

## ***Sales and Use Tax***

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**Background** Kentucky's first entry into the sales tax field occurred in 1934 when the General Assembly enacted a tax of 3 percent on general retail gross receipts. The tax was subsequently repealed by the 1936 General Assembly.

Kentucky again enacted a sales and use tax effective on July 1, 1960. The sales tax is imposed upon all retailers for the privilege of making retail sales in Kentucky. The retailer must pass the tax along to the consumer as a separate charge. The use tax is imposed on the storage, use, or other consumption of tangible personal property in Kentucky. Tangible personal property, the sale of which is subject to Kentucky sales tax, is not subject to the use tax.

From its inception in 1960 until 1986, the sales and use tax was the most productive tax in the General Fund. In 1986, it was surpassed by the individual income tax and continues to be the second most productive today. Receipts for FY07 totaled \$2,817.7 million, which was a growth of 2.5 percent over the prior year. This tax represented 33 percent of total General Fund tax receipts in FY07.

**Current  
Rate  
Structure**

Sales and use taxes are imposed at the rate of 6 percent of gross receipts or purchase price.

**Tax Base**

The tax base for the sales tax is gross receipts derived from both retail sales of tangible personal property and sales of certain services to the final consumer in Kentucky. Retail sales are defined as any sales other than sales for resale. The lease and rental of tangible personal property for a consideration is considered a sale or purchase, the receipts of which are subject to the sales and use tax.

The tax base for the use tax is the purchase price of tangible personal property purchased for storage, use, or other consumption in Kentucky. The use tax is a "back stop" for sales tax and generally applies to property purchased outside the state for storage, use, or consumption within the state. The purchaser's liabil-

ity for the use tax is not extinguished until the tax has been paid to the state, either by the purchaser or by the retailer from whom the property was purchased. However, the purchaser will not be held liable for the tax provided a receipt is obtained from a retailer engaged in business in this state, or from a retailer authorized to collect Kentucky use tax, showing that the tax was collected by the retailer as a separately stated charge and the receipt is maintained in the purchaser's files.

**Tax Unit** The sales tax is imposed on gross receipts from the retail sale, lease, or rental price of tangible personal property and certain services in Kentucky. The use tax is imposed on the storage, use, or other consumption of tangible personal property in Kentucky, measured by the purchase price.

**Tax Due** The tax must normally be reported and remitted on a monthly basis. In some cases, the taxpayer may be permitted to file on a quarterly or annual basis. For most taxpayers, the tax return and payment of the tax liability are due on the twentieth day of the month following the close of the tax period. Large taxpayers must file monthly returns and include an estimate of the first fifteen days of the following calendar month. The return is due on the twenty-fifth day following the close of the calendar period. The Department of Revenue notifies taxpayers required to file on this alternate basis of their obligation.

### **Recent Legislation**

The following changes have been enacted by the General Assembly since the last edition of this report:

**Construction Expenses for Near Zero Emission Power Plants** - (Effective January 1, 2007) Tangible personal property used to construct, repair, renovate or upgrade a coal-based near-zero emission power plant is exempt from sales tax, including repair and replacement parts.

**New and Replacement Machinery or Equipment for Energy Efficient Projects** - (Effective January 1, 2008) A manufacturer who purchases machinery or equipment that reduces energy consumption at its facility by 15 percent or more is eligible for a refund of the sales tax on the purchase.

**Construction Expenses for Alternative Fuel or Gasification Facility** - (Effective January 1, 2008) Sales taxes paid on tangible personal property used in the process of constructing an alternative fuel or gasification facility may be refunded at the end of the calendar year.

**Table 16. Total Sales And Use Tax Expenditures**

FY 2008	FY 2009	FY 2010
\$2.289 billion	\$2.362 billion	\$2.433 billion

The total sales and use tax exemptions do not include the cost of excluding services from the sales tax. These sales were never included in the tax base, are generally not part of most states' sales tax base and therefore do not meet the technical qualifications of a tax expenditure. We have continued to estimate the amount of lost revenue from excluding certain services from the tax and have listed these on pages 110-112 in the back of this section. They are not considered tax expenditures for the purpose of this publication.

## Tax Expenditures

### 1. Food Items

*Kentucky Revised Statute 139.480(22), effective 1972, revised 1986*

Food for human consumption is exempt from sales and use tax. The exemption does not apply to meals served in restaurants, to meals served on or off the premises, or to meals sold on a "take out" or "to go" basis. This exemption does include purchases made with food stamps and the exemption for baked goods which became effective July 1, 2004.

FY 2008	FY 2009	FY 2010
\$430.0 million	\$442.9 million	\$451.8 million

## 2. Non-Profit Educational, Charitable and Religious Institutions

*Kentucky Revised Statute 139.495, effective 1976*

Sales to resident, nonprofit educational, charitable, and religious institutions qualified for exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, for use solely within their exempt function, are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$316.1 million	\$325.7 million	\$335.4 million

## 3. Labor or Services Used in Property Sold

*Kentucky Revised Statute 139.050(3)(c), effective 1960*

A separately stated price received for labor or services used in installing or applying property sold is exempt from sales and use tax.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$226.7 million	\$233.5 million	\$240.5 million

## 4. Residential Utilities

*Kentucky Revised Statute 139.470(8), effective 1979*

Sales of electricity, sewer services, water, and fuel to Kentucky residents for use in heating, cooking, lighting, and other residential uses are exempt from sales and use tax.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$254.6 million	\$259.6 million	\$260.2 million

## 5. Prescription Medicine, Prosthetic Devices and Physical Aids

*Kentucky Revised Statute 139.472, effective 1971*

Prescription medicine, prosthetic devices, and physical aids are exempt from sales and use tax. Prosthetic devices include artificial limbs, artificial eyes, hearing aids, crutches, and wheelchairs.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$322.3 million	\$332.0 million	\$341.9 million

## **6. Machinery for New and Expanded Industry and Certain Industrial Machinery**

*Kentucky Revised Statute 139.170 and 139.480(10), effective 1960*

*Kentucky Revised Statute 139.487, effective 1982*

Machinery for new and expanded industry that is used directly in manufacturing or processing and is incorporated for the first time into plant facilities in this state, and does not replace machinery in such plant, is exempt. Industrial machinery manufactured in Kentucky is exempt from sales tax when the industrial machinery is delivered to a manufacturer or processor or their agent for use out-of-state.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$63.3 million	\$64.8 million	\$65.7 million

## **7. Coal Used in the Manufacture of Electricity**

*Kentucky Revised Statute 139.480(2), effective 1960*

Coal used in the manufacturing of electricity is exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$70.2 million	\$71.2 million	\$70.7 million

## **8. Energy and Energy Producing Fuels**

*Kentucky Revised Statute 139.480(3), effective 1960*

Energy and energy producing fuels used in manufacturing, processing, mining, or refining, to the extent that the cost of the energy or energy-producing fuels used exceeds 3 percent of the cost of production, are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$25.0 million	\$26.3 million	\$27.5 million

## 9. Retailers' Compensation for Collecting and Remitting the Tax

*Kentucky Revised Statute 139.570, effective 1960*

As reimbursement for the cost of collecting and remitting tax, the taxpayer shall deduct 1.75 percent of the first \$1,000 of tax due and 1 percent of the tax due in excess of \$1,000 if the amount due is not delinquent at the time of payment.

**NOTE: The 2006 General Assembly capped the compensation allowed for any taxpayer in any month at \$1,500. This cap is effective for periods before July 1, 2008.**

FY 2008	FY 2009	FY 2010
\$ 21.2 million	\$ 30.4 million	\$ 31.8 million

## 10. Enterprise Zones

*Kentucky Revised Statute 154.45-090(2)(3), effective 1992*

Building materials used in remodeling, rehabilitation, or new construction in a qualified enterprise zone and new and used equipment and machinery purchased by a qualified business for use in the enterprise zone are exempt.

Enterprise Zones are scheduled to expire 20 years after initial designation as a zone. The Hopkinsville enterprise zone is the only one of the original ten enterprise zones in Kentucky still in existence, and it is due to expire on December 21, 2007.

FY 2008	FY 2009	FY 2010
\$400,000	\$0	\$0

## 11. State, Cities, Counties and Special Districts

*Kentucky Revised Statute 139.470(1)(7), effective 1960 and 1976*

Sales to any cabinet, department, bureau, commission, board, or other statutory or constitutional agency of the state, and to cities, counties, and special districts defined in KRS 65.005 are exempt.

FY 2008	FY 2009	FY 2010
\$222.0 million	\$232.0 million	\$242.7 million

## 12. Textbooks

*Kentucky Revised Statute 139.480(17), effective 1978*

Textbooks, related workbooks, and other course material purchased for use in a course of study conducted by an institution qualified as a non-profit educational institution are exempt.

FY 2008	FY 2009	FY 2010
\$3.5 million	\$3.8 million	\$4.2 million

## 13. Recycling Machinery and Equipment

*Kentucky Revised Statute 139.170, 139.480(23), effective 1991*

Replacement machinery that will increase the consumption of recycled materials by not less than 10 percent and machinery and equipment purchased or leased by a business, industry or organization in order to collect, source separate, compress, bale, shred or otherwise handle waste materials, if that machinery or equipment is primarily used for recycling purposes, are exempt.

FY 2008	FY 2009	FY 2010
\$1.3 million	\$1.3 million	\$1.3 million

## 14. Pollution Control Facilities

*Kentucky Revised Statute 139.480(12), effective 1974*

Property certified as a pollution control facility as defined by KRS 224.01-300 is exempt.

FY 2008	FY 2009	FY 2010
\$23.6 million	\$23.9 million	\$23.9 million

## 15. Tombstones and Other Grave Markers

*Kentucky Revised Statute 139.480(13), effective 1976*

Tombstones and other grave markers are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$3.8 million	\$3.9 million	\$4.0 million

## 16. Lodgings of Thirty Days or More

*Kentucky Revised Statute 139.100(2)(a), effective 1992*

Rooms, lodging or accommodations supplied for a continuous period of 30 days or more to an individual are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Substantial	Substantial	Substantial

## 17. Garage or Yard Sales

*Kentucky Revised Statute 139.496, effective 1976*

Sales and use tax does not apply to the first \$1,000 of sales made in any calendar year by an individual or nonprofit organization not engaged in the business of selling.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$2.0 million	\$2.0 million	\$2.0 million

## 18. Semi-Trailers and Trailers

*Kentucky Revised Statute 139.050(3)(f), effective 1978*

The sales of semi-trailers and trailers as defined by KRS 189.010(12) and KRS189.010(17) are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Minimal	Minimal	Minimal

## 19. Vessels and Maritime Supplies

*Kentucky Revised Statute 139.483, effective 1966*

Ships and vessels, including their repair and construction, supplies and fuel used

in their operation and supplies consumed by crew members aboard such ships and vessels, used principally in transporting property for hire, are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$3.4 million	\$3.4 million	\$3.4 million

## **20. Sales by Elementary and Secondary Nonprofit, School-Sponsored Clubs and Organizations**

*Kentucky Revised Statute 139.497, effective 1984*

Sales made by elementary and secondary schools, nonprofit elementary or secondary school-sponsored clubs and organizations and nonprofit elementary or secondary school affiliated groups such as parent-teacher organizations and booster clubs are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$5.9 million	\$5.9 million	\$5.9 million

## **21. Interstate Cargo and Passenger Aircraft, Parts and Supplies**

*Kentucky Revised Statute 139.480(19), effective 1982*

Aircraft and their repair and replacement parts and supplies for the direct operation of aircraft in interstate commerce and used exclusively for the conveyance of property or passengers for hire are exempt from sales and use tax. Nominal intrastate use will not subject the property to sales and use tax.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$9.6 million	\$9.6 million	\$9.6 million

## **22. Sales by Nonprofit Higher Educational School-Sponsored Clubs and Organizations.**

*Kentucky Revised Statute 139.495(4), effective 1980*

Sales made by nonprofit school-sponsored clubs and organizations, provided such sales do not include tickets for athletic events, are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$1.3 million	\$1.3 million	\$1.3 million

**23. Sales to Motion Picture Companies**

*Kentucky Revised Statute 139.538-.5386, effective 1986*

Motion picture production companies filming or producing motion pictures in Kentucky are exempt from the tax. The exemption is accomplished by granting a refundable credit of taxes paid on purchases made in Kentucky in connection with the filming or producing of a motion picture in this state.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Minimal	Minimal	Minimal

**24. Admissions to and Purchases by Historical Sites**

*Kentucky Revised Statute 139.482, effective 1976*

Sales of admissions and purchases made by an historical site operated by a non-profit corporation, society, or organization and listed by the United States Department of Interior in the National Register of Historic Places are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Substantial	Substantial	Substantial

**25. Credit Unions**

*Kentucky Revised Statute 290.365, effective 1984*

Sales to credit unions organized under Kentucky law are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$1.3 million	\$1.4 million	\$1.4 million

## 26. Coin-Operating Bulk Vending Machines

*Kentucky Revised Statute 139.470(6), effective 1966, revised 1998*

Vending machine sales of 50 cents or less are exempt from tax. Prior to the 1998 legislative change the amount exempt was 25 cents or less.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Minimal	Minimal	Minimal

## 27. Occasional Sales

*Kentucky Revised Statute 139.070, 139.470(4), effective 1960*

Casual or isolated sales of property not held or used by a seller in the course of an activity for which he is required to hold a seller's permit are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Substantial	Substantial	Substantial

## 28. Locomotives and Rolling Stock

*Kentucky Revised Statute 139.480(1), effective 1960*

Locomotives or rolling stock, including materials for their construction, repair, or modification, or fuel and supplies for the direct operation of locomotives and trains used in interstate commerce are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Substantial	Substantial	Substantial

## 29. Procurement, Processing, or Distribution of Blood or Human Tissue

*Kentucky Revised Statute 139.125, effective 1968*

Whole blood, plasma, blood products, tissues such as corneas, bones, or organs for the purpose of injecting, transfusing, or transplanting any of them into the human body are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$7.3 million	\$7.7 million	\$8.2 million

### **30. Rate Increase for School Taxes Added to Residential Telephone Bills**

*Kentucky Revised Statute 139.470(9), effective 1979*

Any rate increase for school taxes and any other charges or surcharges added to the total amount of a residential telephone bill is exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$5.8 million	\$6.0 million	\$6.2 million

### **31. Federal Taxes Imposed on Sales of Tangible Personal Property**

*Kentucky Revised Statute 139.470(20), effective 1960*

Taxes (not including any manufacturer's excise or import duty) imposed by the United States upon or with respect to retail sales are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$6.4 million	\$6.4 million	\$6.4 million

### **32. Sales to Common Carriers Under a Bill of Lading**

*Kentucky Revised Statute 139.470(5), effective 1960*

Gross receipts from sales of tangible personal property to a common carrier, shipped by the seller via the purchasing carrier under a bill of lading, whether the freight is paid in advance or the shipment is made freight charges collect, to a point outside this state and the property is actually transported to the out-of-state destination for use by the carrier in the conduct of its business as a common carrier are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$0	\$0	\$0

### 33. Tourism Attraction Project Credit/Refund

*Kentucky Revised Statute 139.536, effective 1996 – Kentucky Revised Statute 154, effective 1998, amended 2001*

A credit is allowed against the sales tax generated by or arising from a tourism attraction project. The amount of the credit is calculated and refunded on an annual basis.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$7.4 million	\$8.4 million	\$9.4 million

### 34. Alcohol Production Facilities

*Kentucky Revised Statute 139.480(18), effective 1980*

Any sale, use, storage or consumption of tangible property certified as an alcohol production facility as defined in KRS 247.910 is exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$0	\$0	\$0

### 35. Property Certified as a Fluidized Bed Energy Production Facility

*Kentucky Revised Statute 139.480(20), effective 1986*

Any sale, use, storage or consumption of tangible property that has been certified as a fluidized bed energy production facility, as defined in KRS 211.390, is exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$0	\$0	\$0

### 36. 4-H Sales

*Kentucky Revised Statute 139.497, effective 1998*

Sales made by nonprofit educational youth programs affiliated with a land grant university cooperative extension service are exempt if the net proceeds from the sales are used solely for the benefit of the affiliated programs.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Minimal	Minimal	Minimal

### 37. Jet Fuel

*Kentucky Revised Statute 144.132, effective July 1, 2000*

Certified air carriers are allowed a credit after payment of the first \$1.0 million in sales and use tax on the purchase of aircraft fuel including jet fuel.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$36.0 million	\$38.0 million	\$40.0 million

### 38. Repair Parts for Large Trucks

*Kentucky Revised Statute 139.480, effective January 1, 2004*

Repair parts for those trucks and their towed units over 44,001 pounds that are used exclusively in interstate commerce are exempt from sales tax.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$1.7 million	\$1.8 million	\$1.8 million

### 39. Donated Goods

*Kentucky Revised Statute 139.495, effective August 1, 2005*

A sales tax refund equal to 25 percent (up to \$1 million) of the tax collected on sales of donated goods by resident nonprofit educational, charitable or religious institutions is allowed, if the entity uses the refund exclusively as reimbursement for capital construction costs of additional retail locations in this state.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$350,000	\$400,000	\$450,000

#### 40. Kentucky Enterprise Initiative

*Kentucky Revised Statute 154-20.204, effective January 1, 2006*

A new statewide tax incentive program replaces the Enterprise Zone program as the current zones expire. It extends to eligible companies the opportunity to receive refunds of sales and use tax paid on the purchase of building materials and research and development materials for tourist attractions, services, technology, manufacturing and company headquarters for any industry. The program gives preference to companies in existing enterprise zones. The minimum investment is \$100,000 for companies within the enterprise zone boundaries, \$500,000 elsewhere. It also creates a statewide cap in each year of \$20 million for building materials and \$5 million for research and development on all approved projects.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$45.0 million	\$25.0 million	\$25.0 million

#### 41. Charter Bus Repair and Replacement Parts

*Kentucky Revised Statute 139.480, effective August 1, 2005*

Repair and replacement parts for directly operating and maintaining a charter bus certified by the Transportation Cabinet are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$100,000	\$110,000	\$120,000

#### 42. County Fair Admissions

*Kentucky Revised Statute 139.470, effective June 2005*

The first \$50,000 in county fair admissions are exempt from sales and use tax.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$270,000	\$270,000	\$270,000

**43. Water Withdrawal Fees Paid to Kentucky River Authority***Kentucky Revised Statute 139.470 (12), effective July 1, 2005*

Water withdrawal fees imposed by the Kentucky River Authority are exempt from sales and use tax.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$83,000	\$83,000	\$83,000

**44. Interstate Business Communication Services***Kentucky Revised Statute 139.505, effective January 1, 2001*

Certain businesses whose interstate communications service subject to sales taxes exceed five percent of its Kentucky gross receipts in the preceding calendar year are entitled to a refundable credit of the sales tax paid on the excess.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Minimal	Minimal	Minimal

**45. Pay Phones***Kentucky Revised Statute 139.200(2)(e), effective January 1, 2006*

Communication services furnished via a pay telephone are exempt from sales tax.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$200,000	\$200,000	\$200,000

**46. Construction Expenses for Near Zero Emission Power Plants***Kentucky Revised Statute 139.537, effective January 1, 2007*

Tangible personal property used to construct, repair, renovate or upgrade a coal-based near-zero emission power plant is exempt from sales tax, including repair and replacement parts.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$0	\$0	\$0

#### 47. New and Replacement Machinery or Equipment for Energy Efficient Projects

*Kentucky Revised Statute 139, effective January 1, 2008*

A manufacturer who purchases machinery or equipment that reduces energy consumption at its facility by 15 percent or more is eligible for a refund of the sales tax on the purchase.

FY 2008	FY 2009	FY 2010
\$0	\$3.7 million	\$3.7 million

#### 48. Construction Expenses for Alternative Fuel or Gasification Facility

*Kentucky Revised Statute 154.27, effective January 1, 2008*

Sales taxes paid on tangible personal property used in the process of constructing an alternative fuel or gasification facility may be refunded at the end of the calendar year.

FY 2008	FY 2009	FY 2010
\$0	\$11.9 million	\$21.3 million

#### Sales Tax Exemptions for Farmers

**Table 17. Subtotal for Farming Tax Expenditures**

FY 2008	FY 2009	FY 2010
\$170.6 million	\$177.3 million	\$184.6 million

The following tax expenditures pertain to the farming industry.

#### 49. Livestock, Poultry, Ratite Birds, Embryos and Semen, Alpacas, Llamas, Buffalo, Farm Work Stock and Feed, Seeds and Fertilizers

*Kentucky Revised Statute 139.480(4),(5), (6),(7),(9), (24), (25), (26), and (29) effective 1960, 1994,1996*

Livestock that ordinarily constitutes food for human consumption, provided the sales are made for breeding or dairy purposes and by or to a person regularly engaged in the business of farming; poultry for use in breeding or egg production; ratite birds and eggs to be used in an agricultural pursuit for the breeding and production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite

by-products; embryos and semen used in the reproduction of livestock; llamas and alpacas used as beasts of burden or in the breeding and production of hides, breeding stock, fiber and wool products, meat, and llama and alpaca by-products; and farm work stock for use in farming operations are exempt from the tax. Seeds, feed, and fertilizer, the products of which ordinarily constitute food for human consumption or which are to be sold in the regular courses of business are exempt.

FY 2008	FY 2009	FY 2010
\$71.6 million	\$74.6 million	\$77.7 million

**50. Horses Purchased for Breeding**

*Kentucky Revised Statute 139.531(2)(a), effective 1976*

The sales and use tax does not apply to horses, interests in horses, or shares in horses, provided the purchase or use is made for breeding purposes only.

FY 2008	FY 2009	FY 2010
\$12.5 million	\$12.9 million	\$13.3 million

**51. Farm Machinery, Attachments and Replacements, On-Farm Grain Storage Facilities, and On-Farm Facilities for Raising Chickens, Livestock, Ratite Birds, Llamas and Alpacas, and Buffalo**

*Kentucky Revised Statute 139.480(11), effective 1968*

Farm machinery and repair and replacement parts for the operation of farm machinery are exempt.

*Kentucky Revised Statute 139.480(14), effective 1978*

On-farm facilities used exclusively for grain or soybean storing, drying, processing or handling, including all construction, renovation, or repair materials, parts, and equipment, are exempt.

*Kentucky Revised Statute 139.480(15), (24), (26), and (29), effective 1990, 1994, and 1996*

On-farm facilities used exclusively for raising chickens and livestock, ratite birds, and llamas and alpacas, the products of which ordinarily constitute food for human consumption, including equipment, machinery, attachments, repair and re-

placement parts, and any materials incorporated into the construction, renovation, or repair of the facility are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$53.8 million	\$56.0 million	\$58.4 million

## 52. Fuel Used for Farm Purposes

*Kentucky Revised Statute 139.480(16), effective 1978, revised 1998*

Gasoline, special fuels, and liquefied petroleum gas used to operate or propel stationary engines or tractors for agricultural purposes are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$7.9 million	\$8.2 million	\$8.6 million

## 53. Water Used for Farm Purposes

*Kentucky Revised Statute 139.480, effective 1998*

Water sold to persons regularly engaged in the business of farming and used in the production of crops, milk for sale, or raising and feeding livestock, poultry, raptures, llamas, alpacas, buffalo or aquatic organisms is exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$59,000	\$61,000	\$64,000

## 54. Equine Water

*Kentucky Revised Statute 139.470(14), effective 1998*

Water used in the equine-raising business is exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$59,000	\$61,000	\$64,000

**55. Aquaculture***Kentucky Revised Statute 139.480, effective 1998*

Aquatic organisms sold directly to or raised by a person regularly engaged in the business of producing products of aquaculture for sale and items necessary for the production of aquatic organisms are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$166,000	\$176,000	\$187,000

**56. Twine and Wire***Kentucky Revised Statute 139.480, effective 1998*

Baling twine and baling wire used for the purpose of baling hay and straw are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$35,000	\$36,000	\$38,000

**57. Horses Less Than Two Years of Age***Kentucky Revised Statute 139.531(2)c, effective 1976*

Sales of horses less than two years of age at the time of sale, provided the sale is made to a nonresident of Kentucky, and the horse is transported out of state, either immediately following the sale or immediately following training within the state are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$19.0 million	\$19.6 million	\$20.2 million

**58. Farm Chemicals***Kentucky Revised Statute 139.480(8),(24) and (26), effective 1992, revised 1994, 1996*

Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals used in the production of crops as a business, or in the raising and feeding of rattle

birds, llamas and alpacas, or livestock and poultry, the products of which ordinarily constitute food for human consumption are exempt.

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$5.5 million	\$5.7 million	\$6.0 million

### **Exclusion of Services**

*Kentucky Revised Statute 139.100 and 139.160, effective 1960*

**Table 18. Total for Excluded Services**

<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
\$1.6 billion	\$1.8 billion	\$1.8 billion

Services are excluded from the sales and use tax by the definition of “retail sale” or “sale at retail” as a sale of tangible personal property.

(a) Personal services

FY2008 .....	\$61.5 million
FY2009 .....	\$64.7 million
FY2010 .....	\$68.2 million

(b) Business services

FY2008 .....	\$273.9 million
FY2009 .....	\$297.0 million
FY2010 .....	\$322.6 million

(c) Specialized Design Services

FY2008 .....	\$6.7 million
FY2009 .....	\$7.2 million
FY2010 .....	\$7.8 million

(d) Computer System Designs

FY2008 .....	\$69.0 million
FY2009 .....	\$74.8 million
FY2010 .....	\$81.2 million

(e) Scientific Research and Development

FY2008 .....	\$7.8 million
FY2009 .....	\$8.5 million
FY2010 .....	\$9.2 million

(f) Advertising

FY2008 .....	\$33.9 million
FY2009 .....	\$36.7 million
FY2010 .....	\$39.9 million

(g) Other Professional Services

FY2008 .....	\$35.1 million
FY2009 .....	\$38.0 million
FY2010 .....	\$41.3 million

(h) Health services

FY2008 .....	\$776.3 million
FY2009 .....	\$832.3 million
FY2010 .....	\$888.4 million

(i) Legal services

FY2008 .....	\$100.6 million
FY2009 .....	\$109.1 million
FY2010 .....	\$118.5 million

## (j) Educational services

FY2008 .....	\$19.6 million
FY2009 .....	\$21.0 million
FY2010 .....	\$22.4 million

## (k) Social services

FY2008 .....	\$8.5 million
FY2009 .....	\$9.0 million
FY2010 .....	\$9.4 million

## (l) Engineering, accounting, research, management

FY2008 .....	\$212.4 million
FY2009 .....	\$230.4 million
FY2010 .....	\$250.2 million

## (m) Automotive and miscellaneous repair services

FY2008 .....	\$106.0 million
FY2009 .....	\$111.6 million
FY2010 .....	\$117.6 million

## (n) Amusement and recreational services

(Taxable amusement and recreational services such as video tape rentals and commercial sports events are not included in this estimate.)

FY2008 .....	\$3.0 million
FY2009 .....	\$3.3 million
FY2010 .....	\$3.5 million

## (o) Other Services

FY2008 .....	\$6.0 million
FY2009 .....	\$6.3 million
FY2010 .....	\$6.7 million

