**Private Letter Ruling**

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| **Ruling Number:** | **P-2004-025** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Contractor equipment used to fabricate exempt equipment.** |
| **Keywords:** |  |
| **Approval Date:** | **06/25/2004** |

**Body:**

Office of Policy & Research

June 25, 2004

XXXXX
XXXXX
XXXXX

RE: Your fax received on May 12, 2004

Dear XXXXX:

Thank you for your recent fax. You ask if the Integrated Production Machinery and Equipment Exemption Certificate attached to the fax should be honored. Please be advised that is should not be. Contrary to what is claimed on the face of the certificate, the equipment being leased or rented will not be used as integrated production equipment. The equipment in question will be used by a mechanical contractor to fabricate equipment that qualifies for the integrated production exemption.

While a mechanical contractor may claim exemption when he purchases materials that he will fabricate into exempt integrated production machinery or equipment, the contractor may not claim an exemption for equipment that the contractor will use to fabricate the exempt equipment. This is reflected in the fact that the exemption certificate does not contain a provision for equipment rented to a contractor for use in fabricating exempt integrated production machinery and equipment. As completed, this certificate claims to be renting "various manufacturing equipment" that is to be "used in manufacture of snack food." This is factually wrong. The equipment is not used to manufacture snack food, but is used to fabricate equipment that is used to manufacture snack foods. There is no exemption in the law for this kind of a lease or rental.

This is a private letter ruling pursuant to K.A.R. 92-19-59, based on the representations you have made. To the extent those representations are incomplete or inaccurate, this ruling is void. This ruling will be revoked by operation of law without further department action if there is a change in the controlling statutes, administrative regulations, revenue rulings or case law that materially effects this determination.

Sincerely,

Thomas E. Hatten
Attorney/Policy & Research

**Date Composed: 06/28/2004 Date Modified: 06/29/2004**