

1 AN ACT relating to the exemption of churches from sales and use taxes.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO  
4 READ AS FOLLOWS:

5 *The taxes imposed by this chapter shall not apply to:*

6 *(1) Resident, nonprofit religious institutions which have qualified for exemption*  
7 *from income taxation under Section 501(c)(3) of the Internal Revenue Code; and*

8 *(2) Any resident, single member limited liability company that is:*

9 *(a) Wholly owned and controlled by a resident or nonresident, nonprofit*  
10 *religious institution which has qualified for exemption from income*  
11 *taxation under Section 501(c)(3) of the Internal Revenue Code; and*

12 *(b) Disregarded as an entity separate from the resident or nonresident,*  
13 *nonprofit religious institution for federal income tax purposes pursuant to*  
14 *26 C.F.R. sec. 301.7701-2.*

15 ➔Section 2. KRS 139.200 is amended to read as follows:

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

18 (1) Retail sales of:

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

21 (b) Digital property regardless of whether:

- 22 1. The purchaser has the right to permanently use the property;
- 23 2. The purchaser's right to access or retain the property is not permanent;
- 24 or
- 25 3. The purchaser's right of use is conditioned upon continued payment; and

26 (2) The furnishing of the following services:

27 (a) The rental of any room or rooms, lodgings, campsites, or accommodations

1 furnished by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds,  
2 recreational vehicle parks, or any other place in which rooms, lodgings,  
3 campsites, or accommodations are regularly furnished to transients for a  
4 consideration. The tax shall not apply to rooms, lodgings, campsites, or  
5 accommodations supplied for a continuous period of thirty (30) days or more  
6 to a person;

7 (b) Sewer services;

8 (c) The sale of admissions, except:

9 1. Admissions to enter the grounds or enclosure of any track licensed  
10 under KRS Chapter 230 at which live horse racing or historical horse  
11 racing is being conducted under the jurisdiction of the Kentucky Horse  
12 Racing and Gaming Corporation;

13 2. Admissions taxed under KRS 229.031;

14 3. Admissions that are charged by nonprofit educational~~[,]~~ **or** charitable~~[,]~~  
15 ~~or religious~~ institutions and for which an exemption is provided under  
16 KRS 139.495; and

17 4. Admissions that are charged by nonprofit civic, governmental, or other  
18 nonprofit organizations and for which an exemption is provided under  
19 KRS 139.498;

20 (d) Prepaid calling service and prepaid wireless calling service;

21 (e) Intrastate, interstate, and international communications services as defined in  
22 KRS 139.195, except the furnishing of pay telephone service as defined in  
23 KRS 139.195;

24 (f) Distribution, transmission, or transportation services for natural gas that is for  
25 storage, use, or other consumption in this state, excluding those services  
26 furnished:

27 1. For natural gas that is classified as residential use as provided in KRS

- 1                   139.470(7); or
- 2                   2. To a seller or reseller of natural gas;
- 3           (g) Landscaping services, including but not limited to:
- 4                   1. Lawn care and maintenance services;
- 5                   2. Tree trimming, pruning, or removal services;
- 6                   3. Landscape design and installation services;
- 7                   4. Landscape care and maintenance services; and
- 8                   5. Snow plowing or removal services;
- 9           (h) Janitorial services, including but not limited to residential and commercial
- 10                   cleaning services, and carpet, upholstery, and window cleaning services;
- 11           (i) Small animal veterinary services, excluding veterinary services for equine,
- 12                   cattle, poultry, swine, sheep, goats, llamas, alpacas, ratite birds, buffalo, and
- 13                   cervids;
- 14           (j) Pet care services, including but not limited to grooming and boarding
- 15                   services, pet sitting services, and pet obedience training services;
- 16           (k) Industrial laundry services, including but not limited to industrial uniform
- 17                   supply services, protective apparel supply services, and industrial mat and rug
- 18                   supply services;
- 19           (l) Non-coin-operated laundry and dry cleaning services;
- 20           (m) Linen supply services, including but not limited to table and bed linen supply
- 21                   services and nonindustrial uniform supply services;
- 22           (n) Indoor skin tanning services, including but not limited to tanning booth or
- 23                   tanning bed services and spray tanning services;
- 24           (o) Non-medical diet and weight reducing services;
- 25           (p) Extended warranty services;
- 26           (q) Photography and photofinishing services;
- 27           (r) Telemarketing services;

- 1 (s) Public opinion and research polling services;
- 2 (t) Lobbying services;
- 3 (u) Executive employee recruitment services;
- 4 (v) Website design and development services;
- 5 (w) Website hosting services;
- 6 (x) Facsimile transmission services;
- 7 (y) Private mailroom services, including:
  - 8 1. Presorting mail and packages by postal code;
  - 9 2. Address barcoding;
  - 10 3. Tracking;
  - 11 4. Delivery to postal service; and
  - 12 5. Private mailbox rentals;
- 13 (z) Bodyguard services;
- 14 (aa) Residential and nonresidential security system monitoring services, excluding  
15 separately stated onsite security guard services;
- 16 (ab) Private investigation services;
- 17 (ac) Process server services;
- 18 (ad) Repossession of tangible personal property services;
- 19 (ae) Personal background check services;
- 20 (af) Parking services;
  - 21 1. Including:
    - 22 a. Valet services; and
    - 23 b. The use of parking lots and parking structures; but
  - 24 2. Excluding any parking services at an educational institution;
- 25 (ag) Road and travel services provided by automobile clubs as defined in KRS  
26 281.010;
- 27 (ah) Condominium time-share exchange services;

- 1 (ai) Rental of space for meetings, conventions, short-term business uses,  
2 entertainment events, weddings, banquets, parties, and other short-term social  
3 events;
- 4 (aj) Social event planning and coordination services;
- 5 (ak) Leisure, recreational, and athletic instructional services;
- 6 (al) Recreational camp tuition and fees;
- 7 (am) Personal fitness training services;
- 8 (an) Massage services, except when medically necessary;
- 9 (ao) Cosmetic surgery services;
- 10 (ap) Body modification services, including tattooing, piercing, scarification,  
11 branding, tongue splitting, transdermal and subdermal implants, ear pointing,  
12 teeth pointing, and any other modifications that are not necessary for medical  
13 or dental health;
- 14 (aq) Laboratory testing services, excluding laboratory testing:
- 15 1. For medical, educational, or veterinary reasons; or  
16 2. Required by a federal, state, or local statute, regulation, court order, or  
17 other government-related requirement;
- 18 (ar) Interior decorating and design services;
- 19 (as) Household moving services;
- 20 (at) Specialized design services, including the design of clothing, costumes,  
21 fashion, furs, jewelry, shoes, textiles, and lighting;
- 22 (au) Lapidary services, including cutting, polishing, and engraving precious  
23 stones;
- 24 (av) Labor and services to repair or maintain commercial refrigeration equipment  
25 and systems when no tangible personal property is sold in that transaction  
26 including service calls and trip charges;
- 27 (aw) Labor to repair or alter apparel, footwear, watches, or jewelry when no

1           tangible personal property is sold in that transaction; and

2           (ax) Prewritten computer software access services.

3           ➔Section 3. KRS 139.495 is amended to read as follows:

4           (1) The taxes imposed by this chapter shall apply to:

5           (a) Resident, nonprofit educational~~[,] or~~ charitable~~[, or religious]~~ institutions  
6           which have qualified for exemption from income taxation under Section  
7           501(c)(3) of the Internal Revenue Code; and

8           (b) Any resident, single member limited liability company that is:

9           1. Wholly owned and controlled by a resident or nonresident, nonprofit  
10           educational~~[,] or~~ charitable~~[, or religious]~~ institution which has qualified  
11           for exemption from income taxation under Section 501(c)(3) of the  
12           Internal Revenue Code; and

13           2. Disregarded as an entity separate from the resident or nonresident,  
14           nonprofit educational~~[,] or~~ charitable~~[, or religious]~~ institution for  
15           federal income tax purposes pursuant to 26 C.F.R. sec. 301.7701-2;

16           as provided in this section.

17           (2) (a) Tax does not apply to:

18           1. Sales of tangible personal property, digital property, or services to these  
19           institutions or limited liability companies described in subsection (1) of  
20           this section, provided the tangible personal property, digital property, or  
21           service is to be used solely in this state within the educational~~[,] or~~  
22           charitable~~[, or religious]~~ function;

23           2. Sales of food to students in school cafeterias or lunchrooms;

24           3. Sales by school bookstores of textbooks, workbooks, and other course  
25           materials;

26           4. Sales by nonprofit, school sponsored clubs and organizations, provided  
27           such sales do not include tickets for athletic events;

- 1           5. Sales of admissions, including the sales of admissions to a golf course  
2           when the admission is the result of a fundraising event, by nonprofit  
3           educational~~[,]~~ or charitable~~[, or religious]~~ institutions described in  
4           subsection (1) of this section. All other sales of admissions to a golf  
5           course by these institutions are not exempt from tax under this section;  
6           or
- 7           6. a. Fundraising event sales made by nonprofit educational~~[,]~~ or  
8           charitable~~[, or religious]~~ institutions and limited liability  
9           companies described in subsection (1) of this section.
- 10           b. For the purposes of this subparagraph, "fundraising event sales"  
11           does not include sales related to the operation of a retail business,  
12           including but not limited to thrift stores, bookstores, surplus  
13           property auctions, recycle and reuse stores, or any ongoing  
14           operations in competition with for-profit retailers.
- 15           (b) The exemptions provided in subparagraphs 5. and 6. of paragraph (a) of this  
16           subsection shall not apply to sales generated by or arising at a tourism  
17           development project approved under KRS 148.851 to 148.860.
- 18       (3) An institution shall be entitled to a refund equal to twenty-five percent (25%) of the  
19       tax collected on its sale of donated goods if the refund is used exclusively as  
20       reimbursement for capital construction costs of additional retail locations in this  
21       state, provided the institution:
- 22           (a) Routinely sells donated items;
- 23           (b) Provides job training and employment to individuals with workplace  
24           disadvantages and disabilities;
- 25           (c) Spends at least seventy-five percent (75%) of its annual revenue on job  
26           training, job placement, or other related community services;
- 27           (d) Submits a refund application to the department within sixty (60) days after the

1 new retail location opens for business; and

2 (e) Provides records of capital construction costs for the new retail location and  
3 any other information the department deems necessary to process the refund.

4 The maximum refund allowed for any location shall not exceed one million dollars  
5 (\$1,000,000). As used in this subsection, "capital construction cost" means the cost  
6 of construction of any new facilities or the purchase and renovation of any existing  
7 facilities, but does not include the cost of real property other than real property  
8 designated as a brownfield site as defined in KRS 65.680(4).

9 (4) Notwithstanding any other provision of law to the contrary, refunds under  
10 subsection (3) of this section shall be made directly to the institution. Interest shall  
11 not be allowed or paid on the refund. The department may examine any refund  
12 within four (4) years from the date the refund application is received. Any  
13 overpayment shall be subject to the interest provisions of KRS 131.183 and the  
14 penalty provisions of KRS 131.180.

15 (5) All other sales made by nonprofit educational~~[,]~~ or charitable~~[, or religious]~~  
16 institutions or limited liability companies described in subsection (1) of this section  
17 are taxable and the tax may be passed on to the purchaser as provided in KRS  
18 139.210.

19 ➔Section 4. This Act takes effect July 1, 2025.