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TO: Scott Peterson, Executive Director
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FROM: Richard Dobson, Executive Director
Office of Sales and Excise Taxes
Department of Revenue

DATE: September 23, 2011

RE: Kentucky's Response to SST Staff Analysis to 2011 Recertification

Below are responses to SST staff comments in the order received.

- 1) According to the taxability matrix, bottled water is taxable. Bottled water is not defined and is not excluded from food and food ingredients.
The matrix designation for bottled water has been changed to exempt. Kentucky has not adopted a separate definition for bottled water. The products within this category are taxable or exempt depending on whether the item is or is not included in "food and food ingredients."
- 2) The following citations are needed: Section 303, third question-139.240(4); fourth question-139.240(3).
The suggested citations have been added to the 2011 certificate of compliance.



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- 3) In Section 317 of the certificate of compliance, the statute provided does not address blanket exemption certificates. The regulation cited only covers resale certificates and not other types of exemptions.

The Streamlined Exemption Certificate posted on our website is a blanket certificate unless designated otherwise by the purchaser. The use of the certificate as blanket or single purchase is at the discretion of the purchaser. Kentucky does not mandate the periodic update of certificates. Comment has been added to the certificate of compliance.

- 4) In Section 324 of the certificate of compliance, the state answered N/A for paragraph B.1. the state has no local taxes so that is appropriate with respect to aggregation of state and local taxes. However, that does not address the provision to allow tax to be computed on an invoice or item basis.

There is no restriction on whether the tax is computed on an invoice or item basis as long as the seller's methodology is consistent. The 2011 certificate of compliance has been updated with this comment.

If you should have any questions or require further explanation of any comments, please do not hesitate to contact me. Thank you for your consideration of this filing.