

2. use or incorporate the tangible personal property in a production activity as a material or part of other tangible personal property to be produced for sale;

3. consume the tangible personal property directly and predominantly in a production activity by "destroying, using up, or wearing out" the property, other than through obsolescence, to the extent that the property cannot be rendered fit for further use in a production activity, if the consumption occurs within 1 year after the property is first used in a production activity; or

4. transfer the tangible personal property as part of a taxable service transaction; or

(iii) an exercise of a right or power over a taxable service acquired by a sale for use if the buyer intends to resell the taxable service in the form that the buyer receives or is to receive the service.

11-210.

(b) The sales and use tax does not apply to a sale of:

(1) machinery or equipment, a replacement part of machinery or equipment, or a service for the assembly or fabrication of machinery or equipment or replacement part that:

(i) is capitalized to claim depreciation, using acceptable and consistent accounting standards;

(ii) is not used in administration, management, sales, or any other nonoperational activity;

(iii) at any stage of operation from the handling of raw material or components on the production activity site to the time the product is ready for delivery or storage, is used:

1. in a production activity; or

2. for research and development, as defined in § 11-217 of this

subtitle; and

(iv) except for a foundation to support other machinery or equipment or for an item required to conform to an air or water pollution law and normally considered part of real property, is not installed so that it becomes real property; or

(2) a melting, smelting, heating, or annealing coke oven, aluminum furnace, anode bake oven, electrolytic pot, cathode, refractory, or other material used in relining and rebuilding a furnace or oven.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 1993.

Approved May 27, 1993.