

MATTHEW G. BEVIN
Governor

FINANCE AND ADMINISTRATION CABINET DEPARTMENT OF REVENUE

501 HIGH STREET
FRANKFORT, KENTUCKY 40620
Phone (502) 564-3226
Fax (502) 564-3875
www.kentucky.gov

WILLIAM M. LANDRUM III
Secretary

DANIEL P. BORK Commissioner

In the matter of:					
LLC					
Contact:			FINAL RULING NO. 2016-14 April 1, 2016		
Sales and Use Tax Assessment March 1, 2010 through December 31, 2013					
FINAL RULING					
The Kentucky Department of Revenue ("DOR") has an outstanding sales and use tax assessment against LLC ("LLC") for the audit period March 1, 2010 through December 31, 2013. The following schedule reflects the total liability for this case with interest computed to April 1, 2016:					
	Audit Period	Tax Due	Interest	Fees	Total
01/0 10/0 01/0	01/10 - 12/31/10 01/11 - 09/30/11 01/11 - 12/31/11 01/12 - 12/31/12 01/13 - 12/31/13 TOTALS	## ## ## ## ## ## ## ## ## ## ## ## ##	## ## ## ## ## ## ## ## ## ## ## ## ##	# # # # # # # # # # # # # # # # # # #	# # # # #
During the audit period, operated as a retailer of rugs. also cleaned and repaired rugs and sometimes stored them for customers.					
As the result of a sales and use tax field audit, DOR issued an assessment in the amount of fin taxes, plus applicable fees and interest. was originally assessed for additional tax due on Unallowable Deductions, Additional Receipts, Consumable Supplies/Inventory Withdrawals and Capital.					

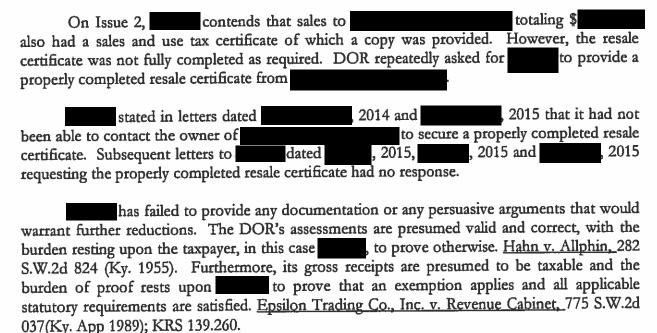
provided supporting documentation that warranted a reduction to the original assessment. The Consumable Supplies/Inventory Withdrawals and the Capital amounts remaining in the audit were not protested and have not been paid. The following issues remain.

At issue is:

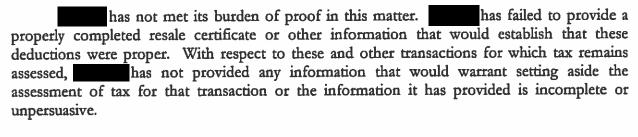
- 1. Whether certain transactions picked up as Unallowable Deductions should be removed from the audit assessment as sales in interstate commerce.
- 2. Whether the transaction picked up as an Unallowable Deduction should be removed from the audit assessment as a sale for resale.

On Issue 1, contends that the sales picked up on the Unallowable Deductions Schedule should be removed as sales in interstate commerce. It contends that the purchaser did not take physical possession of the merchandise in Kentucky and the items were sold and delivered to out-of-state residents. It was relying on advice from DOR that it was not required to maintain documentation to verify out-of-state sales and delivery.

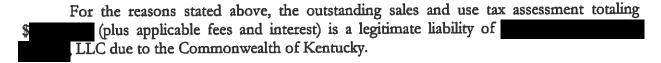
The DOR contends that according to the relevant invoices, the sales took place in Kentucky; therefore the sales are considered Kentucky sales, and in the absence of any valid exemption, subject to Kentucky sales tax.



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has been assessed amnesty fees pursuant to the Kentucky Tax Amnesty Act, KRS 131.400 to 131.445. Pursuant to KRS 131.440(1)(b)1.b., taxes assessed and collected after the amnesty period (i.e. October 1, 2012 through November 30, 2012) for taxable periods ending or transactions occurring prior to October 1, 2011, shall be charged a cost of collection fee of 25% at the time of the assessment. As the above schedule shows, the taxes to which these fees apply were assessed for periods ending or transactions occurring prior to October 1, 2011.



This letter is the final ruling of the Department of Revenue.

APPEAL

You may appeal this final ruling to the Kentucky Board of Tax Appeals pursuant to the provisions of KRS 131.110, KRS 131.340-131.365, 103 KAR 1:010 and 802 KAR 1:010. If you decide to appeal this final ruling, your petition of appeal must be filed at the principal office of the Kentucky Board of Tax Appeals, 128 Brighton Park Boulevard, Frankfort, Kentucky 40601-3714, within thirty (30) days from the date of this final ruling. The rules of the Kentucky Board of Tax Appeals, which are set forth in 802 KAR 1:010, require that the petition of appeal must:

- 1. Be filed in quintuplicate;
- Contain a brief statement of the law and facts in issue;
- 3. Contain the petitioner's or appellant's position as to the law and facts; and
- 4. Include a copy of this final ruling with each copy of the petition of appeal.

The petition of appeal must be in writing and signed by the petitioner or appellant. Filings by facsimile or other electronic means shall not be accepted.

Proceedings before the Kentucky Board of Tax Appeals are conducted in accordance with 103 KAR 1:010, 802 KAR 1:010 and KRS 131.340-131.365 and KRS Chapter 13B. Formal hearings are held by the Board concerning the tax appeals before it, with all testimony and proceedings officially reported. Legal representation of parties to appeals before the Board is governed by the following rules set forth in Section 3 of 802 KAR 1:010:

1. An individual may represent himself in any proceedings before the Board where his individual tax liability is at issue or he may obtain an attorney to represent him in those proceedings;

2. An individual who is not an attorney may not represent any other individual or legal entity in any proceedings before the Board;

3. In accordance with Supreme Court Rule 3.020, if the appealing party is a corporation, trust, estate, partnership, joint venture, LLC, or any other artificial legal entity, the entity must be represented by an attorney on all matters before the Board, including the filing of the petition of appeal. If the petition of appeal is filed by a non-attorney representative for the legal entity, the appeal will be dismissed by the Board; and

4. An attorney who is not licensed to practice in Kentucky may practice before the Board only if complies with Rule 3.030(2) of the Rules of the Kentucky Supreme Court.

You will be notified by the Clerk of the Board of the date and time set for any hearing.

Sincerely,

DEPARTMENT OF REVENUE

Attorney Manager

Office of Legal Services for Revenue

Jones Dowell

CERTIFIED MAIL
RETURN RECEIPT REQUESTED