**Private Letter Ruling**

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| **Ruling Number:** | **P-2014-006** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Taxability of a material only sale of steel.** |
| **Keywords:** |  |
| **Approval Date:** | **10/23/2014** |

**Body:**

Office of Policy and Research

October 23, 2014

XXXXXXX
XXXXXXXXXX
XXXXXXXXX
XXXXXXXXXXX

Dear XXXXXX:

We wish to acknowledge receipt of your recent inquiry regarding the application of Kansas Retailers’ Sales tax. You inquired regarding the taxability of a material only sales of steel to your customer. You charges sales tax on the entire order but the purchaser contends that engineering in Kansas in not taxable and you should charge sales tax only on the materials.

The design of the building was provided by an architect. You calculated the steel necessary to construct the building, ordered the steel and shipped it to the jobsite where it was erected by someone else. Your understanding of a material only sale, which includes the in-house engineering necessary to order the steel and produce erection drawings to the erector, that the whole sale is taxable. The purchaser is disputing the sales tax on the engineering services.

Engineering services, by themselves, are not a taxable service. However, when they are part of providing the tangible personal property, they are included in the selling price and therefore taxable. See K.S.A. 79-3602(ll)(1). The engineering services were actually part of providing the steel itself: engineering was used to determine the quantity needed to be supplied and the size/dimensions, shape of the steel, etc. Billing separately the engineering that goes into designing and producing the steel components does not make those services nontaxable. They are part of the price of the steel being supplied, whether billed separately or not.

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,

Jack Smith
Policy and Research
Kansas Department of Revenue

**Date Composed: 10/27/2014 Date Modified: 10/27/2014**