

As Amended by House Committee

Session of 2005

HOUSE BILL No. 2131

By Committee on Taxation

1-21

10 AN ACT concerning sales taxation; relating to destination sourcing rules;  
11 amending K.S.A. 2004 Supp. 12-191, 79-3603, 79-3667, 79-3668, 79-  
12 3669, 79-3670, 79-3671, 79-3672, 79-3673 and 79-3682 and repealing  
13 the existing sections.

14  
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 2004 Supp. 12-191 is hereby amended to read as  
17 follows: 12-191. All retail transactions consummated within a county or  
18 city having a retail sales tax, which transactions are subject to the Kansas  
19 retailers' sales tax, shall also be subject to such county or city retail sales  
20 tax. Except as hereinafter provided, all retail sales, for the purpose of this  
21 act, shall be considered to have been consummated: ~~Commencing~~ **Except**  
22 **as provided in section 12, and amendments thereto, commencing**  
23 *on the effective date of this act and ending on the date that legislation*  
24 *enacted by the United States Congress becomes effective that authorizes*  
25 *the secretary of revenue to require some out-of-state, remote sellers lack-*  
26 *ing physical presence in this state to collect and remit state and local sales*  
27 *or use taxes, at the place of business of the retailer. During such time*  
28 *period, retail sales involving the use, consumption, or furnishing of gas,*  
29 *water, electricity and heat, for the purposes of this act, shall be considered*  
30 *to have been consummated at the situs of the user or recipient thereof,*  
31 *and retail sales involving the use or furnishing of telephone service or*  
32 *services taxed under subsection (k) of K.S.A. 79-3603, and amendments*  
33 *thereto, shall be considered to have been consummated at the situs of the*  
34 *subscriber billed therefor; retail sales involving the leasing of telecom-*  
35 *munication or data processing equipment commonly used in connection*  
36 *with telephone services shall be considered to have been consummated at*  
37 *the situs of the lessee; and retail sales involving the furnishing of services*  
38 *taxable under subsection (p), (q) and (r) of K.S.A. 79-3603, and amend-*  
39 *ments thereto, pursuant to a contract under which the sale of such services*  
40 *and the furnishing of tangible personal property exceeds \$10,000 per con-*  
41 *tract per contractor shall be considered to have been consummated at the*  
42 *situs where such services are performed; and (2) on and after the date*  
43 *that legislation enacted by the United States Congress becomes effective*

1 *that authorizes the secretary of revenue to require some out-of-state, re-*  
2 *mote sellers lacking physical presence in this state to collect and remit*  
3 *state and local sales or use taxes, at the location determined by the sourc-*  
4 *ing rules as provided in K.S.A. 2004 Supp. 79-3670, 79-3671, 79-3672*  
5 *and 79-3673, and amendments thereto. The retail sales or transfer of*  
6 *watercraft, modular homes, manufactured homes or mobile homes, shall*  
7 *be considered consummated at the place of business of the retailer and*  
8 *sourced to such location. The retail sale, excluding the lease or rental, of*  
9 *motor vehicles, trailers, semi-trailers or aircraft that do not qualify as*  
10 *transportation equipment, as defined in subsection (d) of K.S.A. 2004*  
11 *Supp. 79-3670, and amendments thereto, shall be considered consum-*  
12 *mated at the place of business of the retailer and sourced to such location.*

13 The isolated or occasional sale of any motor vehicle or trailer shall be  
14 considered consummated at the taxing jurisdiction where the sale is made.  
15 If the sale negotiations occurred in different cities or counties, the situs  
16 of the sale for local sales tax purposes shall be the place where the motor  
17 vehicle or trailer was kept at the time negotiations were first entered into.  
18 In the event the place of business of a retailer is doubtful the place or  
19 places at which the retail sales are consummated for the purposes of this  
20 act shall be determined under rules and regulations adopted by the sec-  
21 retary of revenue which rules and regulations shall be considered with  
22 state and federal law insofar as applicable. The director of taxation is  
23 hereby authorized to request and receive from any retailer or from any  
24 city or county levying the tax such information as may be reasonably  
25 necessary to determine the liability of retailers for any county or city sales  
26 tax. The collection of any sales tax of a county or city approved at any  
27 election shall commence on the first day of the calendar quarter next  
28 following the 90th day after the date that the city or county has provided  
29 written notice to the director of taxation of the election authorizing the  
30 levy of such tax. The collection of any such sales tax applicable to printed  
31 catalog purchases wherein the purchaser computed the tax based upon  
32 local tax rates published in the catalog, shall not commence until the first  
33 day of the calendar quarter next following the 150th day after the date  
34 that the city or county has provided written notice to the director of  
35 taxation of the election authorizing the levy of such tax. The director of  
36 taxation shall provide notice to sellers of such taxes within 30 days after  
37 receiving such notice from the city or county.

38 A city retailers' sales tax shall not become effective within any area  
39 annexed by a city levying such tax until the first day of the calendar quarter  
40 next following the 90th day after the date that the governing body of such  
41 city provided the state department of revenue with a certified copy of the  
42 annexation ordinance and a map of the city detailing the annexed area.  
43 The director of taxation shall provide notice to sellers of such tax within

1 30 days after receiving such notice from the city or county.

2 Whenever any sales tax, imposed by any city or county under the pro-  
3 visions of this act, shall become effective, at any time prior to the time  
4 that revenue derived therefrom may be budgeted for expenditure in such  
5 year, such revenue shall be credited to the funds of the taxing subdivision  
6 or subdivisions and shall be carried forward to the credit of such funds  
7 for the ensuing budget year in the manner provided for carrying forward  
8 balances remaining in such funds at the end of a budget year.

9 Sec. 2. K.S.A. 2004 Supp. 79-3603 is hereby amended to read as  
10 follows: 79-3603. For the privilege of engaging in the business of selling  
11 tangible personal property at retail in this state or rendering or furnishing  
12 any of the services taxable under this act, there is hereby levied and there  
13 shall be collected and paid a tax at the rate of 5.3%. Within a redevelop-  
14 ment district established pursuant to K.S.A. 74-8921, and amendments  
15 thereto, there is hereby levied and there shall be collected and paid an  
16 additional tax at the rate of 2% until the earlier of the date the bonds  
17 issued to finance or refinance the redevelopment project have been paid  
18 in full or the final scheduled maturity of the first series of bonds issued  
19 to finance any part of the project upon:

20 (a) The gross receipts received from the sale of tangible personal  
21 property at retail within this state;

22 (b) (1) the gross receipts from intrastate telephone or telegraph serv-  
23 ices; (2) the gross receipts received from the sale of interstate telephone  
24 or telegraph services, which (A) originate within this state and terminate  
25 outside the state and are billed to a customer's telephone number or  
26 account in this state; or (B) originate outside this state and terminate  
27 within this state and are billed to a customer's telephone number or ac-  
28 count in this state except that the sale of interstate telephone or telegraph  
29 service does not include: (A) Any interstate incoming or outgoing wide  
30 area telephone service or wide area transmission type service which en-  
31 titles the subscriber to make or receive an unlimited number of com-  
32 munications to or from persons having telephone service in a specified  
33 area which is outside the state in which the station provided this service  
34 is located; (B) any interstate private communications service to the per-  
35 sons contracting for the receipt of that service that entitles the purchaser  
36 to exclusive or priority use of a communications channel or group of  
37 channels between exchanges; (C) any value-added nonvoice service in  
38 which computer processing applications are used to act on the form, con-  
39 tent, code or protocol of the information to be transmitted; (D) any tel-  
40 ecommunication service to a provider of telecommunication services  
41 which will be used to render telecommunications services, including car-  
42 rier access services; or (E) any service or transaction defined in this sec-  
43 tion among entities classified as members of an affiliated group as pro-

1 vided by section 1504 of the federal internal revenue code of 1986, as in  
2 effect on January 1, 2001; and (3) the gross receipts from the provision  
3 of services taxable under this subsection which are billed on a combined  
4 basis with nontaxable services, shall be accounted for and the tax remitted  
5 as follows: The taxable portion of the selling price of those combined  
6 services shall include only those charges for taxable services if the selling  
7 price for the taxable services can be readily distinguishable in the retailer's  
8 books and records from the selling price for the nontaxable services. Oth-  
9 erwise, the gross receipts from the sale of both taxable and nontaxable  
10 services billed on a combined basis shall be deemed attributable to the  
11 taxable services included therein. Within 90 days of billing taxable services  
12 on a combined basis with nontaxable services, the retailer shall enter into  
13 a written agreement with the secretary identifying the methodology to be  
14 used in determining the taxable portion of the selling price of those com-  
15 bined services. The burden of proving that any receipt or charge is not  
16 taxable shall be upon the retailer. Upon request from the customer, the  
17 retailer shall disclose to the customer the selling price for the taxable  
18 services included in the selling price for the taxable and nontaxable serv-  
19 ices billed on a combined basis;

20 (c) the gross receipts from the sale or furnishing of gas, water, elec-  
21 tricity and heat, which sale is not otherwise exempt from taxation under  
22 the provisions of this act, and whether furnished by municipally or pri-  
23 vately owned utilities, except that, on and after January 1, 2006, for sales  
24 of gas, electricity and heat delivered through mains, lines or pipes to  
25 residential premises for noncommercial use by the occupant of such  
26 premises, and for agricultural use and also, for such use, all sales of pro-  
27 pane gas, the state rate shall be 0%; and for all sales of propane gas, LP  
28 gas, coal, wood and other fuel sources for the production of heat or light-  
29 ing for noncommercial use of an occupant of residential premises, the  
30 state rate shall be 0%, but such tax shall not be levied and collected upon  
31 the gross receipts from: (1) The sale of a rural water district benefit unit;  
32 (2) a water system impact fee, system enhancement fee or similar fee  
33 collected by a water supplier as a condition for establishing service; or (3)  
34 connection or reconnection fees collected by a water supplier;

35 (d) the gross receipts from the sale of meals or drinks furnished at  
36 any private club, drinking establishment, catered event, restaurant, eating  
37 house, dining car, hotel, drugstore or other place where meals or drinks  
38 are regularly sold to the public;

39 (e) the gross receipts from the sale of admissions to any place pro-  
40 viding amusement, entertainment or recreation services including admis-  
41 sions to state, county, district and local fairs, but such tax shall not be  
42 levied and collected upon the gross receipts received from sales of ad-  
43 missions to any cultural and historical event which occurs triennially;

- 1 (f) the gross receipts from the operation of any coin-operated device  
2 dispensing or providing tangible personal property, amusement or other  
3 services except laundry services, whether automatic or manually operated;
- 4 (g) the gross receipts from the service of renting of rooms by hotels,  
5 as defined by K.S.A. 36-501 and amendments thereto, or by accommo-  
6 dation brokers, as defined by K.S.A. 12-1692, and amendments thereto  
7 but such tax shall not be levied and collected upon the gross receipts  
8 received from sales of such service to the federal government and any  
9 agency, officer or employee thereof in association with the performance  
10 of official government duties;
- 11 (h) the gross receipts from the service of renting or leasing of tangible  
12 personal property except such tax shall not apply to the renting or leasing  
13 of machinery, equipment or other personal property owned by a city and  
14 purchased from the proceeds of industrial revenue bonds issued prior to  
15 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through  
16 12-1749, and amendments thereto, and any city or lessee renting or leas-  
17 ing such machinery, equipment or other personal property purchased  
18 with the proceeds of such bonds who shall have paid a tax under the  
19 provisions of this section upon sales made prior to July 1, 1973, shall be  
20 entitled to a refund from the sales tax refund fund of all taxes paid  
21 thereon;
- 22 (i) the gross receipts from the rendering of dry cleaning, pressing,  
23 dyeing and laundry services except laundry services rendered through a  
24 coin-operated device whether automatic or manually operated;
- 25 (j) the gross receipts from the rendering of the services of washing  
26 and washing and waxing of vehicles;
- 27 (k) the gross receipts from cable, community antennae and other sub-  
28 scriber radio and television services;
- 29 (l) (1) except as otherwise provided by paragraph (2), the gross re-  
30 cepts received from the sales of tangible personal property to all con-  
31 tractors, subcontractors or repairmen for use by them in erecting struc-  
32 tures, or building on, or otherwise improving, altering, or repairing real  
33 or personal property.
- 34 (2) Any such contractor, subcontractor or repairman who maintains  
35 an inventory of such property both for sale at retail and for use by them  
36 for the purposes described by paragraph (1) shall be deemed a retailer  
37 with respect to purchases for and sales from such inventory, except that  
38 the gross receipts received from any such sale, other than a sale at retail,  
39 shall be equal to the total purchase price paid for such property and the  
40 tax imposed thereon shall be paid by the deemed retailer;
- 41 (m) the gross receipts received from fees and charges by public and  
42 private clubs, drinking establishments, organizations and businesses for  
43 participation in sports, games and other recreational activities, but such

1 tax shall not be levied and collected upon the gross receipts received from:  
2 (1) Fees and charges by any political subdivision, by any organization  
3 exempt from property taxation pursuant to paragraph *Ninth* of K.S.A. 79-  
4 201, and amendments thereto, or by any youth recreation organization  
5 exclusively providing services to persons 18 years of age or younger which  
6 is exempt from federal income taxation pursuant to section 501(c)(3) of  
7 the federal internal revenue code of 1986, for participation in sports,  
8 games and other recreational activities; and (2) entry fees and charges for  
9 participation in a special event or tournament sanctioned by a national  
10 sporting association to which spectators are charged an admission which  
11 is taxable pursuant to subsection (e);

12 (n) the gross receipts received from dues charged by public and pri-  
13 vate clubs, drinking establishments, organizations and businesses, pay-  
14 ment of which entitles a member to the use of facilities for recreation or  
15 entertainment, but such tax shall not be levied and collected upon the  
16 gross receipts received from: (1) Dues charged by any organization ex-  
17 empt from property taxation pursuant to paragraphs *Eighth* and *Ninth* of  
18 K.S.A. 79-201, and amendments thereto; and (2) sales of memberships  
19 in a nonprofit organization which is exempt from federal income taxation  
20 pursuant to section 501 (c)(3) of the federal internal revenue code of  
21 1986, and whose purpose is to support the operation of a nonprofit zoo;

22 (o) the gross receipts received from the isolated or occasional sale of  
23 motor vehicles or trailers but not including: (1) The transfer of motor  
24 vehicles or trailers by a person to a corporation or limited liability com-  
25 pany solely in exchange for stock securities or membership interest in  
26 such corporation or limited liability company; or (2) the transfer of motor  
27 vehicles or trailers by one corporation or limited liability company to  
28 another when all of the assets of such corporation or limited liability  
29 company are transferred to such other corporation or limited liability  
30 company; or (3) the sale of motor vehicles or trailers which are subject  
31 to taxation pursuant to the provisions of K.S.A. 79-5101 *et seq.*, and  
32 amendments thereto, by an immediate family member to another im-  
33 mediate family member. For the purposes of clause (3), immediate family  
34 member means lineal ascendants or descendants, and their spouses. The  
35 base for computing the tax shall be the stated selling price of the motor  
36 vehicle or trailer or the value pursuant to subsections (a), (b)(1) and (b)(2)  
37 of K.S.A. 79-5105, and amendments thereto, whichever amount is higher.  
38 The actual selling price shall be the base for computing the tax on the  
39 isolated or occasional sale of wrecked or damaged vehicles. In determi-  
40 ning the base for computing the tax on such isolated or occasional sale, the  
41 fair market value of any motor vehicle or trailer traded in by the purchaser  
42 to the seller may be deducted from the selling price;

43 (p) the gross receipts received for the service of installing or applying

1 tangible personal property which when installed or applied is not being  
2 held for sale in the regular course of business, and whether or not such  
3 tangible personal property when installed or applied remains tangible  
4 personal property or becomes a part of real estate, except that no tax shall  
5 be imposed upon the service of installing or applying tangible personal  
6 property in connection with the original construction of a building or  
7 facility, the original construction, reconstruction, restoration, remodeling,  
8 renovation, repair or replacement of a residence or the construction, re-  
9 construction, restoration, replacement or repair of a bridge or highway.

10 For the purposes of this subsection:

11 (1) “Original construction” shall mean the first or initial construction  
12 of a new building or facility. The term “original construction” shall include  
13 the addition of an entire room or floor to any existing building or facility,  
14 the completion of any unfinished portion of any existing building or fa-  
15 cility and the restoration, reconstruction or replacement of a building or  
16 facility damaged or destroyed by fire, flood, tornado, lightning, explosion  
17 or earthquake, but such term, except with regard to a residence, shall not  
18 include replacement, remodeling, restoration, renovation or reconstruc-  
19 tion under any other circumstances;

20 (2) “building” shall mean only those enclosures within which individ-  
21 uals customarily are employed, or which are customarily used to house  
22 machinery, equipment or other property, and including the land improve-  
23 ments immediately surrounding such building;

24 (3) “facility” shall mean a mill, plant, refinery, oil or gas well, water  
25 well, feedlot or any conveyance, transmission or distribution line of any  
26 cooperative, nonprofit, membership corporation organized under or sub-  
27 ject to the provisions of K.S.A. 17-4601 et seq., and amendments thereto,  
28 or of any municipal or quasi-municipal corporation, including the land  
29 improvements immediately surrounding such facility; and

30 (4) “residence” shall mean only those enclosures within which indi-  
31 viduals customarily live;

32 (q) the gross receipts received for the service of repairing, servicing,  
33 altering or maintaining tangible personal property which when such serv-  
34 ices are rendered is not being held for sale in the regular course of busi-  
35 ness, and whether or not any tangible personal property is transferred in  
36 connection therewith. The tax imposed by this subsection shall be appli-  
37 cable to the services of repairing, servicing, altering or maintaining an  
38 item of tangible personal property which has been and is fastened to,  
39 connected with or built into real property;

40 (r) the gross receipts from fees or charges made under service or  
41 maintenance agreement contracts for services, charges for the providing  
42 of which are taxable under the provisions of subsection (p) or (q);

43 (s) on and after January 1, 2005, the gross receipts received from the

1 sale of prewritten computer software and the sale of the services of mod-  
2 ifying, altering, updating or maintaining prewritten computer software,  
3 whether the prewritten computer software is installed or delivered elec-  
4 tronically by tangible storage media physically transferred to the pur-  
5 chaser or by load and leave;

6 (t) the gross receipts received for telephone answering services, mo-  
7 bile telecommunication services, beeper services and other similar serv-  
8 ices. On and after August 1, 2002, the provisions of the federal mobile  
9 telecommunications sourcing act as in effect on January 1, 2002, shall be  
10 applicable to all sales of mobile telecommunication services taxable pur-  
11 suant to this subsection. The secretary of revenue is hereby authorized  
12 and directed to perform any act deemed necessary to properly implement  
13 such provisions;

14 (u) the gross receipts received from the sale of prepaid calling service  
15 ~~as defined in K.S.A. 2004 Supp. 79-3673, and amendments thereto. As~~  
16 *used in this subsection “prepaid calling service” means the right to access*  
17 *exclusively telecommunications services, which must be paid for in ad-*  
18 *vance and which enables the origination of calls using an access number*  
19 *or authorization code, whether manually or electronically dialed, and that*  
20 *is sold in predetermined units or dollars of which the number declines*  
21 *with use in a known amount; and*

22 (v) the gross receipts received from the sales of bingo cards, bingo  
23 faces and instant bingo tickets by licensees under K.S.A. 79-4701, *et seq.*,  
24 and amendments thereto, shall be taxed at a rate of: (1) 4.9% on July 1,  
25 2000, and before July 1, 2001; and (2) 2.5% on July 1, 2001, and before  
26 July 1, 2002. From and after July 1, 2002, all sales of bingo cards, bingo  
27 faces and instant bingo tickets by licensees under K.S.A. 79-4701 *et seq.*,  
28 and amendments thereto, shall be exempt from taxes imposed pursuant  
29 to this section.

30 Sec. 3. K.S.A. 2004 Supp. 79-3667 is hereby amended to read as  
31 follows: 79-3667. On and after the databases are developed pursuant to  
32 subsections (a), (b) and (c) of K.S.A. 2004 Supp. 79-3668 and amend-  
33 ments thereto and after the state has joined and become a member of  
34 the agreement, sellers and certified service providers (CSPs) are relieved  
35 from liability for state and local sales and use tax for having charged and  
36 collected the incorrect amount of sales tax resulting from the seller or  
37 certified service provider relying on erroneous data provided by the sec-  
38 retary on tax rates, boundaries or taxing jurisdiction assignments. If the  
39 secretary provides an address-based system for assigning taxing jurisdic-  
40 tions that meets the requirements developed pursuant to the federal mo-  
41 bile telecommunications sourcing act, no liability relief is provided to  
42 sellers or certified service providers for errors resulting from reliance on  
43 the information provided under the provisions of subsection (c) of K.S.A.



1 2004 Supp. 79-3668 and amendments thereto. ~~The~~ **Except as provided**  
2 **in section 12, and amendments thereto, the** *provisions of this section*  
3 *shall not be effective for the period commencing on the effective date of*  
4 *this act, and ending on the date that legislation enacted by the United*  
5 *States Congress becomes effective that authorizes the secretary of revenue*  
6 *to require some out-of-state, remote sellers lacking physical presence in*  
7 *this state to collect and remit state and local sales or use taxes.*

8 Sec. 4. K.S.A. 2004 Supp. 79-3668 is hereby amended to read as  
9 follows: 79-3668. (a) The secretary shall provide and maintain a database  
10 that describes boundary changes for all taxing jurisdictions. This database  
11 shall include a description of the change and the effective date of the  
12 change for sales and use tax purposes.

13 (b) The secretary shall provide and maintain a database of all sales  
14 and use tax rates for all taxing jurisdictions. For the identification of coun-  
15 ties and cities, codes corresponding to the rates must be provided ac-  
16 cording to federal information processing standards (FIPS) as developed  
17 by the national institute of standards and technology. For the identifica-  
18 tion of all other jurisdictions, codes corresponding to the rates must be  
19 in the format determined by the secretary.

20 (c) The secretary must provide and maintain a database that assigns  
21 each five- and nine-digit zip code to the proper rates and taxing jurisdic-  
22 tions. The lowest combined tax rate imposed in the zip code area shall  
23 apply if the area includes more than one tax rate in any level of taxing  
24 jurisdiction. If a nine-digit zip code designation is not available for a street  
25 address, or if a seller is unable to determine the nine-digit zip code des-  
26 ignation of a purchaser after exercising due diligence to determine the  
27 designation, the seller may apply the rate for the five-digit zip code area.  
28 For purposes of this section, there is a rebuttable presumption that a  
29 seller has exercised due diligence if the seller has attempted to determine  
30 the nine-digit zip code designation by utilizing software approved by the  
31 secretary that makes this designation from the street address and the five-  
32 digit zip code of the purchaser.

33 (d) The secretary shall participate with other member states in the  
34 development of an address-based system for assigning taxing jurisdictions.  
35 The system must meet the requirements developed pursuant to the fed-  
36 eral mobile telecommunications sourcing act (4 U.S.C. § 119).

37 (e) The electronic databases provided for in subsections (a), (b), (c)  
38 and (d) shall be in downloadable format as determined by the secretary.  
39 The provisions of subsections (c) and (d) do not apply when the purchased  
40 product is received by the purchaser at the business location of the seller.

41 (f) ~~The~~ **Except as provided in section 12, and amendments**  
42 **thereto, the** *provisions of this section shall not be effective for the period*  
43 *commencing on the effective date of this act, and ending on the date that*

1 *legislation enacted by the United States Congress becomes effective that*  
2 *authorizes the secretary of revenue to require some out-of-state, remote*  
3 *sellers lacking physical presence in this state to collect and remit state and*  
4 *local sales or use taxes.*

5 Sec. 5. K.S.A. 2004 Supp. 79-3669 is hereby amended to read as  
6 follows: 79-3669. (a) The retail sale of a product shall be sourced in ac-  
7 cordance with K.S.A. 2004 Supp. 79-3670 and amendments thereto. The  
8 provisions of K.S.A. 2004 Supp. 79-3670 and amendments thereto apply  
9 regardless of the characterization of a product as tangible personal prop-  
10 erty, a digital good or a service. The provisions of K.S.A. 2004 Supp. 79-  
11 3670 and amendments thereto only apply to determine a seller's obliga-  
12 tion to pay or collect and remit a sales or use tax with respect to the  
13 seller's retail sale of a product. These provisions do not affect the obli-  
14 gation of a purchaser or lessee to remit tax on the use of the product to  
15 the taxing jurisdictions of that use.

16 (b) K.S.A. 2004 Supp. 79-3670 and amendments thereto does not  
17 apply to sales or use taxes levied on the following: (1) The retail sale or  
18 transfer of water craft, modular homes, manufactured homes or mobile  
19 homes. The retail sale of these items shall be sourced according to K.S.A.  
20 12-191 and amendments thereto;

21 (2) the retail sales, excluding lease or rental, of motor vehicles, trail-  
22 ers, semi-trailers or aircraft that do not qualify as transportation equip-  
23 ment, as defined in subsection (d) of K.S.A. 2004 Supp. 79-3670 and  
24 amendments thereto. The retail sale of these items shall be sourced ac-  
25 cording to K.S.A. 12-191 and amendments thereto and the lease or rental  
26 of these items must be sourced according to subsection (c) of K.S.A. 2004  
27 Supp. 79-3670 and amendments thereto; and

28 (3) telecommunications services, as set out in K.S.A. 2004 Supp. 79-  
29 3673 and amendments thereto, shall be sourced in accordance with  
30 K.S.A. 2004 Supp. 79-3673 and amendments thereto.

31 (c) ~~The~~ **Except as provided in section 12, and amendments**  
32 **thereto, the provisions of this section shall not be effective for the period**  
33 *commencing on the effective date of this act, and ending on the date that*  
34 *legislation enacted by the United States Congress becomes effective that*  
35 *authorizes the secretary of revenue to require some out-of-state, remote*  
36 *sellers lacking physical presence in this state to collect and remit state and*  
37 *local sales or use taxes.*

38 Sec. 6. K.S.A. 2004 Supp. 79-3670 is hereby amended to read as  
39 follows: 79-3670. (a) The retail sale, excluding lease or rental, of a product  
40 shall be sourced as follows: (1) When the product is received by the  
41 purchaser at a business location of the seller, the sale is sourced to that  
42 business location;

43 (2) when the product is not received by the purchaser at a business

1 location of the seller, the sale is sourced to the location where receipt by  
2 the purchaser, or the purchaser's donee, designated as such by the pur-  
3 chaser, occurs, including the location indicated by instructions for delivery  
4 to the purchaser or donee, known to the seller;

5 (3) when subsection (a)(1) and (a)(2) do not apply, the sale is sourced  
6 to the location indicated by an address for the purchaser that is available  
7 from the business records of the seller that are maintained in the ordinary  
8 course of the seller's business when use of this address does not constitute  
9 bad faith;

10 (4) when subsections (a)(1), (a)(2) and (a)(3) do not apply, the sale is  
11 sourced to the location indicated by an address for the purchaser obtained  
12 during the consummation of the sale, including the address of a pur-  
13 chaser's payment instrument, if no other address is available, when use  
14 of this address does not constitute bad faith;

15 (5) when none of the previous rules of subsection (a)(1), (a)(2), (a)(3)  
16 or (a)(4) apply, including the circumstance in which the seller is without  
17 sufficient information to apply the previous rules, then the location will  
18 be determined by the address from which tangible personal property was  
19 shipped, from which the digital good or the computer software delivered  
20 electronically was first available for transmission by the seller, or from  
21 which the service was provided, disregarding for these purposes any lo-  
22 cation that merely provided the digital transfer of the product sold.

23 (b) The lease or rental of tangible personal property, other than prop-  
24 erty identified in subsection (c) or (d), shall be sourced as follows: (1) For  
25 a lease or rental that requires recurring periodic payments, the first pe-  
26 riodic payment is sourced the same as a retail sale in accordance with the  
27 provisions of subsection (a). Periodic payments made subsequent to the  
28 first payment are sourced to the primary property location for each period  
29 covered by the payment. The primary property location shall be as indi-  
30 cated by an address for the property provided by the lessee that is avail-  
31 able to the lessor from its records maintained in the ordinary course of  
32 business, when use of this address does not constitute bad faith. The  
33 property location shall not be altered by intermittent use at different  
34 locations, such as use of business property that accompanies employees  
35 on business trips and service calls;

36 (2) for a lease or rental that does not require recurring periodic pay-  
37 ments, the payment is sourced the same as a retail sale in accordance  
38 with the provisions of subsection (a); and

39 (3) this subsection does not affect the imposition or computation of  
40 sales or use tax on leases or rentals based on a lump sum or accelerated  
41 basis, or on the acquisition of property for lease.

42 (c) The lease or rental of motor vehicles, trailers, semi-trailers or air-  
43 craft that do not qualify as transportation equipment, as defined in sub-

1 section (d), shall be sourced as follows: (1) For a lease or rental that  
2 requires recurring periodic payments, each periodic payment is sourced  
3 to the primary property location. The primary property location shall be  
4 as indicated by an address for the property provided by the lessee that is  
5 available to the lessor from its records maintained in the ordinary course  
6 of business, when use of this address does not constitute bad faith. This  
7 location shall not be altered by intermittent use at different locations;

8 (2) for a lease or rental that does not require recurring periodic pay-  
9 ments, the payment is sourced the same as a retail sale in accordance  
10 with the provisions of subsection (a); and

11 (3) this subsection does not affect the imposition or computation of  
12 sales or use tax on leases or rentals based on a lump sum or accelerated  
13 basis or on the acquisition of property for lease.

14 (d) The retail sale, including lease or rental, of transportation equip-  
15 ment shall be sourced the same as a retail sale in accordance with the  
16 provisions of subsection (a), notwithstanding the exclusion of lease or  
17 rental in subsection (a). “Transportation equipment” means any of the  
18 following: (1) Locomotives and railcars that are utilized for the carriage  
19 of persons or property in interstate commerce;

20 (2) trucks and truck-tractors with a gross vehicle weight rating  
21 (GVWR) of 10,001 pounds or greater, trailers, semi-trailers or passenger  
22 buses that are: (A) Registered through the international registration plan;  
23 and

24 (B) operated under authority of a carrier authorized and certificated  
25 by the United States department of transportation or another federal or  
26 a foreign authority to engage in the carriage of persons or property in  
27 interstate or foreign commerce;

28 (3) aircraft that are operated by air carriers authorized and certifi-  
29 cated by the United States department of transportation or another fed-  
30 eral or a foreign authority to engage in the carriage of persons or property  
31 in interstate or foreign commerce; and

32 (4) containers designed for use on and component parts attached or  
33 secured on the items set forth in subsection (d)(1), (d)(2) and (d)(3).

34 (e) As used in this section, the terms “receive” and “receipt” mean:

35 (1) Taking possession of tangible personal property;

36 (2) making first use of services; or

37 (3) taking possession or making first use of digital goods, whichever  
38 comes first. The terms receive and receipt do not include possession by  
39 a shipping company on behalf of the purchaser.

40 (f) ~~The~~ **Except as provided in section 12, and amendments**  
41 **thereto, the provisions of this section shall not be effective for the period**  
42 **commencing on the effective date of this act, and ending on the date that**  
43 **legislation enacted by the United States Congress becomes effective that**

1 *authorizes the secretary of revenue to require some out-of-state, remote*  
2 *sellers lacking physical presence in this state to collect and remit state and*  
3 *local sales or use taxes.*

4 Sec. 7. K.S.A. 2004 Supp. 79-3671 is hereby amended to read as  
5 follows: 79-3671. (a) Notwithstanding the provisions of K.S.A. 2004 Supp.  
6 79-3670 and amendments thereto, a business purchaser that is not a  
7 holder of a direct pay permit that knows at the time of its purchase of a  
8 digital good, computer software delivered electronically or a service that  
9 the digital good, computer software delivered electronically or service will  
10 be concurrently available for use in more than one jurisdiction shall de-  
11 liver to the seller in conjunction with its purchase a multiple points of use  
12 or MPU exemption form disclosing this fact.

13 (b) Upon receipt of the MPU exemption form, the seller is relieved  
14 of all obligation to collect, pay or remit the applicable tax and the pur-  
15 chaser shall be obligated to collect, pay or remit the applicable tax on a  
16 direct pay basis.

17 (c) A purchaser delivering the MPU exemption form may use any  
18 reasonable, but consistent and uniform, method of apportionment that is  
19 supported by the purchaser's business records as they exist at the time of  
20 the consummation of the sale.

21 (d) The MPU exemption form will remain in effect for all future sales  
22 by the seller to the purchaser, except as to the subsequent sale's specific  
23 apportionment that is governed by the principle of subsection (c) and the  
24 facts existing at the time of the sale, until it is revoked in writing.

25 (e) A holder of a direct pay permit shall not be required to deliver  
26 the MPU exemption form to the seller. A direct pay permit holder shall  
27 follow the provisions of subsection (c) in apportioning the tax due on a  
28 digital good or a service that will be concurrently available for use in more  
29 than one jurisdiction.

30 (f) ~~The~~ **Except as provided in section 12, and amendments**  
31 **thereto, the provisions of this section shall not be effective for the period**  
32 **commencing on the effective date of this act, and ending on the date that**  
33 **legislation enacted by the United States Congress becomes effective that**  
34 **authorizes the secretary of revenue to require some out-of-state, remote**  
35 **sellers lacking physical presence in this state to collect and remit state and**  
36 **local sales or use taxes.**

37 Sec. 8. K.S.A. 2004 Supp. 79-3672 is hereby amended to read as  
38 follows: 79-3672. (a) (1) Notwithstanding the provisions of K.S.A. 2004  
39 Supp. 79-3670 and amendments thereto, a purchaser of direct mail that  
40 is not a holder of a direct pay permit shall provide to the seller in con-  
41 junction with the purchase either a direct mail form or information to  
42 show the jurisdictions to which the direct mail is delivered to recipients.

43 (2) Upon receipt of the direct mail form, the seller is relieved of all

1 obligations to collect, pay or remit the applicable tax and the purchaser  
2 is obligated to pay or remit the applicable tax on a direct pay basis. A  
3 direct mail form shall remain in effect for all future sales of direct mail  
4 by the seller to the purchaser until it is revoked in writing.

5 (3) Upon receipt of information from the purchaser showing the jur-  
6 isdictions to which the direct mail is delivered to recipients, the seller  
7 shall collect the tax according to the delivery information provided by the  
8 purchaser. In the absence of bad faith, the seller is relieved of any further  
9 obligation to collect tax on any transaction where the seller has collected  
10 tax pursuant to the delivery information provided by the purchaser.

11 (b) If the purchaser of direct mail does not have a direct pay permit  
12 and does not provide the seller with either a direct mail form or delivery  
13 information, as required by subsection (a), the seller shall collect the tax  
14 according to subsection (a)(5) of K.S.A. 2004 Supp. 79-3670 and amend-  
15 ments thereto. Nothing in this subsection shall limit a purchaser's obli-  
16 gation for sales or use tax to any state to which the direct mail is delivered.

17 (c) If a purchaser of direct mail provides the seller with documen-  
18 tation of direct pay authority, the purchaser shall not be required to pro-  
19 vide a direct mail form or delivery information to the seller.

20 (d) ~~The~~ **Except as provided in section 12, and amendments**  
21 **thereto, the provisions of this section shall not be effective for the period**  
22 *commencing on the effective date of this act, and ending on the date that*  
23 *legislation enacted by the United States Congress becomes effective that*  
24 *authorizes the secretary of revenue to require some out-of-state, remote*  
25 *sellers lacking physical presence in this state to collect and remit state and*  
26 *local sales or use taxes.*

27 Sec. 9. K.S.A. 2004 Supp. 79-3673 is hereby amended to read as  
28 follows: 79-3673. (a) Except for the defined telecommunication services  
29 in subsection (c), the sale of telecommunication service sold on a call-by-  
30 call basis shall be sourced to each level of taxing jurisdiction where the  
31 call originates and terminates in that jurisdiction or each level of taxing  
32 jurisdiction where the call either originates or terminates and in which  
33 the service address is also located.

34 (b) Except for the defined telecommunication services in subsection  
35 (c), a sale of telecommunications services sold on a basis other than a call-  
36 by-call basis, is sourced to the customer's place of primary use.

37 (c) The sale of the following telecommunication services shall be  
38 sourced to each level of taxing jurisdiction as follows: (1) A sale of mobile  
39 communications services other than air-to-ground radiotelephone service  
40 and prepaid calling service, is sourced to the customer's place of primary  
41 use as required by the mobile telecommunications sourcing act;

42 (2) a sale of post-paid calling service is sourced to the origination  
43 point of the telecommunications signal as first identified by either the

- 1 seller's telecommunications system, or information received by the seller  
2 from its service provider, where the system used to transport such signals  
3 is not that of the seller; and
- 4 (3) a sale of prepaid calling service is sourced in accordance with  
5 K.S.A. 2004 Supp. 79-3670 and amendments thereto, except that in the  
6 case of a sale of mobile telecommunications service that is a prepaid  
7 telecommunications service, the rule provided in subsection (a)(5) of  
8 K.S.A. 2004 Supp. 79-3670 and amendments thereto shall include as an  
9 option the location associate with the mobile telephone number.
- 10 (d) A sale of a private communication service is sourced as follows:
- 11 (1) Service for a separate charge related to a customer channel termina-  
12 tion point is sourced to each level of jurisdiction in which such customer  
13 channel termination point is located;
- 14 (2) service where all customer termination points are located entirely  
15 within one jurisdiction or levels of jurisdiction is sourced in such juris-  
16 diction in which the customer channel termination points are located;
- 17 (3) service for segments of a channel between two customer channel  
18 termination points located in different jurisdictions and which segment  
19 of channel are separately charged is sourced 50% in each level of juris-  
20 diction in which the customer channel termination points are located; and
- 21 (4) service for segments of a channel located in more than one juris-  
22 diction or levels of jurisdiction and which segments are not separately  
23 billed is sourced in each jurisdiction based on the percentage determined  
24 by dividing the number of customer channel termination points in such  
25 jurisdiction by the total number of customer channel termination points.
- 26 (e) As used in this section: (1) "Air-to-ground radiotelephone service"  
27 means a radio service, as that term is defined in 47 CFR 22.99, in which  
28 common carriers are authorized to offer and provide radio telecommu-  
29 nications service for hire to subscribers in aircraft;
- 30 (2) "call-by-call basis" means any method of charging for telecom-  
31 munications services where the price is measured by individual calls;
- 32 (3) "communications channel" means a physical or virtual path of  
33 communications over which signals are transmitted between or among  
34 customer channel termination points;
- 35 (4) "customer" means the person or entity that contracts with the  
36 seller of telecommunications services. If the end user of telecommuni-  
37 cations services is not the contracting party, the end user of the telecom-  
38 munications service is the customer of the telecommunication service,  
39 but this sentence only applies for the purpose of sourcing sales of tele-  
40 communications services under this section. Customer does not include  
41 a reseller of telecommunications service or for mobile telecommunica-  
42 tions service of a serving carrier under an agreement to serve the cus-  
43 tomer outside the home service provider's licensed service area;

- 1 (5) “customer channel termination point” means the location where  
2 the customer either inputs or receives the communication;
- 3 (6) “end user” means the person who utilizes the telecommunication  
4 service. In the case of an entity, end user means the individual who utilizes  
5 the services on behalf of the entity;
- 6 (7) “home service provider” means the same as that term in defined  
7 in section 124(5) of Public Law 106-252 (mobile telecommunications  
8 sourcing act);
- 9 (8) “mobile telecommunications service” means the same as that  
10 term is defined in section 124(5) of Public Law 106-252 (mobile telecom-  
11 munications sourcing act);
- 12 (9) “place of primary use” means the street address representative of  
13 where the customer’s use of the telecommunications service primarily  
14 occurs, which must be the residential street address or the primary busi-  
15 ness street address of the customer. In the case of mobile telecommu-  
16 nications services, place of primary use must be within the licensed serv-  
17 ice area of the home service provider;
- 18 (10) “post-paid calling service” means the telecommunications serv-  
19 ice obtained by making a payment on a call-by-call basis either through  
20 the use of a credit card or payment mechanism such as a bank card, travel  
21 card, credit card or debit card, or by charge made to which a telephone  
22 number which is not associated with the origination or termination of the  
23 telecommunications service. A post-paid calling service includes a tele-  
24 communications service that would be a prepaid calling service except it  
25 is not exclusively a telecommunication service;
- 26 (11) “prepaid calling service” means the right to access exclusively  
27 telecommunications services, which must be paid for in advance and  
28 which enables the origination of calls using an access number or author-  
29 ization code, whether manually or electronically dialed, and that is sold  
30 in predetermined units or dollars of which the number declines with use  
31 in a known amount;
- 32 (12) “private communication service” means a telecommunication  
33 service that entitles the customer to exclusive or priority use of a com-  
34 munications channel or group of channels between or among termination  
35 points, regardless of the manner in which such channel or channels are  
36 connected, and includes switching capacity, extension lines, stations and  
37 any other associated services that are provided in connection with the use  
38 of such channel or channels; and
- 39 (13) “service address” means: (A) The location of the telecommuni-  
40 cations equipment to which a customer’s call is charged and from which  
41 the call originates or terminates, regardless of where the call is billed or  
42 paid;
- 43 (B) if the location in subsection (13)(A) is not known, service address



1 means the origination point of the signal of the telecommunications serv-  
2 ices first identified by either the seller's telecommunications system or in  
3 information received by the seller from its service provider, where the  
4 system used to transport such signals is not that of the seller; and

5 (C) if the location in subsections (13)(A) and (13)(B) are not known,  
6 the service address means the location of the customer's place of primary  
7 use.

8 (f) ~~The~~ **Except as provided in section 12, and amendments**  
9 **thereto, the provisions of this section shall not be effective for the period**  
10 **commencing on the effective date of this act, and ending on the date that**  
11 **legislation enacted by the United States Congress becomes effective that**  
12 **authorizes the secretary of revenue to require some out-of-state, remote**  
13 **sellers lacking physical presence in this state to collect and remit state and**  
14 **local sales or use taxes.**

15 Sec. 10. K.S.A. 2004 Supp. 79-3682 is hereby amended to read as  
16 follows: 79-3682. (a) The provisions of K.S.A. 2004 Supp. 79-3666  
17 through 79-3682 and amendments thereto shall be known and may be  
18 cited as the streamlined sales and use tax agreement conformity act.

19 (b) *Except as otherwise specifically provided*, the provisions of K.S.A.  
20 2004 Supp. 79-3666 through 79-3682 shall be effective on and after July  
21 1, 2003.

22 New Sec. 11. The legislature of the state of Kansas shall not enact  
23 legislation to provide for reasonable compensation for expenses incurred  
24 by out-of-state, remote sellers related to the administration, collection  
25 and remittance of sales and use taxes and the tax processing costs of such  
26 out-of-state, remote sellers pursuant to the requirements of legislation  
27 enacted by the United States Congress, unless such legislation enacted  
28 by the legislature of the state of Kansas also provides for reasonable com-  
29 pensation for expenses incurred by in-state sellers related to the admin-  
30 istration, collection and remittance of sales and use taxes and the tax  
31 processing costs of in-state sellers in an amount equal to that provided  
32 for such out-of-state, remote sellers.

33 **New Sec. 12. Commencing on the effective date of this act,**  
34 **and ending on the date that legislation enacted by the United**  
35 **States Congress becomes effective that authorizes the secretary of**  
36 **revenue to require some out-of-state remote sellers lacking phys-**  
37 **ical presence in this state to collect and remit state and local sales**  
38 **or use tax, for any retailer who is sourcing taxable retail sales of**  
39 **such retailer pursuant to the destination based sourcing provisions**  
40 **contained in K.S.A. 12-191 and K.S.A. 2004 Supp. 79-3670, 79-**  
41 **3671, 79-3672 and 79-3673, and amendments thereto, prior to the**  
42 **effective date of this act, such retailer may elect to continue to**  
43 **apply such destination based sourcing provisions or apply the or-**

1 **igin based sourcing provisions contained in this act.**

2 Sec. ~~12~~ **13.** K.S.A. 2004 Supp. 12-191, 79-3603, 79-3667, 79-3668,  
3 79-3669, 79-3670, 79-3671, 79-3672, 79-3673 and 79-3682 are hereby  
4 repealed.

5 Sec. ~~13~~ **14.** This act shall take effect and be in force from and after  
6 its publication in the Kansas register.