In the matter of:

[Name] LLC

Contact: [Name] CPA

FINAL RULING NO. 2014-15
May 8, 2014

Sales and Use Tax Assessments
for the period January 1, 2008 through December 31, 2011

FINAL RULING

The Kentucky Department of Revenue ("the DOR") has an outstanding sales and use tax assessment totaling $[Amount] against [Name], LLC ("[Name]") for the period January 1, 2008 through December 31, 2011. The following schedule reflects the amount of outstanding tax and applicable interest accrued to date:

<table>
<thead>
<tr>
<th>Period</th>
<th>Tax Due</th>
<th>Interest to 05/08/14</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/08-12/31/08</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
</tr>
<tr>
<td>01/01/09-12/31/09</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
</tr>
<tr>
<td>01/01/10-12/31/10</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
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<tr>
<td>01/01/11-12/31/11</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
</tr>
<tr>
<td>Total</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
<td>$[Amount]</td>
</tr>
</tbody>
</table>

[Name] operated as a new and used automobile dealership and also sold or provided automotive parts and service.
As a result of an audit, the DOR issued the tax assessment as indicated above. timely protested the assessment expressing disagreement with only the portion of the assessment relating to the additional receipts totaling $ has not remitted payment on the non-contested portion of the assessment.

At issue is whether has met the supporting statement requirement of KRS 131.110(1) with respect to the portion of the audit assessment that remains under protest.

The DOR has repeatedly requested the documentation necessary for to support its protest. Among the requests were letters dated 2012; 2012; 2013; and, 2013. The DOR received a letter dated 2013 from with attachments that claimed as support for the protested issue. The information provided had no relevance to the protested liability. In addition, letters dated 2013; 2013; 2013; and, 2013, the DOR again requested support for the protest and payment for the non-contested portion of the assessment. neither provided any additional documentation nor responded concerning the matter. The only response was a letter dated 2013 stating that additional time was needed to obtain necessary documentation.

The DOR contends that has not met the supporting statement requirement of KRS 131.110(1) with respect to the portion of the original assessment that remains under protest.

KRS 131.110 requires that a supporting statement must accompany each protest itemizing the grounds for and information upon which the protest is made. The statement must set forth whether the protest is based on a factual disagreement and/or a disagreement in the interpretation of the applicable statutes. If there are disputed factual issues the company must provide financial statements, records or some other documentation which will allow the DOR some basis for reconsideration. Also, the statement must identify the specific adjustment(s) to which the protest relates.

The Kentucky courts have held that KRS 131.110 imposes upon a taxpayer protesting an assessment or a refund denial a legal duty to provide the Department with “something more substantial than mere denials of tax liability.” Eagle Machine Co., Inc. v. Commonwealth ex rel. Gillis, 698 S.W.2d 528, 530 (Ky. App. 1985). In order to make a valid protest, a taxpayer must “provide financial statements, records or some other documentation that would allow [the DOR] some basis for reconsideration.” Id. at 529.

The courts have held that this statutory provision (KRS 131.110(1)) is “mandatory in nature” and that failure to submit documentation as it requires will result in the taxpayer’s loss of the right to further review of the assessment or refund denial in question. Scotty’s Construction Co. v. Revenue Cabinet, 779 S.W.2d 234 (Ky. App. 1989). In both Scotty’s Construction and Eagle Machine, the taxpayers failed to provide any substantial information in
support of their denials of tax liability, despite being given ample opportunity to do. The same is true in this matter.

Therefore, the outstanding sales and use tax assessments totaling $\text{(plus applicable interest)}$ are legitimate liabilities of $\text{LLC}$ due the Commonwealth of Kentucky.

This letter is the final ruling of the Department of Revenue.

**APPEAL**

You may appeal this final ruling to the Kentucky Board of Tax Appeals pursuant to the provisions of KRS 131.110, KRS 131.340-131.365, 103 KAR 1:010 and 802 KAR 1:010. If you decide to appeal this final ruling, your petition of appeal must be filed at the principal office of the Kentucky Board of Tax Appeals, 128 Brighton Park Boulevard, Frankfort, Kentucky 40601-5714, within thirty (30) days from the date of this final ruling. The rules of the Kentucky Board of Tax Appeals, which are set forth in 802 KAR 1:010, require that the petition of appeal must:

1. Be filed in quintuplicate;
2. Contain a brief statement of the law and facts in issue;
3. Contain the petitioner's or appellant's position as to the law and facts; and
4. Include a copy of this final ruling with each copy of the petition of appeal.

The petition of appeal must be in writing and signed by the petitioner or appellant. Filings by facsimile or other electronic means shall not be accepted.

Proceedings before the Kentucky Board of Tax Appeals are conducted in accordance with 103 KAR 1:010, 802 KAR 1:010 and KRS 131.340-131.365 and KRS Chapter 13B. Formal hearings are held by the Board concerning the tax appeals before it, with all testimony and proceedings officially reported. Legal representation of parties to appeals before the Board is governed by the following rules set forth in Section 3 of 802 KAR 1:010:

1. An individual may represent himself in any proceedings before the Board where his individual tax liability is at issue or he may obtain an attorney to represent him in those proceedings;
2. An individual who is not an attorney may not represent any other individual or legal entity in any proceedings before the Board;
3. In accordance with Supreme Court Rule 3.020, if the appealing party is a corporation, trust, estate, partnership, joint venture, LLC, or any other artificial legal entity, the entity must be represented by an attorney on all matters before the Board, including the filing of the petition of appeal. If the petition of appeal is filed by a non-attorney representative for the legal entity, the appeal will be dismissed by the Board; and
4. An attorney who is not licensed to practice in Kentucky may practice before the Board only if he complies with Rule 3.030(2) of the Rules of the Kentucky Supreme Court.

You will be notified by the Clerk of the Board of the date and time set for any hearing.

Sincerely,

FINANCE AND ADMINISTRATION CABINET

[Signature]

Attorney Manager
Office of Legal Services for Revenue

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

cc: [Redacted LLC]