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Changes in Kentucky Sales Tax That Apply to Farming

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Legislation went into effect on the first of 2023 that made many services subject to Kentucky's 6% sales tax. One change was to the qualifications for residential use exemption from sales tax on utilities. As a result, Kentucky sales tax will be charged for utility services furnished to any location that is not your place of domicile, even if it was formally classified as residential.

The Agriculture Exemption License Number makes qualified farms exempt from sales tax on natural gas, LP, and water used exclusively and directly in qualified farming operations, but not electricity. See the article on [Kentucky Sales Tax on Utilities](#).

There are other changes that apply to farming:

“Marketing Services.” Sales tax now applies to “developing marketing objectives and policies, sales forecasting, new product developing and pricing, licensing, and franchise planning.” If you pay for things like marketing advice, strategies, advertising, and sales services expect to see KY sales tax added on to your bill.

Extended warranty services purchased separately are now subject to sales tax. An extended warranty, service agreement, or maintenance agreement provides prolonged coverage in addition to the standard warranty. Sales tax now applies to an extended warranty on farm machinery and equipment, even though the purchase price of the property itself is exempt. This also includes extended warranty contracts for land, buildings, and improvements.

Services performed by veterinarians and veterinary practices are now taxable. However, services for horses and food animals, like cattle, are exempt.

There is now a sales tax exemption for drugs and over-the-counter medications “that are purchased by a person regularly engaged in the business of farming and used in the treatment of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas, buffalo, aquatic organisms, or cervids.”

Security system monitoring services for home and business are subject to sales tax.

Electric Vehicle (EV) power distributed in Kentucky by electric charging stations will be taxed at \$0.03 per kilowatt hour, including stations located on state property. Registration of a new EV and annual renewal registration fees now apply, as well.

For more information and a list of other services covered see [Kentucky Sales Tax Facts](#) from the Kentucky Department of Revenue.

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