**Opinion Letter**

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| **Letter Number:** | **O-2002-009** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Parts and services for garage doors at salt manufacturing facilities.** |
| **Keywords:** |  |
| **Approval Date:** | **05/01/2002** |

**Body:**

Office of Policy & Research  
  
  
May 1, 2002

XXXX  
XXXX  
XXXX

RE: Your letter of February 17, 2002

Dear XXXX:  
  
Thank you for your recent letter. You indicate that Susan Smith of XYZ Corp., refuses to pay sales tax on your billing to XYZ Corp. for parts and services for garage doors at one their salt manufacturing facilities. She provided you with an Integrated Production Machinery and Equipment Exemption Certificate that claims their purchases of garage doors, parts and services are exempt from sales tax under the Kansas integrated plant exemption. The exemption certificate asserts the overhead doors are "manufacturing machinery and equipment" that are used as part of an "integrated production operation." Her claim is without support in the law. The sales of garage doors and garage door parts that you made to XYZ Corp. are subject to state and local sales tax. Similarly, the services that you performed are taxable. You were correct in refusing to honor Smith's integrated plant exemption claims made on behalf of XYZ Corp.  
  
The integrated plant exemption was enacted by the 2000 Kansas legislature and became law on July 1, 2000. This law is the first Kansas enactment of the integrated plant exemption. It provides an exemption for machinery and equipment that is an integral part of production operations. Subsection (3) explains that integrated production equipment includes equipment that is used: (A) to receive, transport, convey, handle, treat or store raw materials in preparation of its placement on the production line; (B) to transport, convey, handle or store the property undergoing manufacturing or processing at any point from the beginning of the production line through any warehousing or distribution operation of the final product that occurs at the plant or facility; (C) to act upon, effect, promote or otherwise facilitate a physical change to the property  
undergoing manufacturing or processing; (D) to guide, control or direct the movement of property undergoing manufacturing or processing; (E) to test or measure raw materials, the property undergoing manufacturing or processing or the finished product, as a necessary part of the manufacturer's integrated production operations; (F) to plan, manage, control or record the receipt and flow of inventories of raw materials, consumables and component parts, the flow of the property undergoing manufacturing or processing and the management of inventories of the finished product; (G) to produce energy for, lubricate, control the operating of or otherwise enable the functioning of other production machinery and equipment and the continuation of production operations; (H) to package the property being manufactured or processed in a container or wrapping in which such property is normally sold or transported; (I) to transmit or transport electricity, coke, gas, water, steam or similar substances used in production operations from the point of generation, if produced by the manufacturer or processor at the plant site, to that manufacturer's production operation; or, if purchased or delivered from offsite, from the point where the substance enters the site of the plant or facility to that manufacturer's production operations; (J) to cool, heat, filter, refine or otherwise treat water, steam, acid, oil, solvents or other substances that are used in production operations; (K) to provide and control an environment required to maintain certain levels of air quality, humidity or temperature in special and limited areas of the plant or facility, where such regulation of temperature or humidity is part of and essential to the production process; (L) to treat, transport or store waste or other byproducts of production operations at the plant or facility; or (M) to control pollution at the plant or facility where the pollution is produced by the manufacturing or processing operation.  
  
Garage doors do not perform any of the functions that are required of integrated production equipment. Rather than being part of integrated production line operations, they are part of a building and provide access in and out of it. Accordingly, there is no exemption for garage doors or garage door repair parts. The service work done on them is also subject to sales tax. In addition to the fact that garage doors do not meet the definition of integrated production equipment, K.S.A. 79-3606(kk) specifically provides that "buildings" and "building fixtures" are not exempt as integrated production equipment.  
  
XYZ Corp. should pay state and local sales tax for the sales and work you did for them on their garage doors. Garage doors not qualify under K.S.A. 79-3606(kk) as integrated production equipment. Please let me know if they continue to refuse to pay you the sales tax owed. If your wish to discuss this matter further or if XYZ Corp. employees or accountants wish to talk to me, I can be reached at 785-296-3081. This private letter ruling is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to make 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 private letter ruling.

Sincerely,  
  
  
  
Thomas E. Hatten  
Attorney/Policy & Research

cc: XXXXXXXXXXX  
  
  
**Date Composed: 05/03/2002 Date Modified: 05/03/2002**