**Private Letter Ruling**

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| **Ruling Number:** | **P-1999-155** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Provision of video captioning services.** |
| **Keywords:** |  |
| **Approval Date:** | **07/16/1999** |

**Body:**

Office of Policy and Research

July 16, 1999

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Dear XXXXXXXXXXXX:

I have been asked to respond to your letter dated April 23, 1999. In it, you ask for guidance in the application of Kansas retailers’ sales tax.

In your letter you stated:

I am writing to request a private letter ruling on two issues: 1) whether my company is required to charge sale tax for the services it provides; and 2) how to appropriately buy and sell blank tape stock under the sales tax provisions.

One of my company’s services involves captioning videos for our clients. The captioning process requires that a copy of an original video be made and captions are added to the copy as it is copied. We purchase the blank tape stock that we use and we have paid sales tax on those purchases. We have never bought blank tape using a tax-exempt status.

Kansas retailers’ sales tax law imposes tax on the sale of tangible personal property and enumerated services. K.S.A. 79-3603(a). Kansas taxes “the gross receipts received for the service of . . . servicing, altering. . .tangible personal property. . .” K.S.A. 79-3603(q).

The tape that you alter for your customer is an “ingredient or component part.” The term “ ‘Ingredient or component part’ means tangible personal property which is necessary or essential to, and which is
actually used in and becomes an integral and material part of tangible personal property or services produced,. . .” K.S.A. 79-3602(l).

Kansas exempts the purchase of ingredient or component parts by the person that is producing tangible personal property or a taxable service for resale. K.S.A 79-3606(m).

It is the opinion of the Kansas Department of Revenue that the captioning services you perform are a taxable service. Therefore, your company should collect sales tax on the gross receipts you receive from your customers for the caption service. The video tapes used in providing this service may be purchased by your company exempt as they are an ingredient or component part of providing the service.

This private letter ruling is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to make an accurate determination by the department, this ruling is null and void. This private letter ruling will be revoked in the future by operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or a published revenue ruling, that materially affects this private letter ruling.

Sincerely,

Mark D. Ciardullo
Tax Specialist

MDC

**Date Composed: 07/26/1999 Date Modified: 10/11/2001**