



# This Week in State Tax (TWIST)

April 13, 2026



## Kentucky: Legislature passes tax bill with something for all

The Kentucky General Assembly recently approved a bill with a number of revenue measures; it now awaits signature by Governor Andy Beshear. The bill includes the imposition of new taxes on prediction markets and fantasy sports contests; it also addresses state conformity to various aspects of the One Big Beautiful Bill Act (P.L. 119-21) (OB3).

On the indirect tax side, Kentucky is proposing a new excise tax on prediction markets involved in the purchase, sale, or exchange of event contracts to consumers in Kentucky. The tax would be imposed on prediction market operators at a rate of 14.25 and would take effect on January 1, 2027. An “event contract” is defined as an “agreement, contract, transaction or swap in an excluded commodity based on the occurrence, extent of an occurrence, or contingency, other than on changes in the price, rate, value, or level of a commodity” described in federal law. It does not include specified transactions involving commodity futures, swaps, or derivatives under certain federal laws. A “prediction market operator” includes any board of trade or other person that operates a physical or electronic platform through which consumers can buy, sell, or exchange event contracts, or otherwise open speculative positions on future events, regardless of whether the platform is located inside or outside Kentucky. Consumer is defined as a Kentucky resident purchasing an event contract through a prediction market or a person who is not a Kentucky resident purchasing an event contract while in Kentucky.

The 14.25 percent tax would be imposed on the operator’s “transaction fees,” defined as both (1) any fee the operator charges to complete a sale, purchase, or trade of an event contract for a consumer, and (2) the amount a consumer pays to purchase an event contract from the operator. Operators would be required to file and remit the tax on a monthly basis. This proposed excise tax would be in parity with the excise tax currently imposed on the adjusted gross revenue from wagers placed online via websites or mobile applications.

Alongside this, the bill would impose a tax on online fantasy sports contests. The tax would be imposed at a rate of 12 percent on the “adjusted gross fantasy contest receipts” which are the total fantasy entry fees collected from all fantasy contest participants less the winnings paid out to players. The tax is imposed on the operator of the online fantasy sports contest and monthly returns and remittances are required. The term fantasy contest participant is defined as a person who is age 21 or over and a Kentucky resident participating in a fantasy contest or a nonresident participating in a fantasy contest while in Kentucky.

Lastly for indirect taxes, the bill would codify the penny rounding rules adopted by Kentucky, eliminate the 200-transaction threshold for establishing economic nexus, and add data brokering services to the list of taxable services. Data brokering is defined as collecting, aggregating and analyzing personal data for sale to a third

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party, regardless of whether the possession of the data is maintained by the data brokering service or the third party.

On the income tax side, the bill would update the state's fixed conformity date to the Internal Revenue code in effect on December 31, 2025, effective for taxable years beginning on or after January 1, 2026. For both corporate and individual taxpayers, the bill would require a taxpayer to add-back any federal domestic research or experimental expenditures taken under IRC section 174A and instead subtract the amount that would be deductible under IRC section 174 as it existed on December 31, 2024. For corporate taxpayers, the bill would also apply the IRC section 163(j) (limitation of business interest) as it was in effect on December 31, 2024 in determining federal gross income. In addition, the bill would delay the effective date of the deduction allowed to publicly traded companies for an increase in its deferred tax liability as a result of the Kentucky shift to unitary combined reporting to the first tax year beginning on or after January 1, 2028. It had been set to kick in for tax year 2026. Contact [Dave Perry](#) (indirect tax) or [Brandon Erwine](#) (income tax) with questions on [H.B. 757](#).

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