

(IV) STORING THE FINISHED PRODUCT.(f) (3) "Retail sale" does not include:(ii) a sale of tangible personal property if the buyer intends to:

1. resell the tangible personal property in the form that the buyer receives or is to receive the property;

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; OR

[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.] 3. transfer the tangible personal property as a part of a taxable service transaction; or

(l) (3) "Use" does not include:

(ii) an exercise of a right or power over tangible personal property acquired by a sale for use if the buyer intends to:

1. resell the tangible personal property in the form that the buyer receives or is to receive the property;

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; OR

[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.] 3. transfer the tangible personal property as part of a taxable service transaction; or

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(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) 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 predominantly in a production activity; and