

1 AN ACT relating to sales and use taxes.

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

3 ➔Section 1. KRS 139.200 is amended to read as follows:

4 A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross
5 receipts derived from:

6 (1) Retail sales of:

7 (a) Tangible personal property, regardless of the method of delivery, made within
8 this Commonwealth; and

9 (b) Digital property regardless of whether:

10 1. The purchaser has the right to permanently use the property;

11 2. The purchaser's right to access or retain the property is not permanent; or

12 3. The purchaser's right of use is conditioned upon continued payment; and

13 (2) The furnishing of the following:

14 (a) The rental of any room or rooms, lodgings, campsites, or accommodations
15 furnished by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds,
16 recreational vehicle parks, or any other place in which rooms, lodgings,
17 campsites, or accommodations are regularly furnished to transients for a
18 consideration. The tax shall not apply to rooms, lodgings, campsites, or
19 accommodations supplied for a continuous period of thirty (30) days or more
20 to a person;

21 (b) Sewer services;

22 (c) The sale of admissions, except:

23 1. Admissions to racetracks taxed under KRS 138.480;

24 2. Admissions to historical sites exempt under KRS 139.482;

25 3. Admissions taxed under KRS 229.031;

26 4. Admissions charged by nonprofit educational, charitable, or religious
27 institutions exempt under KRS 139.495; and

- 1 5. Admissions charged by nonprofit civic, governmental, or other nonprofit
2 organizations exempt under KRS 139.498;
- 3 (d) Prepaid calling service and prepaid wireless calling service;
- 4 (e) Intrastate, interstate, and international communications services as defined in
5 KRS 139.195, except the furnishing of pay telephone service as defined in
6 KRS 139.195;
- 7 (f) Distribution, transmission, or transportation services for natural gas that is for
8 storage, use, or other consumption in this state, excluding those services
9 furnished:
- 10 1. For natural gas that is classified as residential use as provided in KRS
11 139.470(7); or
- 12 2. To a seller or reseller of natural gas;
- 13 (g) Landscaping services, including but not limited to:
- 14 1. Lawn care and maintenance services;
- 15 2. Tree trimming, pruning, or removal services;
- 16 3. Landscape design and installation services;
- 17 4. Landscape care and maintenance services; and
- 18 5. Snow plowing or removal services;
- 19 (h) Janitorial services, including but not limited to residential and commercial
20 cleaning services, and carpet, upholstery, and window cleaning services;
- 21 (i) Small animal veterinary services, excluding veterinary services for equine,
22 cattle, poultry, swine, sheep, goats, llamas, alpacas, ratite birds, buffalo, and
23 cervids, **furnished on or after July 1, 2018, but before October 1, 2020;**
- 24 (j) Pet care services, including but not limited to grooming and boarding services,
25 pet sitting services, and pet obedience training services;
- 26 (k) Industrial laundry services, including but not limited to industrial uniform
27 supply services, protective apparel supply services, and industrial mat and rug

- 1 supply services;
- 2 (l) Non-coin-operated laundry and dry cleaning services;
- 3 (m) Linen supply services, including but not limited to table and bed linen supply
- 4 services and nonindustrial uniform supply services;
- 5 (n) Indoor skin tanning services, including but not limited to tanning booth or
- 6 tanning bed services and spray tanning services;
- 7 (o) Non-medical diet and weight reducing services;
- 8 (p) Limousine services, if a driver is provided; and
- 9 (q) Extended warranty services.

10 ➔Section 2. KRS 139.470 is amended to read as follows:

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

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

23 As used in this section the term "returnable containers" means containers of a kind

24 customarily returned by the buyer of the contents for reuse. All other containers are

25 "nonreturnable containers";

- 26 (3) Gross receipts from occasional sales of tangible personal property or digital
- 27 property and the storage, use, or other consumption in this state of tangible personal

1 property or digital property, the transfer of which to the purchaser is an occasional
2 sale;

3 (4) Gross receipts from sales of tangible personal property to a common carrier,
4 shipped by the retailer via the purchasing carrier under a bill of lading, whether the
5 freight is paid in advance or the shipment is made freight charges collect, to a point
6 outside this state and the property is actually transported to the out-of-state
7 destination for use by the carrier in the conduct of its business as a common carrier;

8 (5) Gross receipts from sales of tangible personal property sold through coin-operated
9 bulk vending machines, if the sale amounts to fifty cents (\$0.50) or less, if the
10 retailer is primarily engaged in making the sales and maintains records satisfactory
11 to the department. As used in this subsection, "bulk vending machine" means a
12 vending machine containing unsorted merchandise which, upon insertion of a coin,
13 dispenses the same in approximately equal portions, at random and without
14 selection by the customer;

15 (6) Gross receipts from sales to any cabinet, department, bureau, commission, board, or
16 other statutory or constitutional agency of the state and gross receipts from sales to
17 counties, cities, or special districts as defined in KRS 65.005. This exemption shall
18 apply only to purchases of tangible personal property, digital property, or services
19 for use solely in the government function. A purchaser not qualifying as a
20 governmental agency or unit shall not be entitled to the exemption even though the
21 purchaser may be the recipient of public funds or grants;

22 (7) (a) Gross receipts from the sale of sewer services, water, and fuel to Kentucky
23 residents for use in heating, water heating, cooking, lighting, and other
24 residential uses. As used in this subsection, "fuel" shall include but not be
25 limited to natural gas, electricity, fuel oil, bottled gas, coal, coke, and wood.
26 Determinations of eligibility for the exemption shall be made by the
27 department;

- 1 (b) In making the determinations of eligibility, the department shall exempt from
2 taxation all gross receipts derived from sales:
- 3 1. Classified as "residential" by a utility company as defined by applicable
4 tariffs filed with and accepted by the Public Service Commission;
 - 5 2. Classified as "residential" by a municipally owned electric distributor
6 which purchases its power at wholesale from the Tennessee Valley
7 Authority;
 - 8 3. Classified as "residential" by the governing body of a municipally owned
9 electric distributor which does not purchase its power from the
10 Tennessee Valley Authority, if the "residential" classification is
11 reasonably consistent with the definitions of "residential" contained in
12 tariff filings accepted and approved by the Public Service Commission
13 with respect to utilities which are subject to Public Service Commission
14 regulation.
- 15 If the service is classified as residential, use other than for "residential"
16 purposes by the customer shall not negate the exemption;
- 17 (c) The exemption shall not apply if charges for sewer service, water, and fuel are
18 billed to an owner or operator of a multi-unit residential rental facility or
19 mobile home and recreational vehicle park other than residential
20 classification; and
- 21 (d) The exemption shall apply also to residential property which may be held by
22 legal or equitable title, by the entirety, jointly, in common, as a
23 condominium, or indirectly by the stock ownership or membership
24 representing the owner's or member's proprietary interest in a corporation
25 owning a fee or a leasehold initially in excess of ninety-eight (98) years;
- 26 (8) Gross receipts from sales to an out-of-state agency, organization, or institution
27 exempt from sales and use tax in its state of residence when that agency,

1 organization, or institution gives proof of its tax-exempt status to the retailer and the
2 retailer maintains a file of the proof;

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

7 1. Materials which enter into and become an ingredient or component part
8 of the manufactured product;

9 2. Other tangible personal property which is directly used in the
10 manufacturing or industrial processing process, if the property has a
11 useful life of less than one (1) year. Specifically these items are
12 categorized as follows:

13 a. Materials. This refers to the raw materials which become an
14 ingredient or component part of supplies or industrial tools exempt
15 under subdivisions b. and c. below;

16 b. Supplies. This category includes supplies such as lubricating and
17 compounding oils, grease, machine waste, abrasives, chemicals,
18 solvents, fluxes, anodes, filtering materials, fire brick, catalysts,
19 dyes, refrigerants, and explosives. The supplies indicated above
20 need not come in direct contact with a manufactured product to be
21 exempt. "Supplies" does not include repair, replacement, or spare
22 parts of any kind; and

23 c. Industrial tools. This group is limited to hand tools such as jigs,
24 dies, drills, cutters, rolls, reamers, chucks, saws, and spray guns
25 and to tools attached to a machine such as molds, grinding balls,
26 grinding wheels, dies, bits, and cutting blades. Normally, for
27 industrial tools to be considered directly used in the manufacturing

1 or industrial processing process, they shall come into direct contact
2 with the product being manufactured or processed; and

3 3. Materials and supplies that are not reusable in the same manufacturing
4 or industrial processing process at the completion of a single
5 manufacturing or processing cycle. A single manufacturing cycle shall
6 be considered to be the period elapsing from the time the raw materials
7 enter into the manufacturing process until the finished product emerges
8 at the end of the manufacturing process.

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

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

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

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

22 (11) Gross receipts from the sale of newspaper inserts or catalogs purchased for storage,
23 use, or other consumption outside this state and delivered by the retailer's own
24 vehicle to a location outside this state, or delivered to the United States Postal
25 Service, a common carrier, or a contract carrier for delivery outside this state,
26 regardless of whether the carrier is selected by the purchaser or retailer or an agent
27 or representative of the purchaser or retailer, or whether the F.O.B. is retailer's

1 shipping point or purchaser's destination.

2 (a) As used in this subsection:

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

6 2. "Newspaper inserts" means printed materials that are placed in or
7 distributed with a newspaper of general circulation.

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

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

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

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

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

26 (14) Gross receipts from the sale of unenriched or enriched uranium purchased for
27 ultimate storage, use, or other consumption outside this state and delivered to a

1 common carrier in this state for delivery outside this state, regardless of whether the
2 carrier is selected by the purchaser or retailer, or is an agent or representative of the
3 purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or
4 purchaser's destination;

5 (15) Amounts received from a tobacco buydown. As used in this subsection, "buydown"
6 means an agreement whereby an amount, whether paid in money, credit, or
7 otherwise, is received by a retailer from a manufacturer or wholesaler based upon
8 the quantity and unit price of tobacco products sold at retail that requires the retailer
9 to reduce the selling price of the product to the purchaser without the use of a
10 manufacturer's or wholesaler's coupon or redemption certificate;

11 (16) Gross receipts from the sale of tangible personal property or digital property
12 returned by a purchaser when the full sales price is refunded either in cash or credit.
13 This exclusion shall not apply if the purchaser, in order to obtain the refund, is
14 required to purchase other tangible personal property or digital property at a price
15 greater than the amount charged for the property that is returned;

16 (17) Gross receipts from the sales of gasoline and special fuels subject to tax under KRS
17 Chapter 138;

18 (18) The amount of any tax imposed by the United States upon or with respect to retail
19 sales, whether imposed on the retailer or the consumer, not including any
20 manufacturer's excise or import duty;

21 (19) Gross receipts from the sale of any motor vehicle as defined in KRS 138.450 which
22 is:

23 (a) Sold to a Kentucky resident, registered for use on the public highways, and
24 upon which any applicable tax levied by KRS 138.460 has been paid; or

25 (b) Sold to a nonresident of Kentucky if the nonresident registers the motor
26 vehicle in a state that:

27 1. Allows residents of Kentucky to purchase motor vehicles without

- 1 payment of that state's sales tax at the time of sale; or
- 2 2. Allows residents of Kentucky to remove the vehicle from that state
- 3 within a specific period for subsequent registration and use in Kentucky
- 4 without payment of that state's sales tax;
- 5 (20) Gross receipts from the sale of a semi-trailer as defined in KRS 189.010(12) and
- 6 trailer as defined in KRS 189.010(17);
- 7 (21) Gross receipts from the collection of:
- 8 (a) Any fee or charge levied by a local government pursuant to KRS 65.760;
- 9 (b) The charge imposed by KRS 65.7629(3);
- 10 (c) The fee imposed by KRS 65.7634; and
- 11 (d) The service charge imposed by KRS 65.7636;
- 12 (22) Gross receipts derived from charges for labor or services to apply, install, repair, or
- 13 maintain tangible personal property directly used in manufacturing or industrial
- 14 processing process, and that is not otherwise exempt under subsection (9) of this
- 15 section or KRS 139.480(10), if the charges for labor or services are separately stated
- 16 on the invoice, bill of sale, or similar document given to purchaser;
- 17 (23) (a) For persons selling services included in KRS 139.200(2)(g) to (q) prior to
- 18 January 1, 2019, gross receipts derived from the sale of those services if the
- 19 gross receipts were less than six thousand dollars (\$6,000) during calendar
- 20 year 2018. When gross receipts from these services exceed six thousand
- 21 dollars (\$6,000) in a calendar year:
- 22 1. All gross receipts over six thousand dollars (\$6,000) are taxable in that
- 23 calendar year; and
- 24 2. All gross receipts are subject to tax in subsequent calendar years.
- 25 (b) The exemption provided in this subsection shall not apply to a person also engaged
- 26 in the business of selling tangible personal property, digital property, or
- 27 services included in KRS 139.200(2)(a) to (f);~~and~~

- 1 (24) (a) For persons that first begin making sales of services included in KRS
 2 139.200(2)(g) to (q) on or after January 1, 2019, gross receipts derived from
 3 the sale of those services if the gross receipts are less than six thousand dollars
 4 (\$6,000) within the first calendar year of operation. When gross receipts from
 5 these services exceed six thousand dollars (\$6,000) in a calendar year:
- 6 1. All gross receipts over six thousand dollars (\$6,000) are taxable in that
 7 calendar year; and
 - 8 2. All gross receipts are subject to tax in subsequent calendar years.
- 9 (b) The exemption provided in this subsection shall not apply to a person that is
 10 also engaged in the business of selling tangible personal property, digital
 11 property, or services included in KRS 139.200(2)(a) to (f); **and**

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

15 **(b) On or before October 1, 2021, and on or before each October 1 thereafter as**
 16 **long as the exemption applies, the department shall report to the Interim**
 17 **Joint Committee on Appropriations and Revenue the total amount of tax**
 18 **exemption that has been claimed for the immediately preceding fiscal year**
 19 **and the total cumulative amount of the exemption claimed.**

20 ➔Section 3. KRS 131.190 is amended to read as follows:

- 21 (1) No present or former commissioner or employee of the department, present or
 22 former member of a county board of assessment appeals, present or former property
 23 valuation administrator or employee, present or former secretary or employee of the
 24 Finance and Administration Cabinet, former secretary or employee of the Revenue
 25 Cabinet, or any other person, shall intentionally and without authorization inspect or
 26 divulge any information acquired by him of the affairs of any person, or information
 27 regarding the tax schedules, returns, or reports required to be filed with the

1 department or other proper officer, or any information produced by a hearing or
2 investigation, insofar as the information may have to do with the affairs of the
3 person's business.

- 4 (2) The prohibition established by subsection (1) of this section shall not extend to:
- 5 (a) Information required in prosecutions for making false reports or returns of
6 property for taxation, or any other infraction of the tax laws;
 - 7 (b) Any matter properly entered upon any assessment record, or in any way made
8 a matter of public record;
 - 9 (c) Furnishing any taxpayer or his properly authorized agent with information
10 respecting his own return;
 - 11 (d) Testimony provided by the commissioner or any employee of the department
12 in any court, or the introduction as evidence of returns or reports filed with the
13 department, in an action for violation of state or federal tax laws or in any
14 action challenging state or federal tax laws;
 - 15 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or
16 energy resources assessed under KRS 132.820, or owners of surface land
17 under which the unmined minerals lie, factual information about the owner's
18 property derived from third-party returns filed for that owner's property, under
19 the provisions of KRS 132.820, that is used to determine the owner's
20 assessment. This information shall be provided to the owner on a confidential
21 basis, and the owner shall be subject to the penalties provided in KRS
22 131.990(2). The third-party filer shall be given prior notice of any disclosure
23 of information to the owner that was provided by the third-party filer;
 - 24 (f) Providing to a third-party purchaser pursuant to an order entered in a
25 foreclosure action filed in a court of competent jurisdiction, factual
26 information related to the owner or lessee of coal, oil, gas reserves, or any
27 other mineral resources assessed under KRS 132.820. The department may

1 promulgate an administrative regulation establishing a fee schedule for the
2 provision of the information described in this paragraph. Any fee imposed
3 shall not exceed the greater of the actual cost of providing the information or
4 ten dollars (\$10);

5 (g) Providing information to a licensing agency, the Transportation Cabinet, or
6 the Kentucky Supreme Court under KRS 131.1817;

7 (h) Statistics of gasoline and special fuels gallonage reported to the department
8 under KRS 138.210 to 138.448;

9 (i) Providing any utility gross receipts license tax return information that is
10 necessary to administer the provisions of KRS 160.613 to 160.617 to
11 applicable school districts on a confidential basis;

12 (j) Providing documents, data, or other information to a third party pursuant to an
13 order issued by a court of competent jurisdiction; or

14 (k) Providing information to the Legislative Research Commission under:

15 1. Section 2 of this Act for purposes of the sales and use tax exemption
16 for transfer or adoption fees of a pet to an individual from a local
17 government animal shelter or nonprofit animal welfare organization;

18 2. ~~1.1~~ KRS 139.519 for purposes of the sales and use tax refund on building
19 materials used for disaster recovery;

20 3. KRS 141.068 for purposes of the Kentucky investment fund;

21 4. KRS 141.389 for purposes of the distilled spirits credit;

22 5. KRS 141.390 for purposes of the recycling and composting credit.

23 6. KRS 141.396 for purposes of the angel investor tax credit;

24 7. KRS 141.408 for purposes of the inventory credit;

25 8. ~~2.2~~ KRS 141.436 for purposes of the energy efficiency products credits;

26 9. ~~3.3~~ KRS 141.437 for purposes of the ENERGY STAR home and the
27 ENERGY STAR manufactured home credits;

1 ~~10.~~[4.] KRS 148.544 for purposes of the film industry incentives; and
2 ~~11.~~[5.] KRS 154.26-095 for purposes of the Kentucky industrial
3 revitalization tax credits and the job assessment fees};
4 ~~6.—~~KRS 141.068 for purposes of the Kentucky investment fund;
5 ~~7.—~~KRS 141.396 for purposes of the angel investor tax credit;
6 ~~8.—~~KRS 141.389 for purposes of the distilled spirits credit;
7 ~~9.—~~KRS 141.408 for purposes of the inventory credit; and
8 ~~10.—~~KRS 141.390 for purposes of the recycling and composting credit].

9 (3) The commissioner shall make available any information for official use only and on
10 a confidential basis to the proper officer, agency, board or commission of this state,
11 any Kentucky county, any Kentucky city, any other state, or the federal government,
12 under reciprocal agreements whereby the department shall receive similar or useful
13 information in return.

14 (4) Access to and inspection of information received from the Internal Revenue Service
15 is for department use only, and is restricted to tax administration purposes.
16 Information received from the Internal Revenue Service shall not be made available
17 to any other agency of state government, or any county, city, or other state, and shall
18 not be inspected intentionally and without authorization by any present secretary or
19 employee of the Finance and Administration Cabinet, commissioner or employee of
20 the department, or any other person.

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

26 (6) Notwithstanding any provision of law to the contrary, beginning with mine-map
27 submissions for the 1989 tax year, the department may make public or divulge only

1 those portions of mine maps submitted by taxpayers to the department pursuant to
2 KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-
3 out parcel areas. These electronic maps shall not be relied upon to determine actual
4 boundaries of mined-out parcel areas. Property boundaries contained in mine maps
5 required under KRS Chapters 350 and 352 shall not be construed to constitute land
6 surveying or boundary surveys as defined by KRS 322.010 and any administrative
7 regulations promulgated thereto.

8 ➔Section 4. This Act shall take effect on August 1, 2020.