

1 AN ACT relating to sales and use tax exemptions.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 139.480 (Effective until January 1, 2025) is amended to read as  
4 follows:

5 Any other provision of this chapter to the contrary notwithstanding, the terms "sale at  
6 retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not  
7 include the sale, use, storage, or other consumption of:

8 (1) Locomotives or rolling stock, including materials for the construction, repair, or  
9 modification thereof, or fuel or supplies for the direct operation of locomotives and  
10 trains, used or to be used in interstate commerce;

11 (2) Coal for the manufacture of electricity;

12 (3) (a) All energy or energy-producing fuels used in the course of manufacturing,  
13 processing, mining, or refining and any related distribution, transmission, and  
14 transportation services for this energy that are billed to the user, to the extent  
15 that the cost of the energy or energy-producing fuels used, and related  
16 distribution, transmission, and transportation services for this energy that are  
17 billed to the user exceed three percent (3%) of the cost of production.

18 (b) Cost of production shall be computed on the basis of a plant facility, which  
19 shall include all operations within the continuous, unbroken, integrated  
20 manufacturing or industrial processing process that ends with a product  
21 packaged and ready for sale.

22 (c) A person who performs a manufacturing or industrial processing activity for a  
23 fee and does not take ownership of the tangible personal property that is  
24 incorporated into, or becomes the product of, the manufacturing or industrial  
25 processing activity is a toller. For periods on or after July 1, 2018, the costs of  
26 the tangible personal property shall be excluded from the toller's cost of  
27 production at a plant facility with tolling operations in place as of July 1,

1           2018.

2           (d) For plant facilities that begin tolling operations after July 1, 2018, the costs of  
3           tangible personal property shall be excluded from the toller's cost of  
4           production if the toller:

- 5           1. Maintains a binding contract for periods after July 1, 2018, that governs  
6           the terms, conditions, and responsibilities with a separate legal entity,  
7           which holds title to the tangible personal property that is incorporated  
8           into, or becomes the product of, the manufacturing or industrial  
9           processing activity;
- 10          2. Maintains accounting records that show the expenses it incurs to fulfill  
11          the binding contract that include but are not limited to energy or energy-  
12          producing fuels, materials, labor, procurement, depreciation,  
13          maintenance, taxes, administration, and office expenses;
- 14          3. Maintains separate payroll, bank accounts, tax returns, and other records  
15          that demonstrate its independent operations in the performance of its  
16          tolling responsibilities;
- 17          4. Demonstrates one (1) or more substantial business purposes for the  
18          tolling operations germane to the overall manufacturing, industrial  
19          processing activities, or corporate structure at the plant facility. A  
20          business purpose is a purpose other than the reduction of sales tax  
21          liability for the purchases of energy and energy-producing fuels; and
- 22          5. Provides information to the department upon request that documents  
23          fulfillment of the requirements in subparagraphs 1. to 4. of this  
24          paragraph and gives an overview of its tolling operations with an  
25          explanation of how the tolling operations relate and connect with all  
26          other manufacturing or industrial processing activities occurring at the  
27          plant facility;

- 1 (4) Livestock of a kind the products of which ordinarily constitute food for human  
2 consumption, provided the sales are made for breeding or dairy purposes and by or  
3 to a person regularly engaged in the business of farming;
- 4 (5) Poultry for use in breeding or egg production;
- 5 (6) Farm work stock for use in farming operations;
- 6 (7) Seeds, the products of which ordinarily constitute food for human consumption or  
7 are to be sold in the regular course of business, and commercial fertilizer to be  
8 applied on land, the products from which are to be used for food for human  
9 consumption or are to be sold in the regular course of business; provided such sales  
10 are made to farmers who are regularly engaged in the occupation of tilling and  
11 cultivating the soil for the production of crops as a business, or who are regularly  
12 engaged in the occupation of raising and feeding livestock or poultry or producing  
13 milk for sale; and provided further that tangible personal property so sold is to be  
14 used only by those persons designated above who are so purchasing;
- 15 (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be  
16 used in the production of crops as a business, or in the raising and feeding of  
17 livestock or poultry, the products of which ordinarily constitute food for human  
18 consumption;
- 19 (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the  
20 products of which ordinarily constitute food for human consumption;
- 21 (10) Machinery for new and expanded industry;
- 22 (11) Farm machinery. As used in this section, the term "farm machinery":
- 23 (a) Means machinery used exclusively and directly in the occupation of:
- 24 1. Tilling the soil for the production of crops as a business;
- 25 2. Raising and feeding livestock or poultry for sale; or
- 26 3. Producing milk for sale;
- 27 (b) Includes machinery, attachments, and replacements therefor, repair parts, and

1 replacement parts which are used or manufactured for use on, or in the  
2 operation of farm machinery and which are necessary to the operation of the  
3 machinery, and are customarily so used, including but not limited to combine  
4 header wagons, combine header trailers, or any other implements specifically  
5 designed and used to move or transport a combine head; and

6 (c) Does not include:

- 7 1. Automobiles;
- 8 2. Trucks;
- 9 3. Trailers, except combine header trailers; or
- 10 4. Truck-trailer combinations;

11 (12) Tombstones and other memorial grave markers;

12 (13) On-farm facilities used exclusively for grain or soybean storing, drying, processing,  
13 or handling. The exemption applies to the equipment, machinery, attachments,  
14 repair and replacement parts, and any materials incorporated into the construction,  
15 renovation, or repair of the facilities;

16 (14) On-farm facilities used exclusively for raising poultry or livestock. The exemption  
17 shall apply to the equipment, machinery, attachments, repair and replacement parts,  
18 and any materials incorporated into the construction, renovation, or repair of the  
19 facilities. The exemption shall apply but not be limited to vent board equipment,  
20 waterer and feeding systems, brooding systems, ventilation systems, alarm systems,  
21 and curtain systems. In addition, the exemption shall apply whether or not the seller  
22 is under contract to deliver, assemble, and incorporate into real estate the  
23 equipment, machinery, attachments, repair and replacement parts, and any materials  
24 incorporated into the construction, renovation, or repair of the facilities;

25 (15) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively  
26 and directly to:

27 (a) Operate farm machinery as defined in subsection (11) of this section;

- 1 (b) Operate on-farm grain or soybean drying facilities as defined in subsection  
2 (13) of this section;
- 3 (c) Operate on-farm poultry or livestock facilities defined in subsection (14) of  
4 this section;
- 5 (d) Operate on-farm ratite facilities defined in subsection (23) of this section;
- 6 (e) Operate on-farm llama or alpaca facilities as defined in subsection (25) of this  
7 section; or
- 8 (f) Operate on-farm dairy facilities;
- 9 (16) Textbooks, including related workbooks and other course materials, purchased for  
10 use in a course of study conducted by an institution which qualifies as a nonprofit  
11 educational institution under KRS 139.495. The term "course materials" means only  
12 those items specifically required of all students for a particular course but shall not  
13 include notebooks, paper, pencils, calculators, tape recorders, or similar student  
14 aids;
- 15 (17) Any property which has been certified as an alcohol production facility as defined  
16 in KRS 247.910;
- 17 (18) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the  
18 direct operation of aircraft in interstate commerce and used exclusively for the  
19 conveyance of property or passengers for hire. Nominal intrastate use shall not  
20 subject the property to the taxes imposed by this chapter;
- 21 (19) Any property which has been certified as a fluidized bed energy production facility  
22 as defined in KRS 211.390;
- 23 (20) (a) 1. Any property to be incorporated into the construction, rebuilding,  
24 modification, or expansion of a blast furnace or any of its components or  
25 appurtenant equipment or structures as part of an approved supplemental  
26 project, as defined by KRS 154.26-010; and
- 27 2. Materials, supplies, and repair or replacement parts purchased for use in

1                   the operation and maintenance of a blast furnace and related carbon  
2                   steel-making operations as part of an approved supplemental project, as  
3                   defined by KRS 154.26-010.

4           (b) The exemptions provided in this subsection shall be effective for sales made:

5                   1. On and after July 1, 2018; and

6                   2. During the term of a supplemental project agreement entered into  
7                   pursuant to KRS 154.26-090;

8   (21) Beginning on October 1, 1986, food or food products purchased for human  
9           consumption with food coupons issued by the United States Department of  
10           Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to  
11           be exempted by the Food Security Act of 1985 in order for the Commonwealth to  
12           continue participation in the federal food stamp program;

13   (22) Machinery or equipment purchased or leased by a business, industry, or  
14           organization in order to collect, source separate, compress, bale, shred, or otherwise  
15           handle waste materials if the machinery or equipment is primarily used for  
16           recycling purposes;

17   (23) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and  
18           production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-  
19           products, and the following items used in this agricultural pursuit:

20           (a) Feed and feed additives;

21           (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
22           and

23           (c) On-farm facilities, including equipment, machinery, attachments, repair and  
24           replacement parts, and any materials incorporated into the construction,  
25           renovation, or repair of the facilities. The exemption shall apply to incubation  
26           systems, egg processing equipment, waterer and feeding systems, brooding  
27           systems, ventilation systems, alarm systems, and curtain systems. In addition,

1 the exemption shall apply whether or not the seller is under contract to  
2 deliver, assemble, and incorporate into real estate the equipment, machinery,  
3 attachments, repair and replacement parts, and any materials incorporated into  
4 the construction, renovation, or repair of the facilities;

5 (24) Embryos and semen that are used in the reproduction of livestock, if the products of  
6 these embryos and semen ordinarily constitute food for human consumption, and if  
7 the sale is made to a person engaged in the business of farming;

8 (25) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for  
9 the breeding and production of hides, breeding stock, fiber and wool products,  
10 meat, and llama and alpaca by-products, and the following items used in this  
11 pursuit:

12 (a) Feed and feed additives;

13 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
14 and

15 (c) On-farm facilities, including equipment, machinery, attachments, repair and  
16 replacement parts, and any materials incorporated into the construction,  
17 renovation, or repair of the facilities. The exemption shall apply to waterer  
18 and feeding systems, ventilation systems, and alarm systems. In addition, the  
19 exemption shall apply whether or not the seller is under contract to deliver,  
20 assemble, and incorporate into real estate the equipment, machinery,  
21 attachments, repair and replacement parts, and any materials incorporated into  
22 the construction, renovation, or repair of the facilities;

23 (26) Baling twine and baling wire for the baling of hay and straw;

24 (27) Water sold to a person regularly engaged in the business of farming and used in the:

25 (a) Production of crops;

26 (b) Production of milk for sale; or

27 (c) Raising and feeding of:

- 1           1. Livestock or poultry, the products of which ordinarily constitute food  
2           for human consumption; or
- 3           2. Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;
- 4 (28) Buffalos to be used as beasts of burden or in an agricultural pursuit for the  
5           production of hides, breeding stock, meat, and buffalo by-products, and the  
6           following items used in this pursuit:
- 7           (a) Feed and feed additives;
- 8           (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 9           and
- 10          (c) On-farm facilities, including equipment, machinery, attachments, repair and  
11          replacement parts, and any materials incorporated into the construction,  
12          renovation, or repair of the facilities. The exemption shall apply to waterer  
13          and feeding systems, ventilation systems, and alarm systems. In addition, the  
14          exemption shall apply whether or not the seller is under contract to deliver,  
15          assemble, and incorporate into real estate the equipment, machinery,  
16          attachments, repair and replacement parts, and any materials incorporated into  
17          the construction, renovation, or repair of the facilities;
- 18 (29) Aquatic organisms sold directly to or raised by a person regularly engaged in the  
19          business of producing products of aquaculture, as defined in KRS 260.960, for sale,  
20          and the following items used in this pursuit:
- 21          (a) Feed and feed additives;
- 22          (b) Water;
- 23          (c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 24          and
- 25          (d) On-farm facilities, including equipment, machinery, attachments, repair and  
26          replacement parts, and any materials incorporated into the construction,  
27          renovation, or repair of the facilities and, any gasoline, special fuels, liquefied



1 petroleum gas, or natural gas used to operate the facilities. The exemption  
2 shall apply, but not be limited to: waterer and feeding systems; ventilation,  
3 aeration, and heating systems; processing and storage systems; production  
4 systems such as ponds, tanks, and raceways; harvest and transport equipment  
5 and systems; and alarm systems. In addition, the exemption shall apply  
6 whether or not the seller is under contract to deliver, assemble, and  
7 incorporate into real estate the equipment, machinery, attachments, repair and  
8 replacement parts, and any materials incorporated into the construction,  
9 renovation, or repair of the facilities;

10 (30) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the  
11 production of hides, breeding stock, meat, and cervid by-products, and the  
12 following items used in this pursuit:

13 (a) Feed and feed additives;

14 (b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and

15 (c) On-site facilities, including equipment, machinery, attachments, repair and  
16 replacement parts, and any materials incorporated into the construction,  
17 renovation, or repair of the facilities. In addition, the exemption shall apply  
18 whether or not the seller is under contract to deliver, assemble, and  
19 incorporate into real estate the equipment, machinery, attachments, repair and  
20 replacement parts, and any materials incorporated into the construction,  
21 renovation, or repair of the facilities;

22 (31) (a) Repair or replacement parts for the direct operation or maintenance of a motor  
23 vehicle, including any towed unit, used exclusively in interstate commerce for  
24 the conveyance of property or passengers for hire, provided the motor vehicle  
25 is licensed for use on the highway and its declared gross vehicle weight with  
26 any towed unit is forty-four thousand and one (44,001) pounds or greater.  
27 Nominal intrastate use shall not subject the property to the taxes imposed by

1           this chapter; and

2           (b) Repair or replacement parts for the direct operation and maintenance of a  
3           motor vehicle operating under a charter bus certificate issued by the  
4           Transportation Cabinet under KRS Chapter 281, or under similar authority  
5           granted by the United States Department of Transportation.

6           (c) For the purposes of this subsection, "repair or replacement parts" means tires,  
7           brakes, engines, transmissions, drive trains, chassis, body parts, and their  
8           components. "Repair or replacement parts" shall not include fuel, machine  
9           oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential  
10          to the operation of the motor vehicle itself, except when sold as part of the  
11          assembled unit, such as cigarette lighters, radios, lighting fixtures not  
12          otherwise required by the manufacturer for operation of the vehicle, or tool or  
13          utility boxes;

14       (32) Food donated by a retail food establishment or any other entity regulated under  
15       KRS 217.127 to a nonprofit organization for distribution to the needy;

16       (33) Drugs and over-the counter drugs, as defined in KRS 139.472, that are purchased  
17       by a person regularly engaged in the business of farming and used in the treatment  
18       of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas, buffalo, aquatic  
19       organisms, or cervids;

20       (34) (a) Building materials, fixtures, or supplies purchased by a construction  
21       contractor if:

- 22           1. Fulfilled by a construction contract for a sewer or water project with:
- 23           a. A municipally owned water utility organized under KRS Chapter  
24           96;
- 25           b. A water district or water commission formed or organized under  
26           KRS Chapter 74;
- 27           c. A sanitation district established under KRS Chapter 220 or formed

- 1                                   pursuant to KRS Chapter 65;
- 2                                   d.    A nonprofit corporation created under KRS 58.180 to act on behalf
- 3                                   of a governmental agency in the acquisition and financing of
- 4                                   public projects;
- 5                                   e.    Regional wastewater commissions formed under KRS Chapter
- 6                                   278;
- 7                                   f.    A municipally owned joint sewer agency formed under KRS
- 8                                   Chapter 76; or
- 9                                   g.    Any other governmental agency; and
- 10                                  2.    The building materials, fixtures, or supplies:
- 11                                  a.    Will be permanently incorporated into a structure or improvement
- 12                                  to real property, or will be completely consumed, in fulfilling a
- 13                                  construction contract for the purpose of furnishing water or sewer
- 14                                  services to the general public; and
- 15                                  b.    Would be exempt if purchased directly by the entities listed in
- 16                                  subparagraph 1. of this paragraph.
- 17                                  (b)  As used in this subsection, "construction contract" means a:
- 18                                  1.    Lump sum contract;
- 19                                  2.    Cost plus contract;
- 20                                  3.    Materials only contract;
- 21                                  4.    Labor and materials contract; or
- 22                                  5.    Any other type of contract.
- 23                                  (c)  The exemption provided in this subsection shall apply without regard to the
- 24                                  payment arrangement between the construction contractor, the retailer, and
- 25                                  the entities listed in paragraph (a)1. of this subsection or to the place of
- 26                                  delivery for the building materials, fixtures, or supplies;
- 27                                  (35) (a)  On or after February 25, 2022, the rental of space for meetings, conventions,

1 short-term business uses, entertainment events, weddings, banquets, parties,  
2 and other short-term social events, as referenced in KRS 139.200, if the tax  
3 established in KRS 139.200 is paid by the primary lessee to the lessor.

4 (b) For the purpose of this subsection, "primary lessee" means the person who  
5 leases the space and who has a contract with the lessor of the space only if:

6 1. The contract between the lessor and the lessee specifies that the lessee  
7 may sublease, subrent, or otherwise sell the space; and

8 2. The space is then sublet, subrented, or otherwise sold to exhibitors,  
9 vendors, sponsors, or other entities and persons who will use the space  
10 associated with the event to be conducted under the primary lease;~~and~~

11 (36) Prewritten computer software access services sold to or purchased by a retailer that  
12 develops prewritten computer software for print technology and uses and sells  
13 prewritten computer software access services for print technology; **and**

14 **(37) On or after August 1, 2024:**

15 **(a) Currency or bullion.**

16 **(b) As used in this subsection:**

17 **1. "Bullion":**

18 **a. Means bars, ingots, or coins, which are:**

19 **i. Made of gold, silver, platinum, palladium, or a**  
20 **combination of these metals;**

21 **ii. Valued based on the content of the metal and not its form;**  
22 **and**

23 **iii. Used, or have been used, as a medium of exchange,**  
24 **security, or commodity by any state, the United States**  
25 **government, or a foreign nation; and**

26 **b. Does not include medallions or coins that are incorporated into a**  
27 **pendant or other jewelry; and**

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2. "Currency":

- a. Means a coin or currency made of gold, silver, platinum, palladium, or other metal or paper money that is or has been used as legal tender and is sold based on its value as a collectible item rather than the value as a medium of exchange; and
- b. Does not include a coin or currency that has been incorporated into jewelry.

➔Section 2. KRS 139.480 (Effective January 1, 2025) is amended to read as follows:

Any other provision of this chapter to the contrary notwithstanding, the terms "sale at retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not include the sale, use, storage, or other consumption of:

- (1) Locomotives or rolling stock, including materials for the construction, repair, or modification thereof, or fuel or supplies for the direct operation of locomotives and trains, used or to be used in interstate commerce;
- (2) Coal for the manufacture of electricity;
- (3) (a) All energy or energy-producing fuels used in the course of manufacturing, processing, mining, or refining and any related distribution, transmission, and transportation services for this energy that are billed to the user, to the extent that the cost of the energy or energy-producing fuels used, and related distribution, transmission, and transportation services for this energy that are billed to the user exceed three percent (3%) of the cost of production.
- (b) Cost of production shall be computed on the basis of a plant facility, which shall include all operations within the continuous, unbroken, integrated manufacturing or industrial processing process that ends with a product packaged and ready for sale.
- (c) A person who performs a manufacturing or industrial processing activity for a

1 fee and does not take ownership of the tangible personal property that is  
2 incorporated into, or becomes the product of, the manufacturing or industrial  
3 processing activity is a toller. For periods on or after July 1, 2018, the costs of  
4 the tangible personal property shall be excluded from the toller's cost of  
5 production at a plant facility with tolling operations in place as of July 1,  
6 2018.

7 (d) For plant facilities that begin tolling operations after July 1, 2018, the costs of  
8 tangible personal property shall be excluded from the toller's cost of  
9 production if the toller:

- 10 1. Maintains a binding contract for periods after July 1, 2018, that governs  
11 the terms, conditions, and responsibilities with a separate legal entity,  
12 which holds title to the tangible personal property that is incorporated  
13 into, or becomes the product of, the manufacturing or industrial  
14 processing activity;
- 15 2. Maintains accounting records that show the expenses it incurs to fulfill  
16 the binding contract that include but are not limited to energy or energy-  
17 producing fuels, materials, labor, procurement, depreciation,  
18 maintenance, taxes, administration, and office expenses;
- 19 3. Maintains separate payroll, bank accounts, tax returns, and other records  
20 that demonstrate its independent operations in the performance of its  
21 tolling responsibilities;
- 22 4. Demonstrates one (1) or more substantial business purposes for the  
23 tolling operations germane to the overall manufacturing, industrial  
24 processing activities, or corporate structure at the plant facility. A  
25 business purpose is a purpose other than the reduction of sales tax  
26 liability for the purchases of energy and energy-producing fuels; and
- 27 5. Provides information to the department upon request that documents

1 fulfillment of the requirements in subparagraphs 1. to 4. of this  
2 paragraph and gives an overview of its tolling operations with an  
3 explanation of how the tolling operations relate and connect with all  
4 other manufacturing or industrial processing activities occurring at the  
5 plant facility;

6 (4) Livestock of a kind the products of which ordinarily constitute food for human  
7 consumption, provided the sales are made for breeding or dairy purposes and by or  
8 to a person regularly engaged in the business of farming;

9 (5) Poultry for use in breeding or egg production;

10 (6) Farm work stock for use in farming operations;

11 (7) Seeds, the products of which ordinarily constitute food for human consumption or  
12 are to be sold in the regular course of business, and commercial fertilizer to be  
13 applied on land, the products from which are to be used for food for human  
14 consumption or are to be sold in the regular course of business; provided such sales  
15 are made to farmers who are regularly engaged in the occupation of tilling and  
16 cultivating the soil for the production of crops as a business, or who are regularly  
17 engaged in the occupation of raising and feeding livestock or poultry or producing  
18 milk for sale; and provided further that tangible personal property so sold is to be  
19 used only by those persons designated above who are so purchasing;

20 (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be  
21 used in the production of crops as a business, or in the raising and feeding of  
22 livestock or poultry, the products of which ordinarily constitute food for human  
23 consumption;

24 (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the  
25 products of which ordinarily constitute food for human consumption;

26 (10) Machinery for new and expanded industry;

27 (11) Farm machinery. As used in this section, the term "farm machinery":

- 1 (a) Means machinery used exclusively and directly in the occupation of:
- 2 1. Tilling the soil for the production of crops as a business;
- 3 2. Raising and feeding livestock or poultry for sale; or
- 4 3. Producing milk for sale;
- 5 (b) Includes machinery, attachments, and replacements therefor, repair parts, and
- 6 replacement parts which are used or manufactured for use on, or in the
- 7 operation of farm machinery and which are necessary to the operation of the
- 8 machinery, and are customarily so used, including but not limited to combine
- 9 header wagons, combine header trailers, or any other implements specifically
- 10 designed and used to move or transport a combine head; and
- 11 (c) Does not include:
- 12 1. Automobiles;
- 13 2. Trucks;
- 14 3. Trailers, except combine header trailers; or
- 15 4. Truck-trailer combinations;
- 16 (12) Tombstones and other memorial grave markers;
- 17 (13) On-farm facilities used exclusively for grain or soybean storing, drying, processing,
- 18 or handling. The exemption applies to the equipment, machinery, attachments,
- 19 repair and replacement parts, and any materials incorporated into the construction,
- 20 renovation, or repair of the facilities;
- 21 (14) On-farm facilities used exclusively for raising poultry or livestock. The exemption
- 22 shall apply to the equipment, machinery, attachments, repair and replacement parts,
- 23 and any materials incorporated into the construction, renovation, or repair of the
- 24 facilities. The exemption shall apply but not be limited to vent board equipment,
- 25 waterer and feeding systems, brooding systems, ventilation systems, alarm systems,
- 26 and curtain systems. In addition, the exemption shall apply whether or not the seller
- 27 is under contract to deliver, assemble, and incorporate into real estate the



- 1 equipment, machinery, attachments, repair and replacement parts, and any materials  
2 incorporated into the construction, renovation, or repair of the facilities;
- 3 (15) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively  
4 and directly to:
- 5 (a) Operate farm machinery as defined in subsection (11) of this section;
  - 6 (b) Operate on-farm grain or soybean drying facilities as defined in subsection  
7 (13) of this section;
  - 8 (c) Operate on-farm poultry or livestock facilities defined in subsection (14) of  
9 this section;
  - 10 (d) Operate on-farm ratite facilities defined in subsection (23) of this section;
  - 11 (e) Operate on-farm llama or alpaca facilities as defined in subsection (25) of this  
12 section; or
  - 13 (f) Operate on-farm dairy facilities;
- 14 (16) Textbooks, including related workbooks and other course materials, purchased for  
15 use in a course of study conducted by an institution which qualifies as a nonprofit  
16 educational institution under KRS 139.495. The term "course materials" means only  
17 those items specifically required of all students for a particular course but shall not  
18 include notebooks, paper, pencils, calculators, tape recorders, or similar student  
19 aids;
- 20 (17) Any property which has been certified as an alcohol production facility as defined  
21 in KRS 247.910;
- 22 (18) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the  
23 direct operation of aircraft in interstate commerce and used exclusively for the  
24 conveyance of property or passengers for hire. Nominal intrastate use shall not  
25 subject the property to the taxes imposed by this chapter;
- 26 (19) Any property which has been certified as a fluidized bed energy production facility  
27 as defined in KRS 211.390;

- 1 (20) (a) 1. Any property to be incorporated into the construction, rebuilding,  
2 modification, or expansion of a blast furnace or any of its components or  
3 appurtenant equipment or structures as part of an approved supplemental  
4 project, as defined by KRS 154.26-010; and
- 5 2. Materials, supplies, and repair or replacement parts purchased for use in  
6 the operation and maintenance of a blast furnace and related carbon  
7 steel-making operations as part of an approved supplemental project, as  
8 defined by KRS 154.26-010.
- 9 (b) The exemptions provided in this subsection shall be effective for sales made:
- 10 1. On and after July 1, 2018; and
- 11 2. During the term of a supplemental project agreement entered into  
12 pursuant to KRS 154.26-090;
- 13 (21) Beginning on October 1, 1986, food or food products purchased for human  
14 consumption with food coupons issued by the United States Department of  
15 Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to  
16 be exempted by the Food Security Act of 1985 in order for the Commonwealth to  
17 continue participation in the federal food stamp program;
- 18 (22) Machinery or equipment purchased or leased by a business, industry, or  
19 organization in order to collect, source separate, compress, bale, shred, or otherwise  
20 handle waste materials if the machinery or equipment is primarily used for  
21 recycling purposes;
- 22 (23) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and  
23 production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-  
24 products, and the following items used in this agricultural pursuit:
- 25 (a) Feed and feed additives;
- 26 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 27 and

- 1 (c) On-farm facilities, including equipment, machinery, attachments, repair and  
2 replacement parts, and any materials incorporated into the construction,  
3 renovation, or repair of the facilities. The exemption shall apply to incubation  
4 systems, egg processing equipment, waterer and feeding systems, brooding  
5 systems, ventilation systems, alarm systems, and curtain systems. In addition,  
6 the exemption shall apply whether or not the seller is under contract to  
7 deliver, assemble, and incorporate into real estate the equipment, machinery,  
8 attachments, repair and replacement parts, and any materials incorporated into  
9 the construction, renovation, or repair of the facilities;
- 10 (24) Embryos and semen that are used in the reproduction of livestock, if the products of  
11 these embryos and semen ordinarily constitute food for human consumption, and if  
12 the sale is made to a person engaged in the business of farming;
- 13 (25) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for  
14 the breeding and production of hides, breeding stock, fiber and wool products,  
15 meat, and llama and alpaca by-products, and the following items used in this  
16 pursuit:
- 17 (a) Feed and feed additives;
- 18 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
19 and
- 20 (c) On-farm facilities, including equipment, machinery, attachments, repair and  
21 replacement parts, and any materials incorporated into the construction,  
22 renovation, or repair of the facilities. The exemption shall apply to waterer  
23 and feeding systems, ventilation systems, and alarm systems. In addition, the  
24 exemption shall apply whether or not the seller is under contract to deliver,  
25 assemble, and incorporate into real estate the equipment, machinery,  
26 attachments, repair and replacement parts, and any materials incorporated into  
27 the construction, renovation, or repair of the facilities;

- 1 (26) Baling twine and baling wire for the baling of hay and straw;
- 2 (27) Water sold to a person regularly engaged in the business of farming and used in the:
- 3 (a) Production of crops;
- 4 (b) Production of milk for sale; or
- 5 (c) Raising and feeding of:
- 6 1. Livestock or poultry, the products of which ordinarily constitute food
- 7 for human consumption; or
- 8 2. Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;
- 9 (28) Buffalos to be used as beasts of burden or in an agricultural pursuit for the
- 10 production of hides, breeding stock, meat, and buffalo by-products, and the
- 11 following items used in this pursuit:
- 12 (a) Feed and feed additives;
- 13 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 14 and
- 15 (c) On-farm facilities, including equipment, machinery, attachments, repair and
- 16 replacement parts, and any materials incorporated into the construction,
- 17 renovation, or repair of the facilities. The exemption shall apply to waterer
- 18 and feeding systems, ventilation systems, and alarm systems. In addition, the
- 19 exemption shall apply whether or not the seller is under contract to deliver,
- 20 assemble, and incorporate into real estate the equipment, machinery,
- 21 attachments, repair and replacement parts, and any materials incorporated into
- 22 the construction, renovation, or repair of the facilities;
- 23 (29) Aquatic organisms sold directly to or raised by a person regularly engaged in the
- 24 business of producing products of aquaculture, as defined in KRS 260.960, for sale,
- 25 and the following items used in this pursuit:
- 26 (a) Feed and feed additives;
- 27 (b) Water;

- 1 (c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
2 and
- 3 (d) On-farm facilities, including equipment, machinery, attachments, repair and  
4 replacement parts, and any materials incorporated into the construction,  
5 renovation, or repair of the facilities and, any gasoline, special fuels, liquefied  
6 petroleum gas, or natural gas used to operate the facilities. The exemption  
7 shall apply, but not be limited to: waterer and feeding systems; ventilation,  
8 aeration, and heating systems; processing and storage systems; production  
9 systems such as ponds, tanks, and raceways; harvest and transport equipment  
10 and systems; and alarm systems. In addition, the exemption shall apply  
11 whether or not the seller is under contract to deliver, assemble, and  
12 incorporate into real estate the equipment, machinery, attachments, repair and  
13 replacement parts, and any materials incorporated into the construction,  
14 renovation, or repair of the facilities;
- 15 (30) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the  
16 production of hides, breeding stock, meat, and cervid by-products, and the  
17 following items used in this pursuit:
- 18 (a) Feed and feed additives;
- 19 (b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and
- 20 (c) On-site facilities, including equipment, machinery, attachments, repair and  
21 replacement parts, and any materials incorporated into the construction,  
22 renovation, or repair of the facilities. In addition, the exemption shall apply  
23 whether or not the seller is under contract to deliver, assemble, and  
24 incorporate into real estate the equipment, machinery, attachments, repair and  
25 replacement parts, and any materials incorporated into the construction,  
26 renovation, or repair of the facilities;
- 27 (31) (a) Repair or replacement parts for the direct operation or maintenance of a motor

1 vehicle, including any towed unit, used exclusively in interstate commerce for  
2 the conveyance of property or passengers for hire, provided the motor vehicle  
3 is licensed for use on the highway and its declared gross vehicle weight with  
4 any towed unit is forty-four thousand and one (44,001) pounds or greater.  
5 Nominal intrastate use shall not subject the property to the taxes imposed by  
6 this chapter; and

7 (b) Repair or replacement parts for the direct operation and maintenance of a  
8 motor vehicle operating under a charter bus certificate issued by the  
9 Transportation Cabinet under KRS Chapter 281, or under similar authority  
10 granted by the United States Department of Transportation.

11 (c) For the purposes of this subsection, "repair or replacement parts" means tires,  
12 brakes, engines, transmissions, drive trains, chassis, body parts, and their  
13 components. "Repair or replacement parts" shall not include fuel, machine  
14 oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential  
15 to the operation of the motor vehicle itself, except when sold as part of the  
16 assembled unit, such as cigarette lighters, radios, lighting fixtures not  
17 otherwise required by the manufacturer for operation of the vehicle, or tool or  
18 utility boxes;

19 (32) Food donated by a retail food establishment or any other entity regulated under  
20 KRS 217.127 to a nonprofit organization for distribution to the needy;

21 (33) Drugs and over-the counter drugs, as defined in KRS 139.472, that are purchased  
22 by a person regularly engaged in the business of farming and used in the treatment  
23 of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas, buffalo, aquatic  
24 organisms, or cervids;

25 (34) (a) Building materials, fixtures, or supplies purchased by a construction  
26 contractor if:

27 1. Fulfilled by a construction contract for a sewer or water project with:

- 1 a. A municipally owned water utility organized under KRS Chapter
- 2 96;
- 3 b. A water district or water commission formed or organized under
- 4 KRS Chapter 74;
- 5 c. A sanitation district established under KRS Chapter 220 or formed
- 6 pursuant to KRS Chapter 65;
- 7 d. A nonprofit corporation created under KRS 58.180 to act on behalf
- 8 of a governmental agency in the acquisition and financing of
- 9 public projects;
- 10 e. Regional wastewater commissions formed under KRS Chapter
- 11 278;
- 12 f. A municipally owned joint sewer agency formed under KRS
- 13 Chapter 76; or
- 14 g. Any other governmental agency; and
- 15 2. The building materials, fixtures, or supplies:
- 16 a. Will be permanently incorporated into a structure or improvement
- 17 to real property, or will be completely consumed, in fulfilling a
- 18 construction contract for the purpose of furnishing water or sewer
- 19 services to the general public; and
- 20 b. Would be exempt if purchased directly by the entities listed in
- 21 subparagraph 1. of this paragraph.
- 22 (b) As used in this subsection, "construction contract" means a:
- 23 1. Lump sum contract;
- 24 2. Cost plus contract;
- 25 3. Materials only contract;
- 26 4. Labor and materials contract; or
- 27 5. Any other type of contract.

1 (c) The exemption provided in this subsection shall apply without regard to the  
2 payment arrangement between the construction contractor, the retailer, and  
3 the entities listed in paragraph (a)1. of this subsection or to the place of  
4 delivery for the building materials, fixtures, or supplies;

5 (35) (a) On or after February 25, 2022, the rental of space for meetings, conventions,  
6 short-term business uses, entertainment events, weddings, banquets, parties,  
7 and other short-term social events, as referenced in KRS 139.200, if the tax  
8 established in KRS 139.200 is paid by the primary lessee to the lessor.

9 (b) For the purpose of this subsection, "primary lessee" means the person who  
10 leases the space and who has a contract with the lessor of the space only if:

11 1. The contract between the lessor and the lessee specifies that the lessee  
12 may sublease, subrent, or otherwise sell the space; and

13 2. The space is then sublet, subrented, or otherwise sold to exhibitors,  
14 vendors, sponsors, or other entities and persons who will use the space  
15 associated with the event to be conducted under the primary lease;

16 (36) Prewritten computer software access services sold to or purchased by a retailer that  
17 develops prewritten computer software for print technology and uses and sells  
18 prewritten computer software access services for print technology;

19 **(37) On or after August 1, 2024:**

20 **(a) Currency or bullion.**

21 **(b) As used in this subsection:**

22 **1. "Bullion":**

23 **a. Means bars, ingots, or coins, which are:**

24 **i. Made of gold, silver, platinum, palladium, or a**  
25 **combination of these metals;**

26 **ii. Valued based on the content of the metal and not its form;**

27 **and**



1                    iii. Used, or have been used, as a medium of exchange,  
 2                    security, or commodity by any state, the United States  
 3                    government, or a foreign nation; and

4                    b. Does not include medallions or coins that are incorporated into a  
 5                    pendant or other jewelry; and

6                    2. "Currency":

7                    a. Means a coin or currency made of gold, silver, platinum,  
 8                    palladium, or other metal or paper money that is or has been  
 9                    used as legal tender and is sold based on its value as a collectible  
 10                    item rather than the value as a medium of exchange; and

11                    b. Does not include a coin or currency that has been incorporated  
 12                    into jewelry; and

13                    ~~(38)~~~~(37)~~ Medicinal cannabis as defined in KRS 218B.010 when sold, used, stored, or  
 14                    consumed in accordance with KRS Chapter 218B.