

ABOUT THE INTERSTATE COMMON CARRIER EXEMPTION

WHO MAY USE THIS EXEMPTION?

Only interstate common carriers or those leased to an interstate common carrier may use this exemption. Three types of interstate common carriers are exempt from sales tax:

- Common carriers that transport regulated goods or persons in interstate commerce.
- Common carriers engaged in the interstate transportation of goods exempt from regulation (such as livestock and grain).
- Common carriers that haul both Regulated and Exempt commodities.

In order to qualify as a common carrier a motor carrier must: **1)** be actively engaged in the business of hauling persons or freight for others; *and*, **2)** actively advertise or otherwise hold out that it is actively engaged in the business of hauling persons or freight for others. Motor carriers do not qualify as common carriers and may not claim the exemption available to common carriers if the motor carrier only hauls goods or materials for a separately incorporated business or businesses that have a significant ownership interest in the motor carrier and use or consume the goods or materials that are being hauled in activities that involve construction, oil and gas well exploration, or other similar activities.

WHO IS NOT EXEMPT?

Contract carriers that are not for hire to the general public. They are not common carriers and, therefore, NOT exempt from sales tax. Also not exempt are common carriers that are intrastate carriers (operating only within the state). These carriers are not exempt from sales tax because they are not involved in interstate commerce.

WHAT PURCHASES ARE EXEMPT?

Only rolling stock, parts, motor fuels and other items used directly and immediately in interstate commerce are exempt. All other property purchased by a common carrier is taxable. The examples below illustrate the types of items a carrier may purchase without tax using this exemption certificate, and those that are taxable.

Exempt		Taxable	
Air and oil filters	Semi trucks/tractors	Boxes	Lining Paper
Fuel pumps	Spark plugs	Building Materials	Office equipment
Gasoline and diesel fuel	Tarps	Computers	Office supplies
Hoses and belts	Tires	Furniture Pads	Packing "Peanuts"
Lubricants	Trailers (all types)	Fork Lifts	Packing Supplies
Refrigerant	Valves	Gantries	Piano Boards
Repair parts for trailers & trucks/tractors	Windshields and mirrors	Labor Services	Straps
		Ladders	Tape

LABOR SERVICES

Only tangible personal property may be purchased exempt. Labor services to repair, replace, service, or maintain a carrier's rolling stock are subject to sales tax.

EXAMPLE: A common carrier has the engine in one of its trucks overhauled in Kansas. The parts used in the overhaul (water pump, spark plugs, oil and oil filter) are exempt. The repair shop would have the carrier complete this certificate to exempt the sale of these parts from sales tax. However, the labor service fee charged by the mechanic or repair shop to do the work (such as a rate of \$40/hr.) is subject to sales tax. The repair shop would charge the carrier sales tax on the total labor charges.

NUMBERS

Motor Carrier Number. Carrier numbers are issued by the Federal Motor Carrier Safety Administration (FMCSA) granting authority for interstate operations.

USDOT Number. Companies that operate commercial vehicles transporting passengers or hauling cargo in interstate commerce must be registered with the FMCSA (fmcsa.dot.gov/) and must have a USDOT Number. Also, commercial intrastate hazardous materials carriers who haul quantities requiring a safety permit must register for a USDOT Number.

An owner/operator may purchase a truck and/or trailer, and repair parts therefore, exempt from Kansas sales tax when the owner/operator does not have interstate common carrier authority themselves but, will lease or contract to an interstate common carrier.

RETAINING THIS CERTIFICATE

Sellers should retain a completed copy of this certificate in their records for at least three years from the date of sale. A seller is relieved of liability for the tax if it obtains a completed exemption certificate from a purchaser with which the seller has a recurring business relationship. A certificate need not be renewed or updated when there is a recurring business relationship between the buyer and seller. A recurring business relationship exists when a period of no more than 12 months elapses between sales transactions.