

KENTUCKY SALES TAX FACTS

A REVENUE PUBLICATION FOR THE BUSINESS OWNER

DECEMBER 2017

Electronic Filing of Tax Returns—The Department of Revenue has recently deployed a new system for filing online returns called E-File. The E-File system was developed to provide updated and enhanced functionality to users who already file sales and use tax returns online, and to extend electronic filing to other taxes such as transient room tax, waste tire fee, and the new CMRS 911 service charge.

The new KY E-File system is accessed through the Kentucky Business One Stop (KyBOS) portal at <http://onestop.ky.gov/Pages/default.aspx>. With your single user name and password for Business One Stop, you will be able to file for different taxes in one convenient place. To enroll your business to file returns in the new E-File system, users should follow these steps:

1. Click “One Stop Business Services” to sign in to your KyBOS account (First time users will be asked to create an account).
2. Link your business to your KyBOS account
 - a. From the dashboard, click “Link My Business” under the “My Businesses” tile.
 - b. Link the business to your account using the CBI (Commonwealth Business Identifier) number.
 - c. If you do not have the CBI number click the hyperlink “click here” and answer the questions to be provided your business’s CBI number immediately.
3. Enroll the sales tax account for Online Filing (If the account has previously filed online via the E-Tax system, this step is not required.)

If you are enrolling for online filing at the same time as you are linking the business, you will be given the option to check the box to enroll for online filing when you complete the Link My Business process.

If you have previously linked the business and now want to enroll for online filing:

- a. From the dashboard, click on the business name or CBI number in the “My Businesses” tile.
- b. Click “Manage/View Taxes”.
- c. Click “Enroll for Online Filing” from the left hand menu.
- d. Select the Effective Date from the calendar.

Once you have completed these steps your business can begin filing returns in the E-file system. The enhanced E-File will also allow you to amend sales and use and consumer’s use tax returns that have previously been filed. **If currently using E-Tax to file your sales and use tax, you need to convert to filing via E-File as the older E-Tax system will be turned off in the near future.**

Printing a Sales Tax Permit from the KY Business One Stop Account

In order to have the capability to print a sales tax permit, users will have to create an account at the Ky Business One Stop website and have linked their business to the account using the CBI number. See the previous article for instructions to link the business to your One Stop account. Once the business has been linked to the One Stop account, use the following procedures to print your sales tax permit:

1. From the dashboard screen click on the business name under the “My Businesses” tile.
2. From the Business Summary screen click MANAGE/VIEW TAXES.
3. Under the Taxes tab, all tax accounts for the business are displayed. Click the VIEW button beside the sales tax account.
4. Scroll to the bottom of the screen and click BUSINESS LOCATIONS.
5. The business location address will be displayed. Click PRINT to print the sales tax permit.

Hotels and Other Accommodation Providers

Sales tax on the entire charge for hotel bookings in Kentucky that are reserved through a ‘travel intermediary’, such as Expedia or Priceline, where the ‘travel intermediary’ is the merchant of record on the consumer’s credit card transaction is now collected by the ‘travel intermediary’. The entity collecting the payment for the accommodations rental is a retailer as defined in KRS 139.010(27) (a).

Beginning with reservations made on or after October 1, 2017 the ‘travel intermediary’ is reporting the 6% sales tax to the Kentucky Department of Revenue that is due on hotel reservations booked directly through the ‘travel intermediary’ and will forego forwarding any amount of Kentucky sales and use tax to the hotels. Hotels providing the accommodations will remain responsible for reporting the net receipts on line 1 of the Kentucky Sales and Use Tax Return but will take a deduction of all sales booked through a ‘travel intermediary’ as an other deduction on lines 18 or 19 with a description of that deduction as ‘travel intermediary reservations’.

These changes do not affect how local or state wide transient tax is reported and remitted or how amounts that hotels charge directly to a customer during the duration of their stay (i.e. extra night stays not covered by original reservation, resort or other hotel-imposed fees) are handled. In addition, the hotels are still responsible for collecting any Kentucky sales and use tax on bookings in which the hotel serves as the merchant and charges the customer at checkout.

For further information, please, visit www.revenue.ky.gov and select Sales and Use tax under the ‘Business’ tab and reference the Reporting Sales Tax for Online Hotel Bookings under ‘Links to Publications’

Airbnb and Host Partners

Kentucky sales and use tax on reservations made through Airbnb on or after **October 1, 2017** is collected by Airbnb and remitted directly to the Department of Revenue. In addition, Airbnb is collecting and remitting the 1% state-wide transient room tax. However, the Kentucky host must still report and pay the local transient room tax. The Kentucky host must also collect sales tax for any charges made directly to a customer during the duration of their stay regardless of how the reservation occurred.

For Kentucky hosts that are registered and reporting taxable receipts other than Airbnb payments, the host should report all

receipts on line 1 of the Kentucky sales and use return and take an "other deduction" for payments from Airbnb transactions on line 18 or 19 with a description of the deduction as "Airbnb".

Energy Direct Pay (EDP) Authorization & Energy Pre-Payments

KRS 139.480(3) provides for a partial sales and use tax exemption on production energy purchased by entities engaged in manufacturing, processing, mining or refining to the extent that the cost of energy or energy-producing fuels used exceeds three percent (3%) of the cost of production. Companies that wish to apply for the EDP sales and use tax exemption must submit an application for Energy Direct Pay Authorization, form 51A109, to the Department of Revenue along with a cost of energy schedule, copies of invoices for all energy purchases made in the last completed fiscal or calendar year, and an itemized cost of production schedule. An application must be submitted for each individual location, as each authorization is only valid per site. Regulation 103 KAR 30:140, Energy and Energy-Producing Fuels, offers guidance on the computation of the cost of production for the purpose of the exemption.

If approved, the Department sends a letter of authorization for each qualifying site to the applicant. A copy of the letter(s) must be forwarded to all suppliers of energy or energy-producing fuel, and the letter(s) must be maintained by the suppliers to validate the exemption claim. Any tax due on the energy purchases is self-reported by the EDP account holder. If an approved EDP holder is not exercising its authorization letter with its energy vendors, then the account holder is subject to reporting penalties or revocation of the authorization.

For every authorized EDP location, the account holder is required to report the Estimated Energy Purchases, calculated on the annual return, form 51A129, each month on line 23(b) of the monthly Kentucky Sales and Use Tax Return. In addition, an annual return for each authorized site must be filed within four months following the end of the calendar or fiscal year. The annual return allows the reconciliation of the estimated cost of energy or energy-producing fuel subject to tax with the actual cost subject to tax for the period. Part III of the annual return estimates the energy purchase amount to be included on line 23b for the following year's Sales and Use Tax Returns. If further assistance is required in regard to the energy exemption, please call the Division of Sales and Use Tax at (502) 564-5170.

Grocery Store Service and Delivery Fees

Grocery stores and other retailers are now offering additional services to customers such as allowing the customer to place an order online and then pick up the completed order at the store or have the order delivered to their home for an additional charge added to the invoice.

Service and delivery fees charged by a retailer are subject to sales tax. Per KRS 139.010(12) (a) (3), charges by the retailer for any services necessary to complete the sale are included in gross receipts subject to sales tax. Where a single service charge or delivery fee is added to the order for a sale that includes both taxable and exempt tangible personal property, the fee is subject to sales tax per KRS 139.215(2)(a). Service charges added to an order comprised entirely of exempt tangible personal property are exempt from sales tax.

Use Tax Reminder

As online shopping continues to grow, estimated as 17% higher in the 2017 holiday season compared to 2016, Kentucky residents may be liable for use tax on their purchases. The 6% use tax is imposed on tangible personal property and digital property that is stored, used or consumed in Kentucky (KRS 139.310). Out of state sellers, including Internet or other remote sellers, may not be required to collect Kentucky tax but the purchaser is still responsible for the use tax. Examples include toys, clothing, jewelry, computers, downloaded games, downloaded music, smart speakers, e-books, books, furniture, sports equipment, and fitness equipment. To report use tax, retail businesses should use line 23(a) of the sales and use tax return. Businesses with a consumer's use tax account, in the 900,000 number range, report purchases subject to tax on line 1 of the consumer's use tax return. For non-registered businesses that incur use tax liabilities, they may report purchases subject to use tax on line 1 of the Consumer's Use Tax Return (form 51A113(O), available on the Department website www.revenue.ky.gov. For individuals, purchases subject to use tax may be reported on the individual income tax return. The department also provides a look-up table as an option to report estimated use tax owed on retail purchases based on adjusted gross income when receipts are not readily available. The look-up table only applies to non-business purchases and is available at <https://revenue.ky.gov/Individual/Consumer-Use-Tax/Pages/default.aspx>

Seminars

Free seminars regarding sales and use tax will be available in 2018. Four seminars were hosted by Department of Revenue staff in 2017 in Frankfort, northern Kentucky, and Hopkinsville with excellent participation and feedback. If interested in attending a seminar in 2018, please contact the Division of Sales and Use Tax by phone, (502) 564-5170, or email KRC.WebResponseSalesTax@ky.gov.

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:

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website www.revenue.ky.gov.

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