

KENTUCKY SALES TAX FACTS

A REVENUE PUBLICATION FOR THE BUSINESS OWNER

JUNE 2014

2014 LEGISLATION UPDATE—

HB 69--Business Record Falsification Devices

The use of business record falsification devices, also known as “zappers” or “phantom-ware”, is prohibited and will be considered a Class D felony. If it is determined that a Kentucky sales tax permit holder uses an automated business record falsification device to violate any provision of the sales tax laws, a ten-year sales tax revocation of the permit shall occur per KRS 139.760. In addition, any person guilty of possession of an automated business record falsification device shall forfeit all proceeds associated with its creation, sale, and usage. This provision becomes effective July 15, 2014, and the text of the statute is available at the following link: <http://www.lrc.ky.gov/record/14RS/HB69.htm>

FILING UPDATE—

IVR Sales and Use Tax Filings

The Department of Revenue (DOR) will no longer offer the IVR (Interactive Voice Response) sales and use tax zero return filings via the telephone. **This service will end on 06/30/2014.** Zero returns filed with the department-issued PIN via the telephone, will no longer be accepted after the May returns due by June 20, 2014. Any June returns, either monthly or quarterly, must be filed either by paper or online via KY E-Tax. Please see below for directions on how to register and electronically file the Kentucky sales and use tax return via KY E-Tax.

TO REGISTER FOR ONLINE FILING:

1. Go to the DOR homepage www.revenue.ky.gov
2. Click on the blue state of Kentucky in the middle of the page labeled “KY E-Tax”.
3. Click on “Sales and Use Tax Returns” under the heading E-Filing.
4. Click on “Registration Information for New Users”.
5. Scroll to the bottom of the page and select “Click here to register for KY E-Tax”.
6. Enter the information for the account Administrator and select “Continue”.
7. Create a user id and password.

You will receive a registration confirmation informing you the online account will be available within three business days after submitting the registration.

Instructions for Filing an Online Return

TO FILE A SALES AND USE TAX RETURN ONLINE:

1. Go to the DOR homepage www.revenue.ky.gov

2. Click on the blue state in the middle of the page labeled “KY E-Tax”.
3. Click on “Sales and Use Tax Returns” under the heading E-Filing.
4. Click on the blue state of Kentucky at the top of the page labeled “KY E-Tax Logon”.
5. Enter your sales tax account number, user id and password to logon to your account.
6. Click on the period highlighted in blue for the return you are filing.

Online Consumer Use Tax Filing and Payment Now Available

Consumer use tax account holders may now file their returns via KY E-Tax. This new feature was recently implemented to provide a quicker and more efficient way for use tax account holders to file. Please see the instructions above on how to register and then file your use tax returns via KY E-tax.

Bitcoins

Bitcoin is a form of Internet virtual currency gaining popularity as an accepted form of payment by many online retailers. However, please note that the IRS has recently ruled that for federal income tax purposes this product is treated as property and not currency. For Kentucky sales and use tax purposes, Bitcoins are the “consideration” provided by the purchaser in the transaction. Any business that accepts Bitcoins as a form of payment must convert the Bitcoin into U.S. dollars, and charge 6 percent Kentucky sales and use tax on any taxable transaction for which Bitcoin represents the financial instrument of consideration. Documentation must be maintained to verify the value of Bitcoin at the time of the transaction.

Prohibited Advertising of Sales and Use Tax

Retailers and vendors should be aware that Kentucky Revised Statute (KRS) 139.220 prohibits advertisement to the public or customers that directly or indirectly implies that sales or use tax will be assumed by the retailer or absorbed in the selling price of the tangible personal property or digital property. The retailer cannot advertise that the tax will be added into the selling price or paid by the retailer on behalf of the customer.

Agricultural Bedding Supplies

The purchase of any bedding, such as straw, sawdust, wood shavings, rice hulls and any other product used for animal bedding purposes, is subject to sales and use tax. There is no exemption for animal bedding in KRS Chapter 139. In addition, the sales to farmers regulation, 103 KAR 30:091, specifically lists bedding materials under section 10 as an example of a taxable item.

Department Sales and Use Tax Seminars

Tax seminars for individuals, small business owners, bookkeepers and tax professionals will be offered later in the year on an as needed basis. The seminar will be designed to update and increase tax knowledge and preparation skills with a general overview of the sales and use tax law. If an individual, small group or large group needs to attend a sales and use tax seminar, please contact the Division of Sales and Use Tax at (502) 564-5170 to register for the next scheduled event.

Labeling Deductions on your Sales and Use Tax Return

It is very important that the three-digit deduction code be included on the paper filed sales and use tax return. When completing the worksheet, or the top of the mailed return, preparers often copy the figures to the bottom, or the actual return, and forget to include the three-digit code for each deduction claimed. For example, if you are claiming a deduction for resale certificates, that code is 020 and you would write 020 in the three-digit column to the left of where you write your deduction amount. When using the "other deduction codes" 170, 180, or 190, a brief written description of each deduction claimed is required.

Proper Reporting of Use Tax

Many purchases via the Internet are subject to Kentucky use tax. The 6 percent use tax, pursuant to KRS 139.310, is imposed on tangible personal property and digital property that is stored, used, or consumed in the state of Kentucky. The purchaser is directly liable for this tax if the tax was not collected by the out-of-state seller at the time of purchase. To report use tax, retail businesses should use Line 23(a) of their sales and use tax return. Use tax should not be reported by lumping it in with Line 1 Total Receipts. If further assistance is required in regard to use tax and how to report it, contact the Division of Sales and Use Tax at (502) 564-5170.

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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Station 53, P.O. Box 181, Frankfort, KY 40602-0181
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website www.revenue.ky.gov.

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