

Notice

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Body:

KANSAS DEPARTMENT OF REVENUE

**NOTICE 05-08
LOCAL SALES TAX ON WATER**

Effective January 1, 2006 no local Kansas retailers' sales tax (city and/or county) will be due on the retail sale of water which is delivered through mains, lines or pipes to residential premises for noncommercial use or for agricultural use.

The statute was amended in House Bill 2003 (2003 legislative session) to read:

K.S.A. 12-189a. The following sales shall be subject to the taxes levied and collected by all cities and counties under the provisions of K.S.A. 12-187 et seq. and amendments thereto:

(a) All sales of natural gas, electricity, heat and water delivered through mains, lines or pipes to residential premises for noncommercial use by the occupant of such premises and all sales of natural gas, electricity, heat and water delivered through mains, lines or pipes for agricultural use, **except that effective January 1, 2006, the provisions of this subsection shall expire for sales of water pursuant to this subsection.....**

Therefore, public water suppliers making retail sales of water to Kansas premises for noncommercial use or sales of water for Kansas agricultural use should not collect the local retailers' sales tax on sales occurring on or after January 1, 2006.

For cities or water districts which only sell water, do not complete Part IV of the sales tax return after the December 2005 return (due January 25, 2006). For sales made on or after January 1, 2006, water retailers should report the total amount of commercial, residential and agricultural water sales in the Gross Sales column 2 of Form ST-36. In column 4, Part III (Non-utility) Deductions enter the amount of sales made for residential and agricultural use. Also report these itemized deductions in Part II Deductions, line N, Other Allowable Deductions. The amount of water sales for residences or agricultural use is then included in gross sales and entered as a deduction so no state or local sales tax is due.

If filing a return that contains sales of water for partial periods both prior to and after January 1, 2006, divide the total tax billed to your customers by the consolidated tax rate. This is the new net sales amount. The new net sales, plus any other deductions, minus the original gross sales is a deduction for the difference for the partial billing period. Add this deduction amount with the other deductions on Other Allowable on Part II, line N. Also include this deduction on column 4 Part III.

If you are selling electricity or gas for residential or agricultural use please contact us. This will ensure you continue to receive Part IV as local sales tax will still be due on this sale of electricity and gas. The Clean Drinking Water Fee and the Water Protection Fee are not affected by this legislation.

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions, please call 785-368-8222.

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