

Idaho State Tax Commission  
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This publication is intended to help the mining industry understand sales and use tax laws. In addition to sales and use tax, some mining operations in Idaho are subject to a [mine license tax](#).

### Can my company make tax-exempt purchases?

Some mining purchases are exempt from sales tax under the production exemption. Your purchases can qualify for the exemption even if another company owns the mined products. However, this tax exemption applies only if the owner sells the products. See [The Production Exemption \(#30\)](#) and Idaho Sales and Use Tax Administrative [Rule 79, Production Exemption](#).

You can buy these goods tax exempt in one of two ways:

- 1) Give the seller a completed [Form ST-101, Sales Tax Resale or Exemption Certificate](#). Once on file with the seller, this form is valid for all your future exempt purchases with that seller.
- 2) Fill in a "Production Exemption" claim or statement printed or stamped on the seller's invoice or on your purchase order. If done for each exempt purchase, you don't have to give your suppliers a Form ST-101. See [Retailers and Wholesalers: Making Exempt Sales \(#5\)](#).

### What can I buy tax exempt for use in an underground mine?

Generally, purchases of equipment directly used for mining ore are exempt from sales tax.

Purchases of the following equipment are exempt when primarily used in an underground mine:

- Equipment to develop known ore deposits (including diamond drilling and other activities), such as levels, laterals, crosscuts, drifts, stopes, raises, and shafts
- Support materials (timbers, rock bolts, concrete, and matting)

- Pneumatic rock drills and air compressors to operate them
- Blasting supplies, including explosives, caps, and fuses
- Slushers, muckers, scrapers, hoists, loaders, and backhoes used to move broken ore and waste to passes and chutes
- Haulage equipment, e.g. locomotives; cars; track, spikes and equipment used to clean tracks; ore dumps and bins; locomotive batteries; electrical distribution systems including light signals, conveyors; "skips"; hoists and hoist cable; shafts, including shaft timbers, stations, pockets, guides, concrete, etc.
- Pumps, sumps, pipe, and concrete for backfilling
- Personal equipment (except hand tools costing \$100 or less) like hard hats, miners' lights, belts and batteries
- Equipment for sampling and assaying for quality control purposes

See Idaho Sales and Use Tax Administrative [Rule 81, Underground Mining](#).

### What's tax exempt for open pit mining?

Generally, purchases of the following equipment are exempt from sales tax when bought for an open pit mine:

- Track drills, compressors, rotary drillers, drill rods, and drill bits used to blast and drill ore or overburden to loosen it for removal
- Front end loaders, track loaders, power shovels, backhoes, scoop loaders, and similar equipment used for ore and overburden extraction and removal
- Scrapers, carryalls, and off-highway trucks and trailers used to haul ore and overburden to stockpiles, loading sites, or disposal sites at the mine
- Bulldozers, loaders, crushers, and conveyors for sorting, grading, sizing, or crushing ore

### How does sales tax apply to processing ore?

Your equipment purchases directly used in ore processing are exempt from sales tax if your company primarily uses the equipment for processing. Also, the ore's owner must resell it. If the owner uses the ore for its own purposes, no exemption applies to any equipment purchases. The owner must charge tax on sales of materials and processing labor.

### I extract rock to produce gravel. Is my business considered open pit mining?

Yes. The production exemption applies to your business if its primary purpose is to produce gravel for resale. If you're removing the gravel primarily to use in performing contracts to improve real property, the production exemption doesn't apply. See [Contractors \(#40\)](#) and Idaho Sales and Use Tax Administrative Rule [82, Above-ground \(Open Pit\) Mining](#).

### What purchases are taxable?

Purchases of some items don't qualify for the production exemption and must be taxed when:

- Not "directly" used in mining or ore processing
- Used before the "beginning" point or after the "ending point" of the process
- Not "primarily" (more than 50%) used in mining or ore processing
- Not "necessary" to the operation

Other items are excluded from the exemption by law.

Here are examples of taxable purchases:

- Licensed motor vehicles — See [Transportation \(#41\)](#)
- Office equipment and supplies
- Hand tools with a unit price of \$100 or less are always taxable, no matter how they're used
- Equipment and supplies used in selling and distribution
- Paint, plastic coatings, etc. to maintain equipment
- Equipment and supplies used primarily for exploration (rotary drills, drill rigs, blasting equipment, seismic equipment, and front end loaders)
- Equipment used to repair production equipment
- Janitorial equipment and supplies
- Safety equipment and supplies not required by a state

or federal agency, or required but not used directly in a production activity

- Improvements and fixtures to real property

### Are purchases of repair parts taxable?

Not if the parts are used in exempt equipment.

### What about safety equipment and supplies?

Purchases of safety equipment and supplies are tax exempt if required by a state or federal agency and used in a production area. However, safety equipment and supplies used in nonproduction areas, such as first aid kits or fire extinguishers used in a mining company's accounting office, are taxable.

### Are pollution control equipment and supplies used in a mining operation exempt?

Yes, if the qualifying equipment or supplies are primarily used to meet an authorized state or federal agency's emission standards. (See [Idaho Code section 63-3622X, Pollution Control Equipment](#).)

### What if a vendor doesn't charge me sales tax?

If you haven't paid sales tax, then you owe use tax. Use tax is a tax on purchases of goods you either use or store in Idaho. The use tax rate is the same as the sales tax rate. See [Use Tax \(#2\)](#) and Idaho Sales and Use Tax Administrative [Rule 72, Application and Payment of Use Tax](#).

### If I sell products, when do I charge sales tax?

If you sell your product, you're a retailer and must get a seller's permit. See [Retailers \(#4\)](#). You must collect tax from customers when they're the final consumers of the items you sell, unless an exemption applies. You must also tax sales of:

- Hand tools or other supplies to employees
- Business assets to another business, unless the buyer qualifies for an exemption and properly completes a [Form ST-101, Sales Tax Resale or Exemption Certificate](#) for your records

This publication doesn't provide full explanations of Idaho tax laws or rules. For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- [tax.idaho.gov](http://tax.idaho.gov)