

1 AN ACT relating to the exemption of certain animal services from sales and use
2 tax.

3 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

4 ➔Section 1. KRS 139.470 is amended to read as follows:

5 There are excluded from the computation of the amount of taxes imposed by this chapter:

- 6 (1) Gross receipts from the sale of, and the storage, use, or other consumption in this
7 state of, tangible personal property or digital property which this state is prohibited
8 from taxing under the Constitution or laws of the United States, or under the
9 Constitution of this state;
- 10 (2) Gross receipts from sales of, and the storage, use, or other consumption in this state
11 of:
- 12 (a) Nonreturnable and returnable containers when sold without the contents to
13 persons who place the contents in the container and sell the contents together
14 with the container; and
- 15 (b) Returnable containers when sold with the contents in connection with a retail
16 sale of the contents or when resold for refilling;

17 As used in this section the term "returnable containers" means containers of a kind
18 customarily returned by the buyer of the contents for reuse. All other containers are
19 "nonreturnable containers";

- 20 (3) Gross receipts from occasional sales of tangible personal property or digital
21 property and the storage, use, or other consumption in this state of tangible personal
22 property or digital property, the transfer of which to the purchaser is an occasional
23 sale;
- 24 (4) Gross receipts from sales of tangible personal property to a common carrier,
25 shipped by the retailer via the purchasing carrier under a bill of lading, whether the
26 freight is paid in advance or the shipment is made freight charges collect, to a point
27 outside this state and the property is actually transported to the out-of-state

- 1 destination for use by the carrier in the conduct of its business as a common carrier;
- 2 (5) Gross receipts from sales of tangible personal property sold through coin-operated
3 bulk vending machines, if the sale amounts to fifty cents (\$0.50) or less, if the
4 retailer is primarily engaged in making the sales and maintains records satisfactory
5 to the department. As used in this subsection, "bulk vending machine" means a
6 vending machine containing unsorted merchandise which, upon insertion of a coin,
7 dispenses the same in approximately equal portions, at random and without
8 selection by the customer;
- 9 (6) Gross receipts from sales to any cabinet, department, bureau, commission, board, or
10 other statutory or constitutional agency of the state and gross receipts from sales to
11 counties, cities, or special districts as defined in KRS 65.005. This exemption shall
12 apply only to purchases of tangible personal property, digital property, or services
13 for use solely in the government function. A purchaser not qualifying as a
14 governmental agency or unit shall not be entitled to the exemption even though the
15 purchaser may be the recipient of public funds or grants;
- 16 (7) (a) Gross receipts from the sale of sewer services, water, and fuel to Kentucky
17 residents for use in heating, water heating, cooking, lighting, and other
18 residential uses. As used in this subsection, "fuel" shall include but not be
19 limited to natural gas, electricity, fuel oil, bottled gas, coal, coke, and wood.
20 Determinations of eligibility for the exemption shall be made by the
21 department;
- 22 (b) In making the determinations of eligibility, the department shall exempt from
23 taxation all gross receipts derived from sales:
- 24 1. Classified as "residential" by a utility company as defined by applicable
25 tariffs filed with and accepted by the Public Service Commission;
- 26 2. Classified as "residential" by a municipally owned electric distributor
27 which purchases its power at wholesale from the Tennessee Valley

1 Authority;

2 3. Classified as "residential" by the governing body of a municipally owned
3 electric distributor which does not purchase its power from the
4 Tennessee Valley Authority, if the "residential" classification is
5 reasonably consistent with the definitions of "residential" contained in
6 tariff filings accepted and approved by the Public Service Commission
7 with respect to utilities which are subject to Public Service Commission
8 regulation.

9 If the service is classified as residential, use other than for "residential"
10 purposes by the customer shall not negate the exemption;

11 (c) The exemption shall not apply if charges for sewer service, water, and fuel are
12 billed to an owner or operator of a multi-unit residential rental facility or
13 mobile home and recreational vehicle park other than residential
14 classification; and

15 (d) The exemption shall apply also to residential property which may be held by
16 legal or equitable title, by the entireties, jointly, in common, as a
17 condominium, or indirectly by the stock ownership or membership
18 representing the owner's or member's proprietary interest in a corporation
19 owning a fee or a leasehold initially in excess of ninety-eight (98) years;

20 (8) Gross receipts from sales to an out-of-state agency, organization, or institution
21 exempt from sales and use tax in its state of residence when that agency,
22 organization, or institution gives proof of its tax-exempt status to the retailer and the
23 retailer maintains a file of the proof;

24 (9) (a) Gross receipts derived from the sale of, the following tangible personal
25 property to a manufacturer or industrial processor if the property is to be
26 directly used in the manufacturing or industrial processing process of tangible
27 personal property at a plant facility and which will be for sale:

- 1 1. Materials which enter into and become an ingredient or component part
2 of the manufactured product;
- 3 2. Other tangible personal property which is directly used in the
4 manufacturing or industrial processing process, if the property has a
5 useful life of less than one (1) year. Specifically these items are
6 categorized as follows:
 - 7 a. Materials. This refers to the raw materials which become an
8 ingredient or component part of supplies or industrial tools exempt
9 under subdivisions b. and c. below;
 - 10 b. Supplies. This category includes supplies such as lubricating and
11 compounding oils, grease, machine waste, abrasives, chemicals,
12 solvents, fluxes, anodes, filtering materials, fire brick, catalysts,
13 dyes, refrigerants, and explosives. The supplies indicated above
14 need not come in direct contact with a manufactured product to be
15 exempt. "Supplies" does not include repair, replacement, or spare
16 parts of any kind; and
 - 17 c. Industrial tools. This group is limited to hand tools such as jigs,
18 dies, drills, cutters, rolls, reamers, chucks, saws, and spray guns
19 and to tools attached to a machine such as molds, grinding balls,
20 grinding wheels, dies, bits, and cutting blades. Normally, for
21 industrial tools to be considered directly used in the manufacturing
22 or industrial processing process, they shall come into direct contact
23 with the product being manufactured or processed; and
- 24 3. Materials and supplies that are not reusable in the same manufacturing
25 or industrial processing process at the completion of a single
26 manufacturing or processing cycle. A single manufacturing cycle shall
27 be considered to be the period elapsing from the time the raw materials

1 enter into the manufacturing process until the finished product emerges
2 at the end of the manufacturing process.

3 (b) The property described in paragraph (a) of this subsection shall be regarded as
4 having been purchased for resale.

5 (c) For purposes of this subsection, a manufacturer or industrial processor
6 includes an individual or business entity that performs only part of the
7 manufacturing or industrial processing activity, and the person or business
8 entity need not take title to tangible personal property that is incorporated into,
9 or becomes the product of, the activity.

10 (d) The exemption provided in this subsection does not include repair,
11 replacement, or spare parts;

12 (10) Any water use fee paid or passed through to the Kentucky River Authority by
13 facilities using water from the Kentucky River basin to the Kentucky River
14 Authority in accordance with KRS 151.700 to 151.730 and administrative
15 regulations promulgated by the authority;

16 (11) Gross receipts from the sale of newspaper inserts or catalogs purchased for storage,
17 use, or other consumption outside this state and delivered by the retailer's own
18 vehicle to a location outside this state, or delivered to the United States Postal
19 Service, a common carrier, or a contract carrier for delivery outside this state,
20 regardless of whether the carrier is selected by the purchaser or retailer or an agent
21 or representative of the purchaser or retailer, or whether the F.O.B. is retailer's
22 shipping point or purchaser's destination.

23 (a) As used in this subsection:

24 1. "Catalogs" means tangible personal property that is printed to the special
25 order of the purchaser and composed substantially of information
26 regarding goods and services offered for sale; and

27 2. "Newspaper inserts" means printed materials that are placed in or

1 distributed with a newspaper of general circulation.

2 (b) The retailer shall be responsible for establishing that delivery was made to a
3 non-Kentucky location through shipping documents or other credible evidence
4 as determined by the department;

5 (12) Gross receipts from the sale of water used in the raising of equine as a business;

6 (13) Gross receipts from the sale of metal retail fixtures manufactured in this state and
7 purchased for storage, use, or other consumption outside this state and delivered by
8 the retailer's own vehicle to a location outside this state, or delivered to the United
9 States Postal Service, a common carrier, or a contract carrier for delivery outside
10 this state, regardless of whether the carrier is selected by the purchaser or retailer or
11 an agent or representative of the purchaser or retailer, or whether the F.O.B. is the
12 retailer's shipping point or the purchaser's destination.

13 (a) As used in this subsection, "metal retail fixtures" means check stands and
14 belted and nonbelted checkout counters, whether made in bulk or pursuant to
15 specific purchaser specifications, that are to be used directly by the purchaser
16 or to be distributed by the purchaser.

17 (b) The retailer shall be responsible for establishing that delivery was made to a
18 non-Kentucky location through shipping documents or other credible evidence
19 as determined by the department;

20 (14) Gross receipts from the sale of unenriched or enriched uranium purchased for
21 ultimate storage, use, or other consumption outside this state and delivered to a
22 common carrier in this state for delivery outside this state, regardless of whether the
23 carrier is selected by the purchaser or retailer, or is an agent or representative of the
24 purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or
25 purchaser's destination;

26 (15) Amounts received from a tobacco buydown. As used in this subsection, "buydown"
27 means an agreement whereby an amount, whether paid in money, credit, or

- 1 otherwise, is received by a retailer from a manufacturer or wholesaler based upon
2 the quantity and unit price of tobacco products sold at retail that requires the retailer
3 to reduce the selling price of the product to the purchaser without the use of a
4 manufacturer's or wholesaler's coupon or redemption certificate;
- 5 (16) Gross receipts from the sale of tangible personal property or digital property
6 returned by a purchaser when the full sales price is refunded either in cash or credit.
7 This exclusion shall not apply if the purchaser, in order to obtain the refund, is
8 required to purchase other tangible personal property or digital property at a price
9 greater than the amount charged for the property that is returned;
- 10 (17) Gross receipts from the sales of gasoline and special fuels subject to tax under KRS
11 Chapter 138;
- 12 (18) The amount of any tax imposed by the United States upon or with respect to retail
13 sales, whether imposed on the retailer or the consumer, not including any
14 manufacturer's excise or import duty;
- 15 (19) Gross receipts from the sale of any motor vehicle as defined in KRS 138.450 which
16 is:
- 17 (a) Sold to a Kentucky resident, registered for use on the public highways, and
18 upon which any applicable tax levied by KRS 138.460 has been paid; or
- 19 (b) Sold to a nonresident of Kentucky if the nonresident registers the motor
20 vehicle in a state that:
- 21 1. Allows residents of Kentucky to purchase motor vehicles without
22 payment of that state's sales tax at the time of sale; or
- 23 2. Allows residents of Kentucky to remove the vehicle from that state
24 within a specific period for subsequent registration and use in Kentucky
25 without payment of that state's sales tax;
- 26 (20) Gross receipts from the sale of a semi-trailer as defined in KRS 189.010(12) and
27 trailer as defined in KRS 189.010(17);

1 (21) Gross receipts from the first fifty thousand dollars (\$50,000) in sales of admissions
2 to county fairs held in Kentucky in any calendar year by a nonprofit county fair
3 board;

4 (22) Gross receipts from the collection of:

5 (a) Any fee or charge levied by a local government pursuant to KRS 65.760;

6 (b) The charge imposed by KRS 65.7629(3);

7 (c) The fee imposed by KRS 65.7634; and

8 (d) The service charge imposed by KRS 65.7636; ~~and~~

9 (23) Gross receipts derived from charges for labor or services to apply, install, repair, or
10 maintain tangible personal property directly used in manufacturing or industrial
11 processing process, and that is not otherwise exempt under subsection (9) of this
12 section or KRS 139.480(10), if the charges for labor or services are separately stated
13 on the invoice, bill of sale, or similar document given to purchaser;

14 **(24) Gross receipts derived from charges for small animal veterinarian services to**
15 **spay, neuter, or vaccinate an animal, which are charged by either:**

16 **(a) A local government animal shelter or nonprofit animal welfare**
17 **organization to an individual; or**

18 **(b) A veterinarian providing services to a local government animal shelter or**
19 **nonprofit animal welfare organization if the veterinarian:**

20 **1. Is volunteering his or her services at a free or reduced rate to the**
21 **shelter or organization; or**

22 **2. Has contracted with the shelter or organization to perform the listed**
23 **procedures as part of the shelter's or organization's continuing**
24 **mission; and**

25 **(25) Gross receipts derived from the transfer or adoption fees of a pet to an individual**
26 **from a local government animal shelter or nonprofit animal welfare**
27 **organization.**

1 ➔Section 2. This Act applies to transactions occurring on or after July 1, 2019.