**Private Letter Ruling**

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| **Ruling Number:** | **P-1998-52** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Application of sales tax to third party vendors.** |
| **Keywords:** |  |
| **Effective Date:** | **06/12/1998** |

**Body:**

Office of Policy & Research

June 12, 1998  
  
  
XXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXX  
  
  
Dear XXXXXXXXXXXX:  
  
The purpose of this letter is to respond to your letter dated March 31, 1998.  
  
You generally stated in your letter: XXXXXXX has contracted with a Kansas vendor to perform a pick and pack service and arrange with 3rd party vendors to provide printing of XXXXXX print materials. The vendor, XXXXXXXXXXXXX is based in Lenexa, Kansas and provides the following services for XXXXXXXXX.  
  
XXXXXX arranges for a majority of the printing of XXXXX various contracts and print materials. XXXXXX does not arrange all of the printing. The contracts and print materials which are either printed by a third party or arranged for by XXXXXX are warehoused at XXXXX until an order is placed by one of XXXXX customers or a sales representative.  
  
Upon placement of the order, XXXXX then goes about the task of fulfilling the order and shipping the printed materials to the customer both within Kansas and outside Kansas.  
  
As part of the pricing structure for the agreement, XXXXX established the anticipated number of orders on a monthly basis. An average number of line items per order is calculated and a price per line item of inventory which is picked is billed to XXXXX. This cost represents the picking fee.  
  
The picking fee represents the physical act of retrieving the product form the shelf or pick line and segregating the merchandise to prepare the order to be packaged.  
  
There also exists a process fee/packaging fee which is also charged per order.  
  
The process fee/packing fee represents the costs associated with entering the order in the computer, packing the order in the proper container (box, envelope, etc.) the cost of the container, and a charge for transporting the order to either XXXXX or XXX for shipment.  
  
In the current billing arrangement, we are being charged sales tax on the cost of the printing and on both the picking and process fee/packing charges.  
  
Your questions are as follows:  
  
1. Are the printing costs which XXXX incur for the printed material which is being warehoused at XXXXXX for shipment within Kansas subject to Kansas sales/use.

Answer: Yes.

2. Are the printing costs which XXXXXXXX incur for the printed material which is being warehoused at XXXXXXXX for shipment within Kansas subject to sales/use tax?

Answer: Yes.

3. Are the costs associates with the picking fee for orders which will be shipped out-of-state subject to Kansas sales tax.

Answer: No.

4. Are the costs associated with the picking fee for orders which will remain in Kansas subject to Kansas sales tax?

Answer: No.

5. Are print materials which were printed by 3rd party vendors (not using XXXXX) and shipped to XXXXX for warehousing until they are ordered and subsequently shipped out-of-state subject to Kansas sales tax?

Answer: These materials would be subject to Kansas sales tax if printed in Kansas or Kansas compensating (use) tax.

6. Are print materials which were printed by 3rd party vendors (not using XXXXX) and shipped to XXXXX for warehousing until they are ordered and subsequently shipped to Kansas customers subject to Kansas sales tax?

Answer: These materials would be subject to Kansas sales tax if printed in Kansas or Kansas compensating (use) tax.

7. Are the packing fees subject to Kansas sales tax if the order is shipped out-of-state?

The fees from XXXXX to package printed materials owned by you would not be subject to Kansas retailers sales tax.

8. Are the packing fees subject to Kansas sales tax if shipped within the State of Kansas?

The fees from XXXXX to package printed materials owned by you would not be subject to Kansas retailers sales tax.  
  
Sincerely,  
  
  
Mark D. Ciardullo  
Tax Specialist

MDC  
  
  
**Date Composed: 06/12/1998 Date Modified: 10/10/2001**