

Revenue Ruling
No. 01-012
September 17, 2001

Corporation Income Tax and Corporation Franchise Tax

Interpretation of “Manufacturer” for Application of the Inventory Tax Credit

This revenue ruling addresses the interpretation of the term “manufacturer” as it relates to the applicability of the inventory tax credit to aircraft maintenance facilities.

Under the provisions of La. Rev. Stat. Ann. § 47:6006 (West 2001), a manufacturer that pays *ad valorem* taxes to political subdivisions of the state on its inventory is eligible for a tax credit against its state individual or corporation income tax, and its corporation franchise tax. “Manufacturer” is defined in La. Rev. Stat. Ann. § 47:6006(C) (West 2001) as “a person engaged in the business of working raw materials into wares suitable for use or which gives new shapes, qualities, or combinations to matter which already has gone through some artificial process.”

Aircraft maintenance facilities are businesses that are operated either by commercial airlines or by aircraft manufacturers and perform major maintenance on commercial aircraft. They are classified as manufacturers under the North American Industry Classification System. Generally, these facilities perform regularly scheduled overhauls of every system on each aircraft brought to the facility. Often an entire system, such as the avionics system or the hydraulic system, is replaced, or the interior of the airplane is upgraded or reconfigured. Once an aircraft is brought to the facility, it is restored to meet original design specifications. Some of these facilities do not overhaul all types of aircraft systems, but instead, specialize in the overhauling and restoration of aircraft engines. Aircraft maintenance facilities are not repair operations. They do not simply take aircraft that are non-functional and make them operational. Instead, they completely restore and overhaul aircraft or aircraft engines. The end product of the operation of the aircraft maintenance facility is a fully restored aircraft or aircraft engine that meets the original design specifications of the manufacturer.

Because the process, as described, has the effect of giving new shapes, qualities, or combinations to matter which already has gone through some artificial process; aircraft maintenance facilities meet the definition of “manufacturer” for purposes of La. Rev. Stat. Ann. § 47:6006 (West 2001), and are, thus, eligible for the inventory tax credit.

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