

KENTUCKY SALES TAX FACTS

A REVENUE PUBLICATION FOR THE BUSINESS OWNER

DECEMBER 2013

FILING TIPS FOR PAPER RETURNS

- ❖ Use the form mailed by the Department of Revenue (DOR) or a pre-approved form. If you are not sure whether your form has been pre-approved by the DOR, please contact Revenue Operations at (502) 564-9329.
- ❖ Use the envelope provided by the DOR.
- ❖ 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.
- ❖ Do not put slashes through 7s or 0s and do not write a blank line (—) through a total. If zero, leave blank or enter a zero.
- ❖ 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 cannot exceed total receipts on line 1. Don't forget an explanation of other deductions on lines 17, 18, and 19.
- ❖ Credits on line 28 may only be used if pre-approved by the DOR. Credits for overpayments per your records are not allowed on this line.
- ❖ Report total purchases and inventory withdrawals subject to sales and use tax on line 23(a).
- ❖ When submitting payment by check, **do not send the check stub along with the check.** Also, **do not include paper clips, staples, tape or any other securing device.**
- ❖ If you have no activity or zero sales and no use tax liability, write zero (0) on lines 1, 20, and 23(a) and sign the signature block to file a no activity return.
- ❖ Complete and return the account maintenance form (Form 51A205 or Form 10A104) to make a change to the account information, such as cancellation or change of address.
- ❖ Use **only** blue or black ink.

FILING TIPS FOR ONLINE RETURNS

- ❖ The due date is the 20th for normal filers, unless the 20th falls on a holiday. Accelerated filer returns are due the 25th. For state holidays, the due date is the following business day.
- ❖ Line 1 begins with Total Receipts, but does not include the sales tax. Other charges passed on to the customers that must be included as total gross receipts (local restaurant tax, transient room tax, property tax) are taxable and should not be deducted.
- ❖ Amended returns may not be filed online at this time. To amend a return filed online, print a copy of the filed return, write the correct figures on this copy, and briefly explain the reason for making this amendment. Fax the amended return to the DOR at (502) 564-2041, or send a hard copy to the Kentucky Department of Revenue, PO Box 181, Station 67, Frankfort, KY, 40601.

- ❖ Passwords are case sensitive. Passwords 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 on the same day the payment was 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 has been 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 KY E-Tax at <http://revenue.ky.gov>. You may also email DORWEBResponseSalesTax@ky.gov if further assistance is required in KY E-Tax.
- ❖ **Consumer's Use Tax Returns, for registered consumer's use tax accounts, will soon be available for electronic filing.** If interested in this option, please contact the Division of Sales and Use Tax via email or telephone, (502) 564-5170.

USE TAX ON INTERNET PURCHASES

Please be aware that many purchases via the Internet are subject to Kentucky use tax. Online sales continue to show increases, especially during the holiday season. The 6% use tax, pursuant to Kentucky Revised Statute (KRS) 139.310, is imposed on tangible personal property and digital property that is stored, used, or consumed in the state of Kentucky. The purchaser is directly liable for this tax if the tax was not collected by the seller at the time of purchase. Purchases subject to Kentucky use tax include clothing, jewelry, computers, prewritten computer software, downloaded music, books (paper and electronic), furniture and magazine subscriptions, to name a few. Purchases made over the internet and other retail transactions with out-of-state vendors are examples of transactions subject to use tax. To report use tax, retail businesses should use line 23(a) of their sales and use tax return. Form 51A113 is applicable to consumer's use tax accounts (900,000 series) and Form 51A113(O) is available for nonregistered accounts either individuals or businesses, to report use tax. Individuals may also report use tax on their individual income tax return. These forms are readily available at www.revenue.ky.gov.

Kentucky also provides a convenient use tax table with the individual income tax instructions to calculate an estimated amount of use tax due according to a person's Kentucky adjusted gross income for the calendar year. The table is designed for individual purchases of less than \$1,000. Purchases of \$1,000 or greater must be accounted for separately. If further assistance is required in regard to use tax and how to report, contact the Division of Sales and Use Tax at (502) 564-5170.

USE TAX NOTIFICATION

A new use tax notice requirement authorized by House Bill 440 passed in the 2013 Regular Session of the Kentucky General Assembly. This provision affects retailers who make sales into Kentucky but who are not required to collect Kentucky sales and use tax. Effective July 1, 2013, out-of-state retailers with no legal requirement to collect tax in this state, and who expect more than \$100,000 in gross annual sales to Kentucky residents, must notify their Kentucky customers that use tax must be reported and paid directly to the Department of Revenue on applicable purchases in accordance with KRS 139.450. This notification must be posted on the retailer's website (includes online auction websites), in retail catalogs and on any electronic confirmation order or other invoicing documents. In addition, retailers are prohibited from stating or implying on their websites or in their catalogs that there is no Kentucky tax due on such purchases. A sample of information required on the notification is below:

1. The retailer is not required to and does not collect Kentucky sales or use tax;
2. The purchase may be subject to Kentucky use tax unless the purchase is exempt from taxation in Kentucky;
3. The purchase is not exempt merely because it is made over the internet, by catalog, or by other remote means.

PROPER USE OF PURCHASE EXEMPTIONS BY EXEMPT ENTITIES

KRS 139.470(7) exempts gross receipts from sales to any cabinet, department, bureau, commission, board, or other statutory or constitutional agency of the state and gross receipts from sales to counties, cities, or special districts as defined in KRS 65.005.

Institutions qualifying for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) may apply for a purchase exemption authorization to be exempt from sales and use tax on their purchases used within their exempt function. To take advantage of these statutory exemptions, Form 51A125, Application for Purchase Exemption Sales and Use Tax, should be filed only by **charitable, educational or religious institutions; historical sites; cemeteries; and units of federal, state or local government.** Please note that 103 KAR 30:235, section 3, exempts only sales made **directly** to the federal government for use in the government function. Any official or employee who uses his position to make a tax-free purchase for his own personal use or that of any other person will subject himself to the penalties provided in KRS 139.990 and other applicable laws.

When an exempt entity is purchasing tangible personal property, digital property, services, or renting hotel rooms or lodges, retailers must retain accurate documentation that will support any deductions claimed which are subject to audit or review by DOR. All noncash payments such as credit card or check payments must be directly from the exempt entity and display the organization's name on the form of payment. The retailer should retain the last four digits of the card number, the type of credit card, expiration date, and name on the card to ensure the form of payment matches the organization's name. These requirements are in accordance with Kentucky law and constitute prudent business practices.

DOR SALES AND USE TAX SEMINARS

Department of Revenue management is available to share sales and use tax presentations to small or large groups. Please call the Division at (502) 564-5170 about the possibility for this opportunity for your group.

AMENDING A SALES AND USE TAX RETURN

To amend a sales and use tax return: (1) Make a copy of the worksheet or if filed electronically, a copy of the screen showing the figures as originally filed. (2) Write "Amended" across the top of the page, draw a line through the incorrect figures, write the correct figures to the side, and recalculate tax due. (3) Fax the amended return and explanation of why the figures changed to (502) 564-2041; or send a hard copy to the Division of Sales and Use Tax, PO Box 181, Station 67, Frankfort, KY 40601 "Attention: Taxpayer Services". (4) Submit payment if additional tax is due or a refund application (Form 51A209) if there is an overpayment. Please note: for electronically filed returns, amended figures will not be posted to the E-Tax filing history. Figures originally filed online will not change on the E-Tax screens. Please retain a copy of the amended return for your records.

INDEX OF SALES TAX FACTS ISSUES

Please see copies of December 2012, December 2010, and December 2007 *Sales Tax Facts* at <http://revenue.ky.gov/newsroom/publications.htm> for an index of past sales tax facts issues and where they can be located via our website.

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

This newsletter is archived on the Department of Revenue website at www.revenue.ky.gov

and future editions may be accessed at the website.

To submit additional questions or suggestions for future topics, please write to:

Kentucky Sales Tax Facts, Division of Sales and Use Tax,
Station 53, P.O. Box 181, Frankfort, KY 40602-0181
or call (502) 564-5170, Fax (502) 564-2041,
website www.revenue.ky.gov.

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