

Pub. KS-1525 Sales & Use Tax for Contractors Subcontractors and Repairmen

NOTE: Underlying law may have changed. [See Revenue Notice 19-04 concerning nexus.](#)

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.gov

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INTRODUCTION

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. Generally, 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%. 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.gov/salesratechanges.html.

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.

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.

Repairmen means a person or business whose work involves the **repair, service, alteration or maintenance** 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).

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.

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 5 for a discussion on materials purchased outside of Kansas for use within Kansas.

Contractors **cannot** use a [ST-28A Kansas Resale Exemption Certificate](#) or [ST-28W Contractor-Retailer Exemption Certificate](#) 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 sales 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 an appropriate 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 and drill bits
- hammers
- nail guns
- paint brushes and rollers
- planes
- saws
- sanders
- pliers
- socket sets
- screwdrivers
- wrenches
- steel tapes
- t squares
- tool belts

- sand paper
- caulking gun
- chalk
- tool boxes
- 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
- backhoes and caterpillars
- calculators and computers
- cellular telephones
- copiers, fax machines
- generators
- shop vacs
- 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.

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
- dormitories
- businesses that include the owner's living quarters
- bed and breakfasts
- nursing homes

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% is the owners' private quarters and 25% 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% 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% of the total square footage of the home. Since 70% of the home remains residential in nature, you will only charge sales tax on 30% 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:

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

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% of the gross receipts from the sale of **new** modular, manufactured or mobile homes. Therefore, 60% 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% 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 straightline 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 HVACwork; 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. 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 13. 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. 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**.

Items which are considered to be the installation or repair of **tangible personal property** may include:

- washer, dryer
- stove, stove top, oven
- window air conditioners
- microwave
- venetian blinds
- free standing dish washer
- refrigerator, freezer
- TV, stereo, radio
- small appliances
- window shades

- above ground pools
- 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 8). By obtaining the required information, the repairman 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
- engineering fees
- laboratory fees
- site/structural inspection fees
- real estate sales fees
- surveying fees
- testing fees (radon, etc.)

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 rural business. 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 rural business 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 rural business 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
- dethatching
- soil testing
- backflow testing
- lawn cleanup
- mowing
- tilling/plowing
- raking
- rototilling
- trimming/edging
- tree/stump removal
- 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.

Example: 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 contractor-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). 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 ST-28EE Clean Drinking Water Fee Exemption Certificate in order to pass its exemption for direct purchases onto 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 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 alternative, 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 ST-201 Integrated Production Machinery and Equipment Exemption Certificate. Also see NOTICE 00-08, Kansas Exemption for Manufacturing Machinery and Equipment, and NOTICE 14-16, Sales Tax Exemption for Surface Mining Operations.

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.

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. 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.gov

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.
- 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

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, lightning, 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, lightning, 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 ST-28F Agricultural Exemption Certificate from the customer. For more information, see Pub. KS-1550, Sales and Use Tax for the Agricultural Industry. This publication is available 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 CR-16 Kansas Business Tax Application, 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 contractor 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% 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% of the contract amount or \$1,000, whichever is greater. **A copy of the Project Exemption Certificate must accompany a 4% 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.gov 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 [Pub. KS-1510, Kansas Sales and Compensating Use Tax](#).

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
- rental or 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.

Example: 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 \times .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 SEPERATELY 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.

Example: 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 28. 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.

Example: 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.

ACCELERATED MONTHLY FILING FREQUENCY

Retailers' whose annual sales tax liability exceeds \$40,000 are classified bylaw as having a **accelerated 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 **accelerated monthly** filer will be in compliance if the amount of tax reported for the first 15 days of each month is either: 1) 90% of the actual amount of tax collected for the first 15 days of the following month or, 2) 50% 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 \$40,000 are notified by mail that beginning January 1st of the coming year they will be classified as accelerated monthly filers. **DO NOT** file as **accelerated monthly unless the Department of Revenue has notified you** in writing to change your filing frequency or, you initially registered to file **accelerated monthly**.

Detailed information about adjusting your filing frequency, including a **monthly to accelerated 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 accelerated 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 25 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.

Example: During April, ABC Construction Company (a cash basis contractor) was paid for four (4) 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%. 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%). $\$4,496 / 1.08 =$ **\$4,162.96** (without tax)

School: **None** – PEC

STEP 2

Go to ksrevenue.gov 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.

Example: 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%. 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.gov 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.

Example: During April, GHI Lumber/Construction Company of Hutchinson, Kansas (a cash basis contractor/retailer) was paid for four (4) 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	\$ 0.00	yes

STEP 1

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

Shed: $\$3,300 \times 0.091 = \mathbf{\$300.30}$

Kitchen: $\$5,800 \times 0.091 = \mathbf{\$527.80}$

Law Office: $\$8,000 \times 0.091 = \mathbf{\$728.00}$

School: **None** – PEC

Figure labor costs and tax there on:

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 \times .085 = \363.05 .)

School: **None** – PEC

STEP 2

To begin the filing process, go to **ksrevenue.gov** 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 [CR-16 Business Tax Application](#). It is the same form used to apply for Kansas sales and/or withholding tax numbers. See How to Register on page 17.

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 CT-10U Consumers' Use Tax Return. The example following 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.gov 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](http://pub.ks-1700).

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**.

KANSAS CUSTOMER SERVICE CENTER

FILE, PAY and MAKE UPDATES ELECTRONICALLY

Most businesses have chosen to file and pay **online** through the [KDOR Customer Service Center \(KCSC\)](#). To use this method of filing, simply go to [ksrevenue.gov](#) and log into the KCSC. 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.

WHAT CAN I DO ELECTRONICALLY?

- Register to collect, file and pay taxes and fees
- Add new locations
- Complete and submit a Power of Attorney form
- Update contact information
- Update mailing address
- Upload W-2's and 1099's
- Upload and retain Sales and Compensating Use Tax jurisdictions
- File the following tax returns:
 - Retailers' Sales Tax
 - Retailers' Compensating Use Tax
 - Consumers' Compensating Use Tax
 - Liquor Drink and Liquor Enforcement Tax
 - Vehicle Rental Tax
- Make payments for the following taxes:
 - Individual Income
 - Individual Estimated Income
 - Homestead
 - Fiduciary
 - Withholding
 - Corporate Income
 - Corporate Estimated Income
 - Privilege
 - Privilege Estimated Income
 - Sales and Use
 - Liquor Drink and Liquor Enforcement
 - ABC Taxes and Fees
 - Petition for Abatement Service Fee
 - Motor Fuel
 - Environmental and Solvent Fee
 - Dry Cleaning Payment Plan Fee
 - Tire Excise
 - Charitable Gaming
 - Vehicle Rental
 - IFTA
 - Cigarette Tax, Fees, Fines and Bonds
 - Tobacco Tax, Fees, Fines and Bonds
 - Transient Guest
 - Mineral

REQUIREMENTS TO FILE and PAY

You must have the following in order to file and pay your taxes online:

- Internet Access
- Access Code(s) by calling 785-368-8222 or send an email to kdor_businessstaxeservice@ks.gov
- EIN
- ACH Debit: Kansas Department of Revenue debits the tax payment from your bank account
- ACH Credit: Complete an EF-101 online to initiate a tax payment through your bank

Electronic tax payments must settle on or before the due date. Using the KCSC, you may 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 EF-101, available on our [Customer Service Center](#).

Our FREE electronic systems are simple, safe, and conveniently available 24 hours a day, 7 days a week. You will receive immediate confirmation that your return is filed and/or payment is received. If you need assistance with your access code, you may call 785-368-8222 or email kdor_businessstaxeservice@ks.gov.

PAY BY CREDIT CARD

Taxpayers can make their Individual Income tax and Business tax payments by credit card. This service is available on the Internet through third-party vendors; [ACI, Inc \(ACI\)](#) or Value Payment Systems (VPS). These vendors charge a convenience fee based on the amount of tax being paid. This fee may vary by vendor. Credit card transactions are strictly between the vendor and the taxpayer. Likewise, any disputes specific to the card payment will be between those two parties. Rules regarding the credit card transactions are available at each vendor's website.

Credit cards that are available for each vendor are as follows:

ACI, Inc. (ACI)

- American Express
- Discover
- MasterCard
- Visa

Payments can be made by accessing their website at www.acipayonline.com or by calling 1-800-2PAYTAX (1- 800-272-9829). The Kansas jurisdiction code is 2600. For payment verification inquiries, call 1-866-621-4109. Allow 48 hours for processing.

Tax types that can be paid through ACI, Inc. are as follows:

- Individual Income Tax Return
- Individual Estimated Income Tax
- Corporate Income
- Fiduciary
- Homestead
- Privilege Tax
- Cigarette, Consumable Material, and Tobacco Tax
- Liquor Tax
- Mineral Tax
- Motor Carrier Property Tax
- Motor Fuels Tax
- Sales and Use Tax
- Transient Guest Tax
- Vehicle Rental Tax
- Withholding Tax

Value Payment Systems (VPS)

- Bill Me Later ®
- Discover
- MasterCard
- Visa
- Debit Card

VPS processes payments for Kansas Individual Income Tax only. For payment verification inquiries, call 1-888-877- 0450. Allow 48 hours for processing.

Tax types that can be paid through Value Payment Systems are as follows:

- Individual Income Tax
- Individual Estimated Income Tax

WIRE TRANSFERS

Wire Transfers are accepted from both domestic and foreign banking institutions as long as it is received as American currency. For more information call 785-368-8222.

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.

Taxpayer Assistance Center
Phone: 785-368-8222
Scott Office Building
Fax: 785-291-3614
120 SE 10th Ave
ksrevenue.gov
PO Box 750680
Topeka KS 66675-0680

Office hours are 8 a.m. to 4:45 p.m., Monday through Friday.

WEBSITE – ksrevenue.gov

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 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
PO Box 3506
Topeka, KS 66601-3506
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-27 - Sales Tax Guidelines for Fabricators 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.gov).

- [Project Exemption Request \(Government, Hospital, etc.\) \(PR-76\)](#)
- [Project Exemption Request \(Enterprise Zone\) \(PR-70b\)](#)

Exemption Certificates

- [Agricultural \(ST-28F\)](#)
- [Aircraft \(ST-28L\)](#)
- [Aviation Fuel \(ST-28LA\)](#)
- [Consumed in Production \(ST-28C\)](#)
- [Designated or Generic Certificate \(ST-28\)](#)
- [Direct Mail Sourcing Certificate \(ST-31\)](#)
- [Dry Cleaning and Laundry Retailer \(ST-28X\)](#)
- [Ingredient or Component Part \(ST-28D\)](#)
- [Integrated Production Machinery and Equipment \(ST-201\)](#)
- [Interstate Common Carrier \(ST-28J\)](#)
- [Multi-jurisdiction \(ST-28M\)](#)
- [Parent Teacher Association \(SAMPLE\) \(PR-78PT\)](#)
- [Project Completion Certificate \(PR-77\)](#)
- [Railroad \(ST-28R\)](#)
- [Resale \(ST-28A\)](#)
- [Retailer/Contractor \(ST-28W\)](#)
- [Sales and or Transient Guest Tax Exemption Certificate for Lodging \(ST-28H\)](#)
- [Sales and Use Tax Entity Exemption Certificate Education Institutions \(SAMPLE\) \(PR-78ED\)](#)
- [Sales and Use Tax Entity Exemption Certificate Homeless Shelters \(SAMPLE\) \(PR-78HS\)](#)
- [Sales and Use Tax Entity Exemption Certificate State of Kansas \(SAMPLE\) \(PR-78KS\)](#)
- [Streamlined Sales Tax Project Exemption Certificate \(PR-78SSTA\)](#)
- [Tire Retailer \(ST-28T\)](#)
- [U.S. Government \(ST-28G\)](#)
- [Utility \(ST-28B\)](#)
- [Vehicle Lease or Rental \(ST-28VL\)](#)
- [Veterinarian \(ST-28V\)](#)
- [Warehouse Machinery and Equipment \(ST-203\)](#)

Publications

Publications assist in understanding the provisions of Kansas tax laws and regulations and are designed for informational purposes only. The contents should not be used as authority to support a technical position.

- [Business Taxes for Hotels, Motels & Restaurants \(KS-1540\)](#)
- [Local Sales Tax Rate Changes](#)
- [Local Sales Tax Rates by Jurisdiction \(KS-1700\)](#)
- [Sales and Compensating Use Tax \(KS-1510\)](#)
- [Sales and Use Tax for Contractors, Subcontractors and Repairmen \(KS-1525\)](#)
- [Sales and Use Tax for Kansas Political Subdivisions \(KS-1527\)](#)
- [Sales and Use Tax for Motor Vehicle Transactions \(KS-1526\)](#)
- [Sales and Use Tax for the Agricultural Industry \(KS-1550\)](#)
- [Sales and Use Tax Refund \(KS-1220\)](#)
- [Sales Tax Exemption Information and Certificates \(KS-1520\)](#)
- [Tax Guide for Schools and Educational Institutions \(KS-1560\)](#)

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, PO Box 3506, Topeka, KS 66601-3506 or call 785-296-1048.