**Private Letter Ruling**

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| **Ruling Number:** | **P-1999-242** |

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| **Tax Type:** | **Kansas Compensating Tax; Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Direct purchases by hospitals.** |
| **Keywords:** |  |
| **Approval Date:** | **10/29/1999** |

**Body:**

Office of Policy & Research  
  
  
October 29, 1999

XXXXXXXXXXXXXX  
XXXXXXXXXXXXX  
XXXXXXXXXXXXXXXX  
  
I have been asked to respond to your letter dated September 15, 1999.  
  
In your letter, you stated:

XXXXXXXXXXXX is a provider of technical equipment coverage for health care facilities. We currently have an account with a hospital in your state for which I have a question.  
  
This hospital holds a tax exemption certificate. When a piece of equipment needs repair, this hospital will call their vendor of choice to fix it. The invoice is billed directly to the hospital. If repair is covered under the policy the hospital has with XXXXXXXX, the invoice is submitted to XXXXXXX for payment. XXXXXXXX does not take any part in the purchase of parts or labor that goes into this transaction. We pay the bill, acting as agent for hospital. Is this a tax-exempt transaction since XXXXXXXXXX is acting as an insurance agent to the hospital, or is XXXXXXX liable for your state sales tax?  
  
Please keep in mind, this is not a maintenance agreement. It is an insurance policy where XXXXXXXXX is not performing any the repairs. We are just trying to let eliminate a step in the payment process.

K.S.A. 79-3606(b) exempts from Kansas retailers’ sales tax: “all sales of tangible personal property or service, including the renting and leasing of tangible personal property purchased directly by. . .a public or private nonprofit hospital. . .and used exclusively for. . .hospital. . .purposes, except when: (1) Such. . .hospital is engaged or proposes to engage in any business specifically taxable under the provisions of this act and such items of tangible personal property or service are used or proposed to be used in such business,. . .”  
  
Based on the facts as contained in your letter, it is the opinion of the Kansas Department of Revenue that the described transaction is a direct purchase by the hospital and is exempt from Kansas sales and compensating tax pursuant to K.S.A. 79-3606(b).  
  
This is a private letter ruling pursuant to K.A.R. 92-19-59. It is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to an accurate determination by the department, this ruling is null and void. This ruling will be revoked in the future by the operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or published revenue ruling, that materially affects this private letter ruling.  
  
  
Sincerely,  
  
  
Mark D. Ciardullo  
Tax Specialist  
  
  
**Date Composed: 11/03/1999 Date Modified: 10/10/2001**