**Opinion Letter**

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| **Letter Number:** | **O-1998-04** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Taxability of purchases by manufactures for resell.** |
| **Keywords:** |  |
| **Approval Date:** | **08/14/1998** |

**Body:**

Office of Policy & Research

August 14, 1998

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Dear Ms. XXXXXXXXX:

The purpose of this letter is to respond to your letter dated June 24, 1998. This response is not a private letter ruling as you have not identified the taxpayer you represent.

In your letter you generally stated:

A Kansas manufacturer creates or purchases customized vacuum form dies made from aluminum, cutting dies, and artwork (film) for silk screens or printing plates in order to produce a specific product for its customer. Most of the customers are resellers located either out of state or in Kansas. A small number of customers located out of state are end users of the product. The invoice contains a line item charge for the vacuum form dies, cutting dies, artwork, silk screens of printing plates, and a separate line item charge for the product. The product is transported to the customer’s location where they take possession of the product. The dies, artwork, silk screens or printing plates are not sent out to the customer since the manufacturer retains them for possible future reorders. After a few years, if the customized items have not been utilized, they are destroyed.

You asked:

1. Is it appropriate for the manufacturer to charge sales tax on its invoices for the customized item and the manufactured products to customers who are reselling the manufactured product?

Answer: The sale of the manufactured item by a Kansas manufacturer to a bona fide reseller of such item for which the reseller is billed for the manufactured item and customized items, e.g. dies, artwork, silk screens or printing plates, would be exempt from Kansas sales and compensating taxes in total.

2. Should the Kansas manufacturer charge sales tax on its invoices for the customized items that remain in Kansas and the manufactured product is shipped to an end users out of state.

Answer: Yes, the fact pattern this question and given circumstances would require the Kansas manufacturer to collect sales tax on charges for other items such as dies, artwork etc.

Sincerely,

Mark D. Ciardullo
Tax Specialist

MDC

**Date Composed: 09/08/1998 Date Modified: 10/10/2001**