



MULTISTATE INCOME/FRANCHISE TAX

Kentucky updates IRC conformity and enacts new transaction tax

Tax Alert

Overview

On April 14, 2026, Kentucky [House Bill 757](#) (“H.B. 757”) was enacted into law. H.B. 757 is a broad revenue bill impacting many tax types including individual and corporate income taxes and sales and use taxes. The legislation also enacts new excise taxes on fantasy contest service providers and prediction market operators. This Tax Alert summarizes certain corporate income, sales and use, and excise tax provisions of H.B. 757.

Corporate IRC conformity

- For taxable years beginning on or after January 1, 2026, H.B. 757 updates Kentucky conformity to the Internal Revenue Code (“IRC”) in effect on December 31, 2025, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2024, that would otherwise terminate. Kentucky’s prior IRC conformity date was December 31, 2024 for taxable years beginning on or after January 1, 2025.
- For purposes of determining the limitation on business interest under IRC § 163(j) for taxable years beginning on or after January 1, 2026, H.B. 757 provides that Kentucky will use the provisions of IRC § 163(j) in effect on December 31, 2024, exclusive of any amendments made subsequent to that date.
- For taxable years beginning on or after January 1, 2026, H.B. 757 requires corporate taxpayers to include in income amounts deducted for domestic R&E expenditures under IRC § 174A while excluding the amount deducted under IRC § 174 as it existed on December 31, 2024.

Sales and use tax updates

- Effective August 1, 2026, H.B. 757 adds data brokering services as a taxable service subject to Kentucky’s sales and use tax. Data brokering services is defined as the act of collecting, aggregating, and analyzing personal data for sale to a third party while possession of the personal data is maintained by the service provider or the third party, regardless of whether the charge is per use, per user, per license, subscription, or other basis. An exemption is provided for sales of data brokering services by state and local governmental entities. Additionally, gross receipts from data brokering services performed under fixed-price contracts and lease or rental agreements executed or entered into on or before February 25, 2026 are excluded.
- Effective August 1, 2026, H.B. 757 eliminates the alternative 200 transaction threshold for marketplace provider and remote retailer economic nexus. Under the new law, the sole nexus threshold is \$100,000 of gross receipts derived from sales of tangible personal property, digital property, or services delivered, transferred electronically, or provided to Kentucky purchasers in the previous or current calendar year. Marketplace providers and remote retailers meeting this threshold are required to register and begin collecting no later than the first day of the calendar month that is at most 60 days after the threshold is reached.

New excise taxes

- Beginning January 1, 2027, H.B. 757 imposes an excise tax on fantasy contest service providers at a rate of 12% of the provider's adjusted gross fantasy contest receipts, defined as total entry fees collected less winnings paid to participants. The tax is due and payable monthly, remitted by the 20th day of the succeeding calendar month.
- Beginning January 1, 2027, H.B. 757 imposes an excise tax on prediction market operators at a rate of 14.25% of the prediction market operator's transaction fees, computed on the accrual basis. Monthly returns and payments are due by the 20th day of the following calendar month. Prediction market is defined as any physical or electronic platform through which a consumer may buy, sell, or exchange event contracts, any platform or system that provides consumers with the ability to open speculative positions on the outcomes of future events, and may be a board of trade designated as contract markets by the Commodity Futures Trading Commission. Transaction fee means the fee charged by the prediction market operator to complete a transaction, and the amount paid by a consumer to purchase an event contract from a prediction market operator.

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