

The Louisville Municipal Code (LMC) exempts wholesale sales from City sales and use tax.

Every wholesaler with a physical location in the City of Louisville must obtain a Louisville Sales/Use Tax License.

A wholesale sale means any sale to a licensed retailer, jobber, dealer or other wholesaler for resale. Any other type of sale to users or consumers and not for resale is deemed a retail sale and is subject to the sales or use tax imposed in the LMC.

Louisville does not issue City tax exemption certificates. In many cases, the City will honor a state-issued exemption certificate, but not in all cases. Vendors are encouraged to contact the City Tax Department directly to verify whether certain transactions are taxable or exempt.

Manufacturing Wholesalers

For tangible personal property transactions to be exempt in the process of manufacturing or compounding, the tangible personal property being purchased must meet the following criteria:

The tangible personal property is actually and factually transformed by the process of manufacturing or compounding in a form different from that in which it was acquired for sale or for use by a manufacturer.

The tangible personal property becomes a necessary and recognizable ingredient, component and constituent part of the finished product by the manufacturer, resulting in a different product having a distinctive name, character or use from the raw or prepared materials.

The tangible personal property's physical presence in the finished product is essential to the use in the hands of the ultimate consumer.

Food Manufacturing Wholesalers

For transactions to be exempt in the processing or manufacturing of food products sold for sale or profit, the tangible personal property being purchased must meet the following criteria:

The tangible personal property must become an integral or constituent part of a food product which is intended to be sold ultimately at retail for human consumption.

The tangible personal property is a chemical, solvent, reactive agent, mold skin casing, or other similar material that is used for the purpose of producing or inducing a chemical or physical change in a food product or for the purpose of placing a food product in a more marketable condition and is directly utilized and consumed, dissipated, or destroyed to the extent it is rendered unfit for further use, in the processing of a food product which is intended to be sold at retail for human consumption.

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.

Exemption

In order for a sale to be wholesale, the storage, use or consumption of tangible personal property must be made by a licensed person of a business organized to resell, manufacture or compound product for sale or profit.

Seller Responsibilities

Per the LMC, the seller is responsible to collect and the purchaser is required to pay sales tax on the purchase price of tangible personal property.

Wholesalers must determine if the documentation presented for exemption is valid for the purchase being made and that the goods being purchased are regularly resold by the purchaser. It ultimately becomes the responsibility of the licensed vendor/wholesaler/seller to pay any taxes owed on unqualified purchases for which they granted an exemption in the event of an audit. Documentation is crucial.

Tax Disputes

Purchasers that claim an exemption from Louisville tax that a retailer/seller will not accept, are required to remit the tax, but may file a Refund Claim Form to the City of Louisville within 60 days of the purchase date. All documentation supporting the request for exemption should be included. Please see the "Refunds" publication in this Tax Guide for additional information.

Examples

Wholesaler A is a licensed Louisville business that manufactures medical instruments. Company B is an out-of-city vendor that sells roll stainless steel. Wholesaler A must provide Company B with a copy of its State-issued tax exemption certificate. Company B may then sell the roll stainless steel used to manufacture the medical instruments to Wholesaler A tax-exempt.

Louisville Restaurant C is a licensed, full-service restaurant, which purchases a flat-screen television from Louisville Retailer X. The restaurant presents the retailer with its state sales tax-exempt license. Louisville Retailer X should charge the restaurant City sales tax on the purchase price paid for the television because the restaurant is not in the business of reselling televisions.

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.