

Sales/Use/Indirect:

Kansas DOR Reminds Separately Stated Delivery Charges No Longer Subject to Tax Starting July 1

Notice 23-02, Kan. Dept. of Rev. (6/22/23). The Kansas Department of Revenue (Department) issued a notice reminding that pursuant to legislation enacted in 2022, beginning on and after July 1, 2023, delivery charges that are separately stated on the invoice, bill of sale, or similar document provided to a purchaser generally are *not* included in the sales or selling price charged to the customer, are *not* part of the gross receipts from the sale of tangible personal property or enumerated services, and thus are *not* subject to Kansas sales tax. Prior to this Kansas law change, delivery charges were included in the sales or selling price charged to a customer as part of the gross receipts from the sale of tangible personal property or enumerated services. To qualify for the new exclusion from the sales tax base, delivery charges that are separately stated on the invoice, bill of sale, or similar document provided to a purchaser must be clearly denominated as charges for:

URL: <https://www.ksrevenue.gov/taxnotices/notice23-02.pdf>

1. Delivery;
2. Transmission; or
3. Transportation.

Charges that are not clearly so denominated on the invoice, bill of sale, or similar document provided to a purchaser must be included in the tax base as part of the gross receipts from the sale.

The Department further notes that for purposes of this new exemption, any separately stated charges must be representative of a true or reasonable cost of delivery based upon the underlying products or services sold and provided by either the retailer or service provider directly, or by a third-party or agent (*e.g.*, a package delivery company) used by the retailer or service provider. To this end, “records regarding delivery costs and charges must be retained by the retailer and, pursuant to Kansas law, must be available for, and are subject to, inspection by the Director of Taxation or authorized representative at all times during normal business hours.” Moreover, depending upon the amount of the delivery charges relative to the sales price of the item sold, “a detailed, itemized list of all the charges may be required for each delivery.” The notice also explains that an exempt delivery charge does not include the cost of transportation to the seller (typically called “freight-in”), fuel surcharges, or charge-back for delivery charge on returned goods. Please contact us with any questions.

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