

Sales and Excise Tax Q &A:

Following our tax webinar last week, we wanted to provide a quick reference guide for dealers as they approach the new rules for sales and excise taxes effective January 1, 2023.

EXTENDED WARRANTY SOLD TO KY RESIDENT:

NO CHANGE- sales tax charged on the warranty and submitted to Kentucky department of revenue just as in prior years.

EXTENDED WARRANTY SOLD TO RESIDENT of “THE 8” STATES:

NO CHANGE- sales of warranty contracts to residents of Arizona, California, Florida, Indiana, Massachusetts, Michigan, South Carolina, and Washington remain subject to sales taxes just as in prior years

EXTENDED WARRANTY SOLD TO RESIDENT OF ANY OTHER STATE:

CHANGE- effective January 1, 2023, six percent sales tax to be collected and submitted to Department of Revenue. Customers SHOULD get credit for the tax paid to Kentucky if their home state requires sales taxes on the contracts, with any difference to be paid to the other state. Tennessee, for example, has indicated that it WILL give credit for such taxes.

LOANER VEHICLES:

NO CHANGE- if no charge is paid by a customer for a loaner vehicle AND that vehicle is not on a U-Drive-it permit, no sales taxes are required to be collected and remitted. \$25/ month service rental fee still applies.

RENTAL VEHICLES:

CHANGE- Vehicles currently on a U-Drive-it Permit will now be required to pay a 6% excise tax to be collected and remitted to revenue IN ADDITION TO the 6% U-Drive It tax.

The Kentucky Department of Revenue has additional FAQ's on the new rental excise tax here: