**Private Letter Ruling**

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| **Ruling Number:** | **P-2002-098** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Desktop publishing.** |
| **Keywords:** |  |
| **Approval Date:** | **11/20/2002** |

**Body:**

Office of Policy & Research

November 20, 2002

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XXXX

RE: Your letter postmarked November 12, 2002

Dear XXXX:

I have been asked to answer your letter that we received last week. Among other things, you ask if the integrated plant exemption applies to your desktop publishing business. Please be advised that it does not. Businesses that produce articles to the special order of customers typically are retailers. Businesses like desk top publishers, drapery makers, custom tailors, customer boot makers, T-shirt printers, hat-embroiderers, and similar businesses do not operate an integrated production operation and do not qualify for exemption under K.S.A.79-3606(kk). Desk top publishing is not a business that "is commonly regarded by the general public as an industrial production operation to manufacture, process, fabricate, finish, or assemble items for wholesale or retail distribution as part of what is commonly regarded by the general public as an industrial manufacturing or operation." *K.S.A. 79-3606(kk)(2)(D).* "[M]anufacturing or processing businesses do not include, by way of illustration by not of limitation, nonindustrial businesses that whose operation is primarily retail and that produce or process tangible personal property as an incidental part of conducting the retail business." *K.S.A. 79-3606(kk)(2)(D)(i).*An industrial business is one that employs large numbers of personnel and make large capital expenditures to create something of value. Desktop publishing does not an industrial processing or manufacturing operation.

While you are not engaged in industrial manufacturing or processing, you do fabricate items to the custom order of your customers. As someone who fabricated items to a customer special order, you must collect sales tax on the total amount charged to your customers. You can claim the ingredient or component part exemption when you buy materials that become part of the tangible personal property that is transferred to your customers. In your case this would include ink, paper, press chemical, envelopes, adhesive and thermo powder. Items that are exempt do not include cleaning supplies, oil or other items that you use to maintain your equipment. Please note that when you buy taxable items from outside the state and no use tax is billed to you, you must accrue consumers' use tax on the cost of the item, which includes shipping.

When you ship your product to a Kansas address, the sale is subject to Kansas sales tax. The tax base includes the shipping charges that you bill to the customer. The local sales tax that should be charged are the local taxes in place at your place of business. These sales are taxable whether the order is place via the internet, mail, or telephone. They are taxable even though you bill an out-of-state customer for the in-state sale.

Conversely, if you ship your product to an address outside Kansas, the charges are not subject to Kansas tax. These sales are exempt even though you bill an in-state customer for the out-of-state sale.

I hope that this answers 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

**Date Composed: 11/21/2002 Date Modified: 11/21/2002**