138.470 Exemptions from tax. (Effective January 1, 2028)

There is expressly exempted from the tax imposed by KRS 138.460:

(1) (a) Motor vehicles titled or registered to the United States, or to the Commonwealth of Kentucky or any of its political subdivisions; and

(b) The gross rental or lease charges for the rental or lease of a motor vehicle paid by the United States, or the Commonwealth of Kentucky or any of its political subdivisions;

(2) Motor vehicles titled or registered to institutions of purely public charity and institutions of education not used or employed for gain by any person or corporation;

(3) Motor vehicles which have been previously titled in Kentucky on or after July 1, 2005, or previously registered and titled in any state or by the federal government when being sold or transferred to licensed motor vehicle dealers for resale. The motor vehicles shall not be leased, rented, or loaned to any person and shall be held for resale only;

(4) Motor vehicles sold by or transferred from dealers registered and licensed in compliance with the provisions of KRS 186.070 and KRS 190.010 to 190.080 to members of the Armed Forces on duty in this Commonwealth under orders from the United States government;

(5) Commercial motor vehicles, excluding passenger vehicles having a seating capacity for nine (9) persons or less, owned by nonresident owners and used primarily in interstate commerce and based in a state other than Kentucky which are required to be registered in Kentucky by reason of operational requirements or fleet proration agreements and are registered pursuant to KRS 186.145;

(6) Motor vehicles titled in Kentucky on or after July 1, 2005, or previously registered in Kentucky, transferred between husband and wife, parent and child, stepparent and stepchild, or grandparent and grandchild;

(7) Motor vehicles transferred when a business changes its name and no other transaction has taken place or an individual changes his or her name;

(8) Motor vehicles transferred to a corporation from a proprietorship or limited liability company, to a limited liability company from a corporation or proprietorship, or from a corporation or limited liability company to a proprietorship, within six (6) months from the time that the business is incorporated, organized, or dissolved, if the transferor and the transferee are the same business entity except for a change in legal form;

(9) Motor vehicles transferred by will, court order, or under the statutes covering descent and distribution of property, if the vehicles were titled in Kentucky on or after July 1, 2005, or previously registered in Kentucky;

(10) Motor vehicles transferred between a subsidiary corporation and its parent corporation if there is no consideration, or nominal consideration, or in sole consideration of the cancellation or surrender of stock;

(11) Motor vehicles transferred between a limited liability company and any of its members, if there is no consideration, or nominal consideration, or in sole

consideration of the cancellation or surrender of stock;

(12) The interest of a partner in a motor vehicle when other interests are transferred to him or her;

(13) Motor vehicles repossessed by a secured party who has a security interest in effect at the time of repossession and a repossession affidavit as required by KRS 186.045(6). The repossessor shall hold the vehicle for resale only and not for personal use, unless he or she has previously paid the motor vehicle usage tax on the vehicle;

(14) Motor vehicles transferred to an insurance company to settle a claim. These vehicles shall be junked or held for resale only;

(15) Motor carriers operating under a charter bus certificate issued by the Transportation Cabinet under KRS Chapter 281;

(16) (a) 1. Motor vehicles registered under KRS 186.050 that have a declared gross vehicle weight with any towed unit of forty-four thousand and one (44,001) pounds or greater; and

2. Farm trucks registered under KRS 186.050(4) that have a declared gross vehicle weight with any towed unit of forty-four thousand and one (44,001) pounds or greater.

(b) To be eligible for the exemption established in paragraph (a) of this subsection, motor vehicles shall be registered at the appropriate range for the declared gross weight of the vehicle established in KRS 186.050(3)(b) and shall be prohibited from registering at a higher weight range. If a motor vehicle is initially registered in one (1) declared gross weight range and subsequently is registered at a declared gross weight range lower than forty-four thousand and one (44,001) pounds, the person registering the vehicle shall be required to pay the county clerk the usage tax due on the vehicle unless the person can provide written proof to the clerk that the tax has been previously paid;

(17) Motor vehicles transferred to a trustee to be held in trust, or from a trustee to a beneficiary of the trust, if a direct transfer from the grantor of the trust to all individual beneficiaries of the trust would have qualified for an exemption from the tax pursuant to subsection (6) or (9) of this section;

(18) Motor vehicles transferred to a trustee to be held in trust, if the grantor of the trust is a natural person and is treated as the owner of any portion of the trust for federal income tax purposes under the provisions of 26 U.S.C. secs. 671 to 679;

(19) Motor vehicles transferred from a trustee of a trust to another person if:

(a) The grantor of the trust is a natural person and is treated as the owner of any portion of the trust for federal income tax purposes under the provisions of 26 U.S.C. secs. 671 to 679; and

(b) A direct transfer from the grantor of the trust to the person would have qualified for an exemption from the tax pursuant to subsection (6) or (9) of this section;

(20) Motor vehicles under a manufacturer's statement of origin in possession of a licensed new motor vehicle dealer that are titled and transferred to a licensed used

motor vehicle dealer and held for sale; and

(21) Motor vehicles transferred under KRS 186A.037.

Effective: January 1, 2028

History: Amended 2026 Ky. Acts ch. 134, sec. 125, effective January 1, 2028; and ch. 135, sec. 45, effective January 1, 2028. -- Amended 2021 Ky. Acts ch. 156, sec. 6, effective July 1, 2021. -- Amended 2015 Ky. Acts ch. 88, sec. 1, effective June 24, 2015. -- Amended 2014 Ky. Acts ch. 83, sec. 4, effective July 15, 2014. -- Amended 2011 Ky. Acts ch. 53, sec. 1, effective August 1, 2011. -- Amended 2006 Ky. Acts ch. 6, sec. 12, effective March 6, 2006. -- Amended 2005 Ky. Acts ch. 173, Pt. XIX, sec. 1, effective August 1, 2005. -- Amended 2003 Ky. Acts ch. 124, sec. 39, effective October 1, 2003; and ch. 103, sec. 4, effective June 24, 2003. -- Amended 1998 Ky. Acts ch. 290, sec. 1, effective July 15, 1998. -- Amended 1994 Ky. Acts ch. 54, sec. 2, effective July 15, 1994. – Amended 1992 Ky. Acts ch. 342, sec. 1, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 187, sec. 3, effective July 13, 1990. -- Amended 1986 Ky. Acts ch. 118, sec. 105, effective July 1, 1987. -- Amended 1980 Ky. Acts ch. 144, sec. 1, effective July 15, 1980. -- Amended 1976 Ky. Acts ch. 155, sec. 4. -- Amended 1974 Ky. Acts ch. 123, sec. 1. -- Amended 1972 Ky. Acts ch. 84, Pt. IV, sec. 1; and ch. 184, sec. 1. -- Amended 1970 Ky. Acts ch. 13, sec. 1. -- Amended 1968 Ky. Acts ch. 40, Part III, sec. 3. -- Amended 1960 Ky. Acts ch. 5, Art. II, sec. 2. -- Amended 1956 (2d Extra. Sess.) Ky. Acts ch. 5, sec. 4A. -- Amended 1950 Ky. Acts ch. 63, sec. 59. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 4281i-3.

Legislative Research Commission Note (1/1/2028). This statute was amended by 2026 Ky. Acts chs. 134 and 135, which do not appear to be in conflict and have been codified together.

Legislative Research Commission Note (3/6/2006). 2006 Ky. Acts ch. 6, sec. 29, provides that this section applies retroactively to July 1, 2005.

Legislative Research Commission Note (6/24/2003). 2000 Ky. Acts ch. 408, sec. 178, renumbered the former subsection (4) of KRS 186.045 as subsection (3), but that Act failed to include a conforming amendment to change the reference to that subsection in subsection (13) of this statute. Under KRS 7.136(1)(e), that change has now been made.