

Notice

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Brief Description: Sales and Compensating Use Tax Exemption on Manufacturer Cash Rebates for the Purchase or Lease of a Motor Vehicle.
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Body:

KANSAS DEPARTMENT OF REVENUE

REVISED NOTICE 06-03

SALES AND COMPENSATING USE TAX EXEMPTION ON MANUFACTURER CASH REBATES FOR THE PURCHASE OR LEASE OF A MOTOR VEHICLE

Effective July 1, 2006 and ending June 30, 2009 the manufacturer's cash rebate for the original purchase or lease of a new motor vehicle is not subject to sales tax if the rebate is paid directly to the retailer by the manufacturer.

If a deduction for a manufacturer's cash rebate is shown on the bill of sale it shall be presumed that the manufacturer's cash rebate was paid directly from the manufacturer to the retailer. Conversely, if the bill of sale does not show a deduction for a manufacturer's cash rebate, it shall be presumed that the rebate was **not** paid directly from the manufacturer to the retailer and is **not** exempt from sales tax.

The date of sale of the motor vehicle must be between July 1, 2006 and June 30, 2009 to claim the sales tax exemption, regardless of the date the title is applied for.

2006 Senate Bill No. 404 amended K.S.A. 79-3602 by stating the sales or selling price shall not include:

*Cash rebates granted by a manufacturer to a purchaser or lessee of a **new motor vehicle if paid directly to the retailer** as a result of the original sale. (Emphasis added).*

For a manufacturer's rebate to qualify for sales tax exemption, the vehicle must qualify as a "motor vehicle" as defined by K.S.A. 8-126. Motor vehicles include:

Passenger vehicles, trucks, motorcycles and recreational vehicles.

MANUFACTURER'S REBATES FOR TRAILERS AND NON-HIGHWAY VEHICLES REMAIN TAXABLE

Motorized bicycles, all-terrain vehicles, work-site utility vehicles, trailers or any other vehicle that is not self-propelled or is not licensed for highway use does not qualify. Therefore, manufacturer's rebates offered for the purchase of these types of vehicles remain part of the gross receipts and are subject to the retailers' sales tax.

Motor vehicle dealers: To report transactions that include a tax exempt manufacturer's cash rebate you will include the amount of the rebates as part of "Gross Sales" then take a deduction on Part II, line N "Other allowable deductions."

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