**Private Letter Ruling**

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| **Ruling Number:** | **P-2001-074** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Manufacturing machinery and equipment exemptions.** |
| **Keywords:** |  |
| **Approval Date:** | **07/20/2001** |

**Body:**

Office of Policy & Research  
  
  
July 20, 2001

XXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXX  
XXXXXXXXXX  
  
Dear XXXXXXXXXXX:  
  
The purpose of this letter is to respond to your letter dated July 16, 2001. In it, you request a private letter regarding the sales tax exemption for manufacturing machinery and equipment.  
  
In your letter, you stated:

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
  
Another concern is repair of two internal combustion engines damaged by fire at power plant XXXXXX. Are we exempt from sales tax on labor to repair the engines and replacement parts? How about contractors labor for building repairs and materials?  
  
Also we will be updating our SCADA System. (communication modems between three power plants) The computers read the systems load, reads out how much electricity is being generated and consumed. Are the computers and modern lines exempt per K.S.A. 79-3606 (kk), 2, D.?

Per our telephone conversation it was determined that the internal combustion engines are used to generate electrical power for resale.  
  
It is the opinion of the Kansas Department of Revenue that the service to repair and purchase of repair parts for the internal combustion engines that are utilized in the direct production and distribution of electricity intended for resale by your plant are exempt from Kansas retailers’ sales and compensating tax pursuant to K.S.A. 79-3606(kk).  
  
Repairs to the building including labor and materials are subject to sales tax.  
  
The purchase of labor services and components to upgrade the SCADA System are exempt from Kansas retailers’ sales and compensating tax pursuant to K.S.A. 79-3606(kk).  
  
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: 07/30/2001 Date Modified: 10/11/2001**