

Sales & Use Tax Exemptions

Some electricity purchases are exempt from sales tax. Are you taking advantage of all the eligible exemptions? Eligibility for sales and use tax is determined by the state. Are you at risk for a sales tax assessment if your farm or business is audited by the Kansas Department of Revenue? Sales taxes, along with income and property taxes, are collected by state and local governments to fund public services and infrastructure like public buildings, roads, schools, parks, libraries, police and fire protection. While we are required to pay our fair share, no one should pay more than is required.

Sales Tax Rates

Sales tax rates vary across the state depending on where the purchase is made. The Kansas state sales tax is 6.50 percent, and most counties and cities charge an additional amount. Depending on your location, county and city rates combined can be an additional 2 to 3 percent. Sales taxes can add 9 percent or more to your electric bill.

Exemptions

Not all electricity purchases are taxed the same. It depends on whether the electricity is used in a home or a business, for agricultural use, in a commercial or office building, for pumping oil, in a factory and “consumed in production” or in a not-for-profit nursing home, just to name a few examples. Furthermore, some uses are exempt from state taxes, but not local taxes. Some consumers can claim exemption on only part of their use.

Electricity Use	State	Local
Residential	Exempt	Taxable
Agricultural - E.g. Barn lighting, outdoor area lighting, building HVAC in non-production areas, water heating for washing dairy equipment, maintenance shop use (air compressor, power tools, welder, grinder, engine heater, etc.), and fence charger.	Exempt	Taxable
Oil production	Exempt	Exempt
Not-for-profit hospitals, nursing facilities & children's homes	Exempt	Exempt
Commercial	Taxable	Taxable
Consumed in production - E.g. Manufacturing facilities, irrigation of crops, pumping water and grinding feed for livestock, milking and processing equipment, grain handling and drying, and building HVAC for animal confinement facilities	Exempt	Exempt
Schools, government & churches	Exempt	Exempt

Most of the categories are self-explanatory, but “agricultural use” and “consumed in production” can overlap and are often misunderstood.

Agricultural Use

Like residential use, agricultural use is exempt from state taxes, but not local taxes. Agricultural use is electricity used on the farm or ranch related to growing or raising of agricultural commodities for resale such as livestock, poultry, fish and bees, grains, feed, fruits, vegetables and plants.

Consumed in Production Use

While all electricity used on the farm or ranch qualifies as agricultural use and exempt from state taxes, some uses will additionally qualify as “consumed in production” and are exempt from both state and local taxes. In order for electricity to be considered “consumed in production,” it:

1. Must be essential or necessary;
2. Must be used in the actual process;
3. Must be immediately consumed;
4. Must be used in the production of tangible personal property; and
5. Cannot be reusable. Shipping, testing, repairing, servicing, maintaining, and storing, do not qualify for the consumed in production exemption.

Exemption Certificate

Other than residential use, all other exemptions are not automatic. You must complete and submit an exemption certificate to Western Cooperative Electric before you can receive exemption. You can download a copy of exemption Form ST-28B from the Kansas Department of Revenue's (KDR) website or request a copy from the cooperative's office. The link to KDR is found on Western's website at <https://www.westerncoop.com/sales-tax-info>. Guidance specific to sales and use tax related to the agricultural industry is found in publication KS-1550. <https://www.ksrevenue.org/pdf/pub1550.pdf>.

You do not need to submit an exemption form to claim the residential exemption. All other exemptions require a completed form. In some cases, you may have both exempt and non-exempt uses on the same meter. In that case, if you claim a partial exemption, the exemption form must be accompanied by a 3rd party utility study. The member would be responsible for performing or contracting a vendor to perform the study to provide documentation supporting the partial exemption percentage.

Sales taxes can be complicated. Your tax adviser can help you determine your eligibility for sales tax exemptions.