

Notice

Notice Number: 02-05
Tax Type: Kansas Compensating Tax
Brief Description: Local compensating use tax on sales and long-term leases of vehicles within Kansas.
Keywords:
Approval Date: 06/25/2002

Body:

Office of the Secretary

NOTICE 02-05

2002 House Bill 3032 - LOCAL TAX ON INSTATE SALES OF VEHICLES

Effective July 1, 2002 the Kansas legislature imposed a local compensating use tax on sales and long-term leases of vehicles within Kansas (2002 House Bill 3032). In essence, this law requires purchasers of vehicles to pay the highest sales tax rate in effect at either: 1) the seller's place of business or 2) the customer's residence (if that is the vehicle registration address) or place of business (if that is the vehicle registration address).

What sales are affected:

Kansas sales and long-term leases (a lease over 28 consecutive days) of vehicles which are required to be registered in Kansas for operation on public streets and highways are affected by this legislation. This would include automobiles, trucks (regardless of gross weight), motorcycles, motorized bicycles and trailers.

Purchases and leases of vehicles outside the state of Kansas which are subsequently registered in Kansas continue to be subject to the Kansas state and local compensating use tax in effect at the purchaser's residence or place of business, and are not affected by the provisions of 2002 House Bill 3032.

When is the tax imposed:

This law is applicable to all sales of vehicles where title transfers on or after July 1, 2002. Since each lease payment is considered a separate transaction, House Bill 3032 is applicable to all lease payments received on or after July 1, 2002 regardless of the lease origin date.

When is the tax due:

Sales of Vehicles:

When the rate of tax is higher at the purchaser's residence or place of business than the rate of tax in effect at the place of sale, the purchaser will pay the difference between the two tax rates to the County Treasurer at the time of vehicle registration.

Long-term Leases of Vehicles:

When the rate of tax is higher at the lessee's residence or place of business (vehicle registration address) than the rate of tax in effect at the place of sale (lease), the lessee will pay the difference between the two tax rates to the lessor on each lease payment.

Examples:

Purchases from dealerships:

Example #1: A car is purchased from an automotive dealership located in Shawnee County Kansas by a customer residing in Lawrence, Kansas. The sales tax rate in Shawnee County is 6.2% (5.3% State and 0.9% Shawnee County). The sales tax rate in Lawrence is 7.3% (5.3% State, 1% Douglas county, 1% Lawrence). At the time of sale, the dealership will collect the sales tax in effect at the dealership – 6.2% in Shawnee County. When the purchaser registers the car, the Douglas County Treasurer will charge an additional 1.1% local compensating use tax, on the difference between the Shawnee County rate of 6.2% and the Lawrence,

Douglas County rate of 7.3%, and report it on the VIPS system.

Example #2: A car is purchased from an automotive dealership located in Kansas City, Kansas by a customer residing in Topeka, Kansas. The combined sales tax rate in Kansas City, Kansas is 7.3% (5.3% State, 1% Wyandotte County and 1% Kansas City). The combined sales tax rate in Topeka is 7.2% (5.3% State, .9% Shawnee County, 1% Topeka). At the time of sale, the dealership will collect the sales tax in effect at the dealership – 7.3% in Kansas City, Kansas. When the Topeka purchaser registers the car, the Shawnee County Treasurer will not charge any additional tax since the purchaser has already paid the highest tax rate to the dealership. The purchaser is not entitled to a rebate of local tax.

Purchases from individuals:

Example #3: A pickup is purchased from an individual in Salina, Kansas by an individual residing in Rush Center, Kansas. The combined sales tax rate in Salina is 7.05% (5.3% State, 1% Saline County, .75% Salina). The combined sales tax rate in Rush Center is 5.3% (5.3% State). When the purchaser registers the pickup, the Rush County Treasurer will collect the total 7.05% retailers' sales tax (5.3% State, 1% Saline County and .75% Salina).

Example #4: A pickup is purchased from an individual in Gridley, Kansas by an individual residing in Garden City, Kansas. The combined sales tax rate in Gridley is 5.3% (5.3% State). The combined sales tax rate in Garden City is 7.05% (5.3% State, .75% Finney County, .1% Garden City). When the purchaser registers the pickup, the Finney County Treasurer will collect the total 7.05% tax (5.3% retailers' sales tax, and .75% Finney County & 1% Garden City) local compensating use tax and report it on the VIPS system.

Leases:

When the Kansas retailers' sales tax rate in effect at a lessor's place of business is HIGHER than the rate of combined (State, City and/or County rates) sales tax rate in effect at the customer's residence (or place of business), lessors will report the combined rate of sales tax in effect at their place of business on their regular sales tax form (Form ST-16 or ST-36, or electronically via TeleFile or PC File). No other action is required.

However, when the Kansas retailers' sales tax rate in effect at a lessor's place of business is LOWER than the combined sales tax rate in effect at the customer's residence, lessors will report the rate of sales tax in effect at their place of business on their regular sales tax return. **In addition**, the lessor will also report the difference between the local (city and/or county) rate in effect at their place of business and the local rate of tax in effect at the customer's residence on Form CT-4L, Kansas Compensating Use Tax Return for Vehicle Leases. Form CT-4L is available from the department's forms order line: (785) 296-4937 or web site: www.ksrevenue.org

Example #5: A car is leased from an automotive dealership located in Shawnee County by a customer who resides in Lawrence, Douglas County for \$500.00 per month plus sales tax. The combined rate in Shawnee County is 6.2% (5.3% State, .9% Shawnee County). The combined rate in Lawrence is 7.3% (5.3% State, 1% Douglas County, 1% Lawrence). The lessor will collect \$31 ($\$500 \times .062 = \31) and remit the \$31 on its regular retailers' sales tax return. In addition, the lessor will collect the amount of the difference between the rate of tax in effect at its place of business and the customer's residence and report this local compensating use tax on Form CT-4L. In this example, the difference is 1.1% or $\$500 \times .011 = \5.50 of local compensating use tax.

If you have any questions about this Notice, or about your registration and reporting responsibilities, please contact customer service representatives in our Topeka office. In Topeka call 368-8222. Outside of Topeka call toll free at 1-877-526-7738 and press "1" for a Touch Tone Phone (listen briefly) press "5" for Business Taxes (listen briefly) and press "2" for Sales Tax.

Kansas Department of Revenue
Docking State Office Building
915 SW Harrison
Topeka, Kansas 66625

Date Composed: 06/26/2002 Date Modified: 06/26/2002

[Return to KSA Listing](#)