**Private Letter Ruling**

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| **Ruling Number:** | **P-2000-061** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Overhead costs subject to sales tax.** |
| **Keywords:** |  |
| **Approval Date:** | **11/17/2000** |

**Body:**

Office of Policy & Research  
  
  
November 17, 2000

TTTTTTTTTTT  
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Dear Mr. TTTTTT:  
  
We wish to acknowledge receipt of your letter postmarked November 3, 2000, 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.  
  
This is a private letter ruling pursuant to K.A.R. 92-19-59. It is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to an accurate determination by the department, this ruling is null and void. This ruling will be revoked in the future by the operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or published revenue ruling, that materially effects this private letter ruling. If I may be of further assistance, please contact me at your earliest convenience at (785) 296-7776.  
  
Sincerely yours,  
  
  
Thomas P. Browne, Jr.  
Tax Specialist  
  
TPB  
  
  
**Date Composed: 11/21/2000 Date Modified: 10/11/2001**