

1 AN ACT relating to sales and use tax exemptions.

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

3 ➔Section 1. KRS 139.480 is amended to read as follows:

4 Any other provision of this chapter to the contrary notwithstanding, the terms "sale at  
5 retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not  
6 include the sale, use, storage, or other consumption of:

- 7 (1) Locomotives or rolling stock, including materials for the construction, repair, or  
8 modification thereof, or fuel or supplies for the direct operation of locomotives and  
9 trains, used or to be used in interstate commerce;
- 10 (2) Coal for the manufacture of electricity;
- 11 (3) (a) All energy or energy-producing fuels used in the course of manufacturing,  
12 processing, mining, or refining and any related distribution, transmission, and  
13 transportation services for this energy that are billed to the user, to the extent  
14 that the cost of the energy or energy-producing fuels used, and related  
15 distribution, transmission, and transportation services for this energy that are  
16 billed to the user exceed three percent (3%) of the cost of production.
- 17 (b) Cost of production shall be computed on the basis of a plant facility, which  
18 shall include all operations within the continuous, unbroken, integrated  
19 manufacturing or industrial processing process that ends with a product  
20 packaged and ready for sale.
- 21 (c) If a person who independently performs a manufacturing or industrial  
22 processing production activity for a fee, applies for the exemption under this  
23 subsection, and does not take ownership of the tangible personal property that  
24 is incorporated into, or becomes the product of the manufacturing or industrial  
25 processing activity, then all costs of production, including raw material costs,  
26 shall be allocated in proportion to all manufacturing or industrial processing  
27 operations at the plant facility;

- 1 (4) Livestock of a kind the products of which ordinarily constitute food for human  
2 consumption, provided the sales are made for breeding or dairy purposes and by or  
3 to a person regularly engaged in the business of farming;
- 4 (5) Poultry for use in breeding or egg production;
- 5 (6) Farm work stock for use in farming operations;
- 6 (7) Seeds, the products of which ordinarily constitute food for human consumption or  
7 are to be sold in the regular course of business, and commercial fertilizer to be  
8 applied on land, the products from which are to be used for food for human  
9 consumption or are to be sold in the regular course of business; provided such sales  
10 are made to farmers who are regularly engaged in the occupation of tilling and  
11 cultivating the soil for the production of crops as a business, or who are regularly  
12 engaged in the occupation of raising and feeding livestock or poultry or producing  
13 milk for sale; and provided further that tangible personal property so sold is to be  
14 used only by those persons designated above who are so purchasing;
- 15 (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be  
16 used in the production of crops as a business, or in the raising and feeding of  
17 livestock or poultry, the products of which ordinarily constitute food for human  
18 consumption;
- 19 (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the  
20 products of which ordinarily constitute food for human consumption;
- 21 (10) Machinery for new and expanded industry;
- 22 (11) Farm machinery. As used in this section, the term "farm machinery":
- 23 (a) Means machinery used exclusively and directly in the occupation of:
- 24 1. Tilling the soil for the production of crops as a business;
- 25 2. Raising and feeding livestock or poultry for sale; or
- 26 3. Producing milk for sale;
- 27 (b) Includes machinery, attachments, and replacements therefor, repair parts, and

1 replacement parts which are used or manufactured for use on, or in the  
2 operation of farm machinery and which are necessary to the operation of the  
3 machinery, and are customarily so used, including but not limited to combine  
4 header wagons, combine header trailers, or any other implements specifically  
5 designed and used to move or transport a combine head; and

6 (c) Does not include:

- 7 1. Automobiles;
- 8 2. Trucks;
- 9 3. Trailers, except combine header trailers; or
- 10 4. Truck-trailer combinations;

11 (12) Tombstones and other memorial grave markers;

12 (13) On-farm facilities used exclusively for grain or soybean storing, drying, processing,  
13 or handling. The exemption applies to the equipment, machinery, attachments,  
14 repair and replacement parts, and any materials incorporated into the construction,  
15 renovation, or repair of the facilities;

16 (14) On-farm facilities used exclusively for raising poultry or livestock. The exemption  
17 shall apply to the equipment, machinery, attachments, repair and replacement parts,  
18 and any materials incorporated into the construction, renovation, or repair of the  
19 facilities. The exemption shall apply but not be limited to vent board equipment,  
20 waterer and feeding systems, brooding systems, ventilation systems, alarm systems,  
21 and curtain systems. In addition, the exemption shall apply whether or not the seller  
22 is under contract to deliver, assemble, and incorporate into real estate the  
23 equipment, machinery, attachments, repair and replacement parts, and any materials  
24 incorporated into the construction, renovation, or repair of the facilities;

25 (15) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively  
26 and directly to:

27 (a) Operate farm machinery as defined in subsection (11) of this section;

- 1 (b) Operate on-farm grain or soybean drying facilities as defined in subsection  
2 (13) of this section;
- 3 (c) Operate on-farm poultry or livestock facilities defined in subsection (14) of  
4 this section;
- 5 (d) Operate on-farm ratite facilities defined in subsection (23) of this section;
- 6 (e) Operate on-farm llama or alpaca facilities as defined in subsection (25) of this  
7 section; or
- 8 (f) Operate on-farm dairy facilities;
- 9 (16) Textbooks, including related workbooks and other course materials, purchased for  
10 use in a course of study conducted by an institution which qualifies as a nonprofit  
11 educational institution under KRS 139.495. The term "course materials" means only  
12 those items specifically required of all students for a particular course but shall not  
13 include notebooks, paper, pencils, calculators, tape recorders, or similar student  
14 aids;
- 15 (17) Any property which has been certified as an alcohol production facility as defined in  
16 KRS 247.910;
- 17 (18) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the  
18 direct operation of aircraft in interstate commerce and used exclusively for the  
19 conveyance of property or passengers for hire. Nominal intrastate use shall not  
20 subject the property to the taxes imposed by this chapter;
- 21 (19) Any property which has been certified as a fluidized bed energy production facility  
22 as defined in KRS 211.390;
- 23 (20) (a) 1. Any property to be incorporated into the construction, rebuilding,  
24 modification, or expansion of a blast furnace or any of its components or  
25 appurtenant equipment or structures as part of an approved supplemental  
26 project, as defined by KRS 154.26-010; and
- 27 2. Materials, supplies, and repair or replacement parts purchased for use in

1                   the operation and maintenance of a blast furnace and related carbon  
2                   steel-making operations as part of an approved supplemental project, as  
3                   defined by KRS 154.26-010.

4           (b) The exemptions provided in this subsection shall be effective for sales made:

5                   1. On and after July 1, 2018; and

6                   2. During the term of a supplemental project agreement entered into  
7                   pursuant to KRS 154.26-090;

8   (21) Beginning on October 1, 1986, food or food products purchased for human  
9       consumption with food coupons issued by the United States Department of  
10      Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to  
11      be exempted by the Food Security Act of 1985 in order for the Commonwealth to  
12      continue participation in the federal food stamp program;

13   (22) Machinery or equipment purchased or leased by a business, industry, or  
14      organization in order to collect, source separate, compress, bale, shred, or otherwise  
15      handle waste materials if the machinery or equipment is primarily used for recycling  
16      purposes;

17   (23) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and  
18      production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-  
19      products, and the following items used in this agricultural pursuit:

20           (a) Feed and feed additives;

21           (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;

22           (c) On-farm facilities, including equipment, machinery, attachments, repair and  
23      replacement parts, and any materials incorporated into the construction,  
24      renovation, or repair of the facilities. The exemption shall apply to incubation  
25      systems, egg processing equipment, waterer and feeding systems, brooding  
26      systems, ventilation systems, alarm systems, and curtain systems. In addition,  
27      the exemption shall apply whether or not the seller is under contract to deliver,

- 1 assemble, and incorporate into real estate the equipment, machinery,  
2 attachments, repair and replacement parts, and any materials incorporated into  
3 the construction, renovation, or repair of the facilities;
- 4 (24) Embryos and semen that are used in the reproduction of livestock, if the products of  
5 these embryos and semen ordinarily constitute food for human consumption, and if  
6 the sale is made to a person engaged in the business of farming;
- 7 (25) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for  
8 the breeding and production of hides, breeding stock, fiber and wool products, meat,  
9 and llama and alpaca by-products, and the following items used in this pursuit:
- 10 (a) Feed and feed additives;
- 11 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
12 and
- 13 (c) On-farm facilities, including equipment, machinery, attachments, repair and  
14 replacement parts, and any materials incorporated into the construction,  
15 renovation, or repair of the facilities. The exemption shall apply to waterer  
16 and feeding systems, ventilation systems, and alarm systems. In addition, the  
17 exemption shall apply whether or not the seller is under contract to deliver,  
18 assemble, and incorporate into real estate the equipment, machinery,  
19 attachments, repair and replacement parts, and any materials incorporated into  
20 the construction, renovation, or repair of the facilities;
- 21 (26) Baling twine and baling wire for the baling of hay and straw;
- 22 (27) Water sold to a person regularly engaged in the business of farming and used in the:
- 23 (a) Production of crops;
- 24 (b) Production of milk for sale; or
- 25 (c) Raising and feeding of:
- 26 1. Livestock or poultry, the products of which ordinarily constitute food for  
27 human consumption; or

- 1           2.   Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;
- 2   (28) Buffalos to be used as beasts of burden or in an agricultural pursuit for the
- 3       production of hides, breeding stock, meat, and buffalo by-products, and the
- 4       following items used in this pursuit:
- 5       (a)   Feed and feed additives;
- 6       (b)   Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 7       (c)   On-farm facilities, including equipment, machinery, attachments, repair and
- 8       replacement parts, and any materials incorporated into the construction,
- 9       renovation, or repair of the facilities. The exemption shall apply to waterer
- 10      and feeding systems, ventilation systems, and alarm systems. In addition, the
- 11      exemption shall apply whether or not the seller is under contract to deliver,
- 12      assemble, and incorporate into real estate the equipment, machinery,
- 13      attachments, repair and replacement parts, and any materials incorporated into
- 14      the construction, renovation, or repair of the facilities;
- 15   (29) Aquatic organisms sold directly to or raised by a person regularly engaged in the
- 16      business of producing products of aquaculture, as defined in KRS 260.960, for sale,
- 17      and the following items used in this pursuit:
- 18      (a)   Feed and feed additives;
- 19      (b)   Water;
- 20      (c)   Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 21      and
- 22      (d)   On-farm facilities, including equipment, machinery, attachments, repair and
- 23      replacement parts, and any materials incorporated into the construction,
- 24      renovation, or repair of the facilities and, any gasoline, special fuels, liquefied
- 25      petroleum gas, or natural gas used to operate the facilities. The exemption
- 26      shall apply, but not be limited to: waterer and feeding systems; ventilation,
- 27      aeration, and heating systems; processing and storage systems; production

1 systems such as ponds, tanks, and raceways; harvest and transport equipment  
2 and systems; and alarm systems. In addition, the exemption shall apply  
3 whether or not the seller is under contract to deliver, assemble, and  
4 incorporate into real estate the equipment, machinery, attachments, repair and  
5 replacement parts, and any materials incorporated into the construction,  
6 renovation, or repair of the facilities;

7 (30) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the  
8 production of hides, breeding stock, meat, and cervid by-products, and the  
9 following items used in this pursuit:

10 (a) Feed and feed additives;

11 (b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and

12 (c) On-site facilities, including equipment, machinery, attachments, repair and  
13 replacement parts, and any materials incorporated into the construction,  
14 renovation, or repair of the facilities. In addition, the exemption shall apply  
15 whether or not the seller is under contract to deliver, assemble, and  
16 incorporate into real estate the equipment, machinery, attachments, repair and  
17 replacement parts, and any materials incorporated into the construction,  
18 renovation, or repair of the facilities;

19 (31) (a) Repair or replacement parts for the direct operation or maintenance of a motor  
20 vehicle, including any towed unit, used exclusively in interstate commerce for  
21 the conveyance of property or passengers for hire, provided the motor vehicle  
22 is licensed for use on the highway and its declared gross vehicle weight with  
23 any towed unit is forty-four thousand and one (44,001) pounds or greater.  
24 Nominal intrastate use shall not subject the property to the taxes imposed by  
25 this chapter;

26 (b) Repair or replacement parts for the direct operation and maintenance of a  
27 motor vehicle operating under a charter bus certificate issued by the

1           Transportation Cabinet under KRS Chapter 281, or under similar authority  
2           granted by the United States Department of Transportation; and

3           (c) For the purposes of this subsection, "repair or replacement parts" means tires,  
4           brakes, engines, transmissions, drive trains, chassis, body parts, and their  
5           components. "Repair or replacement parts" shall not include fuel, machine  
6           oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential  
7           to the operation of the motor vehicle itself, except when sold as part of the  
8           assembled unit, such as cigarette lighters, radios, lighting fixtures not  
9           otherwise required by the manufacturer for operation of the vehicle, or tool or  
10          utility boxes;~~and~~

11          (32) Food donated by a retail food establishment or any other entity regulated under KRS  
12          217.127 to a nonprofit organization for distribution to the needy; **and**

13          **(33) (a) Tangible personal property sold to or purchased by a person on or after July**  
14          **1, 2019, and before July 1, 2023, who is under contract to incorporate that**  
15          **tangible personal property into a structure or improvement to real estate, if:**

16          **1. The tangible personal property will enter into and become a**  
17          **permanent part of the structure or real estate; and**

18          **2. The tangible personal property will be used to fulfill the terms of a**  
19          **contract with:**

20          **a. A federal, state, or local governmental entity that is exempt from**  
21          **tax on the purchase of tangible personal property for use in its**  
22          **governmental function under KRS 139.470(1) or (6); or**

23          **b. A resident, nonprofit educational, charitable, or religious**  
24          **institution, or a resident, disregarded single-member limited**  
25          **liability company, that is exempt from tax on the purchase of**  
26          **tangible personal property for use in its educational, charitable,**  
27          **or religious function under KRS 139.495.**

1       **(b) On or before October 1, 2020, and on or before each October 1 thereafter as**  
2       **long as the exemption applies, the department shall report to the Interim**  
3       **Joint Committee on Appropriations and Revenue the total amount of tax**  
4       **exemption that has been claimed for the immediately preceding fiscal year**  
5       **and the total cumulative amount of the exemption claimed.**

6       ➔Section 2. KRS 131.190 is amended to read as follows:

7       (1) No present or former commissioner or employee of the department, present or  
8       former member of a county board of assessment appeals, present or former property  
9       valuation administrator or employee, present or former secretary or employee of the  
10       Finance and Administration Cabinet, former secretary or employee of the Revenue  
11       Cabinet, or any other person, shall intentionally and without authorization inspect or  
12       divulge any information acquired by him of the affairs of any person, or information  
13       regarding the tax schedules, returns, or reports required to be filed with the  
14       department or other proper officer, or any information produced by a hearing or  
15       investigation, insofar as the information may have to do with the affairs of the  
16       person's business.

17       (2) The prohibition established by subsection (1) of this section shall not extend to:

18       (a) Information required in prosecutions for making false reports or returns of  
19       property for taxation, or any other infraction of the tax laws;

20       (b) Any matter properly entered upon any assessment record, or in any way made  
21       a matter of public record;

22       (c) Furnishing any taxpayer or his properly authorized agent with information  
23       respecting his own return;

24       (d) Testimony provided by the commissioner or any employee of the department  
25       in any court, or the introduction as evidence of returns or reports filed with the  
26       department, in an action for violation of state or federal tax laws or in any  
27       action challenging state or federal tax laws;

- 1 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or  
2 energy resources assessed under KRS 132.820, or owners of surface land  
3 under which the unmined minerals lie, factual information about the owner's  
4 property derived from third-party returns filed for that owner's property, under  
5 the provisions of KRS 132.820, that is used to determine the owner's  
6 assessment. This information shall be provided to the owner on a confidential  
7 basis, and the owner shall be subject to the penalties provided in KRS  
8 131.990(2). The third-party filer shall be given prior notice of any disclosure  
9 of information to the owner that was provided by the third-party filer;
- 10 (f) Providing to a third-party purchaser pursuant to an order entered in a  
11 foreclosure action filed in a court of competent jurisdiction, factual  
12 information related to the owner or lessee of coal, oil, gas reserves, or any  
13 other mineral resources assessed under KRS 132.820. The department may  
14 promulgate an administrative regulation establishing a fee schedule for the  
15 provision of the information described in this paragraph. Any fee imposed  
16 shall not exceed the greater of the actual cost of providing the information or  
17 ten dollars (\$10);
- 18 (g) Providing information to a licensing agency, the Transportation Cabinet, or  
19 the Kentucky Supreme Court under KRS 131.1817;
- 20 (h) Statistics of gasoline and special fuels gallonage reported to the department  
21 under KRS 138.210 to 138.448;
- 22 (i) Providing any utility gross receipts license tax return information that is  
23 necessary to administer the provisions of KRS 160.613 to 160.617 to  
24 applicable school districts on a confidential basis; or
- 25 (j) Providing information to the Legislative Research Commission under:  
26 **1. Section 1 of this Act for purposes of the sales and use tax exemption**  
27 **for contractors;**



1 the department, or any other person.

2 (5) Statistics of crude oil as reported to the Department of Revenue under the crude oil  
3 excise tax requirements of KRS Chapter 137 and statistics of natural gas production  
4 as reported to the Department of Revenue under the natural resources severance tax  
5 requirements of KRS Chapter 143A may be made public by the department by  
6 release to the Energy and Environment Cabinet, Department for Natural Resources.

7 (6) Notwithstanding any provision of law to the contrary, beginning with mine-map  
8 submissions for the 1989 tax year, the department may make public or divulge only  
9 those portions of mine maps submitted by taxpayers to the department pursuant to  
10 KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-  
11 out parcel areas. These electronic maps shall not be relied upon to determine actual  
12 boundaries of mined-out parcel areas. Property boundaries contained in mine maps  
13 required under KRS Chapters 350 and 352 shall not be construed to constitute land  
14 surveying or boundary surveys as defined by KRS 322.010 and any administrative  
15 regulations promulgated thereto.