



K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

June 20, 2003

Dear Kansas Retailer,

The Department has had quite a few phone calls from Kansas Retailers since the bulletin on the change in sales tax sourcing rules arrived in your mailbox. We knew that for those businesses shipping or delivering their products to customers in several locations, it will be a large undertaking to comply with the new destination-based sourcing rules in correctly computing, collecting and reporting the appropriate local sales tax. The purpose of this letter is to provide some further clarification and to relieve some anxiety about how you will comply.

Please keep in mind that the rule was changed to allow Kansas to participate in the Streamlined Sales Tax and to collect sales tax from internet sellers that unfairly compete with our Kansas mainstreet businesses. The end goal is collecting and remitting sales tax in a fair and equitable manner. This legislation will ultimately benefit Kansas retailers that are competing with the larger Internet and multistate businesses as well as the general public by collecting revenues that are currently lost to us.

The department looked into trying to delay implementation of the new rules, but unfortunately we cannot and be one of the participating states. However, during what we are describing as an "interim period" between now and the end of the year, staff are instructed to be very relaxed in their dealings with retailers, and **focus on service, not sanctions**.

Let me reassure you that **the Kansas Department of Revenue will be most understanding** of the plight of businesses who are having to change 60 years of practice in how sales tax is collected and remitted. We are working hard now to provide some tools to assist businesses, including software and additional information on our website about local tax rates.

The legislation will go into effect on July 1, but realistically, it will be several months before retailers are able to become fully compliant. It will be several months before the Department of Revenue is fully equipped to work with you. All we ask now, **in this initial period, between now and the end of 2003**, is that you study the new rules, **do your best** to collect the information and report the tax at the rates in effect where the product is delivered. We will do our best to get the new computerized information available widely, and to assist you.

Do not hesitate to call us and ask for help. We are learning, just as you are. **Auditors and tax examiners will not penalize anyone for making errors in this initial six-month period**, as long as you make an honest effort to comply.

As we get more information about the impact of these rules on specific businesses, additional bulletins may be issued to help you comply. We would also like to hear from you about business-specific problems you may be experiencing, so we can help develop solutions.

One problem that surfaced pertains to retailers that do a high volume of small dollar sales, such as pizza deliveries, newspapers, florists, etc. During this initial period of implementation, if your financial systems or cash registers cannot track the destination of such sales, perhaps there are practical ways that can be developed to **estimate** the sourcing of these sales. **Where it is impractical to track each and every small sale, then you will have to attribute those sales to your place of business until a more accurate method can be found** and approved by the department.

Our focus will be on helping you adjust your systems and solving problems that will undoubtedly arise. We will be offering technical assistance in a number of communities, and if you would like to request someone from KDOR to visit your community or business, we will work to make those arrangements.

Kansas is an active participant in the Streamlined Sales Tax Project, and as part of the movement of uniformity among states, has no choice but to adopt the same system as the other states joining the Streamlined Sales Tax Agreement. While we regret the inconvenience this will cause, the long term benefit will be long-lasting for our state. We ask for your patience through this learning process.

Please do not hesitate to contact the department at 1-877-526-7738 or my office, 785-296-3042 if you need further assistance or want to speak to me personally.

Sincerely,

A handwritten signature in cursive script that reads "Joan Wagnon".

Joan Wagnon
Secretary of Revenue