



Sales and Use Tax - Steam Heat. THE SALE OF HEAT IN THE FORM OF STEAM IS NOT SUBJECT TO SALES AND USE TAX WHERE THE STEAM OR CONDENSED VAPOR IS RETURNED TO THE UTILITY COMPANY THROUGH A CLOSED SYSTEM.

Advice has been requested regarding the taxability of steam heat sold by a utility company to a business. Steam is produced by a utility company and piped throughout the heating system of the building housing the taxpayer's business. As the steam cools, it is returned through pipes in the form of water to the utility company.

There is no sale of tangible personal property to the business because the steam is returned to the utility company. The transaction is one in which energy in the form of heat is transferred.

Only those sales of energy or utility services as are specifically identified in the Nebraska Revenue Act of 1967, as amended, are subject to sales and use tax. Heat in the form of steam is not therein included.

The sale of heat in the form of steam which is piped to the customer, circulated through the customer's heating system, and then piped back to the supplier is not subject to sales and use tax as neither a sale of tangible personal property nor of an enumerated utility service has taken place.

APPROVED:

A handwritten signature in cursive script that reads 'William E. Peters'.

William E. Peters
State Tax Commissioner

September 8, 1976