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NOTICE 14-13

NEW SALES TAX EXEMPTION FOR CERTAIN AGRICULTURAL OPERATIONS

2014 SENATE BILL 265

(June 2014)

The Conference Committee Report on House Substitute for Senate Bill 265 was passed and signed into law to provide a new sales tax exemption, effective July 1, 2014. New subsection (hhhh) of K.S.A 2014 Supp. 79-3606 will exempt:

> *(hhhh) all sales of tangible personal property or services purchased on or after July 1, 2014, for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business identified under the North American industry classification system (NAICS) subsectors 1123, 1124, 112112, 112120 or 112210, and the sale and installation of machinery and equipment purchased for installation at any such business. The exemption provided in this subsection shall not apply to projects that have actual total costs less than $50,000. When a person contracts for the construction, reconstruction, enlargement or remodeling of any such business, such person shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials, machinery and equipment for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project, the contractor shall furnish to the owner of the business a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor of the contractor, who shall use or otherwise dispose of any materials, machinery or equipment purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed thereon, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto.*

The NAICS subsectors listed in subsection (hhhh) refer to the following businesses:

1123 Poultry and Egg Production
1124 Sheep and Goat Farming
112112 Cattle Feedlots
112120 Dairy Cattle and Milk Production
112210 Hog and Pig Farming

In June, the department will publish a new form on its website for qualifying businesses to use to request a project exemption certificate under new subsection (hhhh). *(www.ksrevenue.org).* To request a project exemption certificate, the business must complete the request form and submit it to the department. A project exemption certificate that the department issues under the new subsection cannot be used to claim exemption on purchases the business makes before July 1, 2014.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, **www.ksrevenue.org**. If you have questions about income tax, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
915 SW Harrison St., 1st Floor
Topeka, KS 66612-1588
Phone: 785-368-8222
Fax: 785-291-3614