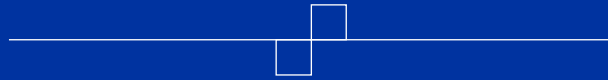


Martin-Gatton College of Agriculture, Food and Environment

# KY Sales & Use Tax on UK Extension Services



January 2024

EXTENSION BUSINESS OPERATIONS

# House Bill 8 Took Effect 1-1-2023

- Effective January 1, 2023, Kentucky's sales and use tax was expanded to include additional services that were not previously taxed.
- Extension District Boards are now responsible for collecting sales tax on:
  - ✓ Water and soil testing analysis
    - ❖ *associated shipping/packaging is not taxable*
  - ✓ Space rental, including event parking and Farmers Market vendor fees
  - ✓ Resale of products such as seeds, plants, and rootstock

# 4-H Camp Fees

KRS 139.497 provides a specific exemption for, “*sales made by nonprofit educational youth programs affiliated with a land grant university cooperative extension service, if the net proceeds from the sales are used solely for the benefit of the affiliated programs.*”



Therefore, 4-H Camp fees are exempt from taxation under HB 8.

# Other Samples Collected in CES Offices

- ✓ Forage Samples
- ✓ Extra Minerals in Soil Samples
- ✓ Tissue Samples
- ✓ Manure Samples
- ✓ Samples charged through Dairy One, KDA, etc.



These charges are subject to sales tax if provided as part of taxable laboratory testing services.

# Action Needed by EDBs

- Submit a copy of the EDB's tax exemption certificate to Extension Business Operations to avoid being charged sales tax on testing conducted by UK Regulatory Services.
- Register with Kentucky Business One Stop to remit sales tax collected from non-exempt customers to the Dept. of Revenue:

<https://cafebusinesscenter.ca.uky.edu/sites/cafebusinesscenter.ca.uky.edu/files/OnboardingToKentuckyBusinessOneStop.pdf>

# Action Needed by EDBs (cont'd)

- **Collect** tax exemption certificates from applicable customers.
- **Retain** tax exemption certificates from applicable customers for four (4) years.



# What if EDBs would like to offer testing services free of charge?

- The Board's tax exemption can be used for laboratory testing services for customers of the County Extension Office if those services are offered to the public free of charge. In these circumstances, neither a charge for the service nor sales tax would be collected from the customer.
- EDBs that choose to offer free testing services must build the anticipated cost into their annual budgets.

# Reporting Expectations for Sales Tax


IF TAX COLLECTED IS...	THEN REMIT...
Greater than \$1,200	Monthly
\$1,200 to \$125	Quarterly
Less than \$125	Annually




# Sales Tax in QBO – Collection

- On Bank Deposit transactions, the sales tax portion of the funds received should be coded to a Liability account, such as 21001 Accounts Payable.
- Please note that, if using liability category Accounts Payable, a Vendor, and not a Customer, must be used in the Received From column.

# Sales Tax in QBO – Collection

 **Bank Deposit**

Account: 11501 District Board Main Checki  Balance \$106.00 Date: 06/08/2023

Tags  [Manage tags](#)

Start typing to add a tag

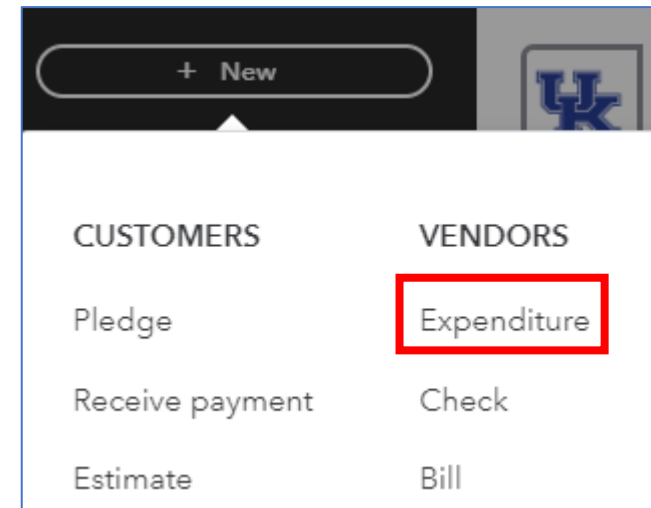
Show payments for this territory: - All Territories -

▼ Add funds to this deposit

#	RECEIVED FROM	ACCOUNT	DESCRIPTION	PAYMENT METHOD	REF NO.	AMOUNT
1	Carol Brady	43001 Charges for Services:Services	Soil Test	Cash		6.00
2	Dept of Revenue	21001 Accounts Payable	Tax on Soil Test	Cash		0.36

# Sales Tax in QBO – Remittance

- When remitting sales tax collected to DOR, the Expense transaction in QBO should be coded to the same Liability account that was used to show the deposit of sales tax into an EDB bank account.
- All payments to DOR will be made electronically. Therefore, an Expenditure, rather than a Check, transaction should be used.



# Sales Tax in QBO – Remittance

**Expense**

Payee: Dept of Revenue  
Payment account: 11501 District Board Main Checki  
Balance \$106.00

Payment date: 06/08/2023  
Payment method: What did you pay with?  
Ref no.:  
Territory:  
Permit no.:

Tags: Start typing to add a tag [Manage tags](#)

#	CATEGORY ?	DESCRIPTION	AMOUNT
⋮	1 21001 Accounts Payable	Sales Tax Collected June 2023	0.36

# Please Note

- If a county's **21001 Accounts Payable** category in QBO is utilized regularly due to Bills being posted, they may wish to establish a new Liability account that is used exclusively for tracking sales tax.
  - ✓ Please contact your EBO Business Analyst to fulfill this request.
- Maintaining an additional spreadsheet or document for sales tax collected is recommended so that it can be reconciled against QBO data prior to remittance to DOR.

# EBO Sales Tax FAQs

- A list of frequently asked questions can be found at the link below, and this document will be updated regularly.

[Link to EBO's Sales Tax Resources](#)

- Should you encounter a unique circumstance that has not yet been documented in our FAQs, please contact your Business Analyst for assistance.

[Zach Waller](#) – West Region

[Ryan Martin](#) – Central Region

[Lindsay Poore](#) – East Region

# Additional Resources

[KY DOR Sales & Use Tax](#)

[KY DOR Recreation and Fitness](#)

[KY Administrative Regulations Title 103 Chapter 025](#)



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**mail:**  
U.S. Department of Agriculture  
Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410; or

**fax:**  
(833) 256-1665 or (202) 690-7442;

**email:**  
[program.intake@usda.gov](mailto:program.intake@usda.gov).

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**correo postal:**  
U.S. Department of Agriculture  
Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410; o'

**fax:**  
(833) 256-1665 o' (202) 690-7442;

**correo electrónico:**  
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- UK Office of Institutional Equity and Equal Opportunity, 13 Main Building, University of Kentucky, Lexington, KY 40506-0032
- US Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410