

**139.495 Application of taxes to certain resident nonprofit institutions and limited liability companies -- Definitions for section -- Exemptions -- Refund.**

(1) As used in this section:

(a) "Educational or charitable institution" means:

1. A resident, nonprofit educational or charitable institution that has qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code; or
2. Any resident, single member limited liability company that is:
  - a. Wholly owned and controlled by a resident or nonresident, nonprofit educational or charitable institution that has qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code; and
  - b. Disregarded as an entity separate from the resident or nonresident, nonprofit educational or charitable institution for federal income tax purposes pursuant to 26 C.F.R. sec. 301.7701-2; and

(b) "Religious institution" means:

1. A resident nonprofit religious institution that has qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code;
2. Any resident, single member limited liability company that is:
  - a. Wholly owned and controlled by a resident or nonresident, nonprofit religious institution that has qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code; and
  - b. Disregarded as an entity separate from the resident or nonresident, nonprofit religious institution for federal income tax purposes pursuant to 26 C.F.R. sec. 301.7701-2; or
3. A resident nonprofit religious institution that has chosen not to apply to the Internal Revenue Service for a Section 501(c)(3) designation but would otherwise qualify for that designation by demonstrating that the institution has:
  - a. A recognized creed and form of worship;
  - b. A distinct religious history;
  - c. Ordained minister that ministers to the congregation of believers;
  - d. An established place of worship where worship services are held in the same location on a regular basis;
  - e. A congregation of who regularly attend worship services; and
  - f. Regularly scheduled and promoted religious services for the public to attend.

(2) (a) For educational or charitable institutions, except as provided in paragraph (b) of this subsection, the taxes imposed by this chapter do not apply to any of the following:

1. Purchases of tangible personal property, digital property, or services made by these institutions, provided the tangible personal property, digital property, or service is to be used solely in this state within the educational or charitable function;
  2. Sales of food to students in school cafeterias or lunchrooms;
  3. Sales by school bookstores of textbooks, workbooks, and other course materials;
  4. Sales by nonprofit, school sponsored clubs and organizations, provided the sales do not include tickets for athletic events;
  5. Sales of admissions, including the sales of admissions to a golf course when the admission is the result of a fundraising event, by educational or charitable institutions. All other sales of admissions to a golf course by these institutions are not exempt from tax under this section; or
  6.
    - a. Fundraising event sales made by educational or charitable institutions.
    - b. As used in this subparagraph, "fundraising event sales" does not include sales related to the operation of a retail business, including but not limited to thrift stores, bookstores, surplus property auctions, recycle and reuse stores, or any ongoing operations in competition with for-profit retailers.
- (b) The exemptions provided in paragraph (a)5. and 6. of this subsection shall not apply to sales generated by or arising at a tourism development project approved under KRS 148.851 to 148.860.
- (3) (a) An educational or charitable institution shall be entitled to a refund equal to twenty-five percent (25%) of the tax collected on its sale of donated goods if the refund is used exclusively as reimbursement for capital construction costs of additional retail locations in this state, provided the institution:
1. Routinely sells donated items;
  2. Provides job training and employment to individuals with workplace disadvantages and disabilities;
  3. Spends at least seventy-five percent (75%) of its annual revenue on job training, job placement, or other related community services;
  4. Submits a refund application to the department within sixty (60) days after the new retail location opens for business; and
  5. Provides records of capital construction costs for the new retail location and any other information the department deems necessary to process the refund.

The maximum refund allowed for any location shall not exceed one million dollars (\$1,000,000).

- (b) As used in this subsection, "capital construction cost":
1. Means the cost of construction of any new facilities or the purchase and renovation of any existing facilities; and
  2. Does not include the cost of real property other than real property

designated as a brownfield site as defined in KRS 65.680(4).

- (4) Notwithstanding any other provision of law to the contrary, refunds under subsection (3) of this section shall be made directly to the institution. Interest shall not be allowed or paid on the refund. The department may examine any refund within four (4) years from the date the refund application is received. Any overpayment shall be subject to the interest provisions of KRS 131.183 and the penalty provisions of KRS 131.180.
- (5) All other sales made by educational or charitable institutions are taxable and the tax may be passed on to the purchaser as provided in KRS 139.210.
- (6) For religious institutions, the taxes imposed by this chapter do not apply to any of the following:
  - (a) Sales of tangible personal property, digital property, or services made by a religious institution, provided the tangible personal property, digital property, or service is sold in this state within the religious function; or
  - (b) Purchases of tangible personal property, digital property, or services made by a religious institution, provided the tangible personal property, digital property, or service is to be used solely in this state within the religious function.

**Effective:** August 1, 2026

**History:** Amended 2026 Ky. Acts ch. 161, sec. 116, effective August 1, 2026. -- Amended 2020 Ky. Acts ch. 91, sec. 40, effective August 1, 2020. -- Amended 2019 Ky. Acts ch. 151, sec. 28, effective March 26, 2019. -- Amended 2016 Ky. Acts ch. 110, sec. 13, effective August 1, 2016. -- Amended 2009 Ky. Acts ch. 73, sec. 18, effective July 1, 2009. -- Amended 2005 Ky. Acts ch. 46, sec. 1, effective August 1, 2005; and ch. 173, Part XVI, sec. 1, effective August 1, 2005. -- Amended 1980 Ky. Acts ch. 392, sec. 18, effective June 1, 1980. -- Amended 1978 Ky. Acts ch. 258, sec. 2, effective June 17, 1978. -- Created 1976 Ky. Acts ch. 77, Pt. III, sec. 2, effective March 29, 1976.

**Legislative Research Commission Note** (3/26/2019). Under the authority of KRS 7.136(1), the Reviser of Statutes has modified the internal lettering of subsection (2) of this statute from the way it appeared in 2019 Ky. Acts ch. 151, sec. 28. The words in the text were not changed.

**Legislative Research Commission Note** (3/26/2019). Section 82 of 2019 Ky. Acts ch. 151 states that the amendments to this statute made in Section 28 of that Act apply to transactions occurring on or after July 1, 2019.

**Legislative Research Commission Note** (8/1/2005). 2005 Ky. Acts chs. 11, 85, 95, 97, 98, 99, 123, and 181 instruct the Reviser of Statutes to correct statutory references to agencies and officers whose names have been changed in 2005 legislation confirming the reorganization of the executive branch. Such a correction has been made in this section.