

# KENTUCKY SALES TAX FACTS

A REVENUE PUBLICATION FOR THE BUSINESS OWNER

DECEMBER 2004

## Filing Tips for Paper Returns

If you are filing your sales and use tax returns by paper, please consider the following tips:

- Enter total receipts, including tax, on line 1.
- 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 down 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. Did you include all of your deductions on the return filed? Don't forget an explanation of lines 18 and 19.
- Compute taxable receipts on line 22 by dividing line 21 by 1.06. In a rush, many taxpayers seem to forget this step, resulting in a tax bill being issued.
- Credits on line 28 can only be used if preapproved by the Department of Revenue (DOR).
- Report total purchases subject to use tax on line 23(a).
- When submitting payment by check, please do not send the stub with the check.
- 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, please complete and return the account maintenance form (Form 51A205) enclosed.

**TIP:** *The return and maintenance form are not processed in the same area. Please complete all appropriate boxes on the maintenance form. Many people fail to complete the account and name boxes on the maintenance form. Failure to include that information on the maintenance form may prevent the necessary changes from being made to your account. **Double check** your math computations.*

**Note:** *The Kentucky Sales and Use Tax Return is a scannable document. Failure to use the original document mailed to you can cause a delay in processing. To help insure the speediest and most efficient processing of your return, please use the form provided by the Kentucky Department of Revenue. Returns not prescribed by the DOR are not acceptable for regular filing. If you are using a return created by a software provider, be sure your provider has been approved by the Department to create the sales and use tax return.*



### Streamlining Kentucky's Sales Tax Code

House Bill 293, enacted by the 2003 General Assembly, amended Kentucky's sales and use tax law to simplify and create uniformity in several areas including prescription drugs, prosthetic devices, prewritten computer software, leases and rentals, grocery food, uniform sourcing rules, and delivery charges. The April, May, and June editions of the *Sales Tax Facts* covered these issues in detail. The changes to the tax code took effect July 1, 2004. You may access this material at [www.revenue.ky.gov](http://www.revenue.ky.gov).

### Updated Exemption Certificates

The Department of Revenue will be updating the following certificates of exemption effective January 2005: Aircraft Exemption Certificate, Form 51A150; Farm Exemption Certificate, Form 51A158; and On-Farm Facilities Certificate of Exemption For Materials, Machinery and Equipment, Form 51A159. The updated certificates will be available on the DOR's Web page beginning January 2005. <http://revenue.ky.gov/salestax.htm>.



## Line 13 freight and delivery charges no longer a valid deduction for tax periods beginning on or after 7/1/2004



As of July 1, 2004, freight and delivery charges are considered part of the selling price. If the sale is taxable, the freight and delivery charges that are part of

the sale are taxable. However, if the product being delivered is exempt, then the freight and delivery charge is exempt also. For example, if the sale is a sale for resale (line 2), interstate commerce (line 7), purchase exemption (line 4) or to a governmental unit (line 6), the freight and delivery charges are considered part of that sale and included on the appropriate deduction line.

**ANNUAL FILERS** may have freight and delivery charges for periods prior to July 1, 2004 that are exempt from sales tax. For those sales, deduct the freight and delivery charges on either line 18 or line 19 with an explanation such as:

**“Exempt Freight and delivery charges prior to July 1, 2004.”Effective July 1, 2004, freight and delivery charges for taxable products for which the seller is responsible are taxable.**

**(Please refer to the April and June 2004 Sales Tax Facts) If anyone takes a deduction for freight (code 130) on a return that includes periods after July 1, 2004, the deduction will be disallowed and a tax notice generated.**

## Enterprise Zone Update

Effective Dec. 31, 2004, enterprise zones in Covington and Ashland will expire. The Department of Revenue is revising the enterprise zone exemption certificates (Forms 51A151 and 51A152) to remind both purchasers and vendors of these changes.

Qualified businesses in the Covington and Ashland enterprise zones will no longer be able to buy machinery and equipment exempt from sales and use tax effective Jan. 1, 2005. Likewise, building material purchases for installation in the enterprise zone in Covington or Ashland will be taxable as of Jan. 1, 2005.

For a sale to qualify as exempt for use in the Covington or Ashland zone, there must be either the transfer of title or possession of the property to the customer on or before Dec. 31, 2004. In addition, the appropriate exemption form must be provided to the supplier. **As a reminder, the Louisville and Hickman (Fulton County) enterprise zones expired effective Dec. 31, 2003.**

## Online Filing

Online filing is available to taxpayers that wish to file their sales and use tax returns electronically. By filing electronically, there will be no math errors, no postage, no worrying about the return being received timely, and no waiting on your paper return to arrive. Once you begin filing electronically, **you will no longer receive a paper return in the mail.** Taxpayers who file consumer's use tax returns are currently not able to file electronically.



Electronic returns are available to be filed by approximately the 10<sup>th</sup> day of each month, quarter, or year. You may also review previously filed returns for the past 12 months online. Payment may also be submitted electronically via electronic check or credit card to further expedite the filing and payment process. To register, you may access online filing at DOR's Web site at [www.revenue.ky.gov](http://www.revenue.ky.gov) under *Electronic Services* then *Sales Tax Online Filing*.

To find out more about this convenient and efficient method of reporting your sales and use tax, please call (502)564-5170 X4594, or e-mail [KRC.WEBresponseETax@ky.gov](mailto:KRC.WEBresponseETax@ky.gov).

### Online Filing Tips:

- Tax should not be included in total receipts.
- The payment will not be processed until you click on *Accept Payment*.
- You must register and receive your password before filing online. You will be unable to file the same day you register your account for online filing.
- Please maintain your current e-mail address for receiving information from the DOR.
- Also, please note all online filers may obtain *Updated Tax Info.* regarding recent articles and information about sales tax, including streamlining, by clicking on the link to *Updated Tax Info.*

This newsletter is intended to provide practical information to assist persons in fulfilling their sales and use tax obligations to the Commonwealth.

To submit additional questions or suggestions for future topics, please write to: Kentucky Sales Tax Facts, Sales and Use Tax, Station 53, P.O. Box 181, Frankfort, KY 40602-0181 or call (502) 564-5170, Fax (502) 564-2041, Web site [www.revenue.ky.gov](http://www.revenue.ky.gov).

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