

Notice

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Office of Policy and Research

June 14, 2004

NOTICE 04-02

Local Use Tax Exemption Available for Certain Contracts

Action Required by July 10, 2004

Since July 1, 2003, materials purchased by contractors from out-of-state sources that are incorporated into Kansas projects not covered by a Project Exemption Certificate (PEC) have been subject to both state compensating use tax, and any applicable local (city and/or county) use tax. Before July 1, 2003, materials purchased in another state for incorporation into a non-exempt Kansas project were subject only to the 5.3% state compensating use tax – no local use tax was imposed on any tangible personal property except vehicles and boats. If materials are shipped to the contractor in Kansas from outside the state, the local tax due is the one in place where the contractor takes delivery. If the contractor picked up the materials in another state and did not pay sales tax, the local tax due is the one in place at the location of the construction project where the goods are used.

Section 4 of 2004 HB 2375 provides an exemption from the local compensating use tax for materials purchased out-of-state and incorporated into certain public works projects. To be eligible to obtain a refund of the local use tax paid on materials purchased from outside Kansas, contractors must notify the department before July 10, 2004 that they entered into a written, binding contract before July 1, 2003, which required them to furnish materials for the construction, reconstruction, restoration, replacement, repair, equipment or improvement of a:

Bridge or highway;
Street, road or alley;
Sewer or sewage system;
Water line, water system or other related improvement.

To be eligible to claim a local use tax refund and/or exemption on materials, the contractor must notify the Kansas Department of Revenue **on or before July 10, 2004**, and provide proof of the contract by completing the enclosed application and submitting a copy of the contract. The exemption from local use tax on imported materials will continue for the duration of the contract entered into before July 1, 2003 and reported to the department by the July 10, 2004 deadline.

Once the application and contract copies have been received by the department, you will receive information and instructions about how to claim the refund of the local use tax paid on imported materials purchased on or after July 1, 2003. You will also be advised about the special reporting procedures necessary to claim the local use tax exemption on future out-of-state purchases of materials for use in the public works project where the contract was entered into before July 1, 2003.

Taxpayer Assistance. If you have questions about this notice or the application, please contact the department. Additional copies of this notice and application are on our web site or may be ordered through the department's voice mail forms request line at (785) 296-4937.

▶ **Relevant Documentation**

SCANNED ATTACHMENTS/DOCUMENTS

Date Composed: 06/14/2004 Date Modified: 04/07/2006

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