**Private Letter Ruling**

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| **Ruling Number:** | **P-2000-057** |

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| **Tax Type:** | **Kansas Compensating Tax; Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Processing fees subject to sales and compensating tax.** |
| **Keywords:** |  |
| **Approval Date:** | **11/08/2000** |

**Body:**

Office of Policy & Research  
  
  
November 8, 2000

XXXX  
XXXX  
XXXX

RE: Your letter of October 20, 2000

Dear XXXX:  
  
Your letter has been given to me to answer. In it, you ask if processing fees that you bill to customers on small orders are subject to Kansas sales and use tax. The processing fee is a flat charge added to small orders in order to recoup part of the office and handling expenses associated with small orders. You intend to set the fee out as a separate line item on the invoice. Please be advised that these charges are taxable.  
  
Kansas sales tax is levied on a retailer’s gross receipts. *See K.S.A. 79-3603.*The act provides the following two definitions in K.S.A. 79-3602:

(h) "Gross receipts" means the total selling price or the amount received as defined in this act, in money, credits, property or other consideration valued in money from sales at retail within this state; and embraced within the provisions of this act. The taxpayer, may take credit in the report of gross receipts for: (1) An amount equal to the selling price of property returned by the purchaser when the full sale price thereof, including the tax collected, is refunded in cash or by credit; and (2) an amount equal to the allowance given for the trade-in of property. . . .

(g) "Selling price" means the total cost to the consumer exclusive of discounts allowed and credited, but including freight and transportation charges from retailer to consumer.

These definitions provide that the tax base is “the total cost to the consumer.” Part of the consumer's cost is your processing fee and shipping charges, even though these charges are separately stated line items on your invoice. The costs are, by definition, made part of the selling price and the taxable gross receipts. The same rule applies for Kansas use tax. I hope that this discussion answers all of your questions. If not, please call me and we can discuss them.

Sincerely,  
  
  
  
Thomas E. Hatten

Attorney/Policy & Research  
  
  
**Date Composed: 11/13/2000 Date Modified: 10/10/2001**