

**79-201m. Property exempt from taxation; merchants' and manufacturers' inventory.** To the extent herein specified, merchants' and manufacturers' inventory shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas.

(a) As used in this section:

(1) "Merchant" means and includes every person, company or corporation who shall own or hold, subject to their control, any tangible personal property within this state which shall have been purchased primarily for resale in the ordinary course of business without modification or change in form or substance, and without any intervening use, except that, an incidental use, including but not limited to the rental or lease of any such property, shall not be deemed to be an intervening use;

(2) "manufacturer" means and includes every person, company or corporation who is engaged in the business of transforming, refining or combining materials and labor to convert tangible personal property from one form to another including packaging; and

(3) "inventory" means and includes those items of tangible personal property that: (1) Are primarily held for sale in the ordinary course of business (finished goods); (2) are in process of production for such sale (work in process); or (3) are to be consumed either directly or indirectly in the production of finished goods (raw materials and supplies). A capital asset subject to depreciation or cost recovery accounting for federal income tax purposes that is retired from regular use by its owner and held for sale or as standby or surplus equipment by such owner shall not be classified as inventory.

(b) The provisions of this section shall not apply to any tangible personal property of a public utility as defined by K.S.A. 79-5a01, and amendments thereto.

The provisions of this section shall apply to all taxable years commencing after December 31, 1988.

**History:** L. 1988, ch. 375, § 2; L. 1989, ch. 289, § 1; L. 1989, ch. 1, § 1 (Special Session); Dec. 14.