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Taxation

T-3 Kansas Retail Sales Tax Exemptions

The Kansas Retail Sales Tax is levied statewide at the rate of 6.15 percent on retail sales of tangible personal property and certain services, absent specific exemption. Specific exemptions may be found in KSA 79-3603 and KSA 79-3606. Additionally, certain services are not subject to the retail sales tax.

Statutory Exemptions

As of July 1, 2014, the statutes included 104 specific exemptions. These exemptions include conceptual exemptions, based on the definition of retail sales; legal exemptions, based on federal requirements; and public policy exemptions.

For fiscal year 2014, the Kansas Department of Revenue (KDOR) estimates that conceptual exemptions resulted in a reduction of revenue in the amount of \$4.055 billion. Of that amount, \$3.083 billion results from KSA 79-3606(m), which exempts from taxation property which becomes an ingredient or component part of property or services produced or manufactured for ultimate sale at retail.

Legal exemptions resulted in reduction of revenue in the amount of \$21.69 million in fiscal year 2014, according to estimates by KDOR. This amount was primarily made up of \$10.01 million lost to the sale, repair, or modification of aircraft sold for interstate commerce and \$10.40 million lost to property purchased with food stamps issued by the US Department of Agriculture.

Public policy exemptions accounted for \$1.639 billion in lost revenue according to KDOR's fiscal year 2014 estimates. Of this amount, \$3.05 million was due to exemptions for charitable organizations named in statutes, and an additional \$31.43 million was due to broadly applicable charitable, religious, or benevolent exemptions.

Services Not Subject to Retail Sales Tax

Certain services do not fall under the statutory definitions of what is required to be taxed under the retail sales tax. KDOR estimates that those services not being taxed resulted in a reduction in revenue in the amount of \$601.4 million in FY 2014. Using North American Industry Classification System (NAICS) definitions, that reduction in revenue came from the following categories:

Category	FY 2014 Reduction in Revenue
Professional, Scientific & Technical	\$274.6 million
Administrative & Support	\$99.3 million
Health Care	\$208.7 million
Personal Care	\$17.4 million
Other	\$1.3 million
Total	\$601.4 million

*Total may not equal the sum due to rounding.

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