

# Major State and Local Business Taxes

## Simpson County

March 2019

### **Corporation Income Tax**

**State**

Every non-exempt corporation doing business in Kentucky shall pay corporate income tax on taxable income. The rate is a flat 5%.

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.

Beginning in 2018, there is an inventory tax credit available. This is a non-refundable and non-transferable income tax allowed for state property tax paid on inventory. The credit will be phased in as follows:

- 2018 – 25% of tax paid
- 2019 – 50% of tax paid
- 2020 – 75% of tax paid
- 2021 and forward – 100% of tax paid

### **Franchise Tax**

**None**

Kentucky does not levy a franchise tax.

### **Individual Income Tax**

**State**

Kentucky has a flat income tax rate of 5% on all taxable income.

### **Occupational License Tax**

**Local**

Simpson County levies a local occupational license tax at the rate of 0.75% on salaries/wages of employees. 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 business gross receipts with a minimum of \$100.

### **Property Taxes**

**State and Local**

Assessments are made at 100% of fair cash value. If a facility were to locate in Simpson County, it would be subject to the state, county and school district taxes. If the facility were located in Franklin, the company would have to pay those taxes as well. Special district rates are not included in this table.

**Property Tax Rates per \$100 of assessed valuation, 2018**

Selected Classes of Property	State	Simpson County	Franklin	School District
Real Estate	\$0.1220	\$0.227970	\$0.1230	\$0.540
Manufacturing Machinery	\$0.1500	None	None	None
Pollution Control Equipment	\$0.1500	None	None	None
Inventories (a)				
Raw Materials/GIP	\$0.0500	None	None	None
Inventory	\$0.0500	\$0.276093	\$0.1230	\$0.540
Inventory in Transit	None	\$0.171093	None	None
Motor Vehicles	\$0.4500	\$0.259	\$0.197	\$0.546
Other Tangible Personal Property	\$0.4500	\$0.276093	\$0.1230	\$0.540
Private Leaseholds in Industrial Revenue Bond Financed Facilities (b)	\$0.0150		See Note	

- (a) 2017 State tax changes include phasing out the inventory tax by using a non-refundable tax credit of 25% for taxes paid in 2018 and increasing the credit by 25% each year until there is a 100% credit for taxes paid on business inventory for years beginning on or after January 1, 2021.
- (b) 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 also 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 2018, 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 has increased by \$300 each year, but is subject to change. 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.

## **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 cable. This includes communications services, electric power, water and natural, artificial and mixed gas as well as cable television services, direct satellite broadcast and wireless cable services.