

# KENTUCKY SALES TAX FACTS

A REVENUE PUBLICATION FOR THE BUSINESS OWNER

MAY 2018

## **2018 Legislation Relating to Sales and Excise Taxes—House Bill 487**

This issue is the first in a series highlighting various legislative changes affecting retailers subject to Kentucky tax law. There have been substantial changes involving tax rates and tax bases. Unless otherwise noted, these changes become effective July 1, 2018. Subsequent issues will cover the changes in more detail in response to questions and comments received from the business community.

### **Participatory Admissions**

Effective July 1, 2018 charges for admissions including charges or fees to participate in an activity or event are subject to Kentucky sales tax. The underlined wording below reflects additional types of admissions becoming subject to sales tax.

KRS 139.010 is amended as follows:

*"Admissions"* means the fees paid for:

- a. The right of entrance to a display, program, sporting event, music concert, performance, play, show, movie, exhibit, fair, or other entertainment or amusement event or venue; and
- b. The privilege of using facilities or participating in an event or activity, including but not limited to:
  1. Bowling centers;
  2. Skating rinks;
  3. Health spas;
  4. Swimming pools;
  5. Tennis courts;
  6. Weight training facilities;
  7. Fitness and recreational sports centers; and
  8. Golf courses, both public and private;Regardless of whether the fee paid is per use or in any other form, including but not limited to an initiation fee, monthly fee, membership fee, or combination thereof.

### **Campsites/Campgrounds/RV Parks**

Amendments to KRS 139.200 (2) (a) add **rentals at campsites, campgrounds, and recreational vehicle (RV) parks as accommodations** subject to 6% Kentucky sales tax. Sales tax is applicable on the rental of any rooms, lodgings, or accommodations furnished by these campsites as well as by any hotel, motel, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients for a consideration. The tax shall not apply to rooms, lodgings, or accommodations supplied for a continuous period of thirty (30) days or more to a person. The rental of campsites, campgrounds, and RV parks remains exempt from the state and local transient room taxes.

### **Extended Warranty Services- KRS 139.200**

Effective July 1, 2018, the sales of extended warranty services to cover tangible personal property or digital property that is taxable at retail to the warranty holder are subject to sales and

use tax. KRS 139.010 defines "extended warranty services" as "services provided through a service contract agreement between the contract provider and the purchaser where the purchaser agrees to pay compensation for the contract and the provider agrees to repair, replace, support, or maintain tangible personal property or digital property according to the terms of the contract if: (a) the service contract agreement is sold or purchased on or after July 1, 2018; and (b) the tangible personal property or digital property for which the service contract agreement is provided is subject to" sales tax or motor vehicle usage tax.

Retailers of extended warranty services will now charge sales and use tax on the sales price of the warranty contract. With this law change, these sellers will claim a resale exemption on their purchase of tangible personal property (repair parts) they install to fulfill the warranty service contract.

### **Labor and Installation Charges**

Effective July 1, 2018, labor and installation charges are included in the definition of "gross receipts" subject to Kentucky sales tax (KRS 139.010). However, sales tax will apply only to charges for labor or services rendered in installing or applying taxable tangible personal property, digital property or service sold at retail. Stand-alone labor and installation services are not subject to sales and use tax unless specifically enumerated in KRS 139.200 (see next section). In addition, charges for the installation of fixtures to real property or for labor to repair fixtures to real property are not part of gross receipts subject to sales tax. See Kentucky Regulation 103 KAR 26:070 for more information on fixtures and building materials used in construction contracting.

Furthermore, an amendment to KRS 139.470 (23) will also exempt charges for labor or services to apply, install, repair or maintain tangible personal property directly used in the manufacturing or industrial processing process, if the charges for the labor are separately stated from the parts sold on the invoice, bill of sale or similar document given to the purchaser.

### **Taxable Services—KRS 139.200**

Effective July 1, 2018, charges for the provision of the following services become subject to sales tax:

1. Landscaping services, including but not limited to lawn care and maintenance services; tree trimming, pruning or removal services; landscape design and installation services; landscape care and maintenance services; and snow plowing and removal services;
2. Janitorial services, including but not limited to residential and commercial cleaning services, and carpet, upholstery, and window cleaning services;
3. Small animal veterinary services, excluding veterinary services for equine, cattle, swine, sheep, goats, llamas, alpacas, ratite birds, buffalo, and cervids;

4. Pet care services, including but not limited to grooming and boarding services, pet sitting services, and obedience training services;
5. Industrial laundry services, including but not limited to industrial uniform supply services, protective apparel supply services, and industrial mat and rug supply services;
6. Non-coin-operated laundry and dry cleaning services;
7. Linen supply services, including but not limited to table and bed linen supply services and nonindustrial uniform supply services;
8. Indoor skin tanning services, including but not limited to tanning booth or tanning bed services and spray tanning services;
9. Non-medical diet and weight reducing services;
10. Limousine services, if a driver is provided; and
11. Extended warranty services to cover tangible personal property or digital property that is taxable at retail to the warranty holder.

Retailers that make sales of these services will now charge sales tax on the full sales price charged to their customers and may claim a resale exemption on their purchase of items provided to the customer as part of the service. This resale exemption is limited to tangible personal property or digital property sold to and received by the customers as part of the retail sale.

**Pollution Control Facilities—KRS 139.480**

For transactions on or after July 1, 2018, the sales and use tax exemption for property certified as a pollution control facility no longer applies. Retailers may no longer accept the pollution control tax-exemption certificate Form 51A149 from locations designated as a pollution control facility for purchases of tangible personal property. Other property and corporate tax incentives associated with pollution control facilities remain in place (KRS 224.1-310).

**Motion Picture Refund Credit—KRS 139.538**

For transactions on or after July 1, 2018, the sales and use tax incentive is no longer available for companies filming or producing motion pictures in the Commonwealth until July 1, 2022. The Department of Revenue is not accepting new applications for motion picture tax credits.

**Tire Tax Fee—KRS 224.50-868**

Effective July 1, 2018, the waste tire fee imposed on each new motor vehicle tire sold in Kentucky increases from \$1 to \$2. The retailer may pass the fee on to the purchaser of the new tire and any collections of the tire fee from the customers are part of the retailer's gross receipts subject to sales tax. The retailer shall include the tire fee in the total purchase price of the new tire and collect sales tax on the total charge for the new tire as follows:

Price of new tire	\$120
Tire Fee	\$ 2
Total purchase price	\$122
6% KY sales tax	\$7.32

**Total price including Sales tax**                      **\$129.32**

**Tobacco Tax Modifications**

Effective July 1, 2018, the cigarette tax will increase by 50 cents to \$1.10. This legislative change also establishes an inventory floor stock tax. All cigarette licensees and retailers of cigarettes must take a physical inventory as of June 30, 2018, at 11:59 p.m. and file and pay the inventory floor stock tax. The Department will provide additional information and return guidance prior to the filing due date of July 10, 2018. The inventory floor stock tax liability may be paid in three installments with due dates of July 10, August 10 and September 10 respectively. For further assistance with any tobacco tax question, please contact the Division of Miscellaneous Taxes at (502)-564-6823 or [KRC.WEBResponseTobaccoTax@ky.gov](mailto:KRC.WEBResponseTobaccoTax@ky.gov).

**Now Available...**

[TaxAnswers.ky.gov](http://TaxAnswers.ky.gov) to provide guidance and information on recent tax law changes made during the 2018 General Assembly.

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](http://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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