

March 20, 2009

**ALERT: Increased State audits highlight need for Kansas businesses to register and pay Kansas Consumers' Compensating Use Tax**

If your business makes taxable purchases outside the State of Kansas for tangible personal property used in your business operations, you are required by the Kansas Department of Revenue (KDOR) to register for and to pay the Kansas Consumers' Compensating Use Tax. **If you have been making such purchases outside of the state and are not currently registered, you are likely subject to penalties and interest on the unpaid Consumers' Compensating Use Tax.**

Increased KDOR audits have identified many companies that are not registered and have never paid the Kansas Consumers' Compensating Use Tax on their out-of-state purchases. These companies are being assessed significant penalties and interest for failure to comply.

**Background:**

The Kansas Consumers' Compensating Use Tax is a tax imposed on out-of-state purchases of items used by Kansas companies. It is *intended to benefit Kansas companies* by "leveling the playing field" so that items purchased in the state (for which Kansas sales tax is charged) are not more costly than out-of-state purchases – however, the tax has also caught some businesses unaware of its requirements.

If you are purchasing tangible personal property that would be exempt under sales tax laws, it will also be exempt for use tax. It applies only to those items that you use in your business for which an exemption would not be applicable.

**Action needed:**

**If you are not currently registered for Kansas Consumers' Compensating Use Tax, you must register and file back returns to prevent further penalties and interest on taxes owed.** A voluntary disclosure program is available. Your vendors are not required to collect this tax; the KDOR's view is that it is the business' responsibility to be aware of and comply with the use tax laws.

If you have questions about Kansas Consumers' Compensating Use Tax, including how to register and prevent additional penalties and interest, please contact your AGH advisor or AGH state and local tax vice president Jerry Capps at (316) 267-7231 or [jerry.capps@aghlc.com](mailto:jerry.capps@aghlc.com).

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