

1           AN ACT relating to a sales and use tax holiday and declaring an emergency.

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    *(1) As used in this section:*

6           *(a) "Clothing" means all human wearing apparel suitable for general use:*

7           *1. "Clothing" includes but is not limited to:*

8           *a. Aprons, household and shop;*

9           *b. Athletic supporters;*

10           *c. Bathing suits and caps and beach capes and coats;*

11           *d. Belts and suspenders;*

12           *e. Boots, overshoes, shoes, steel-toed shoes, sandals, slippers,*

13           *sneakers, and shoelaces and insoles for shoes;*

14           *f. Coats and jackets;*

15           *g. Costumes;*

16           *h. Disposable and cloth diapers for children or adults and rubber*

17           *pants;*

18           *i. Formal wear;*

19           *j. Garters, garter belts, and girdles;*

20           *k. Gloves and mittens for general use;*

21           *l. Hats, caps, ear muffs, and scarves;*

22           *m. Hosiery, pantyhose, socks, footlets, and stockings;*

23           *n. Lab coats;*

24           *o. Neckties;*

25           *p. Rainwear;*

26           *q. Underwear;*

27           *r. Uniforms, athletic and nonathletic; and*

1                   s. Wedding apparel.

2                   2. "Clothing" does not include:

3                   a. Belt buckles sold separately;

4                   b. Costume masks sold separately;

5                   c. Patches and emblems sold separately;

6                   d. Sewing equipment and supplies, including but not limited to  
7                   knitting needles, patterns, pins, scissors, sewing needles, tape  
8                   measures, and thimbles; and

9                   e. Sewing materials that become part of "clothing," including but  
10                   not limited to buttons, fabric, lace, thread, yarn, and zippers;

11                   (b) 1. "Clothing accessories or equipment" means items worn on the person  
12                   or in conjunction with clothing and is mutually exclusive of apparel  
13                   within the definition of "clothing."

14                   2. "Clothing accessories or equipment" includes but is not limited to:

15                   a. Briefcases;

16                   b. Cosmetics;

17                   c. Hair notions, including but not limited to barrettes, hair bows,  
18                   and hair nets;

19                   d. Handbags;

20                   e. Jewelry;

21                   f. Nonprescription sunglasses;

22                   g. Umbrellas;

23                   h. Wallets;

24                   i. Watches; and

25                   j. Wigs and hair pieces;

26                   (c) 1. "Eligible property" means any item of tangible personal property  
27                   purchased by an individual exclusively for personal use or

**consumption which meets the following requirements:**

a. The price of the item does not exceed three thousand dollars (\$3,000); except

**b. If clothing or clothing accessories or equipment, the price of the item does not exceed two hundred dollars (\$200);**

**2. "Eligible property" does not include:**

**a. Any tangible personal property purchased for business use;**

**b. A lease or rental of tangible personal property;**

c. *Alcoholic beverages, as defined in KRS 139.485;*

d. Cigarettes, tobacco products, or vapor products, as defined in KRS 138.130:

e. A motor vehicle, as defined in KRS 138.655;

*f. A motorboat, as defined in KRS 235.010:*

**g. Prepared food, as defined in KRS 139.485:**

### *h. A product containing:*

*i. Marijuana, as defined in KRS 138.870, or*

*ii Kratom or kratom extract, as defined in KRS 217.2201; or*

*i Any service listed in KRS 139.200(2):*

25                    (e) "Purchase" has the same meaning as in KRS 139.010, excluding lease or  
26                    rental as defined in KRS 139.010;

(f) "Rain check" means the seller allows a customer to purchase an item at a

1                   certain price at a later time because the particular item was out of stock;

2                   (g) "Sale" has the same meaning as in KRS 139.010, excluding lease or rental  
3                   as defined in KRS 139.010; and

4                   (h) "Sales tax holiday" means the period beginning 12:01 a.m. on the first  
5                   Friday in August and continuing until 12 midnight the following Sunday  
6                   each year.

7                   (2) Notwithstanding any other provision of this chapter to the contrary, the taxes  
8                   imposed by this chapter shall not apply to the sale or purchase of eligible property  
9                   during a sales tax holiday.

10                   (3) The exemption provided in this section shall be subject to the following  
11                   provisions:

12                   (a) The sale of eligible property shall qualify for exemption if:

13                   1. The property is both delivered to and paid for by the purchaser during  
14                   the sales tax holiday exemption period; or

15                   2. The purchaser orders and pays for the eligible property, and the seller  
16                   accepts the order, during the sales tax holiday for immediate  
17                   shipment, even if delivery is made after the sales tax holiday. The  
18                   seller accepts the order when the seller has taken action to fill the  
19                   order for immediate shipment. Actions to fill an order include  
20                   placement of an "in date" stamp on a mail order or assignment of an  
21                   "order number" to an order submitted by telephone or electronically.  
22                   An order is for immediate shipment when the customer does not  
23                   request delayed shipment. An order is for immediate shipment,  
24                   notwithstanding that the shipment may be delayed because of a  
25                   backlog of orders or because stock is currently unavailable to, or on  
26                   back order by, the seller;

27                   (b) A sale of eligible property under a layaway sale qualifies for exemption

1                   under this section if:

2                   1. Final payment on a layaway order is made by, and the eligible  
3                   property is given to, the purchaser during the sales tax holiday; or

4                   2. The purchaser selects the eligible property, and the retailer accepts the  
5                   order for the property, during the sales tax holiday, for immediate  
6                   delivery upon full payment, even if delivery is made after the sales tax  
7                   holiday;

8                   (c)   1. A discount by the seller reduces the sales price of the property and the  
9                   discounted sales price determines whether the sales price is within the  
10                   sales tax holiday price threshold.

11                   2. A coupon that reduces the sales price is treated as a discount if the  
12                   seller is not reimbursed for the coupon amount by a person other than  
13                   the purchaser.

14                   3. If a discount applies to the total amount paid by a purchaser rather  
15                   than to the sales price of a particular item and the purchaser has  
16                   purchased both eligible property and taxable property, the seller shall  
17                   allocate the discount based on the total sales price of the taxable  
18                   property compared to the total sales price of all property sold in that  
19                   same transaction;

20                   (d)   Articles that are normally sold as a single unit shall continue to be sold in  
21                   that manner. Articles that are normally sold as a single unit, such as a pair  
22                   of shoes, shall not be priced and sold separately in order to obtain the  
23                   exemption;

24                   (e)   Eligible property purchased with the use of a rain check during the sales tax  
25                   holiday shall qualify for the exemption regardless of when the rain check  
26                   was issued. Issuance of a rain check during the sales tax holiday shall not  
27                   qualify the eligible property for the exemption if the property is actually

1                   *purchased after the sales tax holiday;*

2                   *(f) The procedure for an exchange of eligible property shall be as follows:*

3                   *1. If an item of eligible property is purchased during the sales tax*

4                   *holiday but the purchaser later exchanges the item for similar eligible*

5                   *property, even if a different size, different color, or other feature, no*

6                   *additional tax is due, even if the exchange is made after the sales tax*

7                   *holiday;*

8                   *2. If an item of eligible property is purchased during the sales tax*

9                   *holiday but the purchaser returns the item and receives credit on the*

10                   *purchase of a different item, the appropriate sales tax is due on the*

11                   *sale of the newly purchased item if not otherwise exempt under this*

12                   *chapter; and*

13                   *3. If an item of eligible property is purchased during the sales tax*

14                   *holiday but during the sales tax holiday the purchaser returns the item*

15                   *and receives credit on the purchase of a different item of eligible*

16                   *property, no sales tax is due on the sale of the new item if the new item*

17                   *is purchased during the sales tax holiday;*

18                   *(g) Delivery charges as defined in KRS 139.010 shall be included in the sales*

19                   *price of eligible property. For purposes of determining a sales tax holiday*

20                   *price threshold, if all property in a shipment is eligible property and within*

21                   *the sales tax holiday price threshold, then the seller is not required to*

22                   *allocate the delivery charges to determine whether the price threshold is*

23                   *exceeded, and the shipment shall be considered a sale of eligible property. If*

24                   *a shipment includes eligible property and taxable property, including*

25                   *eligible property with a sales price in excess of the price threshold, the seller*

26                   *shall allocate the delivery charges by using:*

27                   *1. A percentage based on the total sales price of the taxable property*

**compared to the total sales price of all property in the shipment; or**

2. A percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment. The seller shall tax the percentage of the delivery charge allocated to the taxable property, but the seller is not required to tax the percentage allocated to the eligible property;

(h) 1. If, within sixty (60) days immediately following the sales tax holiday, a purchaser returns an item to the seller that would have qualified as exempt eligible property if purchased during the sales tax holiday, the seller may issue a credit or refund of the tax paid only if:

- a. The purchaser provides to the seller a receipt or invoice indicating that the tax was paid; or
- b. The seller has sufficient documentation that indicates that sales tax was paid on the specific returned item.

2. The sixty (60) day time period is not intended to change a seller's policy on the time period during which the seller will accept returns; and

*(i) If the purchaser and the seller are located in different time zones, the time zone of the seller's location determines the authorized time period applicable to the sales tax holiday.*

➔ Section 2. The first sales tax holiday will occur on August 7 to August 9, 2026.

→ Section 3. Whereas Kentucky is a full member state of the Streamlined Sales Use Tax Agreement, a multistate agreement providing for simplification of the nation's varying sales tax laws, and whereas Kentucky is required by the agreement to provide notification to both sellers and purchasers located within and without Kentucky of the implementation of a sales tax holiday exemption period at least 60 days prior to the day of the calendar month in which the exemption period will begin, an emergency

- 1 is declared to exist, and this Act takes effect upon its passage and approval by the
- 2 Governor or upon its otherwise becoming a law.