K A N S A S

JOAN WAGNON, SECRETARY

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DEPARTMENT OF REVENUE
POLICY AND RESEARCH

NOTICE 03-01
KANSAS RETAILERS' SALES TAX

The 2003 Kansas legislature enacted sales and compensating use tax changes that take effect July 1, 2003. These changes are part of a coordinated effort involving thirty-nine states and the District of Columbia referred to as the "Streamlined Sales Tax Project". Kansas now has legislation (2003 House Bill 2005) that makes the collection and reporting of sales and compensating use taxes more uniform across the nation.

NEW "SOURCING" RULES. For those collecting KANSAS RETAILERS' SALES TAX, the most noticeable difference will be in determining the location of the sale, or "sourcing" of the transaction for the purpose of determining the correct local sales tax rate to collect. Under current law, Kansas sellers collect the combined (state and local) sales tax rate in effect at their "place of business" – regardless of whether the customer takes possession of the items at the seller's place of business, or the item(s) are shipped or delivered to the customer within the state of Kansas. This is a "origin-based" sourcing rule.

EFFECTIVE JULY 1, 2003, a "destination-based" sourcing rule will apply. The rate of sales tax due will be the sales tax rate in effect where the customer takes delivery/possession of the purchased item(s). Under this new rule, the seller will continue to collect the sales tax rate in effect at the seller's "place of business" for over-the-counter transactions. **HOWEVER, if the item(s) is shipped or delivered** to the purchaser, the seller will collect **the combined sales tax rate in effect at the location where the purchaser received the item(s).** This will be the location where the seller delivers the items(s) to the purchaser, or if the seller ships the items(s), it will be the "customer's shipping address".

If the "shipping address" is not known to the seller, then it is the sales tax rate in effect at the "purchaser's address" as maintained by the seller in the normal course of business. For situations not addressed herein and for more information concerning "Sourcing Rules" (the appropriate rate of local sales tax to collect) see NOTICE 03-04 which is available from the department's web site: www.ksrevenue.org

EXAMPLE #1: On July 1, 2003 a customer enters Joe's Hardware in Pittsburg, Kansas, makes a purchase and takes possession of the item at the store. The combined rate of sales tax due is the rate in effect at Pittsburg, Kansas (where the customer took delivery) of 6.8% (State rate of 5.3%, plus the Crawford County rate of 1% and the Pittsburg City rate of .5%).

***EXAMPLE #2*:** On July 1, 2003 a customer enters Joe's Hardware in Pittsburg, Kansas, purchases an item and arranges for the item to be delivered to him in Columbus, Kansas. The combined rate of sales tax due is the rate in effect at Columbus, Kansas (where the customer took delivery) which is 7.3% (State rate of 5.3%, plus the Cherokee County rate of 1% and the Columbus City rate of 1%).

***EXAMPLE #3*:** On July 1, 2003 a customer enters Joe's Hardware in Pittsburg, Kansas, purchases an item and arranges for the item to be shipped to him in Joplin, Missouri. No Kansas retailers' sales tax is due. This is considered an out-of-state sale, and no Kansas sales tax is due on the sale of item(s) that the seller is obligated, as part of the sale, to ship, mail or deliver the item(s) to a point outside of the state of Kansas **(Missouri Compensating Tax may be due).**

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KANSAS SALES TAX JURISDICTION CODE BOOKLET - PUBLICATION KS-1700. As noted above, the Streamlined Sales tax legislation requires retailers who ship or deliver items to customers within Kansas to collect the combined sales tax rate in effect at the place of delivery. All of the sales tax rates for Kansas cities and counties are found in Pub. KS-1700 which is available from the department's web site: http://www.ksrevenue.org/pdf/forms/pub1700.pdf or forms order line: (785) 296-4937.

The Streamlined Sales Tax legislation requires the Kansas Department of Revenue to provide and maintain a database, in downloadable format, describing boundary changes for all local taxing jurisdictions, including a description of the change and effective date, and the sales and use tax rates for those jurisdictions. The department must also provide and maintain a downloadable database that assigns each five and nine-digit zip code to the proper rates and taxing jurisdictions. The department is proceeding to develop these databases as soon as possible, and will notify retailers when they are available for use. However, they will take some time to develop and will not be available by July 1, 2003. Until these electronic databases become available, Publication KS-1700 should be used to identify the correct local sales tax rates and taxing jurisdictions.

ST-16 OR ST-36? Retailers who are collecting only ONE combined rate of sales tax may use Form ST-16 or TeleFile. Under the new "destination-based" sourcing rule, many Kansas retailers filing sales tax returns on Form ST-16 or who are TeleFiling will begin using Form ST-36 or PC File if they ship or deliver items sold to customers located outside the local taxing jurisdiction of the retailer's place of business. Form ST-36 or PC File must be used if the retailer will be reporting sales and remitting sales tax for more than one local taxing jurisdiction. As noted above, retailers who are delivering or shipping to their customers must collect the combined rate of sales tax in effect at their customer's "shipping address". Kansas retailers who ship items to Kansas customers, and who are currently filing Form ST-16s, **will need to contact the Department of Revenue and request to receive Form ST-36**, which allows local sales tax to be reported for all taxing jurisdictions within Kansas. You may contact the department toll free by calling 1-877-526-7738; press "1" for touch-tone phone (listen briefly), press "5" for Business Taxes (listen briefly); then press "2" to talk to a sales tax representative.

PC FILE – ANYONE filing a Kansas retailers' sales tax return and who has Internet access, may use PC File – whether collecting one or several different local sales tax rates. Download FREE software from: www.webtax.org Use your TeleFile PIN (Personal Identification Number) as your PC File PIN. Simply download the PC File software to your hard drive and it does all the calculations for you, offers you the choice to pay by check or electronic transfer of funds, and allows you to print the payment voucher. You have an electronic history of your sales tax filings and a confirmation number is automatically inserted into your electronic return, which verifies that the department has received your return. *PC FILE IS THE EASIEST WAY TO FILE SALES TAX RETURNS.*

EXAMPLE AND COMPLETED FORM ST-36

All-American Furniture Company of Lawrence, Kansas is registered with the Department of Revenue to collect and remit Kansas retailers' sales tax on a monthly basis. During the month of July 2003, All-American Furniture Company has gross sales of $100,000. The sales consists of:

1) $5,000 of exempt sales – sales to a qualified religious organization – the customer took possession of the purchased items at the Lawrence store.
2) $20,000 of over-the-counter sales in which their customer took possession of the purchased items at the Lawrence store.
3) $30,000 of sales delivered to customers within the city limits of Lawrence.
4) $15,000 of sales delivered to customers outside the city limits of Lawrence, but within Douglas County.
5) $20,000 of sales delivered to customers within the city limits of Eudora.
6) $10,000 of sales delivered to customers within the city limits of De Soto.

A completed Form ST-36 for this fictitious company appears on the following page

NOTES:

1) The $5,000 exempt sales are counted as part of Lawrence sales – as the customer took possession at the store or the items where delivered within the city limits of Lawrence.
2) The $20,000 over-the-counter sales and the $30,000 are also counted as part of the Lawrence sales – since both the over-the-counter sales and the delivery sales to customers within the city of Lawrence are the same taxing jurisdiction – City of Lawrence.
3) The $15,000 sales of items delivered to customers outside of Lawrence but within Douglas County is taxed at the Douglas County rate – where the customer took possession.

ST-36

(Rev. 4/03)

Kansas Retailers' Sales Tax Return

FOR OFFICE USE ONLY

454003

Business Name: ALL AMERICAN FURNITURE COMPANY

Mailing Address: 11 MAIN

City: LAWRENCE | State: KS | Zip Code: 66044

Tax Account Number: 004-481234567F-01

EIN: 481234567

Due Date: 08/25/03

Tax Period	MM	DD	YY
Period Beginning Date	07	01	03
Period Ending Date	07	31	03

Date Business Closed:

Amended Return: ☐ Additional Return: ☐ Name or Address Change: ☐

Part I

1. Total Tax (Complete Part III before completing this section)	6,770.00	1
2. Total Net Deduction from Part IV (if applicable)	.	2
3. Tax (Subtract line 2 from line 1)	6,770.00	3
4. Estimated Tax Due for Next Month (See instructions)	3,350.00	4
5. Estimated Tax Paid from Last Month (See instructions)	3,200.00	5
6. Tax (Add lines 3 and 4, and subtract line 5)	6,920.00	6
7. Credit Memo (See instructions)	.	7
8. Subtotal (Subtract line 7 from line 6)	6,920.00	8
9. Penalty	.	9
10. Interest	.	10
11. Total Amount Due (Add lines 8, 9 and 10)	6,920.00	11

Part II Deductions

A. Sales to other retailers for resale	.	A
B. Returned goods, discounts allowed [illegible]	.	B
C. Sales to U.S. government, state [illegible] political [illegible]	.	C
D. Sales of [illegible] or [illegible] personal property produced [illegible]	.	D
E. Sales of [illegible] consumer [illegible] personal property	.	E
F. Sales to [illegible] banks, tissue or organ bank	.	F
G. Sales to non[illegible] [illegible]	.	G
H. Sales [illegible] tax exempt religious and nonprofit organizations	5,000.00	H
I. Sales of [illegible] equipment and machinery	.	I
J. Sales of manufacturing machinery and equipment	.	J
K. Sales of alcoholic beverages	.	K
L. Non-taxable labor services, original construction and residential remodeling	.	L
M. Deliveries outside of Kansas	.	M
N. Other allowable deductions	.	N
O. Total deductions	5,000.00	O

I certify this return is correct.

Signature: Denise Murphy

SAMPLE

Do Not Detach This Voucher

ST-36V

(Rev. 4/03)

Kansas Retailers' Sales Tax Voucher

FOR OFFICE USE ONLY

Business Name: ALL AMERICAN FURNITURE COMPANY

Mailing Address: 11 MAIN

City: LAWRENCE | State: KS | Zip Code: 66044

Tax Account Number: 004-481234567F-01

EIN: 481234567

Due Date: 08/25/03

Tax Period	MM	DD	YY
Period Beginning Date	07	01	03
Period Ending Date	07	31	03

Amount from line 4, above: 3,350.00

Subtract line 4 from line 11 and enter here: 3,570.00

Payment Amount: $ 6920.00

ST-36 Part III Kansas Retailers' Sales Tax Return

(Rev. 4/03)

454103

Business Name: ALL AMERICAN FURNITURE COMPANY

Tax Account Number: 004-481234567F-01

EIN: 481234567

Taxing Jurisdiction Name of City/County	(Column 1) Code	(Column 2) Gross Sales	(Column 3) Merchandise Consumed By You	(Column 4) Part II (Non-Utility) Deductions	(Column 5) Net Sales	(Column 6) Combined Tax Rate %	(Column 7) Net Tax
LAWRENCE / DOUGLAS	LAWDG	55,000.00		5,000.00	50,000.00	7.3%	3,650.00
DOUGLAS	DOUCO	15,000.00			15,000.00	6.3%	945.00
EUDORA / DOUGLAS	EUDDG	20,000.00			20,000.00	6.8%	1,360.00
DESOTO / JOHNSON	DESJO	10,000.00			10,000.00	8.15%	815.00

SAMPLE

Total Number of supplemental pages included with this return:

8. Total Net Tax (Part III): 6,770.00

9. Sum of additional Part III supplemental pages:

10. Total Tax (Add lines 8 and 9. Enter result here and on line 1, Part I): 6,770.00