

Texas Comptroller of Public Accounts STAR System

8108L0359A06

August 13, 1981

Dear *****;

Thank you for your letter of August 3, 1981, regarding the taxability of materials used in the Research and Development of Solar Energy Devices.

The purchase of any material which will become a component part of a solar energy device, as defined in Rule .065 enclosed, or the purchase of any solar energy device used in research and development will be exempt.

The purchase of any material which is used in research and development but which will not be used in the construction of a solar energy device will be taxable.

If your division is also the manufacturer of solar energy devices, there are various exemptions you may take advantage of per Rule .020 (enclosed, for example, any item which is consumed during the manufacturing process or is necessary and essential to the manufacturing process can be purchased tax-free. Research and development is a process which occurs apart from the actual manufacturing process of the product. Therefore, materials purchased to perform research and development which do not become component parts of a solar energy device are taxable because they are not consumed during the manufacturing process.

I have enclosed various rules which pertain to manufacturers' exemptions for your information. If you should have additional facts in the above situation, you may request an updated opinion. If you should have further questions, please feel free to write me or call at 1/800/252-5555.

Sincerely,

George Aguirre
Sales Tax Division

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