

The Louisville Municipal Code (LMC) provides specific procedures and limitations for obtaining a tax refund depending on the nature of the overpayment. Generally, in order to receive a refund for a tax overpayment, a taxpayer must complete and sign a Claim for Refund form and include all such documentation to substantiate the claim.

Burden of Proof

The burden of proving that any transaction or item is not taxable or is exempt as provided in the LMC shall be upon the person asserting the claim and shall reasonably meet the requirements of proof prescribed by the Finance Director. All Claim for Refund forms must be accompanied by the original paid invoice or sales receipt.

Overpayment on a Tax Return

If the amount of tax remitted with the tax return is more than the amount of tax due as computed from the information provided, the taxpayer will receive a written error notice from the City indicating the filing period, the line item on which the error occurred, and the amount of the overpayment.

If the amount of tax paid was correct, but the tax return contained errors, the taxpayer must provide the City an amended return indicating the correct information.

If the overpayment was simply an error, is in excess of \$10, and is in excess of the amount of tax collected or due, the taxpayer may deduct the amount of the overpayment from the next return, or they may complete a Claim for Refund form for the overpayment amount. If the taxpayer desires a refund, the completed and signed claim form (including any required documentation) must be received within 30 days of the date of the error letter. No refund will be approved if received after the 30th day.

If the overpayment was an error, is less than \$10, and is in excess of the amount of tax collected or due, the taxpayer may deduct the amount of the overpayment from the next return. No refunds will be processed for amounts less than \$10.

Any overpayment not used for the next reporting period will be forfeited.

Overpayment Determined through Audit

If the City ascertains through an audit of a taxpayer's records that the tax amount due is less than the full amount of the tax paid, a notice shall be issued indicating the amount of the overpayment. After examining the notice, the taxpayer may submit a Claim for form within 30 days of the date of the overpayment notice. No refund will be approved if received after the 30th day, and the amount of tax overpayment will be forfeited.

Tax Disputes – Retailers, Purchasers or Consumers

Retailers engaged in business in the City are required to collect, and the purchasers and consumers are required to pay, the taxes levied by the LMC, regardless of the fact that the retailer, purchaser or consumer disputes the tax. If the transaction

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taxed is disputed, the retailer shall collect, and the purchaser or consumer shall pay, the tax. The taxpayer that paid the tax may then apply for a refund. Retailers are responsible to pay sales tax on all taxable sales even if the retailer failed to collect the full amount of applicable taxes due. Retailers are not permitted to retain any excess taxes collected, and such tax must be remitted.

A purchaser or consumer that disputes the tax charged by a retailer because they are exempt, or because the goods or services are exempt, must file a Claim for Refund form with the City within 60 days after the date of purchase, storage, use or consumption of any goods or services upon which an exemption is being claimed. No refunds will be approved after this period.

A retailer that paid taxes in error or by mistake must file a Claim for Refund form with the City within three years after the date of purchase, storage, use or consumption of the goods for which the refund is claimed.

When possible, retailers are encouraged to refund a tax overpayment to a customer when satisfactory documentation is presented to the retailer. The Tax Department of the City cannot obligate a retailer to make any refunds beyond their established policies.

Denial of Refunds

A taxpayer may appeal the denial of a refund claim provided the taxpayer submits in writing to the Finance Director a petition within 30 days from the date of the denial notice. No appeal will be accepted after the 30th day. The petition shall be under oath of the taxpayer and shall state:

1. The reason why a hearing should be granted
2. The amount of tax disputed
3. Any requested changes
4. A complete description of documents and tax periods to be reviewed under the appeal
5. The name, address, telephone number and sales/use tax license number of taxpayer

Recovery of Refund

The Finance Director is authorized to exercise any appropriate action necessary for the recovery of any refund obtained unlawfully.

Processing Costs

In all cases, applications for refund will be reviewed and processed in a timely manner.

If, however, the taxpayer does not provide the required documentation in an organized format, and staff must go through the taxpayer's files, folders, boxes, or other documents or records, in any form, in order to substantiate the claim, the City shall be entitled to charge an hourly fee for time spent in excess of eight hours deciphering, organizing, gathering, or in any

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way assembling taxpayer records to substantiate the claim. The fee will be set by the City Manager or the Finance Director and shall be based on the actual labor costs incurred by the City. Any such fees become a liability of the taxpayer, which if not separately billed by the City and paid by the taxpayer, may be deducted from any refund amount due to the taxpayer.

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