**Private Letter Ruling**

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| **Ruling Number:** | **P-2002-017** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Services performed on garage doors.** |
| **Keywords:** |  |
| **Approval Date:** | **02/18/2002** |

**Body:**

Office of Policy & Research

February 18, 2002

XXXXX
XXXXX
XXXXX

RE: Your letter of February 17, 2002

Dear XXXX:

Thank you for your recent letter. You indicate that XYXYX at YYYY refuses to pay sales tax on your billing to YYYY's for services you performed on garage doors at one their plants. He claims the services are exempt under Kansas law. His claim is without support. The services you performed for YYYY are subject to state and local sales tax.

The exemption in question was enacted by the 2000 Kansas legislature and became law on July 1, 2000. This law is the first Kansas enactment of the integrated plant exemption. It provides an exemption for machinery and equipment that is an integral part of production operations. Thus, the first test that machinery and equipment must meet to qualify for exemption is that is part of an "integrated production operation." If it is not part of an "integrated production operation," it doe not qualify for exemption.

Subsection (3) explains what integrated production equipment is. Such equipment includes equipment that is used: (A) to receive, transport, convey, handle, treat or store raw materials in preparation of its placement on the production line; (B) to transport, convey, handle or store the property undergoing manufacturing or processing at any point from the beginning of the production line through any warehousing or distribution operation of the final product that occurs at the plant or facility; (C) to act upon, effect, promote or otherwise facilitate a physical change to the property undergoing manufacturing or processing; (D) to guide, control or direct the movement of property undergoing manufacturing or processing; (E) to test or measure raw materials, the property undergoing manufacturing or processing or the finished product, as a necessary part of the manufacturer's integrated production operations; (F) to plan, manage, control or record the receipt and flow of inventories of raw materials, consumables and component parts, the flow of the property undergoing manufacturing or processing and the management of inventories of the finished product; (G) to produce energy for, lubricate, control the operating of or otherwise enable the functioning of other production machinery and equipment and the continuation of production operations; (H) to package the property being manufactured or processed in a container or wrapping in which such property is normally sold or transported; (I) to transmit or transport electricity, coke, gas, water, steam or similar substances used in production operations from the point of generation, if produced by the manufacturer or processor at the plant site, to that manufacturer's production operation; or, if purchased or delivered from offsite, from the point where the substance enters the site of the plant or facility to that manufacturer's production operations; (J) to cool, heat, filter, refine or otherwise treat water, steam, acid, oil, solvents or other substances that are used in production operations; (K) to provide and control an environment required to maintain certain levels of air quality, humidity or temperature in special and limited areas of the plant or facility, where such regulation of temperature or humidity is part of and essential to the production process; (L) to treat, transport or store waste or other byproducts of production operations at the plant or facility; or (M) to control pollution at the plant or facility where the pollution is produced by the manufacturing or processing operation.

Garage doors do not perform any of the functions that are required of integrated production equipment. Accordingly, it does not meet the test of being part of an "integrated production operation" and does not qualify for exemption. In fact, garage doors are part of a building and provide access in and out of it. There is no exemption for building parts, such as garage doors and service work done on them is subject to sales tax. In addition, the law specifically provides that "buildings" and "building fixtures" are not exempt as integrated production equipment.

In addition to exemption machinery and equipment used in an "integrated production operation," the legislature created a catch-all section to exempt things that they wanted to exempt but that do not meet the test as being machinery or equipment used in "integrated production operation[s]. This includes equipment used in engineering and machinery and equipment used to build mold and dies that are used in manufacturing operations. Garage doors do not appear in this list found at K.S.A. 79-3606(kk)(4).

Accordingly, YYYY should pay state and local sales on the work that you did on their garage doors. Garage doors not qualify under K.S.A. 79-3606(kk) as integrated production equipment. Please let me know if they continue to refuse to pay you the sales tax owed. If your wish to discuss this matter further or if YYYY employees or accountants wish to talk to me, I can be reached at 785-296-3081. 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,

Thomas E. Hatten
Attorney/Policy & Research

**Date Composed: 02/27/2002 Date Modified: 02/27/2002**