

2021 KENTUCKY WITHHOLDING TAX FORMULA

2021 Kentucky Standard Deduction: \$2,690

2021 Kentucky Tax Rate: 5% of taxable income

Formula:

Wages for the pay period multiplied by the number of annual pay periods equals annual wages. Annual wages minus the Kentucky standard deduction equals annual Kentucky wages. Compute tax on wages using the 5% Kentucky flat tax rate to determine gross annual Kentucky tax. Divide the gross annual Kentucky tax by the number of annual pay periods to determine the Kentucky withholding tax for the pay period.

2021 Examples:

Payroll Frequency: monthly

Wages: \$3,020

1. Compute annual wages: $\$3,020 \times 12 = \$36,240$
2. Compute Kentucky taxable wages: $\$36,240 - \$2,690 = \$33,550$
3. Compute gross annual Kentucky tax: $\$33,550 \times 5\% \text{ flat tax rate} = \$1,677.50$
4. Compute Kentucky withholding tax for tax period: $\$1,677.50 \div 12 = \139.79 (monthly withholding)

Payroll Frequency: bi-weekly

Wages: \$1,500

1. Compute annual wages: $\$1,500 \times 26 = \$39,000$
2. Compute Kentucky taxable wages: $\$39,000 - \$2,690 = \$36,310$
3. Compute gross annual Kentucky tax: $\$36,310 \times 5\% \text{ flat tax rate} = \$1,815.50$
4. Compute Kentucky withholding tax for tax period: $\$1,815.50 \div 26 = \69.83 (bi-weekly withholding)

NOTE: The Department of Revenue annually adjusts the standard deduction in accordance with KRS 141.081(2)(a). Employers that use the formula to compute the amount of withholding may use the standard deduction for the current year.