



# APPROPRIATIONS AND REVENUE COMMITTEE

June 3, 2026

- Taxation of Financial Institutions
- Exemptions to Single Factor Apportionment

TEAM   
KENTUCKY

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# Bank Franchise Tax - KRS 136.500-136.570

- **Prior to January 1, 2021, Financial Institutions were taxed under the Bank Franchise Tax**
  - **Bank Franchise Tax was enacted on July 15, 1996**
  - **Bank Franchise Tax was repealed effective January 1, 2021**
  - **Financial Institutions are taxed under Corporation Tax effective January 1, 2021**
  - **Financial Institutions are taxed under Limited Liability Entity Tax effective January 1, 2021**

# Current Tax Rates

- **Corporation Tax Income Tax Rate**
  - Tax Rate is 5%
- **Limited Liability Entity Tax Rate**
  - 9.5¢ per \$100 of gross receipts; or
  - 75¢ per \$100 of gross profits

**NOTE: LLET is the lesser of the Gross Receipts or Gross Profit calculation. If the calculation is less than \$175, the minimum tax is \$175.00. Refer to KRS 141.0401**

# Apportionment KRS 141.120

## KRS 141.120(12)(a)

If the allocation and apportionment provisions of this section do not fairly represent the extent of the taxpayer's business activity in this state, the taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

1. Separate accounting;
2. The inclusion of one (1) or more additional factors which will fairly represent the taxpayer's business activity in this state; or
3. The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.