



Sales Tax *and* Compensating Use Tax

NOTE: Underlying law may have changed.
See Revenue Notice 19-04 concerning nexus.

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 16. For the most up-to-date electronic information, visit our website.

ksrevenue.org

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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.org

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. **Exception:** *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 **Information Guide (EDU-71R)** 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.

Effective April 1, 2019 CMB permit holders will be 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) will be 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 How Kansas Motor Vehicle Dealers Should Charge Sales Tax on Vehicle Sales (EDU-31A). **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 USC 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,

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 AND REGULATIONS

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

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, address your letter (or fax it) to the following:

Tax Policy Group
Kansas Department of Revenue
PO Box 3506
Topeka, KS 66601-3506
Fax: 785-296-7928

The ruling will be issued within 30 days after your request (and any additional information necessary for the ruling) is received. 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.org or the **Business Tax Application (CR-16)** 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 **Application for Consumable Material Tax Registration (EC-1)**, 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

465720

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 [Publication 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 Multi-Jurisdiction Exemption Certificate, Form ST-28M, 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 Retailer/Contractor Exemption Certificate, Form ST-28W, 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.

KANSAS DEPARTMENT OF REVENUE
MULTI-JURISDICTION EXEMPTION CERTIFICATE

467118

NOTE: Check applicable state laws for authority to issue this certificate for the uses indicated below. Review national tax reporting service publications for information about the states that honor this certificate.

Purchaser: _____
Business Name

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

I hereby certify that I am a:

- Wholesaler of: _____
Description of principal product(s)
- Retailer of: _____
Description of principal product(s)
- Manufacturer of: _____
Description of principal product(s)
- Lessor of: _____
Description of principal product(s)
- Other: _____
Description of principal product(s)

and am registered* in the following cities or states:

City or State _____ Registration Number _____
City or State _____ Registration Number _____

** Wholesalers are not required to register with the Kansas Department of Revenue to collect sales tax unless they make retail sales. Retail sales include sales to employees.*

The tangible personal property described below which I am purchasing from:

Seller: _____
Business Name

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

will be for wholesale, resale, or as ingredient or component parts of a new product to be resold, leased, or rented in the normal course of my business.

Description of property purchased with this exemption certificate: _____

I further certify that if the property purchased with this certificate is used or consumed so as to make it subject to sales or use tax, I will pay the tax due directly to the proper taxing authority or inform the seller to add tax to the billing. This certificate shall be a part of each order that I may give you in the future and is valid until canceled by me in writing or revoked by the city or state.

Under the penalties of perjury, I swear or affirm that the information on this form is true and correct as to every material matter.

Authorized Signature: _____ Date: _____

Misuse of this certificate by the seller, lessor, buyer, lessee, or their representative may be punishable by fine, imprisonment, or loss of the right to issue certificates in some cities or states.

CAUTION TO THE SELLER: In order for this certificate to be accepted in good faith, you must exercise care that the property being sold is of a type normally sold wholesale, resold, leased, rented, or used as an ingredient or component part of a product manufactured by the buyer in the usual course of his business. A seller who fails to exercise due care and good judgment in this regard could be held liable for the sales tax due.

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 Publication 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** ————

———— **NOTES** ————

TAXPAYER ASSISTANCE

This publication is a general guide and will not address every situation. If you have questions or need additional information, please contact taxpayer assistance at the Kansas Department of Revenue.

Taxpayer Assistance Center
Scott Office Building
120 SE 10th Ave
PO Box 3506
Topeka KS 66625-3506

Phone: 785-368-8222
Fax: 785-291-3614
ksrevenue.org

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-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 & Use Tax for Contractors, Subcontractors and Repairmen
- Publication KS-1526, Kansas Business Taxes for Motor Vehicle Transactions
- Publication KS-1527, Kansas Business Taxes for Kansas 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).