

1 AN ACT relating to an exemption of sales and use tax for aircraft.

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

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

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

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

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

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

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

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

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

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

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

- 1 (d) The exemption shall apply to charges for sewer service, water, and fuel billed
2 to an owner or operator of a multi-unit residential rental facility or mobile
3 home and recreational vehicle park if the owner or operator declares that the
4 sewer services, water, and fuel are purchased for Kentucky residents to be
5 used in the resident's place of domicile.
- 6 (e) The exemption shall apply also to residential property which may be held by
7 legal or equitable title, by the entireties, jointly, in common, as a
8 condominium, or indirectly by the stock ownership or membership
9 representing the owner's or member's proprietary interest in a corporation
10 owning a fee or a leasehold initially in excess of ninety-eight (98) years if the
11 sewer services, water, and fuel are purchased for and declared by the
12 Kentucky resident as used in his or her place of domicile;
- 13 (8) Gross receipts from sales to an out-of-state agency, organization, or institution
14 exempt from sales and use tax in its state of residence when that agency,
15 organization, or institution gives proof of its tax-exempt status to the retailer and the
16 retailer maintains a file of the proof;
- 17 (9) (a) Gross receipts derived from the sale of tangible personal property, as provided
18 in paragraph (b) of this subsection, to a manufacturer or industrial processor if
19 the property is to be directly used in the manufacturing or industrial
20 processing process of:
- 21 1. Tangible personal property at a plant facility;
 - 22 2. Distilled spirits or wine at a plant facility or on the premises of a
23 distiller, rectifier, winery, or small farm winery licensed under KRS
24 243.030 that includes a retail establishment on the premises; or
 - 25 3. Malt beverages at a plant facility or on the premises of a brewer or
26 microbrewery licensed under KRS 243.040 that includes a retail
27 establishment;

1 and which will be for sale.

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

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

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

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

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

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

27 3. Materials and supplies that are not reusable in the same manufacturing

1 or industrial processing process at the completion of a single
2 manufacturing or processing cycle. A single manufacturing cycle shall
3 be considered to be the period elapsing from the time the raw materials
4 enter into the manufacturing process until the finished product emerges
5 at the end of the manufacturing process.

6 (c) The property described in paragraph (b) of this subsection shall be regarded as
7 having been purchased for resale.

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

13 (e) The exemption provided in this subsection does not include repair,
14 replacement, or spare parts;

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

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

26 (a) As used in this subsection:

27 1. "Catalogs" means tangible personal property that is printed to the special

1 order of the purchaser and composed substantially of information
2 regarding goods and services offered for sale; and

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

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

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

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

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

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

23 (14) Gross receipts from the sale of unenriched or enriched uranium purchased for
24 ultimate storage, use, or other consumption outside this state and delivered to a
25 common carrier in this state for delivery outside this state, regardless of whether the
26 carrier is selected by the purchaser or retailer, or is an agent or representative of the
27 purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or

1 purchaser's destination;

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

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

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

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

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

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

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

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

26 2. Allows residents of Kentucky to remove the vehicle from that state
27 within a specific period for subsequent registration and use in Kentucky

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

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

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

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

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

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

16 (25) Gross receipts derived from the sale of aircraft delivered in this state to a
17 nonresident of Kentucky that is:

18 (a) Purchased for usage or other consumption outside of this state;

19 (b) Not to be registered or based in this state; and

20 (c) Transported out of this state within thirty days (30) days of purchase.

21 ➔Section 2. This Act takes effect August 1, 2026.