

**286.3-235 Common trust fund not separate entity for tax purposes --  
Circumstances when no gain or loss to be recognized.**

- (1) Common trust funds shall not be considered as an entity for income or other tax purposes, nor shall investment in such fund make taxable any property which is otherwise exempt therefrom; and for purposes of taxation, the status of the common trust fund and of each participant therein shall be determined as though there were no common fund and as though each participant was the owner of its proportionate share of every asset held in the common fund. The bank or trust company maintaining said fund shall file a report of said fund with the property valuation administrator as of the ad valorem tax date and shall file annually such income tax information as may be required by the Department of Revenue.
- (2) Notwithstanding subsection (1) of this section, if a common trust fund transfers substantially all of its assets to one (1) or more regulated investment companies in exchange solely for stock in the company or companies to which such assets are transferred and such stock is distributed by such common trust fund to the participants in such common trust fund in a transaction which would qualify under Section 584(h) of the Internal Revenue Code of 1986, as amended, for the nonrecognition of gain or loss of such transfer or distribution by the common trust fund, then no gain or loss shall be recognized for Kentucky income tax purposes by the common trust fund by reason of such transfer or distribution or by the participants in such common trust fund by reason of such exchange.

**Effective:** June 20, 2005

**History:** Amended 2005 Ky. Acts ch. 85, sec. 675, effective June 20, 2005. -- Amended 1998 Ky. Acts ch. 196, sec. 31, effective July 15, 1998. -- Amended 1974 Ky. Acts ch. 308, sec. 48. -- Created 1950 Ky. Acts ch. 191, sec. 1.

**Formerly codified as** KRS 287.235.

**Legislative Research Commission Note** (7/12/2006). In accordance with 2006 Ky. Acts ch. 247, secs. 38 and 39, this statute has been renumbered as a section of the Kentucky Financial Services Code, KRS Chapter 286.