

KANSAS DEPARTMENT OF REVENUE
CONSUMED IN PRODUCTION EXEMPTION CERTIFICATE

The undersigned purchaser certifies that the tangible personal property or service purchased from:

Seller: _____
Business Name

Address: _____
Street, RR, or P. O. Box City State Zip + 4

is exempt from Kansas sales and compensating use tax for the following reason:

K.S.A. 79-3606(n) exempts all sales of tangible personal property consumed in the production, manufacture, processing, mining, drilling, refining or compounding of tangible personal property, the treatment of waste or by-products derived from any such production process, the providing of services, or the irrigation of crops for ultimate sale at retail within or without the state of Kansas.

Description of tangible personal property or services purchased: _____

The undersigned understands and agrees that if the tangible personal property or services are used other than as stated above or for any other purpose that is not exempt from sales or compensating tax, the undersigned purchaser is liable for the tax.

Purchaser: ZEPHYR PRODUCTS INC MP-0010365
Business Name

Address: 3030 WILSON AVENUE LEAVENWORTH KS 66048
Street, RR, or P. O. Box City State Zip + 4

Authorized Signature: *Jerry D. [Signature]* Date: _____
President

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY.

WHO MAY USE THIS EXEMPTION? Any business buying goods or merchandise that qualifies as "property which is consumed" will use this certificate. Whether the item qualifies for exemption is determined by how the item is used in production or processing. An item may be taxable for one use and exempt for another use, even though purchased by the same consumer. Each item and its use must be separately measured against the definition to determine if the sale is taxable or exempt.

WHAT IS "PROPERTY WHICH IS CONSUMED?" To be exempt, the item must be essential and necessary to the process, used in the actual process, not reusable and be consumed, depleted or dissipated within one year. The fact that property may be used for only one production or processing activity and then discarded, or that it becomes obsolete or worthless in a short time is not the determining factor. Items that break, depreciate, wear out or become obsolete, even in a very short time, may not qualify to be exempt as "consumed in production." Included as a process qualifying for the exemption is the storage or processing of grain by a public grain warehouse or other grain storage facility.

EXAMPLES: The following are exempt as "property which is consumed" when used in these industries or applications.

- Liquid oxygen used in the production of fiberglass.
- Diesel fuel and oil, drilling fluids, and chemicals (such as acid and drilling mud) that are consumed in drilling wells.
- Coal used to generate electricity.
- Graphite, E.D.M. oil, and abrasives consumed in manufacturing die impressions, forge dies and forgings.
- Refrigerant used in the production of aircraft.

PROVIDING OF SERVICES: The term "service" in the law above refers only to TAXABLE services. Businesses providing services that are not taxable (such as accountants, doctors, lawyers, architects, etc.) must pay sales tax on items purchased for their business, and may not claim any exemption from sales tax.

CONTRACTORS: This certificate may NOT be used by contractors to purchase their materials. All materials and parts purchased by contractors, subcontractors, and repairmen to be incorporated into any structure or consumed in altering, servicing, repairing, or maintaining personal property (or personal property that has been attached to real property) are TAXABLE unless a Project Exemption Certificate has been furnished to the contractor by the customer.

RETAINING THIS CERTIFICATE: Sellers should retain a completed copy of this certificate in their records for at least three years from the date of sale. A seller is relieved of liability for the tax if it obtains a completed exemption certificate from a purchaser with which the seller has a recurring business relationship. A certificate need not be renewed or updated when there is a recurring business relationship between the buyer and seller. A recurring business relationship exists when a period of no more than 12 months elapses between sales transactions.