

Answer Key
Sales and Use Tax – Part I
Section D

1. In accordance with **KRS 139.330**, every person storing, using or otherwise consuming in this state tangible personal property purchased from a retailer is liable for the use tax, i.e., the buyer (c).
2. No, because in accordance with **KRS 139.330** use tax is imposed on tangible personal property, purchased without payment of Kentucky sales tax, for storage, use or other consumption in Kentucky business activities. The use tax is a "backstop" for the sales tax.
3. It is the opinion of the Department's legal staff that the law (**KRS 139.310**) provides for the application of use tax only upon the sales price of property to the purchaser. In this situation, no sale has taken place except for the acquisition of materials used in building the furniture. Therefore, the tax base should be the sales price to GHI Corporation of the personal tangible property, which enters into the manufacturer of the furniture, i.e. \$10,000.
4. See reason for answer to Question #1.
5. **KRS 139.200** states that for the privilege of making retail sales, a tax is imposed upon all retailers. If the sale is consummated in Kentucky then it is a sales tax situation and the vendor is responsible. The term consummated means the point at which a sales transaction is completed and accepted to the extent that both the seller and the purchaser are legally committed to fulfill the transaction. In the given situation, the order was completed in this state even though the property was shipped from outside Kentucky. Therefore, MNO Corporation is responsible for the tax. It is a sales tax, not use tax situation.