SALES TAX FACTS

DIVISION OF SALES AND USE TAX

SUMMER 2026



SALES BY RELIGIOUS INSTITUTIONS NOW EXEMPT

Effective August 1, 2026, KRS 139.495 is amended to exempt both sales and purchases made directly by religious institutions.

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TEAM KENTUCKY

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FINANCE AND ADMINISTRATION CABINET
DEPARTMENT OF REVENUE



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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
Division of Sales and Use Tax
Station 53, P.O. Box 181
Frankfort, KY 40602-0181
Phone: (502) 564-5170
Fax: (502) 564-2041
Website: revenue.ky.gov

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SALES TAX FACTS

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Andy Beshear, Governor
Commonwealth of Kentucky

Holly M. Johnson, Secretary
Finance & Administration Cabinet

Thomas B. Miller, Commissioner
Department of Revenue

Richard Dobson, Executive Director
Office of Sales and Excise Tax

Lowell Manning, Director
Division of Sales and Use Tax

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LEGISLATIVE UPDATES

HOUSE BILL 757

DATA BROKERING SERVICES



Effective August 1, 2026, KRS 139.200 and KRS 139.310 are amended to include “data brokering services” as a service subject to sales and use tax.

“Data brokering services” is defined in KRS 139.010 to mean “the act of collecting, aggregating, and analyzing personal data for sale to a third party while possession of the personal data is maintained by the person providing the data brokering services or by the third party, wherever located, regardless of whether the charge for the services provided is on a per use, per user, per license, subscription, or some other basis.”

KRS 139.470(6) provides a sales and use tax exemption for sales of “data brokering services” made by any cabinet, department, bureau, commission, board, or other statutory or constitutional agency of this state, or counties, cities, or special districts as defined in KRS 65.005.

Companies providing data brokering services to customers in Kentucky should register and begin collecting the 6% tax on receipts from sales occurring on or after August 1, 2026.

SALES BY RELIGIOUS INSTITUTIONS NOW EXEMPT



Effective August 1, 2026, KRS 139.495 is amended to exempt both sales and purchases made directly by religious institutions. Specifically, note the highlighted language below.

KRS 139.495(6) now states that for religious institutions, sales and use tax does not apply to any of the following:

(a) Sales of tangible personal property, digital property, or services made by a religious institution, provided the tangible personal property, digital property, or service is sold in this state within the religious function; or

(b) Purchases of tangible personal property, digital property, or services made by a religious institution, provided the tangible personal property, digital property, or service is to be used solely in this state within the religious function.

Purchases used solely within the religious function of religious institutions were already exempt from sales and use tax. This amendment to KRS 139.495 creates a new sales and use tax exemption for sales made directly by religious institutions.

After filing their sales tax returns for the July reporting period, religious institutions are no longer required to be registered to report and remit tax on their sales.

TAXABILITY OF PAY PHONE RECEIPTS

Receipts from pay phone service have not been subject to sales tax or the utility gross receipts license tax in Kentucky since January 1, 2006. However, effective August 1, 2026, charges for furnishing pay phone services are part of communications services subject to sales tax (KRS 139.200) and the utility gross receipts license tax (KRS 160.6131). Communications services provided by pay phone remain subject to the 1.3% gross revenues tax under KRS 136.616(2)(b).



PENNY SHORTAGE DOES NOT REDUCE TAXES DUE

The department posted guidance addressing the penny shortage for sales tax calculations for cash transactions on January 8, 2026. The sales tax liability on all retail sales must be calculated to the nearest penny. The article recommended that retailers round to the nearest nickel but only after calculating the tax liability. Examples of both rounding down and rounding up as appropriate were provided.

However, effective July 15, 2026, traditional rounding is not merely a suggestion but a requirement with cash transactions when pennies are unavailable (KRS 45.345). Legislation requires rounding cash transactions to the nearest five cent ($0.05) increment. If the amount due, including tax, ends in one cent ($0.01) or two cents ($0.02), then the rounding is down to the nearest ten cents ($0.10). If the amount due, including tax, ends in three cents ($0.03) or four cents ($0.04), then rounding is up to the nearest 5 cents ($0.05). The same process works for rounding down when the amount due ends in six cents ($0.06) or seven cents ($0.07) and rounding up to the nearest 10 cents ($0.10) when the amount due ends in eight ($0.08) or nine cents ($0.09). New language in KRS 139.210 maintains that “regardless of a purchaser’s method of payment, a retailer shall not be relieved of the retailer’s responsibility to collect and remit the correct amount of tax due.”



ECONOMIC NEXUS THRESHOLD

Effective August 1, 2026, KRS 139.340 and KRS 139.450 are amended to remove the sales and use tax economic nexus threshold of two hundred (200) or more separate transactions in the immediately preceding calendar year or current calendar year from sales made by remote retailers and marketplace providers.

Remote retailers and marketplace providers are no longer required to register for a sales and use tax permit if their only reason for registering is having met the transaction volume threshold for Kentucky customers. While the "200 or more separate transactions" threshold has been removed, the economic nexus threshold of $100,000 or more in gross receipts in the previous or current calendar year remains unchanged. This amendment has no impact on in-state retailers or any retailer that has established physical nexus as provided in KRS 139.340(2).

FILM AND MOTION PICTURE INCENTIVE CREDIT



Effective July 15, 2026, the film and motion picture refundable credit for sales and use tax in KRS 139.538 has been reinstated for consideration of applications received before July 1, 2030. The department must also report details of the film and motion picture incentive credit information issued to the Legislative Research Commission (LRC) annually.

FLUIDIZED BED ENERGY PRODUCTION FACILITY EXEMPTION REPEALED

Effective July 15, 2026, legislation repealed the sales and use tax exemption for property certified as a fluidized bed energy production facility. KRS 139.480(19) provided this exemption for technology no longer in use.

HOUSE BILL 869

Effective August 1, 2026, a new section of KRS 139 provides a sales tax rebate of up to seventy-five percent (75%) of the Kentucky sales tax generated by the sale of agriculturally based alternative jet fuel and alternative jet fuel at a commercial airport located in Kentucky.

The new legislation provides definitions for “agriculturally based jet fuel,” “alternative jet fuel,” and “commercial airport” and states the total tax rebate for each commercial airport shall be reinvested by the commercial airport to maintain, improve, upgrade, and repair commercial airport facilities and operations.

Commercial airports may apply for this 75% sales tax rebate by filing an application with the Department made available at the link below:

Sales & Use Tax - Department of Revenue





Tax Rebate on Sales of Agriculturally Based Alternative Jet Fuel

“New legislation establishes a 75% sales tax rebate for alternative jet fuel sold at Kentucky commercial airports - supporting reinvestment in airport facilities and operations.”

PROFESSIONAL GOLF SPORTING EVENT INCENTIVE



Effective July 1, 2026, a new section of KRS 139 provides a 100% sales and use tax refund incentive program for "professional golf sporting event" qualifying attractions at venues in Lexington and Louisville.

A "qualifying attraction" for this incentive is a series of golf sporting events:

- Held at a venue over a duration of at least 3 consecutive days;
- Hosted by a sponsoring entity pursuant to an agreement with a facility operator that authorizes the sponsoring entity to conduct one (1) or more series of professional golf sporting events;
- Open to the public upon purchase of tickets, with attendance totaling at least one hundred thousand (100,000) admissions over the duration of each series of professional golf sporting events.

The refund incentive will include 100% of the Kentucky sales tax generated by the sale of admissions, and the sale of tangible personal property and services at the qualifying attraction, including but not limited to the sale of food and beverage concessions, souvenirs, parking, suites, sponsorships, and other hospitality services sold at the qualifying attraction.

The DOR will accept applications for qualifying attractions held on or after July 1, 2026. **To qualify for this incentive, the initial application must be filed at least sixty (60) days prior to the golf sporting event.**



ADMINISTRATIVE GUIDANCE

VIDEO STREAMING SERVICES INCLUDE SINGLE MOVIE PURCHASES

Video streaming services have been subject to telecommunications taxes as a multichannel video programming service defined under KRS 136.602(8) since July 1, 2019. The telecommunications taxes imposed upon the retailer for the provision of these streaming services include a 3% excise tax and a 2.4% gross revenues tax. Also, for customers living in school districts that impose the tax, these streaming services are also subject to the utility gross receipts license tax (UGRLT) imposed under KRS 160.614.

As part of subscriptions for streaming services or in addition to the regularly scheduled subscription charges, customers may also choose additional audio-visual content (live, scheduled, or on demand) for download or access for a separate charge. Whether part of a subscription or separate from it, charges for this content are also included within the definition of streaming services and subject to the applicable taxes. Therefore, a one-time charge to stream a single movie selection is a taxable multichannel video programming service.

DROP SHIPMENT



Drop shipment, also known as a third party sale, is a shipment of tangible personal property from a third party seller directly to the customer of the initial purchaser. Generally, a retailer accepts an order from its customer, places a request to fill an order with a third party (usually a manufacturer or wholesale distributor), and directs the third party to ship the goods directly to the retailer's customer. Drop shipments are treated as two transactions: (1) the sale from the manufacturer-wholesaler to the retailer, and (2) the sale from the retailer to the end consumer.

When all parties are located in Kentucky, the retailer furnishes a resale certificate to the manufacturer/wholesaler. The retailer collects sales tax on the final sale to the end consumer.

In cases where the retailer is out of state and not liable for Kentucky sales and use tax, the nonresident retailer should issue a Kentucky resale certificate (Form 51A105) and make a notation on the form that it is a nonresident retailer not required to register in Kentucky since the retailer does not have a Kentucky sales and use tax number to place on the certificate. When a Kentucky customer purchases tangible personal property from a nonresident retailer that does not collect Kentucky tax, the customer is subject to the 6% use tax in accordance with KRS 139.310 and 139.330 and is required to directly report and remit the tax to the department. The Streamlined Sales Tax certificate of exemption (Form 51A260) may also be used in lieu of the Kentucky resale certificate. The use of the proper exemption certificate will help ensure that the 6% sales and use tax is reported and paid one time by the correct party.



TAXANSWERS.KY.GOV WEBSITE

When the Kentucky sales and use tax base began to expand with the taxability of new services in 2018, the department created a new website to help taxpayers navigate the new laws in an easy to understand format. This platform has become a key resource for many business owners new to collecting sales tax. It contains helpful information in a "Frequently Asked Questions" format for many of these newly taxable services. It also includes information about more recent changes regarding Cannabis Infused Beverages and links to the new MyTaxes Portal. The TaxAnswers website is a great tool for Kentucky taxpayers to stay up to date with legislative changes to sales tax laws with links to previous editions of Sales Tax Facts as well.

Changes to Sales Tax on Services - TAXANSWERS

UPDATING OR CANCELING TAX ACCOUNTS

It is important for all registered sales and use tax account holders to maintain accurate and up-to-date business information. Keeping your account current ensures timely communication and helps avoid processing delays or compliance issues.

If your business has experienced any changes, update your account by submitting Form 10A104 – Update or Cancellation of Kentucky Tax Account(s). You may access the form at the following link: 10A104.pdf

You should complete and submit Form 10A104 if any of the following changes occur:

- Business name or legal entity name change
- Business location or mailing address update
- Ownership changes (adding or removing owners/officers)
- Contact information updates (phone number or email)
- Closing or canceling a tax account (You must designate each account for cancellation and the cancellation effective date.)
- Any other demographic or structural changes to your business

You may also submit a service request on the MyTaxes portal to request the same types of updates. After logging into MyTaxes, you may submit a service request by going to the "requests" tab and clicking "new service request." From there choose the type of request, input the required information, and submit it. A user guide for this portal process is linked below:

Submit and Manage Service Requests User Guide