Lay-a-Way Service and Cancellation Fees

The Louisville Municipal Code (LMC) imposes a sales tax on the purchase price to the consumer and includes the amount of money received or due in cash and credits.

A lay-a-way plan is a plan offered by a retailer by which the retailer agrees to sell goods to a customer if and when the customer completes a series of payments that amount to the total sales price of the product. Most retailers will also charge a lay-a-way service fee to its customers.

If the customer completes the payments required by the retailer, then the retailer should charge City sales tax on the full purchase price of the tangible personal property purchased, including the lay-a-way service fee.

If the customer cancels a lay-a-way payment plan, the retailer generally refunds all periodic payments made by the customer but retains the lay-a-way service fee. The service fee is not subject to City use tax to the retailer.

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.

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