

1 AN ACT relating to motor vehicle usage tax.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 138.470 is amended to read as follows:

4 There is expressly exempted from the tax imposed by KRS 138.460:

- 5 (1) (a) Motor vehicles titled or registered to the United States, or to the  
6 Commonwealth of Kentucky or any of its political subdivisions; and
- 7 (b) The gross rental or lease charges for the rental or lease of a motor vehicle paid  
8 by the United States, or the Commonwealth of Kentucky or any of its political  
9 subdivisions;
- 10 (2) Motor vehicles titled or registered to institutions of purely public charity and  
11 institutions of education not used or employed for gain by any person or  
12 corporation;
- 13 (3) Motor vehicles which have been previously titled in Kentucky on or after July 1,  
14 2005, or previously registered and titled in any state or by the federal government  
15 when being sold or transferred to licensed motor vehicle dealers for resale. The  
16 motor vehicles shall not be leased, rented, or loaned to any person and shall be held  
17 for resale only;
- 18 (4) Motor vehicles sold by or transferred from dealers registered and licensed in  
19 compliance with the provisions of KRS 186.070 and KRS 190.010 to 190.080 to  
20 members of the Armed Forces on duty in this Commonwealth under orders from the  
21 United States government;
- 22 (5) ***Motor vehicles sold by or transferred from dealers registered and licensed in***  
23 ***compliance with the provisions of KRS 186.070 and KRS 190.010 to 190.080 to***  
24 ***active members of the Kentucky National Guard;***
- 25 **(6)** Commercial motor vehicles, excluding passenger vehicles having a seating capacity  
26 for nine (9) persons or less, owned by nonresident owners and used primarily in  
27 interstate commerce and based in a state other than Kentucky which are required to

1 be registered in Kentucky by reason of operational requirements or fleet proration  
2 agreements and are registered pursuant to KRS 186.145;

3 ~~(7)~~~~(6)~~ Motor vehicles titled in Kentucky on or after July 1, 2005, or previously  
4 registered in Kentucky, transferred between husband and wife, parent and child,  
5 stepparent and stepchild, or grandparent and grandchild;

6 ~~(8)~~~~(7)~~ Motor vehicles transferred when a business changes its name and no other  
7 transaction has taken place or an individual changes his or her name;

8 ~~(9)~~~~(8)~~ Motor vehicles transferred to a corporation from a proprietorship or limited  
9 liability company, to a limited liability company from a corporation or  
10 proprietorship, or from a corporation or limited liability company to a  
11 proprietorship, within six (6) months from the time that the business is  
12 incorporated, organized, or dissolved, if the transferor and the transferee are the  
13 same business entity except for a change in legal form;

14 ~~(10)~~~~(9)~~ Motor vehicles transferred by will, court order, or under the statutes covering  
15 descent and distribution of property, if the vehicles were titled in Kentucky on or  
16 after July 1, 2005, or previously registered in Kentucky;

17 ~~(11)~~~~(10)~~ Motor vehicles transferred between a subsidiary corporation and its parent  
18 corporation if there is no consideration, or nominal consideration, or in sole  
19 consideration of the cancellation or surrender of stock;

20 ~~(12)~~~~(11)~~ Motor vehicles transferred between a limited liability company and any of its  
21 members, if there is no consideration, or nominal consideration, or in sole  
22 consideration of the cancellation or surrender of stock;

23 ~~(13)~~~~(12)~~ The interest of a partner in a motor vehicle when other interests are transferred  
24 to him;

25 ~~(14)~~~~(13)~~ Motor vehicles repossessed by a secured party who has a security interest in  
26 effect at the time of repossession and a repossession affidavit as required by KRS  
27 186.045(6). The reposessor shall hold the vehicle for resale only and not for

1 personal use, unless he has previously paid the motor vehicle usage tax on the  
2 vehicle;

3 ~~(15)~~~~(14)~~ Motor vehicles transferred to an insurance company to settle a claim. These  
4 vehicles shall be junked or held for resale only;

5 ~~(16)~~~~(15)~~ Motor carriers operating under a charter bus certificate issued by the  
6 Transportation Cabinet under KRS Chapter 281;

7 ~~(17)~~~~(16)~~ (a) 1. Motor vehicles registered under KRS 186.050 that have a declared  
8 gross vehicle weight with any towed unit of forty-four thousand and one  
9 (44,001) pounds or greater; and  
10 2. Farm trucks registered under KRS 186.050(4) that have a declared gross  
11 vehicle weight with any towed unit of forty-four thousand and one  
12 (44,001) pounds or greater.

13 (b) To be eligible for the exemption established in paragraph (a) of this  
14 subsection, motor vehicles shall be registered at the appropriate range for the  
15 declared gross weight of the vehicle established in KRS 186.050(3)(b) and  
16 shall be prohibited from registering at a higher weight range. If a motor  
17 vehicle is initially registered in one (1) declared gross weight range and  
18 subsequently is registered at a declared gross weight range lower than forty-  
19 four thousand and one (44,001) pounds, the person registering the vehicle  
20 shall be required to pay the county clerk the usage tax due on the vehicle  
21 unless the person can provide written proof to the clerk that the tax has been  
22 previously paid;

23 ~~(18)~~~~(17)~~ Motor vehicles transferred to a trustee to be held in trust, or from a trustee to a  
24 beneficiary of the trust, if a direct transfer from the grantor of the trust to all  
25 individual beneficiaries of the trust would have qualified for an exemption from the  
26 tax pursuant to subsection ~~(7)~~~~(6)~~ or ~~(10)~~~~(9)~~ of this section;

27 ~~(19)~~~~(18)~~ Motor vehicles transferred to a trustee to be held in trust, if the grantor of the

1 trust is a natural person and is treated as the owner of any portion of the trust for  
2 federal income tax purposes under the provisions of 26 U.S.C. secs. 671 to 679;

3 ~~(20)~~~~(19)~~ Motor vehicles transferred from a trustee of a trust to another person if:

4 (a) The grantor of the trust is a natural person and is treated as the owner of any  
5 portion of the trust for federal income tax purposes under the provisions of 26  
6 U.S.C. secs. 671 to 679; and

7 (b) A direct transfer from the grantor of the trust to the person would have  
8 qualified for an exemption from the tax pursuant to subsection ~~(7)~~~~(6)~~ or  
9 ~~(10)~~~~(9)~~ of this section; and

10 ~~(21)~~~~(20)~~ Motor vehicles under a manufacturer's statement of origin in possession of a  
11 licensed new motor vehicle dealer that are titled and transferred to a licensed used  
12 motor vehicle dealer and held for sale.

13 ➔Section 2. KRS 138.450 is amended to read as follows:

14 As used in KRS 138.455 to 138.470, unless the context requires otherwise:

15 (1) "Current model year" means a motor vehicle of either the model year corresponding  
16 to the current calendar year or of the succeeding calendar year, if the same model  
17 and make is being offered for sale by local dealers;

18 (2) "Dealer" means "motor vehicle dealer" as defined in KRS 190.010;

19 (3) "Dealer demonstrator" means a new motor vehicle or a previous model year motor  
20 vehicle with an odometer reading of least one thousand (1,000) miles that has been  
21 used either by representatives of the manufacturer or by a licensed Kentucky dealer,  
22 franchised to sell the particular model and make, for demonstration;

23 (4) "Historic motor vehicle" means a motor vehicle registered and licensed pursuant to  
24 KRS 186.043;

25 (5) "Motor vehicle" means any vehicle that is propelled by other than muscular power  
26 and that is used for transportation of persons or property over the public highways  
27 of the state, except road rollers, mopeds, vehicles that travel exclusively on rails,

- 1 and vehicles propelled by electric power obtained from overhead wires;
- 2 (6) "Moped" means either a motorized bicycle whose frame design may include one (1)  
3 or more horizontal crossbars supporting a fuel tank so long as it also has pedals, or a  
4 motorized bicycle with a step through type frame which may or may not have pedals  
5 rated no more than two (2) brake horsepower, a cylinder capacity not exceeding  
6 fifty (50) cubic centimeters, an automatic transmission not requiring clutching or  
7 shifting by the operator after the drive system is engaged, and capable of a  
8 maximum speed of not more than thirty (30) miles per hour;
- 9 (7) "New motor vehicle" means a motor vehicle of the current model year which has  
10 not previously been registered in any state or country;
- 11 (8) "Previous model year motor vehicle" means a motor vehicle not previously  
12 registered in any state or country which is neither of the current model year nor a  
13 dealer demonstrator;
- 14 (9) "Total consideration given" means the amount given, valued in money, whether  
15 received in money or otherwise, at the time of purchase or at a later date, including  
16 consideration given for all equipment and accessories, standard and optional. "Total  
17 consideration given" shall not include:
- 18 (a) Any amount allowed as a manufacturer or dealer rebate if the rebate is  
19 provided at the time of purchase and is applied to the purchase of the motor  
20 vehicle;
- 21 (b) Any interest payments to be made over the life of a loan for the purchase of a  
22 motor vehicle; and
- 23 (c) The value of any items that are not equipment or accessories including but not  
24 limited to extended warranties, service contracts, and items that are given  
25 away as part of a promotional sales campaign;
- 26 (10) "Trade-in allowance" means:
- 27 (a) The value assigned by the seller of a motor vehicle to a motor vehicle

1 registered to the purchaser and offered in trade by the purchaser as part of the  
2 total consideration given by the purchaser and included in the notarized  
3 affidavit attesting to total consideration given; or

4 (b) In the absence of a notarized affidavit, the value of the vehicle being offered  
5 in trade as established by the department through the use of the reference  
6 manual;

7 (11) "Used motor vehicle" means a motor vehicle which has been previously registered  
8 in any state or country;

9 (12) "Retail price" for:

10 (a) New motor vehicles;

11 (b) Dealer demonstrator vehicles;

12 (c) Previous model year motor vehicles; and

13 (d) U-Drive-It motor vehicles that have been transferred within one hundred  
14 eighty (180) days of being registered as a U-Drive-It and that have less than  
15 five thousand (5,000) miles;

16 means the total consideration given, as determined in KRS 138.4603;

17 (13) "Retail price" for historic motor vehicles shall be one hundred dollars (\$100);

18 (14) "Retail price" for used motor vehicles being titled or registered by a new resident  
19 for the first time in Kentucky whose values appear in the reference manual means  
20 the trade-in value given in the reference manual;

21 (15) "Retail price" for older used motor vehicles being titled or registered by a new  
22 resident for the first time in Kentucky whose values no longer appear in the  
23 reference manual shall be one hundred dollars (\$100);

24 (16) (a) "Retail price" for:

25 1. Used motor vehicles, except those vehicles for which the retail price is  
26 established in subsection (13), (14), (15), (17), or (19) of this section;

27 and

- 1           2. U-Drive-It motor vehicles that are not transferred within one hundred  
2           eighty (180) days of being registered as a U-Drive-It or that have more  
3           than five thousand (5,000) miles;  
4           means the total consideration given, excluding any amount allowed as a trade-  
5           in allowance by the seller, as attested to in a notarized affidavit, provided that  
6           the retail price established by the notarized affidavit shall not be less than fifty  
7           percent (50%) of the difference between the trade-in value, as established by  
8           the reference manual, of the motor vehicle offered for registration and the  
9           trade-in value, as established by the reference manual, of any motor vehicle  
10          offered in trade as part of the total consideration given.
- 11          (b) The trade-in allowance shall also be disclosed in the notarized affidavit.
- 12          (c) If a notarized affidavit is not available, "retail price" shall be established by  
13          the department through the use of the reference manual;
- 14          (17) Except as provided in KRS 138.470(7)~~[(6)]~~, if a motor vehicle is received by an  
15          individual as a gift and not purchased or leased by the individual, "retail price" shall  
16          be the trade-in value given in the reference manual;
- 17          (18) If a dealer transfers a motor vehicle which he has registered as a loaner or rental  
18          motor vehicle within one hundred eighty (180) days of the registration, and if less  
19          than five thousand (5,000) miles have been placed on the vehicle during the period  
20          of its registration as a loaner or rental motor vehicle, then the "retail price" of the  
21          vehicle shall be the same as the retail price determined by paragraph (a) of  
22          subsection (12) of this section computed as of the date on which the vehicle is  
23          transferred;
- 24          (19) "Retail price" for motor vehicles titled pursuant to KRS 186A.520, 186A.525,  
25          186A.530, or 186A.555 means the total consideration given as attested to in a  
26          notarized affidavit;
- 27          (20) "Loaner or rental motor vehicle" means a motor vehicle owned or registered by a

1 dealer and which is regularly loaned or rented to customers of the service or repair  
2 component of the dealership;

3 (21) "Department" means the Department of Revenue;

4 (22) "Notarized affidavit" means a dated affidavit signed by the buyer and the seller on  
5 which the signature of the buyer and the signature of the seller are individually  
6 notarized; and

7 (23) "Reference manual" means the automotive reference manual prescribed by the  
8 department.

9 ➔Section 3. This Act shall take effect July 1, 2023.