Kentucky sales tax changes: Your questions answered



ARTICLE 07.27.18 DEAN DORTON

Kentucky's new sales tax laws: FAQ**If an organization holds a special fundraising event, is the entire ticket price subject to sales tax, even if a portion of the ticket price is considered a charitable contribution (Ex. $100 ticket price with a $20 FMV of goods/services received)?**

- Yes, the sales tax would apply to the total amount of the ticket price, including the charitable contribution portion. The sales tax can be imbedded into the total price ($94.34 + $5.66 = $100) or added onto the total price ($100 + $6 = $106). If imbedded, it would need to be disclosed that the total price includes the sales tax. If FMV cost is $20, then the donor's tax deductible portion would be $74.34 ($100-$5.66-$20). If sales tax was added on to the ticket price, then the tax deductible portion would be $80 ($106-$6-$20).

If we hold an auction at our fundraising event, would sales tax apply?

- Yes, sales tax would apply to the total amount paid, but only for tangible property items (artwork, jewelry, gift baskets, etc). Items that include experiences (trips, tours, etc.) and gift cards are not taxable.

If I hold a raffle at my fundraising event, is this taxable?

- No, games of chance are not subject to sales tax.

Is sponsorship income taxable?

- Sponsorship income can be taxable if the agreement is bundled with anything other than name recognition. For example, tickets to an event or lunch offered along with the name recognition at an event would cause the entire sponsorship amount to be subject to sales tax. However, you can bifurcate the ticket and sponsorship income on the invoice and the sponsorship income would then not be subject to sales tax. Also, there is no tax on sponsorship income in connection with an event that is not ticketed.

Would the sponsorship income received for the right to include a booth at a trade show or educational seminar be subject to sales tax?

- Sponsorship income received for the right to have a booth at a trade show or event would not be subject to sales tax as long as the sponsor did not also receive free tickets to the event.

Is the admission to a summer camp taxable?

- The general rule is that admissions to summer camps are not taxable as long as the camp is instructional/educational in nature. The room and board included in the admissions would also not be taxable.

Are entry fees to participate in an event taxable?

- Yes, entry fees for participation, such as a run/walk are taxable. However, fees paid to be on a little league or gymnastics team or for an exercise class, such as Zumba, are not taxable. Entrance fees into sporting events, music concerts, performances, and plays are also taxable.

Tax law changes specific to higher education**Is the fee for a transcript subject to sales tax?**

- No, the service charges by an educational institution for the provision of official transcripts is not deemed the sale of tangible personal property and is not subject to sales tax.

Is the sale of food to students in the cafeteria taxable?

- The sale of food to student is exempt from sales tax. If the cafeteria is managed by a third-party, the sale of food to students is still exempt, however, the sale of food to anyone other than students, would be subject to sales tax.

Are sales by a university bookstore taxable?

- Sales by the bookstore for textbooks, workbooks, and course materials are exempt. However, apparel and other memorabilia is subject to sales tax.

If a university organization holds a networking event, is this subject to sales tax?

- If the purpose of the event is professional development, educational, or instructional, then the admission charge would not be taxable. The general rule is that an educational event must be predominantly devoted to the educational purpose (i.e. educational speaker). However, a professional organization at the university holding a networking event would be considered professional development even if no instructional speaker or workshop.

The answers provided above are based on the law as it has been interpreted and known at this time. The most current information may be found at taxanswers.ky.gov.

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