**Private Letter Ruling**

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| **Ruling Number:** | **P-2002-093** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Propane credit card sales; credit card service fees.** |
| **Keywords:** |  |
| **Approval Date:** | **11/12/2002** |

**Body:**

Office of Policy & Research  
  
  
November 12, 2002

XXXX  
XXXX  
XXXX

RE: Your letter postmarked October 21, 2002

Dear XXXX:  
  
I have been asked to answer your letter that we received last month. You work for a company that sells propane. When a customer uses a credit card to pay a bill, the company adds a 2.09% fee to the bill to recoup the charges for credit card service fees. You ask is these charges are subject to Kansas sales tax. Please be advised that they are subject the sales tax that is imposed on the rest of the bill. Depending on who the buyer is, this may be state and local sales tax, local sales tax, or no tax at all.  
  
The Kansas retailers' sales tax act contains the following two definitions:

(g) "Selling price" means the total cost to the consumer exclusive of discounts allowed and credited, but including freight and transportation charges from retailer to consumer.  
(h) "Gross receipts" means the total selling price or the amount received as defined in this act, in money, credits, property or other consideration valued in money from sales at retail within this state; and embraced within the provisions of this act. The taxpayer, may take credit in the report of gross receipts for: (1) An amount equal to the selling price of property returned by the purchaser when the full sale price thereof, including the tax collected, is refunded in cash or by credit; and (2) an amount equal to the allowance given for the trade-in of property.

Retailers must collect sales tax from their customers bases on the "selling price." For purposes here, the selling price is the "total cost to the customer." When one of your customer's elects to pay by credit card, the customer agrees to pay an addition 2.09% for the propane. Thus, the "total cost to the consumer" includes the additional charge of 2.09% which you indicate is to recoup credit card service fees.  
  
Please note that as a retailer, the expenses associated with utilizing the service of credit card companies are not excluded from gross receipts. Thus, when you report your monthly gross receipts, you cannot deduct from taxable gross receipts the amount that you pay in credit card service fees.  
  
I hope that my answer to your question is complete. If you have any more questions, please call me at 785-296-3081. This private letter ruling is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to make an accurate determination by the department, this ruling is null and void. This private letter ruling will be revoked in the future by operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or a published revenue ruling, that materially affects this private letter ruling.

Sincerely,  
  
  
  
Thomas E. Hatten  
Attorney/Policy & Research

**Date Composed: 11/14/2002 Date Modified: 11/15/2002**