

**MAJOR STATE AND LOCAL TAXES PAYABLE BY A BUSINESS
FACILITY LOCATED IN FRANKLIN, KENTUCKY
2016**

Corporation Income Tax

State

Every non-exempt corporation doing business in Kentucky shall pay corporate income tax on taxable income.

The corporate income tax rate is as follows:

- 4% of the first \$50,000 of taxable income;
- 5% of the next \$50,000 of taxable income;
- 6% of the taxable income over \$100,000.

A Limited Liability Entity Tax (LLET) applies to both C corporations and Limited Liability Pass-Through Entities (LLPTEs) and is not an alternative to another tax. However, corporations paying the LLET are allowed to apply that amount as a credit towards their regular corporate income tax. The LLET may be calculated using the lesser of \$0.095 per \$100 of Kentucky gross receipts or \$0.75 per \$100 of Kentucky gross profits.

The LLET contains relief for certain small businesses:

- Taxable entities with gross receipts or gross profits equal to or less than \$3 million are exempt from the LLET;
- Taxable entities with gross receipts or gross profits between \$3 million and \$6 million are subject to a phased out exemption but the LLET cannot be less than zero.
- No relief exists for entities with gross receipts or gross profits equal to or greater than \$6 million.

However, there is a minimum LLET of \$175 regardless of the method used.

Franchise Tax

None

Kentucky does not levy a franchise tax.

Individual Income Tax

State

Kentucky has a graduated income tax rate, with a rate of 6.0% on all income over \$75,000.

Range	Tax Rate	Range	Tax Rate
\$0 to \$3,000	2.0%	\$5,001 to \$8,000	5.0%
\$3,001 to \$4,000	3.0%	\$8,001 to \$75,000	5.8%
\$4,001 to \$5,000	4.0%	Over \$75,000	6.0%

Occupational License Tax

Local

The City of Franklin levies a local occupational license tax at the rate of 1% on salaries/wages on employees working within City limits. There is also a sliding scale for taxes on gross receipts with a minimum of \$100.

The license fee is calculated by multiplying the amount of gross annual receipts/sales by the following rates:

Gross Receipts	Rate
Up to \$1 million	0.06%
\$1 million to \$10 million	0.01%
More than \$10 million	0.005%

The first million dollars of sales is taxed at 0.06% with the next nine million dollars of sales taxed at 0.01% and sales in excess of \$10 million at 0.005%.

Simpson County levies a local occupational license tax at the rate of 0.75% on salaries/wages only.

Property Taxes

State and Local

Assessments are made at 100% of fair cash value. Rates per \$100 of assessed valuation, 2015:

Selected Classes of Property	State	Simpson County	Franklin	Schools	Total
Real Estate	\$0.1220	\$0.2240	\$0.1230	\$0.5110	\$0.9800
Manufacturing Machinery	\$0.1500	None	None	None	\$0.1500
Pollution Control Equipment	\$0.1500	None	None	None	\$0.1500
Inventories					
Raw Materials	\$0.0500	None	None	None	\$0.0500
Goods in Process	\$0.0500	\$0.2498	\$0.1230	\$0.5110	\$0.9338
Finished Goods	\$0.0500	\$0.2498	\$0.1230	\$0.5110	\$0.9338
Inventory in Transit	None	\$0.1431	None	None	\$0.1431
Motor Vehicles	\$0.4500	\$0.2590	\$0.1970	\$0.5460	\$1.4520
Other Tangible Personal Property	\$0.4500	\$0.2498	\$0.1230	\$0.5110	\$1.3338
Private Leaseholds in Industrial Revenue Bond Financed Facilities*	\$0.0150		See Note		\$0.0150

* A Payment-In-Lieu-Of-Taxes (PILOT) is normally imposed for school districts when Industrial Revenue Bond (IRB) financing is used. Counties and cities may require some reimbursement of property taxes in the form of a PILOT. The state normally participates in abatement of the state's property tax in the same proportion as local government abatement, excepting school districts which are normally held harmless by the IRB.

Sales and Use Tax

State

A state sales and use tax is levied at the rate of 6% on the purchase or lease price of taxable goods and on utilities services. Local sales taxes are not levied in Kentucky.

Major exemptions to manufacturers include items purchased for resale, raw materials and industrial supplies, machinery for new and expanded manufacturing, pollution control equipment, containers and packaging materials used in manufacturing, and energy and fuels that exceed 3% of the cost of production in manufacturing.

Unemployment Insurance Tax

State

During 2016, Kentucky employers pay unemployment insurance contributions on the first \$10,200 of each employee's wages, including officers of the corporation. The taxable wage base will increase by \$300 each year until 2022. A new employer pays contributions at the rate of at least 2.7% of covered wages during the first three years of operation. Thereafter, the employer's contribution rate is determined by its experience rating. Beginning with the first quarter of 2014, a surcharge in the amount of 0.21% of taxable wages will be assessed.

Utility Gross Receipts License Tax

Local

Simpson County Schools impose a Utility Gross Receipts License Tax of three (3) percent of the gross receipts derived from the furnishing utility services and/or cable services within the school district. This includes communications services, electric power, water and natural, artificial and mixed gas as well as the furnishing of multi-channel services to include cable television, wireless and remote telephone services and wireless tower related services.