

Income/Franchise:

Kentucky DOR Proposes Special Industry Apportionment Rules for Financial Institutions

Proposed Reg. Section 103 KAR 16:270, Ky. Dept. of Rev. (7/15/21). Under its statutory authority to promulgate regulations for determining alternative allocation and apportionment methods for Kentucky corporate income tax purposes for those taxpayers engaged in special industries, the Kentucky Department of Revenue (Department) issued a proposed rule detailing the sourcing of receipts related to financial institutions. According to the Department, the proposal permits multistate financial institutions subject to Kentucky's corporate income tax to accurately compute their taxable income subject to Kentucky taxation. The proposal addresses the sourcing of various types of receipts, including receipts from:

URL:
<https://finance.ky.gov/Office%20of%20the%20Controller/ControllerDocuments/FILED%20103%20KAR%2016.270%20Apportionment%20receipts%20factor%20071321.pdf>

1. The leasing of real property and tangible personal property;
2. Fees, interest, and penalties charged to credit card holders;
3. Gains from sales of credit card receivables;
4. Credit card issuer reimbursement fees;
5. Merchant discounts;
6. "ATM" fees;
7. Loan servicing fees; and
8. Investment assets and activity and trading assets and activity.

A public hearing on the proposal tentatively is scheduled for September 22, 2021, and written comments are due by September 30, 2021. Please contact us with any questions.

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