



# Major Business Taxes

Clark County, KY

December 2020

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## Corporation Income Tax

State

Every non-exempt corporation doing business in Kentucky shall pay corporate income tax on taxable net income. The rate is a flat 5%. Multistate corporations apportion their income to Kentucky via a single factor formula based on sales.

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. 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 subject only to a \$175 minimum tax due;
- Taxable entities with gross receipts or gross profits between \$3 million and \$6 million are subject to a reduction to the LLET. A \$175 minimum tax due applies.
- No relief exists for entities with gross receipts or gross profits equal to or greater than \$6 million.

There is a credit against the income tax due for the amount of the LLET paid, less the \$175 minimum.

There is an inventory tax credit available. This is a non-refundable and non-transferable income tax credit allowed for state property tax paid on inventory. For 2021 and forward, the credit is 100% of the tax paid.

There is a recycling income tax credit available for up to 75% of the installed costs of recycling equipment (annual recovery limitations apply).

## Franchise Tax

None

Kentucky does not levy a franchise tax.

## Individual Income Tax

State

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

## Occupational License Tax

Local

Clark County levies a local occupational license tax at the rate of 1.5% on both business net profits and salaries/wages of employees. The city of Winchester levies a 2.0% occupational license tax on the salaries/wages of employees.

## CLARK COUNTY, KY

### Property Taxes

### State & Local

Assessments are made at 100% of fair cash value. Facilities located within the city of Winchester are subject to city taxes in addition to state, county and school district taxes. Fire and Special district rates, if applicable, are not included in this table.

### Property Tax Rates per \$100 of assessed valuation, 2019

Selected Classes of Property	State	Clark County	City of Winchester	School District
Real Estate	\$0.122	\$0.23021	\$0.146	\$0.637
Manufacturing Machinery	\$0.15	None	None	None
Inventories (a)				
Raw Materials/GIP	\$0.05	None	None	None
Inventory	\$0.05	\$0.30135	\$0.1499	\$0.637
Inventory in Transit	None	\$0.1419	None	None
Motor Vehicles	\$0.45	\$0.2175	\$0.195	\$0.535
Other Tangible Personal Property	\$0.45	\$0.30135	\$0.1499	\$0.637
Private Leaseholds in Industrial Revenue Bond Financed Facilities (b)	\$0.015		See Note	

- (a) 2017 State tax changes include providing substantial relief from the tangible property tax on inventory by using a non-refundable income tax credit of 25% for taxes paid in 2018 and increasing the credit by 25% each year until there is a 100% income tax credit for state and local tangible property 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.



## CLARK COUNTY, KY

### **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, 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 2020, Kentucky employers pay unemployment insurance contributions on the first \$10,800 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.

### **Workers' Compensation Ranking**

**State**

The 2018 Oregon Workers' Compensation Premium Rate Rank Study ranks Kentucky's workers rate index at \$1.51 which is 11% lower than the national median. Premium rate indices range from \$0.82 in North Dakota to \$3.08 in New York.

### **Utility Gross Receipts License Tax**

**Local**

Clark 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.