

# **MANUFACTURING PROPERTY TAX ADJUSTMENT CREDIT**

REPORT TO THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE

July 1, 2014

Submitted by:  
West Virginia State Tax Department  
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# **MANUFACTURING PROPERTY TAX ADJUSTMENT CREDIT**

This report is submitted to the Joint Committee on Government and Finance pursuant to the provisions of West Virginia Code § 11-13Y-8(a) which requires, in pertinent part, “The Tax Commissioner shall provide to the Joint Committee on Government and Finance by the first day of July, two thousand eleven, and on the first day of July of each year thereafter, a report detailing the amount of credit claimed pursuant to this article. The report is to include the amount of credit claimed against the business franchise tax and the amount of credit claimed against the corporate net income tax.”

The following report is provided in conformity with the above requirement. The report provides details on the Manufacturing Property Tax Adjustment Credit from Corporation Net Income Tax and Business Franchise Tax returns in State Tax Department databases as of May 20, 2014.

## **Description of the Manufacturing Property Tax Adjustment Credit**

Manufacturers, and all other businesses, are subject to both State and local taxes. The local taxes may include tangible personal property taxes on manufacturing inventory other than finished goods inventory destined for export outside the State. The Personal Property Tax paid on manufacturing inventory has been reviewed in recent years. A number of tax reform studies have recommended repeal of manufacturing inventory property taxes. However, the tax on inventory is provided for in the West Virginia Constitution and generally benefits local governments. Thus, any change in the tax on inventory would require a Constitutional Amendment to be ratified by the State’s electorate. In order to provide some tax relief to manufacturers without directly reducing revenue for local governments, the Manufacturing Property Tax Adjustment Credit was enacted as the Manufacturing Property Tax Adjustment Act by Chapter 215, Acts of the Legislature, 2008. As codified in Chapter 11, Article 13Y of the West Virginia Code, eligible taxpayers are allowed a tax credit in an amount equal to the West Virginia Property Tax paid by the taxpayer on the value of manufacturing inventory of the eligible taxpayer during the Corporation Net Income Tax year and Business Franchise Tax year. The credit was effective for Corporation Net Income Tax years and Business Franchise Tax years beginning on or after January 1, 2009. Pertinent definitions relative to the Manufacturing Property Tax Adjustment Credit included in the Statute are as follows:

"Eligible taxpayer" means any manufacturing business that is subject to the tax imposed under article twenty-three [ §§ 11-23-1 et seq.] or twenty-four [ §§ 11-24-1 et seq.] of this chapter, or both: *Provided*, That taxpayers owning property assessed by the Board of Public Works are not eligible taxpayers for purposes of this article. "Eligible taxpayer" also means and includes those members of an affiliated group of taxpayers engaged in a unitary business, in which one or more members of the affiliated group is a person subject to the tax imposed under article twenty-three [ §§ 11-23-1 et seq.] or article

twenty-four [ §§ 11-24-1 et seq.] of this chapter, or both. Affiliates not engaged in the unitary business do not qualify as eligible taxpayers.

"Manufacturing business" means any business primarily engaged in business activity classified as having a sector identifier, consisting of the first two digits of the six-digit North American Industry Classification System code number, of thirty-one, thirty-two or thirty-three that also paid ad valorem property tax on manufacturing inventory to one or more West Virginia counties during the taxable year.

"Manufacturing inventory" means and is limited to raw materials, goods in process and finished goods of a business primarily engaged in business activity classified as having a sector identifier, consisting of the first two digits of the six-digit North American Industry Classification System code number, of thirty-one, thirty-two or thirty-three.

"Tax year" or "taxable year" means the tax year of the taxpayer for federal income tax purposes.

"Taxpayer" means any person subject to the tax imposed under article twenty-three [ §§ 11-23-1 et seq.] or twenty-four [ §§ 11-24-1 et seq.] of this chapter, or both.

## **Manufacturing Property Tax Adjustment Credit Claimed**

Manufacturing Property Tax Adjustment Credit claims by tax type and business type, from Corporation Net Income Tax and Business Franchise Tax<sup>1</sup> returns available for analysis as of May 20, 2014, are shown in the following table and chart.

**Table 1**

### **Manufacturing Property Tax Adjustment Credit Claims by Tax Type and Business Type**

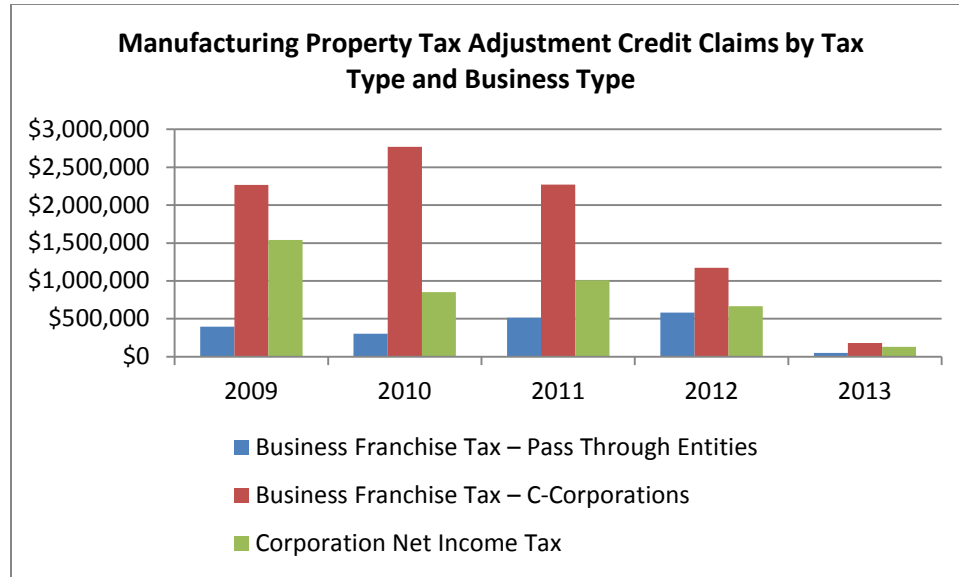
|  | <b>2009</b>        | <b>2010</b>        | <b>2011</b>        | <b>2012</b>        | <b>2013</b>      | <b>Total</b>        |
|--|--------------------|--------------------|--------------------|--------------------|------------------|---------------------|
| Business Franchise Tax – Pass Through Entities | \$395,274          | \$303,132          | \$515,218          | \$580,003          | \$47,302         | \$1,840,929         |
| Business Franchise Tax – C-Corporations        | \$2,267,681        | \$2,771,117        | \$2,271,505        | \$1,172,370        | \$180,997        | \$8,663,670         |
| Corporation Net Income Tax                     | \$1,540,426        | \$850,638          | \$1,008,297        | \$666,691          | \$127,614        | \$4,193,666         |
|  |                    |                    |                    |                    |                  |                     |
| <b>Grand Total</b>                             | <b>\$4,203,381</b> | <b>\$3,924,887</b> | <b>\$3,795,020</b> | <b>\$2,419,064</b> | <b>\$355,913</b> | <b>\$14,698,265</b> |
|  |                    |                    |                    |                    |                  |                     |
| Business Franchise Tax – Sub-total             | \$2,662,955        | \$3,074,249        | \$2,786,723        | \$1,752,373        | \$228,299        | \$10,504,599        |
|  |                    |                    |                    |                    |                  |                     |
| C-Corporation – Sub-total                      | \$3,808,107        | \$3,621,755        | \$3,279,802        | \$1,839,061        | \$308,611        | \$12,857,336        |

Pass-Through Entities include Sub-Chapter S-corporations, partnerships, and other business types treated in a similar manner.

<sup>1</sup> Prior to implementation of the Manufacturing Property Tax Adjustment Credit, the Business Franchise Tax was scheduled for elimination. The schedule for the phase-out of the Business Franchise Tax was as follows:

|   |              |
|---|--------------|
| For taxable years beginning on or after January 1, 2007 | 0.55 percent |
| For taxable years beginning on or after January 1, 2009 | 0.48 percent |
| For taxable years beginning on or after January 1, 2010 | 0.41 percent |
| For taxable years beginning on or after January 1, 2011 | 0.34 percent |
| For taxable years beginning on or after January 1, 2012 | 0.27 percent |
| For taxable years beginning on or after January 1, 2013 | 0.20 percent |
| For taxable years beginning on or after January 1, 2014 | 0.10 percent |
| For taxable years beginning on or after January 1, 2015 | 0.00 percent |

**Figure A**



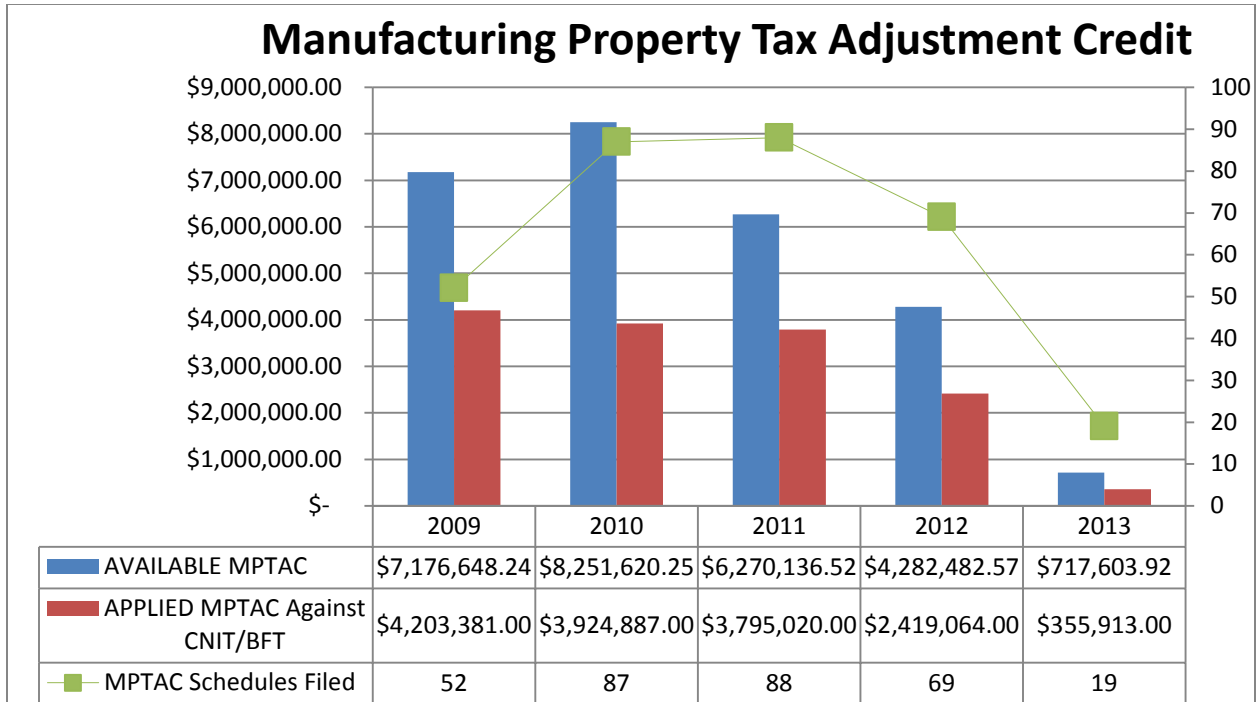
The information on credit claims as shown in Table 1 and Figure A is from returns available for analysis as of May 20, 2013. Although the due dates<sup>2</sup> of tax returns for tax years ending December 31, 2013 were before the analysis cut-off date, many Taxpayers use an automatic 6-month extension before filing final returns with credit claims. Since tax returns can normally be amended through the third year following the original due date, the above numbers are subject to revision. Changes in the claims of the Manufacturing Property Tax Adjustment Credit from the prior report to the above values are shown in Appendix A.

**Manufacturing Property Tax Adjustment Credit Available and Claimed**

As shown in Figure B, the actual amount of credit claimed is less than the available, or potential, credit. One factor in the difference in the amount of credit claimed and the available credit is a Manufacturing Property Tax Adjustment Act requirement that the Manufacturing Property Tax Adjustment Credit is to be claimed after all other available credits. Some Taxpayers were able to reduce their tax liability by the application of other credits such that their remaining tax liability was less than the available Manufacturing Property Tax Adjustment Credit. Other factors include a lack of sufficient State tax liability due to net operating losses, or the temporary use of bonus depreciation to reduce taxable income, or low net equity.

<sup>2</sup> March 15, 2013 for C-corporations and April 15, 2013 for Pass-Through Entities.

**Figure B**



Although tax year 2009, 2010, 2011, and 2012 returns were due more than a year before the data cut-off period for this report (i.e., May 20, 2014), some amended returns will probably be filed. Additionally, since many tax year 2013 taxpayers generally utilize the automatic 6-month extension to file returns, the majority of 2013 returns have not yet been filed or fully processed by the State Tax Department. Thus, the credit claims for all five years (2009, 2010, 2011, 2012, and 2013) may change from the amounts shown above.

## Additional Tax Return Information

The following information is from a computer analysis that only considered tax year 2009, 2010, and 2011 returns, since these are the most complete tax years covered by this report. Also, in the tables below, the following acronyms are used:

PTE – Pass-Through Entity (only Business Franchise Tax)

CIT – C-corporation (Business Franchise Tax and Corporation Net Income Tax)

MPTAC – Manufacturing Property Tax Adjustment Credit

**Table 2**  
**Gross Business Franchise Tax - 2009**

| Return Type | Filer Classification | Return Count | Average Gross Business Franchise Tax | Percentage of Filers Reporting the Minimum Gross Business Franchise Tax | Percentage of Filers Claiming Other Tax Credits |
|-------------|----------------------|--------------|--------------------------------------|---|---|
| PTE         | MPTAC Claimant       | 14           | \$63,717                             | 0.0%  | 78.6%   |
| PTE         | Other Manufacturers  | 1,419        | \$2,821                              | 55.4%   | 3.2%  |
| PTE         | Other Businesses     | 36,828       | \$1,162                              | 64.3%   | 1.4%  |
| PTE         | Sub-Total            | 38,261       | \$1,246                              | 63.9%   | 1.5%  |
| CIT         | MPTAC Claimant       | 33           | \$228,609                            | 6.1%  | 72.7%   |
| CIT         | Other Manufacturers  | 1,752        | \$10,719                             | 38.8%   | 4.3%  |
| CIT         | Other Businesses     | 17,607       | \$5,817                              | 57.0%   | 1.5%  |
| CIT         | Sub-Total            | 19,392       | \$6,639                              | 55.3%   | 1.9%  |

**Table 3**  
**Gross Business Franchise Tax - 2010**

| Return Type | Filer Classification | Return Count | Average Gross Business Franchise Tax | Percentage of Filers Reporting the Minimum Gross Business Franchise Tax | Percentage of Filers Claiming Other Tax Credits |
|-------------|----------------------|--------------|--------------------------------------|---|---|
| PTE         | MPTAC Claimant       | 19           | \$41,555                             | 5.36%   | 73.7%   |
| PTE         | Other Manufacturers  | 1,139        | \$1,407                              | 56.2%   | 2.4%  |
| PTE         | Other Businesses     | 37,907       | \$1,196                              | 65.2%   | 1.5%  |
| PTE         | Sub-Total            | 39,065       | \$1,222                              | 64.9%   | 1.5%  |
| CIT         | MPTAC Claimant       | 59           | \$111,013                            | 6.8%  | 50.0%   |
| CIT         | Other Manufacturers  | 1,365        | \$8,945                              | 41.0%   | 3.0%  |
| CIT         | Other Businesses     | 17,038       | \$6,058                              | 57.2%   | 1.3%  |
| CIT         | Sub-Total            | 18,462       | \$6,607                              | 55.9%   | 1.6%  |

**Table 4**  
**Gross Business Franchise Tax - 2011**

| Return Type | Filer Classification | Return Count | Average Gross Business Franchise Tax | Percentage of Filers Reporting the Minimum Gross Business Franchise Tax | Percentage of Filers Claiming Other Tax Credits |
|-------------|----------------------|--------------|--------------------------------------|---|---|
| PTE         | MPTAC Claimant       | 23           | \$43,442                             | 13.0%   | 73.9%   |
| PTE         | Other Manufacturers  | 1,161        | \$1,466                              | 56.5%   | 2.7%  |
| PTE         | Other Businesses     | 38,635       | \$1,248                              | 65.7%   | 1.5%  |
| PTE         | Sub-Total            | 39,819       | \$1,279                              | 65.4%   | 1.6%  |
| CIT         | MPTAC Claimant       | 60           | \$70,243                             | 8.3%  | 55.0%   |
| CIT         | Other Manufacturers  | 1,284        | \$8,901                              | 42.3%   | 4.0%  |
| CIT         | Other Businesses     | 16,672       | \$5,818                              | 57.6%   | 1.5%  |
| CIT         | Sub-Total            | 18,016       | \$6,252                              | 56.4%   | 1.8%  |

The higher average gross Business Franchise Tax (i.e., tax before credits) for the MPTAC claimant group was expected since Taxpayers assigned to this group had to have a pre-credit tax liability against which the credit could be applied. The requirement that the MPTAC claimants have a pre-credit tax liability also contributed to the large number of filers that claimed other available tax credits. For the Business Franchise Tax, there is a minimum tax of \$50. As indicated in the tables above, the majority of filers reported the minimum tax. The Business Franchise Tax is levied on a Taxpayer's net equity. While a reported minimum tax could indicate a small business or a business with a small West Virginia apportionment factor, it is often that the minimum reported tax is due to negative net equity.

**Table 5**  
**Gross Corporation Net Income Tax - 2009**

| Return Type | Filer Classification | Return Count | Average Gross Corporation Net Income Tax | Percentage of Filers Reporting the Minimum Gross Corporation Net Income Tax | Percentage of Filers Claiming Other Tax Credits |
|-------------|----------------------|--------------|--|---|---|
| CIT         | MPTAC Claimant       | 33           | \$212,525                                | 39.4%   | 15.2%   |
| CIT         | Other Manufacturers  | 1,752        | \$11,610                                 | 64.8%   | 0.8%  |
| CIT         | Other Businesses     | 17,607       | \$5,882                                  | 68.3%   | 0.2%  |
| CIT         | Total                | 19,392       | \$6,751                                  | 67.9%   | 0.3%  |

**Table 6**  
**Gross Corporation Net Income Tax - 2010**

| Return Type | Filer Classification | Return Count | Average Gross Corporation Net Income Tax | Percentage of Filers Reporting the Minimum Gross Corporation Net Income Tax | Percentage of Filers Claiming Other Tax Credits |
|-------------|----------------------|--------------|--|---|---|
| CIT         | MPTAC Claimant       | 59           | \$164,719                                | 44.1%   | 18.6%   |
| CIT         | Other Manufacturers  | 1,365        | \$9,738                                  | 63.3%   | 0.8%  |
| CIT         | Other Businesses     | 17,038       | \$9,425                                  | 66.8%   | 0.2%  |
| CIT         | Total                | 18,462       | \$9,945                                  | 66.5%   | 0.3%  |



**Table 7**  
**Gross Corporation Net Income Tax - 2011**

| Return Type | Filer Classification | Return Count | Average Gross Corporation Net Income Tax | Percentage of Filers Reporting the Minimum Gross Corporation Net Income Tax | Percentage of Filers Claiming Other Tax Credits |
|-------------|----------------------|--------------|--|---|---|
| CIT         | MPTAC Claimant       | 60           | \$526,540                                | 45.0%   | 20.0%   |
| CIT         | Other Manufacturers  | 1,284        | \$17,029                                 | 63.2%   | 0.9%  |
| CIT         | Other Businesses     | 16,672       | \$8,513                                  | 66.8%   | 0.3%  |
| CIT         | Total                | 18,016       | \$10,845                                 | 66.5%   | 0.4%  |

Unlike the Business Franchise Tax, there is no statutory minimum tax for the Corporation Net Income Tax. For purposes of the statistical compilation, the minimum gross Corporation Net Income Tax was deemed to be zero. Although Tables 5, 6, and 7 show that some of the CIT MPTAC claimants reported the minimum gross Corporation Net Income Tax, the claimant classification was based on a claim against the Business Franchise Tax reported on the same return. Notwithstanding that some of the CIT MPTAC claimants had zero tax, the average gross Corporation Net Income Tax for this group is well above the other groups due in large part to the basis for classification. The above tables also show that larger numbers of non-MPTAC Corporation Net Income Tax filers reported the minimum tax (i.e., \$0). As the name of the tax implies, it is a tax on net income. Thus, many of the \$0 gross tax returns are attributable to negative earnings. Some of the negative earnings were attributable to the economic malaise that was the Great Recession and the slow recovery. Also, the tables above show that fewer filers claimed other credits against the Corporation Net Income Tax than for the Business Franchise Tax. While the larger minimum gross tax percentages contribute to lower usage of other credits, many of the tax credits that are available for both the Business Franchise Tax and the Corporation Net Income Tax specify that the first application is against the Business Franchise Tax.

## **Manufacturing Inventory Personal Property Tax**

The basis for the Manufacturing Property Tax Adjustment Credit is the West Virginia Property Tax paid by manufacturers on the value of manufacturing inventory. The formal definition of manufacturing inventory was presented earlier in this report, but is essentially raw materials, goods in process and finished goods of a manufacturer. Based upon information from the West Virginia State Tax Department Property Tax Division, the total potential manufacturing inventory Personal Property Tax would range from roughly \$23.2 million to \$30.0 million (after application of the exemption provided by the Freeport Amendment {see Appendix B for the formal description of the exemption}).

**Table 8**  
**Manufacturing Inventory Personal Property Tax**

| <b>Item</b>                        | <b>Value</b>    | <b>Percentage of Appraised Value</b> |
|------------------------------------|-----------------|--------------------------------------|
| Raw Materials                      | \$962,845,018   | 54.6%                                |
| Goods in Process                   | \$545,784,212   | 31.0%                                |
| Finished Goods                     | \$254,080,137   | 14.4%                                |
| Total Appraised Value of Inventory | \$1,762,709,367 |                                      |
| Assessed Value of Inventory        | \$1,057,625,626 |                                      |
| Estimated Class III Tax            | \$23,200,000    |                                      |
| Estimated Class IV Tax             | \$30,000,000    |                                      |

Formal definitions of all Property Tax classes are presented in Appendix B. In the above table, Class III tax rates would be used for manufacturing inventory located outside municipalities and Class IV tax rates would be used for manufacturing inventory located inside municipalities.

As shown in Table 9 below, five industries account for over 50 percent of the total inventory value (Detail on all manufacturing classifications is presented in Appendix C).

**Table 9**  
**Manufacturing Inventory Appraised Value – Largest Industries**

| <b>NAICS</b> | <b>Description</b>                                | <b>Appraised Value</b> | <b>Percent of Total</b> |
|--------------|---|------------------------|-------------------------|
| 3251         | Basic Chemical Manufacturing                      | \$296,210,297          | 16.8%                   |
| 3254         | Pharmaceutical and Medicine Manufacturing         | \$193,977,115          | 11.0%                   |
| 3311         | Iron and Steel Mills and Ferroalloy Manufacturing | \$187,456,420          | 10.6%                   |
| 3312         | Steel Product Manufacturing from Purchased Steel  | \$119,385,115          | 6.8%                    |
| 3329         | Other Fabricated Metal Product Manufacturing      | \$98,681,855           | 5.6%                    |

Since the Manufacturing Property Tax Adjustment Tax Credit has only been in existence for a short period and the number of claimants is fairly small, summaries of the credit by manufacturing classification have been withheld to avoid the possible disclosure of tax information for individual taxpayers.

In general, the utilization of manufacturing inventory Property Tax as a Manufacturing Property Tax Adjustment Credit is constrained by the Taxpayer's Business Franchise Tax and Corporation Net Income Tax liabilities. While the annual Manufacturing Property Tax Adjustment Credit will increase for most of the tax periods covered by this report, the availability of applicable tax liability against which the credit could apply may essentially limit the claimed credit to an amount less than one-half the Property Tax paid on manufacturing inventory.

## Appendix A

### Manufacturing Property Tax Adjustment Credit Claims by Tax Type and Business Type

\*\*\* From Current Report \*\*\*

|  | 2009               | 2010               | 2011               | 2012               | 2013             | Total               |
|--|--------------------|--------------------|--------------------|--------------------|------------------|---------------------|
| Business Franchise Tax – Pass Through Entities | \$395,274          | \$303,132          | \$515,218          | \$580,003          | \$47,302         | \$1,840,929         |
| Business Franchise Tax – C-Corporations        | \$2,267,681        | \$2,771,117        | \$2,271,505        | \$1,172,370        | \$180,997        | \$8,663,670         |
| Corporation Net Income Tax                     | \$1,540,426        | \$850,638          | \$1,008,297        | \$666,691          | \$127,614        | \$4,193,666         |
| <b>Grand Total</b>                             | <b>\$4,203,381</b> | <b>\$3,924,887</b> | <b>\$3,795,020</b> | <b>\$2,419,064</b> | <b>\$355,913</b> | <b>\$14,698,265</b> |
|  |                    |                    |                    |                    |                  |                     |
| Business Franchise Tax – Sub-total             | \$2,662,955        | \$3,074,249        | \$2,786,723        | \$1,752,373        | \$228,299        | \$10,504,599        |
| C-Corporation – Sub-total                      | \$3,808,107        | \$3,621,755        | \$3,279,802        | \$1,839,061        | \$308,611        | \$12,857,336        |

### Manufacturing Property Tax Adjustment Credit Claims by Tax Type and Business Type

\*\*\* From July 1, 2013 Report \*\*\*

|  | 2009               | 2010               | 2011               | 2012             |  | Total               |
|--|--------------------|--------------------|--------------------|------------------|--|---------------------|
| Business Franchise Tax – Pass Through Entities | \$395,274          | \$244,661          | \$469,726          | \$98,677         |  | \$1,208,338         |
| Business Franchise Tax – C-Corporations        | \$2,289,025        | \$2,720,835        | \$2,052,906        | \$605,782        |  | \$7,668,548         |
| Corporation Net Income Tax                     | \$1,540,426        | \$799,890          | \$819,122          | \$289,098        |  | \$3,448,536         |
| <b>Grand Total</b>                             | <b>\$4,224,725</b> | <b>\$3,765,386</b> | <b>\$3,341,754</b> | <b>\$993,557</b> |  | <b>\$12,325,422</b> |
|  |                    |                    |                    |                  |  |                     |
| Business Franchise Tax – Sub-total             | \$2,684,299        | \$2,965,496        | \$2,522,632        | \$704,459        |  | \$8,876,886         |
| C-Corporation – Sub-total                      | \$3,829,451        | \$3,520,725        | \$2,872,028        | \$894,880        |  | \$11,117,084        |

### Manufacturing Property Tax Adjustment Credit Claims by Tax Type and Business Type

\*\*\* Change from July 1, 2013 Report to Current \*\*\*

|  | 2009             | 2010             | 2011             | 2012               | 2013             | Total              |
|--|------------------|------------------|------------------|--------------------|------------------|--------------------|
| Business Franchise Tax – Pass Through Entities | \$0              | \$58,471         | \$45,492         | \$481,326          | \$47,302         | \$632,591          |
| Business Franchise Tax – C-Corporations        | -\$21,344        | \$50,282         | \$218,599        | \$566,588          | \$180,997        | \$995,122          |
| Corporation Net Income Tax                     | \$0              | \$50,748         | \$189,175        | \$377,593          | \$127,614        | \$745,130          |
| <b>Grand Total</b>                             | <b>-\$21,344</b> | <b>\$159,501</b> | <b>\$453,266</b> | <b>\$1,425,507</b> | <b>\$355,913</b> | <b>\$2,372,843</b> |
|  |                  |                  |                  |                    |                  |                    |
| Business Franchise Tax – Sub-total             | -\$21,344        | \$108,753        | \$264,091        | \$1,047,914        | \$228,299        | \$1,627,713        |
| C-Corporation – Sub-total                      | -\$21,344        | \$101,030        | \$407,774        | \$944,181          | \$308,611        | \$1,740,252        |

## Appendix B

### Property Tax Classes:

Class I - All tangible personal property employed exclusively in agriculture, including horticulture and grazing; all products of agriculture, including livestock, while owned by the producer; all notes, bonds, bills and accounts receivable, stocks and any other intangible personal property.

Class II - All property owned, used and occupied by the owner exclusively for residential purposes; all farms, including land used for horticulture and grazing, occupied and cultivated by their owners or bonafide tenants.

Class III - All real and personal property situated outside municipalities, exclusive of Classes I and II.

Class IV - All real and personal property situated inside municipalities, exclusive of Classes I and II.

### Freeport Amendment:

**West Virginia Constitution §10-1c. Exemption from ad valorem taxation of certain personal property of inventory and warehouse goods, with phase in to full exemption over five-year period.**

Notwithstanding any other provisions of this Constitution, tangible personal property which is moving in interstate commerce through or over the territory of the State of West Virginia, or which was consigned from a point of origin outside the State to a warehouse, public or private, within the State for storage in transit to a final destination outside the State, whether specified when transportation begins or afterward, but in any case specified timely for exempt status determination purposes, shall not be deemed to have acquired a tax situs in West Virginia for purposes of ad valorem taxation and shall be exempt from such taxation, except as otherwise provided in this section. Such property shall not be deprived of such exemption because while in the warehouse the personal property is assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged for delivery out of state, unless such activity results in a new or different product, article, substance or commodity, or one of different utility. Personal property of inventories of natural resources shall not be exempt from ad valorem taxation unless required by paramount federal law.

The exemption allowed by the preceding paragraph shall be phased in over a period of five consecutive assessment years, at the rate of one fifth of the assessed value of the property per assessment year, beginning the first day of July, one thousand nine hundred eighty-seven.

## **Appendix C**

### **Manufacturing Inventory Property Tax by North American Industry Classification System (NAICS) Codes**

# Manufacturing Inventory Property Tax

| NAICS | Description  | Raw Materials | Goods in Process | Finished Goods | Appraised Value of Inventory | Assessed Value | Estimated Class III Tax | Estimated Class IV Tax | Assessed Value Percentage |
|-------|--|---------------|------------------|----------------|------------------------------|----------------|-------------------------|------------------------|---------------------------|
| 3251  | Basic Chemical Manufacturing   | \$171,524,935 | \$89,443,082     | \$35,242,280   | \$296,210,297                | \$177,726,178  | \$3,892,203.00          | \$5,047,423            | 16.8%                     |
| 3254  | Pharmaceutical and Medicine Manufacturing  | \$142,928,046 | \$43,537,945     | \$7,511,124    | \$193,977,115                | \$116,386,269  | \$2,548,859.00          | \$3,305,370            | 11.0%                     |
| 3311  | Iron and Steel Mills and Ferroalloy Manufacturing                                    | \$35,183,847  | \$137,674,280    | \$14,598,293   | \$187,456,420                | \$112,473,852  | \$2,463,177.00          | \$3,194,257            | 10.6%                     |
| 3312  | Steel Product Manufacturing from Purchased Steel                                     | \$33,972,956  | \$66,735,436     | \$18,676,723   | \$119,385,115                | \$71,631,069   | \$1,568,720.00          | \$2,034,322            | 6.8%                      |
| 3329  | Other Fabricated Metal Product Manufacturing   | \$59,780,648  | \$12,406,237     | \$26,494,970   | \$98,681,855                 | \$59,209,113   | \$1,296,680.00          | \$1,681,539            | 5.6%                      |
| 3241  | Petroleum and Coal Products Manufacturing  | \$79,511,915  | \$5,746,624      | \$8,520,339    | \$93,778,878                 | \$56,267,327   | \$1,232,254.00          | \$1,597,992            | 5.3%                      |
| 3313  | Alumina and Aluminum Production and Processing                                       | \$19,741,158  | \$53,645,381     | \$3,413,071    | \$76,799,610                 | \$46,079,766   | \$1,009,147.00          | \$1,308,665            | 4.4%                      |
| 3327  | Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing                | \$24,359,405  | \$11,316,288     | \$17,507,551   | \$53,183,244                 | \$31,909,946   | \$698,828.00            | \$906,242              | 3.0%                      |
| 3335  | Metalworking Machinery Manufacturing   | \$23,988,232  | \$17,396,110     | \$9,012,192    | \$50,396,534                 | \$30,237,920   | \$662,210.00            | \$858,757              | 2.9%                      |
| 3262  | Rubber Product Manufacturing   | \$34,889,185  | \$4,357,278      | \$6,026,559    | \$45,273,022                 | \$27,163,813   | \$594,888.00            | \$771,452              | 2.6%                      |
| 3211  | Sawmills and Wood Preservation   | \$20,256,989  | \$11,362,828     | \$11,228,349   | \$42,848,166                 | \$25,708,900   | \$563,025.00            | \$730,133              | 2.4%                      |
| 3399  | Other Miscellaneous Manufacturing  | \$34,520,610  | \$1,014,995      | \$1,381,981    | \$36,917,586                 | \$22,150,552   | \$485,097.00            | \$629,076              | 2.1%                      |
| 3315  | Foundries  | \$21,495,634  | \$18,874         | \$14,178,125   | \$35,692,633                 | \$21,415,580   | \$469,001.00            | \$608,202              | 2.0%                      |
| 3261  | Plastics Product Manufacturing   | \$24,610,407  | \$3,741,965      | \$7,298,255    | \$35,650,627                 | \$21,390,376   | \$468,449.00            | \$607,487              | 2.0%                      |
| 3271  | Clay Product and Refractory Manufacturing  | \$9,268,548   | \$10,820,665     | \$12,745,247   | \$32,834,460                 | \$19,700,676   | \$431,445.00            | \$559,499              | 1.9%                      |
| 3353  | Electrical Equipment Manufacturing   | \$16,766,434  | \$8,427,485      | \$1,174,623    | \$26,368,542                 | \$15,821,125   | \$346,483.00            | \$449,320              | 1.5%                      |
| 3364  | Aerospace Product and Parts Manufacturing  | \$17,929,361  | \$8,151,540      | \$219,197      | \$26,300,098                 | \$15,780,059   | \$345,583.00            | \$448,154              | 1.5%                      |
| 3279  | Other Nonmetallic Mineral Product Manufacturing                                      | \$21,777,576  | \$1,132,248      | \$527,917      | \$23,437,741                 | \$14,062,645   | \$307,972.00            | \$399,379              | 1.3%                      |
| 3259  | Other Chemical Product and Preparation Manufacturing                                 | \$16,551,914  | \$145,290        | \$4,290,603    | \$20,987,807                 | \$12,592,684   | \$275,780.00            | \$357,632              | 1.2%                      |
| 3359  | Other Electrical Equipment and Component Manufacturing                               | \$12,391,900  | \$3,443,605      | \$4,242,246    | \$20,077,751                 | \$12,046,651   | \$263,822.00            | \$342,125              | 1.1%                      |
| 3219  | Other Wood Product Manufacturing   | \$14,628,355  | \$2,609,342      | \$2,186,724    | \$19,424,421                 | \$11,654,653   | \$255,237.00            | \$330,992              | 1.1%                      |
| 3331  | Agriculture, Construction, and Mining Machinery Manufacturing                        | \$8,379,880   | \$4,358,010      | \$5,472,766    | \$18,210,656                 | \$10,926,394   | \$239,288.00            | \$310,310              | 1.0%                      |
| 3212  | Veneer, Plywood, and Engineered Wood Product Manufacturing                           | \$14,225,409  | \$1,986,640      | \$604,584      | \$16,816,633                 | \$10,089,980   | \$220,971.00            | \$286,555              | 1.0%                      |
| 3333  | Commercial and Service Industry Machinery Manufacturing                              | \$11,648,480  | \$1,886,073      | \$286,672      | \$13,821,225                 | \$8,292,735    | \$181,611.00            | \$235,514              | 0.8%                      |
| 3273  | Cement and Concrete Product Manufacturing  | \$1,515,921   | \$8,945,645      | \$2,867,530    | \$13,329,096                 | \$7,997,458    | \$175,144.00            | \$227,128              | 0.8%                      |
| 3363  | Motor Vehicle Parts Manufacturing  | \$7,891,347   | \$3,022,409      | \$958,032      | \$11,871,788                 | \$7,123,073    | \$155,995.00            | \$202,295              | 0.7%                      |
| 3339  | Other General Purpose Machinery Manufacturing  | \$1,435,404   | \$4,445,509      | \$5,144,796    | \$11,025,709                 | \$6,615,425    | \$144,878.00            | \$187,878              | 0.6%                      |
| 3222  | Converted Paper Product Manufacturing  | \$7,938,906   | \$1,421,349      | \$1,007,166    | \$10,367,421                 | \$6,220,453    | \$136,228.00            | \$176,661              | 0.6%                      |
| 3275  | Nonmetallic Mineral Product Manufacturing  | \$3,596,612   | \$492,105        | \$5,551,994    | \$9,640,711                  | \$5,784,427    | \$126,679.00            | \$164,278              | 0.5%                      |
| 3362  | Motor Vehicle Body and Trailer Manufacturing   | \$0           | \$0              | \$9,277,402    | \$9,277,402                  | \$5,566,441    | \$121,905.00            | \$158,087              | 0.5%                      |
| 3344  | Semiconductor and Other Electronic Component Manufacturing                           | \$3,981,452   | \$4,621,703      | \$625,708      | \$9,228,863                  | \$5,537,318    | \$121,267.00            | \$157,260              | 0.5%                      |
| 3255  | Paint, Coating, and Adhesive Manufacturing   | \$8,282,203   | \$151,360        | \$774,662      | \$9,208,225                  | \$5,524,935    | \$120,996.00            | \$156,908              | 0.5%                      |
| 3116  | Animal Slaughtering and Processing   | \$2,496,573   | \$6,222,841      | \$322,357      | \$9,041,771                  | \$5,425,063    | \$118,809.00            | \$154,072              | 0.5%                      |
| 3252  | Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing | \$7,118,555   | \$295,704        | \$565,384      | \$7,979,643                  | \$4,787,786    | \$104,853.00            | \$135,973              | 0.5%                      |
| 3231  | Printing and Related Support Activities  | \$5,837,950   | \$885,970        | \$1,008,616    | \$7,732,536                  | \$4,639,522    | \$101,606.00            | \$131,762              | 0.4%                      |
| 3122  | Tobacco Manufacturing  | \$4,298,319   | \$3,184,245      | \$141,192      | \$7,623,756                  | \$4,574,254    | \$100,176.00            | \$129,909              | 0.4%                      |
| 3221  | Pulp, Paper, and Paperboard Mills  | \$4,269,804   | \$366,523        | \$1,801,501    | \$6,437,828                  | \$3,862,697    | \$84,593.00             | \$109,701              | 0.4%                      |
| 3328  | Coating, Engraving, Heat Treating, and Allied Activities                             | \$4,194,985   | \$1,489,319      | \$21,458       | \$5,705,762                  | \$3,423,457    | \$74,974.00             | \$97,226               | 0.3%                      |
| 3323  | Architectural and Structural Metals Manufacturing                                    | \$3,546,197   | \$825,926        | \$1,300,718    | \$5,672,841                  | \$3,403,705    | \$74,541.00             | \$96,665               | 0.3%                      |
| 3159  | Apparel Accessories and Other Apparel Manufacturing                                  | \$4,112,769   | \$529,334        | \$203,812      | \$4,845,915                  | \$2,907,549    | \$63,675.00             | \$82,574               | 0.3%                      |
| 3332  | Industrial Machinery Manufacturing   | \$2,765,396   | \$370,773        | \$877,229      | \$4,013,398                  | \$2,408,039    | \$52,736.00             | \$68,388               | 0.2%                      |
| 3272  | Glass and Glass Product Manufacturing  | \$2,167,431   | \$633,631        | \$1,048,711    | \$3,849,773                  | \$2,309,864    | \$50,586.00             | \$65,600               | 0.2%                      |
| 3336  | Engine, Turbine, and Power Transmission Equipment Manufacturing                      | \$1,453,074   | \$1,845,398      | \$409,768      | \$3,708,240                  | \$2,224,944    | \$48,726.00             | \$63,188               | 0.2%                      |
| 3371  | Household and Institutional Furniture and Kitchen Cabinet Manufacturing              | \$1,084,963   | \$2,079,259      | \$409,681      | \$3,573,903                  | \$2,144,342    | \$46,961.00             | \$60,899               | 0.2%                      |
| 3131  | Fiber, Yarn, and Thread Mills  | \$2,862,530   | \$565,364        | \$3,749        | \$3,431,643                  | \$2,058,986    | \$45,092.00             | \$58,475               | 0.2%                      |
| 3391  | Medical Equipment and Supplies Manufacturing   | \$2,926,693   | \$0              | \$19,775       | \$2,946,468                  | \$1,767,881    | \$38,717.00             | \$50,208               | 0.2%                      |
| 3119  | Other Food Manufacturing   | \$1,358,469   | \$0              | \$1,335,266    | \$2,693,735                  | \$1,616,241    | \$35,396.00             | \$45,901               | 0.2%                      |
| 3274  | Lime and Gypsum Product Manufacturing  | \$0           | \$0              | \$2,534,991    | \$2,534,991                  | \$1,520,995    | \$33,310.00             | \$43,196               | 0.1%                      |
| 3114  | Fruit and Vegetable Preserving and Specialty Food Manufacturing                      | \$2,475,018   | \$0              | \$26,375       | \$2,501,393                  | \$1,500,836    | \$32,868.00             | \$42,624               | 0.1%                      |
| 3321  | Forging and Stamping   | \$1,233,140   | \$717,216        | \$274,064      | \$2,224,420                  | \$1,334,652    | \$29,229.00             | \$37,904               | 0.1%                      |
| 3379  | Other Furniture Related Product Manufacturing  | \$1,043,115   | \$785,622        | \$197,477      | \$2,026,214                  | \$1,215,728    | \$26,624.00             | \$34,527               | 0.1%                      |
| 3346  | Manufacturing and Reproducing Magnetic and Optical Media                             | \$766,842     | \$199,908        | \$165,901      | \$1,132,651                  | \$679,591      | \$14,883.00             | \$19,300               | 0.1%                      |
| 3111  | Animal Food Manufacturing  | \$0           | \$0              | \$1,009,966    | \$1,009,966                  | \$605,980      | \$13,271.00             | \$17,210               | 0.1%                      |

# Manufacturing Inventory Property Tax

| NAICS | Description  | Raw Materials        | Goods in Process     | Finished Goods       | Appraised Value of Inventory | Assessed Value         | Estimated Class III Tax | Estimated Class IV Tax | Assessed Value Percentage |
|-------|--|----------------------|----------------------|----------------------|------------------------------|------------------------|-------------------------|------------------------|---------------------------|
| 3115  | Dairy Product Manufacturing  | \$534,083            | \$0                  | \$342,385            | \$876,468                    | \$525,881              | \$11,517.00             | \$14,935               | 0.0%                      |
| 3345  | Navigational, Measuring, Electromedical, and Control Instruments Manufacturing               | \$1,808              | \$0                  | \$608,570            | \$610,378                    | \$366,227              | \$8,020.00              | \$10,401               | 0.0%                      |
| 3118  | Bakeries and Tortilla Manufacturing  | \$548,356            | \$0                  | \$2,394              | \$550,750                    | \$330,450              | \$7,237.00              | \$9,385                | 0.0%                      |
| 3149  | Other Textile Product Mills  | \$385,723            | \$157,425            | \$0                  | \$543,148                    | \$325,889              | \$7,137.00              | \$9,255                | 0.0%                      |
| 3152  | Cut and Sew Apparel Manufacturing  | \$340                | \$3,352              | \$396,845            | \$400,537                    | \$240,322              | \$5,263.00              | \$6,825                | 0.0%                      |
| 3121  | Beverage Manufacturing   | \$313,337            | \$0                  | \$0                  | \$313,337                    | \$188,002              | \$4,117.00              | \$5,339                | 0.0%                      |
| 3210  | Wood Product Manufacturing   | \$0                  | \$164,459            | \$0                  | \$164,459                    | \$98,675               | \$2,161.00              | \$2,802                | 0.0%                      |
| 3334  | Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing | \$50,000             | \$0                  | \$0                  | \$50,000                     | \$30,000               | \$657.00                | \$852                  | 0.0%                      |
| 3324  | Boiler, Tank, and Shipping Container Manufacturing   | \$22,054             | \$2,000              | \$1                  | \$24,055                     | \$14,433               | \$316.00                | \$410                  | 0.0%                      |
| 3169  | Other Leather and Allied Product Manufacturing   | \$3,825              | \$1,642              | \$4,270              | \$9,737                      | \$5,842                | \$128.00                | \$166                  | 0.0%                      |
|       | <b>Total</b>   | <b>\$962,845,018</b> | <b>\$545,784,212</b> | <b>\$254,080,137</b> | <b>\$1,762,709,367</b>       | <b>\$1,057,625,626</b> | <b>\$23,162,001</b>     | <b>\$30,036,564</b>    | <b>100.0%</b>             |
|       | % of Appraised Value   | 54.6%                | 31.0%                | 14.4%                |                              |                        |                         |                        |                           |