**Opinion Letter**

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| **Letter Number:** | **O-2000-013** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Tangible equipment removed from oil and gas leases when sold as salvage.** |
| **Keywords:** |  |
| **Approval Date:** | **07/31/2000** |

**Body:**

Office of Policy & Research  
  
  
July 31, 2000

XXXX  
XXXX  
XXXX

RE: Your e-mail dated July 26, 2000

Dear XXXX:  
  
I have been asked to answer your e-mail inquiry that we received last week. You ask if tangible equipment removed from oil and gas leases would be taxable when sold as salvage. The answer is yes, unless the seller makes such sales no more often than once a year.  
  
Generally, all sales of any tangible personal property by a retailer are subject to Kansas sales tax. Taxable sales include sales of items removed from real property and sold as salvage. Thus, if a demolition business salvages window, doors, and other items from the buildings it demolishes and sells those items to the public, the business is required to register as a retailer and collect sales tax on the sales. Similarly, if you remove property from oil and gas leases and resell them to the public or to other well owners, you must register and collect sales tax on the sales of the items. In Kansas, there is no general exemption for sale of well drillings or pumping equipment. However, if the salvaged items are sold to sold to a retailer for resale, the retailer can provide the seller (often a wholesaler or manufacturer) with a resale exemption certificate to exempt their purchase.  
  
The exception for isolated or occasional sales applies if someone sells items they acquired for their own use or consumption once a year or less often. Under this definition, isolated or occasional sales includes selling events like garage sale. In the case of well equipment, this means that a lease owner can remove equipment from their lease site and sell the equipment at one sale during the year without being required to register and collect the tax. I hope that this answers all of your question. If not, please call me at (785) 296-3081.

Sincerely,

Thomas E. Hatten

Attorney/Policy & Research  
  
  
**Date Composed: 08/09/2000 Date Modified: 10/10/2001**