

KENTUCKY SALES TAX FACTS

A REVENUE PUBLICATION FOR THE BUSINESS OWNER

DECEMBER 2007

Auto Body Shops and Suppliers Regulation—103 KAR 27:230 was approved and became effective May 4, 2007 to give guidance to auto body shops and auto body shop suppliers in relation to the application of sales and use tax. Automotive body shops are retailers of parts and materials used in body work that become part of a new or used motor vehicle. The new regulation provides a list of examples of parts and materials resold and items consumed. A partial list of examples of parts and materials purchased for resale includes body putty, solder, paint, plastic filler, undercoating and welding rods. A partial list of items consumed by an auto body shop, where tax applies at the point of purchase, includes cleaners, pads, masking tape, welding gases, sandpaper and waxes.

Auto body shops are considered retailers and will need to register for sales and use tax purposes if not already registered. A Kentucky Taxpayer Registration Application (form 10A100) may be obtained at the DOR Web site at www.revenue.ky.gov/business/. A link to the regulation is available at www.revenue.ky.gov/laws/.

Energy Bill—House Bill 1, passed in the 2007 special session, created two new provisions for sales and use tax refunds related to energy facilities and energy efficiency machinery or equipment. KRS 139.517 provides a sales tax incentive for approved alternative fuel, gasification and renewable energy facilities. The approved company may receive up to 100 percent of the sales tax paid on tangible personal property used to construct, retrofit or upgrade an approved facility. This exemption does not apply to the purchase of operating supplies, or repair, replacement or spare parts. (KRS 154.27–070) The approved company shall file a request for refund with the Department of Revenue (DOR) within 60 days following the end of the calendar year in which the activation date occurs per KRS 154.27–010. The approved company seeking the incentive must also execute information sharing agreements with contractors, vendors and other related parties.

KRS 139.518 creates a refund incentive for energy efficiency machinery or equipment used at manufacturing plants. Energy efficiency project is defined in the statute to mean a project where a manufacturer purchases new or replacement machinery or equipment for the plant facility that reduces the consumption of energy and energy-producing fuels used in the manufacturing process in the plant by at least 15 percent. The manufacturer must apply for pre-approval with the department; document the amount of energy used in the 12 months prior to application; document the achievement of the energy efficiency standards within 18 months after the machinery is placed in service; and file for a refund of the sales tax paid on the machinery. Forms relating to the refund procedures for these two new programs are being developed. The effective date for both sales and use tax provisions in the bill is Aug. 30, 2007. However, the sales and use tax exemption for the energy-efficiency portion will apply only to purchases made on or after July 1, 2008.

Enterprise Zone Update—Effective Dec. 31, 2007, the Hopkinsville enterprise zone, the last of the 10 enterprise zones created in the 1980s will expire.

Qualified businesses in the Hopkinsville enterprise zone will no longer be able to buy machinery and equipment exempt from sales and use tax effective Jan. 1, 2008. Likewise, building materials purchased for installation in the enterprise zone in Hopkinsville will be taxable as of Jan. 1, 2008.

For a sale to qualify as exempt for use in the Hopkinsville zone there must be either the transfer of title or possession of the property to the customer on or before Dec. 31, 2007. In addition, the appropriate exemption form must be provided to the supplier. Also, the sales and use tax forms will be revised effective Jan. 1, 2007 to denote that line 17 (Enterprise Zone deduction) will no longer be applicable.

Filing Tips for Paper Returns

- Only use the form mailed by the DOR or a pre-approved form.
- Make sure numerals are complete, legible and entered in the appropriate boxes. Failure to input legible numbers may result in the issuance of a tax notice
- Double check for transposition errors when bringing your figures over to the return from the worksheet.
- Itemize deductions on lines 2 through 19 (codes 020 through 190). Total deductions on line 20 may not exceed total receipts on line 1. Don't forget an explanation of lines 18 and 19.
- Credits on line 28 may only be used if pre-approved by the DOR.
- Report total purchases subject to use tax on line 23(a).
- When submitting payment by check, do not send the stub with the check. Also, do not include paper clips.
- Do not put slashes through 7s or 0s.
- To file a no activity return, write zero (0) on lines 1, 20 and 23(a) and sign the signature block.
- To make a change to account information, such as a cancellation or change of address, complete and return the account maintenance form (Form 51A205).

Filing Tips for Online Returns

- Due date is the 20th of each month.
- Line 1 begins with *Total Receipts* but does not include sales tax. Other taxes includable as gross receipts (local restaurant tax, transient room tax) should not be deducted.
- Amended returns may not be filed online. To amend a return filed online, print a copy of the filed return, write the correct figures and briefly explain the reason for amending the return. Fax the amended return to the DOR at (502) 564-2041.
- Passwords are case sensitive. Password must be 9–12 characters; contain upper and lower case letters; at least one number; and at least one special character such as #, @, \$, etc.

- Taxpayers will receive an e-mail confirmation with a *Payment Locator Number* and a *Check Authorization Number* if the payment transaction is scheduled to be processed the same day that the payment is initiated.
- Taxpayers will receive an e-mail confirmation when a payment is initiated and the payment is scheduled to be processed on a date different from the date of transaction. The e-mail will inform the taxpayer that the payment is captured. This means that the DOR has received the transaction and the payment will be processed on the due date.
- If you are interested in filing your sales and use tax return electronically, please go to KYE-Tax at www.revenue.ky.gov. You may also e-mail KRCWEBResponseSalesTax@ky.gov if further assistance is required with KY E-Tax.

Index of Recent Sales Tax Facts Issues

These are available on the DOR Web site at <http://revenue.ky.gov/newsroom/publications.htm>

Legislation

2005 Legislative Changes April, Sept. 2005
 2007 Legislative Updates June 2007
 HB 267 April, June 2005
 HB 272/Cigarette Retailers/Hotels, Motels, Lodging April, June 2005
 Sales and Use Tax Changes (HB 272 & HB 267) April 2005
 Streamlined Sales and Use Tax Agreement HB 495 .. June 2005

Return Info

Amended Return Sept. 2006
 Annual Filers Dec. 2004
 Equine Breeders Supplemental Form June 2007
 E-Tax Sales April 2006
 E-Tax Telecom April 2006
 Filing Forms for Use Tax April 2006
 Filing Tips for Paper Returns/Online Returns Dec. 2004, 2005 & 2006
 Kentucky No Tax Due Sept. 2006
 Line 13/Freight & Delivery Charges Dec. 2004
 Line 26/Vendor Compensation June 2005 & 2006
 Online Filing Dec. 2004
 Updated Forms Dec. 2005 & 2006 & June 2007

Topics

Alarms and Monitoring Systems Dec. 2006
 Bad Debts/Repossessions Sept. 2006
 Bundled Transactions Sept. 2007
 Candy/SST Definition May 2004
 Charter Buses-Repair and Replacement Parts June 2005
 Commercial Printers or Mailers June 2005
 Computer Software June 2006
 Construction Contracts with Exempt Entities Sept. 2007
 County Clerk Use Tax June 2006 & 2007 & Sept. 2007
 County Fair Admissions June 2005
 Delivery Charges/Freight April, June 2004, Sept. 2005 & Dec. 2006
 Donated Goods June 2005
 Downloaded Tangible Personal Property April 2004
 Drop Shipment Dec. 2005
 Equine Breeders June 2005 & 2007
 Electronic Payment June 2006
 Enterprise Initiative Act June 2005

Enterprise Zone Update Dec. 2004, 2005 & 2006
 Excise Tax Changes April 2005
 Exemption Certificates to be Changed Dec. 2004
 Food/SST Update on Food May 2004
 Hospital Beds Sept. 2005
 Interest Rate Change Dec. 2006
 Internet Tax Freedom Act (ITFA) Sept. 2005
 Lawn Mowing Equipment Sept. 2005
 Lease and Rental Sept. 2005
 Medical Items & Prosthetic Devices April 2004
 Motor Vehicle Sales (Frequently Asked Questions) ... Sept. 2006
 Motor Vehicles Sales June 2006 & 2007
 Natural Gas June 2005
 New Sales Tax Permit Issuance Process June 2007
 Newspapers & Services in Hotels/Motels Dec. 2005
 Nexus June 2005
 Non-Exempt Food Dec. 2005
 Occasional Sales June 2006
 Pay Phones Sept. 2005
 Phone Cards/Prepaid Calling Arrangements June 2006
 Prepared Food June 2004
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 Prewritten Computer Software & Associated License Fees Sept. 2007
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 Registration Information for Sales Tax April 2006
 Regulations June 2007
 Restaurant Tax Sept. 2006 & 2007
 Sale or Transfer of Business Assets April 2006
 Soft Drinks May 2004
 Sourcing Issues June 2004
 Sourcing Sales Transactions May 2004
 Streamlined Sales Tax Changes April, May, June 2004; April, June 2006 & June 2007
 Switch Access Charges April 2006
 Telecommunications June, Sept., & Dec. 2005
 Telecom. Excise & Gross Rev. Tax April 2006
 Trailers, Semi-Trailers and Utility Trailers Sept. 2007
 Transient Room Tax April, Sept., Dec. 2005 & Sept. 2007
 Use Tax (KRS 139.310 & 139.330) Sept. 2005 & Dec. 2006
 Web Site Updates/Info June 2007

Reduced Cigarette Ignition Propensity Standards

During the 2007 session of the Kentucky General Assembly, a new law adopting reduced cigarette ignition propensity standards for cigarette manufacturers selling cigarettes in Kentucky was enacted to become effective April 1, 2008. The purpose of the new law is to help reduce the loss of lives from fires that are caused by improperly extinguished cigarettes.

For program statutes, exact certification requirements and additional information regarding reduced cigarette ignition propensity standards, please see Kentucky Revised Statutes Web site at: <http://www.lrc.ky.gov/KRS/227-00/CHAPTER.htm>. Questions regarding the new law may be directed to Jennifer Redmon at Jennifer.Redmon@ky.gov or Michael Haney at Michael.Haney@ky.gov or by calling the Division of Fire Prevention, State Fire Marshal at (502) 573-0382.

