**Private Letter Ruling**

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| **Ruling Number:** | **P-2001-133** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **City purchase of diesel generator and associated equipment for use by its electric department.** |
| **Keywords:** |  |
| **Approval Date:** | **12/03/2001** |

**Body:**

Office of Policy & Research

December 3, 2001

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XXXX

RE: Your fax dated November 21, 2001

Dear XXXX:

Thank your for your recent fax. You ask if the City of XXXX's purchase of a diesel generator and associated equipment for use by its electric department is exempt from sales tax. The generator will be used to generate electricity for sales to businesses and residents in XXXX.

Please be advised that these purchase are exempt under K.S.A. 79-3606(kk). Subsection (kk) is the Integrated Production Manufacturing Machinery and Equipment Exemption. Under K.S.A. 79-3606(d) sales of property to Kansas political subdivisions are exempt unless the property is intended to be used to provide gas, electricity or heat to others. K.S.A. 79-3606(kk) exempts manufacturing machinery and equipment that is used in manufacturing and production. The department has determined that this exemption extends to equipment purchased by a public utility to generate electricity. According, the City of XXXX is entitled to claim exemption on its purchase and installation of the generator and the associated equipment at the city's generation plant. I have enclosed a copy of Notice 00-08. This notice provides a more in-depth discussion about how the exemption applies to purchases made for a public utility's generating plant.

Please note that this exemption does not extend to purchases to repair or replace the City's electric transmission and distribution lines. Purchases of property that makes up the distribution lines continue to be taxable, while labor services for the first or initial construction of a new line is exempt.

I hope that my letter and the enclosed notice answers all of your questions clearly. If you need to discuss this matter further, please call me at 785-295-3081. This is private letter ruling. It 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 ruling.

Sincerely,

Thomas E. Hatten
Attorney/Policy & Research

Enclosure

**Date Composed: 12/13/2001 Date Modified: 12/13/2001**