

# Notice

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**Brief Description:** 1998 Sales Tax Changes and Exemptions  
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**Body:**

## Office of the Secretary

# 1998 SALES TAX CHANGES AND EXEMPTIONS

The following is a summary of this year's sales tax legislation that becomes law on **July 1, 1998**.

**Aircraft Sales.** Certified and licensed air carriers are currently exempt from sales tax on their purchases of aircraft, aircraft replacement parts, and aircraft repair and modification services, when the aircraft being sold or serviced is for use in interstate or foreign commerce. This exemption is expanded to exempt these sales when they are made through an authorized agent of the air carrier for the carrier's eventual use in interstate or foreign commerce. K.S.A. 79-3606(g).

**Churches and Religious Organizations.** Sales of tangible personal property and services purchased by nonprofit 501(c)(3) religious organizations are exempt from sales tax if the property or services are used exclusively for religious purposes. This exemption does not apply to sales made to contractors who purchase materials to perform work on property owned by these organizations. However, any sale of materials will be exempt if made directly to the exempt church or other religious organization. The department will publish more complete information on this exemption later this month. K.S.A. 79-3606(aaa).

**Direct Payment Authority.** Certain large businesses are now eligible to apply to the department to make sales and use tax payments directly to the state. Businesses granted this direct payment authority may present their permit to their vendors to claim exemption and pay any sales or use tax due directly to the department. K.S.A. 79-3619.

**Educational Institutions.** Schools and educational institutions are exempt from sales tax. The 1998 legislature defined an "educational institution" to mean a nonprofit school, college, or university that offers educational courses at a level above the twelfth grade and meets certain requirements fixed by the statute. This new definition also includes:

- Nonprofit endowment associations and foundations that operate exclusively for the support and benefit of an educational institution;
- Nonprofit entities whose principal purpose is to hold receipts from intercollegiate sporting events and to disburse these receipts, as well as grants and gifts, for the sole benefit of the athletic programs of an educational institution;
- Nonprofit research organizations whose primary purpose is to pursue scholarly investigation and research for the sole benefit of an educational institution; and
- A group of educational institutions that operate exclusively for an educational purpose, such as the NCAA.

Educational institutions are eligible to obtain a project exemption when constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing, or remodeling buildings other than dormitories, and when they make other improvements to property. K.S.A. 79-3602(s).

**Equipment used in Certain Types of Broadcasting.** The legislature exempted sales of equipment that is used directly and primarily to generate broadcast signals for over-the-air free access radio and television stations. The electricity the station uses to power the equipment that generates its signal is also exempt. K.S.A. 79-3606(zz).

**Manufacturing Machinery and Equipment.** The sales tax exemption for manufacturing machinery and equipment is now broadened to exempt repair and replacement parts and accessories. Exempt parts include, but are not limited to: belts, drill bits, grinding wheels, cutting bars, saws, dies, jigs, and molds. Refractory items used in production are also exempt. K.S.A. 79-3606(kk).

**Membership Dues and Fees.** The 1998 legislature exempted membership dues and recreational activity fees that are paid to certain nonprofit community service organizations. For this exemption to apply, the organization must qualify for exemption from property tax under the Ninth paragraph of K.S.A. 79-201. These organizations may include but are not limited to: the American Red Cross, Big Brothers & Big Sisters, Boy Scouts, Girl Scouts, YMCA, YWCA, community health centers, local community organizations, and social services organizations. K.S.A. 79-3603(m).

Also exempted are the membership dues paid to military veterans organizations, such as the Veterans of Foreign Wars and the American Legion, and their auxiliaries. These dues were previously taxed when payment allowed members to use the organization's facilities for recreation or entertainment. K.S.A. 79-3603(n).

**Nonprofit Zoos.** Purchases by a nonprofit 501(c)(3) zoo, or purchases made on behalf of the zoo by a nonprofit 501(c)(3) organization that operates the zoo, are now exempt from sales tax. Nonprofit zoos, like political subdivisions and schools, are eligible to receive project exemption certificates to exempt contractor purchases of materials and supplies used to improve their facilities. Membership dues charged by such nonprofit organizations whose sole purpose is to support a nonprofit zoo are also exempt from sales tax. K.S.A. 79-3606(xx); K.S.A. 79-3603(n).

**Other Nonprofit Organizations.** Sales of food for human consumption are now exempt when made by a nonprofit 501(c)(3) organization under a food distribution program that sells the food below cost in exchange for community service. K.S.A. 79-3606(bbb).

Sales of tangible personal property made by or on behalf of a nonprofit organization for nonsectarian multidiscipline youth development programs are now exempt from sales tax. This includes Girl Scout cookie sales and Boy Scout popcorn sales. K.S.A. 79-3606(ii).

**Parent-Teacher Associations.** Parent-teacher associations and organizations are now exempt from paying sales tax on their purchases. Parent-teacher associations and organizations are also relieved of the responsibility of collecting sales tax on fund raising sales they make on behalf of the association. K.S.A. 79-3606(yy).

**Prepaid Telephone Calling Cards.** Prepaid telephone calling cards, which are denominated in minutes, are now taxable at the time of sale as the retail sale of tangible personal property. Since tax is paid at the time of the card is purchased, calls debited to the card are no longer subject to sales tax. Charges for prepaid authorization numbers and for the recharge of a calling card are taxed in the same way as the sale of the calling card itself. K.S.A. 79-3602(f); K.S.A. 79-3603(b).

**Residential Labor Services.** Labor services performed on or after July 1, 1998 to remodel, reconstruct, restore, renovate, repair, or replace a residence are exempt. A "residence" is defined to mean "only those enclosures within which individuals customarily live." Sales of materials and supplies for use in residential or commercial construction projects remain taxable. The exemption for original construction also remains in place. The department will publish more complete information on these changes later this month. K.S.A. 79-3603(p).

#### Taxpayer Assistance

If you have any questions about this notice, please contact the customer service representatives in one of our taxpayer assistance offices:

##### **Topeka**

Docking State Office Building  
915 SW Harrison St., 3<sup>rd</sup> Floor  
Phone: (785) 296-0222  
Hearing Impaired TTY: (785) 296-6461  
Fax: (785) 291-3614

##### **Overland Park**

Cloverleaf Office Park, Bldg. 3  
6405 Metcalf Ave., Suite 120  
Phone: (913) 677-0158  
Fax: (913) 677-6649

##### **Wichita**

State Office Building  
230 E. William, Room 7150  
Phone: (316) 337-6140  
Fax: (316) 337-6162

Notice 98-01 (June 5, 1998)  
To: All Registered Retailers  
Re: 1998 Sales Tax Legislation

[\*Return to KSA Listing\*](#)