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NOTICE 24-05

CHANGES TO SALES TAX DEFINITION OF SELLING PRICE COUPONS

(JUNE 11, 2024)

During the 2024 Legislative Session House Bill 2098 was passed and signed into law. Effective on and after July 1, 2024, New Section 4 of the Bill changes the definition of "selling price" for purposes of the Kansas retailers' sales tax.

K.S.A. 79-3602 defines various terms used in the Kansas retailers' sales tax act. New Section 4 of the Bill amends K.S.A. 2023 Supp. 79-3602(ll) to change the definition of "selling price" by expanding the list of items that are NOT included in the selling price of goods or services. Specifically, the amendment creates new subsection (ll)(3)(G) which provides:

> (3) "Sales or selling price" shall not include:
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> . . . . . .
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> *(G) notwithstanding the provisions of paragraph (2), coupons issued by a manufacturer, supplier or distributor of a product that entitle the purchaser to a reduction in sales price and allowed by the seller who is reimbursed by the manufacturer, supplier or distributor. When the seller accepts such coupons, only the amount paid by the purchaser is included in the sales price.*

The reference in the new provision to "paragraph 2" is to K.S.A. 79-3602(ll)(2), which addresses when "sales or selling price" includes consideration received by a seller from third parties. The language of new subsection (ll)(3)(G) indicates it overrides any provisions in subsection (ll)(2) that conflict with (ll)(3)(G). In other words, coupons issued by a manufacturer, supplier, or distributor of a product, that entitle the purchaser to a reduction in sales price and that are allowed by a seller who is reimbursed by the manufacturer, supplier, or distributor, will always reduce the selling price, and only the amount paid by the purchaser is included in the sales price.

Please note another type of coupon that is frequently used is a store coupon. Store coupons are coupons issued by a specific retailer and can only be used at specified locations. These coupons are typically found in newspapers, in retailers' online apps, or in flyers received in the mail, and the phrase "store coupon" may be in the fine print on the coupon. Store coupons also reduce the selling price of an item, and only the amount paid by the purchaser is included in the sales price.

TAXPAYER ASSISTANCE

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