

Kansas Administrative Regulations

Kansas Department of Revenue

Article 19.—Kansas Retailers' Sales Tax

92-19-62. Warranties, service and maintenance contracts.

(a) Each warranty included in the selling price of tangible personal property which is not charged to the consumer separately from the tangible personal property is subject to sales tax.

(b) Each charge made by a retailer separate and apart from the selling price of the tangible personal property for an optional warranty, extended warranty, service contract, maintenance contract and other similar instruments is subject to sales tax. Each retailer shall collect sales tax on the total charge to the consumer for the contract.

(c) Each service rendered by a retailer, including supplying parts and services, without charge to the consumer under a warranty, maintenance or service contract is not subject to sales tax on the amount of the reimbursement received from the warrantor, whether reimbursement is in the form of money, credit or the replacement of parts used to perform the repair work. However, any charge such as a deductible or similar charge which the consumer is obligated to pay under the warranty, maintenance or service contract is fully taxable, and each retailer shall collect sales tax on the total charge paid by the consumer.

(d) If a retailer does not perform repair services under a warranty, maintenance or service contract, but instead has a third party perform the repairs, the third party's gross receipts received from that retailer are not subject to sales tax. The third party shall secure an exemption certificate from the retailer which states:

(1) that the service performed by the third party was pursuant to a warranty, maintenance or service contract;

(2) that the retailer collected from the consumer sales tax on the total selling price of the warranty, maintenance or service contract; and

(3) the retailer's sales tax registration number.

If a retailer has collected a deductible or similar charge from the consumer, the retailer shall include the amount in the retailer's taxable gross receipts, even though a third party may actually perform the service under the warranty, maintenance or service contract.

(e) Each retailer gratuitously providing parts, services or both to a consumer, is deemed to be the consumer of any materials, parts and third party services used. In this instance, each retailer shall pay sales tax to any third party service provider, report the cost of materials and parts on the retailer's sales tax return, and pay the appropriate sales tax.

(Authorized by K.S.A. 79-3618, implementing K.S.A. 1986 Supp. 79-3602, K.S.A. 1986 Supp. 79-3603 as amended by L. 1987, Ch. 182, Sec. 108; effective May 1, 1988.)

***** Authenticated Kansas Administrative Regulation *****