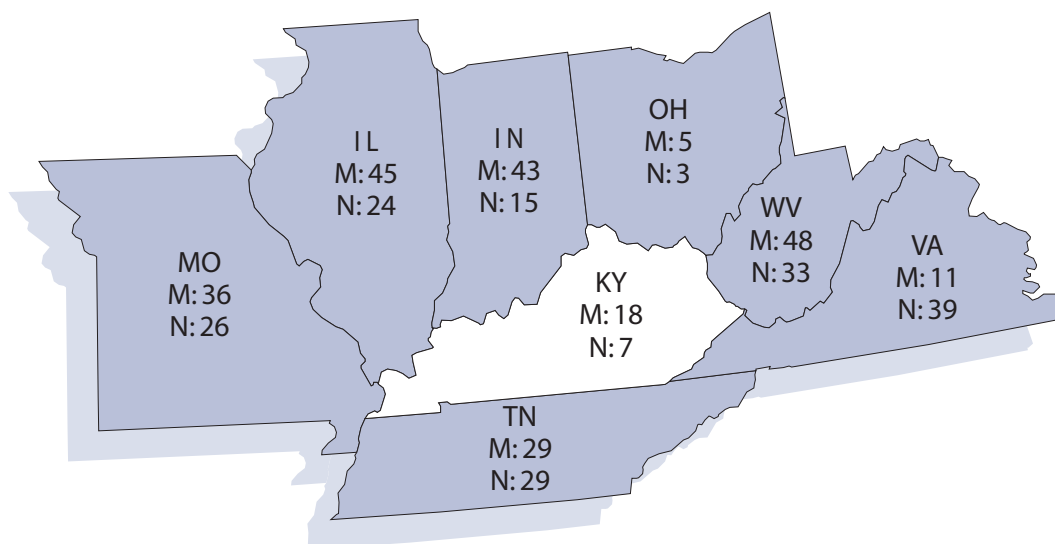


M = Rank for mature firms  
N = Rank for new firms



Kentucky ranks 18th overall for mature operations and seventh overall for newly established operations. Specifically:

- Kentucky ranks between first and 20th in 11 of the 14 firm types. Its low sales tax (6 percent), low unemployment insurance (UI) taxes (capped at \$8,000 of wages), and low property taxes account for its low tax bills.
- Kentucky ranks fourth for the new call center, with a burden 86 percent below the national average. This operation is helped by the second-most generous withholding tax rebate in the country, a low UI tax burden, and a low property tax burden despite the fact that the state levies property taxes on equipment and inventory in addition to land and buildings. For similar reasons, Kentucky ranks ninth for new R&D operations.
- The state ranks 35th in the mature R&D operation. Because the state does not offer an R&D tax credit as many other states do, the R&D operation has the fourth-highest income tax burden in this category.
- Kentucky also has an above-average burden (it ranks 35th) for new capital-intensive manufacturing operations. Although this firm enjoys a very low UI tax burden, its sales tax and property tax burdens are well above average. The state is one of nine states to tax inventories.

## Kentucky

### Corporate income tax

Main tax rate	6.000%
Applies to income over	\$100,000
Specific adjustments:	
- s.199 partial deduction allowed	

Apportionment	Property	Payroll	Sales
Standard factors	25.0%	25.0%	50.0%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			No
Interstate services income apportionment			IPA

### Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate <sup>a</sup>	Land	Buildings	Equipment	Inventory
Tier 1	Louisville	6.000%	1.339%	1.339%	1.522%	1.186%
Tier 2	Lexington	6.000%	1.095%	1.095%	1.034%	0.784%
a. Manufacturing machinery is exempt from sales tax only for new/expanded facilities						

### Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.70%	\$8,000	n/a	Tier 1	n/a	n/a	n/a	2.200%
			Tier 2	n/a	n/a	n/a	2.750%

### Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	Sales tax exemption for machinery for new firms	✓	✓					
Job creation	n/a							
Withholdings	4% of new wages or \$2,000 per new job x 10 years	✓	✓	✓	✓	✓	✓	
R&D	5% of capital costs for research facilities						✓	
Property tax	n/a							

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

### Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	13.3%	8.3%	3.4%	25.9%	9.7%	9.6%	28.4%		12.4%	9.3%	17.4%	23.2%	13.0%	14.3%	15.0%			
Index	116.5	71.3	13.6	71.7	60.0	65.3	87.2	<b>69.4</b>	97.8	80.3	83.1	75.6	82.8	110.8	88.2	<b>88.4</b>		
Rank	35	11	4	12	6	9	16	<b>7</b>	24	17	13	13	12	35	17	<b>18</b>		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store