

SENATE BILL No. 371

By Committee on Assessment and Taxation

2-2

1 AN ACT concerning sales *and use* taxation; relating to nexus; amending  
2 K.S.A. 2011 Supp. 79-3702 and repealing the existing section.

3  
4 *Be it enacted by the Legislature of the State of Kansas:*

5 New Section 1. (a) If any person sells or leases tangible personal  
6 property to the state, a state department, a state agency or an agent thereof,  
7 that person and any affiliated person shall, as a prerequisite for any such  
8 sale or lease, register with the department of revenue as a retailer and  
9 comply with all legal requirements imposed on a retailer, including the  
10 requirement to collect and remit sales or use tax on all taxable sales of  
11 tangible personal property to customers in this state.

12 (b) Any ruling, agreement or contract, whether written or oral,  
13 express or implied, between a retailer and this state's executive branch, or  
14 any other state agency or department, stating, agreeing or ruling that the  
15 retailer is not required to collect sales and use tax in this state despite the  
16 presence of a warehouse, distribution center or fulfillment center in the  
17 state that is owned or operated by the retailer or an affiliated person of the  
18 retailer shall be null and void unless it is specifically approved by a  
19 majority vote of each of the houses of the Kansas legislature.

20 (c) As used in this section, "affiliated person" means any person that  
21 is a member of the same "controlled group of corporations" as defined in  
22 section 1563(a) of the federal internal revenue code as the retailer or any  
23 other entity that, notwithstanding its form of organization, bears the same  
24 ownership relationship to the retailer as a corporation that is a member of  
25 the same "controlled group of corporations" as defined in section 1563(a)  
26 of the federal internal revenue code.

27 See *2 Section 1*. K.S.A. 2011 Supp. 79-3702 is hereby amended to  
28 read as follows: 79-3702. For the purposes of this act: (a) "Purchase price"  
29 means the consideration paid or given or contracted to be paid or given by  
30 any person to the seller of an article of tangible personal property for the  
31 article purchased. The term shall include, in addition to the consideration  
32 paid or given or contracted to be paid or given, the actual cost of  
33 transportation from the place where the article was purchased to the person  
34 using the same in this state. If a cash discount is allowed and taken on the  
35 sale it shall be deducted in arriving at the purchase price.

36 (b) The meaning ascribed to words and phrases in K.S.A. 79-3602,

1 and amendments thereto, insofar as is practicable, shall be applicable  
2 herein unless otherwise provided. The provisions of K.S.A. 79-3601 to 79-  
3 3625, inclusive, 79-3650, K.S.A. 2011 Supp. 79-3693 and 79-3694, and  
4 amendments thereto, relating to enforcement, collection and  
5 administration, insofar as practicable, shall have full force and effect with  
6 respect to taxes imposed under the provisions of this act.

7 (c) "Use" means the exercise within this state by any person of any  
8 right or power over tangible personal property incident to the ownership of  
9 that property, except that it shall not include processing, or the sale of the  
10 property in the regular course of business, and except storage as  
11 hereinafter defined.

12 (d) "Storage" means any keeping or retaining in this state for any  
13 purpose except sale in the regular course of business or subsequent use  
14 solely outside this state of tangible personal property purchased from a  
15 retailer.

16 (e) "Storage" and "use" do not include the keeping, retaining or  
17 exercising of any right or power over tangible personal property shipped or  
18 brought into this state for the purpose of subsequently transporting it  
19 outside the state for use thereafter solely outside the state, or for the  
20 purpose of being processed, fabricated, or manufactured into, attached to  
21 or incorporated into, other tangible personal property to be transported  
22 outside the state and thereafter used solely outside the state.

23 (f) "Property used in processing" means: (1) Any tangible personal  
24 property which, when used in fabrication, compounding, manufacturing or  
25 germination, becomes an integral part of the new article resulting from  
26 such fabrication, compounding, manufacturing, or germination, and  
27 intended to be sold ultimately at retail; (2) fuel which is consumed in  
28 creating power, heat, or steam for processing or for generating electric  
29 current.

30 (g) "Retailer" means every person engaged in the business of selling  
31 tangible personal property for use within the meaning of this act, except  
32 that, when in the opinion of the director it is necessary for the efficient  
33 administration of this act to regard any salesperson, representatives,  
34 truckers, peddlers or canvassers as the agents of the dealers, distributors,  
35 supervisors, employers or persons under whom they operate or from whom  
36 they obtain the tangible personal property sold by them, irrespective of  
37 whether they are making sales on their own behalf or on behalf of such  
38 dealers, distributors, supervisors, employers, or persons, the director may  
39 so regard them and may regard the dealers, distributors, supervisors,  
40 employers, or persons as retailers for the purposes of this act.

41 (h) (1) "Retailer doing business in this state" or any like term, means:  
42 (A) Any retailer having or maintaining in this state, permanently,  
43 temporarily, directly or indirectly through a subsidiary, agent or

1 representative, an office, distribution house, sales house, warehouse or  
2 other place of business;

3 (B) any retailer having an employee, independent contractor, agent,  
4 representative, salesperson, canvasser or solicitor operating in this state  
5 either permanently or temporarily, under the authority of the retailer or its  
6 subsidiary, for the purpose of selling, delivering, installing, assembling,  
7 servicing, repairing, soliciting sales or the taking of orders for tangible  
8 personal property;

9 (C) any retailer, including a contractor, repair person or other service  
10 provider, who enters this state to perform services that are enumerated in  
11 K.S.A. 79-3603, and amendments thereto, and who is required to secure a  
12 retailer's sales tax registration certificate before performing those services;

13 (D) any retailer deriving rental receipts from a lease of tangible  
14 personal property situated in this state;

15 (E) any person having a franchisee or licensee operating under its  
16 trade name if the franchisee or the licensee is required to collect the tax  
17 under the Kansas retailers' sales tax act;

18 (F) any person regularly maintaining a stock of tangible personal  
19 property in this state for sale in the normal course of business; and

20 (G) any retailer who has any other contact with this state that would  
21 allow this state to require the retailer to collect and remit tax under the  
22 provisions of the constitution and laws of the United States.

23 (2) A retailer shall be presumed to be doing business in this state if:

24 (A) Both of the following conditions exist:

25 (i) The retailer holds a substantial ownership interest in, or is owned  
26 in whole substantial part by, a retailer maintaining a sales location in  
27 Kansas; and

28 (ii) the retailer sells the same or a substantially similar line of  
29 products as the related Kansas retailer and does so under the same or a  
30 substantially similar business name, or the Kansas facilities or Kansas  
31 employees of the related Kansas retailer are used to advertise, promote or  
32 facilitate sales by the retailer to consumers.

33 (B) The retailer holds a substantial ownership interest in, or is owned  
34 in whole or in substantial part by, a business that maintains a distribution  
35 house, sales house, warehouse or similar place of business in Kansas that  
36 delivers *or facilitates the delivery of* property sold by the retailer to  
37 consumers.

38 (C) For purposes of paragraphs (A) and (B):

39 (i) "Substantial ownership interest" means an interest in an entity that  
40 is not less than the degree of ownership of equity interest in an entity that  
41 is specified by section 78p of title 15 of the United States code, or any  
42 successor to that statute, with respect to a person other than a director or  
43 officer; and

1 (ii) "ownership" means and includes both direct ownership, and  
2 indirect ownership through a parent, subsidiary or affiliate.

3 (D) *The retailer enters into an agreement with one or more residents*  
4 *of this state under which the resident, for a commission or other*  
5 *consideration, directly or indirectly refers potential customers, whether by*  
6 *a link on an internet website, by telemarketing, by an in-person oral*  
7 *presentation, or otherwise, to the retailer; if the cumulative gross receipts*  
8 *from sales by the retailer to customers in the state who are referred to the*  
9 *retailer by all residents with this type of an agreement with the retailer is*  
10 *in excess of \$10,000 during the preceding 12 months. This presumption*  
11 *may be rebutted by submitting proof that the residents with whom the*  
12 *retailer has an agreement did not engage in any activity within the state*  
13 *that was significantly associated with the retailer's ability to establish or*  
14 *maintain the retailer's market in the state during the preceding 12 months.*  
15 *Such proof may consist of sworn written statements from all of the*  
16 *residents with whom the retailer has an agreement stating that they did not*  
17 *engage in any solicitation in the state on behalf of the retailer during the*  
18 *preceding year; provided that such statements were provided and obtained*  
19 *in good faith. This subparagraph shall take effect 90 days after the*  
20 *enactment of this statute and shall apply to sales made and uses occurring*  
21 *on or after the effective date of this subparagraph and without regard to*  
22 *the date the retailer and the resident entered into the agreement described*  
23 *in this subparagraph. The term "preceding 12 months" as used in this*  
24 *subparagraph includes the 12 months commencing prior to the effective*  
25 *date of this subparagraph.*

26 (3) The processing of orders electronically, by fax, telephone, the  
27 internet or other electronic ordering process, does not relieve a retailer of  
28 responsibility for collection of the tax from the purchaser if the retailer is  
29 doing business in this state pursuant to this section.

30 (i) "Director" means the director of taxation.

31 ~~Sec. 3.~~ 2. K.S.A. 2011 Supp. 79-3702 is hereby repealed.

32 ~~Sec. 4.~~ 3. This act shall take effect and be in force from and after its  
33 publication in the statute book.