**Private Letter Ruling**

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| **Ruling Number:** | **P-2000-044** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Property stored in the State as inventory.** |
| **Keywords:** |  |
| **Approval Date:** | **09/22/2000** |

**Body:**

Office of Policy & Research  
  
  
September 22, 2000

XXXXXXXXXX  
XXXXXXXXXX  
XXXXXXXXXX  
XXXXXXXXXX  
XXXXXXXXXX  
  
Re: Kansas Sales Tax  
  
Dear XXXXX:  
  
Your correspondence of May 26, 2000 has been referred to me for response. Thank you for your inquiry. Please accept my apologies for the delay in responding.  
  
The information and inquires set forth in your letter are as follows:

Our company (XXXX XXXX XX., XXX.) has offices in Kansas City, Missouri and in Wichita and Olathe, Kansas as well as in other cities in the United States. Our Kansas City, Missouri branch’s customer, in this case, is located in Lenexa, Kansas. Our Wichita and Olathe, Kansas offices are not part of this transaction and are not involved in any way.  
  
Scenario:  
Our Kansas City, Missouri office ships material to its Lenexa, Kansas customer’s premises for storage and later use. Our Kansas City, Missouri location bills its Lenexa customer at that time and includes the appropriate Kansas seller’s use tax rate, which is paid over to the State of Kansas at the end of the month. However, the customer does not pay for this material at this time since it is shipped for storage only. As needed, the Lenexa customer takes material from the stock that we are storing on his premises. We then bill the customer for the amount of the inventory that we ship to replenish the stock that he has taken. The customer does pay these invoices. We also include the use tax rate on these replenishment shipments / billings. At some point, when the customer no longer wants us to store our inventory in his warehouse, we will return the balance of inventory to our Kansas City, Missouri office and ask the state for a refund of taxes previously billed and paid on that remaining inventory.  
  
In summary, the customer is not actually paying for the original shipment that is stored on his premises, but rather for the material that we ship to his premises to replenish the items taken by him.  
  
Are the transactions subject to the Kansas use tax rate since the material was shipped from out of state into Lenexa? Or is the sales tax rate due since the material was stored in Lenexa?

Your offices in Olathe and Wichita, Kansas give you nexus with the state of Kansas. As a result, you are required to collect and remit the applicable state and local sales and/or use tax due on a given transaction.  
  
In our opinion, based on the facts you present, when you ship material to your Lenexa customer’s premises you are not shipping the material there for storage, as that term is understood for use tax purposes. Instead, you ship the material there to be held as an inventory for resale. As a result, we believe the material originally shipped to your Lenexa customer’s premises is not subject to use tax.  
  
When your Lenexa customer pulls an item from inventory, a retail sale has occurred. At that time you should collect both state and local sales tax from your customer and remit the tax to the state of Kansas. If you ship replacement items to the Lenexa customer’s premises these items will also be considered inventory held for resale and will not be subject to sales or use tax.  
  
When the customer no longer wants you to store your inventory in his warehouse and the balance of the inventory is returned to your Kansas City, Missouri office there will be no tax incident.  
  
This private letter ruling is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to make an accurate determination by the department, this ruling is null and void. This private letter ruling will be revoked in the future by operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or a published revenue ruling, that materially affects this private letter ruling.  
  
I trust this information is of assistance. If I can be of further service, please feel free to contact me.  
  
Sincerely,  
  
  
  
Jim Weisgerber  
Attorney  
Tax Specialist  
  
JW:jw  
  
  
**Date Composed: 09/22/2000 Date Modified: 10/11/2001**