**Private Letter Ruling**

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| **Ruling Number:** | **P-2003-046** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Destination-based sourcing - installation of garage doors and fireplaces.** |
| **Keywords:** |  |
| **Approval Date:** | **10/23/2003** |

**Body:**

Office of Policy & Research  
  
  
October 23, 2003

XXXX  
XXXX  
XXXX  
  
Re: Your Correspondence Dated September 22, 2003  
  
Dear XXXX:  
  
You indicate that your business, XXXX, installs garage doors and fireplaces, and 90% of XXXX’s business involves work as a subcontractor at new home construction sites. XXXX maintains an inventory of garage doors and fire places at XXXX’s business location in XXXX, which inventory is purchased tax-free for resale. When XXXX has a door or fireplace installation project, XXXX withdraws the needed items from inventory and installs them at the construction project site. You have requested guidance on how the new destination-based sourcing rules apply to XXXX on such transactions.  
  
Under the new destination-based sourcing rules, the sales tax in effect at the location where the purchaser receives the product applies. Under Kansas law, the contractor is deemed to be the consumer of the materials installed at the construction project site. Because XXXX maintains an inventory at XXXX’s warehouse location, when XXXX withdraws items from inventory at the warehouse for installation at the construction site and takes possession of those items as the contractor at the warehouse, XXXX will be considered the purchaser and consumer of those items. The sales tax in effect at the location where the items are removed from inventory, XXXX’s warehouse location, will apply to those materials. When XXXX performs taxable labor services (such as for door installation work at a commercial remodeling project), the sales tax in effect at the location where the materials are installed will apply to those services. The sales tax base for the labor services would be the difference between the total amount charged to the customer less the tax-paid materials charges.  
  
You included a copy of XXXX’s August 2003 sales tax return, showing all taxable sales reported to XXXX’s business location in XXXX. Assuming those sales involved either over-the-counter retail sales at XXXX’s business location or withdrawal of inventory at XXXX’s business location for installation by XXXX as contractor at residential construction projects, reporting all of those sales to the XXXX business location is correct.  
  
  
If you have additional questions concerning this, please let me know.  
  
Very truly yours,  
  
  
  
Richard L. Cram  
  
  
**Date Composed: 10/24/2003 Date Modified: 10/24/2003**