Sales & Use Tax *for* Contractors, Subcontractors, *and* Repairmen

This publication will provide assistance in applying Kansas retailers' sales and compensating use taxes to the construction, remodeling and repair industries – specifically, the tax treatment of each component of a project: materials, tools, supplies and labor services. It explains which items and services are taxable, which are exempt, and the rate of tax to collect. Also included are examples on how to complete and electronically file the Kansas sales and use tax returns.

Use this guide as a supplement to Kansas Department of Revenue's basic sales tax publications, KS-1510, Kansas Sales and Compensating Use Tax and KS-1520, Kansas Exemption Certificates.

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ASSISTANCE . . . . . BACK COVER

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

WHAT IS TAXABLE IN KANSAS?

Kansas Retailers' Sales Tax generally applies to: **1**) the retail sale, rental, or lease of tangible personal property, and, **2**) the sale of labor services to install, apply, repair, service, alter, or maintain tangible personal property.

Tangible personal property is goods or merchandise that can be owned or leased, has a physical presence, and can be moved (sometimes with great difficulty). Tangible personal property is different from *intangible* personal property (stocks and bonds) or real property (land or buildings). Sales tax is not imposed on the sale of real or intangible property.

Examples of tangible personal property in the construction and repair industries include: building materials and supplies; plumbing, heating, air conditioning and electrical fixtures or supplies; paint and wallpaper; dirt, rock or sand; flowers, grass, trees and shrubs; repair parts; machinery, equipment and vehicles. As a general rule, all of these items are subject to sales tax when purchased by contractors and subcontractors.

Labor services of *installing* or applying tangible personal property is subject to sales tax (as a general rule). Therefore, the labor fee contractors and subcontractors charge to install or apply the materials is subject to sales tax. The installation of lumber, roofing, siding, electrical and plumbing materials, etc., and the application of paint and wallpaper are examples of installing or applying tangible personal property. Once installed or applied, tangible personal property often becomes a part of real property.

The labor charged by repairmen to *repair, service, alter, or maintain* tangible personal property is also generally subject to sales tax. Examples include the repair or servicing of bicycles, equipment, furniture, lawnmowers, vehicles and the like. Sales tax is due on labor services even when the tangible personal property is fastened to, connected with, or built into real property, such as the repair of a restaurant's stove, oven, etc.

Residential and original construction contracts are two types of real property projects that are exceptions to these general rules of taxability of labor services. This publication will explain the taxable, nontaxable, and exempt labor services using common industry examples.

SALES TAX STRUCTURE

The Kansas statewide sales (and use) tax rate is 6.5%. In addition to the state sales tax, Kansas counties, incorporated cities and special taxing districts may impose a local sales tax. Local sales tax rates currently range from .10% to 3 percent. The local rate(s) are added to the state rate to arrive at the total sales tax percentage collected by a retailer or contractor.

Kansas is a participating state in the Streamlined Sales Tax Project and has enacted legislation incorporating the Streamline definitions and tax structure into Kansas sales tax law. Since July 1, 2003, the rate of tax charged on retail sales of goods or taxable services has been based on where the customer takes delivery of the property (material, parts) or makes first use of the taxable service. Retailers shipping goods to a Kansas customer in another taxing jurisdiction will charge the tax rate in effect at the delivery or ship-to address. Contractors will charge the tax rate in effect at the job site on the taxable labor services portion of the contract, regardless of its size.

Tax Jurisdiction Assistance

To assist you in collecting the correct sales tax percentage, the Department of Revenue has developed Pub. KS-1700, Sales Tax Jurisdiction Codes. This publication is an alphabetical listing of all Kansas counties, incorporated cities and special taxing jurisdictions, their tax rates and jurisdiction codes for tax reporting, and the effective dates of the tax rate. Since local rates may only be changed at the start of a calendar quarter, Pub. KS-1700 is updated quarterly and those quarterly updates are available on our website at: **ksrevenue.org**

An online sales tax rate locator is also available on our website. The "locator" provides sales tax rates by street address or zip code. Retailers also have the ability to upload sales tax rates and jurisdiction codes for all of their customers by electronically transmitting their customer's names and addresses to us in a comma delimited format.

DEFINITIONS

Contractor means a person or business, including contractor-retailers, that contract to furnish materials and the labor to *install or apply* those materials into real property, including buildings and other structures. A contractor expends its labor and skill to convert building materials into real property improvements and sometimes contracts to furnish labor only, using materials provided by the property owner or by another contractor. Contractor means general contractor, subcontractor, or specialty contractor, unless the context indicates otherwise. In general, contractors are required to pay sales tax on their materials and collect sales tax from their customer on the fee they charge for installing or applying the materials. See the following *Contractor Purchases* section for a discussion of the specific rules pertaining to contractors. Additional information may be obtained from Information Guide, **EDU-26**, Sales Tax Guidelines for Contractors and Contractor-Retailers.

NOTE: Throughout this guide the term *contractor* will be used. Unless otherwise specifically noted, the term contractor will also include subcontractors and *contractor-retailers* performing the services described under the *contractor* definition.

Contractor-retailer means a person or business that acts as a contractor when it performs construction contracts and as a retailer when it sells tangible personal property at retail. A contractor-retailer holds itself out as providing construction services and operates a retail showroom or otherwise maintains an untaxed resale inventory to sell merchandise from. A contractor-retailer withdraws merchandise from the untaxed resale inventory to use in their construction projects and to sell at retail. In general, when a contractor-retailer

withdraws merchandise from inventory to install for another, the contractor-retailer must accrue sales tax on the cost of the materials and collect sales tax from its customer on the fee they charge for installing or applying the materials.

The discussion of the specific rules pertaining to contractors apply equally to contractor-retailers when the contractor-retailer is acting as a contractor by installing materials for others. See Information Guide **EDU-26**, Sales Tax Guidelines for Contractors and Contractor-Retailers, for more details.

Repairmen means a person or business whose work involves the **repair, service, alteration or maintenance** of tangible personal property – either in connection with real property, or as a repair of tangible personal property. In general, the sales tax rules that apply to contractors do not apply to repairman. In general, repairman follow the same rules as retailers (e.g., they purchase materials and parts exempt from sales tax and charge their customer sales tax on the total bill). For more on rules pertaining to repairmen, see page 10 and our Information Guide **EDU-28**, Sales Tax Guidelines for Businesses that Sell and Service Appliances and Electronic Products.

Retailer includes a person or business that sells building materials and other tangible personal property at retail. Contractor-retailers are treated like retailers when they sell or repair tangible personal property at retail without agreeing to install it and when they sell or repair appliances, electronic products, and certain other listed items at retail and agree to provide set up services. See Information Guide EDU-28, Sales Tax Guidelines for Businesses that Sell and Service Appliances and Electronic Products.

Fabricator means a person or business that produces an article of tangible personal property to the special order of a customer. In essence, the sales by fabricators are treated as retail sales. When the article is delivered to a buyer in Kansas, the fabricator is required to collect state and local Kansas sales or use tax on the selling price of the fabricated article. Examples of businesses that are treated as *fabricators* for sales tax purposes include: Copy and Duplicating Services, Desktop Publishing Companies, Dental Laboratories, Drapery Makers, Meat Cutting and Butchering Services, Photographers, Sign Makers, Tailors and Seamstresses, and Taxidermists. Additional information may be obtained from Information Guide, EDU-27, Sales Tax Guidelines for Fabricators.

CONTRACTOR PURCHASES

MATERIALS

GENERAL RULE: MATERIALS ARE TAXABLE

All contractors (whether *contractors or contractor-retailers*) are considered to be the final user or consumer of the materials they install for others, and must pay Kansas sales or use tax on them. Under K.S.A. 79-3603(l), sales tax applies to:

> "... the gross receipts received from the sales of tangible personal property to all contractors, subcontractors and repairmen for use by them in erecting structures, or building on or otherwise improving, altering, or repairing real or personal property."

CONTRACTORS

Contractors buying materials and supplies from a Kansas retailer must, by law, pay the retailer (and the retailer must collect) the appropriate Kansas state and local sales tax on the retail sale. Retailers may offer contractor discounts, but the sale of materials to a contractor is a taxable retail sale. See page 6 for a discussion on materials purchased outside of Kansas for use within Kansas.

Contractors cannot use a Kansas Resale Exemption Certificate or a Contractor-Retailer Exemption Certificate, Form ST-28W (herein) to purchase their materials without tax. As a contractor, you are by definition the final consumer of the materials, and not a retailer of them. The sales tax is due at the time of purchase even when the materials are used on a project in another state.

example A contractor in Olathe, KS will pay sales tax on building materials purchased from a supplier in Kansas City, KS, even though they will be installed at a home or office in Independence, MO.

CONTRACTORS-RETAILERS

Contractor-retailers may purchase their inventory exempt from sales tax using the Contractor-Retailer Exemption Certificate. The contractor-retailer will then collect sales tax when these items are sold at retail.

example A lumberyard buys lumber and paint directly from a manufacturer using a Kansas Resale Exemption Certificate. The lumber yard will collect sales tax when these items are sold to contractors or the general public.

When a contractor-retailer removes materials from his inventory to use on a contract job, the contractor-retailer becomes the final consumer, and must accrue sale tax on the cost of the materials. The Kansas sales tax cannot be avoided by *retailing* the materials to an out-of-state location when the contractor-retailer is acting as a contractor (i.e., providing and installing materials for another).

example A contractor-retailer located in Kansas City, KS removes materials from inventory to install for a customer located in Raytown, MO. The contractor-retailer must accrue Kansas retailers' sales tax on the cost of the items to him at the Kansas City, KS sales tax rate.

Accruing sales tax is done by reporting and paying sales tax on the contractor-retailer's own sales tax return. The tax rate will be the state and local rate in effect at the inventory location. The tax is due at the time the materials are removed from inventory, **even though they may be used in a project outside of Kansas**. See *Reporting and Paying Sales Tax* herein for an illustrated example of how to report and pay sales tax on personal or contract use of inventory.

All materials and parts purchased by contractors and contractor-retailers for use in original construction, remodeling, or repair projects are TAXABLE. The only way materials may be purchased by a contractor or removed from inventory by a contractor-retailer exempt from sales tax is with a Project Exemption Certificate.

TOOLS

GENERAL RULE: TOOLS/SUPPLIES ARE TAXABLE

Contractors, subcontractors and repairmen are the final consumers of *all* tools used to perform their services. You must therefore pay sales or use tax when buying your tools — there is no exception or exemption to this rule. Following is a representative, but not exclusive list, of taxable tools:

drills, drill bits	pliers, socket sets
hammers, nail guns	screwdrivers, wrenches
paint brushes and rollers	steel tapes, t-squares
planes, saws, sanders	tool belts, tool boxes
sand paper, caulking gun, chalk	skid loaders, generators

Contractor-retailers may purchase tools exempt from sales tax **if** the items are part of their resale inventory. However, like their material purchases, when the tools are removed from inventory they are taxable. The contractor-retailer will either collect sales tax when the tools are sold to the general public or to other contractors, or will report and pay sales tax on the cost of tools removed from inventory and used by the contractor-retailer or its employees.

Lease/Rental

Specialized or expensive tools are often leased or rented rather than purchased. Contractors and contractor-retailers must pay sales tax on the lease or rental of any tools. Only tools leased or rented for an exempt project using a Project Exemption Certificate (herein) are exempt from tax.

MACHINERY AND EQUIPMENT

GENERAL RULE: MACHINERY AND EQUIPMENT ARE TAXABLE.

Purchases

Like tools, machinery and equipment purchased by contractors are subject to sales tax. Contractors and contractor-retailers alike must pay sales or use tax when buying construction or office equipment. Examples include:

air compressors	copiers, fax machines
backhoes and caterpillars	generators
calculators and computers	shop vacs
cellular telephones	vehicles

Lease/Rental

The general rule is that when construction tools and equipment are leased or rented for a project, the lease or rental is taxable. However, tools and equipment may be leased or rented tax exempt when a Project Exemption Certificate has been issued for the project, and the equipment will be used only on that exempt project. **The following items are taxable, even when leased or rented with a Project Exemption Certificate:** Portable offices, office equipment, construction trailers, port-a-potties, motor vehicles, telephones and storage containers. See *Exempt Projects* herein.

Lease or Rental with an Operator

The lease or rental of equipment with an operator is not considered to be a lease/rental of tangible personal property (taxable), but providing a service. Whether or not the service is taxable depends on the rules for labor services (see *Labor Services*). The rental would be taxable if the service being performed by the equipment/operator is a taxable service.

example

A contractor rents a backhoe to dig a trench; the backhoe will be operated by the contractor's employee. This equipment rental is subject to sales tax. However, if the contract calls for the backhoe company to furnish both the equipment and the operator, the tax treatment of this rental depends on the service being performed. If only excavation work is being done, the rental is not taxable (the service of excavating is not a taxable service, see page 10). If the excavation is part of laying cable, for example, and the charge for excavation is not separately stated, the equipment rental is taxable (installing/laying cable is a taxable service).

NOTE: Port-a-potties (portable toilets) are considered to be a rental of tangible personal property subject to Kansas sales tax.

OUT-OF-STATE PURCHASES

When Kansas residents (whether retailer, contractor or individually) buy materials, supplies, tools, or equipment from a business in another state for use within Kansas, and do not pay a sales tax equal to or greater than the sales tax rate in effect at their location, a Kansas compensating (use) tax is due. If the out-of-state retailer is not registered to collect Kansas compensating use tax, you must pay Kansas *consumers'* compensating tax directly to the Department of Revenue. See *Compensating Use Tax* for reporting and paying Use Tax.

LABOR SERVICES

GENERAL RULES: RESIDENTIAL LABOR–EXEMPT; ORIGINAL CONSTRUCTION–EXEMPT; COMMERCIAL REMODEL–TAXABLE.

RESIDENTIAL LABOR SERVICES

Services performed to install or apply tangible personal property are exempt from sales tax when the services involve the original construction, reconstruction, restoration, remodeling, renovation, repair or replacement of a residence.

A ***residence*** means only those enclosures within which individuals customarily live. Residences include single-family homes, duplexes, townhouses, apartments, condominiums. Residences may include mobile and manufactured homes if they are affixed to real property by water, sewer and electrical connections. A residence may be a primary residence or a secondary residence, such as a summer home. Rooming houses, boarding houses, apartment houses, nursing homes, retirement homes, dormitories, or any other enclosure that has been constructed for use, or has as part of its purpose a place of human habitation, is considered to be *residential*. A residence also includes the land improvements immediately surrounding it, such as yards, garages, sidewalks, driveways that service the residence.

Residences do not include transient accommodations, such as hotels, motels, inns, apartment hotels, tourist courts, resort lodges, mobile and manufactured homes not affixed to real property, motor homes, travel trailers or other recreational vehicles, and other accommodations routinely rented for a period of 28 consecutive days or less. Apartment hotels registered for transient guest tax purposes may not claim exemption as a residence on individual units leased or rented to the public, regardless of how long an individual unit may be occupied.

example A contractor agrees to install a new roof on an existing single family dwelling in Kansas, supplying the materials and labor. The contractor will pay sales tax on the materials at the time of purchase; his labor charge is not taxable.

Taxable Labor Services Performed at a Residence

Labor services are not automatically exempt simply because they are performed at a residential property. The following services are taxable: **1)** labor to install tangible personal property as part of its retail sale — i.e., appliances, draperies, etc. and, **2)** labor to repair tangible personal property — i.e., dishwashers, washers/dryers, TVs, etc. For more information see *Repairmen*, herein, and Information Guide **EDU-28**, Sales Tax Guidelines for Businesses that Sell and Service Appliances and Electronic Products.

Dual Use Buildings - Allocation Ratio

Not all buildings are exclusively residential in nature. When a building is used for both residential and commercial purposes, charges for labor services must be allocated between the residential portion of the building (exempt) and the commercial portion of the building (generally taxable).

Charges for labor services that cannot be entirely assigned to the residential or commercial portions of a building are to be allocated based on square footage of the areas exclusively residential and exclusively commercial. This allocation ratio must be used when performing labor services on:

- apartment complexes (rental offices are considered to be *residential* - no tax on labor performed in the rental office)
- bed and breakfasts
- dormitories
- nursing homes
- businesses that include the owner's living quarters

example A contractor agrees to paint the exterior of an existing bed and breakfast (also the owners' residence) at a cost of $4,000. The owners supply the paint. Fifty percent of the square footage of the building is guest rooms and bathrooms; 25 percent is the owners' private quarters and 25 percent is the square footage of the kitchen, laundry and porch facilities used by both the owners and guests. The contractor charges the owner sales tax on 75 percent of $4,000, or $3,000 (only the square footage used exclusively as a residence is exempt from tax on the labor).

An allocation ratio must also be used on home businesses conducted in areas segregated from the living quarters and are open to the walk-in public during regular business hours and other similar businesses. For the purpose of this exemption, a home office qualifies as part of a residence.

example You are rewiring a Victorian home for the artist who lives there and also operates a gallery and gift shop in the lower floor of the home that is open to the public during normal business hours. The gallery and gift shop occupy 30 percent of the total square footage of the home. Since 70 percent of the home remains residential in nature, you will only charge sales tax on 30 percent of the total charge for labor; the materials are fully taxable.

ORIGINAL CONSTRUCTION

Labor services involving the installation or application of tangible personal property performed in connection with the *original construction* of a building, facility are exempt from sales tax. There are five types of projects considered to be *original construction*. These are the:

1) first or initial construction of a building[1] or facility[2];
2) addition of an entire room or floor to an existing building or facility;
3) completion of any unfinished portion of an existing building or facility for the first owner;
4) restoration, reconstruction, or replacement of a building, facility or utility structure[3] damaged or destroyed by fire, flood, tornado, lightning, explosion, windstorm[4], ice loading and attendant winds, terrorism or earthquake; and
5) construction, reconstruction, restoration, replacement, or repair of a bridge or highway.

[1] A **building** is an *enclosure* (walls and a roof) where people customarily live or are employed, and includes enclosures that house machinery, equipment, or other property. "Building" also includes the land improvements immediately surrounding the building such as landscaping and driveways.

[2] A **facility** is a mill, plant, refinery, oil well, gas well, water well, feedlot or any transmission or distribution line of any cooperative, nonprofit, membership corporation organized under or subject to the provisions of K.S.A. 17-4601 *et seq.*, and amendments thereto, or of any municipal or quasi-municipal corporation, including the land improvements immediately surrounding such facility.

[3] A **utility** structure is the transmission and distribution lines owned by an independent transmission company or cooperative, the Kansas electric transmission authority or natural gas or electric public utility.

[4] **Windstorm** means straight line winds of at least 80 miles per hour as determined by a recognized meteorological reporting agency or organization.

Following are explanations, and examples of these five types of projects that qualify as original construction.

1. The first or initial construction of a building or facility

The construction of a new house, office building, warehouse, shed, or outbuilding is original construction. Included in the definition are the land improvements immediately surrounding the building or facility, such as landscaping and fencing. Examples include:

- Construction of a new apartment complex, including landscaping, security system, deck, driveway, swimming pool or privacy fence;
- Construction of a detached or attached garage, including a new driveway to that garage;
- Construction of a new office or retail building, including landscaping, access roads, and parking lot;
- Drilling a new oil, gas, or water well;
- Construction of a new barn or silo; and
- Construction of a feedlot, including the fencing around each pen.

The construction of a building or facility on a site previously occupied by a building or facility that has been demolished, razed, or dismantled is also considered to be original construction ***if*** the building or facility is **totally** new, regardless of whether the old foundation was also demolished. See also *Demolition* herein.

Other items are *new* construction, but are TAXABLE because they are not buildings or facilities, including power lines, substations, pipelines, and railroad tracks. Labor services to construct these *new* items are taxable.

Mobile, Manufactured and Modular Homes

Labor services performed to manufacture, construct, or assemble a modular home in the factory are exempt from sales tax as *original construction* of a building or facility. Materials are purchased exempt from sales tax by the manufacturer.

Labor to construct a foundation or basement for the mobile, manufactured, or modular home, or the on-site construction of a building or facility, such as a shed or water well, are exempt as *original construction*. Also exempt are the services to toe-in and/or attach a new mobile, manufactured, or modular home.

As discussed in the residential section earlier, the sale of labor services of installing or applying tangible personal property in repairing or remodeling a mobile or manufactured home used as a residence is exempt from sales tax when the mobile or manufactured home is affixed to real property by water, sewer and electrical connections.

Kansas sales tax law exempts 40 percent of the gross receipts from the sale of ***new*** modular, manufactured or mobile homes. Therefore, 60 percent of the selling price of a new modular, manufactured or mobile home is subject to the combined state and local sales tax rate in effect at the sale location. Destination sourcing does not apply to the retail sale of modular, manufactured or mobile homes. (The 40 percent exemption includes the installation of the home when the installation is included in the selling price.) The sale of a used modular, manufactured or mobile home is exempt from sales tax.

2. The addition of an entire room or floor to the exterior of an existing commercial building or facility

When adding an entire room or floor to the **exterior** of an existing commercial building, there is always work that must be performed within the existing building. Any replacement, remodeling, restoration, repair, renovation, or reconstruction done in the **interior** of an existing commercial building or facility necessary to the construction of the room or floor being added is also considered to be original construction.

When adding a new room or floor, the interior work is original construction if:

1) the work would not be necessary except for the addition of the entire room or floor,
2) the work being done is necessary to support the addition of the new room, floor, or the machinery housed there, OR
3) the support of the entire room or floor being added is the direct reason for the work done to the interior.

If none of these three requirements are met, the services performed to the **interior** of the existing commercial building or facility are TAXABLE.

Your charge for labor services for the entire project must be allocated between the services to add the new room or floor (exempt), and any taxable services performed on the interior. Sales tax will be collected and remitted on the charge for those services performed on the interior that do not meet one of the criteria above.

example A grocery store owner is adding a room to the existing store for a flower shop. At the same time, an existing window is bricked up, the doorway into the new room is widened, and the surrounding interior is wallpapered.

Labor services to build the new wing itself are exempt from tax as original construction. Also exempt is the electrical and plumbing work necessary in the interior to provide electricity and water to the new flower shop. However, labor services to widen the doorway, brick-up the window, and install new wallpaper to the existing interior are TAXABLE.

3. The completion of any unfinished portion of an existing commercial building or facility

Services performed to complete any unfinished portion of an existing commercial building or facility are original construction and exempt from sales tax ONLY when **all four** of the following conditions are met:

1) the work was called for in the original blueprint, building plan or specification;
2) the completion of the unfinished portion is within a time reasonably requisite to the *original construction* of the building or facility;
3) the owner or occupant is the first or initial owner or occupant of the building or facility; AND,
4) the work would have been performed at the time of *original construction* except for circumstances beyond the owner's control*.

* Circumstances beyond the owner's control include unavailability of material, weather, death, or bankruptcy of the contractor. They **DO NOT** include instances where the owner merely falls short of funds or when, after taking possession, contracts for additional services.

example A developer builds a new shopping mall, but only part of the area is leased when the mall opens. The interior finish work on the unleased portion of the project is completed as leases with tenants are signed. Labor services to complete the unfinished portion of the new mall are exempt from sales tax as original construction, but ***only*** for the ***first*** tenant of that space. The labor services performed after the initial completion of the unfinished portion are TAXABLE.

4. Damage due to fire, flood, tornado, lightning, explosion, ice loading and attendant winds, windstorm, terrorism or earthquake

Original construction includes restoration, reconstruction or replacement of a building, facility or utility structure when the damage is the result of fire, flood, tornado, lightning, explosion, windstorm, ice loading and attendant winds, terrorism or earthquake. A *utility structure* is a transmission, distribution line owned by an independent transmission company or cooperative, the Kansas electric transmission authority or

natural gas or electric public utility. A *windstorm* means straight line winds of at least 80 miles per hour as determined by a recognized meteorological reporting agency or organization. Restoration, repair or replacement work done on commercial property damaged by hail, ice, straight winds (other than windstorm or ice loading, as defined above), rain, snow, vandalism, age, deterioration, *or any other cause* is TAXABLE.

NOTE: Repairs to a *residence* (as defined herein) are exempt regardless of the cause of the damage.

When performing labor services under this exemption, you should obtain a notarized affidavit from the owner of the commercial building or facility stating that the damage was caused by one or more of these reasons. Often this type of work is documented with an insurance claim.

5. Bridge or highway work

Labor services to construct, reconstruct, restore, replace, or repair a bridge or highway in Kansas are exempt from sales tax. A *highway* is any way or place used for public vehicular travel, but does not include any roadway or driveway on property owned by private owners or by colleges, universities, or other institutions.

Labor services to install lighting or signs, or to seed or reseed right-of-ways adjacent to the road or bridge are exempt when performed in conjunction with bridge or highway work. The services of grading, leveling, filling, and other roadbed preparation are not subject to sales tax since they are performed on real property. See also *Nontaxable Services* herein.

Bridge and highway projects are usually performed for a governmental entity. See *Exempt Projects* herein.

TAXABLE LABOR SERVICES

Taxable labor services in Kansas are the services of installing, applying, servicing, repairing, altering, or maintaining tangible personal property performed on real property projects in the general category of commercial remodel work. The rate of sales tax due on the labor portion on the invoice is the rate of sales tax in effect where the installation/application took place. These are projects that are not considered to be residential, original construction or exempt for another reason (see *Exempt Projects*).

Examples of **taxable** labor services performed in, on or around an existing commercial building or facility include but are not limited to: remodeling its interior or exterior; painting or wallpapering; repairing damage caused by a broken water line; installing or repairing its driveways, fences, parking lots, and sidewalks; landscaping — planting trees, shrubs, and flowers, installing irrigation, timbers; plumbing, electrical or HVAC work; roofing, siding and guttering; and, changing light bulbs.

Examples of the taxable services of servicing, altering, repairing, or maintaining tangible personal property, include but are not limited to service work performed on: existing oil, gas or water wells; appliances; furniture; machinery and equipment; and, vehicles.

Contractors, subcontractors and repairmen must charge sales tax whenever they are performing these and other taxable labor services discussed in this section. See *Contractor's Liability* and *The Sales Tax Base* herein.

Demolition

Services performed to dismantle, demolish, raze or destroy a building or facility or a portion of a building or facility are TAXABLE. However, if the demolition services are performed in connection with the *original construction* of a building (residential or commercial) or facility on the same site, the charge for demolishing the existing structure becomes exempt from sales tax as original construction.

Services to demolish an old garage are TAXABLE. This service would only be exempt if a new garage, shed, or other type of building or facility is built on the same site within a requisite period of time.

Asbestos Removal

The service of removing asbestos is a TAXABLE service. However, like demolition services, when asbestos removal is done in conjunction with an exempt project, the service of removing the asbestos becomes exempt. There are four situations when asbestos removal is an exempt service.

1) If performed in conjunction with restoration, reconstruction, remodeling or the renovation of a residence, the service is EXEMPT.
2) If performed in conjunction with restoration, reconstruction, or replacement of a commercial building or facility damaged by fire, flood, tornado, lightning, explosion, or earthquake, the service is EXEMPT. Removal of asbestos in a commercial building due to damage caused by any other event or reason (rain, hail, age of building, building remodel, etc.) is taxable.
3) If being done in conjunction with the complete demolition of a building or facility, and a new building or facility is constructed on the same site, the service is EXEMPT.
4) If performed in conjunction with a project covered by a PEC (see page 12), the service is EXEMPT.

MAINTENANCE CONTRACTS AND WARRANTIES

In general, maintenance contracts, service contracts, and warranties (including optional and extended warranties) for appliances, electronic products, and other tangible personal property are TAXABLE. Whether their cost is included in the selling price of tangible personal property or is a separate charge, the retailer must collect the applicable state and local sales tax. See Information Guide **EDU-28**, Sales Tax Guidelines for Businesses that Sell and Service Appliances and Electronic Products. However, the sale of a residential maintenance contract would be exempt from Kansas sales tax. The contractor would merely be responsible for paying or accruing the appropriate Kansas sales/use tax(es) on the cost of the respective materials used at the residence to perform the warranty or maintenance services.

example Your business is heating and air conditioning sales and service. In addition to the sale and installation of a furnace, you also sell an extended warranty on that furnace. The furnace is a taxable sale. The extended warranty is also taxable if installed in an existing commercial property, but would not be taxable if installed in a residential property.

Warranty and Service Work

Since sales tax has already been charged on the warranty itself, any subsequent warranty work for which there is no

charge is not taxable. However if there is a deductible or similar charge to the *commercial* customer, even when the work is actually performed by a third party, sales tax is due on that charge.

example A commercial customer calls you to repair the furnace under an extended warranty. Not included in the warranty is a minimum charge of $50. This fee is subject to the state and local sales tax in effect where the furnace is located.

If you are a repairman doing warranty work for a retailer, your invoice must show that the work performed was warranty work, that sales tax was collected on the original sale of the warranty by the retailer, and the retailer's Kansas sales tax number.

LOCAL SALES TAX APPLICATION

GENERAL RULE: CHARGE THE TAX IN EFFECT AT THE JOB SITE.

In Kansas, the *destination-based* sourcing rules apply to the furnishing of the taxable services listed in sales tax law. This means the sale of a taxable service is sourced or subject to local sales tax based on the location where the buyer of the service makes first use of the services. This is often the location (job site) where the services are performed. Therefore, contractors will charge the state and local sales tax rate in effect where the work is performed on ALL taxable real property service contracts, regardless of the size of the contract.

example A Wichita roofing contractor does a commercial roofing job on a store in Andover for $7,000, on a home in Wichita for $6,000 and another roofing job for a shopping mall in Hutchinson for $15,000. The contractor will charge the Andover sales tax rate on the Andover job, and the Hutchinson rate on the Hutchinson job. The labor services on the residential roofing job is not subject to sales tax.

CONTRACTOR'S LIABILITY

GENERAL RULE: EACH CONTRACTOR MUST COLLECT AND REMIT THE SALES TAX ON THEIR TAXABLE LABOR SERVICES.

Each contractor or subcontractor is responsible for collecting and remitting sales tax on his/her taxable labor services, **including taxable services performed for other contractors**. A general contractor may NOT assume the sales tax for the subcontractor because it will be collected from the customer by the general contractor.

Labor services on real property cannot be resold. A subcontractor performing taxable services on real property for a general contractor is required to charge the general contractor (and the general contractor is required to pay) sales tax. The general contractor cannot purchase subcontractor labor services exempt from tax with a Resale Exemption Certificate.

example You are a subcontractor on an office remodel project; your labor services are taxable. Your invoice to the general contractor must include the applicable state and local sales tax on your labor services.

Taxable labor services of a subcontractor may only be purchased by a general contractor without tax with a PEC (Project Exemption Certificate) – see page 12 – or one of the exempt certificates discussed on page 14. In the event a general contractor provides a subcontractor with an exemption certificate stating the transaction was not subject to sales tax and it is later determined the transaction was taxable, the Department of Revenue may proceed directly against the general contractor for the unpaid tax.

In most retail transactions, the sales tax is usually a separately stated amount on the invoice. However, if you do not separately state the amount of sales tax due on your labor services in the contract, bid estimates, customer billings, or other evidence of the transaction, you must state in the document that all applicable sales taxes are included in the selling price. If the statement "ALL APPLICABLE SALES TAXES ARE INCLUDED" does not appear on any of the documentation, it is presumed that the customer was not charged sales tax. See also *Invoicing the Customer* herein.

If the general contractor pays sales tax to a subcontractor and the subcontractor does not remit the tax to the Department of Revenue, the Department of Revenue will proceed against the subcontractor. If the general contractor has not paid the sales tax to the subcontractor and it is determined sales tax should have been collected, then the Department of Revenue may proceed directly against the general contractor (the consumer) for collection of the tax.

REPAIRMEN

A repairman is a person or business that installs or repairs tangible personal property. Repairmen often install or repair items not considered to be part of the real property, such as appliances, machinery, equipment, vehicles, watches, etc. Repairmen in this category are not considered to be acting as *contractors*, they are instead *retailers* of a taxable service. As such, they operate like any other retailer; they purchase their materials and parts without tax using a Resale Exemption Certificate, billing the customer for the parts and labor and applying sales tax to the entire charge – regardless of where the work is performed.

example You repair a dishwasher for a homeowner at a cost of $15 for parts and $50 for labor. Sales tax is due on the $65 repair bill. If the customer picks up the dishwasher at your shop, the tax is the rate in effect at your location; if delivered, the tax is the rate in effect at the delivery location. If repaired in the home, the tax is the rate in effect at the home.

Kansas sales tax is due on the total charge to the customer on the repair of tangible personal property, whether these items are built-ins or not. These are retail sales and as such, the sale of an appliance, repair parts and labor are all subject to sales tax and should be billed and collected from the repairman's customer on the total amount billed. See **EDU-28**, Sales Tax Guidelines for Businesses that Sell and Service Appliances and Electronic Products.

Items which are considered to be the installation or repair of tangible personal property (built-in or not) include:

washer, dryer	dish washer
trash compactor	stove, stove top, oven
window air conditioners	TV, stereo, radio
refrigerator, freezer	microwave
range, rangehood	garbage disposal
small appliances	venetian blinds
above ground pools	window shades
signs	draperies, drapery hardware

RESALE OF LABOR

Unlike real property contractors and subcontractors who cannot *resell* their labor services, the labor services of some repairmen may be resold. One common example is warranty work (see page 9). By obtaining the required information, the repairmen is basically reselling his labor services to the retailer who originally sold the warranty and collected the sales tax on it. A similar example is repair work sub-contracted to another business. When the retailer charging for the total service on the tangible personal property is collecting sales tax on the total bill, he may provide a Resale Exemption Certificate to the repairman.

example You own a windshield repair shop. A vehicle dealer has a car in for an oil change and windshield repair. He brings the car to you for the windshield repair and the dealer will complete the oil change and bill the customer for both repairs. The dealer may give you a Resale Exemption Certificate for your invoice for the windshield repair since he will collect sales tax from his customer on the total charge for both services. However if the dealer is the final consumer of the repair work, the repair bill is taxable.

example While at the dealer's service department, a car's windshield is accidentally broken. The dealer brings the car to you for repair. Since the dealer is the final consumer of this windshield repair (he will not bill the car's owner for it), this repair for the dealer is subject to sales tax.

THIRD-PARTY INSTALLERS

Taxable labor services may be *resold* when performed by repairmen working as third party installers for a retailer. As with repair and warranty work, this is only allowed when the retailer is collecting sales tax from the customer on the entire job (retail sale of property with installation).

example You deliver and install appliances for a few retailers. Since each retailer has collected the state and local sales tax on the total price of the appliance plus installation (whether separately stated on the invoice or not) from the customer, you may accept a Resale Exemption Certificate from the retailer to exempt your appliance installation services.

NON-TAXABLE SERVICES

This section discusses representative examples of services surrounding the construction and repair industries that are not taxable because they are not services to install, apply, maintain, service, or alter tangible personal property. Services that are not taxable include but are not limited to:

architect fees	real estate sales fees
engineering fees	surveying fees
laboratory fees	testing fees (radon, etc.)

site/structural inspection fees

Additional information and examples are in the Policy Information Library (PIL) on our website. For questions about the tax treatment of a specific service, consult the PIL and/or contact our office (see back cover).

Excavation Services

The services of excavating, bulldozing, back-hoeing, trenching, grading, and backfilling are not taxable. These are services to prepare land (realty) and do not involve the installation or application of tangible personal property. However, if you buy dirt, rock, or sand to apply to an area, these materials are subject to tax, and your labor to apply or spread these materials is also taxable (unless done in connection a residential or original construction project). When you have one contract for both installation and excavation services, the invoice may be divided into taxable installations of personal property (such as applying dirt or installing pipe) and nontaxable excavation services.

example As a plumbing contractor, you are hired to install a new septic tank for a farmer. Your charge for the excavation work, backfilling, and grading around the installed septic tank are not taxable. The contractor should pay sales tax on the septic tank at the time of purchase and collect sales tax from the farmer on the fee to install.

CAUTION: If excavation or other nontaxable services are not separately stated on the invoice, then all charges are taxable. In above example, if the excavation services to the farmer are not separately stated, then the entire charge is subject to sales tax.

Lawn and Landscaping Services

Services provided by the lawn care profession may be either taxable or not taxable. If the service involves the installation or application of tangible personal property, the service is generally TAXABLE. However, the installation or application of tangible personal property at a residence or in connection with the original construction of a building or facility is exempt. (See *Residential Labor Services* and *Original Construction* section of this publication.)

The following list contains some common lawn care services that are not taxable under any circumstance. For more information see **EDU-30**, Sales Tax Guidelines for Lawn and Garden Care, Pest Control, Fertilizer Application, Landscaping and Retail Sales.

aerating	lawn cleanup	rototilling
dethatching	mowing	trimming/edging
soil testing	tilling/plowing	tree/stump removal
backflow testing	raking	snow removal

IMPORTANT: The application of pesticides, herbicides and fertilizers to residential lawns is taxable. Applicators should purchase the pesticides, herbicides and fertilizers exempt from sales tax and charge their customers (residential and commercial) sales tax on the total charge (materials and labor), even when these services are performed in conjunction with the first or original construction of a building or facility, or at a residence.

Cleaning Services

Cleaning services, such as air-duct cleaning, carpet cleaning, chimney sweeping, dusting, drain cleaning, house cleaning, septic tank cleaning, snow removal, swimming pool cleaning, and vacuuming are exempt **if** the only service provided is cleaning. However, as with excavation services, any nontaxable work must be separately stated on the invoice when done in conjunction with taxable work.

CAUTION: Cleaning services that involve the application of tangible personal property, such as waxing, varnishing, applying fabric treatments or protective coatings to furniture or carpet, are taxable.

example You have a contract to clean an office building. As a part of the contract, you change light bulbs and apply a stain release coating to carpets in addition to vacuuming, dusting and emptying trash. If the taxable services of changing light bulbs and applying a stain-release coating are not separately stated when billed, the entire charge for taxable and nontaxable services are subject to sales tax.

EXEMPT PROJECTS

EXEMPT CUSTOMERS

ALL of your customers must pay sales tax on your taxable services unless they have a specific statutory exemption. Exempt entities must provide you with a completed exemption certificate. The Department of Revenue has issued an exemption certificate to each and every tax exempt entity that contains the exempt entity's name, address and exemption number. The following list of entities are exempt from paying Kansas sales or use tax on their direct purchases of **labor services only.** For a complete list of all tax exempt entities 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 or secondary schools
- FCC licensed noncommercial educational television or radio stations
- Nonprofit blood, tissue or 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 or health centers
- Nonprofit 501(c)3* religious organizations
- Nonprofit 501(c)3* zoos

* The designation of 501(c)3 refers to the federal Internal Revenue Code exempting the organization from federal and state income tax.

Exception: *Some projects for the state of Kansas, Kansas political subdivisions, and nonprofit hospitals are fully taxable.*

CUSTOMERS WHO ARE NOT EXEMPT

A common misconception is that all nonprofit organizations are exempt from sales tax. THIS IS NOT TRUE. Organizations may receive a federal nonprofit exemption under Section 501(c) of the Internal Revenue Code. This designation exempts them from federal and state income tax, not sales tax. Only nonprofit entities that have been issued a Tax Exempt Entity Exemption Certificate by the Department of Revenue are exempt from sales tax on their purchases.

As a general rule, farmers and ranchers are not exempt from paying sales tax on taxable labor services. Materials used to construct barns, metal outbuildings, or silos are taxable. Only farm machinery and equipment (sold, rented, or the repair parts and labor) are exempt from sales tax. For details about how sales and use tax applies to this industry see **Pub. KS-1550**, Sales and Use Tax for the Agricultural Industry (available from our website).

SALES THAT ARE EXEMPT

Exempt customers are exempt only when buying materials or taxable labor services directly from you. To be a direct purchase, your invoice must be made out to the exempt buyer, and payment must be received on a check, warrant, or voucher from the exempt customer. If either of these conditions is not met, the sale is TAXABLE. A *direct* purchase does not include purchases by an employee or agent of an exempt entity with the employee's personal funds even if they are reimbursed by the exempt entity.

CAUTION: An exempt customer's exemption applies either to materials or to your taxable labor services. When you enter into a contract with any sales tax exempt entity to furnish *both* the materials and labor services for a project, **only your labor service are exempt** as a direct purchase.

The items purchased by an exempt entity indirectly through you (i.e., project materials), any leased or rented equipment, or the services of subcontractors, do not meet the definition of a direct purchase. When bidding a project for an exempt entity you must include the sales tax you must pay on the items. This sales tax cost is then passed on to the exempt customer, unless they obtained (or advises they will obtain) a PEC (Project Exemption Certificate) or other similar exemption for the job.

example You enter into a contract to furnish and install an electrical box for an elementary school. The school may purchase your labor services exempt from tax with its tax exempt entity exemption certificate. Included in the total contract cost will be the sales tax you paid or will self-accrue on the materials. No sales tax is due on the labor when you obtain the school's sales tax exemption certificate.

Had the school purchased the materials directly from a supplier, they would be exempt from sales tax as a direct purchase, provided the school furnished its supplier with its department-issued exemption certificate.

Labor Services

The **direct** purchase of your taxable labor services by an exempt entity is exempt from sales tax. The customer will provide you with its exemption certificate to substantiate their exemption for your sales tax books and records.

example A city contracts with you to replace burned-out bulbs in street and traffic lights using the city's light bulb inventory. Your labor services are normally taxable, but this contract is being performed for an exempt customer. The city will provide you with its Department of Revenue-issued Tax Exempt Entity Exemption Certificate for your records to show why you did not collect sales tax on this contract.

However, if you are a subcontractor, your taxable labor services are **not** exempt as a **direct** purchase by a sales tax exempt entity. You are paid by the general contractor, not the tax exempt customer so your taxable labor services are subject to sales tax. As a subcontractor you will charge sales tax on all taxable labor service contracts billed to a general contractor, unless the general contractor provides you with a Project Exemption Certificate (PEC).

Materials

The *direct* purchase of materials by a Tax Exempt Entity is exempt from sales tax. A contractor-retailer who purchased his inventory exempt from sales tax may **directly** sell materials to such entity without sale tax. The exempt customer should provide the Contractor-Retailer with its Department of Revenue-issued Tax Exempt Entity Exemption Certificate.

example A high school drama department buys lumber and other materials to build sets for the school play. A lumber yard sells the lumber and materials to the school exempt from tax. The school provides the lumber yard with its Tax Exempt Entity Exemption Certificate. However, when the drama teacher later buys nails and other supplies for the sets with his personal funds, this sale is TAXABLE, since it is not a direct purchase by the school.

Materials purchased by contractors, subcontractors, and repairmen to be used on projects for these sales tax exempt entities are NOT direct purchases by the sales tax exempt entity. Contractors and contractors-retailers are deemed to be the final user or consumer of their materials, and must pay the sales tax on them. This rule applies even on a construction project for an exempt customer.

IMPORTANT: Contractors and contractor-retailers may only buy or furnish materials exempt from sales tax with a PEC.

Taxable Projects for Exempt Customers

When the state of Kansas or a nonprofit hospital is engaged in a taxable business such as operating a public cafeteria or gift shop, or when a Kansas political subdivision furnishes gas or electricity utilities, purchases of materials and/or labor services for these businesses are TAXABLE. Their sales tax exemption does not apply when the purchase will be used in these taxable businesses.

example You enter into a contract to remodel part of a nonprofit hospital's public cafeteria (a taxable business). You will pay sales tax on the materials and charge the nonprofit hospital sales tax on your labor services. The hospital cannot use its department issued exemption certificate to purchase any part of the job exempt from sales tax.

example You are installing lights in a city's electric utility plant. Although work for a city is generally exempt, the city's electric utility is a taxable business. You must charge the city (and the city must pay) sales tax on your taxable labor services to install the lighting.

When bidding projects for the state of Kansas, a Kansas political subdivision (such as a city or county) or a nonprofit hospital, inquire fully as to the nature of the project. If the project is for governmental or hospital purposes, your labor services will be exempt. If the project is for a *taxable business* owned and/or operated by the state of Kansas or a nonprofit hospital, your labor services will be taxable.

Labor services performed for a political subdivision's electric or gas utility department are always taxable. A PEC may not be issued for a utility department project. Special exemption certificates are used for a public water supplier paying the Clean Drinking Water Fee.

PROJECT EXEMPTION CERTIFICATES (PECS)

A **PEC** is a numbered document issued only by the Department of Revenue (Form PR-71 or PR-74) or by certain exempt entities (Form PR-74a) as its authorized agent. As the name implies, a PEC exempts from sales tax the purchase of materials which will become part of the project and the labor to construct the project. PECs are issued only to certain exempt entities OR for certain for-profit entities that qualify under the economic development laws.

Only the following **tax exempt entities** are eligible to request and obtain a PEC for most construction, remodel, or repair projects and may do so online using our website.

- Kansas political subdivisions (Kansas cities, counties and townships)
- Nonprofit hospitals
- Nonprofit schools & educational institutions
- Nonprofit 501(c)3 zoos
- Nonprofit 501(c)3 religious organizations
- Primary care clinics and health centers
- Booth Theatre Foundation, Inc.
- TLC Charities Foundation, Inc.
- Kansas correctional institutions including privately constructed correctional institutions contracted for state use and ownership
- U. S. Government and its agencies

Selected from the list above, the following exempt entities may obtain a PEC immediately using the online application. All PEC requests, after the first online request, will be automatically approved for these entities – meaning that a printable Agent Issued PEC will be immediately available each and every time these entities make application online.

- Kansas political subdivisions (Kansas cities, counties and townships)
- Nonprofit hospitals
- Nonprofit schools and educational institutions
- Kansas correctional institutions including privately constructed correctional institutions contracted for state use and ownership

Kansas political subdivisions, nonprofit hospitals and nonprofit schools and educational institutions may apply to the Department of Revenue for agent status for the sole purpose of issuing and furnishing PECs to contractors working for them.

CAUTION: The state of Kansas and its agencies (except Kansas correctional institutions including privately constructed correctional institutions contracted for state use and ownership) **do not** qualify for a PEC. Materials purchased by contractors for a state project are always taxable. Only direct purchases by the state of Kansas or its agencies are exempt using its Tax-Exempt Entity Exemption Certificate.

An economic development project may qualify for a PEC under the provisions of K.S.A. 79-3606(cc). As a general rule, completion of the project must result in an increased number of jobs. A for-profit business that meets the qualifications may obtain a PEC to build, reconstruct, remodel or enlarge its business facility. Apply for this PEC on Form PR-70b. The PEC also extends to the purchase and installation of machinery and equipment in the qualifying building or facility.

IMPORTANT: PECs apply **only** to the project for which they were issued, and expire upon completion of that project. Qualifying entities and businesses must apply for and receive a PEC for each project in order to allow contractors, subcontractors or contractor-retailers to purchase or furnish materials without tax. PECs are dated and are not retroactive. All materials purchased and all taxable labor services performed on a job prior to the effective date of the PEC are taxable.

Refunds

Any exempt entity that fails to secure a PEC in time for a contractor to secure exemption for part or all of its purchases may apply to the Department of Revenue for permission to seek a refund of the sales taxes paid to contractors, subcontractors and their suppliers that would have been exempt had a project exemption been in effect. Requests for refunds must be submitted to the Department of Revenue on Form **ST-21PEC**, available from our website.

How to Use a PEC

Once approved or issued, a copy of the PEC must be furnished to all contractors and subcontractors for the project. All parties will then use this number to purchase materials, fuel, form lumber, and labor services without tax, and to rent or lease construction equipment without tax. Contractor-retailers will use it to remove project materials from their inventory without tax. A PEC may not be used to buy tools, machinery or equipment, or to rent portable offices, storage containers, port-a-potties, office equipment or telephones.

The following chronological steps illustrate how a PEC is requested, issued and used by the project's owner, contractors and suppliers.

1) A qualifying entity (petitioner) completes a request for project exemption by completing Form PR-76 or online at the Department of Revenue website.
2) The Department of Revenue receives and approves or denies the request.
3) If approved, the Department of Revenue issues a numbered PEC (Form PR-74) and instructions to the petitioner.
4) The petitioner furnishes copies of the numbered certificate (leaving the seller and purchaser information blank) to the general contractor and/or to each contractor and sub-contractor for the job.
5) Contractors and subcontractors make copies of the numbered certificate, and then complete the purchaser and seller information, sign and furnish the completed numbered certificate to each of their suppliers for the job.
6) Suppliers put the certificate number on all project invoices to verify sale of materials and/or exempt labor.
7) When the project is complete, contractor(s) must furnish the Project Completion Certification (copy herein) to the petitioner with a copy to the Department of Revenue.
8) Contractor(s) keep all project invoices for at least five years.

OTHER EXEMPT PROJECTS

There are three other types of projects that have a sales tax treatment similar to that of a PEC, such as a buyer's exemption passes down to each of the contractors, subcontractors, or repairmen on the job. These are projects:

- for certain public water suppliers (**ST-28EE**);
- to install, repair or maintain integrated production machinery and equipment (ST-201); or
- to install, repair or maintain warehouse machinery and equipment (ST-203).

Each of these projects requires a special exemption certificate that will be provided by the buyer to document the tax exempt status of the work being performed in your sales tax books and records. Copies of the certificates are available on our website. Information about each exemption can be found on our website in the **Policy Information Library**.

Public Water Suppliers – Form ST-28EE

Sales of parts, materials and taxable services purchased or leased directly or indirectly to construct, operate or maintain certain water supply districts are exempt from tax under K.S.A. 79-3606(s). The water suppliers who are exempt are public wholesale water supply districts and those Groundwater Management Districts, Water Supply Districts, City Water Departments or Rural Water Districts who are paying the Clean Drinking Water Fee to the Department of Revenue.

The exempt entity will furnish you with a copy of its Clean Drinking Water Fee Exemption Letter issued by the Department of Revenue to verify its exemption under K.S.A. 79-3606(s). The public water supplier will also provide you with the Clean Drinking Water Fee Exemption Certificate (ST-28EE) in order to pass its exemption for direct purchases on to you, the contractor making purchases of parts, materials or taxable labor on their behalf. This certificate is used in the same way as a PEC. You must furnish a copy of it to your vendors and subcontractors for the project to in order to purchase materials and labor for the job without sales tax. If the public water supplier is a political subdivision of the state of Kansas it may, as an alterative, use a PEC in lieu of the above Clean Drinking Water Fee Exemption Certificate.

Integrated Production Machinery & Equipment – Form ST-201

Machinery and equipment that is an integral and essential part of an integrated production operation in Kansas is exempt from sales tax. Not only is the equipment exempt from sales tax when purchased by or for a Kansas manufacturer or processor, but all materials and services to fabricate, install, repair or maintain qualifying equipment are also exempt [K.S.A. 79-3606(kk)].

Exempt equipment is generally equipment that has a direct physical contact or impact on the property undergoing manufacture in some manner, from the time the raw material enters the production facility until it leaves the production facility as a product for distribution. Examples of qualifying equipment are included on page 2 of the Integrated Production Machinery and Equipment Exemption Certificate (ST-201). Also see **NOTICE 00-08**, Kansas Exemption for Manufacturing Machinery and Equipment on our website.

Once a piece of equipment is identified as qualifying for this exemption, all materials, parts, and labor to install, repair, service or maintain the equipment are exempt. The buyer will use Form ST-201 to purchase the equipment and your direct labor without tax. As a contractor installing, servicing, repairing or maintaining the equipment, you will also use Form ST-201 to purchase items and services for the job without tax, indicating on line 5 that you are not the owner but the contractor on the project.

example A paper manufacturer is installing a new rolling machine and you are hired to do the electrical work necessary for the installation. You will be able to purchase the materials or parts needed for the electrical work without tax using the Integrated Production Machinery and Equipment Exemption Certificate (ST-201). While at the paper plant on this project, the manufacturer also has you install additional electrical outlets in its administrative offices – the materials and labor for this work are taxable.

Warehouse Machinery & Equipment - Form ST-203

This machinery and equipment exemption is for material handling and storage equipment and other related machinery used in a warehouse or distribution facility located in Kansas. The exemption is found at K.S.A. 79-3606(fff). Like the exemption for integrated production machinery and equipment, this sales tax exemption also applies to the repair and replacement parts for the equipment as well as the services to install, repair or maintain it. Exempt equipment includes bins, forklifts, shelving systems, and the equipment used by a grain storage facility to aerate, clean, handle, refine or otherwise treat the grain. Use the Warehouse Machinery & Equipment Exemption Certificate (ST-203) to purchase the equipment, its parts and any labor services needed to install, repair or maintain it.

example You have the contract to maintain and repair the forklifts used in a Kansas distribution center. Since the forklifts are exempt equipment, the distribution center will provide you with a completed Form ST-203 to exempt the entire repair bill (parts and labor) from sales tax. You will also complete and furnish Form ST-203 to your vendors for the parts and any subcontract labor necessary for this repair contract.

BY OR ON BEHALF OF

The following list of organizations have an Entity Exemption Certificate like the sample certificate on the next page. This exemption certificate allows contractors and subcontractors to use this certificate in lieu of a PEC, due to the statutory language that allows purchases by or on behalf of the tax exempt entity. The following entities are encouraged, however, to apply for a PEC using the Department of Revenue's online PEC application process at: **ksrevenue.org**

The exemption applies to the direct and indirect purchase, rental or lease of tangible personal property and services purchased by or on behalf of the exempt entity. This exemption does not apply to any construction machinery, equipment or tools used in the constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the exempt entity. Entities that have been issued this type of by and behalf of exemption certificate are limited to:

- All American Beef Battalion Inc.
- County Law Library
- Domestic Violence Shelters of the KCSDV
- Frontenac Education Foundation
- Goodwill Industries Easter Seals Of Kansas, Inc.
- Goodwill Industries of Kansas, Inc.
- Groundwater & Rural Water Districts
- Homeless Shelters
- Kansas Academy of Science
- Korean War Memorial
- Marillac Center
- Rural Volunteer Fire Fighting Organization
- Victory in the Valley, Inc.
- Wayside Waifs

A sample *By or On Behalf Of* sales tax exemption certificate appears on the next page.

FARM, RANCH AND FEED LOT PROJECTS

Generally, materials used to construct and repair buildings and other structures for farmers, ranchers and feed lots are subject to sales tax when purchased by either a contractor or farmer/rancher/feed lot. As a general rule the labor services to repair or maintain an existing farm building, well or feedlot are taxable. As discussed in the Original Construction section (page 6) the labor services to construct a new building or facility (feedlot or well) are not subject to sales tax. Furthermore the definition of original construction also includes the labor to repair damage from a fire, flood, tornado, lightening, explosion, windstorm (defined on page 6), ice loading and attendant winds, terrorism, or earthquake.

Grain Storage

Grain storage bins are farm buildings (improvements to real property). Like any other existing commercial building, the materials to build it are taxable, as are labor services to repair or modify it. However, a grain bin may house exempt farm machinery and equipment. Equipment such as augers and blowers used to manage the extended storage of the grain are exempt as farm machinery and equipment.

example You are building a new grain storage bin. The structural materials that make up the bin (corrugated siding, anchor bolts, access doors, foundations, ladders, roof and vents) are subject to sales tax. The grain storage bin accessories, such as augers, electric control panels, fans, stirring devices and spreaders, are exempt as farm machinery and equipment. The labor services to build the bin are not taxed since this is an original construction bin (building).

Portable Grain Bins

Portable bins mounted on wheels or work bins intended to be frequently moved along with wheel-mounted grain augers, dryers or other portable grain handling equipment are exempt as farm machinery and equipment. A tarp used to cover the top of an agricultural gravity or hopper box is also exempt.

Irrigation Equipment

Irrigation equipment has two components for sales tax purposes – the parts exempt from sales tax as farm machinery and equipment; and improvements to real property (taxable). The parts of an irrigation system considered to be farm machinery and equipment are exempt if purchased for farm use (i.e., none of the water pumped is used for human consumption and/or sanitation, or any other nonagricultural use). Labor services to assemble or repair irrigation equipment for farm use are also not subject to sales tax. The following are representative, but not exclusive, lists of exempt and taxable irrigation and well-related items:

Exempt Irrigation Equipment. Pivot system, heat exchanger, flowmeter, gear drive, bowl units, column pipe, tubing and shaft assembly, check valve, and the discharge head, as well as submersible pumps and motors, gate and check valves, drop pipe and chemical tank. The repair parts (including tires) and labor to install, repair or maintain these exempt components of irrigation equipment are also exempt from sales or use tax.

Taxable materials. The cement base, casing, gravel, underground discharge pipe, and underground plastic PVC irrigation pipe, along with the pressure tank, galvanized nipples and fittings, well pits and lids, well seals, and pitless units and/or adapters. The labor to repair a taxable item is also taxable.

Any labor services performed in or on irrigation wells are subject to sales tax, unless the service of installing or applying tangible personal property is in connection with the original construction of the irrigation well. Original construction might be either the first or initial construction of the well, or the reconstruction or repair of a well damaged by fire, flood, tornado, lightening, explosion, windstorm (see page 6 for definition), ice loading and attendant winds, terrorism, or earthquake.

Farm Machinery and Equipment

There is an exemption for farm or aquaculture machinery and equipment. It is for the purchase of the equipment, any repair parts and for the labor performed thereon. This exemption is limited to farm or aquaculture machinery and equipment that is used only in farming, ranching, the operation of a feedlot or nursery, farm or ranch work for hire, or aquaculture. EXEMPT: Combines, tractors, discs, harrows, hay balers, irrigation and milking equipment, planters, plows, tillers and work-site utility vehicles. TAXABLE: Air compressors and tanks, ATVs, automobiles and trucks, barn ventilators, building and electrical materials, bulldozers, fencing materials and tools, garden hoses, grain bins, hand tools, lawnmowers, silos, water and gas wells, welding equipment and any equipment that becomes part of a building, facility or land improvement.

Repairmen working on farm machinery and equipment should purchase the materials exempt from sales tax and obtain an Agricultural Exemption Certificate (ST-28F) from the customer. For details see **Pub. KS-1550**, Sales and Use Tax for the Agricultural Industry — on our website.

ADDITIONAL CONTRACTOR INFORMATION

CONTRACTOR GENERAL RULES Q&A

? I am a contractor and I have a valid Kansas retailers' sales tax number. Can I give my suppliers a Resale Exemption Certificate for parts and materials?

No. Contractors are required to pay sales/use tax on their purchases of materials and supplies. Only contractor-retailers, as defined on page 3, may purchase their materials and supplies for resale (inventory) using the Contractor-Retailer exemption certificate.

? I am repairing a barn for a farmer who claims to be exempt from paying sales tax on his farm machinery. Are my labor and the materials used on his barn exempt from sales tax?

No. Farm machinery and equipment does NOT include buildings (i.e., barns, machine sheds), building materials, disposable supplies, fence or fencing materials; therefore, your labor services to repair the barn are TAXABLE. However, if the labor services had been performed in connection with the original construction of the barn, they would be exempt as "original construction." In either case, you must pay or accrue sales tax on the materials.

? I am a contractor building a new building that qualifies as original construction. Some materials were purchased from Ohio and shipped by common carrier direct to the Kansas job site. I did not pay sales tax on these materials. What is the proper procedure?

Materials and supplies purchased without tax from an out-of-state company are subject to the Kansas compensating use tax rate (state rate plus local tax) in effect where you took delivery of them (job site). Because your vendor is not registered to collect the Kansas retailers' compensating use tax, you are required to pay the Kansas consumers' compensating use tax directly to the Kansas Department of Revenue. However, if the project has received a PEC, this purchase is exempt from use tax. You will write the project exemption number on your purchase invoice (or attach a copy of the project exemption certificate to it) to verify the exemption.

? I am an electrician rewiring a restaurant's kitchen that has been damaged by fire. What is subject to sales tax?

The materials are taxable based upon their cost to you. The labor services portion of the contract is exempt from sales tax since services to repair damage by a fire qualifies as original construction. To substantiate the original construction classification of this commercial job in your sales tax records, you must obtain a notarized affidavit from the owner stating damage was the result of a fire.

I am a general contractor and as part of my contract, I purchase city permits on behalf of my customer. Are these permits taxable as part of my gross receipts, or excludable?

You have included the cost of city permits in the total construction contract. This overhead cost is part of your gross receipts and is TAXABLE if your labor services are taxable. (see *The Sales Tax Base* herein). The city permits themselves are not taxable; the city does not charge you sales tax on the permits.

I am a Kansas subcontractor working for a Kansas general contractor, furnishing materials and performing taxable labor services on a job site in Nebraska. What are my sales and use tax obligations?

Materials: Any materials purchased or removed from your inventory in Kansas are subject to Kansas sales tax, even though they will be incorporated into a project in another state. Materials purchased out-of-state, delivered by the seller directly to the Nebraska job site (the materials never enter Kansas) are not subject to Kansas sales or use tax. But regardless of the tax paid to Kansas, the materials may be subject to Nebraska tax laws because they are being used in Nebraska. Contact Nebraska to learn of your tax obligations to that state. Labor Services: Since your taxable labor services are not performed in Kansas, they are not taxable to Kansas, even though your billing is to a Kansas contractor. Be sure the invoice indicates the Nebraska location of the job.

CONTRACTOR DECISION MATRIX

To assist contractors in determining the tax treatment of their labor services and materials for a particular job, the Department of Revenue has developed this decision matrix. By answering the questions about the type of contract in the order presented you will easily be able to determine the sales tax treatment of the materials and labor services.

1) Is this project being performed for a public water supplier paying the Clean Drinking Water Fee?

☐ Yes. Public water suppliers that pay this fee are exempt from sales tax on all property or services purchased directly or indirectly by them to construct, operate or maintain the water district. These water suppliers must provide you a copy of their Clean Drinking Water Fee Exemption Letter from the Kansas Department of Revenue and with the exemption certificate (ST-28EE) for the indirect purchases (materials, subcontractor labor) made by you on their behalf. Kansas political subdivisions paying the Clean Drinking Water Fee may use a Project Exemption Certificate (PEC) in lieu of Form ST-28EE.

☐ No. Go to Question 2.

2) Is this a project covered by a PEC?

☐ Yes. All parts of the project are exempt – materials and labor, including materials and/or labor provided by all subcontractors. The customer will provide the general contractor with a copy of the numbered PEC, who will in turn provide to all the other contractors on the project. Each will give a copy to their vendors to validate the exemption from sales tax on materials and/or labor provided for the project.

☐ No. Go to Question 3.

3) Is this project being performed for an exempt entity that has a By Or On Behalf Of exemption certificate?

☐ Yes. Materials/parts are exempt. The By Or On Behalf Of exemption certificate allows contractors to purchase materials exempt from sales tax similar to a PEC. Labor is exempt.

☐ No. Go to Question 4.

4) Is this project being performed for an exempt entity that has a Tax-Exempt Entity Exempt Certificate?

☐ Yes. Materials/parts are taxable. Labor is exempt as a direct purchase. The exempt entity must provide a completed exemption certificate. (Exempt entities must have a project exemption in order for the materials to be exempt.)

☐ No. Go to Question 5.

5) Is this project residential? Labor services performed on residential property are exempt.

☐ Yes. Materials/parts are taxable. Labor is exempt.

☐ No. Go to Question 6.

6) Is this project original construction? (As defined in this publication.)

☐ Yes. Materials/parts are taxable. Labor is exempt.

☐ No. Go to Question 7.

7) Does this project qualify for the Integrated Production Machinery & Equipment or Warehouse Machinery & Equipment exemption? The sale, installation, repair, and maintenance (parts, accessories and labor services) of certain machinery and equipment used in a Kansas plant, facility, warehouse or distribution center is exempt from sales tax. See Notice 00-08 and Exemption Certificates ST-201 and ST-203.

☐ Yes. Materials/parts exempt. Labor is exempt.

☐ No. Materials, parts, and labor are taxable.

If you answered **No** to questions 1 through 7, the project is in the general category of commercial remodel work. On these jobs, both the materials and labor services by all contractors performing work on the project are subject to the Kansas retailers' sales tax.

CONTRACTOR RESPONSIBILITIES

WHO MUST REGISTER?

Contractors, subcontractors, and repairmen who perform taxable labor services in Kansas must obtain a Kansas sales tax number to report and remit the sales tax collected on taxable labor services from their customers. All contractor-retailers must be registered to collect sales tax from their retail customers on the sale of tangible personal property as well as the tax on their taxable labor services.

IMPORTANT: Contractors or subcontractors that perform only *original construction* or *residential* labor services, as defined herein, are not required to register to collect sales tax, so no tax number is needed to report/remit the tax on the nontaxable labor services. They must, however, pay sales or use tax on all the materials and supplies when buying them from the supplier(s).

General contractors should be sure all of the subcontractors on a job are properly registered in Kansas. Nonresident contractors and subcontractors working in Kansas have special registration and bonding requirements.

NONRESIDENT CONTRACTOR OBLIGATIONS

The Nonresident Contractors Act was passed to help insure payment of all Kansas taxes by nonresident contractors and nonresident subcontractors working in Kansas. Contractor includes any individual, partnership, firm, corporation, or other association of persons engaged in the business of construction, alteration, repairing, or dismantling of real or personal property.

Nonresident contractors and nonresident sub-contractors must register with the Director of Taxation for each contract performed in Kansas when the total contract price or compensation received is more than $10,000. This registration requirement is waived if the nonresident contractor/subcontractor is a foreign corporation authorized to do business in Kansas by the Kansas Secretary of State.

To register, a nonresident contractor or subcontractor must complete the Nonresident Contractor section of the Kansas Business Tax Application (**CR-16**), and post any required bond. This is in addition to the Kansas sales and withholding tax registrations required when working in Kansas; see *Other Kansas Tax Obligations*.

Nonresident Contractor's Bond

As indicated in the Business Tax Application, every nonresident contractor or subcontractor required to register any contract or contracts must, before entering into the performance of such contract or contracts, execute and file with the Director of Taxation a good and valid bond from a surety company authorized to do business in Kansas or with sufficient sureties to be approved by the Director of Taxation. The bond must be filed with the Director of Taxation before beginning any Kansas contract.

The amount of the surety bond is determined by the size and type of contract. As a general rule, the bond must be 8 percent of the total contract amount or $1,000, whichever is greater. However, if the project is a tax-exempt project (see page 11), the amount of the bond is 4 percent of the contract amount or $1,000, whichever is greater. **A copy of the Project Exemption Certificate must accompany a 4 percent bond.**

A surety bond filed with the Director of Taxation may cover more than one contract, provided the other contract(s) are started in the same calendar year and the bond was submitted as a *blanket* bond. If necessary, the Director of Taxation may require the amount of a blanket bond be increased to cover all Kansas tax liabilities.

When the nonresident contractor or subcontractor has fully performed all contracts registered during the current calendar year and has paid all applicable taxes, the surety bond will be released by the Director of Taxation. To expedite the release of the bond, the contractor should request release forms **60 days before** the expected completion date. Appropriate forms will be mailed for the bond release.

Noncompliance Penalties

Every nonresident contractor or subcontractor who is not registered and bonded before construction begins is denied the right to perform construction services in Kansas. The denial, by way of an injunction proceeding, will remain in effect until the contract is registered with the Director of Taxation, and the required bond is executed and filed.

Any nonresident contractor or subcontractor failing to register or comply with this act is also not entitled to recover, by way of Kansas courts, payment for performance of the contract. Failure to register and post the required bond is a misdemeanor offense, and upon conviction a nonresident contractor or subcontractor may be fined not less than $100 nor more than $5,000.

Other Kansas Tax Obligations

In addition to registering each contract and posting the required bond with the Director of Taxation, nonresident contractors working in Kansas are usually liable for Kansas sales, withholding and income tax (either corporate or individual), administered by the Department of Revenue. Nonresident contractors should register for these taxes on Form **CR-16** at the same time they are registering their contracts in Kansas and posting the required bond on that form. See also *How to Register* that follows.

Nonresident contractors and subcontractors should contact each of the offices listed below for detailed information on other state and local tax obligations and registration requirements when working in Kansas.

Division of Employment Security
785-296-5075
www.dol.ks.gov

Secretary of State
785-296-4564
www.kssos.org

Personal Property Tax
(Contact the county treasurer for the Kansas county where the contract will be performed.)

Nonresident General Contractor's Responsibilities

A nonresident general contractor working in Kansas is responsible for making sure that any and all nonresident contractors and subcontractors on his project who are subject to this act are duly registered and bonded. If they are not, the general contractor is directly liable for the subcontractor's liabilities, including all applicable taxes, contributions, penalties and interest, unless the general contractor has withheld sufficient moneys from the contract to pay the subcontractor's tax obligations. The Director of Taxation may use all collection remedies against the general contractor, including liens and garnishments.

HOW TO REGISTER

To apply for a tax number or to register for Kansas Retailers' Sales Tax, visit **ksrevenue.org** 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 and Instructions, from our website.

If you prefer, you may apply in person – it 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 it 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.

Once your application is processed, your business is assigned a sales tax account number and registration certificate. More specific details about account numbers, displaying registration certificates, and overall retailer responsibilities can be found in **Publication KS-1510**, available on our website.

CHARGING AND COLLECTING SALES TAX

THE CARDINAL RULE

Contractors, subcontractors, and repairmen working in Kansas are responsible for collecting the full amount of sales tax due on their fees for taxable labor services. If you are a contractor-retailer, you must also collect sales tax on the retail sale of tangible personal property. The basic rule all retailers must follow is that *"all retail sales of goods and taxable labor services are subject to sales tax unless specifically exempt."*

Therefore, for every retail sale of materials and every sale of taxable labor services in Kansas, your sales receipt, invoice, or bill to the customer must:

- show that the applicable state, county, and city sales tax due was collected (see *Invoicing the Customer*), **or**
- be accompanied by a completed exemption certificate.

By following this rule you will save the expense of owing sales tax on sales of property or labor services on which you should have charged sales tax. Care should be taken to pay or accrue sales tax on materials incorporated into projects for exempt customers who did not obtain a PEC.

THE SALES TAX BASE

The sales tax base for construction contracts is the **total amount of money received for completion of a job or project**, known as your gross receipts*, less:

- cost of direct materials (on which sales or use tax has been paid or accrued), **and**
- payments to subcontractors (on which sales tax has been paid, when applicable).

* Gross *receipts* does NOT include the sales tax collected from the customer on your taxable labor services.

Like any other retail business, **your profit (including the markup on materials) and overhead costs are figured into the total charged the customer and are therefore subject to sales tax**. A contractor may not deduct overhead expenses when figuring the taxable amount of the labor services portion of any contract. Nondeductible overhead items include:

- building permits
- consumable supplies, such as form lumber and sand paper
- employee labor costs
- lease payments for tools, equipment and machinery
- office supplies
- per diem and travel expenses
- sewer hookup fees
- utilities

INVOICING THE CUSTOMER

There are two accepted methods contractors, subcontractors, and repairmen may use to charge the applicable state and local sales tax on their taxable labor services contracts. They may bill the customer:

1) The contract price, stating on the invoice: "all applicable sales taxes included" **or**
2) The contract price on the taxable labor services plus the sales tax separately stated.

How you bill your customers affects how you report and pay the sales tax you have collected on your sales tax return. Sales tax is to be paid on an item or taxable service only once — by the final user or consumer. Regardless of the billing method used, contractors and subcontractors are each responsible for the tax due or collected on their portion of the total job. See also *Contractor's Liability* herein.

The following examples show how the sales tax base is computed for each type of billing method. Note that the examples that follow reflect only the 6.5% state sales tax — any applicable local sales tax in effect at the job site would need to be included.

"All Applicable Sales Taxes Included"

In this method, the sales tax is not a line item on the invoice, but is included or *factored into* the total price for the job.

Hammertime Construction contracts with a restaurant to remodel a kitchen for $12,000. This bid includes all labor, materials, subcontractors, and sales tax. Hammertime paid $4,107.71 for the materials ($3,857 + $250.71 sales tax), and subcontracted the plumbing and electrical work to another contractor for $1,500 (all taxes included). The customer paid Hammertime Construction $12,000. Hammertime's taxable labor services are:

Contract Price	$12,000.00
Less Tax Paid Materials	- 4,107.71
Less Tax Paid Subcontractor	- 1,500.00
Taxable Labor Services	$ 6,392.29

Since the contract stated *All applicable taxes included*, the taxable labor services amount includes the sales tax. To determine the sales tax base on this portion of the contract, divide $6,392.29 by "1" plus the applicable tax rate at the job site (here presumed to be 1.065). The result, $6,002.15 is the sales tax base for the contract; the sales tax due is $6,002.15 X .065 = $390.14. (To check your work, $390.14 + $6,002.15 = $6,392.29, the taxable labor services portion of the total job.)

However, sales tax returns begin with gross receipts (total amount received for jobs during the period; taxable and nontaxable), but exclusive of sales tax on the taxable labor services. The gross receipts that Hammertime will include on line 1 of its sales tax return, is:

Taxable Labor	$ 6,002.15
Tax Paid Materials	$ 4,107.71
Tax Paid Subcontractor	$ 1,500.00
Total Gross Receipts (line 1)	$11,609.86

To check your calculations, the total gross receipts amount and the sales tax on the taxable labor portion of the job should equal the total received from the customer. In this example, $11,609.86 (gross receipts) + $390.14 (sales tax) = $12,000 (job total).

Gross *receipts* includes both parts of a contract. The items on which tax has been paid (materials and subcontractor costs) are a deduction from *gross receipts* on the sales tax return – they are not taxed again. This type of billing and sales tax reporting is further illustrated by the sample completed filings on the following pages.

Sales Tax Separately Stated

If you separately state the sales tax on your bid or invoice, the tax is charged only on the labor services portion of the contract, NOT on the total contract amount.

Hammertime contracts with a restaurant for a kitchen remodel job for $2,000, separately stating the 6.5% sales tax on the labor services portion of the job. Its bid and invoice to the customer would read:

Labor	$ 1,000.00
Tax @ 6.5%	65.00
Material & Subcontractor Costs	$ 1,000.00
Total due	$ 2,065.00

Hammertime will report $2,000 on the gross receipts line or column of the sales tax return. The material and subcontractor costs of $1,000 are deducted on the return.

CAUTION: As a contractor you do not charge your customers sales tax on the total amount of the contract. It is not lawful to charge tax on the tax you have already paid.

In the above example, had Hammertime charged a total of $2,130 for the job ($2,000 X .065 tax), the $130 tax must be remitted. The amount of sales tax collected from the customer is the amount that must be remitted to the Kansas Department of Revenue. **If billed in this unlawful manner, there is NO deduction allowed for tax-paid materials or subcontractor costs when computing the sales tax due or completing the sales tax return**.

REPORTING AND PAYING SALES TAX

PAYING TAX ON CONTRACT USE OF INVENTORY

Contractor-retailers purchase their inventory for resale using the Contractor-Retailer Exemption Certificate on page 29. When inventory items (materials, tools or supplies) are used by a contractor-retailer or its employees, or are incorporated into contracts for customers, the contractor-retailer becomes the final consumer and must pay (self-accrue) sales tax on the items. The tax paid is based on their original cost to the contractor-retailer, not their retail price. The local tax paid is the rate in effect at the location of the inventory. This tax is due even when the materials will be used on a job outside Kansas, because the sale (removal from inventory) of the materials took place in Kansas.

To report and pay sales tax on inventory items used personally or for a contract, a contractor-retailer will enter the cost of these inventory items as part of *Merchandise Consumed*. It will be subject to sales tax at the rate of tax in effect where the inventory is located.

ABC Lumber in Hutchinson, KS is a contractor-retailer. It purchases its inventory of building materials and supplies without tax using the Contractor-Retailer Exemption Certificate. During April, ABC Lumber pulls materials from its inventory for construction projects to be performed in Kansas and Oklahoma. The materials cost ABC Lumber $7,000; their retail value is $10,000. ABC also donated nail guns, drills and supplies costing $500 to Habitat for Humanity. On its April sales tax filing, it will report $7,500 in the *Merchandise Consumed* column of the ST-36.

IMPORTANT: Contractor-retailers should use the "Merchandise Consumed/Purchased Without Tax" line or column to report the personal use of inventory – such as taking materials out of inventory for use on the contractor's own home. Materials, supplies or tools taken out of inventory are reported on the sales tax filing at their cost to the contractor. Contractor-retailers may also use the *Merchandise Consumed* line to report cost of materials removed from inventory for installation for others. DO NOT, however, enter the cost of the materials in both the *Merchandise Consumed* column – **and** in the *Gross Sales* column – as this will result in reporting the tax twice.

WHICH FILING – ST-16 OR ST-36?

The Department of Revenue has two types of sales tax returns in electronic format—ST-16 for single jurisdiction reporting and ST-36 for taxpayers that collect sales tax for more than one jurisdiction. If all of your sales, deliveries, and labor services are performed in ONE jurisdiction (city/county), and your filing status is not prepaid monthly, you may report all sales using the ST-16 form type.

Since the majority of contractors and contractor-retailers must use form type ST-36, a ST-16 example is not included in this publication. See **Pub. KS-1510,** Kansas Sales and Compensating Use Tax, for examples of that form type.

PREPAID MONTHLY FILING FREQUENCY

Retailers' whose annual sales tax liability exceeds $32,000 are classified by law as having a prepaid monthly filing status and must file a ST-36. Essentially, the retailer is required to prepay sales tax collections for the first 15 days of each month on or before the 25th of that same month.

The law provides that a prepaid monthly filer will be in compliance if the amount of tax reported for the first 15 days of each month is either: 1) 90 percent of the actual amount of tax collected for the first 15 days of the following month or, 2) 50 percent of the tax liability for the same month of the previous year.

The Department of Revenue annually reviews the filing frequency of all sales tax accounts. Those with annual sales tax liabilities exceeding $32,000 are notified by mail that beginning January 1st of the coming year they will be classified as prepaid monthly filers. **DO NOT** file as prepaid monthly **unless the Department of Revenue has notified you** in writing to change your filing frequency or, you initially registered to file **prepaid monthly**.

Detailed information about adjusting your filing frequency, including a monthly to prepaid monthly transition, can be found in the *Reporting and Paying Sales Tax* section of **Pub. KS-1510**, available on our website.

SAMPLE COMPLETED SALES TAX FILINGS

Sample completed sales tax filings for contractors and for contractor-retailers begin on the next page. The differences among them are defined by how the billing/invoicing is done for the jobs performed. They illustrate how to properly report (electronically) sales and tax due on retail sales of tangible personal property; labor services (taxable, original construction and exempt projects); and, contract or personal use of inventory purchased for resale without tax.

Follow the example that corresponds to your business type and billing method.

Sample #1	Contractor – Sales tax included in quoted price.
Sample #2	Contractor – Contract price plus sales tax
Sample #3	Contractor-Retailer – Sales tax self-assessed when materials removed from inventory.

Contractors reporting sales tax for more than one taxing jurisdiction, or whose filing frequency is prepaid monthly, must use form type ST-36. The primary difference between the ST-16 and the ST-36 is that the ST-36 allows retailers to report sales in several jurisdictions, while the ST-16 is for single location filers only. The samples that follow illustrate how to compute your tax so that you can complete an online filing of the ST-36 form type. (Use the chart on page 26 to determine which electronic filing option is best for you.)

CAUTION: All of the **examples that follow are for illustration purposes only so the sales tax rates used in them may not be current**. **Pub. KS-1700**, available on our website, contains current sales tax rates for all Kansas taxing jurisdiction(s).

SAMPLE #1 Contractor – sales tax included in quoted price.

NOTE: Tax rates in this example are for illustration purposes only and may not be current. See Pub. KS-1700 for a list of current tax rates.

During April, ABC Construction Company (a cash basis contractor) was paid for four contracts. All contracts were billed at the contract price, "All applicable sales taxes included." Sales tax was paid on the materials at the time of purchase in Reno County (minus materials purchased under the school's PEC) at the Reno County rate of 8 percent. ABC's sales tax calculations and completed April filing follows.

Job - Location	Contract Price	Materials	Subcontractors	PEC
Shed – Reno County, KS	$ 4,000	$ 3,295.30	$ 0.00	no
Kitchen – Hutchinson, KS	$ 9,000	$ 6,059.10	$ 621.95	no
Law Office – Lyons, KS	$13,000	$ 8,504.00	$ 0.00	no
Public School – Haven, KS	$15,000	$ 0.00	$ 0.00	yes

STEP 1 Figure dollar amount of labor. Subtract tax paid materials and payments to subcontractors from gross contract amount.

Shed: $4,000 - $3,295.30 = **$704.70**

Kitchen: $9,000 – ($6,059.10 + $621.95) = **$2,318.95**

Law Office: $13,000 - $8,504 = $4,496 (including tax at the Lyons' rate of 8 percent). $4,496/1.08 = **$4,162.96** (without tax)

School: **None** – PEC

STEP 2 Go to **ksrevenue.org** 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 3 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 4 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 5 Click **Filing Period** and **Continue** to enter information for Part III.

STEP 6 Click **Add Jurisdictions** and follow the instructions to add jurisdiction codes to Part III for the filing period. You can select from the **Look Up Jurisdiction** list on the Web page or refer to Pub. KS-1700, available on our website. For this example, Reno County is RENCO. After you locate the proper jurisdiction, click **Add Jurisdiction** to the left of the page.

STEP 7 Enter under *Gross Sales*, the gross receipts for the month for each location in which sales took place.

Reno County is **$4,000**

Hutchinson is **$9,000**

Lyons is **$12,666.96** ($8,504 materials plus $4,162.96 labor)

Haven is **$15,000**

STEP 8 Enter under *Merchandise Consumed By You* the cost of the goods consumed at each location (goods purchased without sales tax and converted to personal use).

STEP 9 Enter under (*Non-Utility*) *Deductions* the total deductions (nontaxable and exempt sales) for each location:

Reno County: **$4,000** ($3,295.30 tax paid materials plus $704.70 original construction labor)

Hutchinson: **$9,000** ($6,059.10 tax paid materials plus $2,318.95 residential labor plus $621.95 payment to subcontractor)

Lyons: **$8,504** (tax paid materials)

Havens: **$15,000** (materials and labor exempt under the school's PEC)

On "Net Sales" Reno County would be $0; Hutchinson $0; Lyons $4,162.96; and Havens $0. Click **Calculate** and **Continue**.

STEP 10 Complete Part II. Itemize your deductions by category for all business locations on the applicable line.

Line O of Part II should equal the total of (*Non-Utility*) *Deductions* from Part III. Click **Calculate** and **Continue**.

STEP 11 Verify information entered in Part I. If correct, click **Calculate** and **Continue**.

STEP 12 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 25. Click **Continue** for the verification screen. Verify all entries and click **Submit Return**.

SAMPLE #2 Contractor – contract price plus sales tax.

NOTE: Tax rates in this example are for illustration purposes only and may not be current. See Pub. KS-1700 for a list of current tax rates.

During April, DEF Construction Company (a cash basis contractor) was paid for four (4) contracts. All contracts were billed at the contract price plus, sales taxes on labor. Sales tax was paid on the materials at the time of purchase in Reno County (minus materials purchased under the school's PEC) at the Reno County rate of 8 percent. DEF's sales tax calculations and completed April return follows.

Job - Location	Contract Price	Materials	Subcontractors	PEC
Shed – Reno County, KS	$ 4,000	$ 3,295.30	$ 0.00	no
Kitchen – Hutchinson, KS	$ 9,000	$ 6,059.10	$ 621.95	no
Law Office – Lyons, KS	$13,000	$ 8,504.00	$ 0.00	no
Public School – Haven, KS	$15,000	$ 0.00	$ 0.00	yes

STEP 1 Figure dollar amount of labor. Subtract tax paid materials and payments to subcontractors from gross contract amount.

Shed: $4,000 - $3,295.30 = **$704.70**

Kitchen: $9,000 – ($6,059.10 + $621.95) = **$2,318.95**

Law Office: $13,000 - $8,504 = **$4,496**

School: **None** – PEC

STEP 2 To begin the filing process, go to **ksrevenue.org** and then follow the instructions for STEPS 2 through 6 from Sample #1 on page 21.

STEP 3 Enter under *Gross Sales*, the gross receipts for the month for each location in which sales took place.

Reno County is **$4,000**

Hutchinson is **$9,000**

Lyons is **$13,000**

Haven is **$15,000**

STEP 4 Enter under *Merchandise Consumed By You* the cost of the goods consumed at each location (goods purchased without sales tax and converted to personal use).

STEP 5 Enter under (*Non-Utility*) *Deductions* the total deductions (nontaxable and exempt sales) for each location:

Reno County: **$4,000** ($3,295.30 tax paid materials plus $704.70 original construction labor)

Hutchinson: **$9,000** ($6,059.10 tax paid materials plus $2,318.95 residential labor plus $621.95 payment to subcontractor)

Lyons: **$8,504** (tax paid materials)

Havens: **$15,000** (materials and labor exempt under the school's PEC)

On "Net Sales" Reno County would be $0; Hutchinson $0; Lyons $4,162.96; and Havens $0. Click **Calculate** and **Continue**.

STEP 6 Complete Part II. Itemize your deductions by category for all business locations on the applicable line.

Line O of Part II should equal the total of (*Non-Utility*) *Deductions* from Part III. Click **Calculate** and **Continue**.

STEP 7 Verify information entered in Part I. If correct, click **Calculate** and **Continue**.

STEP 8 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 25. Click **Continue** for the verification screen. Verify all entries and click **Submit Return**.

SAMPLE #3 Contractor-Retailer – sales tax self-assessed when material removed from inventory.

NOTE: Tax rates in this example are for illustration purposes only and may not be current. See Pub. KS-1700 for a list of current tax rates.

During April, GHI Lumber/Construction Company of Hutchinson, Kansas (a cash basis contractor/retailer) was paid for four contracts. All contracts were billed at the contract price plus sales taxes on labor. Sales tax was self-assessed on GHI's sales tax return at the sales tax rate in effect where the goods were removed from inventory—Hutchinson, 9.1% (minus materials supplied under the school's PEC).

In addition to these contracts, GHI had over-the-counter retail sales for April totaling $12,500 (without sales tax). GHI's sales tax calculations and completed April return follows.

Job - Location	Contract Price	Materials	Subcontractors	PEC
Shed – Reno County, KS	$ 4,000	$ 3,300	$ 0.00	no
Kitchen – Hutchinson, KS	$ 9,000	$ 5,800	$ 621.95	no
Law Office – Lyons, KS	$13,000	$ 8,000	$ 0.00	no
Public School – Haven, KS	$15,000	$ 0.00	$ 0.00	yes

STEP 1 Figure dollar amount of labor. Subtract tax paid materials and payments to subcontractors from gross contract amount.

Shed: $3,300 X 0.091 = **$300.30**

Kitchen: $5,800 X 0.091 = **$527.80**

Law Office: $8,000 X 0.091 = **$728.00**

School: **None** – PEC

Figure labor costs and tax thereon:

Shed: **$0** ($4,000 - $3,600.30 tax paid materials = $399.70 labor. Original construction--not taxed.)

Kitchen: **$0** ($9,000 - $6,327.80 tax paid materials = $2,672.20. Residential labor--not taxed.)

Law Office: **$363.05** - ($13,000 - $8.728.80 tax paid materials = $4,271.20 X .085 = $363.05.)

School: **None** – PEC

STEP 2 To begin the filing process, go to **ksrevenue.org** and then follow the instructions for STEPS 2 through 6 from Sample #1 on page 21.

STEP 3 Enter under *Gross Sales*, the gross receipts for the month for each location in which sales took place.

Reno County is **$4,000**

Hutchinson is **$21,500** ($9,000 kitchen - materials and labor plus $12,500 retail sales

Lyons is **$13,000**

Haven is **$15,000**

STEP 4 Enter under *Merchandise Consumed By You* the cost of the goods consumed at each location (in this example they were removed from inventory in Hutchinson and will be reported in that jurisdiction).

Hutchinson: **$17,100** ($3,300 + $5,800 + $8,000)

STEP 5 Enter under (*Non-Utility*) *Deductions* the total deductions (nontaxable and exempt sales) for each location:

Reno County: **$4,000** ($3,600.30 tax paid materials plus $399.70 original construction labor)

Hutchinson: **$9,000** ($6,327.80 tax paid materials plus $2,050.25 residential labor plus $621.95 payment to subcontractor)

Lyons: **$8,728** (tax paid materials)

Havens: **$15,000** (materials and labor exempt under the school's PEC)

On "Net Sales" Reno County would be $0; Hutchinson $29,600; Lyons $4,436; and Havens $0. Click **Calculate** and **Continue**.

STEP 6 Complete Part II. Itemize by category the deductions for all business locations on the applicable line.

Line O of Part II should equal the total of (*Non-Utility*) *Deductions* from Part III. Click **Calculate** and **Continue**.

STEP 7 Verify information entered in Part I. If correct, click **Calculate** and **Continue**.

STEP 8 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 25. Click **Continue** for the verification screen. Verify all entries and click **Submit Return**.

COMPENSATING USE TAX

WHAT IS COMPENSATING USE TAX?

Since 1937 Kansas has imposed a use tax on goods purchased by Kansans (individuals and businesses) from outside Kansas and used, stored, or consumed in Kansas on which no sales tax was paid, or a sales tax less than the Kansas rate was paid. The purpose of compensating use tax is to protect Kansas businesses from unfair competition from out-of-state retailers who sell goods tax-free; use tax *compensates* for the lack of sales tax collected at the time of purchase by the retailer. A use tax also helps to assure fairness to Kansans who purchase similar items in Kansas and are required to pay Kansas sales tax on them.

All the states imposing a general sales tax also levy the companion use tax. Items purchased in or from Alaska, Delaware, Montana, New Hampshire and Oregon are automatically subject to use tax since these five states do not have either a general sales or a use tax. (Montana applies sales tax only to a few selected transactions.)

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—labor services are not subject to use tax. Like sales tax, use tax is based on the total cost of the good purchased, including postage, shipping, handling or transportation charges from the retailer to the Kansas consumer and there is a local (city and/or county) use tax on tangible personal property shipped from outside of Kansas for use, storage or consumption in Kansas. Like instate sales tax transactions, the local use tax rate imposed is generally the rate where the customer takes delivery or possession of the goods (i.e., the ship-to address). Thus, whether the item was purchased in or outside of Kansas for use in Kansas - the rate of tax due is the same rate.

There are two types of compensating use tax: **Consumers'** Compensating Use Tax – paid by the Kansas consumer direct to the Department of Revenue; and, **Retailers'** Compensating Use Tax – collected by retailers in other states from their Kansas customers.

The consumers' compensating use tax is due when Kansas residents buy goods or merchandise for their own use or consumption (final consumer) from vendors in other states on which a state and local sales tax rate equal to that of the Kansas buyer has not been paid. HOW the transaction or sale is accomplished – phone, fax, catalog, internet - is not a factor. When a taxable item is purchased in Kansas, the customer is required to pay the state and local sales tax on it. When that taxable item is purchased outside Kansas for use, storage or consumption in Kansas (not resale), state and local use tax is due.

Many Kansas contractors and repairmen are not aware of their consumers' use tax obligation until they are audited. As a business consumer, you owe use tax as the final consumer of the equipment, fixtures, materials, tools and other taxable non-inventory items purchased from vendors outside of Kansas. You have a contract to build a new home in Pittsburg, Kansas. The following situations illustrate the sales and use tax treatment of materials purchased from outside Kansas.

Situation 1. Deck materials are ordered from a lumber yard in Joplin, MO and delivered by a third party interstate carrier to the job site in Pittsburg. These materials are taxable. Since the Missouri retailer did not charge you the Kansas retailers' compensating use tax for Pittsburg on the sale, you owe the Kansas consumers' compensating use tax on the materials at the rate in effect for your Pittsburg job site.

Situation 2. Not all of the deck supplies ordered from the retailer in Situation 1 were shipped, and you go to Missouri to pick up the rest of the order. Since the sale is taking place in Missouri, a Missouri sales tax (if applicable) is due. Kansas consumers' compensating use tax may also be due if the state and local rate paid in Missouri is less than the rate in effect at the Pittsburg job site.

Situation 3. The kitchen cabinets are being made in Arkansas, and the Arkansas retailer is delivering them to your job site in his own truck. This Arkansas retailer has established "nexus" in Kansas by making deliveries into Kansas with his own truck, and therefore must be registered to collect the Kansas retailers' compensating use tax on this sale to you.

Situation 4. The faucets you need come from a company in Texas that also has an outlet store in Overland Park, Kansas. The Texas company will therefore charge you the Kansas retailers' compensating use tax on this sale at the rate in effect when you take delivery of the faucets (ship to address).

For more discussion of use tax, see **Pub. KS-1510**, Kansas Sales and Compensating Use Tax.

HOW TO REGISTER, REPORT AND PAY USE TAX

If you regularly make purchases of materials, supplies, tools, and equipment, you need to register for a Consumers' Use Tax reporting number. To obtain a reporting number, complete a Business Tax Application (**CR-16**). It is the same form used to apply for Kansas sales and/or withholding tax numbers. See *How to Register* on page 18.

How often you report and pay the use tax depends on the estimated annual amount of purchases subject to the tax. Most retailers report on a quarterly basis.

To report and pay the use tax on a one-time purchase, complete a Consumers' Use Tax Return (CT-10U). The example on the following page illustrates how to compute taxable purchases and complete an electronic filed CT-10U, Consumers' Compensating Use Tax Return.

NOTE: Tax rates in this example are for illustration purposes only and may not be current. See Pub. KS-1700 for a list of current tax rates.

Joe Doe is a dry wall contractor in Coffeyville, Kansas. In July he ordered sheet rock from an Oklahoma retailer. The sheet rock was shipped to his Coffeyville location and no sales tax was charged on the invoice amount of $2,435 plus $80 shipping ($2,515 total). He submitted a second sheet rock order from the Oklahoma retailer shipped to a work site in Independence, Kansas of $3,460 plus $95 shipping ($3,555 total).

While on an August vacation in Iowa, he also purchased a shop vac and supplies (for use in Coffeyville) for $450 plus state and local Iowa sales tax of 5.225% ($23.51 Iowa sales tax).

Supplies - Shipping Location	Invoice Amount / Cost	Tax Paid
Sheet Rock – Coffeyville, KS	$ 2,515	$ 0.00
Shop Vac and Supplies – Coffeyville, KS	$ 450	$ 23.21
Sheet Rock – Independence, KS	$ 3,555	$ 0.00

STEP 1 Figure the total taxable sales from purchases (including shipping) made in other states.
Sheet rock: $2,435 + $80 shipping = **$2,515**
Sheet rock: $3,460 + $95 shipping = **$3,555**
Shop vac and supplies: **$450**

STEP 2 To begin the filing process, go to **ksrevenue.org** and then follow the instructions for STEPS 2 through 4 from Sample #1 on page 21.

STEP 3 Click **Filing Period** and **Continue** to enter information for Part II.

STEP 4 To add the applicable jurisdictions to your filing period, click **Add Jurisdictions**. You can select from the **Look Up Jurisdiction** list on the Web page or refer to Pub. KS-1700, available on our website.
For this example, Coffeyville in Montgomery County is COFMG and Independence in Montgomery County is INDMG. After you locate these jurisdictions, click **Add Jurisdiction**.

STEP 5 Click **Continue**. Enter The total Taxable - the total cost of out-of-state purchases subject to Kansas Use Tax. For example the taxable amount for:
COFMG is **$2,965** ($2,515 + $450)
INDMG is **$3,555**

STEP 6 Enter under *Tax Paid in Another State* the amount of sales tax paid to another state for purchases. For this example enter $23.51 for Iowa sales tax paid on the shop vac and supplied purchased there. Click **Calculate** and **Continue**.

STEP 7 Verify information entered in Part I. If correct, click **Calculate** and **Continue**.

STEP 8 Select your payment option: ACH Debit, ACH Credit, or Check w/Voucher. For definitions of the ACH Credit and ACH Debit payment options, see below. Click **Continue** for the verification screen. Verify all entries and click **Submit Return**.

YOUR FILE AND PAY OPTIONS

Kansas businesses are required, by law, to **submit *Retailers' Sales, Compensating Use, and Withholding Tax* returns electronically** and there are several electronic filing solutions available (see next page).

Most businesses have chose to file and pay **online** through the **KDOR Customer Service Center (KCSC)**. To use this method of filing, simply go to **ksrevenue.org** and log into the **KSCS**. Once you create a user login ID and select a password, 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 returns filed or payments made will be retained in the KCSC.

If you prefer a telephone option, you may wish to try **TeleFile**. This option, like the online option, allows you to file returns and make payments for several tax accounts with an access code. TeleFile requires that you use your access code each time you file or make payment. ANNUAL FILERS REPORTING ZERO SALES: You may use your touch-tone telephone to file your annual multi-jurisdiction sales and/or use tax "zero-sales" returns.

Electronic tax payments must settle on or before the due date. Using the **KCSC**, you can 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 form (**EF-101**) that is available on our website. Credit card payments are also accepted through third-party vendors. **Visit our website for a current list of vendors**.

Our electronic filing methods are simple, safe, and FREE and conveniently **available 24 hours a day, 7 days a week**. You also receive immediate confirmation that your return is filed. Refer to your tax type in the following table to find the electronic filing and payment options available to you.

If you need assistance with your access code you may call our Taxpayer Assistance line (785-368-8222) or email our Electronic Services staff (**kdor_eservices@ks.gov**).

ELECTRONIC FILE and PAY OPTIONS

For assistance with filing your tax return or making your payment electronically, contact our **Electronic Services** staff at 785-296-6993; or you may email Electronic Services at: **kdor_eservices@ks.gov**

ELECTRONIC OPTIONS	PROGRAM DESCRIPTION	FORMS ACCEPTED	REQUIREMENTS	GETTING STARTED
Sales and Compensating Use Tax				
ONLINE ksrevenue.org	Use the **KDOR Customer Service Center (KCSC)** to file single and multi-jurisdiction sales and use tax returns. The **KCSC** allows filers to upload jurisdictions and tax payments directly into returns. Users can also opt to retain jurisdiction information from previous returns into their current return; saving time and improving accuracy.	• ST-16 • ST-36 • CT-9U • CT-10U	• Internet access • Access Code(s) • EIN • EF-101 form (ACH Credit Payments)	• Go to **ksrevenue.org** and sign into the KDOR Customer Service Center. • Create a user login and a password. • Contact the Kansas Department of Revenue for your access code. • Connect your tax account to your login and begin filing.
BY PHONE **877-317-5639**	The **TeleFile** system can be used to file single jurisdiction returns. It may also be used for annual filers with multi-jurisdictions and **zero tax** to report. Using a touch-tone phone, tax information is entered from a completed worksheet into the TeleFile system. Your assigned access code and federal EIN remains the same for each filing period.	• ST-16 With zero sales: • ST-36 • CT-9U • CT-10U	• Touch-tone telephone • TeleFile worksheet • Access Code(s) • EIN	• Complete a TeleFile worksheet (download it from our website or make copies of your current worksheet for filing future periods). • Contact the Kansas Department of Revenue for your access code. • Call 1-877-317-5639 and use your access code and EIN to access the TeleFile system. Using the keypads on a touch-tone phone, enter the information from your worksheet.
Withholding Tax				
ONLINE ksrevenue.org	**KW-5** Deposit Reports can be made using the **KDOR Customer Service Center (KCSC)**. After connecting to your withholding account, click the "Make an EFT Payment" link to complete your filing and make payment. The **KCSC** also allows you to file your **KW-3**, Annual Withholding Tax return, and your **W-2/1099**, Withholding Reports, electronically. A **Form EF-101**, Authorization for Electronic Funds Transfer, must be completed for ACH Credit before using the EFT payment method. This form, for ACH Credit payers only, is available on our website.	• KW-3 • KW-5 • W-2 • 1099	• Internet access • Access Code(s) • EIN • EF-101 form (ACH Credit Payments)	• Go to **ksrevenue.org** and sign into the KDOR Customer Service Center. • Create a user login and a password. • Contact the Kansas Department of Revenue for your access code. • Connect your tax account to your login and begin filing. • Go online and complete a **Form EF-101** (ACH Credit payers only)
BY PHONE **877-317-5639**	A **KW-5** return with payment can be made through the EFT payments telephone system.	• KW-5	• Touch-tone telephone • Access Code(s) • EIN • EF-101 form (ACH Credit Payments)	• Go online and complete a **Form EF-101**. • Contact the Kansas Department of Revenue for your access code. • Call 1-877-600-5640 and use your access code and federal EIN to access the EFT Payment system. Using the keypads on your touch-tone phone, follow the phone prompts to complete payment and submit your return.

ACH Debit: Kansas Department of Revenue debits the tax payment from your bank account.
ACH Credit: You initiate a tax payment through your bank.

TAXATION RESOURCES AND FORMS

When there is a question not answered in this booklet, contact the Department of Revenue. Do not guess. Clarification of whether a purchase or sale is taxable or exempt will save you time in dealing with the issue in the future. Resolving issues of taxability could also save you money; you will be taking full advantage of the exemptions available and avoiding costly sales or use tax deficiencies on taxable purchases. Use the following Department of Revenue resources to obtain information and clarification on Kansas tax matters and to resolve questions of taxability.

TAX ASSISTANCE CENTER

Many business questions can be answered by the customer representatives in our Taxpayer Assistance Center in Topeka. However, like many businesses, the Department of Revenue uses an automated answering system to direct incoming phone calls to the appropriate area. See the back cover of this publication for the address and phone numbers of our taxpayer assistance center.

WEBSITE – ksrevenue.org

Our website contains information about all aspects of the Kansas Department of Revenue. Forms and publications, exemption certificates, and information about all the taxes administered are published here. Each division of the Kansas Department of Revenue is represented. Additionally, our website also contains current information devoted to paperless file and pay options.

POLICY INFORMATION LIBRARY (PIL)

Another service available to taxpayers is an online library of policy information (PIL) for all taxes administered by the Kansas Department of Revenue. The PIL contains Kansas statutes and regulations, Revenue Notices, Revenue Rulings and other written advice issued by the Department of Revenue. Opinion Letters and Private Letter Rulings are also included.

Written Rulings

At times there are unique situations that may require an interpretation or clarification based upon the law, regulations, and specific facts of the case. 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. This written advice is binding on the Department of Revenue 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 modified or rescinded by the Department of Revenue.

You should not rely on a verbal opinion from the Department of Revenue regarding taxability not specifically addressed in the law. When an issue arises in your business that is not directly addressed in the law, document the problem in writing and request a Private Letter Ruling or an Opinion Letter from the Department of Revenue. Fax or mail your request for a written ruling to:

Tax Policy Group
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66612-1588
Fax: 785-296-7928

You will receive a written ruling within 30 days after your request (and any additional information necessary for the ruling) is received. Private letter rulings are published in our Policy Information Library (PIL), but the letters have been "scrubbed" to protect the privacy of the taxpayer—any information identifying the taxpayer, such as name, address, product, etc., is blanked out.

CAUTION: Although published in our PIL, a private letter ruling is *limited to* the requesting taxpayer and that taxpayer's specific factual situation. It cannot be relied upon or cited by any other person.

KEY STATUTES AND REGULATIONS

In preparing this guide we cited the following laws and regulations. The full text of these are a part of the PIL on our website and are also available in libraries throughout the state.

K.S.A. 12-187 et seq	Local Sales Tax
K.S.A. 12-199	Local Compensating Use Tax
K.S.A. 79-1008 et seq.	Nonresident Contractors
K.S.A. 79-3602	Sales Tax Definitions
K.S.A. 79-3606 et seq.	Sales Tax Exemptions
K.S.A. 79-3701 et seq.	Compensating Use Tax
K.A.R. 92-19-62	Warranties and Service Contracts
K.A.R. 92-19-66 et seq.	Contractor Purchases, Project Exemptions, Labor Services
K.A.R. 92-19-79	Oil, Gas and Water Wells

In addition to this publication, the Department of Revenue has issued specific guidance to some business types that perform taxable labor services. Copies of these documents are available on our website.

EDU-26	Sales Tax Guidelines for Contractors and Contractor-Retailers
EDU-27	Sales Tax Guidelines for Fabricators
EDU-28	Sales Tax Guidelines for Businesses that Sell and Service Appliances and Electronic Products
EDU-30	Sales Tax Guidelines for Lawn & Garden Care, Pest Control, Fertilizer Application and Landscaping

FORMS AND CERTIFICATES

The following pages have many of the sales and use tax forms and exemption certificates used by Contractors and Contractor-Retailers. You may reproduce any form in this publication as needed or download the certificates from our website (ksrevenue.org).

KANSAS DEPARTMENT OF REVENUE

AGRICULTURAL EXEMPTION CERTIFICATE

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

Seller: _____
Business Name

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

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

- ☐ Ingredient or component part
- ☐ Consumed in production
- ☐ Propane for agricultural use
- ☐ The property purchased is farm or aquaculture machinery or equipment, repair or replacement parts, or labor services on farm or aquaculture machinery or equipment which will be used exclusively in farming, ranching, or aquaculture.
- ☐ Seeds and tree seedlings; fertilizers, insecticides, herbicides, germicides, pesticides, fungicides; and services, purchased and used for the purpose of producing plants in order to prevent soil erosion on land devoted to agricultural use.

Description of tangible personal property or services purchased: _____

_____

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

Purchaser: _____
Business Name

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

Authorized Signature: _____ Date: _____

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY.

WHO MAY USE THIS CERTIFICATE? Farmers, ranchers, feedlots, fisheries, grass farms, nurseries, Christmas tree farms, custom cutters, crop dusters, and others engaged in farming, ranching, aquaculture, or farm and ranch work for hire are entitled to this exemption.

WHAT PURCHASES ARE EXEMPT? This certificate contains five separate exemptions. Examples of items or uses that are exempt, and those that are taxable are given for each exemption. In addition to meeting the definition for an "ingredient or component part" or the "consumed in production" exemption, items purchased with this certificate must be used exclusively in agriculture or aquaculture to produce a product for resale — food, fiber, fur, or offspring for such purposes.

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.

INGREDIENT OR COMPONENT PART: EXEMPT: Wheat, corn, milo, soybean, and sunflower seed used to produce these crops; feed for beef or dairy cattle, sheep and hogs, ground grain for chickens in a poultry or egg-laying operation; food for aquatic plants and animals (fish); baler twine, baler wire and bale wrap used on hay that will be resold or used in the farmer or rancher's own livestock production operation. TAXABLE: Bedding plants and seeds for a home garden; or food for pets and pleasure animals.

CONSUMED IN PRODUCTION: EXEMPT: Insecticides, herbicides, fungicides, fumigants, germicides, pesticides, and other such chemicals used on growing agricultural crops for resale or used in the processing or storage of fruit, vegetables, feeds, seeds, and grains; antibiotics, biologicals, pharmaceuticals, vitamins, minerals, and like products which are fed, injected, or otherwise applied to livestock for resale; off-road diesel fuel, oil, and oil additives consumed by farm tractors and combines; LP gas for agricultural use. TAXABLE: Insecticides and the like purchased for use in a home garden; antibiotics, vitamins, etc. purchased for pets or pleasure animals; fuels, oils, for cars, trucks, and ATVs.

PROPANE FOR AGRICULTURAL USE: EXEMPT: Propane used to operate farm machinery. TAXABLE: Propane for non-agricultural use, including for barbecue grills, campers, RV equipment and vehicles licensed to operate on public highways.

FARM OR AQUACULTURE MACHINERY AND EQUIPMENT: To qualify, the machinery or equipment must be used ONLY in farming, ranching, the operation of the feedlot or nursery, farm or ranch work for hire, or aquaculture. The exemption applies to the rental or purchase of farm or aquaculture machinery and equipment, as well as the parts and labor purchased to repair or maintain the farm or aquaculture machinery and equipment. EXEMPT: Combines, discs, farm tractors, harrows, hay balers, irrigation and milking equipment, planters, plows, tillers, and work-site utility vehicles (see **NOTICE 06-02**). TAXABLE: Air compressors and tanks, all terrain vehicles (ATVs), automobiles and trucks, barn ventilators, building and electrical materials, bulldozers, fencing materials and tools, garden hoses, grain bins, hand tools, lawnmowers, silos, water and gas wells, welding equipment, and any equipment that becomes a part of a building, facility, or land improvement.

SEEDS AND TREE SEEDLINGS: All components of a shelter belt or wind break planted on ***agricultural land*** are exempt from sales tax. This includes the trees, fertilizers, pest control chemicals, moisture/weed barrier and staples, and above ground irrigation equipment. Furthermore, all services related to the planting or caring of the trees planted on ***agricultural land*** are exempt from sales tax.

Note: See Publication KS-1550, Kansas Sales & Use Tax for the Agricultural Industry, at ***www.ksrevenue.org*** for additional information.

KANSAS DEPARTMENT OF REVENUE

RETAILER/CONTRACTOR EXEMPTION CERTIFICATE

The undersigned **contractor-retailer** certifies that the tangible personal property purchased from:

Seller: _____
Business Name

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

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

K.S.A. 79-3603(l)(2) provides that a contractor, subcontractor or repairman who maintains an inventory of tangible personal property both for resale and for use by them for the purpose of erecting structures, or improving altering or repairing real or personal property, shall be deemed a retailer with respect to purchases for and sales from such inventory.

Description of tangible personal property or services purchased: _____

_____

I hereby certify that I hold a valid Kansas Sales Tax Registration Number: _____ , and that

I am in the business of selling: _____ , and that

the location of my retail outlet is: _____ . The

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

Purchaser: _____
Business Name

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

Authorized Signature: _____ Date: _____

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY

WHO MAY USE THIS EXEMPTION? Only those contractors, subcontractors, or repairmen who maintain an inventory of merchandise for the purpose of making retail sales to the public may use this exemption certificate. A retail sale is a sale that **does not** include installing the item purchased. A contractor, subcontractor, or repairman who purchases materials for installation on a job-by-job basis and who does not maintain an inventory for the purpose of making retail sales is not a contractor-retailer, but is a **contractor**. **A contractor may not use this certificate**. A contractor is considered to be the final consumer of the materials purchased from a supplier for a job and, therefore, must pay sales tax on them when purchased. For more detailed information on how sales tax applies to the construction industry, consult Information Guide ***EDU-26, Sales Tax Guidelines for Contractors and Contractor-Retailers***, which is available from our website: **ksrevenue.org**

WHAT PURCHASES ARE EXEMPT? Only merchandise of the type that the contractor-retailer holds in its resale inventory may be purchased tax exempt with this certificate. Materials and supplies that may be purchased using this certificate include (but are not limited to): electrical supplies, lumber, nails, paints, plumbing supplies, screws, sheet rock, stains, varnishes, and wallpaper.

WHAT PURCHASES ARE TAXABLE? Tools and equipment necessary to perform a job (often considered overhead items) are TAXABLE. Contractors and contractor-retailers are the final users or consumers of any tools used in their trade or business and must pay sales tax on them when purchased. (If purchased from another state, a Kansas compensating use tax will be due if a sales tax equal to at least the state and local sales tax rate in effect where the item will be used, stored or consumed has not been paid on the purchase price). For additional information download **Publication KS-1510, Sales and Compensating Use Tax**, from the department's website. Items such as drills, drill bits, hammers, nail guns, saws, screwdrivers, tool belts and wrenches are taxable. Tools and construction equipment leased or rented for a job are also taxable to the contractor or contractor-retailer unless the customer has furnished a Project Exemption Certificate.

LABOR SERVICES. This certificate applies ONLY to items of tangible personal property. Taxable labor services performed by a contractor, subcontractor or a contractor-retailer can only be purchased exempt from sales 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

INTEGRATED PRODUCTION MACHINERY AND EQUIPMENT EXEMPTION CERTIFICATE

The undersigned purchaser certifies that the tangible personal property and/or services purchased from:

Seller: _____
Business Name

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

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

K.S.A. 79-3606(kk)(1) exempts (A) all sales of machinery and equipment used in Kansas as an integral or essential part of an integrated production operation by a manufacturing or processing plant or facility, (B) all sales of installation, repair and maintenance services performed on such machinery and equipment; and (C) all sales of repair and replacement parts and accessories for such machinery and equipment.

TO OBTAIN THIS EXEMPTION, COMPLETE LINES 1 THROUGH 5 AND THE CERTIFICATION

1. Describe the qualified machinery or equipment (include make, model, type, or other identifying criteria):

   _____

2. Describe how this equipment is used in the production process: _____

   _____

   _____

3. The equipment described in line 1 **is** / **will be** (circle one) located and used at the following Kansas manufacturing facility or plant. *(If this certificate applies to more than one location attach a list which identifies the additional locations.)*

   _____
   Name of Facility

   _____
   Street Address | City | State | Zip Code

4. This certificate is for the: (Check all that apply)

   ☐ Purchase, lease, or rental of the integrated production machinery or equipment described in line 1.

   ☐ Materials and/or services necessary to install the equipment described in line 1. Describe: _____

   _____

   ☐ Materials and/or labor to fabricate qualified equipment. Describe: _____

   _____

   ☐ Repair or maintenance services on the equipment described in line 1.

   ☐ Repair parts, replacement parts, or accessories for the equipment described in line 1. Describe; include model, type, etc.: _____

   _____

   ☐ Purchase, lease, or rental of surface-mining equipment, as discussed in NOTICE 14-16.

5. The purchaser is:

   ☐ the owner/lessor of the equipment ☐ a contractor installing, servicing, repairing or fabricating the equipment

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

Purchaser: _____
Business Name

Purchaser's Type of Business: _____
Describe business activity and/or principal product(s) manufactured or processed

Address: _____
Street, RR, or P.O. Box | City | State | Zip Code

Authorized Signature: _____ Date: _____

Printed Name: _____ Title: _____

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY.

ABOUT THE EXEMPTION FOR INTEGRATED PRODUCTION MACHINERY & EQUIPMENT

WHO MAY USE THIS EXEMPTION?

Any manufacturing or processing business engaged in an integrated production operation at a plant or facility located in Kansas may use this certificate to purchase, install or repair integrated production machinery and equipment without tax. Contractors & repairmen may also use this certificate to purchase without tax the parts, materials and labor necessary to install, service, repair or fabricate qualified equipment.

Examples of manufacturing or processing businesses include: Chemical production; electrical power generation; the fabrication of automobiles, airplanes, machinery or transportation equipment; the fabrication of metal, plastic, wood or paper products; newspaper printing; petroleum refining; water treatment; wholesale bottling; etc. Also included are agricultural commodity processing operations (such as meat packing, frozen food processing, and the operations of a grain storage facility) and operations at a mineral (oil, gas, stone, sand, etc.) extraction site to clean, separate, grind or otherwise treat or prepare the product before its transmission to a refinery or for other wholesale or retail distribution.

Non-industrial businesses whose operations are primarily (more than 50%) retail, and produce or process tangible personal property as an incidental part of the retail business may NOT use this certificate. Retailers who may not use this certificate include: contractors who alter, service or repair real property; grocers who butcher or dress livestock or poultry; and retailers who bake, cook or prepare food products in the regular course of their retail trade.

WHAT IS INTEGRATED PRODUCTION MACHINERY AND EQUIPMENT?

To qualify as integrated production equipment, the item must be an integral or essential part of a process to manufacture, process, fabricate, finish, or assemble items for wholesale or retail distribution.

Exempt items include (but are not limited to) machinery and equipment used to:

- Receive, transport, convey, handle, treat or store raw materials in preparation for their placement on the production line;
- Transport, convey, handle or store the property undergoing manufacture at any point from the beginning to the end of the process occurring at the plant or facility;
- Act upon, effect, promote or otherwise facilitate a physical change to the property undergoing manufacturing or processing;
- Guide, control or direct the movement of property undergoing manufacturing or processing;
- Test or measure raw materials, the property undergoing manufacturing or processing, or the finished product as necessary by the production operation;
- Plan, manage, control, or record the inventories of raw materials, consumables, component parts, and the finished product;
- Produce energy for, lubricate, control, or otherwise enable the function of other production equipment;
- Package the product;
- Transmit or transport electricity, coke, gas, water, steam or similar substances used in production from the point of generation (if produced at the plant site), or from the point where it enters the plant or facility (if purchased or delivered offsite), to the production operation;
- Cool, heat, filter, refine or otherwise treat water, steam, acid, oil, solvents or other substances used in production operations;
- Provide and control an environment required to maintain certain levels of air quality, humidity or temperature in special and limited areas of the plant or facility where such regulation is part of and essential to the production process;
- Treat, transport or store waste or other by products of the production process at the plant or facility; or
- Control pollution produced by the manufacturing or processing operation at the plant or facility.

Also exempt are all labor services to install, repair or maintain the manufacturing machinery and equipment, and all repair parts, replacement parts, and accessories for qualified equipment. These include, but are not limited to: dies, jigs, molds, patterns and safety devices that are attached to the exempt equipment; and parts and accessories that require periodic replacement such as belts, cutting bars, drill bits, grinding balls and wheels, saws; and refractory brick and other refractory items for exempt kiln equipment used in production operations.

Taxable Items Include (but are not limited to):

- Machinery and equipment used for non-production purposes, such as accounting, administration, advertising, employee work scheduling, fire prevention, first aid, marketing, plant cleaning, plant communications, plant security, record keeping, or sales and other related activities. Also taxable are computers and related peripheral equipment not used directly and primarily to control or measure the manufacturing process, or furniture and other furnishings (e.g., office equipment).
- Machinery, equipment and tools used primarily to maintain or repair any type of machinery and equipment, or the building or plant;
- Transportation, transmission and distribution equipment not primarily used in the production, warehousing or material handling process, such as the conveyance of natural gas, electricity, oil or water, and related equipment located outside the plant or facility;
- Buildings (other than exempt machinery and equipment that becomes a structural part of the building) and other real estate not otherwise exempt, and building fixtures not integral to the manufacturing operation, such as utility systems for heating, ventilation, air conditioning, communications, plumbing or electrical;
- Machinery and equipment used for general plant heating, cooling and lighting;
- Motor vehicles that are registered to operate on public highways;
- Employee apparel, except safety and protective apparel that is purchased by the employer and furnished without charge to those employees who are involved in production or research activities; or
- Machinery and equipment used in mining, gas and petroleum drilling, water drilling, quarrying, sand and gravel extraction operations, and other similar activities to explore for or extract petroleum, gas, mineral, rock, sand, water, and other minerals or similar matter from below the surface of the soil or water or from a mine.

ADDITIONAL INFORMATION

A more complete discussion of this sales tax exemption is in the Kansas Department of Revenue's Notice 00-08, Kansas Exemption for Manufacturing Machinery & Equipment as Expanded by K.S.A. 79-3606(fff). This notice is available by calling 785-368-8222 or from our website: ksrevenue.org.

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

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.

REQUEST FOR PROJECT EXEMPTION CERTIFICATE

Kansas Department of Revenue
Office of Research and Analysis
915 SW Harrison St.
Topeka, KS 66612-1588

Telephone: 785-296-3081
Fax: 785-296-7928

Date_____

It is requested that a Certificate of Exemption be issued to the Petitioning Authority for the following described project if it is determined by the Department of Revenue that the proposed project qualifies for exemption from sales tax under the provisions of K.S.A. 79-3606(d) – public or private nonprofit hospital, elementary or secondary school, educational institution & political subdivisions of the state of Kansas; K.S.A. 79-3606(e) – United States Government, its agencies or instrumentalities; K.S.A. 79-3606(xx) – 501(c)(3) nonprofit zoo; K.S.A. 79-3606(aaa) – 501(c)(3) religious organization; K.S.A. 79-3606(ccc) – 501(c)(3) primary care clinic; K.S.A. 79-3606(iii) non-profit food distribution center; K.S.A. 79-3606(qqq) TLC for Children and Families, Inc.; K.S.A. 79-3606(sss) non-profit charitable family providers; K.S.A. 79-3606(ttt) museum within a designated qualified hometown or K.S.A. 79-3606(uuu) Kansas Children's Service League.

(A) Type of project: _____
Describe work to be done

A. Present use of facility: _____

B. Proposed use of facility after project: _____

(B) Project location: _____
Building Number, Street Address, City, State, and Zip Code

(C) Is this project being constructed as part of a business enterprise whose sales are subject to sales tax (e.g., municipal water, electric or gas companies)? ☐ Yes ☐ No

(D) Is the Petitioning Authority authorized to levy ad valorem taxes on tangible property? ☐ Yes ☐ No

(E) A. Is this project being totally financed by industrial revenue bonds? ☐ Yes ☐ No

B. Is this project being partially financed by industrial revenue bonds? ☐ Yes ☐ No

Amount of bonds being issued for project: _____

If you answered "**Yes**" to A or B, you must complete the agreement on the back of this form and **enclose a copy of the letter of intent or resolution of intent to issue bonds**.

If you answered "**No**" to A or B, **how is the project being financed (explain type of tax, bonds, etc.)**?

_____

(F) Name of claimant owner of project: _____

(G) Starting date: _____

(H) Estimated completion date: _____

(I) Estimated project cost: _____

(J) List names and addresses of prime contractors:

_____

_____

_____

(K) Contract date: _____

(L) Contract number: _____

(M) Project number: _____

_____
Petitioning Authority

_____
Mailing Address

_____
Signature of Authorized Representative

_____
City, State & Zip Code

_____
Type or Print Name

Tax Exempt Entity No.

_____
Title

_____
Phone Number

ONLY COMPLETE THIS PAGE IF YOU ANSWERED YES TO LINE (E) ON PAGE 1.

This agreement is made and entered into between and by the_____

_____ (name of political subdivision), hereinafter referred to as Exempt Entity; and _____ (name of beneficiary of industrial revenue bond proceeds), hereinafter referred to as Beneficiary.

It is hereby agreed by all parties to this agreement that the construction project for which the request for an exemption certificate is being made would be exempt from sales tax solely due to the fact that it is being financed by industrial revenue bonds. It shall be the duty of the Exempt Entity to notify the Kansas Department of Revenue when the industrial revenue bonds have actually been issued.

Whereas, the Kansas Department of Revenue deems it necessary to ensure that sales or compensating tax is paid should the project not be financed by industrial revenue bonds, it is hereby further agreed by the Beneficiary that if the industrial revenue bonds have not been issued by the time the project is completed then the Beneficiary will remit to the Kansas Department of Revenue the sales or compensating tax and applicable interest on tax which is due based upon the cost of tangible personal property or services used or consumed in the construction of the project. It is agreed that the Secretary of Revenue shall determine when the project has been completed.

The Director of Policy and Research shall have the right to demand from the Beneficiary payment of the sales and compensating tax and applicable interest due the state should the Kansas Department of Revenue not receive such payment within thirty (30) days after the project has been completed.

Any and all notices required herein shall be mailed and addressed as follows:

A. Notices to the Department of Revenue shall be addressed to: Director of Policy and Research, Kansas Department of Revenue, 915 SW Harrison St., Room 230, Topeka, Kansas 66612-1588;

B. Notices to the Exempt Entity shall be addressed to:_____

_____

C. Notices to the Beneficiary shall be addressed to: _____

_____

This agreement shall be binding upon all parties hereto and any and all their successors.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by persons authorized to do so lawfully and with full corporate authority.

POLITICAL SUBDIVISION	BENEFICIARY OF INDUSTRIAL REVENUE BOND PROCEEDS
_____	_____
Authorized Signature	Authorized Signature
_____	_____
Type or Print Name and Title	Type or Print Name and Title
DATED: _____	DATED: _____

REQUEST FOR PROJECT EXEMPTION CERTIFICATE
PURSUANT TO K.S.A. 79-3606 (cc) OR K.S.A. 79-3606(hhhh)

Kansas Department of Revenue
Office of Policy and Research
915 SW Harrison St.
Topeka, KS 66612-1588

Telephone: 785-296-3081
FAX: 785-296-7928

Date:_____

It is requested that a Certificate of Exemption from sales tax be issued to the taxpayer for the following described project.

(A) Name of taxpayer:_____ EIN:_____

Business type: ☐ Corporation ☐ L.L.C. ☐ Limited Liability Partnership/Partnership ☐ Individual

☐ Other:_____

(B) 1. Name of business which will operate the business facility (if different from the name listed on Line (A)):

_____ EIN:_____

Business type: ☐ Corporation ☐ L.L.C. ☐ Limited Liability Partnership/Partnership ☐ Individual

☐ Other:_____

2. Location of business facility investment:_____
Street Number and Address

County:_____ City:_____ State:_____ ZIP:_____

3. Mailing address of taxpayer (business) who will own and/or operate the business facility:

_____
Box Number and/or Street Number and Name

City:_____ State:_____ ZIP:_____

4. Email Address:_____

(C) Type of project: ☐ Original construction of a new facility ☐ Remodel or reconstruction of an existing facility ☐ Addition to an existing facility ☐ Additional machinery and equipment, not to include the purchase of a motor vehicle or trailer.

(D) **ATTACH** an explanation or list of improvements to be constructed, repairs or remodeling to be done, and machinery and equipment to be purchased.

(E) Describe specifically the type of business activity to be conducted by the taxpayer [name on Line (A)] at the business facility:

_____

_____

(F) Indicate the type of business conducted by the named taxpayer. **See instructions.**

☐ 1. **CERTIFIED BUSINESS-K.S.A. 79-3606(cc)**
The business has been certified by the Department of Commerce as meeting the eligibility criteria for the High Performance Incentive Program (HPIP). Attach a copy of the letter of certification.

☐ 2. **AGRICULTURAL BUSINESS-K.S.A. 79-3606(hhhh)**
The business must have a project with actual costs of $50,000 or more and must be identified under the North American industry classification system (NAICS) subsectors ☐112112, ☐112120, ☐112210, ☐1123, or ☐1124, (See instrs).

(G) Is this project a result of working with officials of the state, county, or city government? ☐ Yes ☐ No

If yes, provide the name of the agency and contact:_____

What will be the average annual wage for new (non-managerial) employees?_____

(H) List the name(s) and address(es) of the general contractor(s):_____

(I) Estimated project costs: Total:_____ Construction costs:_____

Machinery and equipment costs:_____

(J) Contract date:_____ (K) Contract No.:_____

(L) Estimated completion date (not to exceed two years):_____

_____
Taxpayer (please type or print)

_____
Name of Authorized Representative (please type or print)

_____
Signature of Authorized Representative Title

_____
Phone Number

INSTRUCTIONS

Certified Business - K.S.A. 79-3606(cc): An exemption from sales tax is allowed on all sales of tangible personal property or services purchased for the construction, reconstruction, enlarging or remodeling of a business that has been certified through the High Performance Incentive Program (HPIP). The sale and installation of machinery and equipment purchased for installation at the business shall also be exempt from sales tax.

Agricultural Business - K.S.A. 79-3606(hhhh): An exemption from sales tax is allowed on and after July 1, 2014 for all sales of tangible personal property or services purchased for the construction, reconstruction, enlarging or remodeling of a business identified under the North American industry classification system (NAICS) subsectors: 112112-Cattle Feedlots; 112120-Dairy Cattle and Milk Production; 112210 Hog and Pig Farming; 1123-Poultry and Egg Production; or 1124-Sheep and Goat Farming. This qualifying NAICS must be on file with the Kansas Department of Labor for your specific facility address that has been provided on this application. The sale and installation of machinery and equipment purchased for installation at the business shall also be exempt from sales tax. Only those projects that have total actual costs of $50,000 or more will qualify.

Line (A) Enter the name of the entity that will operate the business facility and claim the sales tax exemption, the employee identification number (EIN) and check the appropriate box identifying the business type.

Line (B)(1) Enter the name and EIN of the business, if it is different than line (A), above, and check the appropriate box identifying the business type. If the taxpayer on line (A) operates under a Doing Business As (DBA) name, enter the DBA.

Line (B)(2) Enter the location, including the county of the business facility where the investment is going to be made.

Line (B)(3) Enter the complete mailing address of the taxpayer who will own and/or operate the above referenced business facility.

Line (B)(4) Enter the email address of the authorized representative for the taxpayer.

Line (C) Check the applicable box(es) that describe the project and attach required documentation.

Line (D) Attach an explanation or list of improvements to be constructed, repairs or remodeling to be done, and machinery and equipment to be purchased.

Line (E) Describe specifically the type of business activity to be conducted by the taxpayer at the business facility.

Line (F) Indicate the type of business activity to be conducted at the business facility by the named taxpayer.

Line (F)(1) **Certified Business - K.S.A. 79-3606(cc):** Certified business means a firm which is qualified by the Secretary of Commerce as meeting the eligibility criteria for the High Performance Incentive Program (HPIP) pursuant to K.S.A. 2003 Supp. 74-50,131. The firm must be entitled to the corporate tax credit established in K.S.A. 74-50,132 or must have received written approval for participation and has participated, during the tax year in which the exemption is claimed, in training assistance by the Department of Commerce under the Kansas industrial training (KIT), Kansas industrial retraining (KIR) or state of Kansas investments in lifelong learning program (SKILL). **ATTACH** a copy of the PD (project description) submitted to the Department of Commerce pre-identifying this investment as well as the initial correspondence from the Department of Commerce assigning the project number.

Line (F)(2) **Agricultural Business –K .S.A. 79-3606(hhhh):** An agricultural business must be identified under the North American industry classification system (NAICS) subsectors: 112112-Cattle Feedlots; 112120-Dairy Cattle and Milk Production; 112210 Hog and Pig Farming; 1123-Poultry and Egg Production; or 1124-Sheep and Goat Farming. This qualifying NAICS must be on file with the Kansas Department of Labor for your specific facility address that has been provided on this application. Only those projects that have total actual costs of $50,000 or more will qualify.

Line (G) Check the applicable box and list the name of the organization and/or person you were contacted by and the average wage of the new (non-managerial) employees.

Line (H) List the name and address of the general contractor if available. If a general contractor does not exist for this project, please attach a list of all the contractors/subcontractors (if available) involved in performing labor services or supplying materials for the project. Include in this list, the estimated project costs, contract date, contract number, and the estimated completion date for each contract.

Line (I) Enter the estimated cost of the project.

Line (J) Enter the date of the contract.

Line (K) Enter the applicable contract number if available.

Line (L) Enter the estimated completion date for this project. The Department requests that this period not extend beyond two years from the application date.

Signature The name of the taxpayer as well as the authorized representative requesting the exemption should be typed or printed in the area provided. The authorized representative must also sign the request and provide a phone number where they can be reached during business hours.

KANSAS DEPARTMENT OF REVENUE
DIVISION OF TAXATION

PROJECT EXEMPTION CERTIFICATE

PERMIT TO PURCHASE TANGIBLE PROPERTY OR SERVICES WITHOUT PAYMENT OF SALES TAX, LOCAL SALES TAX, OR COMPENSATING TAX

The undersigned purchaser certifies that the sale of tangible personal property by

_____ of _____,
(Name of Vendor) (City, State)

is exempt from the Kansas Sales and Compensating (Use) Tax pursuant to K.S.A. 79-3606(c),(d) or (aaa) or the Retailers' Sales Tax Act.

Pursuant to the above section, the exemption certificate number below must appear on the invoice covering such sale.

Date _____ Purchaser _____
(Contractor/Subcontractor)

Address _____

City, State _____

_____
Authorized Signature

SAMPLE

NOT VALID ON PURCHASES MADE PRIOR TO: April 1, 2006

NOT VALID ON PURCHASES MADE AFTER: July 31, 2006

Exemption Certificate No.: **123456**

Name of political subdivision of the state, instrumentality or agency of the United States government or nonprofit hospital, or educational institution, or religious organization with whom contract has been signed: **Hilton High School**

Project number (if used): **654321**

Location of project (city or county): **420 Highland Drive, Anytown, KS**

Description of project: **Construction of a new gymnasium**

INSTRUCTIONS

EXEMPT ORGANIZATION–A copy of this certificate (as completed by the Department of Revenue) should be furnished to each contractor or subcontractor who will be purchasing tangible personal property for use on the project.

CONTRACTOR/SUBCONTRACTOR–A completed copy of this exemption certificate must be furnished to each retailer from which the contractor/subcontractor is making purchases of tangible personal property for use on the project.

RETAILER–A completed copy of this exemption certificate must be retained by the retailer from each contractor/subcontractor making purchases of tangible personal property for use on the project.

Kansas Department of Revenue
Tax Policy Group
915 SW Harrison St.
Topeka, KS 66612-1588

Telephone: 785-296-3081
FAX: 785-296-7928

STATE OF KANSAS
PROJECT COMPLETION CERTIFICATION

TO:_____
Name of Entity to whom Project Exemption Certificate was Issued

_____
Street Address City State Zip Code

This is to certify, to the best of my knowledge and belief, that all materials purchased under Exemption Certificate Number _____ , issued by the Kansas Department of Revenue, were incorporated into the building or project for which the exemption was issued and were entitled to an exemption pursuant to K.S.A. 79-3606(d), (e) or (cc), as amended.

_____
Contractor / Subcontractor

_____
P.O. Box and/or Street Number and Name

_____
Street Address City State Zip Code

_____ _____
Signature and Title of Authorized Representative Date

INSTRUCTIONS

Upon completion of a tax exempt project, the contractor must furnish this certification to the taxpayer for which the work was performed. A copy of this certification must also be forwarded to the address shown at the top of this form. All invoices must be retained by the contractor for a period of five years and are subject to audit by the Kansas Department of Revenue.

KANSAS DEPARTMENT OF REVENUE

WAREHOUSE MACHINERY AND EQUIPMENT EXEMPTION CERTIFICATE

The undersigned purchaser certifies that the tangible personal property and/or services purchased from:

Seller: _____
Business Name

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

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

K.S.A. 79-3606(fff) exempts all sales of material handling equipment, racking systems and other related machinery and equipment used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility in Kansas, all sales of installation, repair and maintenance services performed on such machinery and equipment; and all sales of repair and replacement parts for such machinery and equipment.

TO OBTAIN THIS EXEMPTION, COMPLETE LINES 1 THROUGH 3 AND THE CERTIFICATION.

1. Describe the qualified machinery or equipment (include make, model, type, or other identifying criteria):

   _____

2. The equipment described in line 1 (is) (will be) located and used at the following Kansas warehouse or distribution center.

   _____
   Name of Facility

   _____ KANSAS
   Street Address | City | State

3. This certificate is for the: (Check all that apply)
   - ☐ Purchase, lease, or rental of the material handling machinery or equipment described in line 1.
   - ☐ Installation services of the equipment described in line 1.
   - ☐ Repair or maintenance services on the equipment described in line 1.
   - ☐ Repair parts, replacement parts, or accessories (describe; include model, type, etc.)

   _____

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

Purchaser: _____
Business Name

Purchaser's Type of Business: _____
Describe principal product(s) warehoused or distributed

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

Authorized Signature: _____ Date: _____

Printed Name: _____ Title: _____

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY.

WHO MAY USE THIS EXEMPTION? Only those businesses that operate a warehouse or distribution facility in Kansas may use this certificate. A warehouse or distribution facility is a single, fixed location of buildings or structures in a contiguous area where storage or distribution operations are conducted that are separate and apart from the business' retail operations, if any, and which do not otherwise qualify for exemption as occurring at a manufacturing or processing plant or facility.

WHAT PURCHASES ARE EXEMPT? Material handling and storage equipment includes bins, forklifts, pallets, shelving, racking systems and other items used to handle, move, or store tangible personal property. Also included are the equipment used by a public grain warehouse or other commercial grain storage facility to aerate, clean, control dust, handle, process, refine, store, or otherwise treat the grain.

WHAT PURCHASES ARE TAXABLE? Equipment used at a warehouse or distribution center that is not directly used in the storage or handling of tangible personal property is not exempt. Taxable items include, but not limited to: computers; communication and employee safety equipment; equipment used to clean the building, to repair machinery or equipment, or to light, heat or cool the facility; and office furniture and equipment.

ADDITIONAL INFORMATION. A more complete discussion of this exemption is provided in **Notice 00-08,** Kansas Exemption for Manufacturing Machinery & Equipment. For tax assistance, consult our website or call the department at 785-368-8222.

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.

NOTES

State of Kansas
Department of Revenue
915 SW Harrison
Topeka, KS 66612-1588

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OF REVENUE

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.
Topeka, KS 66612-1103

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-1500, North American Industry Classification System
- Publication KS-1510, Kansas Sales 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 Sales and Use Tax for Motor Vehicle Transactions
- Publication KS-1527, Kansas Sales and Use Tax 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 Sales and Use Tax for the Agricultural Industry
- Publication KS-1560, Kansas Tax Guide for Schools and Educational Institutions
- Publication KS-1700, Kansas Sales 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).

Your suggestions and comments on this publication are important to us. Please address them to: Taxpayer Education, Kansas Department of Revenue, 915 SW Harrison St., Topeka, KS 66612-1588 or call 785-296-1048.