

# IMPORTANT NOTICE

## Subject: Kentucky VSC Sales Tax Update

*June 19, 2018*

The purpose of this notice is to draw your attention to Kentucky House Bill 487. This legislation specifically imposes tax on extended warranty services which goes into effect July 1, 2018.

The bill defines “extended warranty services” as:

Services provided through a service contract agreement between the contract provider and the purchaser where the purchaser agrees to pay compensation for the contract and the provider agrees to repair, replace, support or maintain tangible personal property or digital property according to the terms of the contract if:

- (a) The service contract agreement is sold or purchased on or after July 1, 2018; and
- (b) The tangible personal property or digital property for which the service contract agreement is provided is subject to tax under this chapter or under KRS 138.460.

The bill imposes a tax on retailers at a rate of 6% of the gross receipts derived from furnishing extended warranty services. Retailers selling an extended warranty service in Kentucky are required to register with the Department of Revenue and provide additional information pertaining to their business operation.

Additional references include a circulation from the Kentucky Automobile Dealers Association which includes an FAQ they received from the Kentucky Department of Revenue. [Click here to download.](#)

Please consult with your tax professional in connection with this change.

### Questions or concerns?

Please contact Client Services at 800-849-9559 or email [ClientServices@WiseFandI.com](mailto:ClientServices@WiseFandI.com).

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