

The Louisville Municipal Code (LMC) defines sales tax as the tax that is collected or required to be collected and remitted by a retailer on all sales inside the City and taxed under the Code. Use tax is the tax that is paid or required to be paid by a consumer for using, storing, distributing or otherwise consuming tangible personal property or taxable services inside the City and taxed under the Code.

The responsibility to collect and remit sales tax lies with the retailer or vendor for all retail sales. The amount of sales tax a retailer is lawfully required to collect and remit depends on nexus. Nexus is defined in the Merriam-Webster Dictionary as “a relationship or connection between people or things.”

In taxation, the physical locations shared between a seller and a purchaser, the goods purchased, and where transfer of ownership occurs, determine the amount of tax collected by the retailer and paid by the purchaser.

Nexus affect the minimum amount of sales tax a retailer is required to charge, collect, and remit, or that a purchaser should be charged. A retailer is responsible to collect and remit a sales rate based on the jurisdictions they share with the purchaser (“shared tax”) or for any jurisdictions in which they have nexus.

Some retailers are also “voluntary collectors” and are licensed to collect City sales tax as a courtesy to their customers. These retailers do not have physical nexus in the City of Louisville and are not required to charge local sales tax, but elect to do so.

Also see the “Packaging, Freight & Delivery” and “Use Tax” publications in this Tax Guide.

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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.