



CRISER | GOUGH | PARRISH

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Criser, Gough, & Parrish

Small Business Alert

“Working together for you.”

Kansas Use Taxes

Use tax, the tax most often unpaid, is due on goods purchased by Kansans (individuals and businesses) from outside Kansas and used, stored, or consumed in Kansas (not retail) on which no sales tax was paid, or a sales tax less than the Kansas rate was paid. Use tax is due on out-of-state purchases whether the property is shipped into Kansas or picked up in another state and brought back into Kansas.

It applies to any type of tangible personal property and is based on the total cost of the goods purchased, including postage, shipping, handling, or transportation charges. If the state and local sales tax paid in another state is less than the total tax rate at Kansas buyer’s location, only the difference is due to Kansas.

Businesses who make several purchases during the year of merchandise, supplies, tools, and equipment from out-of-state retailers should register with the Kansas Department of Revenue to periodically report and pay this tax.

Retailers’ Compensating Use Tax

The Kansas retailers’ compensating use tax is collected by retailers in other states that sell tangible personal property to Kansas consumers. Out-of-state retailers are required to register and collect the Retailers’ Compensating Use tax from their Kansas customers if they have established a physical presence or “nexus” in Kansas.

How to Report and Pay Consumers’ Use Tax

To obtain a Consumers’ compensating use tax reporting number, simply complete the Business Tax Application, form CR-16. If you are already registered for sales tax, check the “Registration of Additional Tax Types” in Part 1 of the application.

How often you will report and pay your use tax (monthly,

quarterly, or annually) depends on an estimate of the annual amount of use tax due entered on the application. Paperless filing and payment options are also available through www.webtax.org. If you elect to file paper returns, you will periodically receive your use tax returns (Form CT-10U) by mail.

What is Nexus?

Nexus is defined as a “means of connection” or a “link.” What constitutes nexus varies from situation to situation. However some of the areas the department looks for are:

- Business location in Kansas, including an office.
- The presence in Kansas of sales or service representatives.
- Operation of mobile stores in Kansas (ex: trucks with a driver salesperson).
- Stocking inventory in a Kansas warehouse or on consignment.
- Providing tangible personal property for lease or rental in Kansas.
- Delivering merchandise to Kansas customers using company vehicles or contract carriers, other than interstate common carriers.
- Providing or contracting for installation, construction, repair, or other services in Kansas.

If you are a Kansas retailer, and any of these “nexus” activities describe your business in another state, contact that state to register to collect the sales or use tax from your customers in those states.

(From Kansas Sales Tax & Compensating Use Tax Publication 1510, rev 06/06, ksrevenue.org/pdf/forms/pub1510.pdf)

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Annual Reports

Extensions for annual reports were eliminated January 1, 2006.

Pay annual report fee to the Secretary of State with the annual report form.

For Profit Entities:

Fee Amount: \$55.

Due Date: 15th day of the **fourth** month after the tax closing month

Forfeiture Date: 15th day of the **seventh** month after the tax closing month. If you choose to forfeit, you'll have to pay an additional \$120 (a \$35 filing fee and an \$85 penalty fee) for reinstatement.

Not-for-Profit Entities:

Fee amount: \$40.00

Due Date: 15th day of the **sixth** month after the tax closing month.

Forfeiture Date: 15th day of the **ninth** month after the tax closing month. If you choose to forfeit, you'll have to pay an additional \$20 filing fee for reinstatement.

Do not file or pay annual report fee with Department of Revenue. Doing so will result in forfeiture of the business entity.

Franchise Tax

Pay franchise tax to Department of Revenue.

Tax amount is \$1.25 per \$1000 of net worth for business entities with \$100,000 or more of net worth. Maximum tax amount is \$20,000.

Due Date: 15th day of the **fourth** month following the tax year end.

Pay tax to Department of Revenue with Form-150. Penalties and interest will be applied for late filings. For more information, visit www.ksrevenue.org/franchisetax.html

(from www.kssos.org)

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Return Service Requested

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