

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 139.010 is amended to read as follows:

4 As used in this chapter, unless the context otherwise provides:

5 (1) (a) "Admissions" means the fees paid for:

6 1. The right of entrance to a display, program, sporting event, music
7 concert, performance, play, show, movie, exhibit, fair, or other
8 entertainment or amusement event or venue; and

9 2. The privilege of using facilities or participating in an event or activity,
10 including but not limited to:

11 a. Bowling centers;

12 b. Skating rinks;

13 c. Health spas;

14 d. Swimming pools;

15 e. Tennis courts;

16 f. Weight training facilities;

17 g. Fitness and recreational sports centers; and

18 h. Golf courses, both public and private;

19 regardless of whether the fee paid is per use or in any other form,
20 including but not limited to an initiation fee, monthly fee, membership
21 fee, or combination thereof.

22 (b) "Admissions" does not include:

23 1. Any fee paid to enter or participate in a fishing tournament; or

24 2. Any fee paid for the use of a boat ramp for the purpose of allowing
25 boats to be launched into or hauled out from the water;

26 (2) "Advertising and promotional direct mail" means direct mail the primary purpose of
27 which is to attract public attention to a product, person, business, or organization, or

- 1 to attempt to sell, popularize, or secure financial support for a product, person,
2 business, or organization. As used in this definition, "product" means tangible
3 personal property, an item transferred electronically, or a service;
- 4 (3) "Business" includes any activity engaged in by any person or caused to be engaged
5 in by that person with the object of gain, benefit, or advantage, either direct or
6 indirect;
- 7 (4) "Commonwealth" means the Commonwealth of Kentucky;
- 8 (5) (a) "Cosmetic surgery services" means modifications to all areas of the head,
9 neck, and body to enhance appearance through surgical and medical
10 techniques.
- 11 (b) "Cosmetic surgery services" does not include surgery services that are
12 medically necessary to reconstruct or correct dysfunctional areas of the face
13 and body due to birth disorders, trauma, burns, or disease;
- 14 (6) "Department" means the Department of Revenue;
- 15 (7) (a) "Digital audio-visual works" means a series of related images which, when
16 shown in succession, impart an impression of motion, with accompanying
17 sounds, if any.
- 18 (b) "Digital audio-visual works" includes movies, motion pictures, musical
19 videos, news and entertainment programs, and live events.
- 20 (c) "Digital audio-visual works" ~~does~~^{shall} not include video greeting cards,
21 video games, and electronic games;
- 22 (8) (a) "Digital audio works" means works that result from the fixation of a series of
23 musical, spoken, or other sounds.
- 24 (b) "Digital audio works" includes ringtones, recorded or live songs, music,
25 readings of books or other written materials, speeches, or other sound
26 recordings.
- 27 (c) "Digital audio works" ~~does~~^{shall} not include audio greeting cards sent by

1 electronic mail;

2 (9) (a) "Digital books" means works that are generally recognized in the ordinary and
3 usual sense as books, including any literary work expressed in words,
4 numbers, or other verbal or numerical symbols or indicia if the literary work
5 is generally recognized in the ordinary or usual sense as a book.

6 (b) "Digital books" ~~shall~~ **does** not include digital audio-visual works, digital
7 audio works, periodicals, magazines, newspapers, or other news or
8 information products, chat rooms, or weblogs;

9 (10) (a) "Digital code" means a code which provides a purchaser with a right to obtain
10 one (1) or more types of digital property. A "digital code" may be obtained by
11 any means, including electronic mail messaging or by tangible means,
12 regardless of the code's designation as a song code, video code, or book code.

13 (b) "Digital code" ~~shall~~ **does** not include a code that represents:

- 14 1. A stored monetary value that is deducted from a total as it is used by the
15 purchaser; or
- 16 2. A redeemable card, gift card, or gift certificate that entitles the holder to
17 select specific types of digital property;

18 (11) (a) "Digital property" means any of the following which is transferred
19 electronically:

- 20 1. Digital audio works;
- 21 2. Digital books;
- 22 3. Finished artwork;
- 23 4. Digital photographs;
- 24 5. Periodicals;
- 25 6. Newspapers;
- 26 7. Magazines;
- 27 8. Video greeting cards;

- 1 9. Audio greeting cards;
- 2 10. Video games;
- 3 11. Electronic games; or
- 4 12. Any digital code related to this property.
- 5 (b) "Digital property" ~~does~~^{shall} not include digital audio-visual works or
- 6 satellite radio programming;
- 7 (12) (a) "Direct mail" means printed material delivered or distributed by United States
- 8 mail or other delivery service to a mass audience or to addressees on a mailing
- 9 list provided by the purchaser or at the direction of the purchaser when the
- 10 cost of the items are not billed directly to the recipient.
- 11 (b) "Direct mail" includes tangible personal property supplied directly or
- 12 indirectly by the purchaser to the direct mail retailer for inclusion in the
- 13 package containing the printed material.
- 14 (c) "Direct mail" does not include multiple items of printed material delivered to
- 15 a single address;
- 16 (13) "Directly used in the manufacturing or industrial processing process" means the
- 17 process that commences with the movement of raw materials from storage into a
- 18 continuous, unbroken, integrated process and ends when the finished product is
- 19 packaged and ready for sale;
- 20 (14) (a) "Executive employee recruitment services" means services provided by a
- 21 person to locate potential candidates to fill open senior-level management
- 22 positions.
- 23 (b) "Executive employee recruitment services" includes but is not limited to
- 24 making a detailed list of client requirements, researching and identifying
- 25 potential candidates, performing prescreening interviews, and providing
- 26 contract and salary negotiations;
- 27 (15) (a) "Extended warranty services" means services provided through a service

1 contract agreement between the contract provider and the purchaser where the
2 purchaser agrees to pay compensation for the contract and the provider agrees
3 to repair, replace, support, or maintain tangible personal property, digital
4 property, real property, or prewritten computer software access services
5 according to the terms of the contract.

6 (b) "Extended warranty services" does not include the sale of a service contract
7 agreement for tangible personal property to be used by a small telephone
8 utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in
9 KRS 65.7621 to deliver communications services as defined in KRS 136.602
10 or broadband;

11 (16) (a) "Finished artwork" means final art that is used for actual reproduction by
12 photomechanical or other processes or for display purposes.

13 (b) "Finished artwork" includes:

- 14 1. Assemblies;
- 15 2. Charts;
- 16 3. Designs;
- 17 4. Drawings;
- 18 5. Graphs;
- 19 6. Illustrative materials;
- 20 7. Lettering;
- 21 8. Mechanicals;
- 22 9. Paintings; and
- 23 10. Paste-ups;

24 (17) (a) "Gross receipts" and "sales price" mean the total amount or consideration,
25 including cash, credit, property, and services, for which tangible personal
26 property, digital property, or services are sold, leased, or rented, valued in
27 money, whether received in money or otherwise, without any deduction for

1 any of the following:

- 2 1. The retailer's cost of the tangible personal property, digital property, or
3 services sold;
- 4 2. The cost of the materials used, labor or service cost, interest, losses, all
5 costs of transportation to the retailer, all taxes imposed on the retailer, or
6 any other expense of the retailer;
- 7 3. Charges by the retailer for any services necessary to complete the sale;
- 8 4. Delivery charges, which are defined as charges by the retailer for the
9 preparation and delivery to a location designated by the purchaser
10 including transportation, shipping, postage, handling, crating, and
11 packing;
- 12 5. Any amount for which credit is given to the purchaser by the retailer,
13 other than credit for tangible personal property or digital property traded
14 when the tangible personal property or digital property traded is of like
15 kind and character to the property purchased and the property traded is
16 held by the retailer for resale; and
- 17 6. The amount charged for labor or services rendered in installing or
18 applying the tangible personal property, digital property, or service sold.

19 (b) "Gross receipts" and "sales price" shall include consideration received by the
20 retailer from a third party if:

- 21 1. The retailer actually receives consideration from a third party and the
22 consideration is directly related to a price reduction or discount on the
23 sale to the purchaser;
- 24 2. The retailer has an obligation to pass the price reduction or discount
25 through to the purchaser;
- 26 3. The amount of consideration attributable to the sale is fixed and
27 determinable by the retailer at the time of the sale of the item to the

1 purchaser; and

2 4. One (1) of the following criteria is met:

3 a. The purchaser presents a coupon, certificate, or other
4 documentation to the retailer to claim a price reduction or discount
5 where the coupon, certificate, or documentation is authorized,
6 distributed, or granted by a third party with the understanding that
7 the third party will reimburse any seller to whom the coupon,
8 certificate, or documentation is presented;

9 b. The price reduction or discount is identified as a third-party price
10 reduction or discount on the invoice received by the purchaser or
11 on a coupon, certificate, or other documentation presented by the
12 purchaser; or

13 c. The purchaser identifies himself or herself to the retailer as a
14 member of a group or organization entitled to a price reduction or
15 discount. A "preferred customer" card that is available to any
16 patron does not constitute membership in such a group.

17 (c) "Gross receipts" and "sales price" ~~does~~^{shall} not include:

18 1. Discounts, including cash, term, or coupons that are not reimbursed by a
19 third party and that are allowed by a retailer and taken by a purchaser on
20 a sale;

21 2. Document fees, lien fees, insurance passed through from the
22 manufacturer, interest, financing, and carrying charges from credit
23 extended on the sale of tangible personal property, digital property, or
24 services, if the amount is separately stated on the invoice, bill of sale, or
25 similar document given to the purchaser;

26 3. Any taxes legally imposed directly on the purchaser that are separately
27 stated on the invoice, bill of sale, or similar document given to the

1 purchaser; or

2 4. Local alcohol regulatory license fees authorized under KRS 243.075 that
3 are separately stated on the invoice, bill of sale, or similar document
4 given to the purchaser.

5 (d) As used in this subsection, "third party" means a person other than the
6 purchaser;

7 (18) "In this state" or "in the state" means within the exterior limits of the
8 Commonwealth and includes all territory within these limits owned by or ceded to
9 the United States of America;

10 (19) "Industrial processing" includes:

11 (a) Refining;

12 (b) Extraction of minerals, ores, coal, clay, stone, petroleum, or natural gas;

13 (c) Mining, quarrying, fabricating, and industrial assembling;

14 (d) The processing and packaging of raw materials, in-process materials, and
15 finished products; and

16 (e) The processing and packaging of farm and dairy products for sale;

17 (20) (a) "Lease or rental" means any transfer of possession or control of tangible
18 personal property for a fixed or indeterminate term for consideration. A lease
19 or rental shall include future options to:

20 1. Purchase the property; or

21 2. Extend the terms of the agreement and agreements covering trailers
22 where the amount of consideration may be increased or decreased by
23 reference to the amount realized upon sale or disposition of the property
24 as defined in 26 U.S.C. sec. 7701(h)(1).

25 (b) "Lease or rental" ~~shall~~ **does** not include:

26 1. A transfer of possession or control of property under a security
27 agreement or deferred payment plan that requires the transfer of title

- 1 upon completion of the required payments;
- 2 2. A transfer of possession or control of property under an agreement that
- 3 requires the transfer of title upon completion of the required payments
- 4 and payment of an option price that does not exceed the greater of one
- 5 hundred dollars (\$100) or one percent (1%) of the total required
- 6 payments; or
- 7 3. Providing tangible personal property and an operator for the tangible
- 8 personal property for a fixed or indeterminate period of time. To qualify
- 9 for this exclusion, the operator must be necessary for the equipment to
- 10 perform as designed, and the operator must do more than maintain,
- 11 inspect, or setup the tangible personal property.
- 12 (c) This definition shall apply regardless of the classification of a transaction
- 13 under generally accepted accounting principles, the Internal Revenue Code, or
- 14 other provisions of federal, state, or local law;
- 15 (21) (a) "Lobbying services" means the act of promoting or securing passage of
- 16 legislation or an attempt to influence or sway a public official or other public
- 17 servant toward a desired action, including but not limited to the support of or
- 18 opposition to a project or the passage, amendment, defeat, approval, or veto of
- 19 any legislation, regulation, rule, or ordinance;
- 20 (b) "Lobbying services" includes but is not limited to the performance of
- 21 activities described as executive agency lobbying activities as defined in KRS
- 22 11A.201, activities described under the definition of lobby in KRS 6.611, and
- 23 any similar activities performed at the local, state, or federal levels;
- 24 (22) (a) "Machinery for new and expanded industry" means machinery:
- 25 1. Directly used in the manufacturing or industrial processing process of:
- 26 a. Tangible personal property at a plant facility;
- 27 b. Distilled spirits or wine at a plant facility or on the premises of a

- 1 distiller, rectifier, winery, or small farm winery licensed under
2 KRS 243.030 that includes a retail establishment on the premises;
3 or
4 c. Malt beverages at a plant facility or on the premises of a brewer or
5 microbrewery licensed under KRS 243.040 that includes a retail
6 establishment;
- 7 2. Which is incorporated for the first time into:
8 a. A plant facility established in this state; or
9 b. Licensed premises located in this state; and
- 10 3. Which does not replace machinery in the plant facility or licensed
11 premises unless that machinery purchased to replace existing machinery:
12 a. Increases the consumption of recycled materials at the plant
13 facility by not less than ten percent (10%);
14 b. Performs different functions;
15 c. Is used to manufacture a different product; or
16 d. Has a greater productive capacity, as measured in units of
17 production, than the machinery being replaced.
- 18 (b) "Machinery for new and expanded industry" does not include repair,
19 replacement, or spare parts of any kind, regardless of whether the purchase of
20 repair, replacement, or spare parts is required by the manufacturer or seller as
21 a condition of sale or as a condition of warranty;
- 22 (23) "Manufacturing" means any process through which material having little or no
23 commercial value for its intended use before processing has appreciable
24 commercial value for its intended use after processing by the machinery;
- 25 (24) "Marketplace" means any physical or electronic means through which one (1) or
26 more retailers may advertise and sell tangible personal property, digital property, or
27 services, or lease tangible personal property or digital property, such as a catalog,

1 Internet website, or television or radio broadcast, regardless of whether the tangible
2 personal property, digital property, or retailer is physically present in this state;

3 (25) (a) "Marketplace provider" means a person, including any affiliate of the person,
4 that facilitates a retail sale by satisfying subparagraphs 1. and 2. of this
5 paragraph as follows:

- 6 1. The person directly or indirectly:
 - 7 a. Lists, makes available, or advertises tangible personal property,
8 digital property, or services for sale by a marketplace retailer in a
9 marketplace owned, operated, or controlled by the person;
 - 10 b. Facilitates the sale of a marketplace retailer's product through a
11 marketplace by transmitting or otherwise communicating an offer
12 or acceptance of a retail sale of tangible personal property, digital
13 property, or services between a marketplace retailer and a
14 purchaser in a forum including a shop, store, booth, catalog,
15 Internet site, or similar forum;
 - 16 c. Owns, rents, licenses, makes available, or operates any electronic
17 or physical infrastructure or any property, process, method,
18 copyright, trademark, or patent that connects marketplace retailers
19 to purchasers for the purpose of making retail sales of tangible
20 personal property, digital property, or services;
 - 21 d. Provides a marketplace for making retail sales of tangible personal
22 property, digital property, or services, or otherwise facilitates retail
23 sales of tangible personal property, digital property, or services,
24 regardless of ownership or control of the tangible personal
25 property, digital property, or services, that are the subject of the
26 retail sale;
 - 27 e. Provides software development or research and development

- 1 activities related to any activity described in this subparagraph, if
2 the software development or research and development activities
3 are directly related to the physical or electronic marketplace
4 provided by a marketplace provider;
- 5 f. Provides or offers fulfillment or storage services for a marketplace
6 retailer;
- 7 g. Sets prices for a marketplace retailer's sale of tangible personal
8 property, digital property, or services;
- 9 h. Provides or offers customer service to a marketplace retailer or a
10 marketplace retailer's customers, or accepts or assists with taking
11 orders, returns, or exchanges of tangible personal property, digital
12 property, or services sold by a marketplace retailer; or
- 13 i. Brands or otherwise identifies sales as those of the marketplace
14 provider; and
- 15 2. The person directly or indirectly:
- 16 a. Collects the sales price or purchase price of a retail sale of tangible
17 personal property, digital property, or services;
- 18 b. Provides payment processing services for a retail sale of tangible
19 personal property, digital property, or services;
- 20 c. Through terms and conditions, agreements, or arrangements with a
21 third party, collects payment in connection with a retail sale of
22 tangible personal property, digital property, or services from a
23 purchaser and transmits that payment to the marketplace retailer,
24 regardless of whether the person collecting and transmitting the
25 payment receives compensation or other consideration in exchange
26 for the service; or
- 27 d. Provides a virtual currency that purchasers are allowed or required

1 to use to purchase tangible personal property, digital property, or
2 services.

3 (b) "Marketplace provider" includes but is not limited to a person that satisfies the
4 requirements of this subsection through the ownership, operation, or control
5 of a digital distribution service, digital distribution platform, online portal, or
6 application store;

7 (26) "Marketplace retailer" means a seller that makes retail sales through any
8 marketplace owned, operated, or controlled by a marketplace provider;

9 (27) (a) "Occasional sale" includes:

10 1. A sale of tangible personal property or digital property not held or used
11 by a seller in the course of an activity for which he or she is required to
12 hold a seller's permit, provided such sale is not one (1) of a series of
13 sales sufficient in number, scope, and character to constitute an activity
14 requiring the holding of a seller's permit. In the case of the sale of the
15 entire, or a substantial portion of the nonretail assets of the seller, the
16 number of previous sales of similar assets shall be disregarded in
17 determining whether or not the current sale or sales shall qualify as an
18 occasional sale; or

19 2. Any transfer of all or substantially all the tangible personal property or
20 digital property held or used by a person in the course of such an activity
21 when after such transfer the real or ultimate ownership of such property
22 is substantially similar to that which existed before such transfer.

23 (b) For the purposes of this subsection, stockholders, bondholders, partners, or
24 other persons holding an interest in a corporation or other entity are regarded
25 as having the "real or ultimate ownership" of the tangible personal property or
26 digital property of such corporation or other entity;

27 (28) (a) "Other direct mail" means any direct mail that is not advertising and

1 promotional direct mail, regardless of whether advertising and promotional
2 direct mail is included in the same mailing.

3 (b) "Other direct mail" includes but is not limited to:

- 4 1. Transactional direct mail that contains personal information specific to
5 the addressee, including but not limited to invoices, bills, statements of
6 account, and payroll advices;
- 7 2. Any legally required mailings, including but not limited to privacy
8 notices, tax reports, and stockholder reports; and
- 9 3. Other nonpromotional direct mail delivered to existing or former
10 shareholders, customers, employees, or agents, including but not limited
11 to newsletters and informational pieces.

12 (c) "Other direct mail" does not include the development of billing information or
13 the provision of any data processing service that is more than incidental to the
14 production of printed material;

15 (29) "Person" includes any individual, firm, copartnership, joint venture, association,
16 social club, fraternal organization, corporation, estate, trust, business trust, receiver,
17 trustee, syndicate, cooperative, assignee, governmental unit or agency, or any other
18 group or combination acting as a unit;

19 (30) "Permanent," as the term applies to digital property, means perpetual or for an
20 indefinite or unspecified length of time;

21 (31) (a) "Photography and photofinishing services" means:

- 22 1. The taking, developing, or printing of an original photograph; or
- 23 2. Image editing, including shadow removal, tone adjustments, vertical and
24 horizontal alignment and cropping, composite image creation,
25 formatting, watermarking printing, and delivery of an original
26 photograph in the form of tangible personal property, digital property, or
27 other media.

1 (b) "Photography and photofinishing services" does not include photography
2 services necessary for medical or dental health;

3 (32) "Plant facility" means a single location that is exclusively dedicated to
4 manufacturing or industrial processing activities. A location shall be deemed to be
5 exclusively dedicated to manufacturing or industrial processing activities even if
6 retail sales are made there, provided that the retail sales are incidental to the
7 manufacturing or industrial processing activities occurring at the location. The term
8 "plant facility" shall not include any restaurant, grocery store, shopping center, or
9 other retail establishment;

10 (33) (a) "Prewritten computer software" means:

- 11 1. Computer software, including prewritten upgrades, that are not designed
12 and developed by the author or other creator to the specifications of a
13 specific purchaser;
- 14 2. Software designed and developed by the author or other creator to the
15 specifications of a specific purchaser when it is sold to a person other
16 than the original purchaser; or
- 17 3. Any portion of prewritten computer software that is modified or
18 enhanced in any manner, where the modification or enhancement is
19 designed and developed to the specifications of a specific purchaser,
20 unless there is a reasonable, separately stated charge on an invoice or
21 other statement of the price to the purchaser for the modification or
22 enhancement.

23 (b) When a person modifies or enhances computer software of which the person
24 is not the author or creator, the person shall be deemed to be the author or
25 creator only of the modifications or enhancements the person actually made.

26 (c) The combining of two (2) or more prewritten computer software programs or
27 portions thereof does not cause the combination to be other than prewritten

1 computer software;

2 (34) "Prewritten computer software access services" means the right of access to
3 prewritten computer software where the object of the transaction is to use the
4 prewritten computer software while possession of the prewritten computer software
5 is maintained by the seller or a third party, wherever located, regardless of whether
6 the charge for the access or use is on a per use, per user, per license, subscription, or
7 some other basis;

8 (35) (a) "Purchase" means any transfer of title or possession, exchange, barter, lease,
9 or rental, conditional or otherwise, in any manner or by any means
10 whatsoever, of:

- 11 1. Tangible personal property;
 - 12 2. An extended warranty service;
 - 13 3. Digital property transferred electronically; or
 - 14 4. Services included in KRS 139.200;
- 15 for a consideration.

16 (b) "Purchase" includes:

- 17 1. When performed outside this state or when the customer gives a resale
18 certificate, the producing, fabricating, processing, printing, or imprinting
19 of tangible personal property for a consideration for consumers who
20 furnish either directly or indirectly the materials used in the producing,
21 fabricating, processing, printing, or imprinting;
- 22 2. A transaction whereby the possession of tangible personal property or
23 digital property is transferred but the seller retains the title as security
24 for the payment of the price; and
- 25 3. A transfer for a consideration of the title or possession of tangible
26 personal property or digital property which has been produced,
27 fabricated, or printed to the special order of the customer, or of any

1 publication;

2 (36) "Recycled materials" means materials which have been recovered or diverted from
3 the solid waste stream and reused or returned to use in the form of raw materials or
4 products;

5 (37) "Recycling purposes" means those activities undertaken in which materials that
6 would otherwise become solid waste are collected, separated, or processed in order
7 to be reused or returned to use in the form of raw materials or products;

8 (38) "Remote retailer" means a retailer with no physical presence in this state;

9 (39) (a) "Repair, replacement, or spare parts" means any tangible personal property
10 used to maintain, restore, mend, or repair machinery or equipment.

11 (b) "Repair, replacement, or spare parts" does not include machine oils, grease, or
12 industrial tools;

13 (40) (a) "Retailer" means:

14 1. Every person engaged in the business of making retail sales of tangible
15 personal property, digital property, or furnishing any services in a retail
16 sale included in KRS 139.200;

17 2. Every person engaged in the business of making sales at auction of
18 tangible personal property or digital property owned by the person or
19 others for storage, use or other consumption, except as provided in
20 paragraph (c) of this subsection;

21 3. Every person making more than two (2) retail sales of tangible personal
22 property, digital property, or services included in KRS 139.200 during
23 any twelve (12) month period, including sales made in the capacity of
24 assignee for the benefit of creditors, or receiver or trustee in bankruptcy;

25 4. Any person conducting a race meeting under the provision of KRS
26 Chapter 230, with respect to horses which are claimed during the
27 meeting.

- 1 (b) When the department determines that it is necessary for the efficient
2 administration of this chapter to regard any salesmen, representatives,
3 peddlers, or canvassers as the agents of the dealers, distributors, supervisors or
4 employers under whom they operate or from whom they obtain the tangible
5 personal property, digital property, or services sold by them, irrespective of
6 whether they are making sales on their own behalf or on behalf of the dealers,
7 distributors, supervisors or employers, the department may so regard them and
8 may regard the dealers, distributors, supervisors or employers as retailers for
9 purposes of this chapter.
- 10 (c) 1. Any person making sales at a charitable auction for a qualifying entity
11 shall not be a retailer for purposes of the sales made at the charitable
12 auction if:
- 13 a. The qualifying entity, not the person making sales at the auction, is
14 sponsoring the auction;
- 15 b. The purchaser of tangible personal property at the auction directly
16 pays the qualifying entity sponsoring the auction for the property
17 and not the person making the sales at the auction; and
- 18 c. The qualifying entity, not the person making sales at the auction, is
19 responsible for the collection, control, and disbursement of the
20 auction proceeds.
- 21 2. If the conditions set forth in subparagraph 1. of this paragraph are met,
22 the qualifying entity sponsoring the auction shall be the retailer for
23 purposes of the sales made at the charitable auction.
- 24 3. For purposes of this paragraph, "qualifying entity" means a resident:
- 25 a. Church;
- 26 b. School;
- 27 c. Civic club; or

1 d. Any other nonprofit charitable, religious, or educational
2 organization;

3 (41) "Retail sale" means any sale, lease, or rental for any purpose other than resale,
4 sublease, or subrent;

5 (42) (a) "Ringtones" means digitized sound files that are downloaded onto a device
6 and that may be used to alert the customer with respect to a communication.

7 (b) "Ringtones" ~~shall~~ **does** not include ringback tones or other digital files that
8 are not stored on the purchaser's communications device;

9 (43) (a) "Sale" means:

- 10 1. The furnishing of any services included in KRS 139.200;
- 11 2. Any transfer of title or possession, exchange, barter, lease, or rental,
12 conditional or otherwise, in any manner or by any means whatsoever,
13 of:
- 14 a. Tangible personal property; or
- 15 b. Digital property transferred electronically;
- 16 for a consideration.

17 (b) "Sale" includes but is not limited to:

- 18 1. The producing, fabricating, processing, printing, or imprinting of
19 tangible personal property or digital property for a consideration for
20 purchasers who furnish, either directly or indirectly, the materials used
21 in the producing, fabricating, processing, printing, or imprinting;
- 22 2. A transaction whereby the possession of tangible personal property or
23 digital property is transferred, but the seller retains the title as security
24 for the payment of the price; and
- 25 3. A transfer for a consideration of the title or possession of tangible
26 personal property or digital property which has been produced,
27 fabricated, or printed to the special order of the purchaser.

- 1 (c) This definition shall apply regardless of the classification of a transaction
2 under generally accepted accounting principles, the Internal Revenue Code, or
3 other provisions of federal, state, or local law;
- 4 (44) "Seller" includes every person engaged in the business of selling tangible personal
5 property, digital property, or services of a kind, the gross receipts from the retail
6 sale of which are required to be included in the measure of the sales tax, and every
7 person engaged in making sales for resale;
- 8 (45) (a) "Storage" includes any keeping or retention in this state for any purpose
9 except sale in the regular course of business or subsequent use solely outside
10 this state of tangible personal property, digital property, or prewritten
11 computer software access services purchased from a retailer.
- 12 (b) "Storage" does not include the keeping, retaining, or exercising any right or
13 power over tangible personal property for the purpose of subsequently
14 transporting it outside the state for use thereafter solely outside the state, or
15 for the purpose of being processed, fabricated, or manufactured into, attached
16 to, or incorporated into, other tangible personal property to be transported
17 outside the state and thereafter used solely outside the state;
- 18 (46) "Tangible personal property" means personal property which may be seen,
19 weighed, measured, felt, or touched, or which is in any other manner perceptible to
20 the senses and includes natural, artificial, and mixed gas, electricity, water, steam,
21 and prewritten computer software;
- 22 (47) "Taxpayer" means any person liable for tax under this chapter;
- 23 (48) "Telemarketing services" means services provided via telephone, facsimile,
24 electronic mail, text messages, or other modes of communications to another
25 person, which are unsolicited by that person, for the purposes of:
- 26 (a) 1. Promoting products or services;
27 2. Taking orders; or

- 1 3. Providing information or assistance regarding the products or services;
2 or
3 (b) Soliciting contributions;
- 4 (49) "Transferred electronically" means accessed or obtained by the purchaser by means
5 other than tangible storage media; and
- 6 (50) (a) "Use" includes the exercise of:
- 7 1. Any right or power over tangible personal property or digital property
8 incident to the ownership of that property, or by any transaction in
9 which possession is given, or by any transaction involving digital
10 property or tangible personal property where the right of access is
11 granted; or
- 12 2. Any right or power to benefit from any services subject to tax under
13 KRS 139.200(2)(p) to (ax).
- 14 (b) "Use" does not include the keeping, retaining, or exercising any right or
15 power over:
- 16 1. Tangible personal property or digital property for the purpose of:
- 17 a. Selling tangible personal property or digital property in the regular
18 course of business; or
- 19 b. Subsequently transporting tangible personal property outside the
20 state for use thereafter solely outside the state, or for the purpose
21 of being processed, fabricated, or manufactured into, attached to,
22 or incorporated into, other tangible personal property to be
23 transported outside the state and thereafter used solely outside the
24 state; or
- 25 2. Prewritten computer software access services purchased for use outside
26 the state and transferred electronically outside the state for use thereafter
27 solely outside the state.

1 ➔Section 2. This Act takes effect July 1, 2025.