

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF REVENUE
FRANKFORT
40620
revenue.ky.gov

MEMORANDUM

TO: County Clerks for Distribution to Taxpayers

FROM: Motor Vehicle Usage Tax Section,
Kentucky Department of Revenue

DATE: June 27, 2005

SUBJECT: Collection of Usage Tax at Titling

Effective July 1, 2005 persons presenting motor vehicles for titling or registration in Kentucky will be subject to new requirements provided as part of HB 267 enacted by the 2005 Kentucky General Assembly. For persons titling and registering vehicles for highway use, the changes will be transparent. The county clerk will continue to collect the motor vehicle usage tax on these transactions in the same manner as in the past. However, in the case of persons who seek to title vehicles that are not for highway use, the county clerk will require payment of applicable Kentucky sales and use tax.

A motor vehicle title is the ownership document for the vehicle while the registration is the document that authorizes highway use. Under the new law, a vehicle owner must pay motor vehicle usage tax at the time of titling, unless the county clerk receives an Affidavit of Non-Highway Use (72A007) attesting that the vehicle will not be driven on the highway. Under existing sales and use tax law (KRS Chapter 139), retail sales of motor vehicles are subject to sales and use tax unless motor vehicle usage tax is paid. If the affidavit is submitted, the county clerk will be responsible for collecting applicable sales and use tax.

If the vehicle is later registered by the same owner, the county clerk will allow credit against the motor vehicle usage tax due at registration for the sales and use tax paid at titling.

Transactions presented to the county clerk on and after July 1, are subject to the new provisions. This includes vehicles sold prior to July 1.

Anyone with questions regarding the new requirements may call their county clerk or the Department of Revenue at (502) 564-4455.

Salvage Vehicles

1. Q: An individual wants to salvage title his wrecked vehicle, will he owe sales tax?

A: No, sale tax will not be due as a sale did not take place. The sale price will be zero (0).
An Affidavit of Non-Highway Use must be completed.

2. Q: A salvage titled vehicle is purchased by an individual, will she owe sales tax?

A: Yes, sales tax would be due unless otherwise exempt, as this is a transfer of title from one individual to another. An Affidavit of Non-Highway Use must be completed.

3. Q: A salvage titled vehicle is purchased by a salvage yard, scrape dealer or rebuilder, would these business owe sales tax?

A: Yes, unless they issued a completed Resale Certificate in addition to the completed Affidavit of Non-Highway use.

4. Q: If a wrecked vehicle is titled only into an Insurance Company name to settle a claim, will the Insurance Company owe sales tax?

A: No, Insurance Companies will automatically be exempted from sales tax through the AVIS system. When entering the FEIN (Federal ID#) of the Insurance Company in conjunction with the salvage title, no sales tax amount will be calculated. **In the case of these types of transactions, an Affidavit of Non-Highway Use does not need to be filled out.**

IAs.Co.