

103 KAR 31:050. Returned merchandise.

RELATES TO: KRS 139.010

STATUTORY AUTHORITY: KRS 131.130(1), 139.710

NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130 authorizes the Department of Revenue to promulgate administrative regulations for the administration and enforcement of all tax laws in Kentucky. KRS 139.710 authorizes the department to have all powers, rights, duties, and authority with respect to the assessment, collection, refunding, and administration of the taxes levied by KRS Chapter 139. This administrative regulation establishes requirements for returned merchandise.

Section 1. "Gross receipts" and "sales price" shall not include the amount charged for merchandise returned by customers if:

- (1) The full sale price, including that portion designated as "sales tax" or "use tax" is refunded either in cash or credit; and
- (2) The customer, in order to obtain the refund or credit, is not required to purchase other property at a price greater than the amount charged for the property that is returned.

Section 2. Refunding or crediting the customer with the purchase price, less rehandling and restocking costs, shall constitute a refund or credit of the entire amount.

Section 3. The records of the taxpayer shall clearly reflect and support the taxpayer's claim for all these deductions for merchandise returned for credit or refund.

Section 4. Articles of tangible personal property that are repossessed by the seller shall not be classified as returned goods.

Section 5. Credits or refunds allowed by sellers to consumers on account of defects in merchandise sold shall be excluded in the same manner as credits or refunds for returned merchandise.

(SU-53; 1 Ky.R. 233; eff. 1-8-1975; TAm eff. 6-9-2009; TAm eff. 6-22-2016; 44 Ky.R. 774; 1211; eff. 1-5-2018; Crt eff. 6-7-2019.)