

103 KAR 16:370. Corporation income tax treatment of foreign sales corporations and domestic international sales corporations.

RELATES TO: KRS 141.010, 141.040, 141.050, 141.900

STATUTORY AUTHORITY: KRS 131.130(1)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the department to promulgate administrative regulations to administer and enforce Kentucky's tax laws. KRS 141.040(1) imposes the corporation income tax on corporations that are doing business in this state. Foreign sales corporations and domestic international sales corporations are special corporate entity designations for federal income tax purposes under the Internal Revenue Code. This administrative regulation establishes the requirements for the Kentucky corporation income tax treatment of foreign sales corporations and domestic international sales corporations.

Section 1. Definitions.

(1) "Domestic international sales corporation" means a DISC as defined in Section 992 of the Internal Revenue Code, 26 U.S.C. 992.

(2) "Foreign sales corporation" means a foreign sales corporation as defined in Section 922 of the Internal Revenue Code, 26 U.S.C. 922 in effect prior to its repeal by Pub.L. 106-519.

Section 2. Kentucky Corporation Income Tax Treatment of Foreign Sales Corporations. A foreign sales corporation that has transactions that arise from contracts that were binding on September 30, 2000 shall be subject to Kentucky's corporation income tax if the foreign sales corporation is doing business in Kentucky as defined by KRS 141.010(7) and 141.900(25).

Section 3. Kentucky Corporation Income Tax Treatment of Domestic International Sales Corporations. A corporation recognized as a domestic international sales corporation for federal income tax purposes shall be recognized as a domestic international sales corporation for Kentucky income tax purposes if the corporation is doing business in Kentucky as defined by KRS 141.010(7) and 141.900(25).

(33 Ky.R. 1195; 1518; eff. 1-5-2007; TAm eff. 7-16-2018; TAm 2-19-2020; Crt eff. 2-28-2020.)