

**Tax Comparisons for Northwest Kentucky and Nearby States
July 2005**

Tax Category	Northwest Kentucky	Alabama	Illinois	Indiana	Michigan	Mississippi	Ohio	Tennessee
Property-Real (1)	\$0.756-\$1.343/\$100	\$0.65-\$3.40/\$100	\$2.62/\$100-See Note	\$2.94/\$100	Up to \$0.75/\$100	\$0.75/\$100	\$1.84/\$100	See Note
Property-Tangible (2)	\$1.1298-\$1.9708/\$100	\$0.65-\$3.40/\$100	None	See Note	Up to \$0.75/\$100	\$0.75/\$100	\$1.90/\$100	See Note
State Sales (3)	6.00%	4.00%	6.25%	6.00%	6.00%	7% (See Note)	5.50%	7%
Local Sales (4)	None	0.5%-6.0%	0.0%-2.5%	None	None	None-See Note	0.5%-2.0%	2.25%-2.75%
Property-Finished Goods (5)	\$0.05-\$1.209/\$100	Exempt	None	Exempt	Up to \$0.75/\$100	\$0.75/\$100	\$1.75/\$100	None
Property-Goods in Transit (6)	Exempt-See Note	Exempt	None	Exempt	Up to \$0.75/\$100	\$0.75/\$100	\$1.90/\$100	None
Property-Mfg Machinery (7)	\$0.15/\$100	\$0.65-\$3.40/\$100	None	\$2.94/\$100	Up to \$0.75/\$100	\$0.75/\$100	None on new equipment	See Note
Property-Raw Materials (8)	\$0.05/\$100	Exempt	None	\$2.94/\$100	Up to \$0.75/\$100	\$0.75/\$100	\$1.75/\$100	See Note
Utility Excise Tax (9)	0.0%-3.0%	2.20%	5% or 7%	1.40%	See Note	1.5% or 7.0%	4.75%-6.75%	1.5% or 3.0%
State Corporate Income (10)	4.0%-6.0%	6.50%	4.8% + 2.5%	8.5% of AGI	1.90%	3.0%-5.0%	See Note	6.50%
State Personal Income (11)	2.0%-6.0%	2.0%-5.0%	3%	3.4% of AGI	3.90%	3.0%-5.0%	0.712%-7.185% (See Note)	See Note
Local Corporate Income (12)	0.0%-1.0%	None	See Note	None	None	None	0.25%-2.85%	See Note
Local Personal Income (13)	0.0%-1.0%	None	None	0.5%-1.25%	1-2.5%	None	0.50%-2.0%	None
Franchise (14)	None	\$10-\$150	0.1%-0.15% Paid in Capital	\$30 every 2 years	\$15 filing fee	\$0.25/\$100	None-See Note	\$0.25/\$100
Mfg. Equipment Exemption (15)	Exempt-See Note	See Note	None	None	See Note	See Note	See Note	Yes, See Note

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NOTES

- Property Tax - Real Property:** **Alabama** levies a combined local and state assessment on all property. The real property rate for manufacturing plants and equipment state wide is 20% of the fair cash value of the property. The levies vary among counties and cities because each jurisdiction sets its rate using a number of special taxing districts located within their jurisdiction. The lowest possible rate is the state only rate of 6.5 mills and the highest rate, which is located in Montgomery, is 34 mills. **Illinois** – General Property is levied to meet local budget needs. General property is assessed at 33.33% of fair cash value. Data was not available for the entire state, but the 2001 data for the capitol city of Springfield was available. The tax rate for Springfield for 2001 was 7.8718% of the taxable value which is 33.33% of the Fair Market Value (FMV). That averages out to a rate of \$2.62/\$100 of FMV. The 7.8718% was calculated from the following rates: 1) City rate of 1.1269%; 2) County rate of 0.7897%; School rate of 4.5083% and a combined others rate of 1.4469%. **Indiana** True Tax Value for land is the cost, while True Tax Value for buildings is approximately 70% of current construction cost. A calculation of the average rates for Indiana for all property, both real and tangible, for the year 2002 was \$2.94/\$100 (\$8.82 X 33%). There is also a homestead rate imposed on property tax in Indiana, but it is a special rate the state and some, but not all counties apply it to individuals over the age of 65. **Northwest Kentucky** – All property subject to tax for state purposes is also subject to county, city, school or other taxing districts in which it has a taxable situs. Northwest Kentucky real property rates are listed in a range per \$100 valuation indicating the region's lowest and highest possible rates. Real property is valued at fair cash value. **Michigan** – All property is assessed at 50% of true cash value. Cash value is determined to be the selling price at private sale, rather than auction or forced sale, at the place where the property is located at the assessment date. Real and personal property tax levies equal the aggregate of all lawful levies imposed by the state and county and any other subdivision authorized to levy taxes. The total amount of general property taxes imposed upon real and tangible personal property for all purposes in any one year cannot exceed \$0.015 on each dollar of the assessed value of the property unless approved by the voters. **Mississippi** levies a 5% tax rate on the property's value rate which is 15% of assessed value on all real property except single-family homes and public service property. **Ohio** rates are based on a net rate, after various tax reduction factors, of 52.52 mills, applied to a 35% valuation, and capped at 1% of true value. Prior to the June 30, 2005 tax changes there was a 10% property tax rollback on all real property. The new tax law eliminated this rollback on most commercial and industrial real property. The rollback remains for residential and agricultural real property. **Tennessee** - Assessments are based on a percentage of fair market value of the property as of January 1, the required percentage varying according to statutory classifications based on actual or potential use (public utility, 55%, commercial and industrial, 40 % on realty and 30 % on personalty, farm, 25%, and residential, 25%). Tax rates are expressed as an amount per \$100 of assessed value, and are set by the governing body of the county or city. Assessment practices are located at the following site – <http://www.comptroller.state.tn.us/sb/sbptxov.htm> – and Tennessee property tax rates are contained in the community profiles located at the following site: <http://www.comptroller.state.tn.us/pa/pasumm.htm>. Tennessee rates for 2003 vary from a low of \$0.50 per \$100 valuation to a high of \$2.436 per \$100 valuation.
- Property Tax - Tangible Property:** The **Alabama** rates are the same as they are for real property. **Illinois** does not levy personal property tax. **Indiana** True Tax Value for land is the cost, while True Tax Value for buildings is approximately 70% of current construction cost. A calculation of the average rates for

Indiana for all property, both real and tangible, for the year 2002 was \$2.94/\$100 (\$8.82 X 33%). are as follows: Indiana estimates are based on the same net rate as above. Indiana True Tax Value for depreciable personal property is the cost x the depreciated % (varies for first year property from 40% to 65%). There is also homestead rate imposed on property tax in Indiana, but it is a special rate the state and some, but not all counties apply to individuals over the age of 65. **Northwest Kentucky** - All property subject to tax for state purposes is also subject to county, city, school or other taxing districts in which it has a taxable situs. Northwest Kentucky tangible property rates are listed in a range per \$100 valuation indicating the region's lowest and highest possible rates. Tangible property is valued at fair cash value. **Michigan** – All property is assessed at 50% of true cash value. Cash value is determined to be the selling price at private sale, rather than auction or forced sale, at the place where the property is located at the assessment date. Real and personal property tax levies equal the aggregate of all lawful levies imposed by the state and county and any other subdivision authorized to levy taxes. The total amount of general property taxes imposed upon real and tangible personal property for all purposes in any one year cannot exceed \$0.015 on each dollar of the assessed value of the property unless approved by the voters. **Mississippi** levies a 5% tax rate on the property's value rate which is 15% of assessed value on all personal property except motor vehicles and public service property which have a value rate of 30% of assessed value. **Ohio** rates are based on a net rate, after various tax reduction factors, of 75.91 mills, applied to a 25% valuation on all tangible property except inventory. That 25% is being reduced to zero over four years. The phase out goes as follows: 2006 – 18.75%, 2007 – 12.5%, 2008 – 6.25% and 2009 – No tax. The first \$10,000 in tangible property is exempt from taxation. The **South Carolina** rate varies by county since there is a county and state component involved with each jurisdiction. The average rate for the state in 2004 was 285 mills levied on the taxable value of all manufacturing property. The taxable value of manufacturing property is 10.5% of the fair cash value of the property. . **Tennessee** - Assessments are based on a percentage of fair market value of the property as of January 1, the required percentage varying according to statutory classifications based on actual or potential use (public utility, 55%, commercial and industrial, 40 % on realty and 30 % on personalty, farm, 25%, and residential, 25%). Tax rates are expressed as an amount per \$100 of assessed value, and are set by the governing body of the county or city. Assessment practices are located at the following site – <http://www.comptroller.state.tn.us/sb/sbptxov.htm> – and Tennessee property tax rates are contained in the community profiles located at the following site: <http://www.comptroller.state.tn.us/pa/pasumm.htm>. Tennessee rates for 2003 vary from a low of \$0.375 per \$100 valuation to a high of \$1.827 per \$100 valuation.

3. **State Sales Tax:** **Alabama** levies a general sales tax rate of 4%. **Illinois** levies a state tax of 6.25% on the sales of general merchandise. **Indiana** levies a 6% gross retail (sales) tax on transactions of retail merchants that constitute selling at retail and a use tax is imposed on the storage, use or consumption in Indiana of tangible personal property purchased from an Indiana retailer for storage, use or consumption. **Kentucky** levies a 6.0% state sales tax. Major exemptions from the state sales tax, important to business and industry in Kentucky, include machinery for new and expanded industry, raw materials, industrial supplies, industrial tools, and other items. **Michigan** levies a tax of 6% on the sale of tangible goods. **Mississippi** levies a 7% sales tax rate on the sale of tangible personal property. The exceptions are vehicles which have a rate of 5% and manufacturing machinery which has a rate of 1.5%. **Ohio** levies a 5.5% sales tax, however, it exempts sales of artificial and natural gas, electricity, and water from the sales tax; but, utilities do pay a 4.75% public utility excise tax on gross receipts from intrastate business. **Tennessee** – 6% tax on food and food ingredients; 7% on all other tangible personal property unless specifically exempt. The state allows local entities to charge a sales tax anywhere from 2.25% to 2.75.

4. **Local Sales Taxes:** **Alabama** allows the local jurisdictions to levy local sales taxes. The rates vary from a low of 0.5% to a high of 6.0%. **Illinois** allows certain local government units to impose a local “home rule” sales tax. This tax was effective January 1, 2005 and ranges from a 0.75% tax in Chillicothe to a 4.5% tax in University Park (Cook County, Chicago). Some local governments do not levy the tax. The state will allow an up to 8% rate for events such as fairs and concerts. **Indiana** - There are no local sales taxes in Indiana. There are no local sales taxes in **Kentucky**. There are no local sales taxes in **Michigan**. **Mississippi** allows local districts to implement various sales and use tax. Nearly all are for the purpose of tourism and tourism related businesses. They will not have a direct affect any other type of business. **Ohio** allows counties and transit authorities to levy additional sales taxes rates from 0.25% to 1.5%. The rates can go higher, but only in 0.25% increments and only with voter approval. The rates range for a low of 0.5% to a high of 2.0%. No changes were made to this tax with the 2005 tax changes. **Tennessee** - The state allows local entities to charge a sales tax anywhere from 2.25% to 2.75%.
5. **Property Tax – Finished Goods:** The **Alabama** rates are the same as they are for real property. **Illinois** does not pay personal property tax. **Indiana** True Tax Value for land is the cost, while True Tax Value for buildings is approximately 70% of current construction cost. A calculation of the average rates for Indiana for all property, both real and tangible, for the year 2002 was \$2.94/\$100 (\$8.82 X 33%). are as follows: Indiana estimates are based on the same net rate as above. Indiana True Tax Value for depreciable personal property is the cost x the depreciated % (varies for first year property from 40% to 65%). There is also homestead rate imposed on property tax in Indiana, but it is a special rate the state and some, but not all counties apply to individuals over the age of 65. Kentucky - All property subject to tax for state purposes is also subject to county, city, school or other taxing districts in which it has a taxable situs. There is also homestead rate imposed on property tax in Indiana, but it is a special rate the state and some, but not all counties apply to individuals over the age of 65. Kentucky - All property subject to tax for state purposes is also subject to county, city, school or other taxing districts in which it has a taxable situs. The **Northwest Kentucky** rates listed in a range per \$100 valuation indicating the region’s lowest and highest possible rates.. The basis of assessments for property taxes in Kentucky is one hundred (100) percent of fair cash value. Manufacturers’ finished goods represent products that have been manufactured and are ready for sale or shipment. The value of both goods in process and finished goods must include all factory burden and overhead costs attributable to the manufacturing facilities and process. Business inventories are generally valued at original cost on a FIFO basis, with book value used as the minimum cash value. State law allows for favorable tax treatment for finished goods inventories. The state rate on finished goods inventory is only five (5) cents per \$100 of assessed value. Cities, counties, and urban-county governments may exempt or levy rates on these business inventories that are less than the prevailing rate of taxation on other tangible personal property. **Michigan** – All property is assessed at 50% of true cash value. Cash value is determined to be the selling price at private sale, rather than auction or forced sale, at the place where the property is located at the assessment date. Real and personal property tax levies equal the aggregate of all lawful levies imposed by the state and county and any other subdivision authorized to levy taxes. The total amount of general property taxes imposed upon real and tangible personal property for all purposes in any one year cannot exceed \$0.015 on each dollar of the assessed value of the property unless approved by the voters. **Mississippi** levies a 5% tax rate on the property’s value rate which is 15% of assessed value on all personal property except motor vehicles and public service property which have a value rate of 30% of assessed value. **Ohio** rates are based on a net rate, after various tax reduction factors, of 75.91 mills, applied to a 23% valuation on inventory for 2005. That 23% is being reduced to zero over four

years. The phase out goes as follows: 2006 – 18.75%, 2007 – 12.5%, 2008 – 6.25% and 2009 – No tax. **Tennessee** - Assessments are based on a percentage of fair market value of the property as of January 1, the required percentage varying according to statutory classifications based on actual or potential use (public utility, 55%, commercial and industrial, 40 % on realty and 30 % on personalty, farm, 25%, and residential, 25%). Tax rates are expressed as an amount per \$100 of assessed value, and are set by the governing body of the county or city. Assessment practices are located at the following site – <http://www.comptroller.state.tn.us/sb/sbptxov.htm> – and Tennessee property tax rates are contained in the community profiles located at the following site: <http://www.comptroller.state.tn.us/pa/pasumm.htm>. Tennessee rates for 2003 vary from a low of \$0.375 per \$100 valuation to a high of \$1.827 per \$100 valuation. Goods held in inventory are exempt.

- 6. Property Tax – Goods-in-Transit:** The **Alabama** rates are the same as they are for real property. **Illinois** does not pay personal property tax. **Indiana** True Tax Value for land is the cost, while True Tax Value for buildings is approximately 70% of current construction cost. A calculation of the average rates for Indiana for the year 2004 are as follows: 1) the average state rate on all property is \$0.0095/\$100 valuation; 2) the average rate of real and other personal property for all counties, cities and municipalities is \$0.01187/\$100 of valuation; 3) the average of business personal property for all counties, cities and municipalities is \$0.0743/\$100 of valuation. There is also homestead rate imposed on property tax in Indiana, but it is a special rate the state and some, but not all counties apply to individuals over the age of 65. Manufactured goods for shipment out of state are exempt. In **Kentucky**, personal property placed in a warehouse or distribution center for subsequent distribution to an out-of-state location within six months is exempt from state, city, county, and school district personal property taxes. Finished product at the end of the manufacturing process in the facility warehouse or distribution area to be shipped out of state within 6 months are considered goods in transit. Fire districts and special-taxing districts may exempt goods in transit at their option. These will vary from district to district. **Michigan** – All property is assessed at 50% of true cash value. Cash value is determined to be the selling price at private sale, rather than auction or forced sale, at the place where the property is located at the assessment date. Real and personal property tax levies equal the aggregate of all lawful levies imposed by the state and county and any other subdivision authorized to levy taxes. The total amount of general property taxes imposed upon real and tangible personal property for all purposes in any one year cannot exceed \$0.015 on each dollar of the assessed value of the property unless approved by the voters. **Mississippi** levies a 5% tax rate on the property's value rate which is 15% of assessed value on all personal property except motor vehicles and public service property which have a value rate of 30% of assessed value. **Ohio** rates are based on a net rate, after various tax reduction factors, of 75.91 mills, applied to a 23% valuation on inventory for 2005. That 23% is being reduced to zero over four years. The phase out goes as follows: 2006 – 18.75%, 2007 – 12.5%, 2008 – 6.25% and 2009 – No tax. **Tennessee** - Assessments are based on a percentage of fair market value of the property as of January 1, the required percentage varying according to statutory classifications based on actual or potential use (public utility, 55%, commercial and industrial, 40 % on realty and 30 % on personalty, farm, 25%, and residential, 25%). Tax rates are expressed as an amount per \$100 of assessed value, and are set by the governing body of the county or city. Assessment practices are located at the following site – <http://www.comptroller.state.tn.us/sb/sbptxov.htm> – and Tennessee property tax rates are contained in the community profiles located at the following site: <http://www.comptroller.state.tn.us/pa/pasumm.htm>. Tennessee rates for 2003 vary from a low of \$0.375 per \$100 valuation to a high of \$1.827 per \$100 valuation. Goods held in inventory are exempt.

7. **Property Tax – Manufacturing Machinery:** The **Alabama** rates are the same as they are for real property. **Illinois** does not pay personal property tax. **Indiana** True Tax Value for land is the cost, while True Tax Value for buildings is approximately 70% of current construction cost. A calculation of the average rates for Indiana for all property, both real and tangible, for the year 2002 was \$2.94/\$100 (\$8.82 X 33%). are as follows: Indiana estimates are based on the same net rate as above. Indiana True Tax Value for depreciable personal property is the cost x the depreciated % (varies for first year property from 40% to 65%). There is also homestead rate imposed on property tax in Indiana, but it is a special rate the state and some, but not all counties apply to individuals over the age of 65. Kentucky - All property subject to tax for state purposes is also subject to county, city, school or other taxing districts in which it has a taxable situs. The **Kentucky** rates are based on a state only rate of \$0.15 per \$100 valuation. The basis of assessments for property taxes in Kentucky is one hundred (100) percent of fair cash value. Depreciable tangible personal property is assessed for current value by a method known in the property appraisal industry as replacement cost less accrued depreciation. Tables for six (6) ranges of economic life give current value as a percentage of original cost, reflecting both depreciation and appreciation (replacement cost). For assessment purposes, guidelines concerning the definitions of various tangible personal property are important. A manufacturer is defined as an entity that purchases, receives, or holds personal property for the purpose of adding to its value by manufacturing, refining, rectifying or mixing different materials with a view of making a profit. While there is not a single statutory definition of manufacturing machinery, the courts have defined manufacturing machinery as that which gives new shape, new quality, or new combination to matter, and which changes the adaptability of the matter and converts it into articles suitable for use. **Michigan** – All property is assessed at 50% of true cash value. Cash value is determined to be the selling price at private sale, rather than auction or forced sale, at the place where the property is located at the assessment date. Real and personal property tax levies equal the aggregate of all lawful levies imposed by the state and county and any other subdivision authorized to levy taxes. The total amount of general property taxes imposed upon real and tangible personal property for all purposes in any one year cannot exceed \$0.015 on each dollar of the assessed value of the property unless approved by the voters. **Mississippi** levies a 5% tax rate on the property's value rate which is 15% of assessed value on all personal property except motor vehicles and public service property which have a value rate of 30% of assessed value. **Ohio** rates are based on a net rate, after various tax reduction factors, of 75.91 mills, applied to a 25% valuation on all tangible property except inventory. That 25% on existing manufacturing machinery is being reduced to zero over four years. Beginning in 2006, no tax will be paid on all new manufacturing machinery and equipment purchased after January 1, 2006. The phase out goes as follows: 2006 – 18.75%, 2007 – 12.5%, 2008 – 6.25% and 2009 – No tax. **Tennessee** - Assessments are based on a percentage of fair market value of the property as of January 1, the required percentage varying according to statutory classifications based on actual or potential use (public utility, 55%, commercial and industrial, 40 % on realty and 30 % on personalty, farm, 25%, and residential, 25%). Tax rates are expressed as an amount per \$100 of assessed value, and are set by the governing body of the county or city. Assessment practices are located at the following site – <http://www.comptroller.state.tn.us/sb/sbptxov.htm> – and Tennessee property tax rates are contained in the community profiles located at the following site: <http://www.comptroller.state.tn.us/pa/pasumm.htm>. Tennessee rates for 2003 vary from a low of \$0.375 per \$100 valuation to a high of \$1.827 per \$100 valuation.
8. **Property Tax – Raw Materials:** The **Alabama** rates are the same as they are for real property. **Illinois** does not pay personal property tax. Indiana True Tax Value for land is the cost, while True Tax Value for buildings is approximately 70% of current construction cost. A calculation of the average rates for Indiana

for all property, both real and tangible, for the year 2002 was \$2.94/\$100 (\$8.82 X 33%). are as follows: **Indiana** estimates are based on the same net rate as above. Indiana True Tax Value for depreciable personal property is the cost x the depreciated % (varies for first year property from 40% to 65%). There is also homestead rate imposed on property tax in Indiana, but it is a special rate the state and some, but not all counties apply to individuals over the age of 65. Kentucky - All property subject to tax for state purposes is also subject to county, city, school or other taxing districts in which it has a taxable situs. The **Kentucky** rates are based on a state only rate of \$0.05 per \$100 valuation. **Michigan** – All property is assessed at 50% of true cash value. Cash value is determined to be the selling price at private sale, rather than auction or forced sale, at the place where the property is located at the assessment date. Real and personal property tax levies equal the aggregate of all lawful levies imposed by the state and county and any other subdivision authorized to levy taxes. The total amount of general property taxes imposed upon real and tangible personal property for all purposes in any one year cannot exceed \$0.015 on each dollar of the assessed value of the property unless approved by the voters. **Mississippi** levies a 5% tax rate on the property's value rate which is 15% of assessed value on all personal property except motor vehicles and public service property which have a value rate of 30% of assessed value. **Ohio** rates are based on a net rate, after various tax reduction factors, of 75.91 mills, applied to a 25% valuation on all tangible property except inventory. That 25% is being reduced to zero over four years. The phase out goes as follows: 2006 – 18.75%, 2007 – 12.5%, 2008 – 6.25% and 2009 – No tax. **Tennessee** - Assessments are based on a percentage of fair market value of the property as of January 1, the required percentage varying according to statutory classifications based on actual or potential use (public utility, 55%, commercial and industrial, 40 % on realty and 30 % on personalty, farm, 25%, and residential, 25%). Tax rates are expressed as an amount per \$100 of assessed value, and are set by the governing body of the county or city. Assessment practices are located at the following site – <http://www.comptroller.state.tn.us/sb/sbptxov.htm> – and Tennessee property tax rates are contained in the community profiles located at the following site: <http://www.comptroller.state.tn.us/pa/pasumm.htm>. Tennessee rates for 2003 vary from a low of \$0.375 per \$100 valuation to a high of \$1.827 per \$100 valuation.

9. **State Utility Excise Tax:** **Alabama** levies a 2.2% rate on the gross receipts for each entity operating a public utility. **Illinois** – Telecommunications, 7% of gross receipts. Gas, \$0.24 per therm or 5% of gross receipts, whichever results in a lower tax. Electricity, \$0.32 per kilowatt-hour or 5% of gross receipts, whichever results in a lower tax. Gas use tax, \$0.024 per therm or 5% of purchase price, whichever is lower. **Indiana** levies a 1.4% tax on the gross receipts from providing utility services (including electrical energy; natural gas for heating, lighting, cooling or power; water; steam; sewage; or telecommunications services). In **Northwest Kentucky**, state statutes allow the imposition of a utility gross receipts license tax for schools not to exceed three (3) percent of the gross receipts derived from the furnishing of natural, artificial, and mixed gas; electric power; and water. Effective January 1, 2006. An excise tax of 3% is imposed on multichannel video and audio programming services. Local government franchise and unit valuation property taxes are eliminated. The local school utility gross receipts tax is extended to treat satellite TV providers the same as cable TV providers. Local school utility gross receipts tax are optional by local school districts and can be up to 3% of gross receipts. Effective January 1, 2006. An internal gross revenues tax is levied against telephone providers at a rate of 1.3% and against multichannel video and audio programming providers at a rate of 2.4% of gross revenues. Gross revenues subject to taxation are for providing services to Kentucky customers only. **Michigan** has no special license or privilege taxes. However, a city of 750,000 or more is authorized to adopt a uniform ordinance to levy a tax on utility users. This ordinance may be adopted at any time and becomes effective on the first day of

any month following its adoption. The rate of tax is in increments of 0.25%, but cannot exceed 5% of utility bills and is imposed on users of interstate telephone, gas and electricity services. If the total revenue generated by the utility user's tax for a fiscal year exceeds \$45,000,000 by 5% or more, the tax rate for the following fiscal year must be reduced by 0.25% for each full 5% collected in excess of \$45,000,000 unless the excess amount is dedicated and used exclusively to hire and retain additional police officers. **Mississippi** collects 7% on all utilities except for electricity used for industrial purposes, which has a rate of 1.5%. **Ohio** levies an excise tax of 6.75% on gross receipt for pipeline companies and 4.75% for all others. Municipally owned utilities are exempt. No tax. No changes were made to this tax with the 2005 tax changes. **Tennessee** – All public utilities – 3% of intrastate gross receipts, except gas companies which are taxed at 1.5% of intrastate gross receipts.

10. **State Corporate Income Tax:** **Alabama** levies a rate of 6.5% on corporate profits. **Illinois** levies a 4.8% tax on corporate income. It also imposes a 2.5% personal property replacement tax on corporations. S corporations are free from corporate income tax but are subject to a 1.5% personal property replacement tax. LLCs are treated as partnerships in Illinois. **Indiana** levies an 8.5% tax on Adjusted Gross Income. Partnerships are exempt and with S corporations only income passed to nonresidents is exempt all other distributive income is subject to tax. **Kentucky** uses a double-weighted sales factor. The new tax rate is as follows: 1) \$0 - \$50,000 is taxed at 4%; 2) \$50,001 - \$100,000 is taxed at 5%; 3) \$100,001 or more is taxed at 7% before January 1, 2007, and at 6% thereafter. The corporation must choose the **HIGHER** of the actual tax rate or the alternative minimum tax (AMT) rate. Under tax modernization, the AMT maybe calculated using the **LESSER** of the two AMT alternatives, which are \$0.095/\$100 of gross receipts or \$0.75/\$100 of Kentucky gross profits. **Michigan** levies a Single Business Tax (SBT) of 1.9% (2004) and 1.8% (2005 if the state reports an ending balance of at least \$250,000,000. **NO CHANGE INDICATED FOR 2005**) of federal income, with adjustments, allocated or apportioned to Michigan. The first \$45,000 of the adjusted tax base is exempt. The tax applies to individuals, corporations, financial institutions, estates, trusts and partnerships with business activity allocated or apportioned to Michigan. Unincorporated taxpayers and tax option corporations (S corporations) are allowed a credit for a portion of their tax liability after calculating the credit for small businesses. This credit is computed as follows: Business income of \$20,000 or less (10% of tax liability); Business income of \$20,001 to \$40,000 (15% of tax liability) and business income of \$40,001 plus (20% of tax liability). **Mississippi** levies a graduated tax on income with the following rates: First \$5,000 – 3%; next \$5,000 – 4%; all income over \$10,000 – 5%. **Ohio** levies the greater of the Corporate Income Tax or Corporate Franchise Tax. The corporate franchise tax is being phased out over a period of five years beginning in 2006. The phase out is as follows: 2006 – 80% of liability is due; 2007 – 60% of liability is due; 2008 – 40% of liability is due; 2009 – 20% of liability is due and no tax is starting January 1, 2010. The Corporate Income Tax is 5.1% of the first \$50,000 and 8.5% of net taxable income over \$50,000. The State Franchise Tax is levied at 4 mills (.004) of net worth. The minimum amount due is \$1,000. **Tennessee** has an excise tax. It imposes a rate of 6.5% of net earnings from business done by corporations, limited liability entities, and banks doing business in the state. Tennessee utilizes a three factor (property, payroll, and receipts) apportionment formula with a double-weighted receipts factor.
11. **State Personal Income Tax:** **Alabama** has a graduated income tax to \$3,000 and then a 5% rate for all amounts over \$3,000. Its rates are (\$0 - \$500, 2%), (\$501- \$3,000, 4%). **Illinois** imposes a 3% tax on net income for individuals, estates, and trusts. LLCs are treated as partnerships subject to personal income tax. S corporations exempt from corporate tax, but are subject to the personal income tax. Indiana levies an Adjusted Gross Income Tax (AGI) of

3.4% of federal adjusted gross income of resident individuals, estates and trusts and upon the part of the adjusted gross income derived from Indiana sources by nonresidents. **Kentucky** has a graduated income tax rate, with a rate of 6.0% on all income over \$75,000. The new rates are as follows: 1) \$0 - \$3,000 is taxed at 2%; 2) \$3,001 - \$4,000 is taxed at 3%; 3) \$4,001 - \$5,000 is taxed at 4%; 4) \$5,001 - \$8,000 is taxed at 5%; 5) \$8,001 - \$75,000 is taxed at 5.8% and; 6) All taxable income over \$75,000 is taxed at 6%. **Michigan** levies a personal income tax rate of 3.9% (2006) of federal adjusted gross income for all individuals, estates and trust. Each individual in a partnership has his portion of income taxed at the individual rate. All distributive income from an S Corporation includible in the shareholder's adjusted gross income is subject to tax if allocated or apportioned to **Michigan**. **Mississippi** levies a graduated tax on income with the following rates: First \$5,000 – 3%; next \$5,000 – 4%; all income over \$10,000 – 5%. There are no local income taxes in Mississippi. **Ohio** has a graduated income tax rate, with a starting rate of 0.712% for income above \$0.00 and capped at a maximum rate of 7.185% on all income over \$200,000. Beginning July 1, 2005, Ohio is reducing its tax burden in 4.2% increments for five years. The reduction is an across the board reduction for all tax brackets. The phases are as follows: 2005 - 4.2% reduction from 2004 rates; 2006 – 8.4% reduction from 2004 rates; 2007 - 12.6% reduction from 2004 rates; 2008 - 16.8% reduction from 2004 rates; 2009 and beyond - 21% reduction from 2004 rates. **Tennessee** levies a flat Personal Income Tax rate of 6.0% on dividends and interest income only.

12. **Local Corporate Income Tax** **Alabama** does have a local corporate income tax. **Illinois** does not impose a local income tax. The City of Chicago does have a \$4/personal monthly fee for all businesses with over 50 employees. **Indiana** does not have Local Corporate Income Tax. In **Northwest Kentucky** state statutes allow cities, counties, and school districts to levy occupational license taxes on the net profits of businesses including corporations, proprietorships, partnerships, and self-employed individuals. The taxes may be levied either on a flat rate schedule (based on type of business or employment size) or as a percentage of local net profits or gross receipts. For businesses with payroll and sales in more than one tax jurisdiction, net profits or gross receipts are apportioned using an equal weight of a payroll factor and a sales factor. For businesses with just sales in more than one tax jurisdiction, net profits or gross receipts are apportioned using a sales factor only. A few cities and counties place a cap on the tax payable annually by an individual business or exempt the lower amounts of profits. Some exempt income from sales to points outside of the local area. The rates are listed in a range indicating the region's lowest and highest possible rates. **Michigan** has no local corporate income tax. There are no local corporate income taxes in **Mississippi**. **Ohio** allows local jurisdictions levy an income tax on business. The rate varies from a low of 0.25% to a high of 2.85%. Any rate levied over 1% must have voter approval. No changes were made to real property with the tax changes that began on July 1, 2005. No changes were made to real property with the tax changes that began on July 1, 2005. **Tennessee** levies a state only corporate income tax with a flat rate of 6.5% of net earnings.
13. **Local Personal Income Tax:** **Alabama** does not have a local personal income tax. **Illinois** does not levy a local personal income tax. **Indiana** county governments may impose County Adjusted Gross Income Taxes (CAGIT), County Option Income Taxes (COIT), and County Economic Development Income Taxes (CEDIT). The county economic development tax rate and any county adjusted gross income tax rate cannot exceed 1.25%, and the county economic development income tax and any county option income tax cannot exceed a rate of 1% (or 1.25% under special circumstances). In **Northwest Kentucky** statutes allow cities, counties, and school districts to levy occupational license taxes on individual income. A few cities and counties place a cap on the tax

payable annually by an individual. The rates are listed in a range indicating the region's lowest and highest possible rates. **Michigan** allows local governments to impose an occupational tax on the income employees earn within the taxing entity's jurisdiction. The exact tax information or statute covering it could not be found, but several cities were researched and a range of at 1% (Flint and Lansing) to 2.5% (Detroit) was discovered. **Ohio** allows local jurisdictions levy a tax on income. The rate varies from a low of 0.50% to a high of 2.0%. Any rate levied at 0.25% increments and must have voter approval. No changes were made to this tax with the 2005 tax changes. **Tennessee** does not have a local a personal income tax

14. **Franchise Tax:** **Alabama** has a scaled tax with a minimum payment of \$10 and a maximum payment of \$100. **Illinois** has an annual franchise fee of 0.1% of paid in capital for each year after the first year of incorporation. The fee is 0.15% of paid in capital for the initial year of incorporation. The minimum paid is \$25 and the maximum paid is \$2,000,000. **Indiana** does not have a corporate franchise tax. Corporations are required to file a biennial corporation report and pay a \$30 fee. **Kentucky** does not levy a franchise tax. **Michigan** does not have a corporate franchise fee. It requires the filing of an annual report to the Michigan Department of Commerce. A \$15 filing fee must accompany the report. **Mississippi** levies a tax of \$2.50/\$1000 valuation, with a minimum of \$25 due. **Ohio** – see note 10. The corporate franchise tax is being phased over a period of five years beginning in 2006. The phase out is as follows: 2006 – 80% of liability is due; 2007 – 60% of liability is due; 2008 – 40% of liability is due; 2009 – 20% of liability is due and no tax is starting January 1, 2010. **Tennessee** levies a Franchise Tax of \$2.50 per \$1000 on the greater of net worth or the value of the real and tangible personal property. The minimum charged is \$100.
15. **New Equipment Exemptions:** **Alabama** has a sales tax of 1.5% on the purchase of manufacturing and farming machinery. **Illinois** has a Manufacturer's Purchase Credit (MPC) that exempts up to half of the 6.25% sales tax paid on manufacturing or graphic art machinery. **Indiana** does not have such an exemption. Major exemptions from the state sales tax, important to business and industry in **Kentucky**, include machinery for new and expanded industry, raw materials, industrial supplies, industrial tools, and other items. **Michigan** allows an industrial process exemption. An industrial processing exemption is allowed for property which is used or consumed in transforming, altering, or modifying tangible personal property by changing the form, composition, or character of the property for ultimate sale at retail or for sale to another processor for further processing and ultimate sale at retail. **Mississippi** has a sales tax rate of only 1.5% on the purchase of manufacturing machinery and port facility equipment. **Ohio** has a Manufacturing Investment Tax Credit that expires on December 31, 2005. The credit gives the purchaser a 7.5% tax credit on manufacturing equipment purchased before the deadline. If the equipment is for investment in an eligible area (inner city distressed area, etc.) the corporation is eligible for a 13.5% tax credit. No changes were made to this tax with the 2005 tax changes. **Tennessee** – The purchase, lease, or rental of qualified machinery, and its repair and replacement parts, are exempt from sales or use tax.