



Federal Business Taxes Payable Annually In Kentucky

1. Corporation Income Tax

Tax Base: Net income after all allowable deductions for business expenses, depreciation, interest costs, taxes paid, contributions, etc.

Rates:	<u>Net Income</u>	<u>Tax Rate</u>
First	\$0 - \$50,000	15%
Next	\$50,000 - \$75,000	25%
Next	\$75,000 - \$100,000	34%
Next	\$100,000 - \$335,000	39%
Next	\$335,000 - \$10,000,000	34%
Next	\$10,000,00 - \$15,000,000	35%
Next	\$15,000,000 - \$18,333,333	38%
Over	\$18,333,333 - Beyond	35%

Note: The additional 5% tax on income between \$100,000 and \$335,000 offsets the lower 15% and 25% tax rates for corporations with higher incomes. The net effect is that all of the income of a corporation with taxable income of \$335,000 to \$10,000,000 is taxed at 34%.

2. Social Security Taxes

- A. Old age, survivors, and disability (OASDI): Employer and employee each pay 6.2% on the first \$106,800 of wages (2009).
- B. Medicare: Employer and employee each pay 1.45% on all wages (2009).
- C. Total Rate: 7.65%. For the self-employed, the total rate is 15.30%.

3. Federal Unemployment Insurance Tax

Rate: 6.2% on first \$7,000 of wages paid to each worker annually for 2009. The rate was scheduled to decrease to 6.0% in 2008, but the 6.2% rate has been extended. A maximum credit of 5.4% is allowed for unemployment insurance payments to state governments. The net federal U.I. tax cost to employers is the difference between the rate paid to the state and 6.2%. The rate for new companies in Kentucky is 2.7% for the first \$8,000 of payroll.

4. Other Federal Taxes

Federal excise taxes may be applicable. Examples are motor fuel taxes, taxes on airline tickets, import duties, and the 3% excise tax on local telephone bills only. Federal courts have ruled the 3% excise tax does not apply to long distance calls. (IRS Notice 2006-50, http://www.irs.gov/irb/2006-25_IRB/ar09.html.)

For further information, refer to the U.S. Internal Revenue Service (IRS) web site—<http://www.irs.gov/form6spubs/index.html>—especially the Employer's tax guides.

5. Other Federal Taxes

The maximum section 179 deduction a company can elect for qualified section 179 property placed in service in tax years that begin in 2008, has increased to \$250,000 (\$285,000 for



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qualified enterprise zone property and qualified renewal community property). This limit is reduced by the amount by which the cost of section 179 property placed in service in the tax year exceeds \$800,000. Other higher deductions are allowed if they meet certain criteria. Details are located at: <http://www.irs.gov/formspubs/article/0,,id=177054,00.html>.

6. Depreciation Limits on Business Vehicles

The total depreciation deduction (including the section 179 expense deduction) you can take for a passenger automobile (that is not a truck or a van) you use in your business and first placed in service in 2009 is \$2,960 (\$10,960 for automobiles for which the special depreciation allowance applies). The maximum deduction you can take for a truck or van you use in your business and first placed in service in 2009 is \$3,060 (\$11,060 for trucks or vans for which the special depreciation allowance applies). Details are located at: <http://www.irs.gov/formspubs/article/0,,id=177054,00.html>.

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