ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE

CHAPTER 810-6-1
GROSS PROCEEDS OF SALES; GROSS RECEIPTS; WHOLESALE SALES; SALES AT WHOLESALE; RETAIL SALES, SALES AT RETAIL; AUTOMOTIVE VEHICLES

810-6-1-.80 Ingredient Or Component Of Product Manufactured Or Compounded For Sale.

(1) Subject to the qualifications outlined in paragraph (2), tangible personal property which is purchased by a manufactured or compounded and which enters into and becomes an ingredient or component part of the final product manufactured or compounded for sale may be purchased at wholesale, tax free, for both sales and use tax purposes, regardless of whether the property is used with the intent that it becomes an ingredient or component part of the finished product. The burden of proving that such materials do in fact become an ingredient or component part of the finished product must be carried by the manufacturer or compounder. (Sections 40-23-1(a)(9)b and 40-23-60(4)b).

(2) In order to qualify for the wholesale sale exclusion contained in Sections 40-23-1(a)(9)b and 40-23-60(4)b), the tangible personal property purchased by the manufacturer or compounder must be present in the final product and must not be deducted as depreciation or as a Section 179 expense deduction as allowed under Section 40-18-35(a)(17), on the manufacturer's or compounder's Alabama income tax return. (Sections 40-23-1(a)(9)b and 40-23-60(4)b).

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Statutory Authority: Code of Ala. 1975, §§40-2A-7(a)(5), 40-23-31, 40-23-83.
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