

TAX EXEMPTION FOR PURCHASES

1. KRS 139.470(7) provides that the Kentucky sales and use tax shall not apply to purchases of tangible personal property or services made by any cabinet, department, commission, board or other statutory or constitutional agency of the Commonwealth. This exemption applies only to purchases of property or services for use solely in the governmental function. A purchaser not qualifying as a governmental agency or unit is not entitled to the exemption even though such purchaser may be the recipient of public funds or grants.
2. The exemption applies only to sales made directly to units of state government and cannot be claimed by a contractor purchasing property to be used in fulfilling a contract with the Commonwealth.
3. Under the provisions of KRS 139.495, schools, colleges and universities are exempt from the sales and use tax on purchases that are used within the educational function of the institutions. Organized athletics conducted by an exempt educational institution are an integral part of the educational activities and the exemption is extended to the purchase of athletic equipment and supplies by an exempt institution.
4. Each unit of state government that performs a specific function and makes purchases in its own name shall file an application for exemption. "Application for Purchase Exemption Sales and Use Tax", Revenue Form 51A125 shall be completed and returned to the Department of Revenue.
5. Units of state government qualifying for exemption shall obtain an authorization letter bearing an exemption number. A copy of that letter shall be supplied to vendors upon request. Every invoice shall show that delivery was made to a unit of state government and shall bear the unit's exemption number.

Related to: KRS 139.470(7); KRS 139.495