

136.540 Calculation of payroll factor.

- (1) The payroll factor is a fraction the numerator of which is the total amount paid in this Commonwealth during the taxable year by the financial institution for compensation and the denominator of which is the total compensation paid both within and without this Commonwealth during the taxable year.
- (2) The compensation of any employee for services or activities which are not connected with business activities and payments made to any independent contractor or any other person not properly classifiable as an employee shall be excluded from both the numerator and denominator of the factor.
- (3) Compensation is paid in this Commonwealth if any one of the following tests is met:
 - (a) The employee's services are performed entirely within this Commonwealth.
 - (b) The employee's services are performed both within and without the Commonwealth, but the service performed without the Commonwealth is incidental to the employee's service within the Commonwealth. The term "incidental" means any service which is temporary or transitory in nature, or which is rendered in connection with an isolated transaction.
 - (c) If the employee's services are performed both within and without this Commonwealth, the employee's compensation will be attributed to this Commonwealth if:
 1. The employee's principal base of operations is within this Commonwealth;
 2. There is no principal base of operations in any state in which some part of the services are performed, but the place from which the services are directed or controlled is in this Commonwealth; or
 3. The principal base of operations and the place from which the services are directed or controlled are not in any state in which some part of the service is performed but the employee's residence is in this Commonwealth.

Effective: July 15, 1996

History: Created 1996 Ky. Acts ch. 254, sec. 10, effective July 15, 1996.