



Sales Tax *and* Compensating Use Tax

Welcome to the Kansas business community! This publication has been prepared by the Kansas Department of Revenue (KDOR) to assist you in understanding how the Kansas sales and use tax applies to your business operation. Inside you will find information on what is taxable, what is exempt, how to collect, report, and pay your sales and use tax electronically, and other information of general interest to businesses. Our goal is to make collecting and paying these taxes as easy as possible and to help you avoid costly sales or use tax deficiencies.

By law, businesses are now required to submit their Sales, Compensating Use and Withholding Tax returns electronically. Kansas offers several electronic file and pay solutions – see page 15. For the most up-to-date electronic information, visit our website.

ksrevenue.gov

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If there is a conflict between the law and information found in this publication, the law remains the final authority. Under no circumstances should the contents of this publication be used to set or sustain a technical legal position. A library of current policy information is also available on the Kansas Department of Revenue's website at: ksrevenue.gov

KANSAS SALES TAX

Kansas is one of 45 states plus the District of Columbia* that levy a sales and the companion compensating use tax. The Kansas Retailers' Sales Tax was enacted in 1937 at the rate of 2%, increasing over the years to the current state rate of 6.50%.

2.00% (1937)	4.00% (1986)	5.30% (2002)	6.50% (2015)
2.50% (1958)	4.25% (1989)	6.30% (2010)	
3.00% (1965)	4.90% (1992)	6.15% (2013)	

* Alaska, Delaware, Montana, New Hampshire, and Oregon do not have a general sales or use tax. Purchases made in these states by Kansas consumers are automatically subject to Kansas use tax. See *Kansas Use Taxes*, herein.

LOCAL SALES TAX

In addition to the state sales tax, counties and cities in Kansas have the option of imposing a local sales tax. Before imposing a local sales tax, the governing body of the city or county must receive the approval of a majority of its voters. Cities may levy a local sales tax in five-hundredth percent increments (0.05%). Counties may levy a local sales tax in one-fourth percent increments (0.25%, 0.50%, etc.). Cities are authorized to impose a maximum sales tax rate of 3% (2% general and 1% special). Counties are authorized to impose a maximum 1% general sales tax rate. Legislative action is required for more than 1%.

Although these are local taxes, the law requires them to be administered by the Kansas Department of Revenue. **The local rate(s) are added to the state rate to arrive at the total sales tax percentage collected by Kansas retailers from their customers.** Local tax applies whenever a state tax is due if the tax situs for the sale is in a county or city with a local tax with a few exceptions.

EXAMPLE: The combined state and local sales tax rate in Garden City is 8.95%; the 6.50% state, a 1.45% Finney County tax, plus a 1% Garden City tax. The combined state and local sales tax rate for Finney County, outside the city limits of Garden City, is 7.95%; the 6.5% state, plus a 1.45% Finney County tax.

IMPORTANT: The combined tax rate that is charged is based on the destination of the goods or service. In other words, the rate in effect where the customer takes delivery of the merchandise or makes first use of a taxable service. See *Local Sales Tax Application Destination Based Sourcing*, herein.

SALES TAX JURISDICTIONS

To assist you in collecting and reporting the correct rate of sales tax, the Department of Revenue has developed **Pub. KS-1700, Sales Tax Jurisdictions**, which contains an alphabetical listing of all Kansas county and city sales tax rates, their jurisdiction codes for tax reporting, and the effective dates of the tax. The Department of Revenue provides updates throughout the year of any quarterly tax rate changes, as well as additional jurisdictions imposing a local sales tax. This information is available on our website, as is a sales tax rate locator where tax rates can be obtained by entering an address or zip code.

DISTRIBUTION OF REVENUE

All state, county, and city sales tax collections are remitted to the Department of Revenue and the department deposits the state sales tax revenues into the state general fund, with a portion designated for the state highway fund. The Department

of Revenue then distributes local sales tax revenues to the counties and cities in which they were collected using the information provided by retailers on their tax filings.

SALES TAX and YOUR BUSINESS

Sales tax is paid by the final consumer of taxable goods or services to you, the retailer. A Kansas retailer is responsible for collecting sales tax from its customers on taxable transactions. In **collecting** sales tax, you are acting as an agent or partner with the Department of Revenue. A retailer holds the tax in trust for the state, and then sends it to the Department of Revenue on a regular basis using an electronic filing method.

Paying sales tax is the duty of your customers — it is unlawful for a customer to refuse to pay the sales tax due on a taxable transaction. When added to the purchase price of taxable goods or services, the sales tax is a debt from the consumer to the retailer, and as such, is recoverable by the retailer from the customer in the same manner as any other debt.

SALES THAT ARE TAXABLE

Kansas sales tax generally applies to three types of transactions.

- 1) The **retail sale, rental, or lease of tangible personal property**, including the sale or furnishing of utilities within the state of Kansas;
- 2) Charges for **labor services** to install, apply, repair, service, alter, or maintain tangible personal property; and
- 3) The sale of **admissions** to places providing amusement, entertainment or recreation services, including admissions to state, county, district, and local fairs.

If you are engaged in any of these activities, you must collect sales tax from your customers. What follows is a detailed discussion of each of these general categories with examples. The law (K.S.A.) or regulation (K.A.R.) on which it is based is also included.

RETAIL SALE, RENTAL OR LEASE OF TANGIBLE PERSONAL PROPERTY

To be taxable, the sale must first be a **retail** sale; defined as follows.

RETAIL SALE — an exchange of tangible personal property (goods, wares, merchandise, products and commodities) for money or other consideration to the final user or consumer occurring within the legal boundaries of the state of Kansas.

Sales for resale (purchase of inventory), and sales to wholesalers and others who are not the final consumer are not taxed. However, these sales must be accompanied by an exemption certificate — see *Exemption Certificates* herein. Kansas sales tax also does not apply to goods shipped to another state. See *Out-of-State Sales*, herein.

TANGIBLE PERSONAL PROPERTY — any item to which you can readily attach a monetary value (food, clothing, furniture, vehicles, computers, equipment, books, tapes, etc.).

Tangible personal property has a physical presence, it can be owned or leased and can be moved. Tangible personal property is different from intangible personal property (stocks and bonds) or real property (land or buildings). Other types of taxable sales of tangible personal property listed in Kansas sales tax law follow. Exceptions are noted.

CONSTRUCTION MATERIALS. Materials and supplies sold to contractors, sub-contractors, or repairmen for use by them in construction projects are subject to sales tax.

Exceptions: Materials purchased by a contractor using a special project exemption number issued by the Kansas Department of Revenue or its authorized agent are exempt.

COIN-OPERATED DEVICES. Sales made from any coin-operated device, dispensing or providing goods, amusement, or services are taxable. Examples include any type of vending machine, and car washes, and video or arcade game machines.

Exception: Coin-operated laundry services (washers or dryers) are exempt from sales tax. Laundry detergent, bleach, etc. purchased from a vending machine are taxable.

COMPUTER SOFTWARE. Sales of prewritten computer software and the services of modifying, altering, updating, or maintaining computer software are subject to sales tax. Computer equipment and hardware are also taxable. Sales and/or services relating to *customized* software are exempt. See **EDU-71R Information Guide** on our website.

MEALS AND DRINKS. Meals or drinks sold to the public at any restaurant, private club, drinking establishment, catered event, café, diner, dining car, hotel, etc. are taxable. Drinks containing alcoholic liquor are subject to the Liquor Drink Tax rather than sales tax. Cereal Malt Beverage license holders (3.2% beer) do not collect the Liquor Drink Tax; instead, they collect Kansas Retailers' Sales Tax on their drink sales. If selling other goods and services other than alcoholic and cereal malt beverages, the business must register for and collect Retailers' Sales Tax.

CMB permit holders are allowed to sell beer not more than 6% alcohol by volume in addition to CMB. These CMB permit holders will collect the applicable state and local sales tax on the sale of both CMB and beer. Retail liquor stores that sell beer will continue to collect the 8% liquor enforcement tax on those sales of beer. Other goods or services sold by a retail liquor store on their licensed premises (excluding the sale of lottery tickets) are subject to state and local sales tax which includes the sale of cereal malt beverage. For additional information see **NOTICE 18-04**.

For more information on the sale of meals and drinks consult **Pub. KS-1540, Kansas Business Taxes For Hotels, Motels and Restaurants**. **Exception:** Free meals furnished to employees of public eating places are not taxed if the employee's work is related to the furnishing or sale of such meals. Reduced cost employee meals are subject to tax based on the reduced price.

PREPAID TELEPHONE CARDS. Sales of prepaid telephone calling cards or authorization numbers and the recharge of the card or number are taxable. **Exception:** There is no sales tax on the 911 service fee imposed on prepaid telephone cards.

MOTOR VEHICLES AND TRAILERS. The sale or exchange of motor vehicles is a taxable transaction. When you buy a car, truck, or other vehicle from a registered dealer, you must pay the sales tax to the dealer. When you buy a motor vehicle or trailer from an individual, you must pay the sales tax to the county treasurer upon registration. The rate of tax is determined using the sourcing rules for motor vehicles outlined herein. For more information on the sale of motor vehicles see **Pub. KS-1526, Sales and Use Tax for Motor Vehicle Transactions** and EDU-32A How Kansas Motor Vehicle Dealers Should Charge Sales Tax on Vehicle Sales.

Exceptions: The following transactions are not taxed:

- Motor Vehicles, semi trailers, pole trailers or aircraft sold to a bona fide resident of another state, provided

the vehicle is not registered in Kansas and is removed from Kansas within 10 days of the purchase;

- Motor vehicles or trailers transferred by a person to a corporation solely in exchange for stock or securities in that corporation (the original sale is taxable — the transfer to the corporation is not);
- Motor vehicles or trailers transferred by one corporation to another when all of the assets of such corporation are transferred to the other corporation;
- Rolling stock used by a common carrier in interstate commerce;
- Motor vehicles or trailers sold by an immediate family member to another immediate family member. Immediate family members are lineal ascendants or descendants and their spouses.

UTILITIES. Included in the definition of tangible personal property are utilities. The following are subject to the state and local sales tax (exceptions noted):

Cable, community antennae, and other subscriber radio and television services.

Digital Satellite TV Subscriptions. **Exception:** The subscription fee is subject to the state sales tax only – local taxes do not apply.

Electricity, gas, propane and heat. **Exception:** Agricultural and residential use of these utilities are exempt from state sales tax, but are subject to applicable local sales taxes in effect at the customer's location.

Telephone and Telegraph Services, Intrastate, interstate or international telecommunications services and any ancillary services sourced to Kansas. **Exceptions:** Any interstate or international 800 or 900 service; any interstate or international private communication service; any value-added nonvoice data service; any telecommunication service to a provider of telecommunication services, including carrier access service; or any service or transaction defined in this section among entities classified as members of an affiliated group as provided by 26 U.S.C. 1986.

Telephone Answering Services, mobile phone services, beeper services, cellular phone services, and other similar services.

RENTAL OR LEASE OF PROPERTY

Tangible personal property is taxable not only when it is sold at retail, but also when it is rented or leased. The sales tax is added to **each** rental or lease payment made, including "lease with option to buy" contracts and "rent to purchase" contracts.

EXAMPLE: A Pittsburg, Kansas office equipment company leases copiers for \$150 per month. Added to each monthly invoice will be the state sales tax plus the local sales tax in effect where the leased copier is located.

Other examples of items commonly leased or rented that **are taxable** include: appliances; hotel and motel rooms¹; boats; motor vehicles²; computers; movie videos/DVDs; equipment; tools; furniture; and trailers. **Exceptions:** Movies, films, and tapes rented to movie theaters are exempt since the sales tax is collected on the admission charge. Also, tangible personal property used as a dwelling (such as a mobile home) is exempt from sales tax when leased or rented for more than 28 consecutive days.

¹ Rooms rented for 28 consecutive days or less may also be subject to a transient guest tax.

² Vehicles rented for 28 consecutive days or less are also subject to a vehicle rental excise tax.

NOTE: Tangible personal property purchased for the purpose of leasing or renting, such as the purchase of cars (rental fleet) by a car rental agency, is exempt from sales and use taxes. This is considered to be a purchase of inventory for resale, and the

rental agency would provide the seller with a completed ST-28A, Resale Exemption Certificate.

TAXABLE SERVICES

A service is work done for others as an occupation or business. Kansas sales tax applies to the services of **installing, applying, altering, repairing, servicing, or maintaining** tangible personal property.

INSTALLING

Installation services include installing plumbing, wiring, cabinets, light bulbs and other fixtures in an office building, planting trees, shrubs or grass, or installing tires or parts on a vehicle.

EXAMPLE: A Colby, Kansas automotive repair shop installs a muffler on a New York resident's automobile in Colby. The total bill (muffler and labor) is subject to the state and local sales tax in effect in Colby, Kansas.

APPLYING

This category of taxable services includes painting, wallpapering, applying fertilizer/weed killer, waxing floors, and resurfacing parking lots. All of these services involve the **application** of tangible personal property — the paint, wallpaper, fertilizer, weed killer, wax, or asphalt/gravel.

ALTERING

Services such as furniture refinishing, upholstery work, modifying or updating computer software, sewing, and alteration services **change** or **alter** the furniture, software, or clothing, and are taxable.

REPAIRING, SERVICING, AND MAINTAINING

Repair, service, and maintenance of tangible personal property includes these types of services:

- appliance repair or service
- car repair or service
- dry cleaning, pressing, dyeing & laundry services (dry cleaning and laundry services are also subject to the Dry Cleaning Environmental Surcharge)
- maintenance agreements
- pet grooming
- tool sharpening (saws, knives, etc.)
- warranties (including extended & optional)
- washing, waxing, or detailing vehicles

Following is a representative list of services that are NOT TAXABLE because they do not involve the installation, application, service, maintenance, or repair of tangible personal property:

accounting	cleaning	legal services
architectural	consulting	mowing
broadcasting	engineering	snow removal
child care	excavating	towing/moving
chimney-sweeping	hair styling	trash hauling

Exceptions for Residential and Original Construction: Taxable services are exempt when performed in conjunction with the following.

- Original construction of a building or facility.
- Restoration, reconstruction, remodeling, or renovation of a residence.
- Addition of an entire room or floor to an existing building or facility.
- Completion of any unfinished portion of an existing building or facility for the first owner.
- Restoration, reconstruction, or replacement of a building, facility or utility structure damaged or destroyed by fire,

flood, tornado, lightning, explosion, windstorm (80 mph or more), ice loading and attendant winds, terrorism, or earthquake. "Utility structure" means transmission and distribution lines owned by an independent transmission company or cooperative, the Kansas electric transmission authority or natural gas or electric public utility.

- Construction, reconstruction, restoration, replacement, or repair of a bridge or highway.

CAUTION: Many service professionals provide both taxable and nontaxable services. There are also other special rules that apply to contractors and the labor services industry not discussed here. Consult the Policy Information Library on our website for additional information about specific service situations.

The following sales tax guideline has been issued by the Department of Revenue and is available on our website.

- **Pub. KS-1550 Sales and Use Tax for the Agricultural Industry**

ADMISSIONS

An admission or fee charged to any place providing amusement, entertainment, or recreation services is taxable. Taxable admissions include:

Tickets to a concert, sporting event, movie, circus, rodeo, or any other event where a ticket is required;
Admissions to a fair, amusement park, zoo, antique or craft show, club, or other facility charging an admission fee or cover charge;

Dues or Memberships that entitle someone to use a facility for recreation or entertainment, such as a health club, country club, or the Knights of Columbus;

Fees and charges for participation in sports, games, and other recreational activities.

Exceptions: The following admissions and fees have been granted a sales tax exemption.

- Admission to any cultural and historical event that occurs once every three years.
- Sales of tangible personal property (such as a button) which will admit the buyer to an annual event sponsored by a 501(c)(3) nonprofit organization.
- Fees and charges by Kansas political subdivisions for participation in sports, games and other recreational activities. This includes city baseball and softball leagues, or green fees or swimming pool fees at city or county owned facilities.
- Fees and charges by a 501(c)(3) youth recreation organization, exclusively providing services to persons 18 years of age or younger, for participation in sports. Examples include: youth basketball, baseball, football, softball, or soccer leagues.
- Entry fees and charges for participation in a special event or tournament sanctioned by a national sporting association to which spectators are charged an admission. Examples of entry fees exempt under this provision include: 1) American Bowling Conference (ABC) tournament; 2) Professional Golfers Association (PGA) tournament; 3) National Hot Rod Association (NHRA) race; and 4) Professional Rodeo Cowboys Association (PRCA) rodeo.
- Fees charged by nonprofit humanitarian service providers exempt from property tax for participation in sports, games, and other recreational activities. Qualifying nonprofit service providers include: the American Red Cross, Big Brothers & Big Sisters, Boy Scouts, Girl Scouts, YMCA, YWCA, community health centers, and local community organizations.
- Membership dues to military veterans organizations and their auxiliaries, such as the Veterans of Foreign Wars and the American Legion.
- Membership dues charged by a nonprofit 501(c)(3) organization whose sole purpose is to support a nonprofit zoo.

SALES TAX EXEMPTIONS

Included with the taxable transactions in the previous section were some of the exceptions, or exempt sales. Other lawful sales tax exemptions fall into three general categories. These are:

- **buyers** who are, and are not exempt,
- specific **items** that are exempt, and
- **uses** of an item which makes it exempt.

EXEMPT BUYERS

Direct purchases of goods or services by the following entities are exempt from sales tax (for a complete list see **Pub. KS-1520, Kansas Exemption Certificates**):

- The U.S. Government, its agencies and instrumentalities
- The state of Kansas and its political subdivisions, including school districts, counties, cities, port authorities, and groundwater management districts
- Elementary and secondary schools
- Noncommercial educational radio and TV stations
- Nonprofit blood, tissue, and organ banks
- Nonprofit educational institutions
- Nonprofit 501(c)(3)* historical societies
- Nonprofit hospitals
- Nonprofit 501(c)(3)* museums
- Nonprofit 501(c)(3)* primary care clinics/health centers
- Nonprofit 501(c)(3)* religious organizations
- Nonprofit 501(c)(3)* zoos

* The 501(c)(3) designation refers to an Internal Revenue Code section exempting certain organizations from income tax. There is **NOT** an automatic exemption from sales tax for non-profit organizations. They must apply for an exempt entity certificate.

Exception: *When the state of Kansas or nonprofit hospital operates a taxable business (such as a public cafeteria or gift shop), or when a political subdivision sells or furnishes the utilities of electricity, gas, heat or water (except certain water retailers - see below), non-inventory items purchased for use in these taxable businesses are taxable to the otherwise exempt group.*

To claim its exemption, the exempt buyer must complete and furnish the appropriate exemption certificate to the seller (see *Kansas Exemption Certificates, herein*). The sale must also be a direct purchase — billed directly to the exempt buyer and paid for by a check or voucher from the exempt buyer. Purchases made by agents or employees of an exempt buyer with their personal funds are taxable. **Exception:** *Purchases of hotel rooms by U.S. government employees on official business are exempt, regardless of the method of payment.*

Exempt Entity Identification Numbers. To help retailers identify the exempt buyers discussed in this section, the Department of Revenue will assign an Exempt Entity Identification Number and issue a Tax-Exempt Entity Exemption Certificate to qualified exempt buyers. From that date, Kansas exempt entities claiming a sales or use tax exemption must provide this completed exemption certificate (which includes their tax exempt number) to the retailer. See **Pub. KS-1520**.

OTHER EXEMPT BUYERS

Sales tax exemptions are also granted to the following entities. Where applicable, the exemption certificate designed for that particular exemption is noted.

Certain Nonprofit Medical Educational Organizations — The following 501(c)(3) organizations are exempt from paying sales tax when buying items for the listed uses, and

also exempt from *collecting* sales tax when these items are sold **by or on behalf** of the exempt organization for the stated purposes. This exemption is for goods and merchandise *only*. These organizations must still pay or collect sales tax on taxable services and admissions.

- American Diabetes Association, Kansas Affiliate, Inc.
- American Heart Association, Kansas Affiliate, Inc.
- American Lung Association of Kansas, Inc.
- Kansas Alliance for the Mentally Ill, Inc. and Kansas Mental Illness Awareness Council
- Kansas Chapters of the Alzheimer's Disease & Related Disorders Association, Inc.
- Kansas Chapters of the Parkinson's Disease Association
- National Kidney Foundation of Kansas and Western Missouri
- HeartStrings Community Foundation
- Cystic Fibrosis Foundation, Heart of America Chapter
- Spina Bifida Association of Kansas
- CHWC, Inc.
- Cross-Lines Cooperative Council
- Dreams Work, Inc.
- KSDS, Inc.
- Lyme Association of Greater Kansas City, Inc.
- Dream Factory, Inc.
- Ottawa Suzuki Strings, Inc.
- International Association of Lions Clubs
- Johnson County Young Matrons, Inc.
- American Cancer Society, Inc.
- Community Services of Shawnee, Inc.
- Angel Babies Association

Certain Water Retailers — Public water suppliers who pay the Clean Drinking Water Fee are exempt on all purchases of property or services for that utility. See **NOTICE 04-08**.

Diplomatic Tax Exemption — Certain foreign missions and officials are entitled to a tax exemption based on reciprocal treaty agreements. Those entitled to tax exemption must present a Tax Exemption Card issued by the Office of Foreign Missions (OFM) of the U. S. Department of State. Details are in **NOTICE 04-09**.

Domestic Violence Shelters — Property and services purchased *by or on behalf of* the domestic violence shelters that are member agencies of the Kansas coalition against sexual and domestic violence (KCSADV) are exempt.

Habitat For Humanity — This organization may buy the materials that will be incorporated into its housing projects without sales tax. The exemption applies only to housing materials. Habitat for Humanity must still pay sales tax on all of its other purchases of goods or taxable services.

Korean War Memorial — Property and services purchased *by or on behalf of* a 501(c)(3) nonprofit corporation organized to construct a Korean War Memorial are exempt from sales tax. The Department of Revenue has issued Project Exemption Certificates (PECs) to the qualifying entities.

Parent-Teacher Associations — A PTA or PTO is exempt from paying sales tax when buying goods and services. It is also exempt from collecting sales tax on its sales of tangible personal property, but must collect tax when selling taxable services or admissions.

Religious Organizations — All sales of tangible personal property and services purchased by a 501(c)(3) religious organization, and used exclusively for religious purposes, are exempt. Religious organizations also qualify to request a PEC so that materials purchased or furnished by a contractor to construct or remodel facilities for the religious organization are also exempt.

Rural Volunteer Fire-Fighters — Property or services purchased *by or on behalf of* rural volunteer fire-fighters and used exclusively by them in the performance of their duties and functions are exempt from sales tax.

Youth Development Programs — Sales of tangible personal property to a nonprofit organization for nonsectarian comprehensive multi-discipline youth development programs and activities, and all sales of tangible personal property *by or on behalf of* such organization are exempt from tax. Examples include: Boy Scout and Girl Scout Councils and Troops. **Exception:** *Sales of taxable services and sales of property customarily used for human habitation (such as beds, chairs, bedding, and lamps) are taxable to a nonprofit youth development organization.*

For a complete list of all tax exempt entities, see **Pub. KS-1520**, available on the Department of Revenue website.

BUYERS WHO ARE NOT EXEMPT

The previous list of exempt buyers contains a number of nonprofit organizations. A common misconception is that all nonprofit organizations are exempt from sales tax. A federal exemption issued under section 501(c) of the Internal Revenue Code applies **ONLY** to federal and state **INCOME TAX**, this exemption does not extend to sales tax. Groups and organizations that are **NOT EXEMPT** from paying Kansas sales tax include:

- alumni associations
- charitable and benevolent organizations
- clubs and professional associations
- labor unions
- athletic or sporting organizations

ITEMS EXEMPT FROM SALES TAX

Items used by these industries and groups are exempt from sales tax:

Aircraft sales, parts, and repair services for carriers in interstate or foreign commerce. Also sales of aircraft repair, modification and replacement parts and sales of services employed in the remanufacture, modification and repair of aircraft. See **NOTICE 04-06**.

Broadcasting equipment purchased by over-the-air free access radio and television stations to generate their broadcast signals.

Drill bits and explosives used in the exploration of oil and gas.

Drugs and pharmaceuticals sold to veterinarians.

Farm machinery and equipment. See also **Pub. KS-1550, Kansas Sales and Use Tax for the Agricultural Industry**.

NOTE: *Work-site utility vehicles* that are not more than 800 pounds, 48 inches wide with four nonhighway tires, a steering wheel and has bench or bucket seating for at least two people side by side, may be purchased exempt from sales tax when used exclusively in farming and ranching.

Also, *precision farming equipment*, purchased and installed on farm machinery and equipment, is exempt from sales tax.

Food sold to groups providing meals to the elderly and homebound, and food sold by a nonprofit 501(c)(3) organization under a food distribution program that sells the food below cost in exchange for community service and all sales of food products by or on behalf of any such contractor or organization for any such purpose.

Integrated production machinery and equipment.

Materials purchased by a community action group to repair or weatherize low-income housing.

Medical supplies and durable medical equipment purchased by a nonprofit skilled nursing home, including oxygen delivery and kidney dialysis equipment and enteral feeding systems.

Public health educational materials purchased by a nonprofit corporation for free distribution to the public.

Railroad parts, materials, and services for railroad rolling stock used in interstate or foreign commerce.

Rolling stock (trucks, buses, tractor-trailers, etc.), repair or replacement parts, and motor fuels purchased by ICC carriers.

Warehouse machinery & equipment, racking systems.

An exemption certificate must be completed for these sales to be exempt. A detailed description of purchases qualifying for exemption is a part of each exemption certificate.

OTHER EXEMPT ITEMS

The following items are exempt from sales tax in Kansas and do not require an exemption certificate:

Food stamp purchases

Child Nutrition Act (WIC program) purchases

Lottery tickets

Prescription drugs and insulin

Orthopedic appliances

Prosthetic Devices and Mobility Enhancing Equipment purchased by an individual for whom it was prescribed in writing by a licensed physician, chiropractor, optometrist, dentist, or podiatrist is not taxed [K.S.A. 79-3606(r)]. Exempt devices and mobility enhancing equipment include canes, chairlifts, crutches, eyeglasses, orthodontic braces, prosthetic limbs and braces, wheelchairs, and accessories attached to motor vehicles, such as wheelchair lifts or specialized hand or foot controls, oxygen delivery, kidney dialysis equipment and enteral feeding systems. Repair and replacement parts for the exempt equipment are also exempt if you have the original prescription order on file. **NOTE:** The labor services to install mobility enhancing equipment is taxable.

NOTE: The Prosthetic Devices and Mobility Enhancing Equipment exemption does not apply to hot tubs, whirlpools, motor vehicles, or personal property which when installed becomes a fixture to real property.

Repair and replacement parts for hearing aids, including the batteries, when sold by a person licensed in the practice of dispensing and fitting hearing aids pursuant to K.S.A. 74-5808 are exempt. See **NOTICE 04-05** on our website. The labor services of repairing hearing aids when repaired by a person licensed in the practice of dispensing and fitting hearing aids pursuant to the provisions of K.S.A. 74-5808, are also exempt from Kansas sales tax.

USES THAT ARE EXEMPT

Other items are exempt from sales tax because of how they are used.

AGRICULTURAL ANIMALS

Sales of agricultural animals, including fowl (i.e., cattle, chickens, hogs, ostriches, sheep, etc.); and aquatic animals and plants are exempt when used in:

- agriculture or aquaculture
- the production of food for human consumption;
- the production of animal, dairy, poultry, or aquatic plant and animal products, fiber, or fur;
- the production of offspring for the above purposes.

Animals that are not used for agricultural purposes (i.e., pets, show horses, etc.) are taxable.

AGRICULTURAL SOIL EROSION PREVENTION

Seeds, tree seedlings, chemicals, and services purchased and used for the purpose of producing plants to prevent soil erosion on land devoted to agricultural use are exempt from sales tax.

PROPANE FOR AGRICULTURAL USE

Propane used for an agricultural purpose is exempt from sales tax. Examples include propane to power farm

implements or to provide heat for brooder or farrowing houses. Propane used for a recreational purpose, such as RVs and barbecue grills, is taxable.

CONSUMED IN PRODUCTION (ST-28C)

Items that are essential and are *depleted or dissipated within one year* may be purchased without tax when they are consumed in the:

- production, manufacture, processing, mining, drilling, refining or compounding of tangible personal property,
- treatment of by-products or wastes of any the above processes,
- providing of taxable services,
- irrigation of crops,
- storage or processing of grain.

Examples include utilities to power manufacturing machinery, or fertilizers and insecticides used in the production of food.

INGREDIENT OR COMPONENT PART (ST-28D)

Items that become a part of a finished product to be sold to the final consumer are exempt as an ingredient or component part. Some examples include, but are not limited to:

- oil paints, watercolors, and canvas used to produce a piece of artwork for resale;
- paper and ink for publishing newspapers and magazines;
- containers, labels, shipping cases, twine, and wrapping paper which are not returned to the manufacturer;
- paper bags, drinking straws, and paper plates used in food sales; and
- feed for commercial livestock.

As a general rule, if the item leaves with the product and is not returned for reuse by the manufacturer or retailer, it is an ingredient part.

The “ingredient and component part” and “consumed in production” exemptions apply to many business types. More information on these exemptions can be found in [Pub. KS-1520](#), available on our website.

NOTE: Contractors are considered to be the final consumers of their materials and therefore may not use the consumed in production or ingredient or part exemption to purchase job materials.

RESALE EXEMPTION (ST-28A)

When buying your inventory from a wholesaler or another retailer, you will use a ST-28A Resale Exemption Certificate, or the [PR-78SSTA Streamlined Sales and Use Tax Agreement Certificate of Exemption](#) (Kansas).

A resale exemption certificate has two requirements: 1) the items purchased must be for resale in the usual course of the buyer’s business; and 2) the buyer must have a Kansas sales tax account number, except in drop shipment situations.

OTHER SPECIAL SITUATIONS

EXEMPT CONSTRUCTION PROJECTS

Materials and labor services sold to a buyer holding a special Project Exemption Certificate issued by the Department of Revenue or its authorized agent are exempt from tax. Most of the exempt buyers listed on pages 6 and 7 qualify to obtain a project exemption for most projects. A project exemption may also be issued to a business that qualifies for economic development incentives.

FUELS

Gasoline, diesel fuels, gasohol, alcohol fuels and other

similar combustible fuels are generally subject to the Kansas Motor Fuel tax (herein). However, these fuels are subject to sales tax when the motor fuel tax does not apply, such as dyed diesel fuel for non-highway purposes. Other fuels such as aviation fuel, jet fuel, kerosene, and propane are subject to sales or use tax unless their use or purpose qualifies for an exemption. For example, propane for agricultural use is exempt, but propane for an RV is taxed.

ISOLATED OR OCCASIONAL SALES

Sales tax is NOT collected when tangible personal property or taxable services are sold at an “isolated or occasional” sale. Isolated or occasional sales are as follows.

- 1) Infrequent sales of a nonrecurring nature made by a person **not** engaged in the business of selling tangible personal property. To qualify, the seller shall not;
 - a. hold more than two selling events of a day’s duration in a 12 month period;
 - b. conduct a planned annual selling event; or
 - c. hold itself out as being engaged in the business of selling property or services of the type being sold.

Sales that usually meet this criteria are estate sales, farm sales, garage sales, and some auctions:

- 2) Any religious organization making one nonrecurring sale of tangible personal property in a twelve month period. The religious organization may acquire (purchase) tangible personal property for the purpose of selling at the fund raising event without paying sales tax on its purchase or collect sales tax when sold at the nonrecurring one day event.
- 3) Any sale by a bank, savings and loan institution, credit union or any finance company licensed under the provisions of the Kansas uniform consumer credit code, of tangible personal property which has been repossessed by any such entity.
- 4) Sale of business assets in conjunction with the sale or termination of a business (other than the sale of the business’s inventory, motor vehicles or trailers) if the sale is made in a complete and bona fide liquidation of a business of the seller.
 - a. The term “business” shall mean a separate place of business subject to registration under the Kansas retailers’ sales tax act.
 - b. The term “a complete and bona fide liquidation” shall mean the sale of all assets of the business conducted over a period of not more than 30 days beginning on the date of the first sale of assets, or as approved by the director of taxation.
- 5) Auctions.
 - a. Take place at a location OTHER THAN one that is regularly used to conduct auctions.
 - b. The goods being auctioned shall not have been purchased for resale.
 - c. The goods being auctioned shall not have been consigned for sale by more than one party *in addition to the principal seller* at the auction.
 - d. If some of the goods being auctioned satisfy the above requirements but others goods do not, the sale of every item at the auction shall be subject to sales tax.

EXAMPLE: A Kansas resident has an estate sale before moving into a retirement home. The agent will not charge tax at the estate sale since it is an isolated sale of property that is owned by one household.

EXAMPLE: An auctioneer conducts an auction of the inventory and fixtures of a clothing store. Sale of the inventory is subject to sales tax because the owner was engaged in the retail clothing business. The sale of the fixtures is not

subject to tax as an isolated sale of property on which tax has already been paid. **Exception:** *The isolated or occasional sale of a motor vehicle or trailer is taxable — see page 4.*

MOBILE OR MANUFACTURED HOMES

When a **new** mobile or manufactured home is sold, only 60% of the total selling price is subject to sales tax [K.S.A. 79-3606(ff)]. In this situation, trade-in allowances (described on page 14) are not allowed in determining the sales tax base. The rate of tax charged on these home sales is determined by the retailer's location (see page 11).

The sale of a **used** mobile or manufactured home (other than the original retail sale) is exempt under K.S.A. 79-3606(bb).

KANSAS EXEMPTION CERTIFICATES

USING EXEMPTION CERTIFICATES

Exemption certificates are an important part of sales and use tax record keeping, but are often found lacking by our auditors. The information in this section will help you properly complete and accept exemption certificates. **Pub. KS-1520, Kansas Exemption Certificates**, is also a helpful resource. This publication contains all the exemption certificates currently in use and provides detailed information about each exemption. The publication is available on our website.

Before accepting any certificate, carefully read the exemption statement and the accompanying explanation and instructions. Most certificates contain a restatement of the Kansas law (K.S.A. – Kansas Statutes Annotated), or regulation (K.A.R. – Kansas Administrative Regulations) authorizing the exemption. If your customer or the purchase does not fit the definition in the certificate or the exempt examples given, the sale is probably not exempt.

The Kansas Exempt Entity Identification Number and Certificate are designed to help retailers and exempt customers complete the certificate process, not to replace it. See **NOTICE 04-10** on our website.

COMPLETING AN EXEMPTION CERTIFICATE

Follow these three rules when completing any exemption certificate.

- 1) **Print or type all information, except for the authorized signature.** The information on the certificate must be legible both to you and to our auditors. Do not print a signature on paper forms, although it is often helpful to print or type the name below the signature. (A signature is not required on an electronic exemption certificate.)
- 2) **Fill in all the blanks.** A certificate is complete only when all the information is provided. If there is a blank on the form, it must be filled in. Addresses must include the street or PO Box, city, state, and zip code.
When the certificate requires a tax registration number, be sure your customer provides it. An exemption certificate is not complete unless the customer supplies the proper registration number(s). A seller may lawfully require a copy of the buyer's sales tax certificate of registration as a condition of honoring the ST-28A Resale Exemption Certificate. [K.A.R. 92-19-25b]
- 3) **Give specific descriptions.** Be as precise as possible when describing the property or services purchased. You may use an itemized list, refer to an itemized invoice number, or at the very least provide a general description of the items. When describing a business activity, include the principal product(s) sold or manufactured.

BLANKET EXEMPTION CERTIFICATES

If you make recurring exempt sales of the same type to the same purchaser, it is not necessary to have an exemption certificate for each transaction. You may accept a blanket exemption certificate to cover future sales. ST-28A and ST-28M on pages 28 and 29 may be used as a blanket certificate.

IMPORTANT: When you use a blanket exemption certificate for your regular exempt customers, ask them to verify or renew this document every year. Renewing yearly will help guarantee that the exempt customer's information (i.e., exact business name and location, tax account number, etc.) remains accurate and up-to-date.

CAUTION: When you use blanket exemption certificates, you should segregate any taxable purchases from that vendor and pay for them separately. Each buyer signs the exemption certificate acknowledging responsibility for payment of the tax if:

"...the tangible personal property or service is used other than as stated ... or for any other purpose that is not exempt from sales or compensating tax..."

RECORD KEEPING

Keep all sales tax records, including exemption certificates and copies of tax exemption cards (Kansas or diplomatic), for your current year of business and at least three prior years.

PENALTIES FOR MISUSE

A buyer who issues an exemption certificate in order to unlawfully avoid payment of the tax for business or personal gain is guilty of a misdemeanor, and upon conviction may be fined up to \$1,000 or imprisoned for up to a year, or both. When a buyer is found to have used a ST-28A Resale Exemption Certificate to avoid payment of the tax, the director may also increase any penalty due on the tax by \$250 or 10 times the tax due, whichever is greater, for each transaction where the misuse of a Resale Exemption Certificate occurred.

REGISTRATION AND TAX NUMBERS

WHO MUST REGISTER

If you sell goods, admissions, or provide taxable services you must be registered with the Department of Revenue to collect sales tax from your customers on behalf of the state and, where applicable, the city and/or county. This requirement applies whether your business is a sole proprietorship, partnership, corporation, or any other organizational type, including nonprofit, religious, governmental or educational groups.

If you are making retail sales or providing taxable services in Kansas, you must register and collect the tax. Out-of-state retailers that maintain a physical presence in Kansas must register. Retailers from other states selling goods in Kansas at temporary locations (i.e., craft or trade shows, fairs, etc.) or non-resident contractors performing labor services in Kansas, must also obtain a permanent registration number.

HOW TO REGISTER

To apply for a tax number or to register for Kansas Retailers' Sales Tax, visit ksrevenue.gov and sign in to the KDOR Customer Service Center. After you complete the application you will receive a confirmation number for your registration and account number(s). For complete instructions about the application process, obtain **Pub. KS-1216, Business Tax Application**, from our website.

If you prefer, you may apply in person – KDOR provides same-day registration service. An owner, partner, or a principal officer (president, vice-president, or secretary-treasurer) may bring the completed application to our assistance center. We will process the application, assign a registration number, and issue a Certificate of Registration if you have no outstanding tax liability.

Another option is to mail or fax your completed business tax application to our office 3-4 weeks prior to making retail sales. This will ensure that your tax account number and registration certificate are issued before your first tax payment is due.

SALES TAX ACCOUNT NUMBERS

Once your application is processed, your business is assigned a sales tax account number. Your sales tax account number has three distinct parts:



1 Tax Type: Each tax type administered by the Department of Revenue has been assigned a number. The “004” is the number assigned to Retailers’ Sales Tax and appears on your registration certificate.

2 Account Number = EIN (Employer Identification Number): The number is your federal EIN, followed by the letter “F.” The nine-digit EIN is issued by the Internal Revenue Service to identify employers and businesses.

If you are not required to have an EIN, the Department of Revenue will create an account number for you. These account numbers begin with a “K” (or an “A” if registering online with the Kansas Business Center) followed by eight numbers and the “F.”

3 Numerical Suffix: The two-digit code at the end of the number is for Department of Revenue use. Generally it is “01” and denotes either the number of locations or the number of registrations under this EIN, “K”, or “A” number.

A common misconception is that your sales tax number is also a “tax-exempt” number. You must complete an exemption certificate when buying your inventory or claiming another exemption. Although your sales tax number is required on exemption certificates used to purchase inventory and other exempt items, the primary purpose of this number is to identify your business for collecting and reporting the sales tax.

Be sure to write your tax account number on all correspondence sent to the Department of Revenue.

YOUR REGISTRATION CERTIFICATE

After a tax account number has been assigned, a sales tax registration certificate is issued to you. When you receive it, check it for accuracy and report any corrections to the Department of Revenue immediately. The following is a sample sales tax registration certificate.

KANSAS DEPARTMENT OF REVENUE Division of Taxation		www.ksrevenue.gov	
RETAILERS’ SALES TAX REGISTRATION CERTIFICATE			
1	NAME OF BUSINESS 123 SW MARKET STREET ANYTOWN, KS 66661-1001	2	Tax Account Number: 004-XXXXX6789F-01
		3	Inception Date: 01/12/2023
		4	Filing Frequency: Monthly
This Registration Certificate is valid until canceled and is not transferable.			

1 Business Name and Address: Name and physical location for this registration number. If you do not have a fixed business location, your mailing address is used.

2 Tax Account Number: The tax-type and your EIN or “K” or “A” number assigned by the Kansas Department of Revenue to record your account information. This number is partially “masked” to safeguard your EIN from public view.

3 Inception Date: Date retail sales began at this location or anticipated starting date as indicated on your business tax application.

4 Filing Frequency: How often you are required to file your Kansas sales tax returns. Your filing frequency is determined by the amount of sales tax collected in a year using the chart on page 15.

HOW TO DISPLAY AND USE YOUR CERTIFICATE

Your registration certificate **must be displayed** in a “conspicuous location” in your business to let your customers know you are duly registered to collect and remit the taxes you are charging them. Many businesses place it in a display case or frame near their cash register. If you are registered for more than one tax, display them together. You must have a registration certificate at all times. If it is lost or destroyed, request a duplicate from the Department of Revenue.

If you do not have a permanent fixed business location, carry your registration certificate with you. Many retailers traveling from site to site laminate their certificate to protect it during travel. Your certificate should be available at each temporary sales location to present should a local or state official request proof of registration.

You may copy the certificate. Many suppliers will request a copy of your registration to verify your sales tax number on an exemption certificate.

RETAILER RESPONSIBILITIES

THE CARDINAL RULE

Kansas retailers are responsible for collecting the full amount of sales tax due on each sale to the final user or consumer. Kansas retailers should follow this cardinal rule:

*All retail sales of goods and enumerated services are considered **taxable** unless specifically exempt.*

Therefore, for every sale of merchandise or taxable services in Kansas, the sales receipt, invoice, or bill **MUST** either show that the total amount of sales tax due was collected, **or** be accompanied by a completed exemption certificate.

Follow this rule to avoid the expense of having to pay sales tax on items you sold without charging the tax or obtaining a completed exemption certificate.

COLLECTING TAX FROM YOUR CUSTOMERS

There are two acceptable ways to collect sales tax from your customers. The sales tax must either be: separately stated as a line item on an invoice, **or** included in the price of the item.

The most common method is to separately state the tax due on the invoice, bill, receipt, or other evidence of the transaction as shown in the examples that follow. If the tax is a line item, it must be clearly stated to the public as sales tax, and there must be a separate line on the invoice or receipt for the sales tax.

If the tax is included in the price, it must be clearly stated to the public that the price includes **all applicable sales taxes**. This method is often used by contractors or when it is not practical to add the tax at the point of sale, such as vending machine sales and sales of concessions where a large volume of sales must be made quickly.

CAUTION: When sales tax is included in the price, you **MUST** compute the total sales **without** tax before reporting it as “Gross Sales” when you file. See page 17, *Line 1 – Gross Sales/Receipts*.

IMPORTANT: It is illegal for a retailer to advertise to the public or any consumer –directly or indirectly that the sales/use tax or any part of the tax will be paid or absorbed by the retailer; sales/use tax is not a part of the price to the consumer; or, all or part of the sales/use tax will be refunded when it is added to the price [K.S.A. 79-3605].

NOTE: Amounts collected as sales tax must be remitted to the state. If too much tax is collected, it must either be refunded to the customer or remitted to the state.

SALES TAX RECORDS

It is most important to keep neat, thorough, and adequate records of all aspects of your business operation. Keeping good records will enable you to accurately complete your sales and use tax returns, your business and personal income tax returns, and determine the overall profitability of your business.

There is no prescribed format for sales tax records. They may be maintained on a computer or kept in a notebook. However, the content of your sales tax records is prescribed by law. Retailers must “keep records and books of all such sales, together with invoices, bills of lading, sales records, copies of bills of sale and other pertinent papers and documents...” [K.S.A. 79-3609]

Whether maintained electronically or on paper, your sales tax records must contain the following documents and information. [K.A.R. 92-19-4b]

- 1) **Gross receipts** from the sale, rental, or lease of tangible personal property in the state of Kansas, including any services that are a part of the sale or lease, regardless of whether the receipts are considered to be taxable;
- 2) all **deductions** allowed by law and claimed when you filed (*See Part II — Deductions* on page 16);
- 3) the **purchase price** of all tangible personal property purchased for sale, consumption, or lease in the state of Kansas (the cost of your inventory, equipment, and fixtures);
- 4) all **exemption certificates**; and
- 5) a **true and complete inventory** taken yearly.

You must keep these records for the current year of business and **at least three** prior years. Some records, such as the purchase price of equipment and fixtures, must be kept longer for federal tax purposes. Your sales tax records must be available for, and are subject to, inspection by the Director of Taxation or authorized representative (auditor) at all times during normal business hours.

EXEMPTION CERTIFICATES

An exemption certificate is a document that shows why sales tax was not charged on an otherwise taxable sale of goods or services. It allows you to purchase your inventory, ingredient parts, and certain consumables without tax, and authorizes you to sell taxable items to exempt customers without collecting tax. Most of the exemptions discussed on pages 6 through 9 require an exemption certificate.

For a sale to be exempt, an exemption certificate must be furnished or completed by the buyer, and kept by the seller with other sales tax records. Do **not** send exemption certificates to the Department of Revenue; they are an integral part of your sales tax records subject to inspection by the Department of Revenue. When the seller timely obtains an accurately completed exemption certificate from the buyer and keeps it on file as part of their records, the seller is relieved from collecting the tax due on that sale.

You should obtain an exemption certificate before billing the customer or delivering the property. Retailers are responsible for obtaining a completed exemption certificate even though the purchaser may strike the tax from the bill or claim to be exempt only after receiving the merchandise. If you are unable to get a completed exemption certificate from a customer, the sale is considered taxable and you will be liable for the tax. In an audit situation, you have 120 days from date of notice to secure a completed exemption certificate from a customer. [K.S.A. 79-3609]

Additional information about completing Kansas exemption certificates is on page 9. For more details about how to properly use exemption certificates as a buyer or seller, and exemption certificates currently in use, obtain **Pub. KS-1520**.

DO NOT accept a copy of a customer’s sales tax registration certificate instead of an exemption certificate. The registration certificate shows the buyer is a retailer — it does not certify the purchase is exempt from tax.

LOCAL SALES TAX APPLICATION ON DESTINATION BASED SOURCING

Kansas participates in the Streamlined Sales Tax Project (SSTP). One area of uniformity among the states is in “sourcing” – that is, which local sales tax rate is due.

GENERAL DESTINATION-BASED SOURCING RULES

Kansas is a *destination-based* sourcing state. Under the sourcing rules, the rate of sales tax due on instate sales will be the combined state and local sales tax rate in effect where the customer takes delivery/possession of the purchased item(s). The seller collects the sales tax rate in effect at the seller’s place of business for over-the-counter transactions.

If the item(s) is shipped or delivered to the purchaser, the seller will collect **the combined sales tax rate in effect at the location where the purchaser received the item(s)**. This will be the location where the seller delivers the item(s) to the purchaser, or if the seller ships the item(s), it will be the customer’s shipping address.

If the *shipping address* is not known to the seller, then it is the sales tax rate in effect at the *purchaser’s address* as maintained by the seller in the normal course of business. If the seller’s records do not contain an address for the buyer, then the seller should source the sale to the address of the buyer shown on the buyer’s payment instrument. If there is no address on the payment instrument for the buyer, then the sale would be sourced to the seller’s location.

EXAMPLE: A customer enters Joe’s Hardware in Pittsburg, Kansas, makes a purchase and takes possession of the item at the store. The combined rate of sales tax due is the rate in effect at Pittsburg, Kansas.

EXAMPLE: A customer enters Joe’s Hardware in Pittsburg, Kansas, buys an item and asks the retailer to deliver it to him in Columbus, Kansas. Joe’s Hardware will charge the combined rate in effect at Columbus, Kansas (where the customer took delivery).

GIFTS/DELIVERY TO ANOTHER ADDRESS OR LOCATION

When the product is not received by the purchaser at the seller's location and the purchaser has given the seller instructions to ship or deliver the product to a donee of the purchaser, then the sale is sourced to the donee's address furnished by the purchaser.

EXAMPLE: A Russell, Kansas resident buys a computer from a Wichita business as a gift for a student attending college and requests that the business ship it to the student's address in Hays. The student is the purchaser's *donee*, so the local sales tax applicable at the donee's address in Hays, applies.

RECEIPT BY SHIPPING COMPANY ON BEHALF OF BUYER

Receipt by a shipping company on behalf of a purchaser is not considered *received* for purposes of the sourcing rules.

EXAMPLE: A Hutchinson, Kansas law firm orders office supplies from an office supply company in Overland Park and requests the company deliver its order to Jones Shipping Co., which the law firm has retained to deliver the order to its Hutchinson office. In this situation, receipt by Jones Shipping Co. is not considered *receipt* by the purchaser for purposes of applying the sourcing rules. Since the buyer did not receive the order at the seller's location and the seller did not ship or deliver the order to the buyer or to a third party, the sale should be sourced to the address of the buyer shown on the seller's business records.

SOURCING OF SERVICES

Destination-based sourcing rules applies to all retail sales of taxable services, as well as all sales of tangible personal property. This means that the sale of a taxable service is sourced or taxed based on the location where the purchaser of the services makes **first use** of those services (often the same location where services are performed).

EXAMPLE: A rural Jefferson County resident brings his car to a mechanic in Topeka for repairs. The car repairs are performed at the mechanic's shop in Topeka, and the consumer picks the car up at the shop location. The mechanic will collect the sales tax rate in effect in Topeka on the repair charges. If the mechanic had performed the repairs at the consumer's residence, then he would collect the sales tax rate in effect at the customer's rural Jefferson County address.

EXAMPLE: The heating system goes out in a medical office in Mound City and a repairman is called to fix it. The repair charges will be sourced based on where the repairs were performed – the medical office's location in Mound City.

LEASES OR RENTALS OF TANGIBLE PERSONAL PROPERTY

For leases or rentals of tangible personal property in which periodic payments are made, the first lease payment is sourced under the general "destination-based" sourcing rules, as described above. The payments after the first payment are sourced to the primary property location. For leases with only one payment, the sale is sourced under the general destination-based rules. (Motor vehicles, trailers, semi-trailers, or aircraft that do not qualify as transportation equipment do not follow these sourcing rules.)

EXAMPLE: A consumer enters an equipment rental business and rents a lawn mower for a day, picking up the mower at the business and paying for the mower at that time. The rental is sourced to the business premises, and the local sales tax in effect at that location applies.

EXAMPLE: A consumer rents a tent for a party in the consumer's backyard. The rental business delivers the tent to the consumer. The rental is sourced to the consumer's location, and the combined state and local sales tax in effect at that location applies.

EXAMPLE: A St. Francis resident enters into a one-year lease as lessee of computer equipment and rental payments are due monthly. The lessor's business location is in Goodland. The consumer picks up the computer equipment from the lessor's business in Goodland. This equipment will be located at the consumer's residence in St. Francis during the term of the lease. *Because the lessee first took possession of the computer equipment at the lessor's business premises (Goodland), the first lease payment is subject to the sales tax rate in effect at Goodland.* However, subsequent lease payments will be sourced to the consumer's location of St. Francis. In contrast, if the lessor shipped the computer equipment to the consumer's location, the first lease payment (as well as the subsequent lease payments) would have been sourced to the consumer's location in St. Francis.

SOURCING FOR TRANSPORTATION EQUIPMENT

In general, transportation equipment means equipment used to carry persons or property in **interstate** commerce, such as aircraft (including containers attached thereto), buses, trucks, railcars and railroad locomotives. The general destination-based sourcing rules apply to the retail sale, lease or rental of *transportation equipment*.

SOURCING FOR ELECTRICITY, GAS, WATER OR HEAT

The utilities of electricity, gas, water and heat are taxed at the local (and state) rate in effect at the customer's location. Under the sourcing rules, these utilities are taxed based on the customer's location. Residential and agricultural use of the utilities (except water) are subject only to local tax – the state sales tax of 6.50% does not apply to utilities used for a residential or agricultural purpose. Water for residential and agricultural use is exempt from both state and local sales tax.

TELECOMMUNICATIONS SOURCING RULES

Telecommunications service has its own sourcing rules. These rules are consistent with the federal Mobile Telecommunications Sourcing Act. This means that telecommunications sales are generally sourced to the customer's billing address.

EXCEPTIONS TO THE DESTINATION-BASED SOURCING RULES

Destination-based sourcing does not apply to: sales of watercraft, mobile, modular and manufactured homes, motor vehicles, trailers, semitrailer, pole-trailers and aircraft (**not** qualifying as transportation equipment as previously defined).

Retail sales of motor vehicles by Kansas dealers are subject to sales tax on the gross receipts received by the dealer. The sales tax rate charged is the combined state and local (city, county and/or special jurisdiction) rate in effect at the dealer's place of business.

EXAMPLE: A Valley Falls, KS resident buys a car from an Atchison, KS dealer. The sales tax is computed on the 8.75% tax rate in effect at the retailer's business location – Atchison. Additionally, the Valley Falls resident will pay the 0.75% difference between the Atchison rate and the 9.5% Valley Falls rate, to the Jefferson County Treasurer at the time of vehicle registration.

– **Leases or rentals of motor vehicles, trailers, semi-trailers, or aircraft (not qualifying as transportation equipment as previously defined) when recurring periodic payments are:**

a) *involved, those payments are sourced to the primary property location, which is the address for the property provided by the lessee that is available to the lessor from the lessor's business records. This should be the registered address for the vehicle. Intermittent use of the property at different locations will not alter the*

primary property location.

b) not involved, the lease or rental payment is sourced according to general destination-based sourcing rules.

EXAMPLE: An Emporia resident, the lessee, leases a car from a Wichita car dealer, the lessor, for a term of 3 years, with monthly lease payments due. The payments are sourced to the primary property location, which is the address that the lessee furnishes to the lessor as the location of the vehicle (should be same as where vehicle is registered, the consumer's Emporia address). The local sales tax in effect at the primary property location of the leased vehicle, Emporia, applies to each of the lease payments. The lessor will collect and remit the state and local sales tax in effect at Emporia on the lease payments. If, during the term of the lease, the lessee moves to Newton and registers the vehicle there, the payments due after the move will be sourced to Newton and the lessor will collect and remit the state and local sales tax in effect in Newton.

EXAMPLE: A Council Grove resident rents a trailer from a rental business in Manhattan and takes possession of it at the rental business location in Manhattan. The rental period is 45 days, for a lump sum rental payment of \$250. The rental business will collect the 9.45% Manhattan (address of the business) rate of sales tax on the rental proceeds of \$250. If the rental business delivered the trailer to the consumer's Council Grove address, the rental business would collect the 9.2% combined tax rate in effect at Council Grove, instead of the local sales tax in effect in Manhattan.

UNIQUE SOURCING SITUATIONS

Special sourcing rules and procedures apply to the sale of a direct mailing and to the sale of computer software delivered electronically. This section explains these rules and the sourcing certificates used for these types of sales.

For a **direct mailing** to addresses in several locations, the purchaser of the mailing must provide the seller with information showing the multiple jurisdictions to which the mailing is to be delivered, or provide a **ST-31 Direct Mail Sourcing Certificate**, available from our website or a Direct Pay Permit which is issued by the Department of Revenue to large businesses that make annual purchases of at least \$1 million of tangible personal property for business use and not for resale. Additionally, a **Sales Tax Rate Locator** is available on our website to access sales and use tax rates and jurisdiction codes for any location in Kansas. Simply enter a complete address.

EXAMPLE: A business located in Hays, KS purchases a direct mailing of advertising flyers from a printer located in Hutchinson, Kansas. The flyers are to be mailed from Hutchinson to the business's customers at various locations.

SITUATION #1: The purchaser provides mailing addresses of its customers to the printer. The printer will bill the purchaser for sales taxes applicable to the destination of the mailing, using the addresses to which the flyers were mailed. If 500 flyers were mailed to Great Bend, the local sales tax would be due on the price of those 500 flyers at the rate in effect at Great Bend. If 200 more flyers were mailed to Larned, the local sales tax would be due on the price of those 200 flyers at the rate in effect at Larned.

SITUATION #2: Same SITUATION #1, except the purchasing business gives the printer a ST-31 Direct Mail Sourcing Certificate indicating the purchaser will assume the obligation to pay and remit the applicable tax on a direct pay basis. Having received a form ST-31 from the purchaser, the printer is now relieved of the obligation to collect and remit sales tax on the direct mailing. The purchaser is then obligated to remit directly the sales taxes applicable to the mailing, based on the addresses where the mailing was delivered.

SITUATION #3: Same SITUATION #1, except the purchaser fails to provide to the printer a ST-31 Direct Mail

Sourcing Certificate, the information showing the jurisdictions to which the direct mail is delivered, or a Direct Pay Permit. In this situation, the printer must bill the purchaser for state and local sales tax at the rate applicable to the location from which the flyers were shipped, Hutchinson, Kansas.

THE SALES TAX BASE

The sales amount to which sales tax is added is called the sales tax base. The law uses the term *gross receipts*.

Gross receipts is the total **selling price** or the amount received in money, credits, property or other consideration valued in money. **Selling price** is the total cost to the consumer, excluding discounts allowed and credited, but including freight and transportation charges from retailer to consumer. Selling price includes the cost of the property, materials, labor, or service used or expended, losses, overhead, and profit.

Other aspects of a sale often affect the selling price or total cost to the consumer. The tax treatment of common elements of a retail sale follows.

SALES TAX TREATMENT OF SELECTED TYPES OF SALES AND INCENTIVES

Using the previous definition of sales tax base, this section illustrates how to apply state and local sales tax to some common types of sales and sales incentives.

CONSIGNMENT SALES

If you receive property from another to sell on consignment, you are the retailer and are responsible for the tax collection rather than the owner of the consigned merchandise. This is true regardless of how you receive your fee or commission.

COUPONS

There are two distinct types of coupons that are used by consumers — **store coupons** and **manufacturer coupons**. The two types are treated differently for sales tax purposes.

Retailers may offer discounts by issuing **store coupons** that can only be redeemed in their business. When a customer uses a store coupon, sales tax is applied to the discounted price.

EXAMPLE: A restaurant issues a coupon for \$5.00 off any two meals. Sales tax is added after the coupon is deducted from the price of the two meals.

Cost of two meals	\$20.00
Restaurant coupon	- 5.00
Taxable receipt	\$15.00
7% sales tax	1.05
Customer payment	\$16.05

The value of **manufacturer coupons** or redemption certificates for which a retailer is later reimbursed for the value by wholesalers, manufacturers, or others is taxable.

EXAMPLE: A grocery store accepts manufacturer's coupons, and they *double* them. The value of the coupon is taxable; the value of the store's *doubling* is *not* taxable.

Cost of item	\$ 1.89
Store doubled coupon (not taxed)	- .30
Tax computed on	\$ 1.59
9.15% tax	.15
Subtotal	\$ 1.74
Mfr. coupon (taxed)	.30
Total cost to customer	\$ 1.44

TIPS

Tips are often a part of restaurant meals. When the tip is at the *customer's* discretion, it is not a part of the restaurant's charge for the meal and is not taxable. However, if the tip is mandatory, such as a statement on the menu, "An 18% gratuity will be added on parties of 6 or more," the tip is subject to sales tax.

DELIVERY, FREIGHT, AND POSTAGE

Charges to the customer for handling and delivery are taxable. The sales tax is due whether the charge is included in the sales price, stated separately, or billed separately. See the *Exception* that follows.

EXAMPLE: A store sells a sofa bed to be delivered to the customer living in another county. The sales ticket for the sofa bed would read as follows:

Cost of sofa	\$ 450.00
Delivery fee	<u>45.00</u>
Total	\$ 495.00
9.15% sales tax	<u>45.29</u>
Customer payment	\$ 540.29

NOTE: Freight and postage are taxable ONLY when included as part of a total sale between the **retailer** and the **customer**. In the example above, if the customer contracted directly with a freight company to pick up and deliver the sofa, the freight company's fee is not taxable. In either case, the sale would be sourced to the customer's home address.

Exception: *Delivery charges for Direct Mail only are not subject to sales tax when separately stated on the invoice. Direct mail means printed material delivered or distributed by the USPS or other delivery service to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. Direct mail includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. It does not include multiple items of printed material delivered to a single address.*

DISCOUNTS

Common discounts are sale prices – **20% Off and Buy One, Get One Free** offers. When a retailer discounts an item to the customer, sales tax is charged only on the amount actually paid by the customer.

EXAMPLE: A grocery store offers a **buy one, get one free** sale on an item costing \$2.59. Tax is charged on \$2.59 – the sale price paid for both items.

You may also offer your customers a discount for paying an invoice within a stated number of days. When a customer takes advantage of this type of discount, the sales tax is based on the *discounted* payment amount.

EXAMPLE: You offer a discount of **2/10, net 30** on an invoice of \$150 plus tax. A customer who pays the invoice within ten days will discount the price by 2%, or \$3. Sales tax is due on the reduced price of \$147. If the customer does not pay the invoice within ten days, the total amount is due within 30 day and sales tax will be based on \$150 without a discount.

REBATES

As a general rule manufacturers' coupons and rebates are taxable. Sales tax is charged on the price of the merchandise **before** a rebate is applied, whether applied to the invoice at the time of the purchase or sent to the customer after the sale.

GIFT CERTIFICATES

Gift certificates are not subject to sales tax. The sales tax will be charged and collected when the gift certificate is later redeemed for store merchandise.

GIFTS AND PREMIUMS

When you donate, give away, or otherwise personally use merchandise from your inventory, you become the final consumer and are required to pay sales tax on your cost for the item, not its retail price. The sample in this publication illustrates how to report and pay sales tax on "Merchandise Consumed" by you.

TRADE-INS

A trade-in is accepting a used product in exchange for credit against the purchase of a new product. Sales tax is charged on the net price — after the trade-in allowance.

New Car price	\$ 16,000.00
Trade-in allowance	<u>- 6,300.00</u>
Trade difference	\$ 9,700.00
9.15% sales tax	<u>887.55</u>
Customer payment	\$ 10,587.55

INSTALLMENT SALES

Cash basis retailers will report and pay the sales tax due on credit, conditional or installment sales in the filing period the money is collected. Accrual basis retailers will report the sales tax on the full amount of the sale in the period in which the sale was made, regardless of when payment is received.

INTERNET SALES

The Internet is a method of attracting and transacting retail business. If the retailer and buyer are in Kansas, Kansas sales tax is due on a retail sale (including shipping and handling charges), whether that sale is made in person, by phone, fax or the Internet. By destination-sourcing rules, the rate of tax charged on the sale will be the rate where the customer takes delivery.

When the retailer is in Kansas and the buyer is in another state, Kansas sales tax is not due; however, use tax may be owed by the customer to their state – see *Out-of-State Sales* herein. Kansas retailers with nexus in another state may be obligated to collect that state's use tax.

OTHER TAXES

Some sales are subject to not only Kansas retailers' sales tax, but also to another Kansas tax or fee. For example, tire sales, dry cleaning and laundry services, and the rental of hotel rooms and vehicles are also subject to a Kansas excise tax (see *Other Kansas Taxes* herein). **Each tax is figured as a percentage of the selling price**, and should be separately stated.

EXAMPLE: A hotel in Anytown, KS charges \$68 for a room. Since a 5% transient guest tax is in effect in Anytown, the bill for the room will show both taxes:

Cost of room	\$ 68.00
5% transient guest tax	3.40
8% sales tax	<u>5.44</u>
Total	\$ 76.84

OUT-OF-STATE SALES

Kansas sales tax law applies only within the boundaries of Kansas. When merchandise is shipped or delivered outside Kansas (and not returned to a point in Kansas), Kansas sales tax is not due. Out-of-state delivery may be made by the seller, a common carrier, or through the mail.

Since these sales are a deduction on your sales tax return, your books and records must show the merchandise was delivered outside Kansas. Acceptable proof of an out-of-state sale is a: 1) waybill or bill of lading showing delivery to another state; 2) post office, insurance, or registry receipt; or, 3) trip sheet signed by the seller's delivery agent, showing the address and signature of the person outside Kansas who received the merchandise.

When goods or merchandise are delivered to a buyer in Kansas, Kansas sales tax is due even though the buyer may later transport the property out of Kansas.

When a buyer, or his agent, takes possession of property outside Kansas, the sale is not subject to the Kansas sales tax, but may be subject to the other state's use tax.

EXAMPLE: A Kansas retailer receives a phone order for a shirt from a resident of another state and mails it to the them. Kansas sales tax is not due on this sale. However, the customer may owe use tax on this purchase to their home state.

Sales to nonresidents are taxable if possession is taken in Kansas, with two exceptions: **1)** Motor vehicles sold to a bona fide resident of another state who will title and register the vehicle in the other state – see page 4; and **2)** sales to nonresident exempt buyers discussed above.

DETERMINING THE FILING FREQUENCY

YOUR FILING FREQUENCY

How often you will report and pay your retailers' sales tax is determined by the volume of your retail business (see the filing frequency chart in the next column). The filing frequency for your first year of business is based on the estimated amount of tax liability you reported on your business tax application. As the volume of your business changes, your filing frequency may also change – through either a request by you or as part of an annual review by the Department of Revenue. For more information see *Changing Your Filing Frequency* herein.

FILING FREQUENCY GUIDELINES

The following chart shows the guidelines for filing frequencies established by law [K.S.A. 79-3607]. For information regarding the electronic payment schedule, please visit: <https://ksrevenue.gov/eserveft.html>.

Annual Tax Due	Filing Frequency	Return Due Date
\$0—\$400.00	Annual	On or before January 25th of the following year.
\$400.01—\$4,000	Quarterly	On or before the 25th of the month following the end of the calendar quarter—April 25, July 25, October 25, January 25.
\$4,000.01—and more	Monthly (Seasonal) ¹	On or before the 25th of the following month (e.g., a March return is due by April 25).

¹ If your business is seasonal, you will file monthly during the period of business operation.

KANSAS CUSTOMER SERVICE CENTER

FILE, PAY and MAKE UPDATES ELECTRONICALLY

Most businesses have chosen the **KDOR Customer**

Service Center (KCSC) for their online filing and payment solution. To use this solution, you simply create a user login ID and select a password, then you can attach your business tax accounts. **Each tax account has a unique access code** that only needs to be entered once. This access code binds your account to your login ID. For future filings, you simply log into your account using your self-selected user login and password. A history of all filed returns and/or payments made is retained in the KCSC.

WHAT CAN I DO ELECTRONICALLY?

- Register to collect, file and pay taxes and fees
- Add new locations
- Complete and submit a Power of Attorney form
- Update contact information
- Update mailing address
- Upload W-2's and 1099's
- Upload and retain Sales and Compensating Use Tax jurisdictions
- File the following tax returns:
 - Consumers' Compensating Use Tax
 - Consumable Material
 - Liquor Drink and Liquor Enforcement Tax
 - Retailers' Compensating Use Tax
 - Retailers' Sales Tax
 - Transient Guest Tax
 - Vehicle Rental Tax
- Make payments for the following taxes:
 - ABC Taxes and Fees
 - Charitable Gaming
 - Cigarette Tax Stamp Payment
 - Cigarette Tax, Fees, Fines and Bonds
 - Cigarette/Tobacco Fine Payment
 - Cigarette/Tobacco License Fee
 - Consumable Materials Return/Tax Payment
 - Consumable Material
 - Corporate Estimated Income tax
 - Corporate Income Tax
 - Dry Cleaning Payment Plan Fee
 - Environmental and Solvent Fee
 - Fiduciary Income Tax
 - Homestead Claim
 - IFTA
 - Individual Estimated Income Tax
 - Individual Income Tax
 - Liquor Drink and Liquor Enforcement
 - Mineral Tax
 - Motor Fuel
 - Petition for Abatement Service Fee
 - Privilege Tax
 - Privilege Estimated Tax
 - Sales and Use Tax
 - Tire Excise Tax
 - Tobacco Return/Tax Payment
 - Tobacco Tax, Fees, Fines and Bonds
 - Transient Guest Tax
 - Vehicle Rental Excise Tax
 - Withholding Tax

REQUIREMENTS TO FILE and PAY

You must have the following in order to file and pay your taxes online:

- Internet Access

- Access Code(s) by calling 785-368-8222 or send an email to kdor_businessstaxeservice@ks.gov
- EIN
- ACH Debit: Kansas Department of Revenue debits the tax payment from your bank account
- ACH Credit: Complete an EF-101 online to initiate a tax payment through your bank

Electronic tax payments must settle on or before the due date. Using the KCSC, you may have your tax payment electronically debited from your bank account (ACH Debit) or you may initiate your tax payment through your bank (ACH Credit). This payment method requires a completed authorization EF-101, available on our **Customer Service Center**.

Our FREE electronic systems are simple, safe, and conveniently **available 24 hours a day, 7 days a week**. You will receive immediate confirmation that your return is filed and/or payment is received. If you need assistance with your access code, you may call 785-368-8222 or email kdor_businessstaxeservice@ks.gov.

PAY BY CREDIT CARD

Taxpayers can make their Individual Income tax and Business tax payments by credit card. This service is available on the Internet through third-party vendors; **ACI, Inc (ACI)** or Value Payment Systems (VPS). These vendors charge a convenience fee based on the amount of tax being paid. This fee may vary by vendor. Credit card transactions are strictly between the vendor and the taxpayer. Likewise, any disputes specific to the card payment will be between those two parties. Rules regarding the credit card transactions are available at each vendor's website.

Credit cards that are available for each vendor are as follows:

ACI, Inc. (ACI)

- American Express
- Discover
- MasterCard
- Visa

Payments can be made by accessing their website at www.acipayonline.com or by calling 1-800-2PAYTAX (1-800-272-9829). The Kansas jurisdiction code is 2600. For payment verification inquiries, call 1-866-621-4109. Allow 48 hours for processing.

Tax types that can be paid through ACI, Inc. are as follows:

- Cigarette Tax Stamp Payment
- Cigarette, Consumable Material, and Tobacco Tax
- Cigarette/Tobacco Fine Payment
- Cigarette/Tobacco License Fee
- Consumable Materials Return/Tax Payment
- Corporate Income Tax
- Fiduciary Income Tax
- Homestead Claim
- Individual Estimated Income Tax
- Individual Income Tax
- Liquor Tax
- Mineral Tax
- Motor Carrier Property Tax
- Motor Fuels Tax
- Privilege Tax

- Sales and Use Tax
- Tobacco Return/Tax Payment
- Transient Guest Tax
- Vehicle Rental Excise Tax
- Withholding Tax

Value Payment Systems (VPS)

- Bill Me Later ®
- Discover
- MasterCard
- Visa
- Debit Card

VPS processes payments for Kansas Individual Income Tax only. For payment verification inquiries, call 1-888-877-0450. Allow 48 hours for processing.

Tax types that can be paid through Value Payment Systems are as follows:

- Individual Income Tax
- Individual Estimated Income Tax

WIRE TRANSFERS

Wire Transfers are accepted from both domestic and foreign banking institutions as long as it is received as American currency. For more information call 785-368-8222.

RETAILERS' SALES TAX

COMPLETING THE ST-36

Gross Sales. The total of all sales made during the period, both taxable and nontaxable. DO NOT include the sales tax collected in this figure. If you bill your customers "all applicable taxes included," or if the tax is included in your total sales figure, divide the total sales, including tax, by "1" plus the tax rate. The result will be your gross sales without the sales tax.

EXAMPLE: You own 20 vending machines in a city where the state and local sales tax rate is 9.15%. Your total sales in June are \$4,600. Since the 9.15% sales tax is automatically included in the price paid for vended products, you must calculate the amount of your sales without the tax. To do this, divide \$4,600 by 1.0915 = \$4,214.38. Your gross sales (without the tax) to report \$4,214.38.

Merchandise Consumed. When you remove merchandise from your inventory to use personally or as a gift, you become the final consumer of the item(s) and must pay the sales tax due. However, the amount to enter as merchandise consumed is your **cost** for the item, not its retail price. DO NOT report the cost of inventory you have purchased for resale in merchandise consumed.

Deductions. When taking a deduction, be sure it is supported in your records by the required documents, such as a completed exemption certificate or out-of-state delivery slip. If you are unsure about an exemption, see **Pub. KS-1520, Kansas Exemption Certificates**, or contact the Department of Revenue. The allowable deductions are:

- **Sales to other retailers for resale:** Sales made to other retailers for which you obtained a properly completed ST-28A Kansas Resale Exemption Certificate.
- **Returned goods, discounts, allowances and trade-ins:** Sales of merchandise sold and subsequently returned when the sale occurred in one reporting period and the return is in a subsequent reporting period.
- **Sales to the U.S. Government, state of Kansas, and**

Kansas political subdivisions: Enter sales made to these exempt entities for which you have a **(PR-78KS)**. Only direct purchases qualify for exemption; sales to agents or employees using their personal funds are taxable, except for purchase of hotel/motel rooms for U.S. Government purposes. DO NOT include sales of property or services that are for a political subdivision's utility department, since these sales are generally taxable.

- **Sales of ingredient or component parts of tangible personal property produced:** Sales of items that meet the definition of an ingredient or component part (see page 8), for which you have a completed **ST-28D Ingredient or Component Part Exemption Certificate**, in your records.
- **Sales of items consumed in the production of tangible personal property:** Enter sales of items which meet the definition of "property that is consumed" for which you have a completed **ST-28C Consumed in Production Exemption Certificate**, in your records.
- **Sales to nonprofit hospitals, or nonprofit blood, tissue or organ banks:** Sales of goods or services to public or nonprofit hospitals or to blood, organ or tissue banks for which you have a **PR-78KS Tax-Exempt Entity Exemption Certificate**. Non-inventory purchases by a taxable business operated by the hospital, blood, organ or tissue bank – such as a public cafeteria or gift shop – are taxable.
- **Sales to nonprofit educational institutions:** Sales of goods or services to nonprofit educational institutions for which you have a **PR-78ED Tax-Exempt Entity Exemption Certificate**. Purchases by agents or employees with their personal funds, and purchases of materials by a school to construct or repair a dormitory are subject to sales tax.
- **Sales to qualifying sales tax exempt religious and nonprofit organizations:** Sales of goods or services to religious and other nonprofit organizations who have been granted a sales tax exemption. These sales must also be supported in your tax records by a **PR-78RO Tax-Exempt Entity Exemption Certificate**.
- **Sales of farm machinery and equipment:** Sales of farm machinery and equipment, repair and replacement parts, and labor services performed to repair or maintain farm machinery and equipment. Farm machinery and equipment does NOT include any passenger vehicle, ATV, truck, truck tractor, trailer, semitrailer or pole trailer other than a farm trailer. To verify the exemption, the buyer must either sign the invoice certifying the purchase will be used only in farming and ranching, or complete an **ST-28F Agricultural Exemption Certificate**.
- **Sales of integrated production machinery and equipment:** Sales of machinery and equipment used in an integrated production operation at a Kansas plant or facility that are an integral or essential part of its process to manufacture, process, fabricate, finish, or assemble items for wholesale or retail distribution. Include also sales of repair and replacement parts and the labor services to install, repair or service said machinery and equipment. Exempt sales must be documented with a completed **ST-201 Integrated Production Machinery & Equipment Exemption Certificate**.
- **Sales of alcoholic beverages:** Restaurants and private clubs selling alcoholic beverages will enter their alcoholic drink sales (exclusive of the **Liquor Drink Tax**). This is the same amount that is entered on line 1 of the Liquor Drink Tax return for the same filing period.
- **Nontaxable labor services, original construction, and residential remodeling:** Contractors will use this

line to report deductions for: **original construction** labor services; residential labor services; subcontractor materials and labor; cost of project materials on which sales tax was paid; and, nontaxable services performed (such as excavation).

- **Deliveries outside of Kansas:** Enter the total sales of merchandise shipped or delivered to customers in other states. Out-of-state delivery must be substantiated in your records with one of the documents listed above.
- **Other allowable deductions:** Itemize any other deductions. Three common deductions are:
 - **Sales of vehicle fuel on which Kansas fuel tax has been paid:** Gas stations, coops, and fuel retailers will enter fuel sales that are not subject to the sales tax because a motor fuel tax has been paid.
 - **Sales of prescription drugs, prosthetic devices or insulin:** Enter sales of these exempt items for which you have a written prescription from a person licensed to practice the healing arts, dentistry, or optometry. The prescription order acts as the exemption certificate. Exempt prosthetic devices are defined on page 7.
 - **Bad Debts:** You may take a sales tax deduction for bad debts that are written off as uncollectible during the filing period and are eligible to be deducted for federal income tax purposes.

CAUTION: *Other Allowable Deductions* does not include business expenses such as postage, mileage, utilities, booth rent, and other overhead items. You must keep records of these and similar expenses to determine your overall business profit/loss for income tax purposes – they are not a factor in filing sales tax. The sales tax filing is to report the total sales made (both taxable and non taxable) and the sales tax you have collected from your customers.

Net Sales. The net sales figure on a sales tax filing *cannot be less than zero*. Should your returned merchandise or bad debt deductions be more than your sales for the reporting period, use the deductions to reduce net sales to zero for that filing period. Use the remaining deductions on your next filing.

SAMPLE COMPLETED SALES TAX FILING

The example in this section illustrates how to correctly report sales of tangible personal property, personal use of inventory, and common deductions and exempt sales.

Note that the example is for illustration purposes only and may not contain current sales tax rates. However, the example is useful in providing instruction for filing and paying your sales tax electronically. See page 15 for detailed information about our electronic file/pay options.

ST-36 (MULTIPLE JURISDICTION FORM TYPE)

The following example illustrates how sales tax is reported using an electronic version of the **ST-36**. The steps below provide instructions for the first jurisdiction (Lawrence). Since the furniture store must collect the state and local sales tax based on the "destination" of the furniture (where the customer takes delivery). It will repeat Steps 1 - 8 for each of the four sales tax jurisdictions during this filing period. The ST-36 is also used to report sales for a business with **multiple locations**, following the same steps to report each jurisdiction where sales are made.

EXAMPLE: All-American Furniture Company of Lawrence, Kansas is registered with the Department of Revenue to collect and remit its Kansas retailers' sales tax on a monthly basis. During July, All-American Furniture Company has gross sales of \$100,000, consisting of:

- 1) \$25,000 of over-the-counter sales in which their customers took possession of the items in Lawrence, including a \$5,000 sale to a qualified religious organization.
- 2) \$30,000 of sales delivered to customers **within** the city limits of Lawrence.
- 3) \$15,000 of sales delivered to customers **outside** the city limits of Lawrence, but within Douglas County.
- 4) \$20,000 of sales delivered to customers within the city limits of Eudora.

example, enter **\$5,000 on line h** for Lawrence. **Note:** *Line O of Part II should equal the total of (Non-Utility) Deductions from Part III.* Click **Calculate** and **Continue**.

STEP 10 Verify information entered in Part I. If correct, click **Calculate** and **Continue**.

STEP 11 Select your payment option: ACH Debit, ACH Credit, or Check w/Voucher. For definitions of the ACH Credit and ACH Debit payment options, see page 16. Click **Continue** for the verification screen. Verify all entries and click **Submit Return**.

STEP 1 Go to ksrevenue.gov to begin the filing process. Sign into the KDOR Customer Service Center (KCSC). If you are a first time user click **Register Now**; if already registered, click **Sign In**.

STEP 2 After signing in to the KCSC, click **Account Management** to manage existing accounts or add new accounts to your current business accounts.

To add a new sales tax account, click **Add an Existing or Register a New account to this login** and follow the instructions on the screen.

To file a return for a current account, locate that account in the list, then click **Manage Account** in the far right-hand column.

NOTE: *Accounts that you add will be retained in the system for future filing periods.*

STEP 3 To begin filing your return, click **File a sales tax return** under the **Account Management** heading. An informational page will appear with messages regarding important updates and/or tips for using the system. Please take the time to read this information before clicking **Continue**.

STEP 4 Review the information for the account you added. From the drop-down menu options, select your filing period, **July**, and the tax year, then click the radio button for the return type. In this example, select **Original**. You may choose to have the KCSC remember your jurisdictions by clicking that radio button, or you have the option to upload from another file or enter them manually. Make your selection and click **Continue**.

STEP 5 To add the applicable jurisdictions to this filing period, click **Add Jurisdictions**. Enter the jurisdiction code or the jurisdiction name, then click **Lookup Jurisdiction**. From the list, choose the appropriate jurisdiction (for this example, Lawrence is LAWDG) and click **Add Selected**. Repeat this step until all applicable jurisdictions have been added, then click **Continue**.

STEP 6 Enter under *Gross Sales*, the gross receipts (taxable and nontaxable) for the month in each local jurisdiction. For example, the total gross sales “sourced” to Lawrence is \$25,000 + \$30,000 = **\$55,000**.

STEP 7 Enter under *Merchandise Consumed By You* the cost of the goods consumed at each location upon which no sales tax has been paid, explained on page 16. There were no transactions of this type during July, so this column will be blank.

STEP 8 Enter under *(Non-Utility) Deductions* the total deductions (nontaxable and exempt sales) for each jurisdiction. For example, the deduction for Lawrence is **\$5,000**, the exempt sale to the religious organization picked up in Lawrence. Click **Calculate** and verify the net tax amounts, then click **Continue**.

STEP 9 Complete Part II. Itemize by category the deductions for all business locations on the applicable line. For this

COMPENSATING USE TAX

Compensating use tax is a tax paid on goods and merchandise purchased from other states that are used, stored, or consumed in Kansas on which no sales tax was paid in the state of purchase. It is also due if the state and local sales tax paid at the time of purchase is less than the Kansas rate. This “use” tax compensates for the lack of sales tax paid at the time of purchase and protects Kansas businesses from unfair competition from out-of-state retailers who sell goods tax-free.

Use tax is due on out-of-state purchases whether the property is shipped into Kansas or picked up in another state and brought back to Kansas. It applies only to tangible personal property because labor services are not subject to use tax. Like sales tax, compensating use tax is based on the total cost of the goods purchased.

Like in-state sales tax transactions, the use tax rate imposed is the same rate as the sales tax rate in effect where the customer takes delivery or possession, or the destination to which the goods are “sourced” under Kansas law. The net effect is that for both sales and compensating use tax the same rate of tax applies to a taxable item purchased by a Kansas consumer, whether purchased locally, delivered to the Kansas consumer by a Kansas retailer, or shipped to the Kansas consumer by an out-of-state retailer.

There are two types of compensating use tax:

- (1) Retailers’ Compensating Use Tax, which is collected by retailers in other states from their Kansas customers; and
- (2) Consumers’ Compensating Use Tax, which is paid by the Kansas consumer directly to the Department of Revenue.

RETAILERS’ COMPENSATING USE TAX

The retailers’ compensating use tax is collected and remitted by an out-of-state “remote seller” or “marketplace facilitator” that has “nexus” with Kansas. Nexus is defined as a “means of connection” or a “link.” In the 2018 United States Supreme Court case of *South Dakota v. Wayfair, Inc et al.*, the court ruled that while physical presence in a state does create nexus, physical presence is not required to establish nexus, and that economic presence [essentially, doing business in the state] is sufficient to create nexus. As a result, any retailer that has a physical or an economic presence in Kansas is required to register, collect, and remit Kansas retailers’ compensating use tax. Kansas law does, however, have special provisions for “remote sellers” and “marketplace facilitators”.

As explained in **Notice 21-17 Remote Sellers**, K.S.A. 79-3702(h), a definitional statute, defines the term “retailer doing business in this state” to include retailers with economic nexus,

commonly referred to as “remote sellers”. Because remote sellers have nexus with Kansas, they are required to register, collect, and remit Kansas retailers’ compensating use tax. However, in accordance with the statute, remote sellers are not required to collect, remit, or report tax until a \$100,000 de minimis threshold of gross sales has been reached.

As explained in **Notice 21-14 Marketplace Facilitators – Products**, K.S.A. 79-5601 *et seq.* provides entities that are determined to be marketplace facilitators are subject to different requirements for the collection, remittance, and reporting of sales and use tax than entities determined not to be marketplace facilitators. The term “marketplace facilitator” includes entities that contract with sellers to facilitate the sale of products through a physical or electronic marketplace operated, owned, or otherwise controlled by the entity and either directly or indirectly collect the payment from the purchaser and transmit all or part of the payment to the marketplace seller. Generally, marketplace facilitators are not required to collect, remit, or report tax until a \$100,000 de minimis threshold of taxable sales has been reached.

Although neither remote sellers nor marketplace facilitators are required to register, collect, and remit retailers’ compensating use tax until the \$100,000 de minimis threshold has been met they may do so voluntarily. And both remote sellers and marketplace facilitators are encouraged to register, collect, and remit retailers’ compensating use tax for the benefit of their Kansas customers. A remote seller or marketplace facilitator who chooses not to voluntarily collect the tax should consider advising purchasers that they, the purchaser, are responsible for paying tax directly to the state of Kansas.

CONSUMERS’ COMPENSATING USE TAX

When a Kansas individual or business buys goods from a retailer in another state for use, storage, or consumption (and not for resale) in Kansas, on which sales tax equal to the Kansas state and local rate in effect at the Kansas destination of the goods has not been paid, a Kansas use tax is due. The consumers’ compensating use tax is due whenever:

- (1) A remote seller or marketplace facilitator is not required to collect and remit (and does not voluntarily collect and remit), or fails to collect and remit, the proper amount of retailers’ compensating use tax on a purchase made from them: or
- (2) A Kansas purchaser buys goods from a retailer in another state for use, storage, or consumption (and not for resale) in Kansas, on which sales tax equal to the Kansas state and local rate in effect at the destination to which the goods are “sourced” under Kansas law has not been paid.

In the case of a remote seller or marketplace facilitator that doesn’t collect retailers’ sales tax, the Kansas purchaser must pay an amount equal to the full amount of the Kansas state and local sales tax that would have been due at the destination to which the goods are “sourced” under Kansas law.

In the case of a purchase from the place of business of a vendor in another state, the Kansas purchaser must pay an amount equal to the difference between the state and local sales tax charged at the vendor’s location and Kansas state and local sales tax that would have been due at the destination to which the goods are “sourced” under Kansas law.

USE TAX AND YOUR BUSINESS

Many Kansas businesses are not aware of their consumers’

use tax obligation until they are audited by the Department of Revenue — a costly oversight. As a business, you owe use tax as the final consumer of the equipment, fixtures, tools, and other taxable non-inventory items purchased from vendors located outside of Kansas.

EXAMPLE: You order garment racks that are shipped from a firm in St. Louis for your Salina, Kansas clothing store. The St. Louis retailer cannot legally charge you Missouri sales tax because the racks are being shipped across the state line. The St. Louis retailer should charge you Kansas retailers’ compensating use tax at the rate in Salina, KS. If the retailer does not collect Kansas retailers’ compensating use tax, you must pay the Kansas consumers’ use tax on the total cost of the garment racks. Had you ordered the racks from a Kansas retailer shipped to you in Salina, the Kansas retailer would have charged you the total Salina tax on them as well.

EXAMPLE: A Sedan, Kansas CPA orders software from Minneapolis, Minnesota. The Minneapolis retailer should charge the CPA Kansas retailers’ compensating use tax at the rate in Sedan, KS. The CPA will owe Kansas consumers’ use tax at the rate in effect in Sedan on the cost of the software, including shipping and handling, if the Minnesota retailer does not charge Kansas retailers’ compensating use tax on the order.

EXAMPLE: Linda needs to replace the mixer in her Anytown, Kansas bakery which imposes a 7.3% sales/use tax rate. She orders one from Tulsa and saves an additional 10% by picking it up in Tulsa. She is charged the cost of the mixer, less her discount, plus Oklahoma sales tax of 5%. Upon returning to Kansas, she owes Kansas consumers’ use tax of 7.3%. She is allowed a credit of the 5% she paid to Oklahoma - leaving a net 2.3% consumers’ use tax due to Kansas.

USE TAX ON NON-BUSINESS PURCHASES

Individual Kansas consumers buying goods in other states or through mail-order companies, over the Internet, or from TV, magazine, and newspaper ads must pay Kansas consumers’ use tax on these purchases if the seller does not charge the Kansas retailers’ compensating use tax percentage for the consumer’s location. The following examples illustrate typical purchases on which Kansas residents owe consumers’ use tax to the Department of Revenue.

EXAMPLE: Evelyn buys china from the manufacturer’s website. It is shipped to her Anycity, Kansas address and sales tax (9% total combined rate) is not charged on the order. She owes 9% Kansas state and local use tax in effect in Anycity on the total cost of the china (which includes shipping and handling).

EXAMPLE: While in Colorado, Don buys a camera for \$300 plus 6% Colorado sales tax. Upon returning home to Samplatown, KS, where the tax rate is 8.8%, Don owes Kansas consumers’ use tax of 2.8% or \$8.40 (8.8% - 6% = 2.8% X \$300 = \$8.40). Had he bought the camera in an area of Colorado where the sales tax is 9.5%, Kansas use tax would not be due since the state and local tax rate paid in the other state is equal to or greater than the rate in Samplatown, KS.

EXAMPLE: While in Pennsylvania, Fred buys new shirts. Although Pennsylvania has a state sales tax of 6%, most items of clothing are not subject to sales tax in Pennsylvania. As an Anycity, KS resident, Fred owes 9.225% (state and local tax rate in Anycity) Kansas consumers’ use tax on these items since they would be subject to sales tax had they been purchased in Kansas.

REPORTING and PAYING CONSUMERS’ USE TAX

ONE-TIME PURCHASE

To report and pay the use tax on a one-time purchase, complete a paper CT-10U Consumers’ Use Tax Return

available at ksrevenue.gov. Since you are reporting tax on a single purchase, and are not registered with the Department of Revenue to report consumer's use tax, enter your Social Security number or your business EIN in the Tax account number box. The example below explains how to complete the financial information.

PERIODIC PURCHASES – PERMANENT REGISTRATION

Businesses who regularly make purchases of materials, supplies, tools and equipment from out-of-state retailers may want to register for a consumers' use tax reporting number. To obtain a reporting number, complete a **CR-16 Business Tax Application**. It is the same form used to apply for Kansas sales tax numbers. See *How to Register* herein.

When your application is processed, you will be assigned a consumers' use tax reporting number. This number follows the same format as a sales tax number except that the tax-type prefix is "006." For example: **006-482345678F-01**.

Like sales tax, how often you will report and pay your use tax (monthly, quarterly, or annually) depends on an estimate of the annual amount of use tax due entered on the application, according to the information on page 15.

SAMPLE COMPLETED CT-10U FILING

The following example illustrates how to report use tax on a **CT-10U** form type. **Note that this example is for illustration purposes only and may not contain current tax rates.**

EXAMPLE: John Diamond owns a jewelry store in Liberal, Kansas. In July he ordered display cases from Tulsa shipped to his Liberal address; no sales tax was charged on the invoice amount of \$1,575 plus \$80 shipping. On a trip to Colorado in September, he purchased a new computer printer for \$450 plus 6% Colorado state and local sales tax. Had he made similar purchases for other store locations in Garden City and Ulysses, he would report them according to each of those jurisdictions.

STEP 1 Go to ksrevenue.gov to begin the filing process. Sign into the KDOR Customer Service Center (KCSC). If you are a first time user click **Register Now**; if already registered, click **Sign In**.

STEP 2 After signing in to the KCSC, click **Account Management** to manage existing accounts or add new accounts to your current business accounts.

To add a new use tax account, click **Add an Existing or Register a New account to this login** and follow the instructions on the screen.

To file a return for a current account, locate that account in the list, then click **Manage Account** in the far right-hand column.

NOTE: *Accounts that you add will be retained in the system for future filing periods.*

STEP 3 To begin filing your return, click **File a sales tax return** under the **Account Management** heading. An informational page will appear with messages regarding important updates and/or tips for using the system. Please take the time to read this information before clicking **Continue**.

STEP 4 Click **Filing Period** and **Continue** to enter information for **Part II**.

STEP 5 To add the applicable jurisdictions to your filing period, click **Add Jurisdictions**. Enter the jurisdiction code or jurisdiction name, then click **Lookup Jurisdiction**. From the list, choose the jurisdiction – Liberal/Seward, LIBSW for this example. Click **Add Selected**.

NOTE: *To add additional jurisdictions, repeat this step.*

STEP 6 Click **Continue**. Enter under **Total Taxable** the total cost of out-of-state purchases subject to Kansas Use Tax (non-inventory items on which the tax paid is less than the rate for your area). For this example enter **\$2,105**. \$1,655 + \$450.

STEP 7 Enter under **Tax Paid in Another State**, the amount of sales tax paid to another state for purchases. For this example enter \$27.00 for Colorado state and local tax on the printer. Click **Calculate** and **Continue**.

STEP 8 Verify information shown in Part I. If correct, click **Calculate** and **Continue**.

STEP 9 Select your payment option: ACH Debit, ACH Credit, or Check w/Voucher. For definitions of the ACH Credit and ACH Debit payment options, see page 16. Click **Continue** for the verification screen. Verify all entries and click **Submit Return**.

RECIPROCAL DISCOUNTS

In order to effectively administer and enforce use tax law and collect the use tax due, Kansas law allows the Secretary of Revenue to enter into reciprocal agreements with other states. The Kansas Department of Revenue currently has agreements with three of its bordering states — Missouri, Nebraska and Oklahoma. The reciprocal agreement provides discounts to offset the cost of collecting and reporting another state's tax. Retailers in these states that collect the Kansas Retailers' Compensating Use Tax are eligible to receive a discount on the tax collected. Likewise, Kansas retailers who are registered in these states are allowed the same discount for collecting that state's use tax. No discounts are allowed on late returns, and late charges are added to the full amount of the tax due.

The Kansas discounts currently in effect are: Missouri at 2%; Nebraska at 2.5% up to the first \$3,000 in tax remitted per month for maximum discount of \$75; and Oklahoma at 1% with their total discount limited to \$2,500.

REPORTING and PAYING RETAILERS' COMPENSATING USE TAX

Out-of-state retailers that sell tangible personal property to Kansas consumers must register with the Department of Revenue by completing a **CR-16 Kansas Business Tax Application**. It is the same form used to apply for a Kansas sales and/or withholding tax numbers. See *How to Register* herein. Once your application is processed, you are assigned a retailers' compensating use tax account number. This number follows the same format as a sales tax number except that the tax type prefix for retailers compensating use tax is "005." For example: **005-331234567F-01**.

Like sales tax, how often you will report and pay your retailers' compensating use tax (monthly, quarterly, or annually) depends on an estimate of the annual amount of use tax due that you entered on your business tax application when you applied. The amount would have corresponded with the filing frequency guidelines provided in the chart on page 15. To report and pay the use tax, complete Retailers' Compensating Use Tax (CT-9U). See page 15 for filing options and how to get started.

SAMPLE COMPLETED CT-9U FILING

Completing a Retailers' Compensating Use Tax filing is similar to completing a form type ST-36 for sales tax; the major difference is the application of reciprocal discounts. This example illustrates how to file a CT-9U for an out-of-state

retailer that qualifies for a reciprocal discount because of its location in Missouri.

EXAMPLE: ZZ Catalog Company in St Louis, Missouri has a retail store in Overland Park, Kansas. In addition to its Retailers' Sales tax registration in Overland Park, the company is registered to collect the state and local Kansas Retailers' Compensating Use tax on catalog sales to its Kansas Customers. A breakdown of its Kansas catalog sales in August by Kansas tax jurisdiction is shown here.

	KANSAS GROSS SALES	DEDUCTIONS (Sales for Resale)
Wichita	\$2,000.00	\$200.00
Andover	\$1,000.00	\$150.00
Dodge City	\$1,000.00	\$100.00
Sedgwick Co.	\$3,254.75	\$500.00

STEP 1 Go to ksrevenue.gov to begin the filing process. Sign into the KDOR Customer Service Center (KCSC). If you are a first time user click **Register Now**; if already registered, click **Sign In**.

STEP 2 After signing in to the KCSC, click **Account Management** to manage existing accounts or add new accounts to your current business accounts.

To add a new use tax account, click **Add an Existing or Register a New account to this login** and follow the instructions on the screen.

To file a return for a current account, locate that account in the list, then click **Manage Account** in the far right-hand column.

NOTE: Accounts that you add will be retained in the system for future filing periods.

STEP 3 To begin filing your return, click **File a sales tax return** under the **Account Management** heading. An informational page will appear with messages regarding important updates and/or tips for using the system. Please take the time to read this information before clicking **Continue**.

STEP 4 Review the information for the account you added. From the drop-down menu options, select your filing period, **August**, and tax year then click the radio button for the return type. In this example, select **Original**. You may choose to have the KCSC remember your jurisdictions by clicking that radio button, or you have the option to upload from another file or enter them manually. Make your selection and click **Continue**.

STEP 5 To add the applicable jurisdictions to this filing period, click **Add Jurisdictions**. Enter the jurisdiction code or the jurisdiction name, then click **Lookup Jurisdiction**. From the list, choose the appropriate jurisdiction (for example, Wichita is WICSG) and click **Add Selected**. Repeat this step until all applicable jurisdictions have been added, then click **Continue**.

STEP 6 Under *Kansas Gross Sales* enter the gross receipts for the month. For example, the total gross sales "sourced" to Wichita is \$2,000. Continue adding the gross receipt amount for each jurisdiction.

STEP 7 Enter under *Deductions* the amount of sales for resale for each jurisdiction. For example, Wichita is \$200.

STEP 8 Enter under *State Code* the two character abbreviation for the state in which you receive a discount. For example, Missouri is MO. Continue this step for each jurisdiction. Click **Calculate** and verify the net tax amounts, then click **Continue**.

STEP 9 Complete Part II. Record the deductions for non-taxes sales for the period by category of deduction. For this example, enter **\$950.00 on line A**. Click **Calculate** and **Continue**.

NOTE: Total Deductions, Line L of Part II, should equal the total deductions reported in Deductions, Part III of the return.

STEP 10 Verify information entered in Part I. If correct, click **Calculate** and **Continue**.

STEP 11 Select your payment option: ACH Debit, ACH Credit, or Check w/Voucher. For definitions of the ACH Credit and ACH Debit payment options, see page 16. Click **Continue** for the verification screen. Verify all entries and click **Submit Return**.

MIDWEST BORDER STATES COMPACT

States have been working together to eliminate unfair competition and increase compliance by informing consumers about their use tax duties, and seeking voluntary registration from out-of-state businesses. State governments are becoming more aggressive in searching out taxpayers that may owe outstanding tax liabilities by exchanging information and cooperating with each other in enforcement efforts.

WHY SHOULD I REGISTER IN ANOTHER STATE?

If you have a business presence or "nexus" for tax purposes in another state, you may be required to register in that state. Even if you do not have nexus, your registration will prevent the inconvenience of having your customers contacted directly by state tax authorities seeking to collect compensating use tax. Consumers are responsible for remitting use tax on purchases bought from unregistered out-of-state vendors. The states have authority to bill consumers for the unpaid compensating use tax plus penalty and interest.

If you have no sales in a state, you do not need to register in that state; however, once you begin making sales to customers in another state you need to apply for a license if you have established nexus within that state. Visit the websites of the states for registration and filing requirements.

QUESTION: Will registration automatically subject me to other taxes?

No. However, if you should have been paying other taxes, you will still be expected to pay those taxes.

QUESTION: Will registration automatically subject me to past use taxes?

No. Registration alone does not subject you to liability for failure to collect past sales or use taxes. Liability depends on whether or not you had nexus with the state in question prior to registration and the laws and policies of each state.

ADDITIONAL INFORMATION

IMPORTANT REMINDERS

FILING YOUR RETURNS

You must file an electronic return for each reporting period (monthly, quarterly, or annually) **even if no sales or taxable purchases were made during the period**. Failure to file will result in a notice from the Department of Revenue causing you additional time and effort.

EXAMPLE: James has a woodworking hobby and reports his sales tax quarterly. Due to an illness, he did not make any

retail sales during the 2nd quarter. He must still file for that 2nd quarter. James will just enter "0" on the *Gross Sales* line.

CORRESPONDING WITH THE KANSAS DEPARTMENT OF REVENUE

The following information should be included on all correspondence sent to the Department of Revenue. Please allow four to six weeks for a reply and/or resolution of a problem.

- Your business name and address
- Your sales or use tax account number
- The owner's name or contact person
- A telephone number where the owner/contact may be reached during normal business hours

REPORTING BUSINESS CHANGES

When changes occur in your business, promptly notify the Department of Revenue (see Taxpayer Assistance on the back cover). For faster service, please have your tax account number available when calling our office.

BUSINESS NAME AND/OR ADDRESS CHANGE

You may report business name or address changes to us by mail or fax, using company letterhead or by completing our **DO-5 Name or Address Change**. This form is available on our website.

CHANGE OF BUSINESS LOCATION

When you move your business from one local taxing jurisdiction to another, the Department of Revenue must adjust its records so that the tax is credited to the appropriate county and/or city. Include, in your correspondence, the following information about your new business location.

- Exact physical address and zip code
- City and county if the new location is inside the city limits of an incorporated city
- Effective date of relocation

ADDING A BUSINESS LOCATION

When you are expanding your business by adding location(s), you need not complete a new Business Tax Application. Instead, complete a **CR-17 Registration Schedule for Additional Business Locations**, to register each additional location. This form is available from our website. You will report all sales for the new or additional location(s) under your current sales tax account number when filing your ST-36 form type.

CHANGE OF PARTNERS

If less than 50% of the ownership (measured by interests in capital and profits) of a partnership changes, complete an **CR-18 Ownership Change**, available on our website. As an alternative, you may mail or fax a new list of partners to our office. Include the full name, address, telephone and Social Security number of each partner, the tax account numbers and the effective date of the change.

A partnership must apply for a new registration when 50% or more of the ownership changes hands within a 12-month period, or the partnership is dissolved and a new one is started. See instructions that follow.

CHANGE OF BUSINESS OWNERSHIP

When the ownership of the business changes, a new registration is usually required. The following examples of ownership change requires new registration.

- An individual ownership to a partnership or corporation.
- Partnership to a corporation or sole proprietorship.
- One corporation to another corporation.
- Any change in corporate structure that requires a new charter, certificate of authority, or new EIN.

If you must apply for a new registration number, you will also need to cancel your old registration.

CANCELING YOUR REGISTRATION

You must cancel your Kansas sales and/or compensating use tax registration if you sell or close the business or change the ownership structure of the business. To cancel your registration, complete the *Discontinuation of Business* section at the bottom of your registration certificate and send it to the Department of Revenue by mail or fax (see Taxpayer Assistance on the back cover).

CHANGE OF CORPORATE OFFICERS OR DIRECTORS

When there is a change in your corporate officers or directors, complete and return the **CR-18 Ownership Change**, and also provide the name(s) and title(s) of the resigning officer(s) or director(s). If you prefer you may mail or fax us a letter on your corporate letterhead listing the name, title, home address and Social Security number of each new corporate officer or director, the name and title of each officer or director resigning, and the effective date of the change. A copy of the corporate minutes is also helpful, but is not required.

CHANGING YOUR FILING FREQUENCY

Once a filing frequency (monthly, quarterly, annually) has been established for a calendar year, do not increase or decrease the filing frequency of your sales and/or compensating use tax. Our electronic filing applications are set up for the filing frequency established, and filing less frequently will cause non-filer bills to be printed.

Each year the Department of Revenue reviews the reporting history of Kansas retailers to ensure their filing frequency is in accordance with the statutory guidelines illustrated by the chart on page 15. The review is done late in the calendar year so that any necessary change will take effect on January 1 of the upcoming year. A notice of filing status change is provided to the affected retailers in November.

We realize, however, errors can occur in assigning a filing frequency to new businesses, or a business can change extensively over a calendar year, causing the returns to be due either too often or not often enough. If you believe your filing frequency is out of line with the guidelines, call us at 785-368-8222 to request that it be changed.

CORRECTING A RETURN

As provided by K.S.A 79-3609(b) no refund or credit shall be allowed by the director for a return filed more than three years from the due date of the return for the reporting period.

If you discover you made an error on a return, you can correct it by filing an amended return. Generally, you have three years from the date you filed the original return to file an amended return for that period. The following are some common errors to correct by filing an amended return.

- Tax was included in the gross sales figure used to calculate your tax liability.
- Mistakes in accounting caused an error in reporting the gross sales or taxable purchases for a period.
- Tax was charged on items in error, or deductions for nontaxable and exempt items were not taken.

AMENDING ELECTRONICALLY

To correct errors on previously-filed returns, file an amended return for each affected period. To amend a return using the electronic application, select the *amended* (or *additional*) return option rather than the *original* return option. When you are filing an amended return, you will be asked to enter the total amount previously paid for the filing period as a credit.

AMENDED VS. ADDITIONAL RETURNS

In addition to amending returns, retailers have the option to file an *additional* return for any filing period. An additional return adds to what has already been reported on the original return. For example, if a retailer files an "original" return reporting \$100 and then files an additional return for the same reporting period for \$50, the Department of Revenue will understand the total tax for the period to be \$150.

An **amended** return erases everything that was reported on the original return and substitutes the new information contained on the amended return. For example, if a retailer files an amended return reporting \$50, when \$100 was reported on the original return, then the Department of Revenue will understand the total tax for the period to be \$50.

Once you have completed the corrected returns, you will have either an overpayment (credit) or an underpayment (additional tax is due).

UNDERPAYMENTS

Payment of any additional tax shown on an amended return must be made when the return is filed. Late charges are added to any underpayment after the original due date, according to the penalty and interest rules outlined herein.

OBTAINING A SALES TAX REFUND

If, as the final consumer, you discover that you have paid tax on an item or service that qualifies for an exemption, you may request a refund of the sales tax paid. You should first request a sales tax refund or credit from your vendor in writing, providing the information necessary to validate your request for refund, such as a completed exemption certificate. The seller is allowed 60 days to respond. [K.S.A. 79-3650(b)]

However, when a vendor refuses to refund the tax, or is no longer in business, you may apply directly to the Department of Revenue for your refund using form **ST-21**. This form can be found on our website. You must include proof that you paid both the invoice and the sales tax, the completed exemption certificate, and evidence that a refund was NOT received from the vendor. Please allow four to six weeks for a reply and/or refund.

WHEN RETURNS ARE LATE

Sales and retailers' compensating use tax are often referred to as "trust fund" taxes. As a registered retailer you collect the tax from your customers and then hold it in "trust" until it is remitted to the Department of Revenue. These consumer-paid taxes are not an expense of your business. It is your responsibility to file returns and pay the tax timely. When the returns are late, the penalty and interest (late charges) are a business debt that decreases your profit margin. Penalty and interest are figured as a percentage of the tax due. Returns filed on time without payment of tax have the same penalties as returns filed late.

If you are filing a return after the due date, penalty and interest will be applied using the rates that follow. The WebFile system automatically calculate any late charges.

PENALTY

The penalty on a late sales or use tax payment is 1% for each month or portion thereof that the payment is late, up to a maximum of 24%.

EXAMPLE: A January 2020 sales tax return (due February 25, 2020) upon which \$400 tax is due, is not paid until July 28, 2020. The penalty is 6% of the unpaid tax or \$24 (6 months X 1% X \$400 = \$24). The interest calculation for this example is shown in the next column.

CAUTION: A penalty of 50% may be assessed when, with fraudulent intent, a taxpayer fails to pay any tax, or make, render or sign any return, or to supply any information within the time required by law.

INTEREST

In addition to the late penalty, interest is charged for each month, or fraction thereof, that the return is not filed or the tax not paid. Since 1998 the annual percentage rate (APR) for interest has been tied to a federal underpayment rate, and is therefore subject to change each calendar year. **Interest rates** can be found on our website.

EXAMPLE: The interest on the January 2020 sales tax return of \$400 not paid until July 28, 2020 is calculated as follows. Six months X 2020 interest rate of .5% X \$400 tax due = the interest due of \$12.00.

RETURNED CHECK FEE

A fee of \$30 (plus postage costs for a registered letter) is charged on all returned checks. This fee is in addition to any other penalty or interest.

WAIVER OF PENALTY

If your return is late due to an event beyond your control, you may request a waiver of the penalty. You will need to write a letter giving the specific circumstance(s) that caused the delinquency and request that the penalty be abated. Be sure to include in your letter your tax account number, the filing period, and a telephone number where you may be reached during normal business hours. Send your request with the billing that you received for the late charges.

IMPORTANT: The interest due must be paid before a request for waiver of penalty may be considered or approved. Interest is not subject to waiver.

PERSONAL LIABILITY FOR UNPAID TAXES

Every retailer is liable to the state of Kansas for payment of the sales and/or compensating use tax collected from its customers. You are personally liable for any unpaid tax balance regardless of your business structure (sole proprietorship, partnership, corporation, or limited liability company). Corporate officers and directors of a corporation, like sole proprietors and partners, are personally liable for the sales and use tax due during the period they hold office.

Should a business fail to pay its taxes, any individual who is responsible for collection or payment of sales or compensating tax, or who is responsible for control, receipt, custody, or disposal of sales and use tax funds due the state of Kansas may be held personally liable for any unpaid tax, penalty, and/or interest.

BUYING A BUSINESS — THE BULK SALES LAW

If you buy an existing business, make sure you receive documentation from the current owner that all applicable taxes have been reported and paid through the date of transfer. When you buy the total assets of a business, you are also buying its liabilities. Therefore, if the previous owner has not

paid all applicable taxes, you, as the new owner, become responsible for payment of these debts.

ABOUT OUR BILLING PROCESS

The majority of the billing functions of the Department of Revenue are computerized. A bill is automatically generated when our tax system detects a deficiency or change in status on your account. A deficiency may be a balance due or a missing return; a change in status is generally resolution of a previously disputed amount. You will, therefore, receive a bill even when your account balance is zero. This is because a review of your account indicates we have not received a sales or use tax return for one or more reporting periods. The account summary that accompanies the bill shows all deficient periods. If a return is missing, a "Y" appears in the column marked "Returns to be Filed" for that period.

It is imperative that you respond immediately to any bill or correspondence from the Department of Revenue. Follow the instructions on the mailing. Return the cover letter or the tear-off remittance document with your return(s) and payment of the balance due in the return envelope provided. If you have already paid the balance or filed the missing periods, send this information to us so we may correct our records.

If you have questions about the billing, call the telephone number on the bill. For prompt account inquiries, please have your tax account number and bill handy.

BOND REQUIREMENTS

There is no fee for a sales tax or use tax number, however, the Department of Revenue may require you to post a bond to guarantee payment of the retailers' sales or retailers' compensating use taxes that you collect. Bonds are not requested for consumers' compensating use tax accounts. Bonds are required for liquor tax registrations.

When required, the amount of the bond is set by the Director of Taxation. As a general rule the bond is equal to six months' estimated tax liability. **Exception:** *Nonresident contractors must post a bond if the contract is over \$10,000. The bond is 8% of the total contract price or \$1,000, whichever is greater. If working under a Project Exemption, the required bond amount is 4% of the total contract price or \$1,000, whichever is greater.*

You may post a bond in one of these three ways:

- **Cash bond.** The full amount of the bond is deposited in certified funds with the department. It is held by the department until released or the business closes. Interest is not paid on the deposit.
- **Escrow bond.** You may deposit the full amount of the bond with a financial institution (usually as a Certificate of Deposit) pledged to the Department of Revenue. The CD may be released only with the Department's approval, however your deposit will earn interest.
- **Surety bond.** A surety bond is purchased from an insurance company. This is an insurance policy in the amount of the bond, payable to the Department of Revenue should sales tax not be paid. A surety bond is kept in force by a fee, usually paid annually.

AUDITS

Kansas law requires that the Department of Revenue examine all sales and use tax returns. Sales and use tax audits are to educate taxpayers on the proper application of the law to their particular business type; promote voluntary compliance with tax laws, and determine if the correct amount of sales and deductions are being reported.

The Department of Revenue currently conducts three types of audits: field audits, managed audits, and self-audits. A field (or traditional) audit is a detailed examination of your books and records by one of our auditors. A managed audit is done by the business itself under the management and direction of a state auditor. A self or voluntary audit is also done by the business itself without any direct intervention by a state auditor.

An audit generally covers the tax returns for the last three years. This period may be extended by written agreement between you and the Department of Revenue.

Prior to an audit, you will be contacted by the auditor to schedule the examination. During the first meeting, our auditor will discuss the nature of your business, the accounting system used and other related matters. We make every effort to make our audits as least disruptive as possible of your daily business activities.

You are encouraged to work with the auditor to resolve any questions (other than legal ones) about particular transactions. Our auditors will also help you to understand industry-specific laws and regulations so future tax reporting is less of a burden.

WHEN IN DOUBT...

KANSAS LAWS AND REGULATIONS

Rules that govern sales and use tax and define the responsibilities of each business owner, taxpayer, and the Department of Revenue are contained in two sets of documents: **Kansas Statutes Annotated (K.S.A.)** and **Kansas Administrative Regulations (K.A.R.)**.

The K.S.A. is a collection of all the statutes of the state of Kansas. Statutes are bills that have been passed by both houses of the state Legislature, and signed into law by the Governor, or that become law within 10 days of passage without the Governor's signature. *Annotated* means the law contains commentaries and explanatory notes. K.S.A.'s are organized by Chapter and Article. Kansas retailers' sales and use tax statutes are in Chapter 79.

K.A.R.'s are based on the law and have the same impact as a law, even though they are not enacted through the legislative process. Instead, each state agency submits proposed regulations to the Secretary of Administration and the Attorney General for approval, and a public hearing is held. The regulations (with approved revisions) are then adopted, published in the Kansas Register, and become effective 15 days later. The purpose of most permanent regulations is to provide administrative solutions to common problems and situations, and to more clearly define how a statute applies to specific circumstances. Regulations are organized by state agency. The Department of Revenue Regulations are in Chapter 92.

IMPORTANT: Each regulation is based on or receives its authority from a statute, and does not conflict with the statute. However, regulations are not changed at the same time statutes are changed. When a change in the statute causes a regulation to be in conflict with the statute, the statute overrides the regulation.

Complete sets of the Kansas Statutes Annotated and the Kansas Administrative Regulations are available to the general public in libraries throughout the state.

STATUTES

- K.S.A. 12-187 et seq. — Local Sales Tax
- K.S.A. 79-3601 et seq. — Sales Tax
- K.S.A. 79-3701 et seq. — Compensating Tax

REGULATIONS

- K.A.R. 92-19-4a — Record Keeping
- K.A.R. 92-19-25b — Exemption Certificates
- K.A.R. 92-19-53 — Consumed in Production
- K.A.R. 92-19-54 — Ingredient or Component Part
- K.A.R. 92-19-66b — Labor Services
- K.A.R. 92-20-1 et seq. — Compensating Tax
- K.A.R. 92-21-1 et seq. — Local Retailers' Sales Tax

REVENUE NOTICES AND PRIVATE LETTER RULINGS

Despite the length and detail of the statutes and regulations, questions and situations frequently arise that require interpretation of the law. DO NOT rely upon a verbal opinion from the Department of Revenue on issues of taxability not specifically addressed in the law. To assist you in understanding how the law applies to your business, the Department of Revenue issues three types of written advice: revenue notices, revenue rulings, and private letter rulings. These written materials are binding on the department and may be relied upon as long as the statute or regulation on which they are based is not altered by the Legislature, changed by a court decision, or the ruling itself is modified or rescinded by the Department of Revenue.

Revenue notices and rulings are periodically provided to the general public — usually in response to a change in the law, recent court decisions, or areas of sales tax application affecting a large number of taxpayers. If you receive notices or rulings, keep them with this publication for future reference.

A private letter ruling, issued at the request of an individual taxpayer, interprets the law based on the circumstances of that taxpayer. Requests for private letter rulings must be in writing, and state specifically the circumstances and facts surrounding the issue. To request a private letter ruling, email your letter to the following:

Tax Policy Group
Kansas Department of Revenue
kdor_tac@ks.gov

A private letter ruling applies ONLY to the taxpayer for whom it is issued. It cannot be cited or relied upon by any other taxpayer.

POLICY INFORMATION LIBRARY (PIL)

As a service to taxpayers, a library of policy information for all taxes administered by the Department of Revenue is available on our website. The [policy library](#) contains Revenue Notices, Revenue Rulings and other written advice issued by the Department. Private letter rulings are also included but these letters have been “scrubbed” to protect taxpayers’ privacy – information that might identify the taxpayer, (i.e., name, address, etc.) is blanked out.

OTHER KANSAS TAXES

Many businesses must also collect or remit other Kansas taxes. An alphabetical listing of other business-related taxes follows. Use the KDOR Customer Service Center at [ksrevenue.gov](#) or the [CR-16 Business Tax Application](#) to register with the Department of Revenue. Additional requirements are noted.

BINGO ENFORCEMENT. Bingo cards, paper and pull-tabs sold by bingo licensees are not subject to sales tax, but are subject instead to bingo enforcement tax. This tax is **3%** on the gross receipts received by licensees from charges for

hard cards used in call bingo games, a tax of \$.002 per face on all disposable paper used for call bingo games, and a tax of **1%** of the retail sales price of all instant bingo tickets (pull-tabs). To register, contact the Department of Revenue’s Bingo Administrator. Phone: 785-368-8222; fax: 785-296-4993, or email: kdor_bingo@ks.gov.

RAFFLES. Charitable raffle licenses are required for any nonprofit religious, charitable, fraternal, educational, or veterans’ organization which conducts raffles and in which the annual (July-June) gross receipts are more than \$25,000. The license fees range from \$25 to \$100, depending on the organization’s annual gross receipts from raffles. No license is required for organizations where annual gross receipts from raffles is \$25,000 or less. A specific [application](#) to register for a charitable raffle license is available on our website.

RETAIL CIGARETTE/ELECTRONIC CIGARETTE LICENSE. Cigarette sales are subject to sales tax. However, before you may sell cigarettes in Kansas, you must have a cigarette license. If you sell cigarettes over the counter, the license fee is \$25, and is renewed every two years. If you own cigarette vending machines, you must obtain a cigarette vending machine operator’s master license (no fee required), and also a permit (\$25) for each machine. Enclose a list of machine brand name(s) and serial number(s) with the business tax application. The master license and vending machine permits must be renewed every two years.

If you are a *distributor or manufacturer of consumable material*, or if you are a *retailer who sells consumable material* on which the consumable material tax has not been paid, you must complete and submit [EC-1 Application for Consumable Material Tax Registration](#), to the Department of Revenue. This form is available on our website.

CLEAN DRINKING WATER FEE. This fee is imposed at the rate of \$.03 per 1,000 gallons of water sold at retail. It is the liability of Public Water Supply Systems, owed to the Department of Revenue. Public Water Supply Systems include municipal and county water districts, rural water districts, and all other public water utilities that supply water to consumers through mains, lines or pipes. Public Water Supply Systems do not include private water utilities. Public water suppliers that are paying the Clean Drinking Water Fee do not pay sales or compensating use tax on their purchases for the water utility.

CORPORATE INCOME TAX. This tax is imposed on the taxable income of every corporation doing business within or deriving income from sources in Kansas. The current “normal” tax rate is 4% of the Kansas taxable income of a corporation with a “surtax” of 3% on Kansas taxable income over \$50,000.

DRY CLEANING ENVIRONMENTAL SURCHARGE. This tax is collected on laundry and dry cleaning services at the rate of **2.5%** on the gross receipts in addition to the sales tax. Along with this tax is a dry cleaning solvent fee paid by solvent distributors on each gallon of perchloroethylene, other chlorinated solvents, and petroleum-based solvents. This tax provides funding for clean up of soil and groundwater pollution from dry cleaning facilities.

ESTIMATED INCOME TAX. Individuals with taxable income not subject to withholding (i.e., interest income), corporations and privilege tax filers are required to prepay their income tax liability by making estimated tax payments. Individuals use form type [K-40ES](#); corporations use [K-120ES](#); and privilege taxpayers use [K-130ES](#). Kansas offers several

electronic payment solutions for these form types – [visit our website for details](#).

LIQUOR DRINK TAX. This tax is collected on the retail sale of drinks containing alcoholic liquor. The tax rate is **10%**. Clubs, caterers, and drinking establishments, (including farm wineries and micro-breweries selling to customers for on-premises consumption), must also have a liquor license issued by the Department of Revenue’s Division of Alcoholic Beverage Control, and post a minimum bond of \$1,000.

LIQUOR ENFORCEMENT TAX. This tax is collected on the sale of alcoholic liquor and cereal malt beverages by a retail liquor store, microbrewery, or farm winery to Kansas consumers, or by a liquor distributor to clubs, caterers, or drinking establishments. The tax rate is **8%**. A separate license issued by the Kansas Department of Revenue’s Division of Alcoholic Beverage Control is required.

MOTOR FUEL TAX. This tax is imposed on the use, sale or delivery of any or all “motor vehicle fuels” (gasoline and gasohol) or “special fuels” (diesel and alcohol) in this state. Tax revenues are used to defray the cost of constructing Kansas public highways.

The motor fuel tax is remitted to the Kansas Department of Revenue by the distributor of the fuel but the tax is included in the price of every gallon of gasoline or diesel that consumers purchase at the pump. There is no motor fuel tax on dyed diesel fuel used only for non-highway purposes; this fuel is therefore subject to sales tax. The tax rate on “motor vehicle fuels” (gasoline/gasohol) is 24 cents per gallon; on “special fuels” (diesel) it is 26 cents per gallon, and on LP gases it is 23 cents per gallon.

PRIVILEGE TAX. This tax is imposed on national banking associations, banks, trust companies, federally chartered savings banks, and savings and loan associations for the privilege of doing business in Kansas. It is imposed on net income for the next preceding taxable year (prior tax year). The privilege tax is instead of an ad valorem (property) tax that might have been imposed on the intangibles (deposits) held by financial institutions. The current tax rate is 2.25% of net income, plus a surtax on net income in excess of \$25,000 of 2.125% for banks, and 2.25% for savings and loans and trust companies.

TIRE EXCISE TAX. This tax is collected on the sale of new vehicle tires, including the new tires sold on a new vehicle for the first time. All tire retailers, as well as all new car, truck, farm implement and equipment dealers must collect this tax. The tire excise tax is in addition to and is separate from the sales tax. The tax rate is **25 cents** per tire. Used, recapped, and retreaded tires are not taxed.

The revenue generated by this tax is used to clean up waste tire sites and to provide for the continued environmentally safe disposal and use of waste tires. For more information, obtain [Pub. KS-1530, Kansas Tire Excise Tax](#), from our website.

TRANSIENT GUEST TAX. This tax is collected when rooms, lodgings, or other sleeping accommodations are rented to guests. Hotels, motels, bed and breakfast establishments, and tourist courts must register for transient guest tax if they have **more than two** bedrooms furnished to accommodate guests.

Transient guest tax is collected by accommodation brokers having two or more rooms in one or more locations and for not more than 28 days. Sales tax also applies, regardless of length of stay.

Transient guest tax is collected in addition to the sales tax due on the room rental, and applies only when the room is rented for 28 consecutive days or less. However, like a local sales tax, transient guest tax is a local option and is not imposed in all areas of Kansas. Tax rates typically range from **2% to 9%**. For additional information obtain a copy of [Pub. KS-1540, Kansas Business Taxes for Hotels, Motels and Restaurants](#), from our website.

VEHICLE RENTAL EXCISE TAX. When a vehicle is leased or rented for 28 consecutive days or less, a vehicle rental excise tax of **3.5%** is charged. This tax is in addition to the sales tax due on these transactions. Car rental agencies, vehicle dealers, repair shops, and others who rent cars must register to collect this tax.

WATER PROTECTION FEE. This fee, at the rate of **\$.03** per 1,000 gallons of water, is collected on the retail sales of water delivered through mains, lines or pipes by public water suppliers and on water appropriated for industrial and stock watering uses. An additional fee for the inspection and regulation of public water supplies of **\$.002** per 1,000 gallons of water sold at retail is remitted with the Water Protection Fee. Public water suppliers need to register with the Kansas Department of Revenue and the Kansas Department of Health and Environment.

WITHHOLDING TAX. This tax is deducted by employers from wages paid to employees to prepay the employee’s income tax liability. Kansas withholding tax is also required on certain taxable non-wage payments by payors, on management and consulting fees paid to nonresidents. In addition to being registered with the Department of Revenue, employers must register with the Kansas Department of Labor and the Internal Revenue Service.

Because of differences in the computation of the federal and Kansas income taxes, it is not uncommon for a taxpayer to receive a federal income tax refund while owing taxes to Kansas or vice versa. For this reason, the Kansas Department of Revenue has form K-4 available and encourages employers to have employees complete it in addition to the federal W-4 form.

NEW WITHHOLDING TAX RATES. During the 2017 Legislative Session, Senate Bill 30 was passed and became law. Section 4 of the bill amends K.S.A. 79-32,110 which establishes the rates of income tax in Kansas for taxable years commencing after December 31, 2106, and further increases them for tax year 2018. Therefore, the 2018 tax rates were used to compile the tax tables for 2017. Applying these rates to the second half of 2017 should allow most employees to “catch-up” on their withholding for tax year 2017. For more information about the new income tax rates and options for avoiding underpayment of tax penalties, see [Notice 17-02](#).

NEW DUE DATES. House Bill 2217 was also passed and was signed into law. Section 6 of the bill amends K.S.A. 79-3299 to advance the date for which statements by employers and payers of withholding tax are due from the last day of February to January 31. This means that beginning with tax year 2017 annual forms are due on or before January 31 of the following year (see [Notice 17-10](#)).

For more information about Kansas withholding tax, including the tables to compute withholding, obtain a copy of [KW-100, Kansas Withholding Tax Guide](#). This publication and the Kansas form [K-4](#) are available on our website.

ADDITIONAL WITHHOLDING TAX RESOURCES

The Kansas Department of Labor (KDOL) provides key information for new and existing businesses. By visiting www.KansasEmployer.gov and creating a user name and password, businesses can apply for an unemployment insurance tax account, report the hiring of new employees or layoffs, and learn about other employer requirements.

Some of the other resources available include links for businesses to download posters required in the workplace free of charge, as well as information on employer tax rates,

forms and publications, frequently asked questions and a list of KDOL local field office phone numbers.

Each year KDOL conducts small business workshops at several locations across the state that provide an overview of current unemployment tax laws. A list of upcoming workshops is also available at their website. For information about these workshops, call 785-296-5000, Ext. 7630. For questions about an Unemployment Tax Account, call KDOL Contributions at 785-296-5027.

KANSAS DEPARTMENT OF REVENUE
RESALE EXEMPTION CERTIFICATE

4 6 5 7 1 8

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

will be **resold** by me in the form of tangible personal property or repair service. I hereby certify that I hold valid Kansas sales tax registration number _____, and I am in the business of selling _____
(May attach a copy of registration certificate)

(Description of product(s) sold: food, clothing, furniture, etc.)

Description of tangible personal property or services purchased: _____

I understand and agree that if the items purchased with this certificate are used for any purpose other than retention, demonstration, or display while being held for sale in the regular course of business, I am required to report and pay the sales tax, based upon the purchase price of the items.

Purchaser: _____
Name of Kansas Retailer

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

Signature: _____ Date: _____

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY.

WHO MAY USE THIS CERTIFICATE? Only those businesses and organizations that are registered to collect Kansas sales tax and provide their Kansas sales tax registration number on this form may use it to purchase inventory without tax. For additional information see [Pub. KS-1520, Kansas Exemption Certificates](#).

Nonprofit groups or organizations exempt by law from collecting tax on their retail sales of tangible personal property (such as a PTA or a nonprofit youth development organization) should use the exemption certificate issued to it by the Kansas Department of Revenue when buying items for resale.

Wholesalers and buyers from other states not registered in Kansas should use the ST-28M Multi-Jurisdiction Exemption Certificate to purchase their inventory. **HOWEVER**, if the inventory item purchased by an out-of-state retailer who has sales tax nexus with Kansas is drop shipped to a Kansas location, the out-of-state retailer must provide to the third party vendor a Kansas sales tax registration number, either on this certificate or the Multi-Jurisdiction Exemption Certificate, for the sale to be exempt. If the out-of-state retailer **DOES NOT** have sales tax nexus with Kansas, it may provide the third party vendor a resale exemption certificate evidencing qualification for a resale exemption, **regardless** of the state in which the retailer is registered for sales tax.

Contractors, subcontractors, or repairmen may not use this certificate to purchase their materials, parts, or tools. Retailer/Contractors should use a [ST-28W Retailer/Contractor Exemption Certificate](#), to purchase their resale inventory.

WHAT PURCHASES ARE EXEMPT? Only goods or merchandise intended for resale (inventory) are exempt. Tools, equipment, fixtures, supplies, and other items purchased for business or personal use are **TAXABLE** since the buyer is the final consumer of the property.

The items purchased with this certificate must correspond to the type of business buying them. For example, a retail clothing store may only reasonably purchase items of wearing apparel and accessories with this certificate. All other kinds of items are not usually sold by a clothing store to their customers and, therefore, cannot be purchased with this certificate.

LABOR SERVICES. This certificate applies ONLY to items of tangible personal property. A contractor may not use an exemption certificate to purchase the labor services of another contractor or subcontractor. Taxable labor services performed by a contractor can **ONLY** be purchased without tax with a Project Exemption Certificate issued by the department or its authorized agent.

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.

ABOUT THE MULTI-JURISDICTION EXEMPTION CERTIFICATE

PURPOSE

The Multi-Jurisdiction Exemption Certificate is used whenever an exempt transaction crosses state lines. In Kansas, it takes the place of a Kansas resale or ingredient or component part exemption certificate when:

- 1) an out-of-state business, taking delivery of inventory or ingredient parts in Kansas, is not registered in Kansas,
- OR
- 2) a wholesaler is buying inventory.

A Kansas business buying inventory or ingredient parts in another state may also furnish this certificate to the seller in the other state, subject to the laws of that state.

WHO MAY USE THIS CERTIFICATE?

Businesses and wholesalers from other states that do not have a Kansas sales tax number to furnish for a Kansas ingredient or component part exemption certificate or a Kansas resale exemption certificate must use this certificate to certify that they qualify for these two Kansas exemptions when making purchases in Kansas.

A Kansas wholesaler will use this certificate when buying inventory from either another Kansas business or a business in another state. Wholesalers are not required to obtain a Kansas sales tax number. A Kansas retailer may also use this certificate when purchasing inventory or ingredient or component parts from a retailer or wholesaler in another state.

WHAT PURCHASES ARE EXEMPT?

Only goods and merchandise (tangible personal property) are exempt. To be exempt, the tangible personal property must be for:

- wholesale sale,
- retail sale (resale), rental, or lease,
- an ingredient or component part of a new product to be resold, leased, or rented.

In accepting this certificate, the seller should exercise reasonable care and judgment. The property purchased must be of the type normally sold wholesale or retail, leased or rented, or used as an ingredient or component part of a product manufactured in the customer's usual course of business.

Equipment and fixtures for a business are not exempt. When purchased in Kansas, these items are taxable. When a Kansas business buys equipment or supplies from another state, the Kansas business will owe Consumers' Compensating Use tax on these purchases unless a sales or use tax of at least equal to the Kansas retailers' sales tax rate in effect where the item is used, stored or consumed. See "[*Pub. KS-1510, "Kansas Sales and Compensating Use Tax"*](#)" available on the department's website.

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.

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY.

———— **NOTES** ————

TAXPAYER ASSISTANCE

This publication is a general guide and will not address every situation. If you have questions, you may contact the Kansas Department of Revenue:

By Phone

785-368-8222

By Mail

Tax Operations
PO Box 3506
Topeka KS 66625-3506

By Appointment

Go to ksrevenue.gov to set up an appointment at the Topeka or Overland Park office by using the Appointment Scheduler.

Office hours are 8 a.m. to 4:45 p.m., Monday through Friday.

PUBLICATIONS

Below is a **list of publications available on the Kansas Department of Revenue's website**. These publications contain instructions applicable to specific business industries and general information for all business owners.

- Publication KS-1216, Kansas Business Tax Application
- Publication KS-1223, Kansas Food Sales Tax Rate Reductions
- Publication KS-1510, Kansas Sales Tax and Compensating Use Tax
- Publication KS-1515, Kansas Tax Calendar of Due Dates
- Publication KS-1520, Kansas Exemption Certificates
- Publication KS-1525, Kansas Sales and Use Tax for Contractors, Subcontractors and Repairmen
- Publication KS-1526, Kansas Business Taxes for Motor Vehicle Transactions
- Publication KS-1527, Kansas Business Taxes for Political Subdivisions
- Publication KS-1530, Kansas Tire Excise Tax
- Publication KS-1540, Kansas Business Taxes for Hotels, Motels and Restaurants
- Publication KS-1550, Kansas Business Taxes for Agricultural Industries
- Publication KS-1560, Kansas Business Taxes for Schools and Educational Institutions
- Publication KS-1700, Kansas Sales & Use Tax Jurisdiction Code Booklet
- KW-100, Kansas Withholding Tax Guide

STATE SMALL BUSINESS WORKSHOPS

As part of our commitment to provide tax assistance to the business community, Tax Specialists within the Kansas Department of Revenue conduct small business workshops on Kansas taxes at various locations throughout Kansas. Whether you are a new business owner, an existing business owner, or an accountant, these workshops will give you the tools and understanding necessary to make Kansas taxes easier and less time consuming for you. Topics covered include filing and reporting requirements and methods, what is taxable, what is exempt and how to work with the department in collecting and remitting Kansas taxes.

For a **schedule of our workshops, visit our website**. Pre-registration is required and a fee may be charged by the sponsoring Small Business Development Center (SBDC).