**Private Letter Ruling**

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| **Ruling Number:** | **P-2005-017** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Destination-based sourcing rules for roofing business.** |
| **Keywords:** |  |
| **Approval Date:** | **06/23/2005** |

**Body:**

Office of Policy & Research

June 23, 2005

XXXXX
XXXXX
XXXXX

RE: Your letters received in June, 2004

Dear XXXX:

During our telephone conversations last year, we discussed which local sales tax applies to your roofing business under the destination-based sourcing rules. Your letters describe your business as "an onsite roll-former and installer of standard seam metal roofs." You fabricate all of the needed roof panels, framework, and flashing at the job site. Roofing and flashing materials are fabricated from a wide coil, while frame work is fabricated from flat materials that comes in twenty-foot lengths. You ask if you should pay sales tax when you take delivery of the coils and flat materials or when you fabricate the materials at the job site.

The department recently issued several new guidelines for contractors and contractor-retailers. The Sales Tax Guidelines for Contractor-Fabricators and Contractor-Manufacturers contains a section that discusses how businesses such as yours should pay sales tax on their purchases:

**Articles fabricated at the job site.**Some contractors haul equipment to the job site to use in forming metal roofing or gutters and downspouts from rolls of steel or aluminum. Other contractors use similar equipment at the job site to fabricate steel 2x4's. Contractors sometimes use portable mixers to make concrete at the job site.

For these businesses, the fabrication done at the job site is an integral part of performing their construction contract. These businesses are treated as contractors.This means that they are required to pay sales tax when they take delivery of the rolls of steel or aluminum or materials to make concrete. See*Sales Tax Guidelines for Contractors and Contractor-retailers.* These businesses are required to pay sales or use tax on the equipment they buy and use to form the articles they install. Contractors may not claim the integrated plant exemption extended in K.S.A. 2004 Supp. 79-3606(kk) when they buy their equipment.

Carpenters sometimes fabricate articles at their shop and then install the articles at the job site. These carpenters are treated like any other contractor. This means they should pay sales tax on their purchases and collect tax on their taxable services as explained in the Contractor Guidelines. See also *Sales Tax Guidelines for Contractor-Fabricators and Contractor-Retailers.*

This discussion shows that contractors like you are required to pay sales tax when you take delivery of your materials. Your letter states that you take delivery at your warehouse in Dog Jaw, Kansas. Accordingly, the state and local tax that you pay on the coils you buy is be state and local tax in place at your warehouse.

This is a private letter ruling pursuant to K.A.R. 92-19-59. It is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to an accurate determination by the department, this ruling is null and void. This ruling will be revoked in the future by the operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or published revenue ruling, that materially effects this private letter ruling. Please let me know if you have additional questions.

Sincerely,

Thomas E. Hatten
Attorney/Policy & Research

Enclosures

**Date Composed: 06/27/2005 Date Modified: 06/27/2005**