

ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES
Code of Alabama 1975, Sections 40-23-31 and 40-23-83

810-6-5-.28. Appliances and Devices Using Electricity as an Energy Source, General Rate Applicable Thereto.

(1) The use of raw electrical current obtained through a wall outlet as an energy source by appliances containing transformers, capacitors, voltage regulators, traps, filters, and similar components does not constitute the processing of electricity as that term is used in Code of Alabama 1975, Section 40-23-2(3) and 40-23-61(b). Such simple use of raw electrical current obtained through a wall outlet is not "processing tangible personal property" and, therefore, does not in and of itself qualify the appliance for the reduced machine rate of sales or use tax.

(2) The term "processing" is synonymous with "preparation for market" and "to convert to marketable form." when a appliance uses electricity which is prepared for market and which is in a marketable, commercially usable form before it enters the appliance via the electric cord and wall outlet plug, the fact that the direction of the flow of electrons may be altered upon entering the appliance, or that the volume of the flow of the electric current may be reduced or increased by different components, does not suffice to make it a step in "processing" electricity as used in the Code sections referenced above. Sizemore v. Franco Distributing Co., 594 So. 2d 143 (Ala. Civ. App. 1991)

(3) Video game machines; pinball machines; juke boxes; vending machines; and household electrical appliances such as radios, televisions, lamps, clocks, refrigerators, stoves, microwave ovens, toasters, etc. do not "process" electricity and, therefore, do not qualify for the reduced machine rate of sales or use tax. (Adopted through APA effective October 29, 1993)