

# STATE OF KANSAS

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## Department of Revenue *Division of Property Valuation*

### **DIRECTIVE #95-030**

**TO: County Appraisers**  
**SUBJECT: \$250 Personal Property Exemption  
(K.S.A. 1995 Supp. 79-201w).**

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This directive is adopted pursuant to the provisions of K.S.A. 1995 Supp. 79-505, and shall be in force and effect from and after the Director's approval date.

In 1995, the legislature adopted a new law that exempts any *qualifying* item of machinery, equipment, materials and supplies that has a retail cost when new of \$250 or less. The exemption becomes effective after December 31, 1995. (K.S.A. 1995 Supp. 79-201w).

In order to qualify for the exemption, an item must be the type of personal property that would otherwise be required to be listed for the purposes of taxation pursuant to K.S.A. 79-306, and amendments thereto. For example, oil and gas property will only qualify for the exemption if it is the type of property that was required to be listed on the Tangible Personal Property Ad Valorem Tax Return (Form PV-PP-2E) for tax year 1995 and prior years (e.g., office equipment). Oil and gas property that is required to be listed on the oil and gas rendition filed pursuant to K.S.A. 79-329 through 79-333, and amendments thereto, shall not qualify for this exemption. Public utility property that is required to be listed pursuant to K.S.A. 79-5a01 through 79-5a28, and amendments thereto, shall not qualify for this exemption. Motor carrier property that is required to be listed pursuant to K.S.A. 79-6a01 through 79-6a16, and amendments thereto, shall not qualify for this exemption.

In addition, the item must be used exclusively for (1) business purposes or (2) in the conduct of activities by an entity not subject to Kansas income tax pursuant to K.S.A. 79-32,113, and amendments thereto. Generally, a person or organization exempt from federal income taxation under provisions of the federal internal revenue code are also not subject to Kansas income tax.

The purpose of this directive is to define the term "item" for purposes of the new exemption. The Director takes the position that an interpretation of an "item" should begin with the Tangible Personal Property Ad Valorem Tax Return (Form PV-PP-2E, hereinafter referred to as a "rendition"), which was an express concern of the legislature.

The Director takes the position that *as a general rule*, a line-item on an acceptably filed rendition is the equivalent of an item for purposes of the new exemption. However, the Director recognizes that taxpayers vary in reporting practices due to differing purchasing procedures and styles.

Consequently, some adjustment to this general rule must be made in order to place taxpayers on more equal footing.

*First*, if a single line-item represents a group of like goods that can be used independently and that have the same or similar cost, the line-item is not a single item. Rather, the line-item represents several items. For example, if a taxpayer lists “chairs, 6 @ \$100 each,” as a line-item on the rendition, each chair constitutes an item. The chairs are alike, have the same cost, and do not have to be used in conjunction with other goods in order to serve their function. Thus, the single line-item on the rendition described as “6 chairs” actually consists of six separate items.

*Second*, if a single line-item represents a good that must be used in conjunction with other goods in order to serve its purpose or function, the line-item is not an item. Rather, the line-item represents only part of an item. For example, if a taxpayer lists a “computer keyboard” as a line-item on the rendition, the line-item does not constitute an entire item. The computer keyboard cannot serve its purpose or function without the remainder of the computer system; therefore, the keyboard is part of a computer system. The computer system is the item. The keyboard and its other components, even though they may be separately identified and listed on the rendition, are merely parts of an item.

*Finally*, materials and supplies were typically reported as a single, lump sum line-item on the rendition prior to the new law. The line-item typically contained a variety and number of low-dollar, highly consumable goods such as paper, pens, pencils, paperclips, rubberbands, etc. The Director takes the position that in the case of materials and supplies, the line-item is not a single item. The line-item represents several expense items. For example, a taxpayer lists “office supplies, \$500” on the rendition. The single line-item described as “office supplies” consists of 1,000 sheets of paper, 1,000 rubberbands, 200 pens, etc. The item is the smallest quantity in which like goods may be purchased by a business or qualifying not-for-profit entity in the ordinary course of a trade or business. Therefore, the single line-item represents several items. For example, one pen constitutes an item.

Materials and supplies may include spare parts. A spare part with a cost of \$250 or less may qualify for exemption. However, once the spare part is affixed to machinery and equipment, it becomes part of an item of machinery and equipment, and no longer qualifies for exemption by virtue of being an item of materials or supplies.

The Director offers the following list of example *items* of machinery and equipment as an additional guideline:

Example Items of Machinery and Equipment:

Alarm System  
 Computer System (including monitor, tape/hard drive, mouse, printer, etc.)  
 Phone System  
 Bed (including mattress, box springs, frame and headboard)  
 Window Treatment (all curtains/blinds for one window)  
 Shelf (one free-standing shelf unit; as high/wide as used by the entity)  
 Kitchen pan and lid  
 Kitchen utensil (example: fork)  
 Chair

Approved: January 12, 1996

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Mark S. Beck  
 Director of Property Valuation