Policy and Research
109 SW 9th Street
PO Box 3506
Topeka KS 66601-3506
Mark A. Burghart, Secretary

Kansas
Department of Revenue

Phone: 785-368-8222
Fax: 785-296-1279
www.ksrevenue.gov
Laura Kelly, Governor

**NOTICE 24-01**

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

**(JUNE 5, 2024)**

During the 2022 Legislative Session, Senate Substitute for House Bill 2239 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 remove the sunset provision for the exclusion of certain cash rebates granted by a manufacturer from the sales or selling price of a vehicle.

Prior to amendment, K.S.A. 79-3602(ll)(3)(E) provided that, commencing on July 1, 2018, and ending on June 30, 2024, 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 removes any dates related to the exclusion, which means the exclusion will not expire.

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.

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 for the original purchase of the motor vehicle 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 of the motor vehicle, 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 on Part III of your Kansas sales tax return, under the column labeled "Gross Sales" and then report the amount of the rebate as a deduction on Part II, line N "Other allowable deductions", of the ST-36.

## TAXPAYER ASSISTANCE

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

Taxpayer Assistance Center
Kansas Department of Revenue
Scott Office Building, 1st Floor
120 SE 10th Ave
P. O. Box 3506
Topeka, KS 66601-3506
Phone: 785-368-8222
Fax: 785-291-3614