

SALES TAX FACTS

DIVISION OF SALES
AND USE TAX

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TEAM
KENTUCKY

ABOUT SALES TAX FACTS

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 revenue.ky.gov and future editions may be accessed at the website. To submit additional questions or suggestions for future topics, please contact us at:

Kentucky Sales Tax Facts

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SALES TAX FACTS

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PENNY SHORTAGE

Due to rising costs of production, the U.S. Treasury stopped minting pennies on November 12, 2025. Although over 100 billion pennies are in circulation, penny shortages are already occurring with cash transactions at some retail establishments. When giving change back to their customers in cash transactions, retailers may need to round to the nearest nickel. However, any rounding must not impact the calculation of the 6% Kentucky sales tax because, regardless of the form of payment, the tax must be calculated to the nearest penny as required under [KRS 139.230](#).

If rounding is needed, the department recommends using standard rounding rules in the example below. Please note that rounding occurs only after the calculation of the sales tax.

The standard rounding rules are:

1. If the last digit is 1, 2, 6, or 7 cents - round down to the nearest nickel; and
2. If the last digit is 3, 4, 8 or 9 cents - round up to nearest nickel.

This method is likely the fairest overall for both retailers and customers.

ITEM SOLD	TAX CALCULATION AND ROUNDING
Taxable Item 1	\$1.99
Taxable Item 2	\$2.39
Nontaxable Item	\$4.99
Nontaxable Item 2	\$3.99
Subtotal:	\$13.36
Sales Tax Due ($\$4.38 \times 6\%$)	\$.26
Total Transaction Amount	\$13.62
Rounding for Cash Payment:	(\$0.02)
Cash Amount Due:	\$13.60

Again, non-cash transactions as well as the remittance of sales tax to the Department of Revenue should not be impacted by the shortage. The sales tax liability on all retail sales transactions must be calculated to the nearest penny.



AGRICULTURE EXEMPTION LICENSE NUMBER PROGRAM UPDATE

[KRS 139.481](#) requires farmers to apply for and use an agriculture exemption license number issued by the department to claim the sales and use tax exemptions available to them under the provisions of KRS Chapter 139. When claiming an agricultural sales and use tax exemption, the purchaser must provide a valid agriculture exemption license number to the retailer.

All agriculture exemption license numbers expire on December 31, 2026. Some Kentucky agriculture exemption authorization letters may show an earlier expiration date, but all active agriculture exemption license numbers are valid through December 31, 2026. Sellers may accept current agriculture exemption license numbers through this date.

All active agriculture exemption license numbers are valid through December 31, 2026.

If a seller has a question regarding the validity of an exemption number received, the Department of Revenue has set up a quick and easy search system on the new MyTaxes portal.

Retailers may go to [mytaxes.ky.gov](#) and click on the link titled “Agricultural Exemption Verification” at the bottom of the green box. From there, they can search to see if the customer’s agricultural exemption number is valid.

The department is currently finalizing an online renewal process and will be distributing more information once completed. We anticipate beginning the renewal process sometime in June or July of 2026. For all renewals, there will also be a wallet-sized certificate provided for ease of use and retention.

POWER WASHING AND SNOW REMOVAL SERVICES

Charges for power washing and pressure washing of real property (for example, sidewalks, homes, patios, porches, siding, retaining walls, business locations, etc.) are subject to the 6% Kentucky sales tax as janitorial services in accordance with [KRS 139.200](#).

Chemicals, cleaning supplies, fuel for the operation of the power or pressure washer, and other supplies consumed by the service provider as part of the provision of the service are not eligible for the resale exemption and sales and use tax must be paid at the time of purchase.





KENTUCKY MYTAXES PORTAL



MyTaxes.ky.gov

Sales tax accounts that file on an annual basis are due on January 20, 2026. Taxpayers that file annually should review the instructions and information below to ensure their portal user accounts are accessible ahead of the January due date. On March 14, 2025, the Department of Revenue implemented the new MyTaxes portal to replace the previous OneStop online filing system. Taxpayers looking to access information for Sales & Use, Waste Tire Fee, Transient, Telecom, Utilities Gross Receipts License Tax (UGRLT), Commercial Mobile Radio Service (CMRS), and Tobacco and Vapor Products Licensing should use the new portal at mytaxes.ky.gov.

Previous OneStop users will find their accounts have

“Annual sales tax filers should ensure their MyTaxes portal accounts are accessible before the January 20, 2026 due date.”

already been migrated over to the new site. Notification emails went to One Stop users on March 4th and March 17th, containing their new User ID for the MyTaxes portal. Annual filing accounts are receiving additional email reminders in December and January. Any previous One Stop user that did not receive the email containing the new user credentials may reach out to the Customer Contact Center at 502-764-5555.

Businesses registering for an account number for the first time should click “Register a New Account” on the webpage to get started. Once the new user account is created, the business tax accounts must be linked to the portal account to file tax returns. Users can request a Pin letter through the Portal, and it will be mailed to them. Also, taxpayers looking for their Portal Pin may write a letter or email and send it to portalhelp@ky.gov or it can be faxed to 502-573-1545. For additional information on the new MyTaxes Portal, a list of FAQs, as well as some helpful guides and video tutorials, please visit

<https://revenue.ky.gov/Pages/MyTaxes.aspx>.

COLLECTIBLE ITEMS

Effective August 1, 2024, the sale of currency or bullion is exempt from sales tax as provided in [KRS 139.480\(37\)](#). The exemption is limited to “bullion” defined in subsection (1) as bars, ingots, or coins that have been used as a medium of exchange and “currency” defined in subsection (2) as coin or currency that has been used as legal tender. The sale of jewelry, cutlery, or other collectible items that contain gold, silver, platinum, or

palladium do not meet the requirements for exemption as either bullion or currency and are subject to sales tax as the sale of tangible personal property. Therefore, items such as sterling silverware or other items made of precious metals are not exempt, even if the purchase is characterized as an investment based upon the material composition of the items purchased.



Is A.I. Pre-written Computer Software?

"In Kentucky, sales tax applies to prewritten computer software—including AI-powered applications—whether delivered as a download or accessed remotely as Software as a Service (SaaS). AI features that adapt based on user data do not qualify as custom software and remain fully taxable."

Kentucky sales and use tax applies to the sale of "prewritten computer software" and "prewritten computer software access services" even with Artificial Intelligence (AI) components. Prewritten computer software is included in the definition of "tangible personal property" under [KRS 139.010\(46\)](#) and is subject to sales tax when downloaded or otherwise received by the purchaser as part of a retail sale. Prewritten computer software access services are subject to sales tax as one of the enumerated services listed in [KRS 139.200](#). The term "prewritten computer software access services" is defined in [KRS 139.010\(34\)](#). Therefore, a retail sale that provides the purchaser with access to use of the prewritten software while possession of the software application is maintained by the seller or a third party is also subject to Kentucky sales tax. This type of sale is referred to a "software as a service" or "SaaS" and is the common method of software delivery today.

Whether the software is delivered in tangible form or accessed remotely via the internet, the sale is subject to sales and use tax if the product meets the definition of "prewritten computer software" under [KRS 139.010\(33\)](#). Computer software is considered prewritten unless it

is designed and developed to the specifications of a specific purchaser. Further, prewritten software includes any modifications or enhancements of the software that are developed to the specifications of the specific purchaser, unless the retailer separately states the customization charges on the invoice. Only separately stated modifications or enhancements made to prewritten software exclusively for a single customer qualify as exempt "custom software."

Whether the software is delivered in tangible form or accessed remotely via the internet, the sale is subject to Kentucky sales and use tax if the product meets the definition of "prewritten computer software."

Software packages now routinely include artificial intelligence or "AI." While many artificial intelligence software programs contain the ability to alter their responses or output based on the data they receive from the users without being explicitly programmed, this capability is not custom software. For sales tax purposes, the sale of any software application, including AI, must be treated in harmony with the definition of taxable prewritten computer software as described above.

SUCCESSOR'S LIABILITY AND SALES AND USE TAX OBLIGATIONS

All purchasers, prospective purchasers, or successors of existing Kentucky retail businesses should be aware of the "successor's liability" provision and its implications. Under [KRS 139.670](#) and [KRS 139.680](#), a person that purchases an existing retail business may have successor's liability even though the tax liability relates to transactions occurring prior to the successor purchasing the business.

Though not discussed further in this article, successor's liability may also include liability for the sales price of the selling activity assets of the business. Successor's liability does not apply to business transfers such as assignment for the benefit of creditors, foreclosures of mortgages, or sales by trustees in bankruptcy.

The successor will become personally liable for existing sales and use tax liability if the following four elements are present:

1. There is unpaid sales and use tax;
2. The seller is a retailer for sales and use tax purposes and has sold out or otherwise quit the business;
3. The purchaser gave the seller consideration in the form of money, property, assumption of liabilities, forgiveness of debt or any other valuable consideration; and
4. The purchaser failed to withhold and remit a sufficient amount of the purchase price to pay sales tax on the sale of the business (including the sale of selling activity assets), as well

as any outstanding sales and use tax liabilities, plus applicable penalties and interest, incurred with reference to the operation of the business by the predecessor or any former owner. The requirement to withhold does not apply if the purchaser obtains a certificate of tax clearance from the Department of Revenue via the seller prior to buying the business.

4. The purchaser failed to withhold and remit a sufficient amount of the purchase price to pay sales tax on the sale of the business (including the sale of selling activity assets), as well as any outstanding sales and use tax liabilities, plus applicable penalties and interest, incurred with reference to the operation of the business by the predecessor or any former owner. (The requirement to withhold does not apply if the purchaser obtains a certificate of tax clearance from the Department of Revenue via the seller prior to buying the business.)

Any person considering the purchase of an existing retail business should request a sales tax clearance letter from the seller to avoid exposure to any tax liabilities related to the prior operations of that business. Sellers should submit the request for a tax clearance letter on their account through email at DOR, webresponsesalestax@ky.gov or send the request by mail to KY Department of Revenue, Division of Sales & Use Tax, Station 66, PO Box 181, Frankfort, KY 40602-0181.

RESALE CERTIFICATES

The Resale Certificate (51A105) is an exemption form issued by a retailer to the supplier to purchase goods or inventory without payment of sales tax at the time of purchase for the purpose of resale in the regular course of business to the end consumer.

To use a resale certificate, a Kentucky retailer must apply for and maintain an active sales tax account. To receive a sales and use tax account, apply online at the MyTaxes portal. Once the sales tax account is assigned the retailer may issue the resale certificate (51A105) to suppliers by including the newly issued account number on the form along with other information required. The form may be downloaded from the Revenue website, <https://revenue.ky.gov/Pages/index.aspx>.

In the top right corner of the form there is an option to check a blanket or single purchase transaction. If a blanket purchase is selected, the vendor has the option to keep the resale certificate on file for future purchases by the customer. If a single purchase is selected, the certificate only covers that single transaction. The purchaser must complete a new resale certificate to make additional purchases exempt for resale.

Kentucky retailers may also accept the [Streamlined Sales Tax Exemption Form \(51A260\)](#) available on the DOR website or the Uniform Sales and Use Tax Resale Certificate from the Multistate Tax Commission (MTC). The MTC resale certificate is available for download at this link: <https://www.mtc.gov/resources/uniform-sales-use-tax-exemption-certificate/>



MULTIPLE SERVICES ON AN INVOICE

According to the bundling rule in [KRS 139.215](#), transactions that include both taxable and nontaxable products, which are distinct and identifiable but sold to the customer for one nonitemized price are subject to sales and use tax. For example, a retailer that sells 1) taxable prewritten computer software and 2) nontaxable software customization for a lump sum must charge tax on the combined sales price. To avoid taxability on the entire charge, the burden is on the retailer to separately itemize the unique customization charges for a single customer from the prewritten software portion of the bill.

Taxation of multiple types of services sometimes results in different outcomes when invoicing customers for completed work involving repairs to real property. Repair work to a furnace unit performed under an extended warranty contract is subject to the 6% sales

and use tax on the periodic charges of the service contract. However, if repair work is not under a service contract but billed as a one-time charge for repair to a fixture to real property, then those repair charges to the property owner for the furnace are not taxable.

Also, if a landscaping service provider 1) builds a retaining wall (nontaxable service) and 2) plants shrubbery (taxable landscaping service) for a single contract price, the overall charge is subject to sales tax. To be excluded from the application of sales tax, the retailer must separately state the nontaxable construction charge for the retaining wall from the shrubbery charges (plants and installation) on the invoice or other purchase documentation given to the purchaser. When the services are billed separately, only the sales price of the taxable service (landscaping) is subject to sales tax.