**Opinion Letter**

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| **Letter Number:** | **O-2013-002** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Processing charges subject to sales tax.** |
| **Keywords:** |  |

**Body:**

Office of Policy & Research  
  
  
July 10, 2013

XXXX  
XXXX  
XXXX

RE: Your letter received March 21, 2013

Dear XXXX:  
  
Thank you for your recent letter. You sharpen saws. You intend to begin charging customers a processing fee when they use a credit or debit card to pay for your services. You ask if a processing charge is taxable. The answer is yes. The line-item processing charge is part of the tax base and is taxed when your services are taxed. If you provide services to a high school shop, vocational school, or other entity that provides you with an exempt entity exemption certificate, the processing fee isn’t taxed because your line-item services charges aren’t taxed because of the exemption.  
  
K.A.R. 92-19-3a(e)(1) specifically addresses your question about the taxability of the credit/debit card processing fees that you bill to customers. K.A.R. 92-19-3a(e)(2) addresses the treatment of charges that a credit/debit card company bills to you or deducts from your account for the use of their services. Subsection (e) of the administrative regulation provides:

(e)(1) If a retailer increases the selling price of goods or services for a buyer who uses a credit card to compensate for interchange fees or other charges that the credit-card company will later deduct from the payment it forwards to the retailer’s account, these increases shall be considered to be part of the selling price of the goods or services and shall be subject to tax.  
(2) Interchange fees and other charges that a credit-card company deducts from a participating retailer’s account shall be deemed charges for the financial services that the credit-card company has rendered for the retailer and shall not be deducted from the retailer’s report of gross receipts or otherwise used to reduce the amount of sales tax being reported.

Sincerely,  
  
  
  
Thomas E. Hatten  
Attorney/Policy & Research

**Date Composed: 07/16/2013 Date Modified: 07/16/2013**