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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**SENATE BILL**

No. **304** Session of  
1961

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INTRODUCED BY MESSRS. KESSLER AND McMENAMIN,  
FEBRUARY 27, 1961.

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REFERRED TO COMMITTEE ON FINANCE,  
FEBRUARY 27, 1961.

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**AN ACT**

Amending the act of March 6 1956 (P L. 1228) entitled as amended

“An act to provide revenue for purposes of public education by imposing a tax on the sale use storage rental or consumption of certain personal property and certain services and upon the occupancy of hotel rooms providing for licenses reports and payment of tax interest and penalties assessments collections liens reviews and appeals prescribing crimes and offenses and penalties therefor providing for the application of general laws

EXPLANATION—CAPITAL LETTERS indicate new matter added to bill. Matter stricken-through is to be omitted from bill. Underlining indicates new matter added to existing law. [Brackets] indicate matter stricken from existing law.

in the administration and enforcement of this act conferring powers and imposing duties upon the Department of Revenue public officers manufacturers wholesalers retailers operators corporations partnerships associations and individuals and making an appropriation" extending the scope of the manufacturing exemption to taxation

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows

1 Section 1 Declaration of Public Policy The definition of manufac-  
2 turing in the Selective Sales and Use Tax Act of March 6 1956 (P L  
3 1228) and the attendant exemption from sales and use tax on items  
4 used or consumed directly in such manufacturing was purposely ex-  
5 pressed by the Legislature in language which was broader than the  
6 scope of the term "manufacture" established in litigated cases under  
7 other Pennsylvania State and local taxing statutes It has come to the  
8 attention of this Legislature that the Department of Revenue has not  
9 administered the Selective Sales and Use Tax Act in accordance with  
10 the intended legislative exemption It is the purpose of the manufactur-  
11 ing exemption in the Selective Sales and Use Tax Act to retain and  
12 encourage all industry in Pennsylvania and to attract additional industry

1 into this Commonwealth for the benefit of the economy in general and  
2 in aid of depressed areas in particular Technological changes and the  
3 diversification of industry now require broader concepts of what is  
4 manufacturing than those considered by the several courts of this  
5 Commonwealth in the nineteenth century when such standards were  
6 first set The adoption of a narrow concept of manufacturing industry  
7 places this Commonwealth at a competitive disadvantage to other  
8 states The present qualifications adopted by the Department of Revenue  
9 and the courts in granting the manufacturing exemption are inimical to  
10 the fulfillment of the legislative purpose of the manufacturing ex-  
11 emption which is to encourage and attract all types of industry for  
12 Pennsylvania It is therefore the purpose of this act to clarify the  
13 legislative intention with respect to the manufacturing exemption in  
14 the Selective Sales and Use Tax Act

15 Section 2 Subsection (c) of section 2 act of March 6 1956 (P L  
16 1228) known as the "Selective Sales and Use Tax Act" amended April  
17 15 1959 (P L 20) is amended to read

18 Section 2 Definitions The following words terms and phrases when

1 used in this act shall have the meaning ascribed to them in this section  
2 except where the context clearly indicates a different meaning

3 \* \* \*

4 (c) "Manufacture" [The performance of manufacturing fabricat-  
5 ing compounding processing or other operations engaged in as a busi-  
6 ness which place any personal property in a form composition or char-  
7 acter different from that in which it is acquired whether for sale or use  
8 by the manufacturer and shall include but not be limited to

9 (1) Every operation commencing with the first production stage  
10 and ending with the completion of personal property having the physical  
11 qualities (including packaging if any passing to the ultimate consumer)  
12 which it has when transferred by the manufacturer to another

13 (2) When engaged in as a business assembling fabricating com-  
14 pounding processing or producing personal property for sale by the  
15 manufacturer or the owner thereof or for use in the other operations  
16 of the manufacturer

17 The term "manufacture" shall include but shall in no event be  
18 limited to

19 (1) Electroplating galvanizing heat treating and other processes  
20 with respect to metals

1     (2) Processing of food and beverage products

2     (3) Textile finishing

3     (4) Publishing of books newspapers magazines or other periodicals  
4 and printing

5     [(3)] (5) Refining exploring mining and quarrying for or otherwise  
6 extracting from the earth or from waste or stock piles or from pits or  
7 banks any natural resources minerals and mineral aggregates including  
8 blast furnace slag

9     [(4)] (6) Building rebuilding repairing and making additions to  
10 or replacements in or upon vessels designed for commercial use of reg-  
11 istered tonnage of fifty tons or more when produced upon special order  
12 of the purchaser or when rebuilt repaired or enlarged or when replace-  
13 ments are made upon order of or for the account of the owner

14     [(5)] (7) Research having as its objective the production of a new  
15 or an improved (a) product or utility service or (b) method of produc-  
16 ing a product or utility service but in either case not including market  
17 research or research having as its objective the improvement of admin-  
18 istrative efficiency

1        The scope of the activities which shall be considered as manufactur-  
2 ing shall include every operation commencing with the first production  
3 stage and ending with the completion of the personal property having  
4 the physical qualities (including packaging if any passing to the ultimate  
5 consumer) which it has when possession or title is transferred by the  
6 manufacturer to another [The term "manufacture" as defined in this  
7 subsection (c)] Manufacturing shall not include constructing altering  
8 servicing repairing or improving real estate or repairing servicing or  
9 installing personal property

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11        Section 3 This act shall take effect immediately and its provisions  
12 shall be retroactive to March 7 1956

We certify that this bill has passed the Senate and the House of  
Representatives.

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Chief Clerk, Senate

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President pro tempore, Senate

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Speaker, House of Representatives

Approved The ..... day of ..... A. D. 1901.

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Governor