

1 AN ACT relating to the exemption of certain animal services from sales and use
2 tax.

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

4 ➔Section 1. KRS 139.470 is amended to read as follows:

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

6 (1) Gross receipts from the sale of, and the storage, use, or other consumption in this
7 state of, tangible personal property or digital property which this state is prohibited
8 from taxing under the Constitution or laws of the United States, or under the
9 Constitution of this state;

10 (2) Gross receipts from sales of, and the storage, use, or other consumption in this state
11 of:

12 (a) Nonreturnable and returnable containers when sold without the contents to
13 persons who place the contents in the container and sell the contents together
14 with the container; and

15 (b) Returnable containers when sold with the contents in connection with a retail
16 sale of the contents or when resold for refilling;

17 As used in this section the term "returnable containers" means containers of a kind
18 customarily returned by the buyer of the contents for reuse. All other containers are
19 "nonreturnable containers";

20 (3) Gross receipts from occasional sales of tangible personal property or digital
21 property and the storage, use, or other consumption in this state of tangible personal
22 property or digital property, the transfer of which to the purchaser is an occasional
23 sale;

24 (4) Gross receipts from sales of tangible personal property to a common carrier,
25 shipped by the retailer via the purchasing carrier under a bill of lading, whether the
26 freight is paid in advance or the shipment is made freight charges collect, to a point
27 outside this state and the property is actually transported to the out-of-state

- 1 destination for use by the carrier in the conduct of its business as a common carrier;
- 2 (5) Gross receipts from sales of tangible personal property sold through coin-operated
- 3 bulk vending machines, if the sale amounts to fifty cents (\$0.50) or less, if the
- 4 retailer is primarily engaged in making the sales and maintains records satisfactory
- 5 to the department. As used in this subsection, "bulk vending machine" means a
- 6 vending machine containing unsorted merchandise which, upon insertion of a coin,
- 7 dispenses the same in approximately equal portions, at random and without
- 8 selection by the customer;
- 9 (6) Gross receipts from sales to any cabinet, department, bureau, commission, board, or
- 10 other statutory or constitutional agency of the state and gross receipts from sales to
- 11 counties, cities, or special districts as defined in KRS 65.005. This exemption shall
- 12 apply only to purchases of tangible personal property, digital property, or services
- 13 for use solely in the government function. A purchaser not qualifying as a
- 14 governmental agency or unit shall not be entitled to the exemption even though the
- 15 purchaser may be the recipient of public funds or grants;
- 16 (7) (a) Gross receipts from the sale of sewer services, water, and fuel to Kentucky
- 17 residents for use in heating, water heating, cooking, lighting, and other
- 18 residential uses if the sewer services, water, and fuel are purchased and
- 19 declared by the resident as used in his or her place of domicile.
- 20 (b) As used in this subsection:
- 21 1. "Fuel" shall include but not be limited to natural gas, electricity, fuel oil,
- 22 bottled gas, coal, coke, and wood; and
- 23 2. "Place of domicile" means the place where an individual has his or her
- 24 legal, true, fixed, and permanent home and principal establishment, and
- 25 to which, whenever the individual is absent, the individual has the
- 26 intention of returning.
- 27 (c) Determinations of eligibility for the exemption shall be made by the

1 department.

2 (d) The exemption shall apply to charges for sewer service, water, and fuel billed
3 to an owner or operator of a multi-unit residential rental facility or mobile
4 home and recreational vehicle park if the owner or operator declares that the
5 sewer services, water, and fuel are purchased for Kentucky residents to be
6 used in the resident's place of domicile.

7 (e) The exemption shall apply also to residential property which may be held by
8 legal or equitable title, by the entireties, jointly, in common, as a
9 condominium, or indirectly by the stock ownership or membership
10 representing the owner's or member's proprietary interest in a corporation
11 owning a fee or a leasehold initially in excess of ninety-eight (98) years if the
12 sewer services, water, and fuel are purchased for and declared by the
13 Kentucky resident as used in his or her place of domicile;

14 (8) Gross receipts from sales to an out-of-state agency, organization, or institution
15 exempt from sales and use tax in its state of residence when that agency,
16 organization, or institution gives proof of its tax-exempt status to the retailer and the
17 retailer maintains a file of the proof;

18 (9) (a) Gross receipts derived from the sale of tangible personal property, as provided
19 in paragraph (b) of this subsection, to a manufacturer or industrial processor if
20 the property is to be directly used in the manufacturing or industrial
21 processing process of:

- 22 1. Tangible personal property at a plant facility;
- 23 2. Distilled spirits or wine at a plant facility or on the premises of a
24 distiller, rectifier, winery, or small farm winery licensed under KRS
25 243.030 that includes a retail establishment on the premises; or
- 26 3. Malt beverages at a plant facility or on the premises of a brewer or
27 microbrewery licensed under KRS 243.040 that includes a retail

1 establishment;

2 and which will be for sale.

3 (b) The following tangible personal property shall qualify for exemption under
4 this subsection:

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

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

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

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

21 c. Industrial tools. This group is limited to hand tools such as jigs,
22 dies, drills, cutters, rolls, reamers, chucks, saws, and spray guns
23 and to tools attached to a machine such as molds, grinding balls,
24 grinding wheels, dies, bits, and cutting blades. Normally, for
25 industrial tools to be considered directly used in the manufacturing
26 or industrial processing process, they shall come into direct
27 contact with the product being manufactured or processed; and

- 1 3. Materials and supplies that are not reusable in the same manufacturing
2 or industrial processing process at the completion of a single
3 manufacturing or processing cycle. A single manufacturing cycle shall
4 be considered to be the period elapsing from the time the raw materials
5 enter into the manufacturing process until the finished product emerges
6 at the end of the manufacturing process.
- 7 (c) The property described in paragraph (b) of this subsection shall be regarded as
8 having been purchased for resale.
- 9 (d) For purposes of this subsection, a manufacturer or industrial processor
10 includes an individual or business entity that performs only part of the
11 manufacturing or industrial processing activity, and the person or business
12 entity need not take title to tangible personal property that is incorporated
13 into, or becomes the product of, the activity.
- 14 (e) The exemption provided in this subsection does not include repair,
15 replacement, or spare parts;
- 16 (10) Any water use fee paid or passed through to the Kentucky River Authority by
17 facilities using water from the Kentucky River basin to the Kentucky River
18 Authority in accordance with KRS 151.700 to 151.730 and administrative
19 regulations promulgated by the authority;
- 20 (11) Gross receipts from the sale of newspaper inserts or catalogs purchased for storage,
21 use, or other consumption outside this state and delivered by the retailer's own
22 vehicle to a location outside this state, or delivered to the United States Postal
23 Service, a common carrier, or a contract carrier for delivery outside this state,
24 regardless of whether the carrier is selected by the purchaser or retailer or an agent
25 or representative of the purchaser or retailer, or whether the F.O.B. is retailer's
26 shipping point or purchaser's destination.
- 27 (a) As used in this subsection:

- 1 1. "Catalogs" means tangible personal property that is printed to the special
2 order of the purchaser and composed substantially of information
3 regarding goods and services offered for sale; and
- 4 2. "Newspaper inserts" means printed materials that are placed in or
5 distributed with a newspaper of general circulation.
- 6 (b) The retailer shall be responsible for establishing that delivery was made to a
7 non-Kentucky location through shipping documents or other credible
8 evidence as determined by the department;
- 9 (12) Gross receipts from the sale of water used in the raising of equine as a business;
- 10 (13) Gross receipts from the sale of metal retail fixtures manufactured in this state and
11 purchased for storage, use, or other consumption outside this state and delivered by
12 the retailer's own vehicle to a location outside this state, or delivered to the United
13 States Postal Service, a common carrier, or a contract carrier for delivery outside
14 this state, regardless of whether the carrier is selected by the purchaser or retailer or
15 an agent or representative of the purchaser or retailer, or whether the F.O.B. is the
16 retailer's shipping point or the purchaser's destination.
- 17 (a) As used in this subsection, "metal retail fixtures" means check stands and
18 belted and nonbelted checkout counters, whether made in bulk or pursuant to
19 specific purchaser specifications, that are to be used directly by the purchaser
20 or to be distributed by the purchaser.
- 21 (b) The retailer shall be responsible for establishing that delivery was made to a
22 non-Kentucky location through shipping documents or other credible
23 evidence as determined by the department;
- 24 (14) Gross receipts from the sale of unenriched or enriched uranium purchased for
25 ultimate storage, use, or other consumption outside this state and delivered to a
26 common carrier in this state for delivery outside this state, regardless of whether the
27 carrier is selected by the purchaser or retailer, or is an agent or representative of the

1 purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or
2 purchaser's destination;

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

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

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

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

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

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

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

25 1. Allows residents of Kentucky to purchase motor vehicles without
26 payment of that state's sales tax at the time of sale; or

27 2. Allows residents of Kentucky to remove the vehicle from that state

- 1 within a specific period for subsequent registration and use in Kentucky
2 without payment of that state's sales tax;
- 3 (20) Gross receipts from the sale of a semi-trailer as defined in KRS 189.010(12) and
4 trailer as defined in KRS 189.010(17);
- 5 (21) Gross receipts from the collection of:
- 6 (a) Any fee or charge levied by a local government pursuant to KRS 65.760;
7 (b) The charge imposed by KRS 65.7629(3);
8 (c) The fee imposed by KRS 65.7634; and
9 (d) The service charge imposed by KRS 65.7636;
- 10 (22) Gross receipts derived from charges for labor or services to apply, install, repair, or
11 maintain tangible personal property directly used in manufacturing or industrial
12 processing process of:
- 13 (a) Tangible personal property at a plant facility;
14 (b) Distilled spirits or wine at a plant facility or on the premises of a distiller,
15 rectifier, winery, or small farm winery licensed under KRS 243.030; or
16 (c) Malt beverages at a plant facility or on the premises of a brewer or
17 microbrewery licensed under KRS 243.040;
- 18 that is not otherwise exempt under subsection (9) of this section or KRS
19 139.480(10), if the charges for labor or services are separately stated on the invoice,
20 bill of sale, or similar document given to purchaser;
- 21 (23) (a) For persons selling services included in KRS 139.200(2)(g) to (ax) prior to
22 January 1, 2025, gross receipts derived from the sale of those services if the
23 gross receipts were less than twelve thousand dollars (\$12,000) during
24 calendar year 2024. When gross receipts from these services exceed twelve
25 thousand dollars (\$12,000) in a calendar year:
- 26 1. All gross receipts over twelve thousand dollars (\$12,000) are taxable in
27 that calendar year; and

1 2. All gross receipts are subject to tax in subsequent calendar years.

2 (b) The exemption provided in this subsection shall not apply to a person also
3 engaged in the business of selling tangible personal property, digital property,
4 or services included in KRS 139.200(2)(a) to (f);~~and~~

5 (24) (a) For persons that first begin making sales of services included in KRS
6 139.200(2)(g) to (ax) on or after January 1, 2025, gross receipts derived from
7 the sale of those services if the gross receipts are less than twelve thousand
8 dollars (\$12,000) within the first calendar year of operation. When gross
9 receipts from these services exceed twelve thousand dollars (\$12,000) in a
10 calendar year:

11 1. All gross receipts over twelve thousand dollars (\$12,000) are taxable in
12 that calendar year; and

13 2. All gross receipts are subject to tax in subsequent calendar years.

14 (b) The exemption provided in this subsection shall not apply to a person that is
15 also engaged in the business of selling tangible personal property, digital
16 property, or services included in KRS 139.200(2)(a) to (f);

17 (25) Gross receipts derived from charges for small animal veterinarian services to
18 spay, neuter, or vaccinate an animal, which are charged by either:

19 (a) A local government animal shelter or nonprofit animal welfare organization
20 to an individual; or

21 (b) A veterinarian for his or her services provided to a local government animal
22 shelter or nonprofit animal welfare organization if the veterinarian:

23 1. Is volunteering his or her services at a free or reduced rate to the
24 shelter or organization; or

25 2. Has contracted with the shelter or organization to perform the listed
26 procedures as part of the shelter's or organization's continuing
27 mission; and

1 (26) Gross receipts derived from the transfer or adoption fees of a pet to an individual
2 from a local government animal shelter or nonprofit animal welfare
3 organization.

4 ➔Section 2. This Act applies to transactions occurring on or after August 1, 2026.