**Private Letter Ruling**

|  |  |
| --- | --- |
| **Ruling Number:** | **P-2003-024** |

|  |  |
| --- | --- |
| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Lease of equipment to set up pilot studies for the filtration and production of water at a city's water treatment plant.** |
| **Keywords:** |  |
| **Approval Date:** | **04/24/2003** |

**Body:**

Office of Policy & Research  
  
  
April 24, 2003

XXXX  
XXXX  
XXXX  
  
Re: Request for Private Letter Ruling  
  
Dear Mr. XXXX:  
  
This letter responds to your private letter ruling request dated April 16, 2003 in which you inquired whether the City of XXXX proposed lease of equipment to set up pilot studies for the filtration and production of water at the City’s Water Treatment Plant would be exempt from sales tax. You indicate that “this equipment is essential for the actual process and production of water for the citizens of Parsons.” You further indicate: “During the processing of water it passes through these filters before the final product being distributed into service lines. Over a period of time, these filters will be replaced, therefore, being a consumable part of this utility production.” You also advised that although this equipment will be used in a pilot study, it will actually be used to treat water that the City of XXXX sells to its water utility customers for a six-month period. At the end of that period, the City will decide on whether to purchase permanent filtering equipment.  
  
So long as this equipment is used in the treatment of water sold to City water utility customers, it appears that the lease of this filtering equipment would be exempt from sales tax under the “manufacturing machinery and equipment” sales tax exemption, K.S.A. 2002 Supp. 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, or case law, or published revenue ruling, that materially effects this private letter ruling. Please let me know if you have additional questions.  
  
Very truly yours,  
  
  
  
Richard L. Cram  
  
  
**Date Composed: 04/28/2003 Date Modified: 04/28/2003**