

**MAJOR STATE AND LOCAL TAXES PAYABLE BY A BUSINESS
FACILITY LOCATED IN FRANKLIN, KENTUCKY
2009**

1. KENTUCKY CORPORATION INCOME TAX

Based on taxable net income of Kentucky business operations. The Kentucky taxable income of a multi-state corporation is determined by applying the state apportionment formula to the total corporation's income before federal income taxes. Kentucky's apportionment formula is computed from the proportions of the corporation's property, payrolls, and sales (*destination basis*) in Kentucky. The sales factor receives 50% weight in the formula and the property and payroll factors each receive 25%.

Rates: First \$50,000 - 4%
Next 50,000 - 5%
All Over 100,000 - 6%

The entity must choose the HIGHER of the actual tax rate or the Limited Liability Entity Tax (LLET) rate. The LLET maybe calculated using the LESSER of the two alternatives, which are \$0.095/\$100 of the ENTIRE gross receipts AMOUNT for companies meeting the \$6,000,000 threshold or \$0.75/\$100 of the ENTIRE Kentucky gross profits AMOUNT for companies exceeding the \$6,000,000 threshold. For gross receipts or gross profits under \$3,000,000, no LLET is calculated. For gross receipts between \$3,000,000 and \$6,000,000, the Gross Receipts LLET is calculated as $[(\text{Gross Receipts} \times .00095) - (\$2,850 \times (\$6,000,000 - \text{Gross Receipts}) \div \$3,000,000)]$. For gross profits between \$3,000,000 and \$6,000,000, the Gross Profits LLET is calculated as $[(\text{Gross Profits} \times .0075) - (\$22,500 \times (\$6,000,000 - \text{Gross Receipts}) \div \$3,000,000)]$.

2. STATE AND LOCAL PROPERTY TAXES

Assessments are made at 100% of fair cash value.

Rates per \$100 of assessed valuation, 2008:

<u>Selected Classes of Property</u>	<u>State</u>	<u>County</u>	<u>City</u>	<u>County Schools</u>	<u>Total</u>
Real Estate	\$0.122	\$0.197	\$0.1120	\$0.395	\$0.8260
Manufacturing Machinery	0.150	None	None	None	0.1500
Pollution Control Equipment	0.150	None	None	None	0.1500
Inventories					
Raw Materials	0.050	None	None	None	0.0500
Goods in Process	0.050	None	None	None	0.0500
Finished Goods	0.050	0.2755	0.1184	0.395	0.8389
Goods-In-Transit	None	None	None	None	None
Motor Vehicles	0.450	0.2590	0.1871	0.546	1.4421
Other Tangible Personal Property	0.450	0.2755	0.1184	0.395	1.2389
*Private Leaseholds in Industrial					
Revenue Bond Financed Facilities	0.015	See Note	See Note	See Note	0.0150

*A Payment-In-Lieu-Of-Taxes (PILOT) is normally imposed for school districts when 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.

3. STATE SALES AND USE TAX

A state sales and use tax is levied at the rate of 6.0% 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.

The major items taxable to a manufacturer include machinery and equipment not used for manufacturing, building materials (unless approved by KEDFA under Kentucky Enterprise Initiative Act), office furniture and fixtures, office supplies, equipment repair parts, utilities, and restroom supplies.

4. STATE UNEMPLOYMENT INSURANCE TAX

Kentucky employers pay unemployment insurance contributions on the first \$8,000 of each employee's wages, including officers of the corporation. 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. The average employer tax rate was 2.7% in 2007 (KRS 341.270 Table A (C))

5. UTILITY GROSS RECEIPTS LICENSE TAX

Simpson County Schools impose a utility gross receipts license tax of three (3) percent of the gross receipts derived from the furnishing of intrastate telephonic and telegraphic communications services; electric power; natural, artificial, and mixed gas; and the furnishing of multi-channel services to include cable television, wireless and remote telephone services and wireless tower related services

6. LOCAL OCCUPATIONAL LICENSE TAX

The City of Franklin levies an occupational license tax on salaries/wages and gross receipts at the rate of 1.0%.

7. STATE INDIVIDUAL INCOME TAX

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

Tax Rates:	First	\$3,000	-	2.0%
		\$3,001 - \$4,000	-	3.0%
		\$4,001 - \$5,000	-	4.0%
		\$5,001 - \$8,000	-	5.0%
		\$8,001 - \$75,000	-	5.8%
		Over - \$75,000	-	6.0%