**Private Letter Ruling**

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| **Ruling Number:** | **P-2010-004** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Application of Kansas retailers' sales tax with regard to car rentals.** |
| **Keywords:** |  |
| **Approval Date:** | **07/16/2010** |

**Body:**

Office of Policy & Research

July 16, 2010

XXXXX
XXXXXXXX
XXXXXXXXXXX

Dear Mr. XXXXX:

We wish to acknowledge receipt of your recent inquiry regarding the application of Kansas Retailers’ Sales tax. You inquired regarding the tax base for car rentals. Generally most lease charges billed to the lessee are taxable. These are taxed regardless of whether the charges are lumped together with other charges on the customer invoice, or billed as separate line-item charges on the customer’s invoice, or billed under separate contracts with one contract for the vehicle rental and one or more for other charges. Listed below are the items contained in your inquiry.

-Airport concession fees and facilities fees passed to the customer.
**Answer:**Taxable

-Fee charged for returning vehicle to a city other than the renting city (knows as drop charge).
**Answer:**Taxable

-Charge for child seat.
**Answer:**Taxable

-Charge for ski rack.
**Answer:**Taxable

-Charge for in car navigational (GPS) system.
**Answer:**Taxable

-Charge for additional driver.
**Answer:**Taxable

-Charge for drivers 24 years or younger.
**Answer:**Taxable

-Charge for exceeded mileage.
**Answer:**Taxable

-Upcharge for non standard vehicles, ie; minivans, convertibles.
**Answer:**Taxable

-Charge for in car satellite radio.
**Answer:**Taxable

-Frequent Flyer Surcharge-excise taxes paid on customer awarded frequent flyer miles that are passed onto customer.
**Answer:**Taxable

-Fuel and Service Charge.
**Answer:**Taxable

-Fuel Purchase Option.
**Answer:**Taxable

-Loss Damage Waiver.
**Answer:**Taxable

-Energy surcharges.
**Answer:**Taxable

-Liability Insurance Supplement.
**Answer:** Insurance charges are taxable unless all four of the following conditions are met:
1) the charge is itemized on the lease contract;
2) the charge is for the purchase of insurance from an insurance company;
3) the lessee has the option of buying the insurance or procuring other coverage; and
4) the lessee is the beneficiary of the policy.

-Personal Accident Insurance and Personal Effects Coverage.
**Answer:** Insurance charges are taxable unless all four of the following conditions are met:
1) the charge is itemized on the lease contract;
2) the charge is for the purchase of insurance from an insurance company;
3) the lessee has the option of buying the insurance or procuring other coverage; and
4) the lessee is the beneficiary of the policy.

-Premium Emergency Roadside Service.
**Answer:**Taxable

-Vehicle licensing fees passed onto customer.
**Answer:**Taxable

-$ per day or rental surcharges.
**Answer:**Taxable

-Discounts for promo coupons.
**Answer:**Generally two types of coupons may be used by customers and each are treated differently for sales tax purposes.

When a customer uses a manufacturer coupon offered by a third party wholesaler or manufacturer the sales tax is applied to the total price. This is because the retailer will be reimbursed by the manufacturer for the amount of the coupon. With manufacturers coupons the retailer ultimately receives the full price (part from the customer and the coupon amount from the manufacturer) so the sales tax is computed on the full amount which the retailer will receive.

When a customer uses what is considered to be a store coupon offered by a retailer and redeemed only at their business the sales tax is applied to the discounted price. With store coupons the retailer only receives the amount paid by the customer so that is the amount upon which sales tax is charged.

Additional Note: Kansas also imposes a 3.5% vehicle rental excise tax on the rental or lease of a motor vehicle for 28 consecutive days or less. The vehicle rental excise tax is in addition to the state and local retailers’ sales tax.

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.

Sincerely,

Jack Smith
Policy and Research

**Date Composed: 07/16/2010 Date Modified: 07/16/2010**