**Private Letter Ruling**

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| **Ruling Number:** | **P-2001-066** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Manufacturing machinery and equipment.** |
| **Keywords:** |  |
| **Approval Date:** | **07/02/2001** |

**Body:**

Office of Policy & Research

July 2, 2001

XXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXX

Dear XXXXXXXXXXXX:

The purpose of this letter is to respond to your letter dated June 21, 2001. In it, you request a private letter regarding the sales tax exemption for manufacturing machinery and equipment.

In your letter, you stated:

Our organization manufactures stretch wrapping machines for resale and we are currently registered to collect sales tax in your state. We are expanding our product line to include shrink wrappers. Let me explain the difference. A stretch wrapper stabilizes a product to a pallet to keep it from being damaged during shipping. A shrink wrapper can be used two ways. By using heat, it can be used as an over wrap to protect a product before it goes into a container for shipping. It can also protect a product before it goes directly to the pallet for shipping.

How would your state classify the taxability of the shrink machine? Should it be the same as what we do for our stretch machine? Please provide applicable state tax statues and/or regulations.

It is the opinion of the Kansas Department of Revenue that the purchase, rental or lease of stretch wrapping machines and shrink wrapper machines utilized in the direct production and distribution of items intended for resale by a manufacturing plant or facility are exempt from Kansas retailers’ sales and compensating tax pursuant to K.S.A. 79-3606(kk).

Per K.S.A. 79-3606(kk) The following shall be exempt from the tax imposed by the act: . . . (1) (A) all sales of machinery and equipment which are used in this state as an integral or essential part of an integrated production operation by a manufacturing or processing plant or facility;
(B) all sales of installation, repair and maintenance services performed on such machinery and equipment; and
(C) all sales of repair and replacement parts and accessories purchased for such machinery and equipment.

(2) For purposes of this subsection:
(A) "Integrated production operation" means an integrated series of operations engaged in at a manufacturing or processing plant or facility to process, transform or convert tangible personal property by physical, chemical or other means into a different form, composition or character from that in which it originally existed. Integrated production operations shall include: (i) Production line operations, including packaging operations; (ii) preproduction operations to handle, store and treat raw materials; (iii) post production handling, storage, warehousing and distribution operations; and (iv) waste, pollution and environmental control
operations, if any;

I have enclosed an exemption certificate for this purpose.

This is a private letter ruling pursuant to Kansas Administrative Regulation 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 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 ruling.

Sincerely,

Mark D. Ciardullo
Tax Specialist

MDC:mdc

**Date Composed: 07/06/2001 Date Modified: 10/11/2001**