

Tax Matters

connecting and informing
employees



OFFICE OF INCOME TAXATION
COMMUNICATIONS & TRAINING BRANCH

Winter 2011

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DOR Spotlight WITHHOLDING TAX BRANCH

Location: 6th Floor, State Office Building

Workforce: 19 Employees

Management:

- Debbie Travis—Branch Manager
- Marla Howard—Supervisor Compliance Section I
- Tanya Smothermon—Supervisor Compliance Section II
- Melissa Perry—Taxpayer Assistance Section

You may think you pay your taxes by April 15 every year, but that isn't entirely true. A little bit of what you owe is taken out of every paycheck you receive.

In 1954, Kentucky became only the fourth state to adopt a withholding system requiring employers to withhold and remit the tax to the Commonwealth.

Today, the Withholding Branch is a part of the Office of Income Taxation and is composed of three sections: Taxpayer Assistance, Compliance 1 and Compliance 2. The 19 Withholding Branch employees manage roughly 100,000 active withholding tax accounts. Creating about three million W-2's annually, this tax is one of the largest sources of income for Kentucky.

The Taxpayer Assistance staff fields calls relating to Withholding tax questions, assists in completing Withholding returns, work amended returns, and responds to Web response e-mails, Live Chat, and written correspondence.

Compliance sections process W-2 submissions, assist with correcting technical errors on the electronic W-2 submissions, address W-2 delinquencies, assess accounts for underpayment, work cases that involve businesses who have not registered for Withholding accounts in Kentucky and issues regarding whether a taxpayer is an employee or contract worker.



Kentucky
UNBRIDLED SPIRIT™

CSI:**communicating significant information**

Job Hunters: Do you know...

...someone who is currently looking for a job? According to the U.S. Bureau of Labor Statistics, the unemployment rate in Kentucky is 9.9 percent so chances are, many of you do. While looking for a job can be a frustrating and costly task, many taxpayers do not realize that the IRS allows several deductions to help offset the cost of job search expenses.

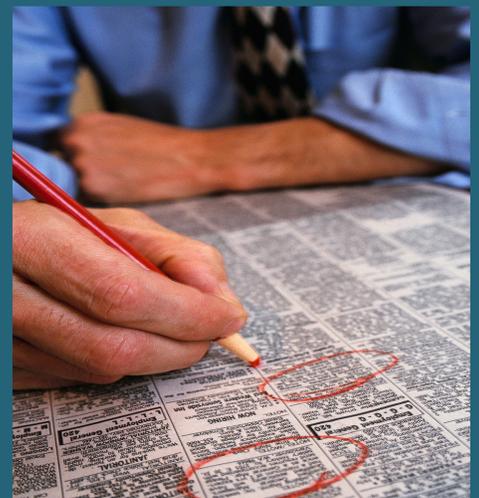
Here are six useful facts to keep in mind when you are giving tax advice to any job seeker.

1. The taxpayer cannot deduct job search expenses if they are looking for a job for the first time.
2. The taxpayer can deduct employment and outplacement agency fees paid while looking for a job in their present occupation. If their employer pays them back in a later year for employment agency fees, they must include the amount received in their gross income up to the amount of the tax benefit received in the earlier year.
3. The taxpayer can deduct amounts they spend for preparing and mailing copies of their résumé to prospective employers as long as they are looking for a new job in their present occupation.
4. If the taxpayer travels to an area to look for a new job in their present occupation, they may be able to deduct travel expenses to and from the area. They can only deduct the travel expenses if the trip is primarily to look for a new job. The amount of time spent on personal activity compared to the amount of time spent looking for work is important in determining whether the

trip is primarily personal or is to look for a new job.

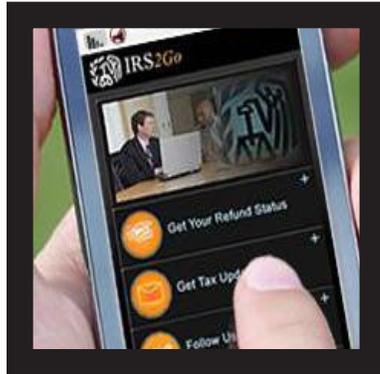
5. The taxpayer cannot deduct job search expenses if there was a substantial break between the end of their last job and the time they begin looking for a new one.
6. To qualify for a deduction, the expenses must be spent on a job search in the taxpayer's current occupation. They may not deduct expenses incurred while looking for a job in a new occupation.

This deduction is taken on the Federal Schedule A under Miscellaneous Itemized Deductions. To learn more about deducting job search expenses, visit the IRS Web site at <http://www.irs.gov> and read Publication 502, Miscellaneous Deductions.



IRS2GO

This tax season, the IRS has unveiled a Smartphone application, also known as an app, to stay in touch with taxpayers. IRS2Go allows those who electronically filed their federal tax return to check on their refunds and obtain tax tips. The free app is a first for the IRS and is available for users of the iPhone or users of an Android-powered phone. It may be downloaded at the Apple App Store or the Android Marketplace.



IRS2Go is the latest in a series of efforts by the IRS to reach taxpayers through new and innovative technology. The agency already uses YouTube and a Twitter news feed, @IRSnews, to reach taxpayers.

“This phone app is a first step for us,” said IRS Commissioner Doug Shulman. “We will look for additional ways to expand and refine our use of Smartphones and other new technologies to help meet the needs of taxpayers.”

With the app, taxpayers who electronically file returns will be able to check the status of their refunds within 72 hours of the IRS acknowledging receipt of the return. Personal tax information required to retrieve the update will be encrypted for security. The new app also will allow users to get Tax Tips, the agency’s daily advice and reminders for tax planning and preparation.

Winter

is the season in which people try to keep the house as warm as it was in the summer, when they complained about the heat.

—Author Unknown

Communications and Training Branch

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DOR Implements New Forms for 2010 Tax Year

The Office of Income Taxation has released many new forms for the 2010 tax year in Individual, Corporate and Withholding Tax. If you work for the Department of Revenue (DOR) in the areas of processing and/or compliance, it may benefit you to check out and become familiar with each of these new forms listed below.

Corporate & Individual Income Tax

(The following forms apply to corporate income tax, but may also impact the return of individual members, partners or shareholders of a pass-through entity.)

Schedule KBI Tax Credit Computation Schedule (For a KBI Project of a Corporation)

Schedule KBI-SP Tax Computation Schedule (For a KBI Project of a Pass-through Entity)

Schedule KBI-T Tracking Schedule for a KBI Project

Schedule KBI Annual Report

Schedule KRA-SP Tax Computation Schedule (For a KRA Project of a Pass-Through Entity)

Schedule RR-E Application and Credit Certificate of Income Tax/LLET Credit Railroad Expansion

Schedule RR-I Railroad Maintenance and Improvement Tax Credit

Form 8874(K) Application for Certification of Qualified Equity Investments Eligible for Kentucky New Markets Development Program Tax Credit

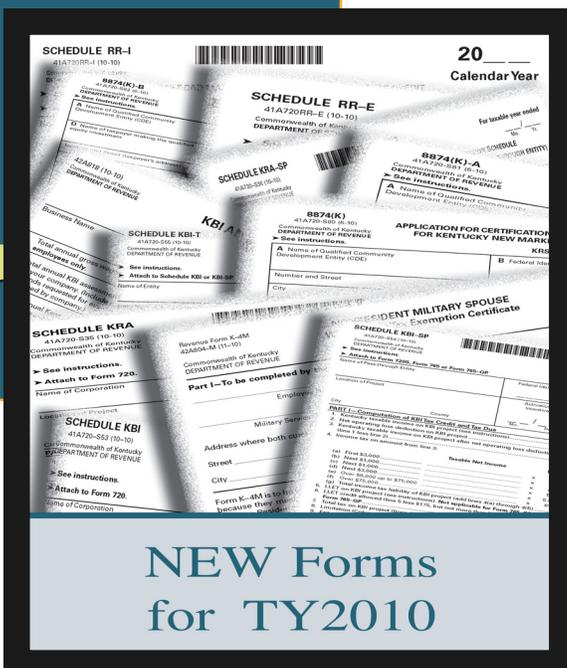
Form 8874(K)-A Notice of New Markets Development Program Tax Credit and Certification

Form 8874(K)-B Notice of Kentucky New Markets Development Program Tax Credit Recapture

Withholding Tax

Form K-4M Nonresident Military Spouse Withholding Tax Exemption Certificate

Please be aware that there are also some important changes and updates to many of the existing forms in each of these tax types for 2010 tax year. All forms are available to download (as PDF files) by visiting the DOR Web site, clicking on the "Tax Forms" link, and then selecting the "Current Year Forms" option.





WORKWISE

Stress Management 101

Your desk is piled high with paperwork, the pressure of impending deadlines is enough to make you pull out every hair in your head, the phone is ringing off the hook, everything seems to be going wrong and you feel like nothing is getting done. We all recognize this common workplace occurrence as stress.

Common signs of stress include feelings of tension, anxiety, agitation, and fatigue. Stress causes workforce attitudes to take a plunge. According to the Mayo Clinic Web site, long-term activation of the body's stress hormones may lead to serious health issues including heart disease, sleep problems, depression, obesity, and digestive problems. Avoid letting a stressful workload weigh you down by practicing these workplace friendly stress management techniques.

Prioritize and Organize

Make a list of the projects you are responsible for in the order of importance or by deadline. An organized list of tasks to complete will lessen stress by helping you remember and prioritize all of your projects. Mark through the list as each task is completed and gain a sense of gratification as you strike off your stressful work load.

Take a Break

You may feel that more work will get done by skipping your breaks, but when you give your body a chance to rest and recuperate you can give better effort to your work. Use your break to physically leave your workspace. Get some fresh air, take a short walk, listen to some music, or simply stare off at

pleasant scenery. You will feel refreshed and focused when you return to your tasks.

Laugh It Away

Laughter has many benefits to relieve stress. People make connections through laughter and the social support we get from camaraderie helps stressful worries fade away. Laughing also provides a physical and emotional release when we are in tense situations. Besides, who can think about stress when your mind is focused on fun and humor?

Write It Out

If problems keep piling up, write down what is bothering you. Get all of your frustrations onto paper to release the built-up tension. Ripping the paper into shreds may make you feel better too.

Breathe

Simple breathing exercises have been found to lower blood pressure, give a feeling of calm or well-being, and help reduce the stress-related hormone, cortisol. Taking in deep breaths through your nose and releasing breaths out of your mouth one after the other for a short number of times may help you achieve a calming effect.

These free, quick and effective techniques may give you control over your stressful work atmosphere and physically increase the well-being of your health when you are subjected to the constant pressures of the workplace.

STRESSED
spelled backward
is
DESSERTS!



Mark Your Calendars

February 2011

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3 X	4	5
6	7	8	9	10	11 X	12
13	14 X	15	16	17 X	18	19
20	21	22	23	24	25	26
27 X	28					

The following is a list of interesting, bizarre and unique holidays that are celebrated during the months of February and March.



February 3—The Day the Music Died This day commemorates the untimely death of singers Buddy Holly, Richie Valens and the Big Bopper. These three legendary rock singers died tragically in an airplane crash on February 3, 1959 at the height of their popularity.



February 11—Don't Cry Over Spilled Milk Day This day is in recognition of the fact that everyone spills a little milk every now and then. It's a day to be optimistic, think positive, look on the bright side and to find something good in everything that happens. As the song says: *Don't Worry, Be Happy!*



February 14—Clean Out Your Computer Day Traditionally celebrated on the second Monday during the month of February; a day to logically review and delete old files and programs that are no longer needed on your computer.



February 17—Random Act of Kindness Day This is a favorite day of many people and groups. People like the idea of showing a little kindness to others. It is a fun, good thing to do. They also like being on the receiving end of this day as well. It makes both the giver and the receiver feel good.



February 27—No Brainer Day By definition, a *no brainer* is doing something that is simple, easy, obvious, and/or totally logical. Therefore, today is the day for you to do all those *no brainer* tasks and activities. If a project requires thinking, studying or analysis of any kind, then be sure to put it off until another day.

Mark Your Calendars

March 2011						
SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		



March 3—If Pets Had Thumbs Day One thing that sets man apart from many other species on the planet is an opposable thumb. It allows us to do many things that other creatures can't do. Now imagine what it would be like if your pet had thumbs. Do you get a clear image of your pet with thumbs? Are you seeing your pet doing things with their new thumb? If so, your mind is in spirit with today. Note: If you have a pet monkey, you already know what it would be like for your pet to have thumbs.

March 22—National Goof Off Day Now here's a day that just about everybody can relax and enjoy. It's a day to do anything and everything... except what you're supposed to do today. Assuming you won't get in trouble at work or school, go ahead and play some golf, or play video games all day. Spend extra time surfing the net. Go out and spend the day window shopping with your favorite friend. Or just sit and read a book or watch television. This day is set aside for you to do anything you enjoy doing. (Please note: Department of Revenue employees will be encouraged to recognize National Goof Off Day on Saturday, March 19 this year.) ☺



March 27—National Joe Day This day is a chance to change your name, if only for a day. Many people do not like their given name and wish they could change it. A few actually do. On National Joe Day, it is perfectly okay to have everyone simply call you "Joe." And while this usually works well for the men out there, what about the ladies? We suggest that you choose the name Josephine or Jo.



Collections

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Operations

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Allison George
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Sales & Use Tax

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Miscellaneous Tax

Elizabeth Bruce

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YOUR INPUT IS REQUESTED:

Your input, comments, and suggestions are welcomed. Please submit via e-mail to contact below.

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P
ROBLEM:

Was your computer software recently updated to Microsoft Office 2007® and you find it challenging to navigate?

S
OLUTION:

Visit Governmental Services Center's (GSC) Web site for an online tutorial at the following link:

<http://personnel.ky.gov/gsc/elearning/compttrain.htm>

At the bottom of this page you will find several Microsoft e-learning tutorials including Microsoft Office 2007®. You may want to bookmark this page for future reference!