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NOTICE 21-15

Sales and Compensating Use Tax Exemption On Manufacturer Cash Rebates For the Purchase of a Motor Vehicle

(JULY 1, 2021)

During the 2021 Legislative Session House Bill 2143 was passed and signed into law. The bill amended the definition of "sales or selling price" found in K.S.A. 79-3602(ll)(3)(E) to extend the sunset of the exclusion of certain cash rebates granted by a manufacturer from the sales or selling price of a vehicle.

Current law provides that, 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 shall not be included in the sales or selling price of the vehicle if the cash rebates are paid directly to the retailer as a result of the original sale.

The amendment made by the Bill extends the exclusion from June 30, 2021, to June 30, 2024.

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, 2024, 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".

The effect date of the amendment is May 6, 2021.

TAXPAYER ASSISTANCE

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