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OFFICE OF THE COMMISSIONER**

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**Frequently Asked Questions
Disaster Relief Sales and Use Tax Refund**

1. Who is eligible for the refund?

KRS 139.519 provides that a legal building owner with damaged property from a disaster in a federally declared disaster area may qualify for a refund of the sales and use tax paid on the purchase of building materials for repair of the existing building or for construction to replace a destroyed building in the disaster area.

The following federal disaster declarations have been issued:

- a) December 12, 2021, for severe storms, tornados, and flooding from December 10 to December 11, 2021. Those counties are Barren, Caldwell, Christian, Fulton, Graves, Hart, Hickman, Hopkins, Logan, Lyon, Marion, Marshall, Muhlenberg, Ohio, Taylor, and Warren.
- b) February 27, 2022, for severe storms, straight-line winds, tornadoes, flooding, landslides and mudslides from December 31, 2021, to January 2, 2022. Those counties are Boyd, Breathitt, Carter, Christian, Clay, Floyd, Green, Johnson, Knott, Lawrence, Owsley, Pike and Taylor counties

2. How much of a refund may the building owner receive?

For each building, the legal building owner may receive 100% of the Kentucky sales and use tax actually paid for building materials, reduced by the amount of vendor compensation allowed under KRS 139.570, up to a maximum refund of \$6,000.

3. What is the definition of building materials?

“Building materials” is defined in statute to mean all tangible personal property which enters into and becomes a permanent part of a building. The building materials for which the sales and use tax refund is sought shall be purchased for the purpose of repairing or constructing a building within a federally declared disaster area, either by the legal building owner, or by a contractor who is under contract with the legal building owner to incorporate the building materials into the building. The materials must be purchased on or after the date of the disaster area declaration.

4. What constitutes a Federal Disaster Area?

“Disaster” is defined in statute to mean damage resulting from a flood, rainstorm, ice storm, windstorm, tornado, hurricane, earthquake, or terrorist attack. A “disaster area” is also defined in statute to mean a

county that has been declared a disaster by the President of the United States pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. secs. 5121 to 5206. www.fema.gov

5. What steps are required to receive the refund from the Department of Revenue?

The legal building owner must submit the following:

- a) an application for Kentucky Disaster Relief Sales & Use Tax Refund (Form 51A600);
- b) all Information Sharing Agreements (Form 51A601) executed with all contractors, vendors and other related parties so that the Department may verify expenditures and the Kentucky sales and use tax paid;
- c) an Expenditure Report (Form 51A602) detailing sales receipts and invoices. If a contractor was employed to do the repairs or new construction, the contractor must provide copies of its receipts for building materials the company purchased to perform the repairs or new construction to the building owner for submission with the refund claim;
- d) any photographs and other documents supporting the legal building owner's claim for refund, as requested by the Department; and
- e) either
 - 1) documentation that the legal building owner is eligible for assistance from the Federal Emergency Management Agency, United States Department of Homeland Security, or,
 - 2) a copy of the insurance claim filed for verification of the building in the disaster area damaged or destroyed by the disaster

The legal building owner must file all appropriate documentation within 3 years from the date the disaster area is declared a disaster and after completion of the building construction so that total eligible costs can be fully considered. In the case of an owner of multiple buildings, separate refund applications must be filed for each building.

6. Where can I obtain the forms to claim a sales and use tax refund due to a "Federally Declared Disaster"?

Forms are available:

- a) on the Department's website at <https://revenue.ky.gov/Business/Sales-Use-Tax/Pages/default.aspx> under the subsection "Disaster Relief Sales and Use Tax Provision" (Forms 51A600, 51A601, and 51A602);
- b) by calling the Division of Sales and Use Tax at (502) 564-5170, option 1; or
- c) at one of the 10 local Taxpayer Service Centers listed at the following link: <https://revenue.ky.gov/Get-Help/Pages/Service-Centers.aspx>

The administrative regulation formalizing the refund process is 103 KAR 31:170 and is available at the following link: <https://apps.legislature.ky.gov/law/kar/103/031/170.pdf>

It is also important for applicants to understand that refunds will be disbursed only after the Department has verified that sales tax on the qualifying building materials was remitted to the state by the vendor and/or contractor.