

The Louisville Municipal Code (LMC) imposes sales tax on the purchase price paid for tangible personal property and certain taxable services sold at retail. The LMC also imposes a use tax upon the privilege of using, storing, distributing, or otherwise consuming in the City any article of tangible personal property or services purchased, leased or rented, on which a legally imposed sales tax has not been paid.

Banking, financial, and insurance institutions are not exempt from sales or use tax on sales made to customers or on the purchases of tangible personal property for their use or consumption.

Purchases of tangible personal property by an insurance company to replace an insured's damaged property are subject to sales tax at the time of purchase. Tangible personal property purchased by the insured with the proceeds of a damage claim settlement received from an insurance company is subject to sales tax.

Banks, savings and loans, and other financial institutions who offer gifts or premiums of tangible personal property as an inducement for opening an account, making a deposit, adding an account, or using other financial services from which the bank may profit, are subject to sales tax at the time of purchase or use tax to the City if sales tax was not paid.

When gifts and premiums are offered at a reduced price to customers, the full price of the item is subject to sales tax. For example, if an item cost \$50 and is being sold to the customer for \$25, the transaction would be \$50 + tax - \$25.

When gifts and premiums are given away free to a customer, the institution is responsible to remit use tax to the City on the full purchase price (cost) of the item.

See the "Coupons, Gift Certificates and Trade Discounts" publication in this Tax Guide for additional information.

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The information contained in the Tax Guide publications is intended to offer general guidance in layman's terms, for this topic, industry or business segment, and is not intended for legal purposes to be substituted for the full text of the Louisville Municipal Code rules and regulations. This guide does not constitute a city tax policy.