

# Notice

**Notice Number:** 94-05  
**Tax Type:** Kansas Compensating Tax  
**Brief Description:** Use Tax on Leased Vehicles  
**Keywords:**  
**Effective Date:** 08/01/1994

---

**Body:**

**NOTICE 94-05**

TO: Out-of-State Vehicle Dealers and Vehicle Lessors

FROM: Kansas Department of Revenue

RE: Imposition of Local Compensating (Use) Tax On Vehicle Leases

DATE: July 8, 1994

**This notice is directed to out-of-state vehicle dealers and lessors who lease vehicles to Kansas residents. Please disregard the notice if you do not engage in such retail activities.**

Kansas law imposes local compensating (use) tax on vehicles leased from out-of-state dealers and lessors. Effective August 1, 1994, out-of-state vehicle dealers and lessors must charge and collect local compensating (use) tax on all vehicle lease payments when the leased vehicle is or will be registered in Kansas at an address where local sales tax is imposed. All lease payments billed on or after August 1, 1994 are subject to state and local compensating (use) tax. **This notice does not affect in-state vehicle dealers and lessors who shall continue to collect the state and local retailers' sales tax that is imposed at the dealer's or lessor's place of business.**

The local compensating (use) tax imposition is in addition to 4.9% Kansas state compensating (use) tax imposition. Local compensating (use) tax is imposed at a rate equal to the city and county retailers' sales tax in effect at the address where the vehicle is registered. Local retailers' sales tax rates currently range from .5% to 2.5%. Some jurisdictions do not impose local retailers' sales tax.

State and local compensating (use) tax is imposed on leases of vehicles that are required to be registered for highway use pursuant to K.S.A. 8-126 *et seq.* Such vehicles include automobiles, trucks, truck tractors, trailers and semi-trailers, motorcycles and various other vehicles.

**Lessors and dealers administering leases of vehicles that are leased outside the state of Kansas and subsequently registered in Kansas must complete and return the enclosed "SUPPLEMENTAL REGISTRATION APPLICATION FOR VEHICLE LESSORS". A return envelope is enclosed for your convenience. The department will register your business for purposes of reporting the appropriate retailers' sales and retailers' compensating tax, upon our receipt of your completed registration application. Once you are registered, the department will periodically mail you returns for reporting and remitting the tax.**

This notice supersedes all previous Department of Revenue notices, revenue rulings, private letter rulings or other advice that concern vehicle leases entered into by Kansas and out-of-state dealers and lessors. It applies to lease payments billed on or after August 1, 1994.

If you have any questions about this notice or other state tax matters, please write to the Taxpayer Assistance Bureau, Kansas Department of Revenue, Topeka, Kansas, 66625-0001 or call (913) 296-0222.

**Date Composed: 10/02/1997 Date Modified: 10/09/2001**

[Return to KSA Listing](#)