

## Correct Kentucky Double Tax

TRSA is working to correct an onerous tax policy that burdens industrial laundry and linen supply services in Kentucky. Recent regulations require our industry to both pay sales tax on their purchases *and* charge sales tax on the services provided to customers. This has led to double taxation and tax pyramiding, where sales tax is essentially being applied twice on the same items.

Since July 1, 2018, the Kentucky Department of Revenue (DOR) has enforced these additional tax assessments. Prior to this change, our industry paid sales or use tax on items purchased for rental to customers, with no additional tax imposed on the customers themselves. The current DOR interpretation not only contradicts the existing resale exemption but also places Kentucky in an unfavorable position compared to other states, as Kentucky is the only state that applies tax in this way.

The consequences of this interpretation are detrimental on multiple fronts, by:

- Placing Kentucky at a competitive disadvantage, potentially leading to relocation of businesses to neighboring states.
- Impacting businesses and industries that rely on industrial laundry and linen supply services, including hospitals and other healthcare facilities, restaurants, hotels, industrial services operations and other essential operations.
- Lacking transparency, as customers end up paying more tax without full knowledge and awareness.
- Undermining principles of fair tax policy.

TRSA is working with the Kentucky legislator to clarify the availability of the resale exemption and retroactively apply it dating back to July 1, 2018, and amend the Kentucky sales and use tax statutes to ensure that industry members are entitled to the resale exemption, thus correcting the double taxation and tax pyramiding.