**Private Letter Ruling**

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| **Ruling Number:** | **P-1998-07** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Application of sales tax on new construction and remodeling.** |
| **Keywords:** |  |
| **Effective Date:** | **01/27/1998** |

**Body:**

**Office of Policy and Research**

January 27, 1998  
  
  
XXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXX  
  
  
RE: XXXXXXXXXXXXX  
  
  
Dear XXXXXXXXX:  
  
  
We wish to acknowledge receipt of your letter dated December 3, 1997, regarding the application of Kansas Retailers’ Sales tax.  
  
K.S.A. 79-3606(p) imposes a sales tax upon: “the gross receipts received for the service of installing or applying tangible personal property. . .”  
  
The taxable base for all contracts involving the application or installation of tangible personal property shall be the difference between the contract price and the cost of material, supplies and payments to subcontractors, including sales or compensating tax paid by the contractor on the materials, supplies and subcontractors charges, and any excavation charges purchased by the contractor to complete the contract.  
  
Like any other retail business, your profit (including the mark-up 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 a given contract, that would be subject to sales tax in the state of Kansas.  
  
Non-deductible 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 hook-up fees  
\*utilities  
  
In closing, when the labor services are subject to sales tax in the state of Kansas, the overhead and profit associated with the particular job would likewise be subject to sales tax in this state.  
  
If I may be of further assistance, please contact me at your earliest convenience at (913) 296-7776.  
  
Sincerely yours,  
  
  
  
  
Thomas P. Browne, Jr.  
Tax Specialist  
  
TPB  
  
  
**Date Composed: 02/04/1998 Date Modified: 10/10/2001**