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NOTICE 18-02

SALES AND COMPENSATING USE TAX EXEMPTION ON MANUFACTURER CASH REBATES FOR THE PURCHASE OR LEASE OF A MOTOR VEHICLE (JULY 1, 2018)

During the 2018 Legislative Session House Bill 2111 was passed and signed into law. Section 1 of the Bill amends K.S.A. 79-3602 to provide that effective July 1, 2018, and ending June 30, 2021, cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle will not be subject to Kansas retailers' sales or compensating use tax if paid directly to the retailer as a result of the original sale.

K.S.A. 79-3602 provides definitions that are used for both Kansas sales and use tax purposes. Section 1 of House Bill 2111 amends K.S.A. 79-3602(ll), the provision which defines "sales or selling price". Specifically, the amended language now provides:

> (3) "Sales or selling price" shall not include:
>
> (E) commencing on July 1, 2018, and ending on June 30, 2021, cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of the original sale.

For a manufacturer's rebate to qualify for exemption from sales tax, the vehicle must qualify as a "motor vehicle" as defined by K.S.A. 8-126. For purposes of the exemption, motor vehicles include passenger vehicles, trucks, motorcycles, and motorhomes

To claim the sales tax exemption, the sale of the motor vehicle must occur between July 1, 2018 and June 30, 2021, regardless of the date the title is applied for.

If a deduction for a manufacturer's cash rebate is shown on the bill of sale it will be presumed the manufacturer's cash rebate was paid directly from the manufacturer to the retailer, and that it is exempt from sales tax. Conversely, if the bill of sale does not show a deduction for a manufacturer's cash rebate it will be presumed the rebate was **not** paid directly from the manufacturer to the retailer and that it is **not** exempt from sales tax.

Manufacturer's rebates for trailers and non-highway vehicles remain taxable. Motorized bicycles, all-terrain vehicles, work-site vehicles, trailers, or any other vehicle that is not self-propelled or is not licensed for highway use does not qualify. Therefore, manufacturer's rebates offered for the purchase of these types of vehicles remain part of the retailer's gross receipts and are subject to the retailers' sales or compensating use tax.

Additional manufacturer's rebates for items of tangible personal property that are attached to the vehicle, such as running boards, brush guards, trailer hitches, etc. are exempt from tax if they are shown on the bill of sale and are paid directly to the dealer. These rebates are subject to tax if they are not shown on the bill of sale for the original purchase, or if paid directly to the purchaser.

Motor vehicle dealers, please note: To report transactions that include a tax exempt manufacturer's cash rebate you will include the amount of the rebate as part of "gross receipts" and then report a deduction on Part II, line N "Other allowable deductions".

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

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