

They're Here! 2019 Changes to Kentucky's Tax Law



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The General Assembly made changes to Kentucky's tax law during its 2019 session, albeit not the type of wholesale changes made in 2018. The most significant sales tax changes and several income tax changes are described below.

Sales Tax

In 2018, for the first time, legislators imposed sales tax on 11 services:

Landscaping

Janitorial

Small animal veterinarian

Pet care

Industrial laundry

Non-coin-operated laundry and dry cleaning

Linen supply

Indoor skin tanning

Non-medical diet and weight reducing

Limousine services (if a driver is provided)

Extended warranties

These new taxes created a number of problems. Click the "solution" tab to learn about changes addressing the problems.

The new sales tax on services applied to *all* sales, even if total sales were insignificant. This meant if Tommy the Teenager mowed lawns during the summer, Tommy was expected to collect and remit on the first dollar paid to him, even if his total receipts from lawn mowing were only a small amount.

Retroactive to January 1, 2018, gross receipts less than \$6,000 from sales of taxable services during a calendar year are exempt from sales tax. All gross receipts over \$6,000 are taxable and will be taxable in subsequent years.

Some service providers were not permitted to provide businesses that did subcontract work for them with a resale certificate. As a result, sales tax was paid twice.

For transactions occurring on or after July 1, 2019, service providers may issue a resale certificate if they purchase a service they subsequently resell. An example involves a janitorial service that subcontracts with a window washing company. Prior to July 1, 2019, the window washing company has to charge the janitorial service sales tax. Beginning July 1, the janitorial service will provide a resale certificate to the window washing company and that company will not have to charge sales tax on their services to the janitorial company.

Nonprofit organizations were required to collect sales tax on admissions and fundraising sales.

Effective March 26, 2019, admissions sold by nonprofit organizations and the vast majority of fundraising event sales are exempt from sales tax. [Click here for a Q&A regarding the impact of these changes on nonprofit organizations.](#)

Three additional changes include:

No sales tax on veterinarian services for “poultry”

Narrowing the definition of “admission” to exclude fishing tournaments, fees paid for boat slips, and unarmed combat shows

Requiring marketplace providers to collect and remit sales tax on behalf of vendors selling from their platforms

Income Tax

The General Assembly also made several income tax changes with varying levels of impact. The following four changes have broad applicability:

1. Increasing from \$25,000 to \$100,000 Kentucky's version of the Internal Revenue Code's Section 179 expense;
2. Allowing a deduction for investment interest expense;
3. Allowing a deduction for wagering losses; and
4. Conforming Kentucky's estimated tax filing rules to those of the IRS.

The increase in Kentucky's Section 179 expense deduction applies to property placed in service on or after January 1, 2020. The three remaining changes are effective for tax years beginning on or after January 1, 2019. Additionally, for those sections of the Internal Revenue Code (IRC) to which Kentucky conforms, the state will now conform to the IRC in effect as of December 31, 2018. Other changes made relate to the filing methodology for tax returns of C corporations and taxation of financial institutions and savings and loan associations.

Questions?

Contact your Dean Dorton advisor or Erica Horn at ehorn@deandorton.com.