

Kentucky's Inventory Tax Credit Increases to 50% of Property Taxes Paid



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Businesses that pay property taxes on inventory in Kentucky are entitled to a credit against their 2019 Kentucky individual income, corporation income, or limited liability entity taxes (other than the \$175 minimum LLET) equal to 50% of the property taxes paid on the inventory. This is double the percentage of property tax for the credit available in 2018 when the credit was first effective. The credit will continue to increase by 25 percentage points until the credit equals 100% of inventory property taxes paid in 2021.

“Inventory” is defined as “goods held for sale in the regular course of business.” The types of qualifying inventory range from retailers’ inventory to raw materials, in-process, and finished goods inventory of manufacturing companies. To qualify for the credit, property taxes due on inventory must be paid to the taxing jurisdiction on or before December 31 of the tax year.

The Department of Revenue has created an “inventory tax calculator” to assist in calculating of the credit:

[Inventory tax credit calculator](#)

The credit is nonrefundable and cannot be carried forward.