-3.426 Sales of Aircraft

PURPOSE: This rule interprets the sales tax law as it applies to sales of aircraft.

(1) Sales of aircraft to common carriers for storage or for use in interstate commerce are not subject to the sales tax.


12 CSR 10-3.428 Cigarette and Other Tobacco Products Sales

PURPOSE: This rule interprets the sales tax law as it applies to cigarette and other tobacco product sales and interprets and applies section 144.030, RSMo.

(1) Sales tax does not apply to that portion of the price charged for cigarettes which represents Missouri cigarette tax. ITT Canteen Corporation v. Spradling, 526 SW2d 11 (Mo. banc 1975).

(2) Sellers of cigarettes should exclude from their gross receipts the amount of Missouri cigarette taxes collected and they are not allowed to charge sales tax to their customers on the Missouri cigarette tax portion of the price charged for cigarettes.

(3) If the local ordinance imposing the city or county cigarette tax imposes the tax on the seller, the tax is considered as being part of the selling price and is subject to sales tax. If the local ordinance imposes the cigarette tax on the purchaser, however, it is not considered part of the selling price and sales tax would not apply to that portion of the price charged for cigarettes.

(4) Sellers of other tobacco products must include in their gross receipts the amount of Missouri other tobacco products taxes collected. Sellers must charge sales tax to their customers on the entire sales price of the other tobacco products including the Missouri other tobacco products tax portion of the price. Other tobacco products include, but are not limited to, cigarette papers, cigars, smokeless tobacco, smoking tobacco, or other form of tobacco products or products made with tobacco substitute.

(5) Sales tax collected illegally or erroneously overcharged or overcollected and remitted to the state by the seller on the sale of cigarettes and other tobacco products shall not be refunded. This provision shall apply to all tax periods beginning on or after January 1, 1995.


Hewit Well Drilling v. Director of Revenue, 847 SW2d 795 (Mo. banc 1993). Penalty assessment for willful neglect to file return is appropriate unless taxpayer can show good faith belief that transaction was not subject to tax.

12 CSR 10-3.430 Purchaser to Pay the Tax
(Rescinded December 11, 1980)


12 CSR 10-3.431 Handicraft Items Made by Senior Citizens

PURPOSE: This rule interprets the sales tax law as it applies to handicraft items made and sold by senior citizens, and interprets and applies section 144.030.2(24), RSMo.

(1) Handicraft items made by the seller or his/her spouse are not taxable on the gross receipts from these sales if the seller or his/her spouse is at least sixty-five (65) years of age and if the total gross proceeds from the sales do not constitute a majority of the annual gross income of the seller.

(2) The seller is required to sign a notarized affidavit provided by the Department of Revenue that s/he meets the requirements stated in section (1). Upon receipt of the affidavit, the seller will receive an exemption certificate which is to be posted when making sales.

(3) The seller is required to pay the sales tax at the time of purchase on all supplies which become an ingredient of the finished product.


12 CSR 10-3.432 Sale of Prescription Drugs
(Rescinded December 11, 1980)


12 CSR 10-3.434 Motor Vehicle and Trailer Defined

PURPOSE: This rule defines the terms motor vehicle and trailer for purposes of the sales tax law and interprets and applies sections 144.070 and 301.010, RSMo.

(1) For purposes of sales tax, the terms motor vehicle and trailer have the same meaning as those terms under the titling and licensing laws of Missouri.


Lake & Trail Sports Center v. Director of Revenue, 631 SW2d 339 (Mo. banc 1982). “Dirt bikes” which are in all respects motorcycles, except for lack of lights, were motor vehicles primarily designed for use on high-
ways and thus seller was not required to remit sales tax on sales of dirt bikes.

12 CSR 10-3.436 Manufactured Homes

PURPOSE: This rule interprets the sales tax law as it applies to mobile homes and interprets and applies section 144.010 and Chapter 700, RSMo.

(1) The retail sale of a new manufactured home is deemed to be the sale of forty percent (40%) of the purchase price representing the purchase of tangible personal property. The sixty percent (60%) portion of the purchase price is subject to Missouri sales tax. The sale of a used manufactured home upon which Missouri sales tax has already been paid is not subject to Missouri sales tax. The sale of a used manufactured home, Missouri sales tax has not been previously paid, is subject to tax on one hundred percent (100%) of the purchase price unless otherwise exempt.

(2) A manufactured home is any factory-built structure equipped with the necessary service connections and made so as to be readily moveable on its own running gear which is designed to be used as a dwelling unit with or without permanent foundation.

(3) Sellers of new manufactured homes are subject to sales tax on sixty percent (60%) of the gross receipts from these sales. The purchaser shall obtain a signed receipt certifying that tax has been paid and bring the receipt to the owner when making application for license, title or registration.

(4) A purchaser wishing to title a new manufactured home must produce a signed receipt that the sales tax has been paid on the purchase price of the new manufactured home at the time s/he titles the home. Upon failure of the purchaser to present a signed receipt, the purchaser must remit the sales tax due on the new manufactured home prior to title being issued.

(5) A seller, for purposes of collecting the sales tax on new manufactured homes, is the person selling or transferring the new manufactured home to the purchaser. The power to designate who is to obtain title to the new manufactured home or to physically transfer the property is enough to categorize the person as the seller of the new manufactured home. Agents, brokers and others may be deemed to be sellers of the new manufactured home.

(6) The transfer of the ownership or title to a manufactured home involving the assumption of the obligation to pay for the home is considered a sale at retail of the manufactured home subject to Missouri sales tax unless Missouri sales tax has been previously paid. As between a dealer and a financial institution, the seller, for purposes of collecting and remitting the sales tax, is deemed to be the person who finds the new buyer to effectuate the new sale.


12 CSR 10-3.438 Tangible Personal Property Mounted on Motor Vehicles

PURPOSE: This rule interprets the sales tax law as it applies to the sale of tangible personal property mounted on motor vehicles and interprets and applies section 144.030, RSMo.

(1) The person selling tangible personal property to be mounted on or installed in a motor vehicle or trailer is subject to sales tax unless s/he receives a validly executed resale exemption certificate.

(2) The purchaser of a motor vehicle or trailer is required to pay sales tax to the Department of Revenue at the time of titling and licensing and the purchase price includes the total amount paid to the seller for the vehicle including all tangible personal property mounted on or installed in the vehicle.

(3) Sales of drilling rigs mounted on motor vehicles or trailers are not subject to the sales tax if the drilling rigs are purchased to be used in a mining operation. Exploratory drilling and drilling for oil, water or gas are not included within the definition of mining (see Rotary Drilling Supply, Inc. v. Director of Revenue, 662 SW2d 496 (Mo. banc 1983)).

(4) Example 1: Mr. Jones purchases a car at retail from a registered dealer, containing optional equipment extras such as radio, carpets and radial tires. Mr. Jones is subject to sales tax on the full amount paid for the vehicle, including options, and he is required to pay the tax to the Department of Revenue at the time of titling and licensing. The dealer is not subject to the sales tax on this transaction.

(5) Example 2: Mr. Smith runs a television and radio shop and a customer comes in to purchase a citizen’s band radio and related equipment to be installed in the vehicle. Mr. Smith is subject to sales tax on the entire gross receipts unless presented with a validly executed exemption certificate, as would be the case, for instance, if the customer was a registered used car dealer who was readying the vehicle for sale.

(6) Example 3: Welle Equipment Company sells, mounts and installs a well-drilling rig on a truck. Welle Equipment Company is subject to sales tax on the entire gross receipts unless the customer executes a resale exemption certificate showing its sales tax license number or its registered motor vehicle dealer’s license number.

(7) Example 4: Welle Equipment Company, a registered motor vehicle dealer, owns a truck. Welle Equipment purchases and mounts on the truck a well-drilling rig and sells the motor vehicle well-drilling rig as a unit to Mr. Peters. Welle Equipment should purchase the well-drilling rig under a resale exemption certificate showing its registered dealer’s license number and should record the full sales price on the title document and bill of sale delivered to Mr. Peters. Welle Equipment is not subject to sales tax and Mr. Peters is required to pay tax to the Department of Revenue on the full purchase price of the entire unit at the time of making application for title. Welle Equipment is required to collect sales tax if the motor vehicle laws do not require that the unit be titled and licensed.

(8) Example 5: Mr. Peters sells the unit to Mr. Allen in a private sale. Mr. Allen will be subject to the highway use tax at the time of titling on the price paid for the entire unit.
(Rescinded December 11, 1980)

**12 CSR 10-3.442 Automotive Demonstrators**


**PURPOSE:** This rule establishes procedures for the proper collection and allocation of state, city and county taxes with respect to divisions of companies operating as motor vehicle leasing companies and interprets and applies section 144.070, RSMo.

(1) Any motor vehicle, which is leased or rented as the result of a contract executed in this state, shall be presumed to be domiciled in this state and domiciled within the city and county where the business office that executed the contract lies.

(2) Each company operating a motor vehicle leasing division within this state, with its application, annually shall provide the director of revenue with a list of all its business locations within this state at which a rental or leasing contract may be executed. The list shall contain the proper mailing address of the business location along with the name of the city and county where the business is located and the phone number of the locations. The list also shall contain a designation of the mailing address of the principal place of business within this state.

(3) Each company operating within this state shall maintain, at its principal place of business within this state, a current listing of all places of business within the state where a contract for the rental or leasing of a motor vehicle may occur.

(4) Each motor vehicle leasing division within this state shall keep on file, at its principal place of business within this state, a current list of all of its motor vehicles domiciled in this state.

(5) The authority to operate shall be for a period of one (1) year from the date of issuance of the certificate by the director.


**12 CSR 10-3.444 Collection of Tax on Vehicles**

**PURPOSE:** This rule interprets the sales tax law as it applies to the collection and payment of sales tax on motor vehicles, over-the-road trailers and mobile homes and interprets and applies sections 144.010 and 144.070, RSMo.

(1) All sales tax on motor vehicles or trailers, with the exception of motor vehicles or trailers leased or rented by a motor vehicle leasing company holding a valid permit, is collected from the purchaser by the Department of Revenue, Motor Vehicle Bureau. Sales of mobile homes, however, are subject to the sales tax at the time of sale. Sellers of mobile homes must submit sales tax collected to the Department of Revenue, Business Tax Bureau.


**12 CSR 10-3.446 Motor Vehicle Leasing Companies**

**PURPOSE:** This rule interprets the sales tax law as it applies to the motor vehicle leasing option and interprets and applies section 144.070.5—144.070.6., RSMo.

(1) A person who exercises the option of paying sales tax as a motor vehicle leasing company is subject to the sales tax on the total gross receipts from all leased or rented motor vehicles and trailers.

(2) Vehicles which are not intended to be leased or rented are subject to the sales tax at the time they are registered with the Motor
Vehicle Bureau. Persons exercising the option of acting as a motor vehicle leasing company must state at the time the vehicles are registered, whether or not the motor vehicles will be leased or rented.

(3) Any person engaged in the business of renting or leasing a motor vehicle or trailer who has exercised the option of paying the sales tax as a leasing company must renew its permit to operate as a motor vehicle leasing company on a calendar-year basis.

12 CSR 10-3.448 Annual Permit Renewal
(Rescinded December 11, 1980)

12 CSR 10-3.452 Mailing of Returns
PURPOSE: This rule provides instructions as to the mailing of sales tax returns and interprets and applies sections 144.021 and 144.100, RSMo.

(1) All sales tax returns are to be filed with the Department of Revenue at the address shown on the sales tax return.

12 CSR 10-3.456 Calendar Quarter Defined
PURPOSE: This rule defines calendar quarter for purposes of the sales tax law.

(1) For the purpose of the sales tax law, calendar quarter is defined as the period of three consecutive calendar months ending on March 31, June 30, September 30 or December 31.

12 CSR 10-3.458 Aggregate Amount Defined

12 CSR 10-3.460 Return Required
PURPOSE: This rule interprets the sales tax law as it applies to sales tax return filing requirements.

(1) A return must be filed and completed in its entirety.

(2) If state sales tax collections exceed two hundred fifty dollars ($250) in one (1) calendar month, the business is required to report and remit the tax for this month by the twentieth day of the following month. In completing the return for a calendar quarter in which a monthly return has been filed, tax should be computed and shown only for the months not filed previously. The months covered by the return and the month previously filed must be clearly stated on the return.

Falley’s Food-4-Less v. Director of Revenue, Case No. RS-83-0010 (A.H.C. 8/3/87). Petitioner, a retail seller, filed his sales tax returns for October 1981 and August 1982 via the United States mail. The postmark dates on these returns were November 23, 1981 and September 22, 1982, respectively. Respondent assessed penalties for late filing on these periods.

The commission held since the amount of tax imposed on petitioner was in excess of $250 for the first or second month of a calendar quarter, the payments were due by the twentieth day of the succeeding month. Petitioner was required by statute, not by the director, to file monthly instead of quarterly returns, therefore 144.080.2., RSMo applies rather than 144.090, RSMo.

12 CSR 10-3.462 Annual Filing
PURPOSE: This rule interprets the sales tax law as it applies to the annual filing of sales tax returns.

(1) Any person whose state sales tax liability is less than forty-five dollars ($45) for the quarter may file an annual return for that calendar year on or before January 31 of the succeeding year.
PURPOSE: This rule interprets the sales tax law as it applies to sales tax deemed to be included in gross receipts.

(1) The sales tax collected by a seller from the purchaser may be deducted from the seller’s gross receipts if those amounts are separately stated to the purchaser and added to the purchase price.

(2) Example 1: Mr. Wool is in the business of selling boxes of hard candy. Boxes are sold for various prices to which the sales taxes are added. Mr. Wool collects the price and tax from each customer. At the end of January, Mr. Wool has recorded total receipts of ten thousand three hundred dollars ($10,300) (composed of the ten thousand dollar ($10,000) sales price and the three hundred dollar ($300) state sales tax). In preparing his sales tax return for the month of January, Mr. Wool should report his taxable gross receipts of ten thousand three hundred dollars ($10,300) and compute the tax.

(3) Example 2: Mr. Chrunch is in the business of selling boxes of peanuts. Boxes are sold for various prices to which the sales taxes are added. Mr. Chrunch collects the amounts from each customer and records the total amount as a sale on his books. At the end of January, Mr. Glass should report gross receipts of thirty thousand dollars ($30,000) and compute the tax. Mr. Glass may not reduce his gross receipts (by claiming a deduction or otherwise) for state sales tax deemed to be included since the tax has not been added to and separately stated from the sales price of the peanuts.

(4) Example 3: Mr. Glass operates a tavern. Bottles of beer are sold for seventy five cents (75¢) each and mixed drinks are one dollar and twenty-five cents ($1.25) each and no mention of sales tax is made to customers. Mr. Glass records the total amount received thirty thousand dollars ($30,000) as a sale on his books. At the end of January, Mr. Glass should report gross receipts of thirty thousand dollars ($30,000) and compute the tax. Mr. Glass may not reduce his gross receipts (by claiming a deduction or otherwise) for state sales tax deemed to be included since the tax has not been added to and separately stated from the sales price of the drinks.

PURPOSE: This rule interprets the sales tax law as it applies to revocation orders.

(1) A taxpayer has ten (10) days from the date of a Default Notice to pay the delinquent taxes for the period that is in default. Failure to pay that delinquency will result in the issuance of a Revocation Order. When a Revocation Order is issued, the Missouri Retail Sales Tax License is deemed null and void at that point in time. Before the license can be reissued or reinstated the taxpayer must complete a new Missouri Tax Registration Application, post a sales/use tax bond (cash bond, surety bond or irrevocable letter of credit), file all returns due and pay all delinquencies on the entire account in full. This action does not preclude the Department of Revenue from pursuing collection of any additional taxes found due at a later date.

(A) Example: A business receives a Default Notice in the amount of four hundred fifty dollars ($450) including penalty and interest for the filing period of September, 1985. The business fails to pay this amount within ten (10) days from the date of the Default Notice. Therefore, a Revocation Order is issued. The business owes additional taxes for the filing periods October, November and December 1985 in the amount of ten thousand dollars ($10,000). The business also failed to file returns for the period of January, February and March of 1986. Before the license can be issued or reinstated the taxpayer must pay the ten thousand dollars ($10,000) for the October, November and December 1985 file periods, the four hundred fifty dollars ($450) for the September 1985 file period and file and pay the returns for the January, February and March 1986 filing periods and pay applicable penalties and interest for all delinquent periods. The taxpayer must also complete a Missouri Tax Registration Application and post the required sales/use tax bond.

PURPOSE: This rule interprets the sales tax law as it applies to obtaining a retail sales tax license.

(1) Persons going into business where goods are sold at retail must have in their possession a retail sales license before beginning business. The retail sales license is necessary to obtain any city or county occupation license or any state license which is required for conducting business.

(2) If a business’ sales/use tax license is revoked by the Missouri Department of Revenue and that business continues to make retail sales, it will be assessed up to a five hundred dollar ($500) penalty for the first day of operation after the revocation and one hundred dollars ($100) a day after that, not to exceed ten thousand dollars ($10,000). Day of operation is any day in which a retail sale is made.

(A) Example 1: Business XYZ’s sales tax license is revoked by the Department of Revenue for failure to pay sales tax due. The license is revoked at 12:00 p.m. on March 23. Business XYZ continues to operate the rest of the day. Business XYZ will be assessed up to a five hundred dollar ($500) penalty for doing business after its sales tax license was revoked.

(B) Example 2: Business XYZ’s sales tax license is revoked for failure to pay sales tax delinquencies. Business XYZ continues to operate for the next ten (10) days, however, two (2) of these days are Sundays and business XYZ is not open on Sunday. Business XYZ will be assessed up to a five hundred dollar ($500) penalty for the first day plus one hundred dollars ($100) a day for each additional day it was open for a total of one thousand two hundred dollars ($1200).

(C) Example 3: Business XYZ’s sales tax license is revoked for failure to pay sales tax due. Business XYZ continues to operate for a
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12 CSR 10-3.470 Consumer Cooperatives

PURPOSE: This rule interprets the sales tax law as it applies to consumer cooperatives.

(1) Consumer cooperatives which purchase goods in quantity and maintain an inventory are required to obtain a retail license to collect and remit the sales tax from the members. They may purchase the goods tax exempt by issuing an exemption certificate to their suppliers.

(2) Consumer cooperatives which take orders from the members prior to purchasing the goods in bulk to obtain a discount and do not maintain an inventory are required to pay the tax at the time of purchase.


12 CSR 10-3.472 General Bond Examples

PURPOSE: This rule provides general examples illustrating the sales tax bonding requirements.

(1) The following are general examples illustrating the sales tax bonding requirements:

(A) Example 1: Ms. Fresh who has never been in business in Missouri decides to open a restaurant. Ms. Fresh obtains and files an application for a Missouri sales tax license. Ms. Fresh must submit a bond with the application before she can obtain her Missouri retail sales license. If she elects to submit a cash bond, it must be in the form of a cashier’s check or money order;

(B) Example 2: Mr. Mill previously operated a bakery and was licensed to do business in Missouri. A short time after selling the bakery, Mr. Mill decides to open another bakery. Mr. Mill must post a sales tax bond even though he held a sales tax identification (ID) number before;

(C) Example 3: Ms. Top owns a heavy equipment dealership under a sales tax license issued in 1973 when no sales tax bonds were required and she has operated her dealership since that date with no tax compliance problems. Due to the booming sales of heavy equipment she decides to open another dealership in a different location in addition to her current operation. She also wants a separate sales tax ID number for this business instead of changing to a multiple location number. A sales tax bond is required. If Ms. Top has a multiple location number and she decides to open up another dealership, a sales tax bond would also not be required. If she has a single location number and switched to a multiple location number when she opened her new dealership, a sales tax bond would not be required;

(D) Example 4: Mr. Parker owns several drive-in restaurants under a sales tax license and bond with a multiple location number. He has been in business for less than five (5) years. If he adds another location to be operated under the same multiple location number, his sales tax bond would have to be increased to reflect the new business;

(E) Example 5: Mr. Parker owns a restaurant under a sales tax license and bond and he has operated under the bond for five (5) years with no sales tax compliance problems. Mr. Parker may make application to the director of revenue for return of his bond;

(F) Example 6: Mr. Parker has owned and operated a restaurant for several years under a sales tax license and bond. Less than five (5) years ago he had been delinquent in remitting his sales taxes to the Department of Revenue in a timely fashion. Mr. Parker may not have his bond returned until after he has had five (5) successive years of tax compliance immediately prior to application for bond return;

(G) Example 7: Robert, Alice and Carol own a furniture store in a partnership which they have operated for three (3) years. Alice decides to leave the partnership. A sales tax bond is not required, as the partnership is not a new applicant;

(H) Example 8: Joe and Marty have operated a restaurant for several years as a partnership. They decide to incorporate. Since the corporation is a new and different taxpayer than the partnership, a sales tax bond is required;

(I) Example 9: Mr. Price is the sole owner of a grocery store. Mr. Price dies and Mrs. Price acquires the business and continues to operate it. A sales tax bond is required since Mrs. Price is a new and different taxpayer. If Mr. and Mrs. Price had operated the store as a partnership, see Example 7., subsection (1)(G);

(J) Example 10: Ms. LaFever receives a notice revoking the Missouri retail sales license for her lounge because her sales tax account is delinquent and she has ignored previous notices to pay. She subsequently pays her liability. She must reapply for a sales tax license and post a sales tax bond;

(K) Example 11: The Buford Beagle Club decides to have a barbecue and plans to sell tickets to help raise money for a new clubhouse. The club must register with the Department of Revenue and obtain a temporary sales tax license for their event. They must also submit a sales tax bond equal to three (3) times the estimated amount of sales tax due on their receipts rounded to the highest ten dollars ($10);

(L) Example 12: Mr. Corn is planning an art exhibit. Artists will pay Mr. Corn a fee for their space and will show and sell their art works. Mr. Corn must register and obtain a temporary sales tax license. He must also submit a sales tax bond equal to three (3) times the estimated sales tax due, rounded to the highest ten dollars ($10); and

(M) Example 13: Mr. Jim Bean wishes to change the name of his business from Bean’s Bar to Jim’s Lounge. If the business will remain the same except for the name change, Mr. Bean should notify the Department of Revenue of the name change but he will not be required to submit a sales tax bond. If Mr. Bean should decide to change the location of his business but the business would stay the same, he will not be required to submit a new sales tax bond. He must, however, report the location change to the Business Tax Bureau.
because a new sales tax license may be necessary.

AUTHORIZED: section 144.270, RSMo 1994.*

12 CSR 10-3.474 Computing a Sales Tax Bond

PURPOSE: This rule provides examples of how to compute a sales tax bond.

(1) The amount of the bond shall be determined by the director. The bond shall not be more than three (3) times the average monthly tax liability of the taxpayer, estimated in the case of a new applicant, otherwise based on the previous twelve (12) months' experience.

(2) If the business is seasonal, the bond shall be equal to three (3) times the average monthly tax liability based on the months the business was open during the previous twelve (12)-month period. In the case of a new applicant, the average monthly tax liability should be estimated.

(3) The following are examples of how to compute a sales tax bond: Example 1: Mr. Quick is opening a restaurant and is required to submit a sales tax bond with his application. Mr. Quick recently sold a similar restaurant which he had operated for ten (10) years. Since Mr. Quick has a good idea of what his sales tax liability will be, Ms. Cherry should seek advice from experienced business people in the area or other sources. When she has arrived at an estimated monthly sales tax liability, she should submit a bond equal to three (3) times the amount rounded to the highest ten dollars ($10). The result is the amount of the bond he must submit, five hundred eighty dollars ($580).

(4) Example 2: Ms. Cherry is opening an ice cream parlor and is required to submit a sales tax bond with her application. As she has never been in business before, she has no idea of what her average monthly sales tax liability will be. Ms. Cherry should seek advice from experienced business people in the area or other sources. When she has arrived at an estimated monthly sales tax liability, she should submit a bond equal to three (3) times the amount rounded to the highest ten dollars ($10). She should also keep for future reference, all data used in estimating her liability as she may be asked to substantiate her estimate. If Ms. Cherry has determined her estimated monthly liability to be two hundred twenty-five dollars and fifty cents ($225.50), she must submit a sales tax bond in the amount of six hundred eighty dollars ($680) or $225.50 × 3 = $676.50 rounded to the highest ten dollars ($10) which is six hundred eighty dollars ($680).

(5) Example 3: Mr. Boltz opened a hardware store January 1, 1975. Since he estimated his monthly sales tax liability to be one hundred fifty dollars ($150), he submitted a sales tax bond in the amount of four hundred fifty dollars ($450). A review of Mr. Boltz's returns shows a sales tax liability substantially higher than his estimated liability. The Sales Tax Bureau may request that Mr. Boltz file another sales tax bond to cover his additional liability. The bureau may also request that a larger bond be filed before a license is issued if a review of the application indicates that the bond submitted is inadequate.

(6) Example 4: Mr. Right operates a hot dog stand. The stand is only in operation from May through October every year. Mr. Right sold the stand to Mr. Reed. Reed's sales tax bond will be based on the monthly average of the sales tax reported from May through October. Mr. Right's sales tax liability was one hundred dollars ($100) each month. Therefore, Mr. Reed's sales tax bond would be three hundred dollars ($300).

AUTHORIZED: section 144.270, RSMo 1994.*

12 CSR 10-3.476 Replacing or Applying for Return of Bond

PURPOSE: This rule interprets the sales tax law as it applies to replacing or applying for the return of the bond.

(1) If a bond is replaced by any other acceptable type of bond, the bond being replaced will be returned to the taxpayer. A bond may also be returned to a taxpayer after a period of two (2) years provided no tax, penalties or interest is due and all sales and use tax returns have been timely filed and paid in the last two (2) years. The taxpayer should file an application on forms provided by the Department of Revenue to obtain return of the bond.

AUTHORIZED: section 144.270, RSMo 1994.*

12 CSR 10-3.478 Bond Descriptions

PURPOSE: This rule describes the three bond types which are acceptable to meet the bond requirement of the sales tax law.

(1) Surety bond must be issued by an insurance company licensed for bonding in the state on behalf of the applicant on the form provided by the Missouri Department of Revenue. The form must bear the seal of the insurance company, the effective date and be accompanied by a Power of Attorney letter if signed by the attorney in fact and it must also contain the signature of the applicant.
(2) Cash bonds must be paid to the Department of Revenue in the form of a cashier’s check, money order or certified check and be accompanied by a cash bond form provided by the Missouri Department of Revenue.

(3) Personal bond must be completed on a form provided by the Missouri Department of Revenue, be approved by the circuit clerk and accompanied by an irrevocable letter of credit issued by a banking institution.


12 CSR 10-3.479 Replacement of Bonds Issued by Suspended Surety Companies

PURPOSE: This rule allows the Department of Revenue to reject surety bonds issued by an insurance company suspended by the Missouri Department of Insurance. It also allows the Department of Revenue to require that a new bond be posted if the taxpayer has a surety bond issued by a suspended surety company.

(1) The Department of Revenue may reject a sales/use tax surety bond issued by an insurance company which has been suspended by the Missouri Department of Insurance.

(2) The Department of Revenue may require a taxpayer who has a sales/use tax surety bond issued by an insurance company suspended by the Missouri Department of Insurance to replace that bond with a new bond—the new bond being in the form of a cash bond, a surety bond issued by a company in good standing with the Missouri Department of Insurance or an irrevocable letter of credit. The replacement bond must be posted by the taxpayer within thirty (30) days of notification by the Department of Revenue.


12 CSR 10-3.480 Applicant Defined (Rescinded December 11, 1980)


12 CSR 10-3.482 Filing (Rescinded December 11, 1980)


12 CSR 10-3.484 Returns Required Even if No Sales Made (Rescinded January 12, 1985)


12 CSR 10-3.486 Confidential Nature of Tax Data

PURPOSE: This rule provides that the Department of Revenue must comply with the confidentiality provisions in section 32.057, RSMo.

(1) Information submitted by a taxpayer to the Department of Revenue or obtained by the Department of Revenue from the taxing official of other jurisdictions is confidential under section 32.057, RSMo.


12 CSR 10-3.490 Misuse of Sales Tax Data by Cities

PURPOSE: This rule interprets the sales tax law as it applies to the misuse of sales tax data by cities.

(1) Any city which obtains confidential sales tax data from the Department of Revenue as a result of its audit of its city sales tax revenues and who uses the information contrary to the confidentiality laws of Missouri may have its future access to this data terminated.


12 CSR 10-3.492 General Examples (Rescinded December 11, 1980)


12 CSR 10-3.494 Allowance for Defective Merchandise

PURPOSE: This rule interprets the sales tax law as it applies to an allowance for defective merchandise.

(1) Where an allowance is made for defective merchandise, the seller is subject to the sales tax upon the amount due after subtracting the allowance from the sales price. When the tax has been paid on the full selling price by the seller, a credit or refund of the tax attributable to the allowance must be requested on an application for refund/credit.

(2) If a purchaser returns defective merchandise to the seller and in connection with those returns new merchandise is furnished, the seller is subject to the sales tax only on the difference between the cost of the new article less the allowance for merchandise returned.


12 CSR 10-3.496 Seller Timely Payment Discount

PURPOSE: This rule illustrates when a seller is entitled to the timely payment discount.

(1) From every remittance of tax made on or before the due date as required, the seller is entitled to deduct and retain an amount equal to two percent (2%) for timely payment. Note: A purchaser is not entitled to this deduction.

(2) If the time for payment of the tax has been extended upon proper application to the Department of Revenue, the timely payment discount is allowed if the payment is made within the extension period granted.


12 CSR 10-3.498 Seller Retains Collection From Purchaser

PURPOSE: This rule provides when a seller may retain the difference between the amount of tax actually owed and the amount of tax collected by him/her under the bracket system.

(1) The amount of tax reimbursement collection made by a seller from a purchaser under the bracket system may be retained by the seller regardless of whether those collections are less than, equal to or greater than the seller’s tax liability on the return.

(2) Amounts collected by the seller from the purchaser under the bracket system are not includable in the seller’s gross receipts to the extent that the collections are authorized under the bracket system and are separately stated or charged to the purchaser.


12 CSR 10-3.500 Successor Liability

PURPOSE: This rule interprets the sales tax law as it applies to a person purchasing a business.

(1) Every person purchasing a business or stock of goods immediately shall notify the director of revenue of the business name, owner’s name, date of purchase and type of business or stock of goods.

(2) All successors/purchasers shall withhold a sufficient amount of the purchase money to cover taxes, interest or penalties due and unpaid by all former owners or predecessors, whether immediate or not, until the former owners or predecessors produce a receipt from the director of revenue showing that they have paid or a certificate stating that no taxes are due; otherwise, the successor/purchaser shall become personally liable for the unpaid tax, penalty and interest accrued.

(3) Successor/purchaser refers to any “person” as defined in section 144.010(5), RSMo who, directly or indirectly, purchases or succeeds to the business or portions of the business or the whole or any part of the stock of goods, wares, merchandise or fixtures or any interest of a taxpayer quitting, selling out, exchanging or otherwise disposing of his/her business.

(4) The purchase money required to be withheld is not limited to actual cash transferring directly to the seller but refers to any purchase consideration flowing directly or indirectly through intermediate parties or otherwise to a seller or predecessor.

(5) To withhold does not necessarily mean having physical assets in hand but means dealing with the purchase consideration in a manner as to deny a seller the benefit of the purchase consideration and to make it available to the state for the satisfaction of the tax liability.

(6) Assignments for the benefit of creditors, foreclosures of mortgages, sales by a trustee in bankruptcy, repossessions by landlords after defaults on leases and probate estate liquidation sales give rise to successor liability only when the previous owner receives purchase money from the transfer or sale. Any purchaser subsequent to one (1) of the previously listed exempt transfers would be subject to successor liability if purchase money from this subsequent purchase flows through to the original tax debtor.

(7) Example: A former owner of a motel leaves an accrued sales/use tax liability of eighteen thousand dollars ($18,000) on the business. Upon default of loan payments, the financial institution attempted to foreclose upon the business but settled out of court. A taxpayer subsequently purchases the same motel from the financial institution and the former owner without receiving from the financial institution a receipt from the director of revenue showing that the amount of taxes, interest to date and penalties have been paid or a certificate stating that no taxes were due. The taxpayer is personally liable as successor for the unpaid tax, penalty and interest to date on the motel (see James R. Bates d/b/a The Manor Inn v. Director of Revenue, A.H.C. Case No. RS-81-0298 (March, 1984)).

(8) All purchasers have a duty to discover whether taxes are due and unpaid by any former owners or predecessors, whether immediate or not and ignorance will not relieve a purchaser from successor tax liability. Reliance on an affidavit pursuant to Missouri’s Bulk Transfer Act stating that there were no creditors of the business will not relieve a purchaser from successor tax liability.


James R. Bates, d/b/a The Manor Inn, Successor v. Director of Revenue, 691 SW2d 273 (Mo. banc 1985). This is a case of first impression interpreting the successor liability sales tax statute, section 144.150, RSMo.

The owner/operator, J. Douglas Cassity, accrued a sales tax liability to the state of Missouri. The same owner/operator defaulted on a first deed of trust to the Carney family, the prior owners. Great Southern Savings & Loan, to protect its junior deed of trust, purchased The Manor Inn at a foreclosure sale, applying the payment to satisfy the first deed of trust and using the balance to reduce its junior deed of trust. In a declaratory judgment proceeding, Cassity challenged the foreclosure sale and Great Southern Savings & Loan joined challenging the amount of the attorney’s fee. While the declaratory suit was pending, James R. Bates negotiated the purchase of the same business. Great Southern and Bates entered into a loan agreement
whereby Bates executed a promissory note for $975,000, secured by a deed of trust, to Great Southern and Great Southern quit-claimed its interest in the realty to Bates and provided a bill of sale for the personal prop-erty. Simultaneously, Cassity quitclaimed its interest in the realty and provided a bill of sale for the personal property to Bates in consideration for $3000 in gemstones from Bates.

The issue is whether James R. Bates was liable as a successor for the delinquent sales tax liability of the former owner, Cassity. The Missouri Supreme Court held that "to be a successor one must be a purchaser of the business property in question." The derivative tax liability follows the assets purchased and is not extinguished in a foreclosure. The court distinguished cases cited by the appellant which involved either a court-appointed receiver in bankruptcy or a lessor's reacquisi-tion of possession. The court held that Bates was a successor regardless of from whom he purchased the property. If Bates purchased from Cassity, he was an immediate successor. If Bates purchased from Great Southern, who purchased from Cassity, Bates was still a successor because the statute was not limited to immediate successors.

The court also noted that the term "purchase money" within the context of section 144.150, RSMo is not limited to cash transactions but is merely "descriptive of the action to be taken by the person or business entity on whom the duty has been imposed."

12 CSR 10-3.502 Successor Determination
(Rescinded December 11, 1980)


12 CSR 10-3.504 Extensions Granted

PURPOSE: This rule interprets the sales tax law as it applies to extensions for payment of the tax.

(1) The time for filing a return or for payment of the tax, or both, may be extended upon proper application to the department prior to the due date.

(2) An approved extension of time for filing a return does not extend the time for payment of the tax.

(3) An approved extension of time for payment of the tax does not extend the time for filing the return.

(4) An approved extension of time for paying the tax will stop the interest charges during the extension period.


Evergreen Lawn Service v. Director of Revenue, State of Missouri and the Administrative Hearing Commission, 685 SW2d 829 (Mo. banc 1985). The issue in this case was whether the taxpayer met the thirty-day requirement contained in section 161.273, RSMo for filing its appeal from a final decision of the director of revenue. In this case the thirtieth day was a Saturday. The taxpayer’s agent, Airborne Freight Corporation, attempted delivery of the appeal at the offices of the Administrative Hearing Commission on that Saturday. Since no one was available to receive the appeal, it was not physically received by the commission until Monday, the thirty-second day. The director posited and the commission held that the taxpayer’s appeal was untimely. They reasoned that the only exception to actual receipt was section 161.350, RSMo, which deems timely the receipt of appeals mailed within the prescribed period by registered mail.

The court’s analysis was not directed towards when the thirty-day period expired, but rather towards what action was sufficient to constitute filing. In the court’s opinion section 161.350, RSMo was not relevant, since actual filing had been attempted on Saturday, the thirtieth day. The court found that the attempted delivery was adequate to constitute a constructive filing thereby making the appeal timely.

Falley’s Food-4-Less v. Director of Revenue, Case No. RS-83-0010 (A.H.C. 8/3/87). Petitioner, a retail seller, filed his sales tax returns for October 1981 and August 1982 via the United States mail. The postmark dates on these returns were November 23, 1981 and September 22, 1982, respectively. Respondent assessed penalties for late filing on these periods.

The Administrative Hearing Commission held since the amount of tax imposed on peti-tioner was in excess of $250 for the first or second month of a calendar quarter, the pay-ments were due by the twentieth day of the succeeding month. Petitioner was required by statute, not by the director, to file monthly instead of quarterly returns, therefore 144.080.2, RSMo applies rather than 144.090, RSMo.

Further, 12 CSR 10-3.506 provides that timeliness of a sales tax return is to be deter-mined by reference to the return’s postmark. Because petitioner’s returns were postmarked...
12 CSR 10-3.508 Effect of Saturday, Sunday or Holiday on Payment Due
(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.

12 CSR 10-3.510 No Permanent Extensions
(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.

12 CSR 10-3.512 Calendar Month Defined
(Rescinded December 11, 1980)

AUTHORITY: section 144.270, RSMo 1978.

12 CSR 10-3.514 Exemption Certificate

PURPOSE: This rule interprets the sales tax law as it applies to the acceptance of exemption certificates during and after an audit.

(1) After completion of an audit, the director, in appropriate cases, may permit deductions where exemption certificates were acquired after the audit commenced.

AUTHORITY: section 144.270, RSMo 1978. 

12 CSR 10-3.518 Claim Form

AUTHORITY: section 144.270, RSMo 1994. 

12 CSR 10-3.520 Who Should Request Refund
(Rescinded October 30, 2000)

AUTHORITY: section 144.270, RSMo 1994. 

12 CSR 10-3.522 Purchaser’s Promise to Accrue and Pay

AUTHORITY: section 144.270, RSMo 1994. 

12 CSR 10-3.526 Refund Rather Than Credit
(Rescinded October 30, 2000)

AUTHORITY: section 144.270, RSMo 1994. 

12 CSR 10-3.528 No Interest on Re-und/Credit
(Rescinded October 30, 2000)

AUTHORITY: section 144.270, RSMo 1994. 

International Business Machines v. State Tax Commission, 362 SW2d 635 (1962). As to sales tax improperly collected, there is a provision for refund, but there is no provision that refunds bear interest.

12 CSR 10-3.530 Unconstitutional Taxes
(Rescinded October 30, 2000)

AUTHORITY: section 144.270, RSMo 1994. 
Based on the 1952 Supreme Court Decision
PURPOSE: This rule interprets the sales and use tax law as it applies to utilization of exemption certificates and sets forth the requirement that exemption certificates be updated every five years.

(1) All sellers are required to keep exemption certificates signed by the purchaser or his/her agent for all exempt sales of tangible personal property or taxable services claimed.

(2) Once a seller has in his/her possession an exemption certificate from a purchaser, additional exemption certificates for individual purchases are not required as long as there is no change in the character of the purchaser’s operation and the purchases are of tangible personal property or taxable services claimed under the original exemption certificate. The exemption certificates retained by the seller must be updated every five (5) years.

(3) All sales which are not supported by properly executed exemption certificates shall be deemed retail sales and the seller held liable for the sales tax.

(4) Resale exemption certificates may not be used to obtain tangible personal property or taxable services to be used or consumed by the purchaser, even if the purchaser decides that it would be more convenient to handle his/her purchases in this fashion.

(5) The Department of Revenue will provide a reasonable number of exemption certificates upon request.

(6) Purchase of alcoholic beverages from a wholesale distributor located in Missouri will be considered to have been purchased for resale if the purchaser supplies the wholesale distributor with a retail liquor license number. The possession of a retail liquor license number by a distributor will be treated as if it was a resale exemption certificate.

AUTHORITY: section 144.270, RSMo 1994.*

Resale Exemption Certificate

PURPOSE: This rule interprets the sales tax as it applies to the delivery of resale exemption certificates.

(1) In order for a seller to qualify for any deduction, s/he must in good faith accept an exemption certificate of a type approved by the Department of Revenue, delivered by a purchaser who resells tangible personal property in the ordinary course of business.

(2) If a seller sells tangible personal property or taxable services free of the sales tax on resale exemption certificate which s/he does not accept in good faith, the seller remains liable for tax.

(3) Example 1: X, a retail grocer, buys one hundred fifty dollars ($150) worth of brooms from Y. X, however, will not give Y a sale for resale exemption certificate. If X later presents the certificate, Y can deduct the proceeds of the sale from his/her gross receipts in the month that the certificate is delivered.

(4) Example 2: A, a retail seller of television sets, sells a set to his/her friend B, the operator of a tavern. A remains liable for the sales tax even if s/he accepts a resale exemption certificate from B unless s/he establishes clearly that s/he was acting in good faith.

AUTHORITY: section 144.270, RSMo 1994.*

Resale Exemption Certificate

PURPOSE: This rule interprets the sales tax law as it applies to the delivery of resale exemption certificates.

(1) In order for a seller to qualify for any deduction, s/he must in good faith accept an exemption certificate of a type approved by the Department of Revenue, delivered by a purchaser who resells tangible personal property in the ordinary course of business.

(2) If a seller sells tangible personal property or taxable services free of the sales tax on resale exemption certificate which s/he does not accept in good faith, the seller remains liable for tax.

(3) Example 1: X, a retail grocer, buys one hundred fifty dollars ($150) worth of brooms from Y. X, however, will not give Y a sale for resale exemption certificate. If X later presents the certificate, Y can deduct the proceeds of the sale from his/her gross receipts in the month that the certificate is delivered.

(4) Example 2: A, a retail seller of television sets, sells a set to his/her friend B, the operator of a tavern. A remains liable for the sales tax even if s/he accepts a resale exemption certificate from B unless s/he establishes clearly that s/he was acting in good faith.

AUTHORITY: section 144.270, RSMo 1994.*
attempted to ascertain if petitioner's agent was acting within the scope of his authority before the bookkeeper-auditor signed the waiver of the statute of limitations.

Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983). There were two issues in this case. The first was whether a taxpayer could claim a sales tax exemption for certain steel if sold, on the grounds that the purchasers were to use it in pollution control or plant expansion projects. The second was whether or not the transfer of steel to certain customers in Kansas was a sale subject to sales tax under the Commerce Clause of the United States Constitution.

With respect to the first issue, the court found that the taxpayer had the burden of establishing that it was exempt from sales tax, and its failure to produce sales tax exemption certificates, coupled with the dearth of testimony concerning the exempt activities of taxpayer, fails to meet that burden. With respect to the second issue, the court found that when property is purchased subject to a resale certificate, the purchaser becomes liable for sales tax if the property is not resold. In this case the court found that because the taxpayer used the steel in question in its capacity as a contractor there was no resale. Therefore, the taxable event was the taxpayer's original purchase of the steel in Missouri. It was wholly irrelevant that the construction contract pursuant to which the steel was used was performed in Kansas. There was no violation of the Commerce Clause, and therefore, taxpayer was liable for tax.

12 CSR 10-3.536 Seller's Responsibility for Collection and Remittance of Tax

PURPOSE: This rule interprets the sales tax law as it applies to the seller's responsibility for collection and remittance of sales tax when an exempt sale is subsequently determined to have been a sale at retail subject to tax.

(1) When a seller reasonably accepts in good faith any exemption certificate that a person is purchasing the item under the exemption claimed, the certificate shall be evidence that the proceeds from the transaction are deductible from the seller's gross receipts. The burden of proving that a sale of tangible personal property, services, substances or things was not a sale at retail subject to the sales tax shall be upon the seller who made the sale.

(2) The furnishing of an exemption certificate to a seller by a buyer constitutes a claim by the buyer that the sale is exempt from sales tax. If the claim is found to be improper, the seller remains liable for the tax but the Department of Revenue may proceed against the buyer. If the department collects the tax from the buyer, then the seller is entitled to a credit against the amount due from the seller on that purchase (see Farm and Home Savings Association v. Spralding, 538 SW2d 313 (Mo. banc 1976) and also 12 CSR 10-3.532).


Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983). There were two issues in this case. The first was whether a taxpayer could claim a sales tax exemption for certain steel if sold, on the grounds that the purchasers were to use it in pollution control or plant expansion projects. The second was whether or not the transfer of steel to certain customers in Kansas was a sale subject to sales tax under the Commerce Clause of the United States Constitution.

With respect to the first issue, the court found that the taxpayer had the burden of establishing that it was exempt from sales tax, and its failure to produce sales tax exemption certificates, coupled with the dearth of testimony concerning the exempt activities of taxpayer, fails to meet that burden. With respect to the second issue, the court found that when property is purchased subject to a resale certificate, the purchaser becomes liable for sales tax if the property is not resold. In this case the court found that because the taxpayer used the steel in question in its capacity as a contractor there was no resale. Therefore, the taxable event was the taxpayer's original purchase of the steel in Missouri. It was wholly irrelevant that the construction contract pursuant to which the steel was used was performed in Kansas. There was no violation of the Commerce Clause, and therefore, taxpayer was liable for tax.

P.F.D. Supply Corporation v. Director of Revenue, Case No. RS-80-0055 (A.H.C. 10/6/85). The issue in this case was the imposition of sales tax on certain sales transactions of shortening and nonreusable plastic and paper products which petitioner sells to restaurants for use in the preparation and service of food products. Petitioner asserted that the sales in question were exempt as sales for resale because the purchasing restaurants were not the ultimate consumer of the goods in question. The Administrative Hearing Commission, relying on the exemption set forth in section 144.030.3(1), RSMo for materials purchased for use in "manufacturing, processing, compounding, mining, producing or fabricating" found that the production of food by a restaurant constituted processing.

Relying on its previous decision Blueside Co. v. Director of Revenue, Case No. RS-82-4625 (A.H.C. 10/5/84) the commission found that the petitioner's sale of shortening was exempt from taxation to the extent that the purchaser intended for it to be absorbed into the fried foods. The sale of the portion which the purchaser did not expect to be so absorbed was not exempt as an ingredient or component part. However, petitioner asserted that the unabsorbed portion was exempt as a purchase for resale because it was sold by the purchaser for salvage after being used. Again referring to Blueside, the commission held that the salvage sale was only incidental to the primary transaction. Therefore, the purchasing restaurant was the user and the sale to that restaurant was a taxable retail sale.

However, the commission also found that the petitioner accepted exemption certificates in good faith for all the shortening held. Acknowledging that the Missouri Supreme Court in Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983) held that the good faith acceptance of an exemption certificate does not absolve the seller from liability for sales tax, the Administrative Hearing Commission cited other authority for the proposition that the seller is exempt. The commission resorted to section 32.200, Art. V, section 2, RSMo 1978 of the Multistate Tax Compact which specifically provides such an exemption. The Supreme Court had not addressed this in the Overland Steel case. Not only did respondent have a regulation, 12 CSR 10-3.194, which recognizes the applicability of section 32.200 to Missouri sales and use tax, but it had another regulation, 12 CSR 10-3.536(2) in effect at the time of the audit which specifically relieved the seller of liability when an exemption certificate was accepted in good faith. Based upon this the commission found that the seller's good faith exempted it from liability.

Finally, the commission held that nonreusable paper and plastic products were purchased for resale, inasmuch as they were provided to restaurant patrons as part of the cost of the food and beverages. Therefore, the sale to the restaurants was not a taxable
transaction and no tax was due from the petitioner on such items.

Besel Roofing & Heating, Inc. v. Director of Revenue, Case No. RS-86-0240 (A.H.C. 8/27/87). The contractor contested liability on the grounds that the seller should not have accepted the exemption certificate it offered because the certificate was missing information required by the department on a valid certificate. The Administrative Hearing Commission rejected the argument and held that where the exemption is improperly claimed, the department can recover from the purchaser.

12 CSR 10-3.538 Possession and Delivery of Exemption Certificates

PURPOSE: This rule interprets the sales tax law as it applies to possession and delivery of exemption certificates.

(1) All sellers must be in possession of, and have available for inspection, all exemption certificates for the period of an audit at the commencement of the audit.

(2) After completion of the audit, the Department of Revenue, in appropriate cases, may permit deductions where certificates were acquired after the audit commenced.

(3) The seller need be in possession of only one (1) exemption certificate of the type required from each buyer in order to claim the particular deduction sought.


Overland Steel, Inc. v. Director of Revenue, 647 SW2d 535 (Mo. banc 1983). There were two issues in this case. The first was whether a taxpayer could claim a sales tax exemption for certain steel if sold, on the grounds that the purchasers were to use it in pollution control or plant expansion projects. The second was whether or not the transfer of steel to certain customers in Kansas was a sale subject to sales tax under the Commerce Clause of the United States Constitution. With respect to the first issue, the court found that the taxpayer had the burden of establishing that it was exempt from sales tax, and its failure to produce sales tax exemption certificates, coupled with the dearth of testimony concerning the exempt activities of taxpayer, fails to meet that burden. With respect to the second issue, the court found that when property is purchased subject to a resale certificate, the purchaser becomes liable for sales tax if the property is not resold. In this case the court found that because the taxpayer used the steel in question in its capacity as a contractor there was no resale. Therefore, the taxable event was the taxpayer’s original purchase of the steel in Missouri. It was wholly irrelevant that the construction contract pursuant to which the steel was used was performed in Kansas. There was no violation of the Commerce Clause, and therefore, taxpayer was liable for tax.

12 CSR 10-3.540 Limitation on Assessment

(Rescinded December 11, 1980)


State ex rel. St. Louis Die Casting Corp. v. Morris, 219 SW2d 359 (1949). The failure of the director of revenue to include with the notice of additional assessment under section 144.210, RSMo a statutory notice in writing naming the time and place for a hearing “when and where such owner may appear before said board” caused the additional assessment to be void.

12 CSR 10-3.542 Billing

PURPOSE: This rule defines a billing for purposes of the sales tax law.

(1) A billing of any tax, penalties or interest is a notice that, if not paid, an assessment will be made against the taxpayer. The billing is not itself an assessment and the billing is sent by regular mail. Assessments, when mailed, are sent by certified or registered mail.

12 CSR 10-3.546 Fifteen Days Defined—Personal Service

(Rescinded December 11, 1980)


12 CSR 10-3.550 Reassessment Petition Filing

(Rescinded December 11, 1980)


12 CSR 10-3.552 Protest Payments

PURPOSE: This rule interprets the sales tax law as it applies to protest payments.

(1) If the taxpayer in good faith believes that s/he is not subject to the sales tax under the Missouri sales tax act, s/he, upon payment of the required amount of tax and denoting the payment as a protest payment when made, may file a protest payment affidavit, in which s/he specifically shall set out why s/he is not subject to the sales tax under the Missouri sales tax act.
protesting payment of the tax and give supporting information. The protest claim shall be made under oath and submitted within thirty (30) days after the protest payment. Failure to denote the payment as made under protest or to make a protest claim within the time required and under the conditions specified will void the protest claim.

(2) Protest payment forms (DOR-163) are available from the director of revenue upon request. Written request should be sent to Business Taxes Bureau, Technical Support Section, P.O. Box 840, Jefferson City, MO 65105.

(3) If a protest payment is not made by the required due date, interest and additions to tax should be included in the payment to properly perfect the protest.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.554 Filing Protest Payment Returns

PURPOSE: This rule provides instructions for filing protest payment returns.

(1) A taxpayer filing a protest payment return must submit a notarized protest payment affidavit with the return reflecting the specific amount of tax being paid under protest. Separate checks need not be submitted for the state and local sales taxes being protested.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.556 Interest and Discounts are Additional

PURPOSE: This rule interprets the sales tax law as it applies to the inclusion of interest and discounts in the computation of an assessment.

(1) In computing the amount to be assessed, the timely payment discount will be disallowed, interest and penalty due will be added. Interest will continue to accrue until the tax is paid. The penalty is a fixed percentage of the tax due.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.564 Jeopardized Collection

PURPOSE: This rule interprets the sales tax law as it applies to the issuance of a jeopardy assessment by the director of revenue.

(1) When the director may have reason to believe a taxpayer is about to discontinue business, dispose of assets, or for any other reason the director believes the payment of sales tax due the state is jeopardized, the director may issue a jeopardy assessment for the amount of tax to be paid and demand the same which becomes due and payable immediately upon that notice to the taxpayer.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.565 Jeopardy Assessment

PURPOSE: This rule interprets the sales tax law as it applies to the issuance of a jeopardy assessment by the director of revenue.

(1) In computing the amount to be assessed, the timely payment discount will be disallowed, interest and penalty due will be added. Interest will continue to accrue until the tax is paid. The penalty is a fixed percentage of the tax due.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.566 Itinerant or Transitory Sellers

PURPOSE: This rule interprets the sales tax law as it applies to itinerant or transitory sellers.

(1) Any retail business or any entertainment, recreation or place of amusement which is temporary or itinerant in nature may file its returns and payments on a daily basis with the Department of Revenue. If returns and payments are not made on a daily basis, the seller may file a return and payment with the Department of Revenue at the close of the event.

(2) Any duly authorized agent of the director, upon a personal visitation, is empowered to order the seller to ascertain the appropriate amount of tax due and submit payment to him/her at the close of each business day or at the close of the event. In all cases, sellers shall require proper identification and credentials before submitting payments to the.
agent and require a written receipt to be issued by the agent.

(3) Accurate records identifying gross receipts shall be maintained by each seller on all transactions.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.568 Sampling

PURPOSE: This rule authorizes the use of sampling in conducting a sales tax audit.

(1) The use of sound audit sampling techniques generally benefit both the taxpayer and the director of revenue. Audit sampling techniques generally reduce the time necessary to complete audit field work and reduce the taxpayer’s time and effort in retrieving documents for audit purposes.

(2) The director of revenue or his/her duly authorized agent may use statistical sampling methods in lieu of a one hundred percent (100%) examination of records in conducting a sales/use tax audit.

(3) Statistical sampling methods include those procedures which utilize random selection and are capable of projecting population values with a known reliability.

(4) Upon written agreement by the taxpayer, the director of revenue or his/her duly authorized agent may utilize nonstatistical sampling methods in lieu of a one hundred percent (100%) examination of the records in conducting a sales/use tax audit.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.570 Audit Facilities

PURPOSE: This rule outlines the responsibility of the taxpayer to furnish audit facilities.

(1) All taxpayers must furnish reasonably sufficient work space, lighting and working conditions for use by Department of Revenue agent(s) for the conducting of sales/use tax audits.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.572 Out-of-State Companies

PURPOSE: This rule outlines the responsibility of out-of-state companies for making records pertaining to Missouri locations available for audit at the Missouri location.

(1) Companies who have business location(s) in Missouri and maintain records at a central location outside Missouri, upon request, must make any or all records pertaining to the Missouri location(s) available to agents of the Department of Revenue at the Missouri location.

AUTHORITY: section 144.270, RSMo 1994.*


12 CSR 10-3.574 Recordkeeping Requirements for Microfilm and Data Processing Systems

PURPOSE: This rule outlines the responsibility of companies whose records are on transparencies or film to provide facilities for viewing and capabilities for reproducing hard copies.

Editor’s Note: The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law.

(1) Every retailer, seller, vendor and person doing business in this state or storing, using, leasing or otherwise consuming in this state tangible personal property shall keep complete and adequate records as may be necessary for the director or his/her authorized agent to determine the amount of sales and use tax liability as provided by Missouri law. These records must include the normal books of account ordinarily maintained by the average prudent businessman engaged in a business, together with all bills, receipts, invoices, cash register tapes or other documents of original entry supporting the entries in the books of account together with all schedules or working papers used in connection with the preparation of tax returns. Unless the director or his/her authorized agent authorizes an alternative method of bookkeeping in writing, these records shall show—

(A) Gross receipts from sales or rental receipts from leases, of tangible personal property (including any services that are a part of the sale or lease) made in this state, irrespective of whether the retailer, seller, vendor, person lessor or lessee regards the receipts to be taxable or nontaxable;

(B) All deductions allowed by law and claimed on the return filed; and

(C) Total purchase price of all tangible personal property purchased for sale, consumption or lease in this state.

(2) Microfilm and Microfiche Records. Records may be microfilmed or microfiched, including general books of accounts, such as cash books, journals, voucher registers, ledgers and like documents, as long as these microfilmed and microfiched records are authentic, accessible and readable and the following requirements are fully satisfied:
(A) Appropriate facilities are to be provided for preservation of the films or microfiche for the periods required and open to examination and the taxpayers agree to provide transcriptions of any information on microfilm or microfiche which may be required for verification of tax liability;

(B) All microfilm and microfiched data must be indexed, cross-referenced and labeled to show beginning and ending numbers and to show beginning and ending alphabetical listing of documents included and systematically filed to permit ready access;

(C) Taxpayers must make available upon request of the director or his/her authorized agent a reader/printer in good working order for reading, locating and reproducing any record concerning sales or use tax liability, or both, that is maintained on microfilm or microfiche;

(D) Taxpayers must set forth in writing the procedures governing the establishment of a microfilm or microfiche system and the individuals who are responsible for maintaining and operating the system with appropriate authorization from the board of directors, general partner(s) or owner, whichever is applicable;

(E) The microfilm or microfiche system must be complete and must be used consistently in the regularly conducted activity of the business;

(F) Taxpayers must establish procedures with appropriate documentation so the original document can be followed through the microfilm or microfiche system;

(G) The retailer/vendor must establish internal procedures for microfilm or microfiche inspection and quality assurance;

(H) The retailer/vendor is responsible for the effective identification, processing, storage and preservation of microfilm or microfiche making it readily available for as long as the contents may become material in the administration of any state revenue law;

(I) The retailer/vendor must keep a record identifying by whom the microfilm or microfiche was produced;

(J) When displayed on a microfilm or microfiche reader (viewer) or reproduced on paper, the material must exhibit a high degree of legibility and readability. For this purpose, legibility is defined as the quality of a letter or numeral that enables the observer to identify it positively and quickly to the exclusion of all other letters or numerals. Readability is defined as the quality of a group of letters or numerals being recognizable as words or complete numbers; and

(K) All production of microfilm or microfiche and processing duplication, quality control, storage, identification and inspection must meet industry standards as set forth by the American National Standards Institute, National Micrographics Association or National Bureau of Standards.

(3) Records Prepared By Automated Data Processing (ADP) Systems. An ADP tax accounting system may be used to provide the records required for the verification of tax liability. Although ADP systems will vary from one (1) taxpayer to another, all these systems must include a method of producing legible and readable records which will provide the necessary information for verifying the tax liability. The following requirements apply to any taxpayer who maintains any of these records on an ADP system:

(A) Recorded or Reconstructible Data. ADP records shall provide an opportunity to trace any transaction back to the original source or forward to a final total. If detail printouts are not made of transactions at the time they are processed, the systems must have the ability to reconstruct these transactions;

(B) General and Subsidiary Books of Account. A general ledger, with source references, shall be written out to coincide with financial reports for tax reporting periods. In cases where subsidiary ledgers are used to support the general ledger accounts, the subsidiary ledgers shall also be written out periodically;

(C) Supporting Documents and Audit Trail. The audit trail shall be designed so that the details underlying the summary accounting data may be identified and made available to the director or his/her authorized agent upon request. The system shall be so designed that supporting documents such as sales invoices, purchase invoices, credit memora and like documents are readily available;

(D) Program Documentation. A description of the ADP portion of the accounting system shall be made available. Important changes, together with their effective dates, shall be noted in order to preserve an accurate chronological record. The statements and illustrations as to the scope of operations shall be sufficiently detailed to indicate—

1. The application being performed;

2. The application (which, for example, might be supported by flow charts, block diagrams or other satisfactory description of the input or output procedures); and

3. The controls used to insure accurate and reliable processing; and

(E) Data Storage Media. Adequate record retention facilities shall be available for storing tax data and printouts as well as all supporting documents as may be required by law.

(4) Records Retention. All records pertaining to transactions involving sales or use tax liability shall be preserved for a period of not less than three (3) years.

(5) Examination of Records. All of the foregoing records shall be made available for examination within a reasonable time on request by the director or his/her authorized agent.

(6) Failure of the Taxpayer to Maintain and Disclose Complete and Adequate Records. Upon failure of the taxpayer, without reasonable cause, to substantially comply with the requirements of this regulation, the director shall—

(A) Impose and not abate or reduce in amount any additions/penalty as may be authorized by law; and

(B) Refer, where a taxpayer willfully fails to be in compliance by failure to file or understatement of sales or receipts, the information to the Criminal Investigation Bureau of the Department of Revenue.


12 CSR 10-3.576 Records Retention
(Rescinded December 11, 1980)


12 CSR 10-3.578 Income Tax Returns May Be Used

PURPOSE: This rule authorizes the use of income tax returns for the purpose of determining the amount of sales tax due.

(1) The director of revenue or his/her authorized agents, in determining the amount of sales tax due, are authorized to examine the taxpayer’s books and records including the taxpayer’s federal or state, or both, income
tax returns and to use, in arriving at the proper amount of sales tax due, the information which may be found on the returns.


**12 CSR 10-3.579 Estoppel Rule**

**PURPOSE:** This rule interprets the sales tax law as it applies to representations, both oral and written, made by employees of the Department of Revenue and the extent to which taxpayers may rely on these statements.

(1) Representations, both oral and written, by employees or representatives of the Department of Revenue, interpreting the status of the sales tax law, are merely for informational purposes and cannot be relied upon to substantiate or defend a position in litigation before any forums (see *St. Louis Country Club v. Administrative Hearing Commission of Missouri*, 657 SW2d 614 (Mo. banc 1983)).


**12 CSR 10-3.580 Registered Mail**

(Rescinded December 11, 1980)


**12 CSR 10-3.582 Hearing Location**

(Rescinded December 11, 1980)


**State ex rel. St. Louis Shipbuilding and Steel Company v. Smith**, 201 SW2d 153 (1947). Respondent (state auditor) did not have the authority to compromise a tax that had been lawfully assessed. Under (former) section 11408 an assessment is made every time a sale is made at retail. (However) there is nothing in the Constitution or statutes that would prohibit respondent (state auditor) from compromising the interest and penalties in a disputed sales tax liability. The fact that it later may be found that no tax was due does not disturb the compromise.

**12 CSR 10-3.584 Lien Filing**

(Rescinded December 11, 1980)


**12 CSR 10-3.585 Filing of Liens**

**PURPOSE:** This rule interprets the sales tax law as it applies to the filing of liens.

(1) In any case in which any tax, interest or penalty imposed under the sales tax statute is not paid when due, the director of revenue may file or record with the recorder's office of the county in which the person owing sales tax, interest or penalty resides or has his/her place of business, a Notice of Lien specifying the amount of tax, interest or penalty due and the name of the person liable for the same.

(2) A lien may be released by filing for record in the office of county recorder a release executed by the director of revenue.


**12 CSR 10-3.586 Partial Release of Lien**

(Rescinded December 11, 1980)


**State ex rel. St. Louis Shipbuilding and Steel Company v. Smith**, 201 SW2d 153 (1947). Respondent (state auditor) did not have the authority to compromise a tax that had been lawfully assessed. Under (former) section 11408 an assessment is made every time a sale is made at retail. (However) there is nothing in the Constitution or statutes that would prohibit respondent (state auditor) from compromising the interest and penalties in a disputed sales tax liability. The fact that it later may be found that no tax was due does not disturb the compromise.

**12 CSR 10-3.588 Taxation of Computer Software Programs**

**PURPOSE:** This rule defines computer software programs that are subject to sales tax and outlines specifics where the sales tax is applicable, with examples included for clarification.

(1) Prewritten (canned) programs are programs prepared, held or existing for general or repeated use, including programs developed for in-house use and subsequently held or offered for sale or lease. The programs may be transferred to the customer in the form of punched cards, data or magnetic tape or by listing the program instructions on coding sheets. In some cases they are usable as written, however, in most cases it is necessary that the program be modified, adapted and tested to meet the customer's particular needs. Sales tax applies to the sale of tangible personal property, including coding sheets, cards or magnetic tape, on which or into which those prewritten (canned) programs have been coded, punched or otherwise recorded.

(2) Sales tax applies whether title to the tape or other property upon which the program is coded, punched or otherwise recorded, passes to the customer or the program is recorded on tape or other property furnished by the customer. The temporary transfer of possession of a program, for consideration, for the purpose of direct use or to be recorded by the customer, is a lease of tangible personal property and the tax applies unless the property is leased in substantially the same form as acquired by the lessor and the lessor has paid sales tax reimbursement or use tax with respect to the property.

(3) Sales tax applies to the entire amount charged to the customer. Where the consideration consists of license fees or royalty payments, all license fees or royalty payments, present or future, whether for a period of minimum use or for extended periods, are includable in the measure of tax.

(4) Programming charges to a prewritten program to adapt it to a customer's equipment, including translating a program to a language compatible with a customer's equipment, are in the nature of fabrication or services that are part of a sale and are taxable.

(5) Charges for assembler, compiler, utility and other prewritten programs provided to those who lease or purchase automatic data processing equipment are subject to tax whether the charges are billed separately or
(6) Custom programs are programs prepared to the special order of a customer. This type of program is classified as intangible personal property and is not subject to tax. The real object sought by a purchaser of customized programs is the service per se of the seller and not the property produced by the service of the seller. Canned programs or standardized generic programs are programs purchased off the shelf or are programs of general application developed to be sold to and used by many different customers with little or no modification. This type of program is classified as tangible personal property and is subject to tax. The real object sought by the purchaser of canned software or standardized generic programs is the tangible property and not the service.

(7) Example 1: The sale of computer video game programs used to operate computers, video games, Atari, ColecoVision and Intellivision hardware and the like is the sale of tangible personal property and is subject to tax.

(8) Example 2: Computer software programs used to operate business computers, personal computers, word processors, display writers and other similar hardware are considered the sale of tangible personal property and subject to tax.

(9) Program installation, maintenance of software and training services are taxable under the following circumstances:
(A) The purchase of the services is mandatory under the terms of an agreement to purchase software;
(B) Even though the purchase of the services is not mandatory under a software purchase agreement, the purchase of the services is taxable if software updates are included in the purchase price for the services and the services are not separately stated; or
(C) The purchase of the services, though not part of a mandatory agreement to purchase software, is included in the total price for the purchase of software and the services are not separately stated.

(10) Program installation, maintenance of software and training services are not taxable under the following circumstances:
(A) The purchase of the services is not mandatory under a software purchase agreement and the services are separately stated on the purchase invoice from software or other items purchased; or

(11) The services are purchased separately from software or other tangible personal property.


The issue in this case concerned whether the transfer of custom-made computer software by the use of tapes containing the data and programs constituted the sale of tangible personal property subject to sales tax. The court ruled that the data and programs in this case should not be taxed as tangible personal property because: 1) the tapes themselves were not the ultimate object of sale; and 2) it was not necessary that the information be put on tape. The court, in recognizing that computer technology is rapidly developing in complexity, emphasized that it did not intend to formulate a fixed, general rule which later could lead to unpredictable results.

12 CSR 10-3.590 Advertising Businesses (Rescinded November 30, 2000)


12 CSR 10-3.614 Theaters—Criteria for Exemption

PURPOSE: This rule sets forth the criteria which must be met by a theater in order to claim sales tax exemption.

Editor's Note: The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law.

(1) All ticket sales made by nonprofit summer theater organizations, if these organizations are exempt from federal tax under the provisions of the Internal Revenue Code, are not subject to the sales tax. All other purchases and sales made by these organizations are subject to the sales tax.

(2) A summer theater organization is a theater organization that presents performances primarily during the month of June, July, August or September.

(3) All sales made by or to nonprofit or community theaters other than summer theater organizations are subject to the sales tax.


12 CSR 10-3.620 Review of Assessments by the Administrative Hearing Commission

PURPOSE: This rule indicates the time period a taxpayer has to file a written complaint with the Administrative Hearing Commission concerning a final decision by the director of revenue.

(1) A taxpayer may appeal a final decision of the director of revenue by filing a written complaint with the Administrative Hearing Commission within sixty (60) days after the mailing or delivery of the final decision, whichever is earlier (see section 144.261 and 621.050, RSMo).

(A) The sixty (60)-day appeal period begins to run on the mailing date of the decision or on the delivery date if the decision is hand-delivered to the taxpayer, whichever date is earlier.

(B) A complaint filed by any means other than registered or certified mail is considered to be filed in the commission on the date the complaint is actually received by the commission. A complaint filed by registered or certified mail is considered to be filed with the commission on the date it is mailed by the taxpayer.


12 CSR 10-3.622 Special Event Liquor License—Temporary Sales Tax License (Rescinded August 26, 1985)


12 CSR 10-3.626 Quarter-Monthly Period Reporting and Remitting Sales Tax

PURPOSE: Under the sales tax law (sections 144.010 and 144.510, RSMo), this rule establishes the requirement of reporting and remitting sales taxes on a quarter-monthly period to protect state revenue and improve the cash flow of revenue for the state.

Editor's Note: The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the head-quarters of the agency and is available to any interested person at a cost established by state law.

(1) For purposes of this rule, the following terms shall mean:

(A) State sales tax means the tax imposed by sections 144.010—144.525, RSMo and the additional sales tax imposed by sections 43 and 47, Article IV of the Missouri Constitution, but does not include any sales tax imposed by political subdivisions of the state;

(B) Quarter-monthly period means—
   1. The first seven (7) days of a calendar month;
   2. The eighth to fifteenth day of a calendar month;
   3. The sixteenth to twenty-second day of a calendar month; and
   4. The portion following the twenty-second day of a calendar month to the end of that month;

(C) Quarter-monthly remittance means the tax required to be collected for the quarter-monthly periods that must be remitted to the director of revenue prior to the filing of the monthly return;

(D) Return means the monthly return required to be filed under sections 144.080 and 144.090, RSMo;

(E) Unpaid amount means the aggregate state sales tax required to be collected less the compensation authorized in section 144.120, RSMo; and

(F) Underpayment means ninety percent (90%) of the unpaid amount for the quarter-monthly period minus the amount of the timely remittance for the same period.

(2) If any seller has collected or been required to collect aggregate state sales tax of fifteen thousand dollars ($15,000) or more in each of at least six (6) months during the prior twelve (12) months, the seller shall remit payment to the director of revenue on a quarter-monthly basis on a form or to a depository designated by the director of revenue.

(3) Payment and the form will be timely if mailed to the address provided on the approved form within three (3) banking days after the end of the quarter-monthly period or is actually received by the director of revenue in Jefferson City, Missouri or deposited in a depository designated by the director within four (4) banking days after the end of the quarter-monthly period. Banking days shall not include Saturday, Sunday, legal and local holidays observed by the United States Postal Service.

(4) A seller subject to this rule will be considered to have complied with the requirements for remitting quarterly sales tax and would not be subject to an underpayment penalty of five percent (5%) if his/her quarterly payments are at least—

(A) Ninety percent (90%) of the unpaid amount (defined in section (1) of this rule) at the end of a quarter-monthly period; or

(B) One-fourth (1/4) of the average monthly sales tax liability of the seller for the preceding calendar year and the seller had a state sales tax liability for at least six (6) months of the previous calendar year. The month of the highest liability and the month of the lowest liability shall be excluded in computing the monthly average.

(5) The penalty of five percent (5%) shall not be imposed if the seller establishes that the failure to make a timely remittance of at least ninety percent (90%) was due to reasonable cause and not due to willful neglect.

(6) A seller who fails to make a timely quarterly remittance will be assessed a penalty equal to five percent (5%) of the difference between the amount of any timely remittance and the lesser of the amounts computed under subsection (4)(A) or (B).

(A) Example 1: Business A receives an estimate of five thousand dollars ($5000) per quarter-monthly period. Business A’s actual tax collections are six thousand dollars ($6000) per quarter-monthly period. If business A underpays the five thousand dollar ($5000) estimate timely, no penalty is charged. If business A underpays the estimate by two thousand dollars ($2000) (it pays three thousand dollars ($3000)), the penalty is five percent (5%) of the difference between the amount paid, three thousand dollars ($3000), and the estimated five thousand dollars ($5000). The penalty is calculated as follows:

\[ \text{Penalty} = \frac{\text{Amount Paid} - \text{Estimated Amount}}{\text{Estimated Amount}} \times 5\% \]

\[ \text{Penalty} = \frac{3000 - 3000}{3000} \times 5\% = 0\% \]

(B) Example 2: Assume the same circumstances as in Example 1 except that business A receives an aggregate amount of fifteen thousand dollars ($15000) or more by the end of the month, the seller will not be penalized for failure to make remittance for the quarter-monthly periods of the first two (2) months in which s/he was otherwise required to have complied with the provisions of this rule.

(7) A seller who can demonstrate to the director of revenue’s satisfaction that s/he has not been required to make any quarterly remittance during six (6) months of the previous twelve (12) months and has collected an aggregate amount of fifteen thousand dollars ($15,000) or more by the end of the month will not be penalized for failure to make remittance for the quarter-monthly periods of the next two (2) months in which it paid the five thousand dollar ($5000) estimate timely, no penalty is charged. If business A underpays the estimate by two thousand dollars ($2000) (it pays three thousand dollars ($3000)), the penalty is five percent (5%) of the difference between the amount paid, three thousand dollars ($3000), and the estimated five thousand dollars ($5000). The penalty is calculated as follows:

\[ \text{Penalty} = \frac{3000 - 3000}{3000} \times 5\% = 0\% \]

(8) Sellers remitting state sales tax on the accelerated basis are required to file a monthly return and remit any unpaid amounts.

(9) A seller making accelerated payments under this rule who desires to protest any portion of the tax shall indicate the protested tax amounts on the monthly return. The protested tax shall not be shown at the time the accelerated payments are made.

(10) Notwithstanding any other rule relating to state sales tax to the contrary, this rule shall be in force and effect.

12 CSR 10-3.830 Diplomatic Exemptions—Records to be Kept by Sellers as Evidence of Exempt Sales

PURPOSE: This rule sets forth the criteria and procedure for obtaining diplomatic exemptions from sales tax based upon the department’s participation in the sales tax exemption program conducted by the United States Department of State.

1. Effective February 15, 1986, diplomatic and consular personnel are exempt from Missouri sales tax on their purchases provided that the person claiming the exemption presents an official sales tax exemption identification (ID) card issued by the United States Department of State. The ID card must include the photograph of the individual claiming exempt status, the signature of the individual, the ID number designated for the individual as well as the expiration date for the exemption.

2. The diplomatic and consular personnel exemption is subject to any limitations indicated upon the ID card.

3. Example: Diplomat A presents an exemption card to a hotel. The exemption card indicates that s/he is exempt from sales tax on all purchases except hotel room accommodation charges. The hotel charges Diplomat A for his/her hotel room, meals and incidental purchases from the hotel gift shop. Diplomat A is exempt on the meal charges and incidental purchases; however, the hotel must collect sales tax on the hotel room charges.

4. The seller shall be required to keep as evidence of the exempt sale the following information to be recorded on each sales invoice; the seller remains liable for the applicable sales tax if the seller fails to maintain this information recorded on the sales invoice establishing an exempt diplomatic and consular personnel sale:

   (A) Date of transaction;
   (B) Name of the person claiming exempt status;
   (C) ID number on the ID card;
   (D) Expiration date on the ID card;
   (E) Statement of exempt status on the ID card including any stated limitations (that is, total exemption from sales tax, partial exemption from sales tax); and
   (F) Signature of the individual claiming the exempt status.

5. Effective February 15, 1986, the “Foreign Government Exemption Card,” DOR form 598, will become invalid. This exemption card was printed on cardstock paper, four inches by five inches (4” x 5”) in size, white in color, bearing the caption “Foreign Government Exemption Card” and was signed by the director of revenue on the bottom left-hand corner. It should not be accepted as a valid exemption from Missouri sales tax. The Department of Revenue will discontinue the issuance of exemption cards pursuant to sections 144.030.1 and 144.615, RSMo on February 15, 1986.

AUTHORITY: section 144.270, RSMo 1994.


12 CSR 10-3.832 Diplomatic Exemptions—Acknowledgement and Procedure for Requesting

PURPOSE: This rule sets forth the criteria and procedure for obtaining diplomatic exemptions from sales tax based upon the department’s participation in the sales tax exemption program conducted by the United States Department of State.

1. Foreign diplomatic and consular personnel may be exempt from Missouri sales tax pursuant to section 144.030.1, RSMo if the laws of the United States of America and treaty obligations between the United States and foreign countries so exempt them from state sales tax.

2. Effective February 15, 1986, the determination of exempt status for diplomatic and consular personnel will be made by the United States Department of State. Any person claiming exempt status from Missouri sales tax based upon his/her diplomatic or consular status shall make application to the United States Department of State, Office of Foreign Missions, Washington, D.C.

3. The United States Department of State, upon reviewing applications for exemption from sales tax, will issue exemption cards to qualified individuals based upon reciprocal treaty obligations and other laws between the United States and the foreign country.

4. The Missouri Department of Revenue will cease issuing exemptions from sales tax for diplomatic and consular personnel after February 14, 1986. All exemptions issued on or before February 14, 1986, will terminate and expire effective February 14, 1986.

5. Honorary consuls are not eligible for exemptions from sales tax. The Department of Revenue will discontinue the issuance of exemption cards pursuant to sections 144.030.1 and 144.615, RSMo on February 15, 1986.

AUTHORITY: section 144.270, RSMo 1994.


12 CSR 10-3.834 Titling and Sales Tax Treatment of Boats

PURPOSE: This rule clarifies the payment of filing fees to the county recorder for lien releases (section 144.380, RSMo).

1. With each group of discharge of tax liens the county recorder will receive a statement entitled Liens to be Released. The statement will list each discharge of tax lien which must be filed. The statement of liens to be released must be returned to the Department of Revenue on a weekly basis. The lien release statements will be accumulated by the Department of Revenue and the county recorder will be paid on a quarterly basis. All statements for the calendar quarter must be submitted to the department no later than the fifteenth day of the month following the end of the quarter. If the statements are submitted after the fifteenth of the month they will not be paid until the end of the next quarter.

AUTHORITY: section 144.270, RSMo 1992.


12 CSR 10-3.836 Payment of Filing Fees for Lien Releases

PURPOSE: This rule clarifies the payment of filing fees to the county recorder for lien releases (section 144.380, RSMo).


12 CSR 10-3.838 Payment of Filing Fees for Tax Liens

PURPOSE: This rule clarifies the payment of filing fees to the county recorder for tax liens (section 144.380, RSMo).
(1) With each group of tax liens the county recorder will receive a statement entitled Liens to be Filed. The statement will list each lien to be filed in the county. It will also provide an area for the recorder to insert an identifying number for each lien. The statement must be returned to the Department of Revenue on a weekly basis. The lien filing statements will be accumulated by the Department of Revenue and the county recorder will be paid on a quarterly basis. All statements for the calendar quarter must be submitted to the department no later than the fifteenth day of the month following the end of the quarter. If the statements are submitted after the fifteenth of the month they will not be paid until the end of the next quarter.

AUTHORITY: section 144.270, RSMo 1994. *

12 CSR 10-3.840 Photographers

PURPOSE: This rule clarifies the applicability of sales tax to photographers.

(1) Sales by all types of photographers, (wedding, commercial, portrait, aerial) are subject to sales tax in their entirety without any deductions. Although services rendered frequently represent a substantial portion of their total charges they may not deduct labor for taking pictures, furnishing settings or backgrounds, developing, retouching or enlarging negatives, since they are creating tangible personal property as a result of their services or labor. Sales by photographers are taxable because the true object of the photographers’ customers is to obtain the property under state property law relating to the image from which the photograph was produced.

AUTHORITY: section 144.270, RSMo 1994. *


12 CSR 10-3.842 Surety Companies—Remittance Requirements

PURPOSE: This rule clarifies the Department of Revenue’s position regarding surety bond payments and suspended insurance companies.

(1) The Director of Revenue shall maintain on file a list of surety companies approved to underwrite sales/use tax bonds in Missouri.

(2) Those surety companies not complying with rules of the Department of Insurance or who unreasonably fail to pay or otherwise provide for the payment, within thirty (30) days of notification that licensee has become delinquent in the payment of tax, additions to tax and interest, are subject to removal from the director’s list of surety companies authorized to underwrite sales/use tax bonds in Missouri. Additionally, no future bonds will be accepted from this company until the time as the director reinstates the surety company.

(3) A sales/use tax licensee, who is bonded by a surety company that has been revoked or suspended by the Department of Insurance or removed from the director’s list of insurance companies authorized to write sales/use tax bonds shall have sixty (60) days to file a new bond with the director of revenue. Failure to meet this requirement will result in the sales/use tax license being declared null and void.

AUTHORITY: section 144.270, RSMo 1994. *


12 CSR 10-3.844 Letters of Credit

PURPOSE: This rule sets forth guidelines for the submission, acceptance and proceedings upon an irrevocable letter of credit that has been submitted in lieu of a Missouri Sales/Use Tax Bond.

(1) A letter of credit, issued by a commercial bank charter under the laws of Missouri or chartered pursuant to the National Banking Act, may be submitted to the Missouri Department of Revenue in lieu of a Missouri Sales/Use Tax Bond as required by section 144.087, RSMo. The letter of credit must be in an amount equal to the otherwise required bond.

(2) The letter of credit shall be irrevocable and the beneficiary shall be the Missouri Department of Revenue. Payment shall be made immediately upon presentment of a demand for payment signed by the director or his/her designated representative.

(3) All letters of credit shall conform to a required format. A standard letter of credit form embodying this format shall be provided by the Department of Revenue. All letters of credit shall be accompanied by an authorization for release of confidential information allowing the director or his/her designee to release confidential tax information to the issuing bank.

(4) A demand for payment upon a letter of credit may be presented for payment only upon reasons that bond proceeds would be demanded.

(5) All letters of credit must be negotiable at a financial institution located within Missouri.

(6) Letters of credit shall have a term of one (1) year and shall be automatically renewable on an annual basis for an additional five (5) years. A letter of credit may be cancelled by the issuer sixty (60) days after written notice is delivered to the Department of Revenue. Upon this notice the licensee shall be required to substitute a cash or surety bond within sixty (60) days. If the required bond is not received within that time period, the licensee’s sales/use tax license shall be null and void.

(7) If a licensee desires to quit business or substitute a cash or surety bond for his/her letter of credit, the director shall retain the letter of credit for a period of ninety (90) days or until the time the director is satisfied that no claims exist against the letter.

(8) A licensee shall be required to augment letters of credit in any situation where the licensee would be required to increase its coverage under a sales/use tax bond. This
additional bonding requirement may be satisfied by increasing the letter of credit, submitting an additional letter of credit or submitting an additional surety bond or cash bond. Failure to increase the bond amount when required will result in the sales/use tax license being declared null and void.

AUTHORITY: section 144.270, RSMo 1994.*