**Private Letter Ruling**

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| **Ruling Number:** | **P-2001-005** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Manufacturing and processing businesses.** |
| **Keywords:** |  |
| **Approval Date:** | **01/29/2001** |

**Body:**

Office of Policy & Research

January 29, 2001

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Dear Ms. TTTTTT:

We wish to acknowledge receipt of your e-mail dated January 26, 2001, regarding the application of Kansas Retailers’ Sales tax.

Effective July 1, 2000, businesses engaged in certain manufacturing or processing activities will not be required to pay sales or use tax on an expanded range of machinery and equipment used in manufacturing and processing operations. This expanded exemption applies to purchases of machinery and equipment delivered on or after July 1, 2000. In the case of leased machinery and equipment, the exemption applies to payments for rental periods that occur on and after July 1, 2000. Service or labor charges for installing and repairing qualifying machinery and equipment are exempt when performed on or after July 1, 2000. These changes are contained in House Bill 2011 that was enacted by the 2000 Kansas Legislature.

The new law benefits manufacturing or processing businesses. The law defines “manufacturing or processing business” as a business that utilizes an integrated production operation to manufacture, process, fabricate, finish, or assemble items for wholesale and retail distribution as part of what is commonly regarded as a industrial manufacturing or processing operation or a agricultural commodity processing operation. The exemption does not apply to retail operations or other non-industrial businesses. Retail operations and non-industrial businesses include, but are not limited to: contractors; construction companies; retail businesses that prepare food products for consumption by the buyer on or off premises; businesses that service or refurbish property that is returned to its owner, such as repair shops and machine shops; copying services, photo finishing services, and similar businesses that perform services for retail customers; telephone companies; and utility transmission and distribution operations.

Integrated production operations encompass machinery and equipment used at a plant or facility to transport electricity, gas, water, steam, or other items used in production (1) from the point of generation, if in the plant, to the production operation, or (2) from the point it is first metered at the plant site, if generated or produced outside the plant, to the production operation.

In closing, the purchase of the automated capacitor bank, as well as the labor to install the equipment would come within the scope of the sales tax exemption in K.S.A. 79-3606(kk).

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, case law, or published revenue ruling, that materially effects this private letter ruling.

Sincerely yours,

Thomas P. Browne, Jr.
Tax Specialist

TPB

**Date Composed: 01/31/2001 Date Modified: 10/11/2001**