



K A N S A S

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NOTICE 03-02 **KANSAS LOCAL CONSUMERS' COMPENSATING USE TAX**

The 2003 Kansas legislature enacted a local compensating use tax takes effect July 1, 2003.

BEFORE JULY 1, 2003, the Kansas compensating use tax rate was the state sales tax rate only – currently 5.3%. **ON AND AFTER JULY 1, 2003**, the Kansas consumers' compensating use tax rate will be equal to the combined (state and local) sales tax rate on ALL purchases of tangible personal property used, stored or consumed in the state of Kansas.

EXAMPLE #1: On July 1, 2003 Dean Brown, a Goodland, Kansas resident, purchases a \$1,000 Dell Computer on-line to be shipped from Texas to Goodland where it will be used. The combined rate of the Kansas consumers' compensating use tax due is 6.55% - a rate equal to Goodland's combined sales tax rate (5.3% State and 1.25% Sherman County). On and after July 1, 2003, \$65.50 of Kansas consumers' compensating use tax would be due ($\$1,000 \times 0.0655 = \65.50).

Kansas consumers' compensating use tax is a tax paid on goods and merchandise purchased from other states and used, stored or consumed in Kansas upon which no sales tax has been paid. It is also due if a tax rate less than the Kansas combined (state and local) is paid at the time of purchase.

EXAMPLE #2: While on vacation in Wyoming, the above Goodland, Kansas resident buys a camera for \$300 plus 5% Wyoming sales tax (4% State & 1% city). Upon returning home, a Kansas compensating use tax of 1.55% or \$4.65 is due on the difference between the combined Kansas consumers' compensating use tax rate in effect in Goodland, Kansas (6.55%) and the tax rate paid in Wyoming (6.55% - 5% = 1.55% X \$300 = \$4.65).

KANSAS SALES TAX JURISDICTION CODE BOOKLET - PUBLICATION KS-1700. As noted, the new law requires Kansas consumers to remit Kansas consumers' use tax at a rate equal to the combined sales tax rate in effect at the location where the property will be used, stored or consumed. All of the sales/compensating 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.

FORM CT-10U – Consumers who owe Kansas compensating use tax will report the tax due on Form CT-10U, which is available from the department's web site: www.ksrevenue.org or forms order line: (785) 296-4937. Taxpayers who are currently registered to remit Consumers' Compensating Use tax will automatically begin receiving Form CT-10U.

ADDITIONAL INFORMATION – Consult the "Kansas Sales And Compensating Use Tax" Information Guide, Publication KS-1510, which is available from the department's web site: <http://www.ksrevenue.org/pdf/forms/pub1510.pdf> or forms order line: (785) 296-4937.

You may also 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 consumers' compensating tax representative.

SAMPLE RETURN – A completed sample return using the information from the two examples above follows on the next page.

