**Opinion Letter**

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| **Letter Number:** | **O-2000-024** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Core charges; replacement parts for cars, trucks and other equipment.** |
| **Keywords:** |  |
| **Approval Date:** | **10/10/2000** |

**Body:**

Office of Policy & Research

October 10, 2000

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XXXX

RE: Your letter of August 8, 2000

Dear XXXX:

I have been asked to answer your letter that we received in August. You ask how Kansas sales tax applies to “core charges.”

Replacement parts for cars, trucks and other equipment are often sold with an added fee called a “core charge” when the customer does not have the old part to trade-in. Sometime after the sale, the customer returns to the retailer, turns in the used part, and is refunded the core charge. The retailer then forwards the used part to a re-manufacturer to be rebuilt.

Kansas treats these transactions basically as the trade-in of a used part. The retailer, at the time of sale, cannot determine whether the customer will turn in the used part for the refund. Thus, the core charge is subject to sales tax as part of the selling price. When the part is turned in, the retailer should refund both the core charge and the state and local sales tax that was collected on the core charge. This practice is consistent with Kansas law that allows a credit when the selling price is established for “an amount equal to the allowance given for the trade-in of property.” K.S.A. 79-3602(h).

This rule applies to transactions described in your catalog. I believe this answers all of your questions. If you need to discuss this matter further, please call me.

Sincerely,

Thomas E. Hatten

Attorney/Policy & Research

**Date Composed: 10/18/2000 Date Modified: 10/10/2001**