

June 13, 2012

NOTICE

RE: PRIVATE TAXPAYER RULING LR07-002

Pursuant to Arizona Revised Statutes (A.R.S.) § 42-2101(C), the Department of Revenue is hereby giving notice of modification of private taxpayer ruling LR07-002 issued April 13, 2007.

The following Schedule C, which corresponds to the numbering system and item description found in LR07-002, Exhibit A, provides the modified taxable or exempt status for the reconsidered items.

While the previous determinations of exemption from tax for the items listed in Schedule C below are valid from the date of issuance of LR07-002 (April 13, 2007) until the above date, any future purchases of the previously exempt items are subject to tax as of the receipt of this modification. For the wire and conduit that is directly attached to exempt equipment,¹ that LR07-002 found to be taxable and is now determined to be exempt from tax, a refund claim may be filed by the prime contractor for those tax periods still open pursuant to A.R.S. §§ 42-1118 and 42-1104.

Schedule C:

Ref.	ITEM	Function as stated in LR07-002 Exhibit A	Determination LR07-002	Revised Determination
	1. Screenings and Influent Pumping			
1.7	Concrete tanks and channels	Contains process fluids	Exempt	Taxable
1.26	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
1.27	Concrete for process ductbanks	Protection	Exempt	Taxable
1.28	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
	2. Grit Removal Process			
2.7	Concrete tanks and channels	Contains process fluids	Exempt	Taxable
2.95	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹

Ref.	ITEM	Function as stated in LR07-002 Exhibit A	Determination LR07-002	Revised Determination
	3. Primary Clarification Process			
3.8	Concrete tanks and channels	Contains process fluids	Exempt	Taxable
3.99	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
3.99A	Concrete for process ductbanks	Protection	Exempt	Taxable
3.99B	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
	4. Biological Treatment Process			
4.8	Concrete tanks and channels	Contains process fluids	Exempt	Taxable
4.98	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
4.99	Concrete for process ductbanks	Protection	Exempt	Taxable
4.99A	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
	5. Secondary Clarification Process			
5.6	Concrete tanks and channels	Contains process fluids	Exempt	Taxable
5.93	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
5.94	Concrete for process ductbanks	Protection	Exempt	Taxable
5.95	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
	6. Final Filtration Process			
6.7	Concrete tanks and channels	Contains process fluids	Exempt	Taxable
6.96	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
6.97	Concrete for process ductbanks	Protection	Exempt	Taxable
6.98	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹

Ref.	ITEM	Function as stated in LR07-002 Exhibit A	Determination LR07-002	Revised Determination
	7. Disinfection Process			
7.2	Concrete tanks and channels	Contains process liquids	Exempt	Taxable
7.5	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
7.6	Concrete for process ductbanks	Protection	Exempt	Taxable
7.7	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
	8. Reclaimed Water Pumping Facilities			
8.5	Concrete tanks and channels	Contains process liquids	Exempt	Taxable
8.92	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
8.95	Concrete for process ductbanks	Protection	Exempt	Taxable
8.96	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
	9. Solids Treatment Process			
9.8	Concrete tanks and channels	Contains process liquids	Exempt	Taxable
9.91	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
9.98	Concrete for process ductbanks	Protection	Exempt	Taxable
9.99	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
	10. Sludge Dewatering and Loadout Facility			
10.85	Concrete tanks and channels	Contains process liquids	Exempt	Taxable
10.97	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
10.98	Concrete for process ductbanks	Protection	Exempt	Taxable
10.99	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
10.99G	Concrete Containment Structure	Contains process chemicals	Exempt	Taxable

Ref.	ITEM	Function as stated in LR07-002 Exhibit A	Determination LR07-002	Revised Determination
	12. Southeast Water Reclamation Plant (SEWRP) Modifications			
12.8	Concrete tanks and channels	Contains process liquids	Exempt	Taxable
12.95	480v/120v Local Power Distribution Panels and Transformers	Provides power to process equipment	Panels: Exempt Transformers: Taxable	All Taxable
12.96	Concrete for process ductbanks	Protection	Exempt	Taxable
12.97	Wire and Conduit feeding process equipment	Provides power to process equipment	Taxable	Exempt ¹
	13. Treatment Site / All Areas			
13.3	Coatings on exempt equipment, piping, and concrete	Protection from the process	Exempt if used for septic tanks, piping, and lift station wet wells. Otherwise, non-exempt	All Taxable

1. “Wire and conduit feeding process equipment” for machinery and equipment which qualifies for exemption under A.R.S. §§ 42-5061(B)(1) or 42-5159(B)(1), includes power wiring and associated electrical conduit to the exempt equipment. This category only applies to electrical wiring and conduit that serves as the power cord and “plug” to the electrical power source. It does not include any wiring, electrical power equipment, or other equipment beyond what serves as the plug to the electrical power source, or power distribution panels or transformers.



PRIVATE TAXPAYER RULING LR07-002

Janet Napolitano
Governor

Gale Garrriott
Director

April 13, 2007

This private taxpayer ruling is in response to your letters dated October 13, 2004; April 29, 2005; March 13, 2006; and June 19, 2006 in which you requested a private taxpayer ruling on behalf of your company, ... (hereinafter referred to as "Taxpayer"). You request a ruling concerning whether Taxpayer is subject to transaction privilege tax under the prime contracting classification when it provides certain machinery or equipment in the construction of a municipal wastewater treatment facility. Pursuant to Arizona Revised Statutes (A.R.S.) § 42-2101, the Department may issue private taxpayer rulings to taxpayers and potential taxpayers on request.

Statement of Facts:

Your October 13, 2004 letter, as modified by your March 13, 2006 letter, presents the facts relating to Taxpayer's construction of this facility as follows:

The ... is a municipal wastewater treatment facility that will receive wastewater from the City of ... and Towns of ... and produce reclaimed water (product) that will be used for irrigation and recharge into the groundwater. The ... will consist of ten major processes; (1) Screening and Influent Pumping, (2) Grit Removal, (3) Primary Clarification, (4) Biological Treatment, (5) Secondary Clarification, (6) Final Filtration, (7) Disinfection, (8) Reclaimed Water Pumping, (9) Solids Treatment, and (10) Sludge Dewatering and Load out. The first eight processes (liquid treatment) will remove solids and biological contaminants from the incoming wastewater. The last two processes (solids treatment) will stabilize the biosolids generated by the liquids treatment processes and reduce the water content for disposal off-site. The ... will receive 69 kv electrical power from the ... system. This will be reduced to 15 kv for distribution to the various processes listed above. Therefore, Primary Switchgear and Controls will be provided to distribute and control power to the various processes listed above (area 11).

Biosolids from ... (area 12) will also be pumped through an existing force main to ... for treatment and disposal. This will require modifications to the existing facilities at the ... and the addition of grit removal, storage and pumping facilities. Area 13 [includes] all areas covering the whole treatment site.

Following is a summary spreadsheet of each process area. Also included is a list of tax-exempt machinery and equipment included in each process. [This list is attached to the ruling as Exhibit A].

Your March 13, 2006 letter also provides information detailing what portion of the electrical equipment is included within this request and what portion is not:

Calculations for Electrical Calculations indicating what percentage of the Electrical Equipment, Wire, Conduit, etc is directly attributed to the operation of the Process Equipment are attached [...]. The Summary page shows that the Electrical Tax Exempt Wide Percentage [i]s 92.8%.

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Your June 19, 2006 letter further clarifies the function of some of the equipment by stating:

Stamford baffles prevent short circuiting of the process flow through the settling basin to maintain the efficiency of the settling in the basins.

Scum baffles work in conjunction with the clarifiers to prevent floatable materials such as grease from being carried over the weirs to the next part of the process.

Conduit provides a raceway for the electrical wire and is an integral part of the power system. It [is] required for the power wiring by Local Building Codes and the National Electrical Code.

The Casework in which the exemption is being requested for refers to Metal Laboratory Casework and related components. Metal Laboratory Casework includes specialty base cabinets, sinks, spacers, aprons, legs, end panels, wall cabinets, full height storage cabinets, and acid resistant counter tops.

The coating on exempt equipment is used to protect the equipment from corrosion and oxidation.

We are only seeking the exemptions for that portion of the equipment that is used in processing.

The amount of time that the biosolids are stored in the Dewatered sludge [hoppers] depends on the makeup and amount of the influent to the plant. Generally for this size plant, it will be stored on average for a few days.

Biosolids are conveyed to the dewatered sludge hoppers from the dewatering centrifuges via the screw conveyors in the Solids Building. The dewatered sludge hoppers are a steel and stainless steel piece of equipment with augers located above the truck scale in the Solids Building. When a truck pulls onto the truck scale, gates on the bottom of the dewatered sludge hoppers are opened and biosolids fall into the truck, with the addition of augers that move the sludge inside the dewatered sludge hoppers to the open gate locations to fall into the truck.

Issue:

Whether Taxpayer is subject to transaction privilege tax under the prime contracting classification on the gross proceeds of sales or gross income attributable to the sale of the items of machinery and equipment listed in Exhibit A?

Your Position:

Taxpayer does not articulate a position. However, the Department understands Taxpayer's position to be that Taxpayer is not subject to transaction privilege tax under the prime contracting classification pursuant to A.R.S. § 42-5075(B)(9) on the gross income attributable to the sale of machinery and equipment listed in Exhibit A. Taxpayer claims that each item of equipment listed in Exhibit A is exempt from transaction privilege tax under A.R.S. § 42-5061(B).

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Discussion:

Exhibit A, *Treatment Process and Tax Exempt Equipment Summary*, is incorporated herein by reference and shall be taken as part of this private taxpayer ruling.

Taxpayer is in the business of contracting and does not dispute that they are a prime contractor for purposes of A.R.S. § 42-5075. Unless otherwise exempt under the prime contracting classification, Taxpayer's gross proceeds from its contract with ... to construct ... and modify ... are subject to transaction privilege tax.

A.R.S. § 42-5075(B)(9) exempts from transaction privilege tax under the prime contracting classification "[t]he gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from transaction privilege tax under...[s]ection 42-5061(B)." Taxpayer claims that all of the property mentioned in the statement of facts falls under one or more of 3 different exemptions found in A.R.S. § 42-5061(B), specifically: (1) A.R.S. § 42-5061(B)(1) applicable to sales of machinery or equipment used directly in manufacturing or processing operations; (2) A.R.S. § 42-5061(B)(6) applicable to sales of piping or valves four inches in diameter or larger used to transport water; and (3) A.R.S. § 42-5061(B)(19) applicable to sales of machinery or equipment used for pollution control purposes.

A.R.S. § 42-5061(B)(1):

For A.R.S. § 42-5061(B)(1) to apply, the items purchased must be: (1) machinery or equipment; (2) directly used in manufacturing, processing, fabricating, job printing, refining or metallurgical operations; and (3) commonly understood to be such an operation. The Arizona Administrative Code (A.A.C.) and Arizona state case law have helped to interpret this exemption.

In considering what constitutes machinery or equipment, the Arizona Supreme Court in *State ex rel. Ariz. Dep't of Revenue v. Capitol Castings, Inc.*, 207 Ariz. 445, 88 P.3d 159 (2004), stated that "a court must apply flexible and commonly used definitions of machinery and equipment within the relevant industry." P.3d at 164. The court reasoned that a broader definition of equipment would better serve legislative intent rather than using accounting terminology used for balance sheets and income statements. *Id.* at 165. Most of the items listed in Exhibit A qualify as machinery or equipment under the broad definitions adopted by the Arizona Supreme Court.

The key component of this exemption is that the machinery or equipment be directly used in manufacturing, processing, or one of the other delineated operations, as those operations are commonly understood. A.R.S. § 42-5061(B)(1). A.A.C. R15-5-120 provides that, "[m]achinery or equipment used in manufacturing or processing includes machinery or equipment that constitutes the entire primary manufacturing or processing operation from the initial stage where the actual processing begins through the completion of the finished

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end product, processing, finishing, or packaging of articles of commerce.” A.A.C. R15-5-120.

In interpreting the equivalent use tax exemption in A.R.S. § 42-5159(B)(1), the Arizona Supreme Court reaffirmed use of the “ultimate function” test used to determine if an item of equipment is used directly in a processing operation. *Capitol Castings*, 207 Ariz. 445, 88 P.3d at 165; *Duval Sierrita Corp. v. Ariz. Dep’t of Revenue*, 116 Ariz. 200, 568 P.2d 1098 (App. 1977). Under this test, “a court should examine the nature of an item and its role in the operations. Items essential or necessary to the completion of the finished product are more likely to be exempt.” *Capitol Castings*, 88 P.3d at 165. If an item is already placed in service, the test requires one to look at the item’s role in “maintaining a harmonious ‘integrated synchronized system.’” *Id.* The Arizona Supreme Court goes on to interpret this test by stating:

The closer the nexus between the item at issue and the process of converting raw materials into finished products, the more likely the item will be exempt. As part of its analysis, the court should consider whether an item physically touches the raw materials or work in process, whether the item manipulates or affects the raw materials or work in process, or whether the item adds value to the raw materials or work in process as opposed to simply reducing costs or relating to post-production activities. *Capitol Castings*, 88 P.3d at 165.

This test places emphasis on the role that each item of equipment plays in creating the finished product. Of the different items of equipment that Taxpayer claims is exempt under this provision, most meet the ultimate function test and integrated synchronized system analysis. Those that are used solely for storage, protection, transportation, power distribution¹, post-production, or pollution control purposes do not meet the ultimate function test or the integrated synchronized system analysis (although most of the pollution control items are exempt under A.R.S. § 42-5061(B)(19) as discussed below). For example, some of these items include: inclined screw conveyors; 15 kv electrical switchgear, transformers, and controls for power distribution; 480v/120v local power distribution transformers; 5 kv power distribution; conduit process feeding equipment; concrete tanks and channels; concrete for process ductbanks; and process piping and valves used to convey non-water liquids in the process. Items used in the reclaimed water pumping facilities would also not be exempt under A.R.S. § 42-5061(B)(1) because the wastewater is fully processed prior to reaching these facilities. These kinds of equipment do not manipulate or add value to the finished end product and serve functions that are ancillary to production of the end product².

¹ Please note that while the local power distribution transformers would not qualify as exempt under either A.R.S. § 42-5061(B)(1) or (B)(19), the Department considers the local power distribution panels to be exempt from transaction privilege tax to the extent that they are traceable to exempt machinery and equipment.

² Other items listed in Exhibit A clearly do not meet the ultimate function test. However, Taxpayer does not claim that these items are exempt under A.R.S. § 42-5061(B)(1). Examples of such items include: 480v and 5 kv stand-by

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A.R.S. § 42-5061(B)(6):

This provision exempts from transaction privilege tax under the retail classification, sales of “[p]ipes or valves four inches in diameter or larger used to transport oil, natural gas, artificial gas, water or coal slurry.” A.R.S. § 42-5061(B)(6). This exemption also applies to “compressor units, regulators, machinery and equipment, fittings, seals and any other part that is used in operating the pipes or valves.” A.R.S. § 42-5061(B)(6).

Arizona Transaction Privilege Tax Ruling (TPR) 02-2 explains that piping or valves four inches in diameter or larger used to transport sewage do not qualify for this exemption. This is because the ordinary meaning of the term “sewage” is not compatible with the ordinary meaning of the term “water.” Similarly, even though water may be used to transport sewage, the purpose of the pipe must be to transport water itself and not sewage.

Because Taxpayer is building a wastewater treatment plant, there will undoubtedly be pipe that transports sewage and other liquids and pipe that transports water, once it has been reclaimed. TPR 02-2 provides clear guidance on this issue and Taxpayer can only use this exemption for pipes four inches or greater in diameter that are used to transport water, and not sewage or process chemicals.

A.R.S. § 42-5061(B)(19):

There are three requirements for this exemption. It applies to sales of: (1) machinery or equipment, including related structural components; (2) employed in connection with manufacturing, processing, fabricating, producing or transmitting electricity, or research and development; and (3) used directly to meet or exceed rules or regulations adopted by the Federal Energy Regulatory Commission, the United States Environmental Protection Agency, the United States Nuclear Regulatory Commission, the Arizona Department of Environmental Quality or a political subdivision of this state to prevent, monitor, control or reduce land, water or air pollution³.

generators and control systems; foul air scrubbers; the headworks structure; the boiler system; and the sample pumps to name just a few.

³ This exemption is distinct from the income tax credits for pollution control equipment in A.R.S. §§ 43-1081 and 43-1170, and the positions taken in this ruling cannot be construed to apply to these income tax credits. The legislative intent behind A.R.S. § 42-5061(B)(19) is distinct from the legislative intent of A.R.S. §§ 43-1081 and 43-1170. A.R.S. § 42-5061(B)(19) was added in 1998, 4 years after the creation of A.R.S. §§ 43-1081 and 43-1070. It was intended to codify what the legislature at the time perceived as the historical interpretation of A.R.S. § 42-5061(B)(1) and the holding in *Duval Sierrita Corp. v. Ariz. Dep’t of Revenue*, 116 Ariz. 200, 568 P.2d 1098 (App. 1977). A.R.S. § 42-5061(B)(19) is intended to cover “environmental protection equipment that is essential to the operations of the business and part of an integrated system.” *Final Revised Fact Sheet for S.B. 1253*, Forty-third Legislature – 2nd Reg. Sess., at 2-3 (Az. 1998).

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Most of the items mentioned in the statement of facts and Exhibit A, for which this exemption is sought, are machinery or equipment and are employed in connection with one of the statutorily listed activities. Most are used directly⁴ to meet or exceed rules or regulations adopted by one of the above mentioned agencies or a political subdivision of this state to prevent, monitor, control or reduce, water or air pollution. However, Taxpayer has not demonstrated how the following items are used to meet or exceed applicable environmental regulations: conduit process feeding equipment⁵; 15 kv electrical switchgear, transformers, and controls for power distribution; 480v/120v local power distribution transformers⁶; 5 kv power distribution; vertical turbine effluent pumps; non-potable water vertical turbine pumps; the hydropneumatic system; the variable frequency drives used in the reclaimed water pumping facilities; the motor control centers – 480v used in the reclaimed water pumping facilities; truck scales; inclined screw conveyors; dewatered sludge conveyors; classifying conveyors; hopper loading screw conveyors; decomposed granite inside plant walls; asphalt roads inside the plant; and coating on exempt equipment.⁷ Taxpayer did not show how the function of these specific items within the wastewater treatment process relates to applicable environmental standards imposed in the permits or regulations.

Conclusion and Ruling:

The Department rules that all of the equipment items listed in the table in Exhibit A from Taxpayer's letter of March 13, 2006 are exempt from transaction privilege tax when sold, except the following: (1) wire and conduit process feeding equipment; (2) 15kv electrical switchgear, transformers, and controls for power distribution; (3) 480v/120v local power distribution transformers⁸; (4) 5kv power distribution; (5) vertical turbine effluent pumps; (6) non-potable water vertical turbine pumps; (7) the hydropneumatic system; (8) the variable frequency drives for control of process equipment in item 8.93; (9) the motor control centers – 480 v in item 8.94; (10) inclined screw conveyors; (11) dewatered sludge conveyors; (12) classifying screw conveyors; (13) hopper loading screw conveyors; (14) truck scales; (15) decomposed granite inside plant walls; (16) asphalt roads inside plant; and (17) coating on exempt equipment other than septic tanks, piping, and lift station wet wells. Except for items (8) and (9), the above list of non-exempt equipment includes all

⁴ Used directly for purposes of this exemption implies that the primary purpose of this equipment is to meet the applicable environmental regulations.

⁵ Assuming that Taxpayer is correct in stating that this equipment is required by local building codes and the National Electrical Code, this equipment still does not qualify under A.R.S. § 42-5061(B)(19) because those regulations are not designed to prevent, monitor, reduce, or control pollution.

⁶ See comment in footnote 1.

⁷ Coating on certain equipment is required under applicable environmental regulations and would therefore be used directly in meeting environmental regulations to prevent pollution. This includes coating on: septic tanks, piping, and lift station wet wells.

⁸ See comment in footnote 1.

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of those items used in the entire wastewater treatment facility if the item is used in more than one process. Those items that are exempt may not necessarily be exempt under all of the exemptions that are sought for the item.

Power supply and control equipment used in this wastewater treatment facility is only tax-exempt to the extent that it is traceable to the use of tax-exempt machinery or equipment. To the extent that the use of power supply and control equipment is not traceable to tax-exempt machinery or equipment, it is subject to transaction privilege tax.

The conclusions in this private taxpayer ruling do not extend beyond the facts presented in your correspondence dated October 13, 2004; April 29, 2005; March 13, 2006; and June 19, 2006.

This response is a private taxpayer ruling and the determinations herein are based solely on the facts provided in your request. The determinations are subject to change should the facts prove to be different on audit. If it is determined that undisclosed facts were substantial or material to the Department's making of an accurate determination, this taxpayer ruling shall be null and void. Further, the determination is subject to future change depending on changes in statutes, administrative rules, case law or notification of a different Department position.

The determinations in this private taxpayer ruling are applicable only to the taxpayer requesting the ruling and may not be relied upon, cited nor introduced into evidence in any proceeding by a taxpayer other than the taxpayer who has received the private taxpayer ruling.

Attachment: Exhibit A, *Treatment Process and Tax Exempt Equipment Summary*

Private Taxpayer Ruling LR07-002
Exhibit A
Treatment Process and Tax Exempt Equipment Summary

Please note that the “Item of Equipment” and “Function” columns of this summary have been produced by the taxpayer to whom this private taxpayer ruling is applicable. The Department added the third column of this table, entitled “Exempt Status,” providing whether the item is exempt under this private taxpayer ruling. The Department’s determination is based solely upon the information provided by the taxpayer requesting the private taxpayer ruling, including the information contained in this table.

An item that is classified as “exempt” may be purchased tax exempt through A.R.S. § 42-5061(B)(1), (6), or (19), but not necessarily all of these exemptions. The Department has chosen not to specify which exemption(s) is applicable to each item.

The determinations made in this private taxpayer ruling and exhibit may not be relied upon by a taxpayer other than the taxpayer to whom this private taxpayer ruling is applicable. A.R.S. § 42-2101(D).

Item of Equipment	Function	Exempt Status	
1. Screenings and Influent Pumping			
1.1	Bar Screens	Separates Solids 1/2" and Larger	Exempt
1.2	Screenings Washer/Compactor	Wash and compact solids ½" and larger	Exempt
1.3	Inclined Screw Conveyor	Conveys solids from the screening process	Non-exempt
1.4	Horizontal Centrifugal Pumps	Pump Screened Sewage to Downstream Process	Exempt
1.5	In-Channel Grinders	Grinds solids in the process	Exempt
1.6	Sump Pumps	Pump process overflow and wash down	Exempt
1.7	Concrete tanks and channels	Contains process liquids.	Exempt
1.9	Foul Air Scrubbers	Clean gases produced by the process	Exempt
1.10	Foul Air Chemical Metering Pumps	Injects chemical into the process, and provides chemical for above Foul Air Scrubbers	Exempt
1.11	Foul Air Recirculation Pumps	Re-circulates diluted chemical solution used with the Foul Air Scrubber above	Exempt

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Exhibit A - Treatment Process and Tax Exempt Equipment Summary
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Item of Equipment		Function	Exempt Status
1.12	Piping and Valves 4" and Larger - water	Conveys water	Exempt
1.13	Process Piping and Valves	Conveys liquids in the process	Exempt
1.14	Motor Control Centers – 480v	Provides power for process equipment	Exempt
1.2	15 kv Electrical Switchgear, Transformers, and Controls for Power Distribution	power for process equipment	Non-exempt
1.21	480v Stand-by Generator and Control System	Emergency Power back for process equipment	Exempt
1.22	Programmable Logic Controllers and Related Hardware/Software for Process Control	Controls process equipment, instrumentation and controls	Exempt
1.23	Local Control Panels for Process Control	Local control for process equipment	Exempt
1.24	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
1.25	Variable Frequency Drives for Control of Process Equipment	Regulates speed for process pumps and equipment	Exempt
1.26	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	⁹ Panels – Exempt Transformers – Non-exempt
1.27	Concrete for Process ductbanks	Protection	Exempt
1.28	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
1.3	Headworks Structure	Contains Odor and Noxious gases Containment	Exempt
2. Grit Removal Process			
2.1	Grit Washer/Classifier	Separates and washes grit	Exempt
2.2	Sluice Gates	Controls process flow	Exempt
2.3	Weir Gates	Controls process flow	Exempt
2.4	Slide Gates	Controls process flow	Exempt
2.5	Recessed Impeller Grit Pumps	Pumps grit solution to grit classifier	Exempt
2.6	Induced Vortex Grit Removal	Creates vortex action to classify grit	Exempt

⁹ All local power distribution panels used in the various stages of this wastewater treatment facility are exempt only to the extent that the panels' use is traceable to the use of machinery or equipment that is exempt from transaction privilege tax.

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Exhibit A - Treatment Process and Tax Exempt Equipment Summary
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Item of Equipment		Function	Exempt Status
2.7	Concrete tanks and channels	Contains process liquids	Exempt
2.8	Piping and Valves 4" and Larger - water	Conveys water	Exempt
2.9	Process Piping and Valves	Conveys liquids in the process	Exempt
2.91	Motor Control Centers – 480v	Provides power for process equipment	Exempt
2.92	Local Control Panels for Process Control	Local control for process equipment	Exempt
2.93	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
2.94	Concrete for Process ductbanks	Protection	Exempt
2.95	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
3. Primary Clarification Process			
3.1	Primary Clarifiers and Covers	Separates primary sludge and scum	Exempt
3.2	Stamford Baffles	Used in conjunction with Primary Clarifier in processing primary sludge	Exempt
3.3	Scum Baffles	Used in conjunction with Primary Clarifier in processing primary scum	Exempt
3.4	Weirs	Controls process flow	Exempt
3.5	Primary Sludge Pumps	Pumps primary sludge to Solids Facilities	Exempt
3.6	Primary Scum Pumps	Pumps primary scum to Solids Facilities	Exempt
3.7	By-Pass Pumps	Pumps mixed sludge to Southeast Plant	Exempt
3.8	Concrete tanks and channels	Contains process liquids	Exempt
3.9	Piping and Valves 4" and Larger - water	Conveys water	Exempt
3.91	Process Piping and Valves	Conveys liquids in the process	Exempt
3.92	15 kv Electrical Switchgear, Transformers, and Controls for Power Distribution	Provides power for process equipment	Non-exempt
3.93	480v Stand-by Generator and Control System	Provides Emergency Power back up for process equipment	Exempt

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Exhibit A - Treatment Process and Tax Exempt Equipment Summary
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Item of Equipment		Function	Exempt Status
3.94	Motor Control Centers – 480v	Provides power for process equipment	Exempt
3.95	Programmable Logic Controllers and Related Hardware/Software for Process Control	Controls process equipment, instrumentation and controls	Exempt
3.96	Local Control Panels for Process Control	Local control for process equipment	Exempt
3.97	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
3.98	Variable Frequency Drives for Control of Process Equipment	Regulates speed for process pumps and equipment	Exempt
3.99	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt
3.99A	Concrete for Process ductbanks	Protection	Exempt
3.99B	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
4. Biological Treatment Process			
4.1	Course Bubble Diffuser System	Provides process air to biological treatment process	Exempt
4.2	Top Mounted Propeller Mixers	Provides mixing in the anoxic zones of the biological process	Exempt
4.3	IMLR Pumps	Pumps mixed liquor	Exempt
4.4	Dewatering Pumps	Pumps mixed liquor to lower basin level to head of the plan	Exempt
4.5	Single Stage Centrifugal Blowers	Generators air for the biological treatment process	Exempt
4.51	Dissolved Oxygen Probes	Monitors oxygen levels to control the biological treatment process	Exempt
4.53	Air Compressors	Generates air used to control process air valves	Exempt
4.54	Return Activated Sludge Pumps	Pumps return activated sludge	Exempt
4.55	Scum Pumps	Pumps process overflow and wash down	Exempt
4.6	Odor Control System No. 2	Clean gases produced by the process	Exempt
4.61	Carbon Adsorption Scrubbers	Clean gases produced by the process	Exempt
4.62	Scrubber Fans	Conveys foul air	Exempt

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Item of Equipment		Function	Exempt Status
4.8	Concrete tanks and channels	Contains process liquids	Exempt
4.81	Piping and Valves 4" and Larger - water	Conveys water	Exempt
4.82	Process Piping and Valves	Conveys liquids in the process	Exempt
4.9	Motor Control Centers – 5 kv & 480v	Provides power for process equipment	Exempt
4.91	15 kv Electrical Switchgear, Transformers, and Controls for Power Distribution	Provides power for process equipment	Non-exempt
4.92	5 kv Power Distribution	Provides power for process equipment	Non-exempt
4.93	480v, 5 kv Stand-by Generator and Control System	Provides Emergency Power backup for process equipment	Exempt
4.94	Programmable Logic Controllers and Related Hardware/Software for Process Control	Controls process equipment, instrumentation and controls	Exempt
4.95	Local Control Panels for Process Control	Local control for process equipment	Exempt
4.96	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
4.97	Variable Frequency Drives for Control of Process Equipment	Regulates speed for process pumps and equipment	Exempt
4.98	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt
4.99	Concrete for Process ductbanks	Protection	Exempt
4.99A	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
4.99B	Aluminim flat cover system	Contains Odor and Noxious gases Containment	Exempt
5. Secondary Clarification Process			
5.1	Secondary Clarifiers and Covers	Separates sludge and scum from the process	Exempt
5.2	Waste Activated Sludge Pumps	Pumps waste activated sludge to Solids Facilities	Exempt
5.3	Stamford Baffles	Used in conjunction with Secondary Clarifiers in processing sludge	Exempt

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Item of Equipment		Function	Exempt Status
5.4	Scum Baffles	Used in conjunction with Secondary Clarifiers in processing scum	Exempt
5.5	Weirs	Controls process flow	Exempt
5.6	Concrete tanks and channels	Contains process liquids	Exempt
5.7	Piping and Valves 4" and Larger - water	Conveys water	Exempt
5.8	Process Piping and Valves	Conveys liquids in the process	Exempt
5.9	Motor Control Centers – 480v	Provides power for process equipment	Exempt
5.91	Local Control Panels for Process Control	Local control for process equipment	Exempt
5.92	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
5.93	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt
5.94	Concrete for Process ductbanks	Protection	Exempt
5.95	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
6. Final Filtration Process			
6.1	Disk Filter System	Removes fine solids from process	Exempt
6.2	Submersible Chemical Feed Rapid Mixer	Injects and mixes chemical into the process	Exempt
6.3	Alum Sulfate System	Provides chemical for the process	Exempt
6.4	Alum Sulfate Dispensing system	Dispenses process chemicals	Exempt
6.5	Sodium Hypochlorite System	Provides chemical for the process	Exempt
6.6	Sodium Hypochlorite Dispensing system	Dispenses process chemicals	Exempt
6.7	Concrete tanks and channels	Contains process liquids	Exempt
6.8	Piping and Valves 4" and Larger - water	Conveys water	Exempt
6.81	Process Piping and Valves	Conveys liquids in the process	Exempt
6.9	Motor Control Centers – 480v	Provides power for process equipment	Exempt

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Item of Equipment		Function	Exempt Status
6.91	15 kv Electrical Switchgear, Transformers, and Controls for Power Distribution	Provides power for process equipment	Non-exempt
6.92	480v Stand-by Generator and Control System	Provides Emergency Power backup for process equipment	Exempt
6.93	Programmable Logic Controllers and Related Hardware/Software for Process Control	Controls process equipment, instrumentation and controls	Exempt
6.94	Local Control Panels for Process Control	Local control for process equipment	Exempt
6.95	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
6.96	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt
6.97	Concrete for Process ductbanks	Protection	Exempt
6.98	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
7. Disinfection Process			
7.1	UV Disinfection System	UV light Disinfection of process	Exempt
7.2	Concrete tanks and channels	Contains process liquids	Exempt
7.3	Local Control Panels for Process Control	Local control for process equipment	Exempt
7.4	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
7.5	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt
7.6	Concrete for Process ductbanks	Protection	Exempt
7.7	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
8. Reclaimed Water Pumping Facilities			
8.1	Vertical Turbine Effluent Pumps	Pumps Reclaimed water to End Users	Non-exempt
8.2	Non-Potable Water Vertical Turbine Pumps	Pumps Reclaimed Water to In-Plant Processes	Non-exempt
8.3	Hydropneumatic System	Maintains pressure for Reclaimed water system	Non-exempt
8.4	Composite Samplers	Samples product from the process for monitoring purposes	Exempt

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Item of Equipment		Function	Exempt Status
8.5	Concrete tanks and channels	Contains process liquids	Exempt
8.6	Piping and Valves 4" and Larger - water	Conveys water	Exempt
8.7	Process Piping and Valves	Conveys liquids in the process	Exempt
8.8	Programmable Logic Controllers and Related Hardware/Software for Process Control	Controls process equipment, instrumentation and controls	Exempt
8.9	Local Control Panels for Process Control	Local control for process equipment	Exempt
8.91	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
8.92	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt
8.93	Variable Frequency Drives for Control of Process Equipment	Regulates speed for process pumps and equipment	Non-exempt
8.94	Motor Control Centers – 480v	Regulates speed for process pumps and equipment	Non-exempt
8.95	Concrete for Process ductbanks	Protection	Exempt
8.96	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
9. Solids Treatment Process			
9.1	Egg Shaped Digesters	Vessel used to stabilize/maintain biological process	Exempt
9.12	Digester Sight Glass	Used to monitor process	Exempt
9.13	Digester Insulation	Insulates to maintain temperature in Egg shaped Digesters	Exempt
9.14	Digester Bridge Structure	Structural support for process piping	Exempt
9.15	Digester Cladding System	Protects insulation on Egg Shaped Digesters	Exempt
9.16	Digester Sludge Pumps	Pump Digested sludge to Solids Handling Facility	Exempt
9.17	Digester Recirculation Pumps	Pumps sludge to re-circulate	Exempt
9.2	Boiler System	Provides hot water to heat Digested Sludge to maintain Biological Process	Exempt
9.21	Boiler Circulation Pumps	Pumps hot water heating Digested Sludge	Exempt
9.22	Condensate Accumulator	Removes condensate from Digested Sludge Gas	Exempt

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Item of Equipment		Function	Exempt Status
9.23	Boiler Water Treatment System	Maintains proper chemical levels in Hot Water System	Exempt
9.3	Digester Hot Water Supply and Return Pumps	Pump hot water to heat exchanger heating Digested Sludge	Exempt
9.4	Waste Gas Burner	Burns gases from Biological Process	Exempt
9.5	Primary Sludge Recirculation Pumps	Pumps primary sludge for recirculation	Exempt
9.6	Digester Sludge Mixing Pumps	Pumps Digested Sludge for recirculation	Exempt
9.61	Digester Sludge Storage Tank & Interior Coating	Holding vessel to equalize Digested Sludge	Exempt
9.62	Digested Sludge Grinder	Grinds solids in the process	Exempt
9.63	Digested Sludge Drain Circulation Pump	Pumps Digested sludge to re-circulate	Exempt
9.7	Heat Exchangers	Conveys heat from hot water system to Biological Process	Exempt
9.8	Concrete tanks and channels	Contains process liquids	Exempt
9.81	Piping and Valves 4" and Larger - water	Conveys water	Exempt
9.82	Process Piping and Valves	Conveys liquids in the process	Exempt
9.9	Motor Control Centers – 480v	Provides power for process equipment	Exempt
9.91	15 kv Electrical Switchgear, Transformers, and Controls for Power Distribution	Provides power for process equipment	Non-exempt
9.92	480v Stand-by Generator and Control System	Provides Emergency Power backup for process equipment	Exempt
9.93	Programmable Logic Controllers and Related Hardware/Software for Process Control	Controls process equipment, instrumentation and controls	Exempt
9.94	Local Control Panels for Process Control	Local control for process equipment	Exempt
9.95	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
9.96	Variable Frequency Drives for Control of Process Equipment	Regulates speed for process pumps and equipment	Exempt
9.97	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt

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Item of Equipment		Function	Exempt Status
9.98	Concrete for Process ductbanks	Protection	Exempt
9.99	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
10. Sludge Dewatering and Loadout Facility			
10.1	Sludge Blending Pumps	Pumps mixed sludge	Exempt
10.12	Thickened Sludge Feed and Recirculation Pumps	Pumps Thickened Sludge to Egg Shaped Digesters	Exempt
10.13	Air Compressor	Generates air used to control process air valves	Exempt
10.14	Sludge Grinders	Grinds solids in the process	Exempt
10.15	Sludge Thickening and Dewatering Centrifuges	Thickens and Dewateres sludge	Exempt
10.16	Centrifuge Feed Pumps	Pumps sludge to Centrifuges	Exempt
10.17	Centrate Pumps	Pumps Centrate to head of process	Exempt
10.18	Duplex Sump Pumps	Pump process overflow and wash down	Exempt
10.19	Sample Pumps	Re-circulates product from the process for monitoring	Exempt
10.2	Dewatered Sludge Conveyors	Conveys sludge cake to hoppers	Non-exempt
10.3	Classifying Screw Conveyors	Conveys sludge cake to hoppers	Non-exempt
10.4	Hopper Loading Screw Conveyors	Conveys sludge cake for loading	Non-exempt
10.5	Dewatered Sludge Hoppers	Holds sludge cake prior to loading	Exempt
10.6	Truck Scales	Monitors weight of sludge loaded	Non-exempt
10.7	Polymer Dispensing System	Dispenses chemicals used in the process. Tanks are filled periodically	Exempt
10.71	Polymer Mixers	Mixes Polymer prior to introduction into the process	Exempt
10.72	Polymer Metering Pumps	Pumps polymer into the process	Exempt
10.8	Packed Tower Odor Control System	Clean gases produced by the process	Exempt
10.84	Lab Equipment and Casework, both at Solids and Admin	Used in monitoring the process	Exempt

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Item of Equipment		Function	Exempt Status
10.85	Concrete tanks and channels	Contains process liquids	Exempt
10.86	Piping and Valves 4" and Larger - water	Conveys water	Exempt
10.87	Process Piping and Valves	Conveys liquids in the process	Exempt
10.9	Motor Control Centers – 480v	Provides power for process equipment	Exempt
10.91	15 kv Electrical Switchgear, Transformers, and Controls for Power Distribution	Provides power for process equipment	Non-exempt
10.92	480v Stand-by Generator and Control System	Provides power for process equipment	Exempt
10.93	Programmable Logic Controllers and Related Hardware/Software for Process Control	Controls process equipment, instrumentation and controls	Exempt
10.94	Local Control Panels for Process Control	Local control for process equipment	Exempt
10.95	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
10.96	Variable Frequency Drives for Control of Process Equipment	Regulates speed for process pumps and equipment	Exempt
10.97	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt
10.98	Concrete for Process ductbanks	Protection	Exempt
10.99	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
10.99A	Sodium Hypochlorite System	Provides Chemical for the process	Exempt
10.99B	Sodium Hypochlorite Dispensing System	Dispenses chemicals used in the process.	Exempt
10.99C	Sodium Hydroxide System	Provides Chemical for the process	Exempt
10.99D	Sodium Hydroxide Dispensing System	Dispenses chemicals used in the process.	Exempt
10.99E	Ferrous Chloride System	Provides Chemical for the process	Exempt
10.99F	Ferrous Chloride Dispensing System	Dispenses chemicals used in the process.	Exempt

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Item of Equipment		Function	Exempt Status
10.99 G	Concrete Containment Structure	Contains process Chemicals	Exempt
11. Primary Switchgear Facilities			
11.1	15 kv Electrical Switchgear and Controls for Power Distribution	Provides power for process equipment	Non-exempt
12. Southeast Water Reclamation Plant (SEWRP) Modifications			
12.1	Cyclone Feed Pumps	Pumps grit solution to cyclone	Exempt
12.2	Grit Cyclone	Separates grit from solution	Exempt
12.3	Grit Washer	Washes separated grit	Exempt
12.4	Mixed Sludge Recirculation Pumps	Pumps mixed sludge for recirculation	Exempt
12.5	Mixed Sludge Transfer Pumps	Pumps Mixed Sludge to South Water Reclamation Plant	Exempt
12.6	Mixed Sludge Grinders	Grinds solids in the process	Exempt
12.7	Mixed Sludge Foul Air Fan	Conveys Foul Air	Exempt
12.8	Concrete tanks and channels	Contains process liquids	Exempt
12.81	Piping and Valves 4" and Larger - water	Conveys water	Exempt
12.82	Process Piping and Valves	Conveys liquids in the process	Exempt
12.9	Motor Control Centers – 480v	Provides power for process equipment	Exempt
12.91	Programmable Logic Controllers and Related Hardware/Software for Process Control	Controls process equipment, instrumentation and controls	Exempt
12.92	Local Control Panels for Process Control	Local control for process equipment	Exempt
12.93	Local Instrumentation Systems for Process Monitoring and Control	Controls process equipment	Exempt
12.94	Variable Frequency Drives for Control of Process Equipment	Regulates speed for process pumps and equipment	Exempt

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Item of Equipment		Function	Exempt Status
12.95	480v/120v Local Power Distribution Panels and Transformers	Provides proper power to process equipment	Panels – Exempt Transformers – Non-exempt
12.96	Concrete for Process ductbanks	Protection	Exempt
12.97	Wire and Conduit feeding process equipment	Provides power to process equipment	Non-exempt
13. Treatment site/All Areas			
13.1	Landscaping water piping 4" and larger	Conveys water	Exempt
13.2	All water piping 4" and larger on Treatment plate site	Conveys water	Exempt
13.3	Coatings on exempt equipment, piping, and concrete	Protection from the process	Exempt if used for septic tanks, piping, and lift station wet wells. Otherwise, non-exempt.
13.4	Decomposed Granite inside plant walls	Minimize fugitive dust	Non-exempt
13.5	Asphalt Roads inside plant	Minimize fugitive dust	Non-exempt

