**Memorandum**

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| **Identifying Information:** | **Sale of Leased Vehicles** |

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| **Tax Type:** | **Kansas Retailers' Sales tax** |
| **Brief Description:** | **Sale of Leased Vehicles** |
| **Keywords:** |  |
| **Effective Date:** | **09/30/1993** |

**Body:**

**MEMORANDUM**

**TO:**Marilyn Foster, Tax Examiner
Taxpayer Assistance Bureau

**FROM:**Thomas P. Browne, Jr., Tax Specialist
Tax Policy Group

**RE:**Sale of Leased Vehicles

**DATE:**September 30, 1993

Should vehicle leasing companies collect Kansas sales tax(es) on the sale of leased vehicles?

As of July 1, 1982, out-of-state retailers of motor vehicles or trailers were no longer authorized to collect the Kansas compensating tax upon their sales of motor vehicles or trailers which are to be registered in this state. All purchasers of motor vehicles or trailers purchased from an out-of-state retailer are required to pay Kansas compensating tax and a local compensating tax, if applicable, to the county treasurer at the time of registration within this state. However, retailers who rent or lease motor vehicles or trailers are to continue collecting the Kansas compensating tax on the rental or lease payments.

In situations where the lessee of a motor vehicle or trailer exercise an option to purchase the vehicle or trailer at the end of the lease, a seller who holds a valid Kansas Vehicle Dealers License, pursuant to KSA 8-2403, shall collect the sales tax on the purchase price, and shall collect the appropriate Kansas sales tax(es) on the purchase price and issue the purchaser a completed STD-8. The new owner should present the STD-8 to the county treasurer upon application for certificate of registration or ownership as proof that the appropriate Kansas sales tax(es) has been collected.

Lessors of motor vehicles or trailers who do not hold a Kansas Vehicles Dealers License, are not authorized to collect the sales/compensating (use) tax upon the sale of the vehicle. The purchaser must remit the appropriate sales/compensating (use) tax to the county treasurer upon application for certificate of registration or ownership.

The reason non-dealers can not collect the appropriate sales/compensating (use) tax on the sale of a motor vehicle at the end of a lease is that only Kansas Vehicle Dealers are authorized to collect sales/compensating (use) tax on the sale of motor vehicle or trailer and issue an STD-8.

**Date Composed: 10/06/1997 Date Modified: 10/09/2001**