UTILITY SALES TAX EXEMPTION

THE EXEMPTION—EXPLAINED
Manufacturing and processing facilities often qualify for a sales tax exemption on the portion of their utilities used for production purposes. Our market research suggests that 1 out of every 3 eligible facilities are not taking advantage of this beneficial savings opportunity.

Nearly every state offering this tax exemption requires the taxpayer calculate the percentage of utility consumed by qualified production items at the facility. This consumption analysis is commonly referred to as a utility study. The utility study must be detailed and adhere to specific state requirements, including proper designation of equipment as exempt or taxable in accordance with statutory language.

TAX REFUND AND FUTURE SAVINGS
Savings from the tax exemption occur in two ways. First, by filing an exemption certificate with the utility provider, the taxpayer no longer incurs the full sales tax charge on their utility invoices, resulting in savings each month into the future. Secondly, a refund may be claimed from the state for the sales tax paid on utility invoices for the last 3 to 4 years.

SPECIALIZED EXPERTISE TO HELP YOU CAPITALIZE
B. Riley has the specialized expertise needed to help eligible clients capitalize on the utility sales tax exemption. Our utility tax specialists manage the entire exemption process for the client, from qualification to refund. The specialists perform the required utility study, collect all relevant documentation to support the exemption claim, communicate with state agencies and utility providers, and ensure the client is fully refunded all overpaid sales tax and properly setup for the exemption on future utility purchases.

In many cases B. Riley works on a contingency-fee basis, meaning the client owes nothing until savings are achieved through the exemption. Unique savings opportunities such as the utility sales tax exemption call for trusted experts with specialized experience. B. Riley has the expertise needed to diligently represent clients and achieve optimal savings through the exemption.
ELIGIBLE STATES

Taxpayers with manufacturing or processing facilities located in the highlighted states below are eligible for the utility sales tax exemption.


*Limited exemption offering

Exemption statutes are significantly different from state to state regarding the taxability of certain utility usage. Additionally, each state is unique in the documentation it requires to support the exemption claim. Properly documenting and designating utility usage is crucial to receive exemption approval.
OUR PROCESS

Complimentary Review
The client’s utility invoices for each location are analyzed to assess eligibility and determine the amount of savings achievable through the exemption. Upon completion of this review, a feasibility analysis is prepared and given to the client.

Utility Study
Specialists perform a detailed analysis of the client’s utility usage at each facility, determining the percentage of utility that qualifies for sales tax exemption. During this study, the usage on each meter is assessed separately.

Refund Filing
A claim for refund of sales tax is submitted to the state for review and approval. B. Riley’s experts communicate directly with the state to answer questions and ensure the client is fully refunded for all sales tax due.

Approval
Upon state approval, the client receives a lump-sum tax refund in the form of a check or credit to their utility accounts. An exemption certificate is filed for each utility meter and the client is no longer charged sales tax on the exempt portion of their usage.

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Kennedy is a trusted expert in advising manufacturing clients across a wide range of industries on utility sales tax matters. He has performed utility studies across the country, represented clients before the state on retrieving refunds of utility sales tax, worked hand in hand with state auditors to resolve disputes, and ultimately helped clients achieve millions in sales tax refunds and future savings.