KENTUCKY DEPARTMENT OF REVENUE

Kentucky

Income Tax Seminar for Practitioners

2011

Kentucky
UNBRIDLED SPIRIT

2011 KENTUCKY INCOME TAX SEMINAR FOR PRACTITIONERS

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DISCLAIMER

Every effort and care has been taken in the preparation of this manual. However, the possibility of mechanical and/or human error does exist.

In the event that any information in this manual is later determined to be in error, this manual cannot be used by taxpayers in supporting a specific position or issue before the Department of Revenue as it does not have the statutory or regulatory authority.

SERVICE CENTERS

FORMS
Operations and Support
Services Branch
501 High Street
Frankfort, KY 40601
(502) 564-3658

INFORMATION
Refund Inquiries: (502) 564-1600
Forms and Information via Internet:
www.revenue.ky.gov

KENTUCKY TAXPAYER SERVICE CENTERS

Ashland
134 16th Street
Ashland, KY 41101-7670
(606)920-2037

Bowling Green
201 West Professional Park Court
Bowling Green, KY 42104-3278
(270) 746-7470

Central Kentucky
501 High Street
Frankfort, KY 40601
(502) 564-4581

Corbin
15100 North US 25 E, Suite 2
Corbin, KY 40701-6188
(606) 528-3322

Hopkinsville
181 Hammond Drive
Hopkinsville, KY 42240-7926
(270) 889-6521

Louisville
600 West Cedar Street
Second Floor West
Louisville, KY 40202-2310
(502) 595-4512

Northern Kentucky
Turfway Ridge Office Park
7310 Turfway Road, Suite 190
Florence, KY 41042-4871
(859) 371-9049

Owensboro
401 Frederica Street
Building C, Suite 201
Owensboro, KY 42301-0734
(270) 687-7301

Paducah
Clark Business Complex, Suite G
2928 Park Avenue
Paducah, KY 42001-0734
(270) 575-7148

Pikeville
Uniplex Center
126 Trivette Drive, Suite 203
Pikeville, KY 41501-1275
(606) 433-7675

Kentucky Department of Revenue
Mission Statement

As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens.

The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

YOUR RIGHTS AS A KENTUCKY TAXPAYER

As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue (DOR) is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens. As a Kentucky taxpayer, you have the right to expect the DOR to honor its mission and uphold your rights every time you contact or are contacted by the DOR.

RIGHTS OF TAXPAYER

Privacy – you have the right to privacy of information provided to the DOR.

Assistance – you have the right to advice and assistance from the DOR in complying with state tax laws.

- **Explanation** – you have the right to a clear and concise explanation of: basis of assessment of additional taxes, interest and penalties, or the denial or reduction of any refund or credit claim;
- procedure for protest and appeal of a determination of the DOR; and
- tax laws and changes in tax laws so that you can comply with the law.

Protest and Appeal – you have the right to protest and appeal a determination of the DOR if you disagree with an assessment of tax or penalty, reduction or a denial of a refund, a revocation of a license or permit, or other determination made by the DOR.

Conference – you have the right to request a conference to discuss the issue.

Representation – you have the right to representation by your authorized agent (attorney, accountant or other person) in any hearing or conference with the DOR. You have the right to be informed of this right prior to the conference or hearing. If you intend for your representative to attend the conference or hearing in your place, you may be required to give your representative a power of attorney before the DOR can discuss tax matters with your authorized agent.

Recordings – you have the right to make an audio recording of any meeting, conference, or hearing with the DOR. The DOR has the right to make an audio recording if you are notified in writing in advance or if you make a recording. You have the right to receive a copy of the recording.

Consideration – you have the right to consideration of:

- waiver of penalties or collection fees if "reasonable cause" for reduction or waiver is given ("reasonable cause" is defined in **KRS 131.010(9)** as: "an event, happening, or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of monies due the department pursuant to law or administrative regulation");
- installment payments of delinquent taxes, interest and penalties;

- waiver of interest and penalties, but not taxes, resulting from incorrect written advice from the DOR if all facts were given and the law did not change or the courts did not issue a ruling to the contrary;
- extension of time for filing reports or returns; and
- payment of charges incurred resulting from an erroneous filing of a lien or levy by the DOR.

Guarantee – you have the right to a guarantee that DOR employees are not paid, evaluated or promoted based on taxes assessed or collected, or a tax assessment or collection quota or goal imposed or suggested.

Damages – you have the right to file a claim for actual and direct monetary damages with the Kentucky Board of Claims if a DOR employee willfully, recklessly and intentionally disregards your rights as a Kentucky taxpayer.

Interest – you may have the right to receive interest on an overpayment of tax.

DEPARTMENT OF REVENUE RESPONSIBILITIES

The DOR has the responsibility to:

- perform audits, conduct conferences and hearings with you at reasonable times and places; authorize, require or conduct an investigation or surveillance of you only if it relates to a tax matter;
- make a written request for payment of delinquent taxes which are due and payable at least 30 days prior to seizure and sale of your assets;
- conduct educational and informational programs to help you understand and comply with the laws;
- publish clear and simple statements to explain tax procedures, remedies, your rights and obligations, and the rights and obligations of the DOR;
- notify you in writing when an erroneous lien or levy is released and, if requested, notify major credit reporting companies in counties where lien was filed;
- advise you of procedures, remedies and your rights and obligations with an original notice of audit or when an original notice of tax due is issued, a refund or credit is denied or reduced, or whenever a license or permit is denied, revoked or canceled;
- notify you in writing prior to termination or modification of a payment agreement;
- furnish copies of the agent's audit workpapers and a written narrative explaining the reason(s) for the assessment;
- resolve tax controversies on a fair and equitable basis at the administrative level whenever possible; and
- notify you in writing at your last known address at least 60 days prior to publishing your name on a list of delinquent taxpayers for which a tax or judgment lien has been filed.

YOUR RIGHTS AS A KENTUCKY TAXPAYER PROTEST AND APPEAL PROCEDURE

Protest – if you receive a notice of assessment, a Notice of Tax Due for tax or penalty or if the DOR notifies you that a tax refund or credit has been reduced or denied, a license or permit revoked or denied, or other determination made by the DOR, you have the right to protest. To do so:

- submit a written protest within 45 days from the original notice date;
- identify the type of tax involved and give the account number, Social Security number or other identification number and attach a copy of the DOR notice of determination to support that protest is timely;
- explain why you disagree;
- attach any proof or documentation available to support your protest or request additional time to support your protest;
- sign your statement, include your daytime telephone number and mailing address; and
- mail to the Kentucky Department of Revenue, Frankfort, KY 40602.

Independent Informal Review – you have the right to request an independent informal review.

Conference – you have the right to request a conference to discuss the issue.

Final Ruling – if you do not want to have a conference or if the conference did not resolve your protest, you have the right to request a final ruling of the DOR so that you can appeal your case further.

Appeal – if you do not agree with the DOR's final ruling, you can file a written appeal with the Kentucky Board of Tax Appeals (KTBA). If you do not agree with the decision of the KTBA, you have the right to appeal their ruling to the Kentucky courts (first to the circuit court in your home county or in Franklin County, then to the Kentucky Court of Appeals, and finally to the Kentucky Supreme Court).

TAXPAYER OMBUDSMAN

The DOR has a Taxpayer Ombudsman whose job is to serve as an advocate for taxpayers' rights. One of the main functions of the Ombudsman is to ensure that your rights as a Kentucky taxpayer are protected. Also, an important function of the Taxpayer Ombudsman is to confer with DOR employees when you have a problem or conflict that you have been unable to resolve. However, it is not the role of the Ombudsman to intercede in an audit, handle a protest, waive taxes, penalty or interest, or answer technical tax questions. To file a protest, see PROTEST AND APPEAL PROCEDURE. Please do not mail your protest to the Ombudsman. The Taxpayer Ombudsman is your advocate and is there to make sure your rights are protected. If you think you are not being treated fairly, or if you have a problem or complaint, please contact the Ombudsman for assistance. The

Taxpayer Ombudsman may be contacted by telephone at (502) 564-7822 (between 8:00 a.m. and 5:00 p.m. weekdays). The mailing address is: Department of Revenue, Taxpayer Ombudsman, P.O. Box 930, Frankfort, Kentucky 40602-0930.

WHERE TO GET ASSISTANCE

The DOR has offices in Frankfort and taxpayer service centers in nine cities and towns throughout Kentucky. DOR employees in the service centers answer tax questions and provide assistance. See the quick reference guide for a listing of the Kentucky taxpayer service centers. The DOR has an online taxpayer service center where you can download forms, publications, and obtain general information about the department. The Web address is *www.revenue.ky.gov.*

This information summarizes your rights as a Kentucky taxpayer and the responsibilities of the Department of Revenue. The Kentucky Taxpayers' Bill of Rights may be found in the Kentucky Revised Statutes (KRS) at Chapter 131.041—131.081. Additional rights and responsibilities are provided for in **KRS 131.020, 131.110, 131.170, 131.183, 131.500, 133.120, 133.130, 134.580** and **134.590**.

WHAT'S NEW FOR 2011

Tax Laws Enacted by the 2011
Session of the Kentucky General Assembly 2

Individual Income Tax Updates – New for 2011 5

WHAT'S NEW FOR 2011

This 2011 legislative summary presents only general information concerning tax provisions enacted by the General Assembly during the 2011 Regular Session and does *not represent a complete analysis* of the law changes. *The 2011 Regular Session did not* result in any major tax changes, but tax changes were made and more of the changes will be effective during 2011. Full text of the enacted bills is available on the legislative home page at *www.lrc.ky.gov.*

SALES TAX

Streamlined Sales Tax Conformity

HB 429 adopts conforming language to the most recent amendments of the national Streamlined Sales and Use Tax Agreement (SSUTA). This legislation does not change the taxability of any products or services, but provides greater clarity and additional administrative ease for both in-state and out-of-state sellers alike. These changes also ensure that Kentucky continues to receive voluntary payments from Streamlined Sales Tax filers making sales to Kentucky customers and position the state to benefit from efficiencies in collections that will result from enactment of the Main Street Fairness Act in Congress.

The changes listed in summary below are effective July 1, 2011.

- Updates direct mail definitions and sourcing provisions (**KRS 139.010** and **139.777**).
- Clarifies general sourcing rules for digital property and florist sales (**KRS 139.105**).
- Extends seller burden of proof relief to transactions with no documentation of exemption if sellers provide fully completed exemption certificates within 120 days of the department's request. This burden of proof relief for untaxed sales with no previous exemption documentation applies only if the exemption claimed 1) was in effect the date the transaction occurred; 2) could be applicable to the item purchased; and 3) is reasonable for the purchaser's type of business (**KRS 139.270**).
- Provides limited seller protection from underpayment of tax due to a tax rate change with less than a 30-day public notice (**KRS 139.795**).

ONE-STOP BUSINESS PORTAL

Advisory Committee Established

SB 8 established an Advisory Committee to provide recommendations by Dec. 31, 2011 for the creation and operation of a one-stop electronic business portal. The Cabinet for Economic Development, Finance and Administration Cabinet, and the Commonwealth Office of Technology will be the state agencies responsible for establishing the portal. The vision for the portal is to create the ability for individuals and businesses to do business with the Commonwealth through one

electronic portal, including registering a new business, registering for tax identification numbers and applying for state-administered licenses. The one-stop business portal concept has the potential to greatly assist the general public and businesses in particular. Further legislative action will be needed to fund implementation of the Advisory Committee's recommendations.

INCOME TAX

New Law Passed on Adult Children Health Insurance Premiums

The Kentucky General Assembly passed HB 255 in the 2011 Regular Session and Gov. Beshear signed this bill into law on Mar. 16, 2011. This means that Kentucky has expanded the health insurance deduction to include any person authorized to be provided excludable coverage pursuant to the federal Patient Protection and Affordable Care Act of 2010, P.L. 111-148, or the Health Care and Education Reconciliation Act of 2010 P.L. 111-152 for tax years beginning on or after Jan. 1, 2011.

Several questions were received by the DOR concerning whether Kentucky adopted the federal income tax treatment of the extended health care insurance coverage for adult children under age 27. Due to HB 255 becoming law, employees with adult children who now qualify for health insurance under the new federal law will receive the same income tax treatment for Kentucky tax purposes.

If you have any questions regarding the Kentucky income tax treatment, please feel free to contact the Withholding Tax Branch at (502) 564-7287.

PROPERTY TAX

Changes to the Homestead Exemption for Disabled Veterans

HB 244 provided service-connected totally disabled veterans or totally and permanently disabled individuals, who apply for the homestead exemption under a disability provision, will no longer be required to file annual applications. Proper documentation of the total disability needs to be filed with the local property valuation administrator (PVA) only at the time of the initial application. After that, the property owner will be responsible for reporting any change in disability status to the local PVA. This change is effective Jan. 1, 2012.

MOTOR VEHICLE USAGE TAX

Exemption Created for Vehicle Transfers Involving Certain Trusts

HB 245 extended the family exemptions currently available for the Motor Vehicle Usage Tax to trusts established by individuals. This change is effective Aug. 1, 2011.

TAX INCREMENT FINANCING

Tax Increment Financing Program Expanded

HB 310 expanded the application of the tax increment financing provisions to mixed-use development projects located in a research park owned by a public university and to projects that are within

three miles of a military base. Some of the provisions of this legislation are retroactive. Anyone with questions regarding the eligibility requirements for this expanded incentive program may review the information provided by the Cabinet for Economic Development at *http://www.thinkkentucky.com/KYEDC/kybizikyb.aspx.*

INSURANCE TAXES

Provisions of the Surplus Lines Insurance Multi-State Compliance Compact Adopted

HB 167 changes how the DOR applies the insurance premium surcharge to multi-state surplus lines insurance. The bill addresses federal mandates from the Non-Admitted and Reinsurance Reform Act of 2010. It creates a national compact for the central collection of multi-state premium taxes by a national clearinghouse with distribution to the Department of Insurance (DOI) and further allocation down to the DOR and local municipalities. No immediate impact is anticipated for the current tax rate of $1.80 per $100 or premiums since changes in tax application with the clearinghouse do not begin until Jan. 1 or July 1 following the first anniversary of the Commission effective date. The Commission only becomes effective when there are 10 compacting and contracting states representing 40 percent of the Surplus Lines Insurance premium volume. The DOI is taking the lead for Kentucky's participation and implementation of this provision.

NEW FOR 2011

Family Size Tax Credit
This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2011 threshold amount is $10,890 for a family size of one, $14,710 for a family of two, $18,530 for a family of three and $22,350 for a family of four or more.

Standard Deduction
For 2011, the standard deduction is $2,240.

Small Business Development Credit
For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under **KRS 141.020** or **141.040**, and the limited liability entity tax imposed under **KRS 141.0401**.
The Small Business Development Credit Program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010. The definition of *base year* for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan.1, 2009 and before Jan. 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars ($5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year, and the amount of credit for which the small business is eligible.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars ($3,000,000). The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars ($25,000). Unused credits may be carried forward for up to five (5) years.

Endow Kentucky Tax Credit
Effective for taxable years beginning on or after Jan. 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed $10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by

the Department of Revenue in each fiscal year is $500,000. An application for preliminary authorization for the credit must be submitted to the Department of Revenue

If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. The taxpayer has ten days after making the gift to provide the department with proof of the gift. The department will issue a final tax credit letter to the taxpayer if the gift is approved after receipt of the proof.

New Markets Development Program Tax Credit

The New Markets Development Program Tax Credit was created in **KRS 141.432** to **141.434** to encourage taxpayer investment in low-income communities. A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the Department of Revenue for approval. The person or

entity actually making the loan or making the equity investment will be able to claim a credit, subject to a $5 million credit cap each fiscal year, by completing Form 8874(K)-A.

The total credit is broken down as follows:

- Zero percent of the purchase price or loan amount may be taken in the first two years including the year • in which the investment is initially made;
- Seven percent of the purchase price or loan amount may be taken in the third year including the year in • which the investment is initially made; and
- Eight percent of the purchase price or loan amount may be taken for fourth through seventh years including the year in which the investment is initially made.

Any unused approved credit may be carried forward for use in any subsequent tax year. Additional information regarding this new credit program will be provided via our website at *www.revenue.ky.gov*

KENTUCKY INDIVIDUAL INCOME TAX FORMS

2011 Kentucky Individual Income Tax Forms and Changes 8

Form 740-EZ 10
Form 740 11
Form 740-NP 14
Form 740-NP-R 18
Form 2210-K 19
Form 5695-K 21
Form 8863-K 23
Form 740-X 25
Form 40A102 27
Form 40A727 28

Extensions 29

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2011 INDIVIDUAL INCOME TAX FORMS AND CHANGES

Due to lack of legislation that impacted individual income tax, there are very few changes to Kentucky Individual income tax forms for 2011.

A brief review of changes and updates to the major forms includes the following:

Form 740-EZ

- Standard deduction updated to $2240.00
- Line 9 verbiage regarding Kentucky Use Tax changed
- 2011 Family Size Tax Credit chart updated

Form 740

- Line 10 standard deduction updated to $2240.00
- Line 27 verbiage regarding Kentucky Use Tax changed
- Two fewer lines on Page 1 due to expiration of New Home Tax Credit
- Section A Business Incentive and Other Tax Credits now spans two pages with the addition of the Kentucky Small Business Investment and Endow Kentucky credits

Form 740-NP

- Line 10 standard deduction updated to $2240.00
- Line 27 verbiage regarding Kentucky Use Tax changed
- Two fewer lines on Page 1 due to expiration of New Home Tax Credit
- Section A Business Incentive and Other Tax Credits now spans two pages with the addition of the Kentucky Small Business Investment and Endow Kentucky credits
- Page 4 Adjustments to Income includes educator expenses and tuition and fees deduction

Form 740-NP-R

- Year references updated
- Note stating Kentucky wage statements MUST be attached

Examples of the major individual income tax forms and schedules are included in this chapter for your review.

2011 KENTUCKY INDIVIDUAL INCOME TAX FORMS-DRAFT VERSION

The following 2011 draft forms are included in this manual:

- **740-EZ Kentucky Individual Income Tax Form**
- **740 Kentucky Individual Income Tax Form**
- **740-NP Nonresident or Part-Year Resident Kentucky Income Tax Form**
- **740-NP-R Kentucky Income Tax Return, Nonresident-Reciprocal State**
- **2210-K Underpayment of Estimated Tax by Individuals**
- **5695-K Energy Efficiency Products Tax Credit**
- **8863-K Kentucky Education Tuition Tax Credit**
- **740-X – Amended Kentucky Individual Income Tax Form**
- **Application for Extension for Kentucky**
- **40A727 Kentucky Income Tax Forms Requisition**

KENTUCKY INDIVIDUAL INCOME TAX FORMS

740-EZ
Single Persons With No Dependents
42A740-EZ
Department of Revenue

KENTUCKY INDIVIDUAL INCOME TAX RETURN

Kentucky **2011**

Your Social Security Number

Name—Last, First, Middle Initial

Mailing Address (Number and Street including Apartment Number or P.O. Box)

City, Town or Post Office | State | ZIP Code

DRAFT 8/30/11

FAMILY SIZE [1]

POLITICAL PARTY FUND Designating $2 will not change your refund or tax due. Mark an X in Box 1 for **Democratic,** Box 2 for **Republican,** or Box 3 for **No Designation.** 1 ☐ 2 ☐ 3 ☐

INCOME	1. Enter federal Adjusted Gross Income from **Form 1040EZ, line 4.** This is your **Kentucky Modified Gross Income (If $14,484 or less, you may qualify for the Family Size Tax Credit. See instructions on page 2.)**	1 •		00
	2. Standard deduction	2	2,240	00
	3. Subtract line 2 from line 1. This is your Taxable Income	3		00
TAX	4. Enter tax from Tax Table or Tax Computation for amount on line 3	4		00
	5. Personal tax credit	5	20	00
	6. Subtract line 5 from line 4. If line 5 is larger than line 4, enter zero	6		00
	7. Multiply line 6 by the Family Size Tax Credit for **Family Size 1** decimal amount __.___ (_____ %) and enter here (see instructions on page 2)	7 •		00
	8. Subtract line 7 from line 6. This is your **Income Tax Liability**	8		00
	9. **Enter Kentucky Use Tax due on Internet, mail order, or other out-of-state purchases (see instructions)**	9 •		00
	10. Add lines 8 and 9. This is your **Total Tax Liability**	10 •		00
	11. Enter **Kentucky Income Tax** withheld as shown on ***attached*** 2011 Form W-2, Wage and Tax Statement(s)	11 •		00
	12. If line 11 is larger than line 10, enter **AMOUNT OVERPAID** (see instructions)	12		00
	Fund Contributions; See instructions. ➤ ***(Enter amount(s) checked)***			
	13. a **Nature and Wildlife Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____ •			
	b **Child Victims' Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____ •			
	c **Veterans' Program Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____ •			
	d **Breast Cancer Research/Education Trust** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____ •			
	14. Add amounts contributed on lines 13a, 13b, 13c and 13d	14		00
	15. Subtract line 14 from line 12. Amount to be **refunded to you** **REFUND**	15 •		00
	16. If line 10 is larger than line 11, enter amount you owe. Enclose check payable to **Kentucky State Treasurer.** Write your Social Security number and "KY Income Tax—2011" on the check **OWE**	16 •		00

I, the undersigned, declare under penalties of perjury that I have examined this return, including any accompanying statements, and to the best of my knowledge and belief, it is true, correct and complete.

➤ ☎

Your Signature | Telephone Number (daytime) | Date Signed

Typed or Printed Name of Preparer Other Than Taxpayer | I.D. Number of Preparer | Date

Mail to:
REFUNDS Kentucky Department of Revenue, Frankfort, KY 40618-0006.
PAYMENTS Kentucky Department of Revenue, Frankfort, KY 40619-0008.

OFFICIAL USE ONLY | PWR

Attach Form W-2, Wage and Tax Statement(s) and Payment Here

KENTUCKY INDIVIDUAL INCOME TAX FORMS

740
42A740
Department of Revenue

KENTUCKY INDIVIDUAL INCOME TAX RETURN
Full-Year Residents Only

Kentucky **2011**

For calendar year or other taxable year beginning _____, 2011, and ending _____, 20____.

A. Spouse's Social Security Number	B. Your Social Security Number

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)

Mailing Address (Number and Street including Apartment Number or P.O. Box)

City, Town or Post Office | State | ZIP Code

DRAFT 8/23/11

FILING STATUS (see instructions)

1 ☐ Single
2 ☐ *Married,* filing separately on this combined return. **(If both had income.)**
3 ☐ *Married,* filing joint return.
4 ☐ *Married,* filing separate returns. Enter spouse's Social Security number above and full name here. _____

POLITICAL PARTY FUND

Designating $2 will not change your refund or tax due.

	A. Spouse	B. Yourself
Democratic	(1) ☐	(4) ☐
Republican	(2) ☐	(5) ☐
No Designation	(3) ☐	(6) ☐

INCOME/TAX

		A. Spouse *(Use if Filing Status 2 is checked.)*			B. Yourself (or Joint)	
5 Enter amount from federal Form 1040, line 37; 1040A, line 21 or 1040EZ, line 4. **(If total of Columns A and B is $29,726 or less, you may qualify for the Family Size Tax Credit. See instructions.)**	• 5		00	• 5		00
6 Additions from Schedule M, line 8	• 6		00	• 6		00
7 Add lines 5 and 6	7		00	7		00
8 Subtractions from Schedule M, line 20	• 8		00	• 8		00
9 Subtract line 8 from line 7. This is your **Kentucky Adjusted Gross Income**	9		00	9		00
10 **Itemizers:** Enter itemized deductions from Kentucky Schedule A. **Nonitemizers:** Enter **$2,240** in Columns A and/or B	• 10		00	• 10		00
11 Subtract line 10 from line 9. This is your **Taxable Income**	• 11		00	• 11		00
12 Enter tax from Tax Table, Computation or Schedule J. Check if from Schedule J ☐	12		00	12		00
13 Enter tax from Form 4972-K ☐ ; Schedule RC-R ☐	• 13		00	• 13		00
14 Add lines 12 and 13 and enter total here	14		00	14		00
15 Enter amounts from page 3, Section A, lines 21A and 21B	15		00	15		00
16 Subtract line 15 from line 14. If line 15 is larger than line 14, enter zero	16		00	16		00
17 **Enter personal tax credit amounts from page 3, Section B, lines 4A and 4B**	• 17		00	• 17		00
18 Subtract line 17 from line 16. If line 17 is larger than line 16, enter zero	18		00	18		00
19 Add tax amount(s) in Columns A and B, line 18 and enter here				19		00
20 Check the box that represents your total family size (**see instructions** before completing lines 20 and 21)	• 20	1 ☐ 2 ☐ 3 ☐ 4 ☐				
21 Multiply line 19 by **Family Size Tax Credit** decimal amount __.___ (_____%) and enter here	• 21					00
22 Subtract line 21 from line 19				22		00
23 Enter the **Education Tuition Tax Credit** from Form 8863-K	• 23					00
24 Subtract line 23 from line 22				24		00
25 Enter **Child and Dependent Care Credit** from federal Form 2441, line 9 ➤ _____ **x 20%** (.20)	• 25					00
26 **Income Tax Liability.** Subtract line 25 from line 24. If line 25 is larger than line 24, enter zero				26		00
27 **Enter KENTUCKY USE TAX due on Internet, mail order, or other out-of-state purchases (see instructions)**	• 27					00
28 Add lines 26 and 27. Enter here and on page 2, line 29				28		00

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only

FORM 740 (2011)

DRAFT 6/29/11

REFUND/TAX PAYMENT SUMMARY

29	Enter amount from page 1, line 28. This is your **Total Tax Liability**		• 29		00
30	(a) Enter **Kentucky income tax withheld** as shown on **attached** 2011 Form W-2(s) and other supporting statements	• 30(a)	00		
	(b) Enter 2011 Kentucky estimated tax payments	• 30(b)	00		
	(c) Enter 2011 refundable certified rehabilitation credit (KRS 141.382(1)(b))	• 30(c)	00		
	(d) Enter 2011 film industry tax credit (KRS 141.383)	• 30(d)	00		
31	Add lines 30(a) through 30(d)		• 31		00
32	If line 31 is larger than line 29, enter **AMOUNT OVERPAID** (see instructions)		32		00
	Fund Contributions; See instructions.		➤ *(Enter amount(s) checked)*		
33	**Nature and Wildlife Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____	• 33	00		
34	**Child Victims' Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____	• 34	00		
35	**Veterans' Program Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____	• 35	00		
36	**Breast Cancer Research/Education Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____	• 36	00		
37	Add lines 33 through 36		37		00
38	Amount of line 32 to be **CREDITED TO YOUR 2012 ESTIMATED TAX**		• 38		00
39	Subtract lines 37 and 38 from line 32. Amount to be **REFUNDED TO YOU**	**REFUND**	• 39		00
40	If line 29 is larger than line 31, enter **ADDITIONAL TAX DUE**		• 40		00
41	(a) Estimated tax penalty and/or interest. ☐ ***Check if Form 2210-K attached***	41(a)	00		
	(b) Interest	41(b)	00		
	(c) Late payment penalty	41(c)	00		
	(d) Late filing penalty	41(d)	00		
42	Add lines 41(a) through 41(d). Enter here		• 42		00
43	Add lines 40 and 42 and enter here. This is the **AMOUNT YOU OWE**	**OWE**	43		00

- Make check payable to **Kentucky State Treasurer** or visit **www.revenue.ky.gov** for more options.
- Write your Social Security number and "KY Income Tax—2011" on the check.

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SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

			A. Spouse			B. Yourself	
1	Enter nonrefundable limited liability entity credit (KRS 141.0401(2))	1		00	1		00
2	Enter Kentucky small business investment credit	2		00	2		00
3	Enter skills training investment credit (attach copy(ies) of certification)	3		00	3		00
4	Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a))	4		00	4		00
5	Enter credit for tax paid to another state **(attach copy of other state's return(s))**	5		00	5		00
6	Enter unemployment credit (attach Schedule UTC)	6		00	6		00
7	Enter recycling and/or composting equipment credit (attach Schedule RC)	7		00	7		00
8	Enter Kentucky Investment Fund credit (attach copy(ies) of certification)	8		00	8		00
9	Enter coal incentive credit	9		00	9		00
10	Enter qualified research facility credit (attach Schedule QR)	10		00	10		00
11	Enter GED incentive credit (attach Form DAEL-31)	11		00	11		00
12	Enter voluntary environmental remediation credit (attach Schedule VERB)	12		00	12		00
13	Enter biodiesel and renewable diesel credit	13		00	13		00
14	Enter environmental stewardship credit	14		00	14		00
15	Enter clean coal incentive credit	15		00	15		00
16	Enter ethanol credit (attach Schedule ETH)	16		00	16		00
17	Enter cellulosic ethanol credit (attach Schedule CELL)	17		00	17		00
18	Enter energy efficiency products credit (attach Form 5695-K)	18		00	18		00

Continue to page 3 to complete Section A

FORM 740 (2011) Page 3 of 3

SECTION A— BUSINESS INCENTIVE AND OTHER TAX CREDITS (continued)		A. Spouse			B. Yourself	
19 Enter railroad maintenance and improvement credit (attach Schedule RR-I)	19		00	19		00
20 Enter Endow Kentucky credit (attach Schedule ENDOW)	20		00	20		00
21 Add lines 1 through 20, Columns A and B. **Enter here and on page 1, line 15**	21		00	21		00

SECTION B— PERSONAL TAX CREDITS

	Check Regular	Check both if 65 or over	Check both if blind
1 (a) Credits for yourself:	☐	☐ ☐	☐ ☐
(b) Credits for spouse:	☐	☐ ☐	☐ ☐

1 Enter number of boxes checked on line 1 .....

2 **Dependents:**

First name	Last name	Dependent's Social Security number	Dependent's relationship to you	Check if qualifying child for family size tax credit
				☐
				☐
				☐
				☐

2 Enter number of dependents who:

- lived with you .....
- did not live with you (see instructions) .....
- other dependents .....

3 Add total number of credits claimed on lines 1 and 2.
If married filing separately on a combined return (Filing Status 2), each taxpayer must claim his or her own credits from line 1, divide the credits on line 2, and enter the totals in Boxes 3A and 3B. All other filers enter the amount from line 3 in Box 3B ..... ➤

3 Enter total credits .....

Spouse	Yourself
•3A x $20	•3B x $20
4A	4B

4 Multiply credits on line 3A by $20 and enter on line 4A. Multiply credits on line 3B by $20 and enter on line 4B. **Enter here and on page 1, line 17, Columns A and B** .....

SECTION C— FAMILY SIZE TAX CREDIT (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

First name	Last name	Social Security number	First name	Last name	Social Security number

Attach a complete copy of federal Form 1040 if you received farm, business, or rental income or loss. If not required, check here. ☐

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint or combined return, both must sign.) Spouse's Signature Date Signed

( ) Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Firm Name EIN Date

DRAFT 6/30/11

Mail to: **REFUNDS** **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

KENTUCKY INDIVIDUAL INCOME TAX FORMS

740-NP 42A740-NP Department of Revenue

Check if return is: ☐ ***Amended*** *(Attach copy of original return.)*

KENTUCKY INDIVIDUAL INCOME TAX RETURN
Nonresident or Part-Year Resident

Kentucky **2011**

For calendar year or other taxable year beginning _____, 2011, and ending _____, 20____.

A. Spouse's Social Security Number	B. Your Social Security Number

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)

Mailing Address (Number and Street including Apartment Number or P.O. Box)

City, Town or Post Office | State | ZIP Code

DRAFT 8/30/11

FILING STATUS (see instructions)

1 ☐ Single
2 ☐ *Married*, filing joint return.
3 ☐ *Married*, filing separate returns. Enter spouse's Social Security number above and full name here. _____

POLITICAL PARTY FUND
Designating $2 will not change your refund or tax due.

	A. Spouse	B. Yourself
Democratic	(1) ☐	(4) ☐
Republican	(2) ☐	(5) ☐
No Designation	(3) ☐	(6) ☐

RESIDENCY STATUS *(check one box)*

4 ☐ Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2011 _____.
5 ☐ Part-year resident. Complete appropriate line(s) below.
Moved into Kentucky ____/____/ **11**. State moved from _____.
Moved out of Kentucky ____/____/ **11**. State moved to _____.
6 ☐ Full-year resident of a **reciprocal state** with Kentucky income of wages and salaries only. Circle the state of residence. ➤ IL IN MI OH VA WV WI

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only

➲ ***COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 30.***

OFFICIAL USE ONLY 1 2 3 4 5

INCOME/TAX

7	Enter percentage from page 4, line 36 ➤ 7		__ __ . __ %		
8	Enter amount from page 4, line 35, Column A. This is your **Federal Adjusted Gross Income** • 8				00
9	Enter amount from page 4, line 35, Column B. This is your **Kentucky Adjusted Gross Income** • 9				00
10	**Nonitemizers:** Enter $2,240 (do not prorate). Skip lines 11 and 12 10				00
11	**Itemizers:** Enter itemized deductions from Kentucky Schedule A, Form 740-NP • 11		00		
12	Multiply line 11 by the percentage on line 7 12		00		
13	Subtract line 10 or 12 from line 9. This is your **Taxable Income** 13				00
14	Enter tax from Tax Table 14				00
15	Enter amount from page 3, Section A, line 21 15				00
16	Subtract line 15 from line 14 16				00
17	**Enter personal tax credit amounts from page 3, Section B, line 4** • 17		00		
18	Multiply line 17 by the percentage on line 7 18		00		
19	Subtract line 18 from line 16 19				00
20	Check the box that represents your total family size (**see instructions** for lines 20 and 21) • 20			1 ☐ 2 ☐ 3 ☐ 4 ☐	
21	Multiply line 19 by the **Family Size Tax Credit** decimal amount __ . __ __ (__ __ __ %) and enter here • 21				00
22	Subtract line 21 from line 19 22				00
23	Enter the **Education Tuition Tax Credit** from Form 8863-K • 23				00
24	Subtract line 23 from line 22 24				00
25	Enter **Child and Dependent Care Credit** from worksheet in the instructions • 25				00
26	**Income Tax Liability.** Subtract line 25 from line 24. If line 25 is larger than line 24, enter zero 26				00
27	**Enter KENTUCKY USE TAX due on Internet, mail order, or other out-of-state purchases (see instructions).** • 27				00
28	Add lines 26 and 27. Enter here and on page 2, line 29 28				00

FORM 740-NP (2011)

DRAFT 6/30/11

REFUND/TAX PAYMENT SUMMARY

29	Enter amount from page 1, line 28. This is your **Total Tax Liability**	• 29		00
30	(a) Enter **Kentucky income tax withheld** as shown on **attached** 2011 Form W-2(s) and other supporting statements	• 30(a)	00	
	(b) Enter 2011 Kentucky estimated tax payments	• 30(b)	00	
	(c) Enter 2011 refundable certified rehabilitation credit (KRS 141.382(1)(b))	• 30(c)	00	
	(d) Enter 2011 film industry tax credit (KRS 141.383)	• 30(d)	00	
	(e) Enter **Nonresident Withholding** from Form PTE-WH, line 9 (KRS 141.206(4)(b)(1))	• 30(e)	00	
31	Add lines 30(a) through 30(e)	• 31		00
32	If line 31 is larger than line 29, enter **AMOUNT OVERPAID** (see instructions)	32		00
	Fund Contributions; See instructions. ➤ ***(Enter amount(s) checked)***			
33	**Nature and Wildlife Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other ____	• 33	00	
34	**Child Victims' Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other ____	• 34	00	
35	**Veterans' Program Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other ____	• 35	00	
36	**Breast Cancer Research/Education Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other ____	• 36	00	
37	Add lines 33 through 36	37		00
38	Amount of line 32 to be **CREDITED TO YOUR 2012 ESTIMATED TAX**	• 38		00
39	Subtract lines 37 and 38 from line 32. Amount to be **REFUNDED TO YOU** **REFUND**	• 39		00
40	If line 29 is larger than line 31, enter **ADDITIONAL TAX DUE**	• 40		00
41	(a) Estimated tax penalty and/or interest. ☐ ***Check if Form 2210-K attached***	41(a)	00	
	(b) Interest	41(b)	00	
	(c) Late payment penalty	41(c)	00	
	(d) Late filing penalty	41(d)	00	
42	Add lines 41(a) through 41(d). Enter here	• 42		00
43	Add lines 40 and 42 and enter here. This is the **AMOUNT YOU OWE** **OWE**	43		00

- Make check payable to **Kentucky State Treasurer** or visit **www.revenue.ky.gov** for more options.
- Write your Social Security number and "KY Income Tax—2011" on the check.

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PWR

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

1	Enter nonrefundable limited liability entity credit (KRS 141.0401(2))	1	00
2	Enter Kentucky small business investment credit	2	00
3	Enter skills training investment credit (attach copy(ies) of certification)	3	00
4	Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a))	4	00
5	Enter credit for tax paid to another state **(attach copy of other state's return(s))**	5	00
6	Enter unemployment credit (attach Schedule UTC)	6	00
7	Enter recycling and/or composting equipment credit (attach Schedule RC)	7	00
8	Enter Kentucky Investment Fund credit (attach copy(ies) of certification)	8	00
9	Enter coal incentive credit	9	00
10	Enter qualified research facility credit (attach Schedule QR)	10	00
11	Enter GED incentive credit (attach Form DAEL-31)	11	00
12	Enter voluntary environmental remediation credit (attach Schedule VERB)	12	00
13	Enter biodiesel and renewable diesel credit	13	00
14	Enter environmental stewardship credit	14	00
15	Enter clean coal incentive credit	15	00
16	Enter ethanol credit (attach Schedule ETH)	16	00
17	Enter cellulosic ethanol credit (attach Schedule CELL)	17	00
18	Enter energy efficiency products credit (attach Form 5695-K)	18	00

Continue to page 3 to complete Section A

FORM 740-NP (2011)

SECTION A— BUSINESS INCENTIVE AND OTHER TAX CREDITS (continued)

19 Enter railroad maintenance and improvement credit (attach Schedule RR-I)	19		00
20 Enter Endow Kentucky credit (attach Schedule ENDOW)	20		00
21 Add lines 1 through 20. **Enter here and on page 1, line 15**	21		00

SECTION B— PERSONAL TAX CREDITS

	Check Regular	Check both if 65 or over	Check both if blind
1 (a) Credits for yourself:	☐	☐ ☐	☐ ☐
(b) Credits for spouse:	☐	☐ ☐	☐ ☐

1 Enter number of boxes checked on line 1 .....

2 **Dependents:**

First name	Last name	Dependent's Social Security number	Dependent's relationship to you	Check if qualifying child for family size tax credit
				☐
				☐
				☐
				☐

2 Enter number of dependents who:

- lived with you .....
- did not live with you (see instructions) .....
- other dependents .....

3 Add lines 1 and 2 and enter here ..... • 3 x $20

4 Multiply credits on line 3 by $20. Enter here and **on page 1, line 17** 4

SECTION C— FAMILY SIZE TAX CREDIT (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

First name	Last name	Social Security number	First name	Last name	Social Security number

A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be attached to Kentucky Form 740-NP.

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint return, both must sign.) Spouse's Signature Date Signed ( ) Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Firm Name EIN Date

Mail to: **REFUNDS** **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

FORM 740-NP (2011)

SECTION D INCOME		A. Total from *Attached* Federal Return		B. Kentucky	
1 Enter all wages, salaries, tips, etc. ***(attach wage and tax statements)*** Do not include moving expense reimbursements	1		00		00
2 Moving expense reimbursement *(attach Schedule ME)*	2		00		00
3 Interest	3		00		00
4 Dividends	4		00		00
5 Taxable refunds, credits or offsets of state and local income taxes	5		00		00
6 Alimony received	6		00		00
7 Business income or loss *(attach federal Schedule C or C-EZ)*	7		00		00
8 Capital gain or loss *(attach federal Schedule D)*	8		00		00
9 Other gains or losses *(attach federal Form 4797)*	9		00		00
10 (a) Federally taxable IRA distributions, pensions and annuities	10(a)		00		00
(b) Pension income exclusion *(attach Schedule P if more than $41,110)*	10(b)			(	00)
11 Rents, royalties, partnerships, estates, trusts, etc. *(attach federal Schedule E)*	11		00		00
12 Farm income or loss *(attach federal Schedule F)*	12		00		00
13 Unemployment compensation (see instructions)	13		00		00
14 Taxable Social Security benefits	14		00		
15 Gambling winnings	15		00		00
16 Other income (list type and amount) _____	16		00		00
17 Combine lines 1 through 16. This is your **Total Income**	17		00		00
ADJUSTMENTS TO INCOME					
18 Educator Expenses	18		00		00
19 Certain business expenses of reservists, performing artists and fee-basis government officials *(attach federal Form 2106 or 2106-EZ)*	19		00		00
20 Health savings account deduction *(attach federal Form 8889)*	20		00		00
21 Moving expenses *(attach Schedule ME)*	21		00		00
22 Deductible part of self-employment tax	22		00		00
23 Self-employed SEP, SIMPLE, and qualified plans deduction	23		00		00
24 Self-employed health insurance deduction	24		00		
25 Penalty on early withdrawal of savings	25		00		00
26 Alimony paid (enter recipient's name and Social Security number) _____	26		00		00
27 IRA deduction	27		00		00
28 Student loan interest deduction	28		00		00
29 Tuition and fees deduction	29		00		00
30 Domestic production activities deduction	30		00		00
31 Long-term care insurance premiums (see instructions)	31				00
32 Health insurance premiums (see instructions)	32				00
33 Other deductions (list type and amount) _____	33		00		00
34 Add lines 18 through 33. **Total Adjustments to Income**	34		00		00
35 Subtract line 34 from line 17. This is your **Adjusted Gross Income**	35		00		00
36 Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your **Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income**	36	___ ___ ___ . ___ %			

DRAFT 9/27/11

740-NP-R
42A740-NP-R
Department of Revenue

KENTUCKY INCOME TAX RETURN
Nonresident—Reciprocal State **2011**

Kentucky

Last name	Your first name and middle initial	Your Social Security no.	Did you file a Kentucky income tax return for 2010? Yes ☐ No ☐. If no, give reason:

Mailing Address: Number and street or P.O. box	Apt. no.	City, town or post office	State	ZIP code

INSTRUCTIONS

This form may be used by qualifying full-year nonresidents to claim a refund of Kentucky income taxes withheld during 2011. To determine if you qualify, you must check "Yes" or "No" for the applicable statements below. *If eligible, complete lines 1–6.* Enter only the taxpayer's name in which the Kentucky wages and salaries were earned in the name box above. Do not include your spouse's name. If both spouses earned only Kentucky wages and salaries as a resident of a reciprocal state, **each spouse must file a separate Form 740-NP-R.**

A. I was a **nonresident** of Kentucky during all of 2011. ☐ Yes ☐ No

B. My only 2011 Kentucky income was from salaries or wages earned while a resident of any of the following states: ☐ Yes ☐ No
(circle state(s)) **1**–Illinois **2**–Indiana **3**–Michigan **4**–Ohio **5**–Virginia **6**–West Virginia **7**–Wisconsin
Note: *Race track, lottery and other gambling winnings are not salaries or wages.*

For Virginia residents only:
C. I commuted ***daily*** to a place of employment in Kentucky. ☐ Yes ☐ No

Nonresidents who answered "No" to any of the statements above must file Form 740-NP to report Kentucky income.
Enter name and address of principal employer in Kentucky

Name

Number and street

City State ZIP code

DRAFT 6/14/11

You must attach Kentucky wage and tax statements.

Attach Kentucky Wage and Tax Statements Here

1. Enter total **Kentucky income tax withheld.** Do not include local tax withheld. *Attach 2011 wage and tax statement(s)*	● 1		00
2. **Nature and Wildlife Fund Contribution** ☐$10 ☐$25 ☐$50 ☐Other _____ *Enter amount checked*	● 2	00	
3. **Child Victims' Trust Fund Contribution** ☐$10 ☐$25 ☐$50 ☐Other _____ *Enter amount checked*	● 3	00	
4. **Veterans' Program Trust Fund Contribution** ☐$10 ☐$25 ☐$50 ☐Other _____ *Enter amount checked*	● 4	00	
5. **Breast Cancer Research/Education Trust Fund Contribution** ☐$10 ☐$25 ☐$50 ☐Other _____ *Enter amount checked*	● 5	00	
6. From line 1, subtract lines 2, 3, 4 and 5. Amount to be **REFUNDED**	● 6		00

ATTACH A COPY OF THE 2011 RETURN FILED WITH YOUR STATE OF RESIDENCE.

I declare under the penalties of perjury that I have examined this return and to the best of my knowledge and belief, it is a true, correct and complete return.

Your Signature Date Signed ( ) Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Mail to: Kentucky Department of Revenue, Frankfort, KY 40618-0006

Note: Nonresidents of reciprocal states who want to prevent their Kentucky employer from withholding Kentucky income tax from their paychecks should file a copy of Revenue Form 42A809, Certificate of Nonresidence, with their employer. The form is available from the employer, the Kentucky Department of Revenue, Frankfort, KY 40620, or by visiting **www.revenue.ky.gov**

2210-K **2011**

42A740-S1

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ Attach to Form 740 or 740-NP.

UNDERPAYMENT OF ESTIMATED TAX BY INDIVIDUALS

Enter name(s) as shown on page 1, Form 740 or 740-NP. | Your Social Security Number

PART I—EXCEPTIONS AND EXCLUSIONS

The penalty shall not apply if one of the following exceptions is met. If one or more of the following applies to you, check the appropriate block(s), complete any necessary blank(s) and check the "Form 2210-K attached" block on Form 740, line 41a (Form 740-NP, line 41a). **If none of the exceptions apply, go to Part II.**

Check applicable block(s).

DRAFT 6/30/11

1. ☐ The taxpayer died during the taxable year.

2. ☐ The declaration was not required until after September 1, 2011, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before January 31, 2012.

3. ☐ Two-thirds ($^2/_3$) or more of the gross income was from farming; this return is being filed on or before March 1, 2012; ***and*** the total tax due is being paid in full. Fiscal year taxpayers must file a return and pay the tax due on or before the first day of the third month following the close of the tax year.
   a. Enter total gross income
   b. Multiply by $^2/_3$ (.67)
   c. Enter gross income from farming
   Line (c) must ***equal or exceed*** line (b) to qualify for the exception.

4. ☐ Prepaid tax ***equals or exceeds*** last year's income tax liability.
   a. Enter the liability from the 2010 return, Form 740 or Form 740-NP, page 1, line 28
   b. Enter amount from the 2011 Form 740, line 31 (Form 740-NP, page 2, line 31)*
   Line (b) must ***equal or exceed*** line (a) to claim the exception.

PART II—FIGURING THE UNDERPAYMENT AND PENALTY *(Complete Part II only if the **additional** tax due exceeds $500; otherwise, proceed to page 2, Part III.)*

1.	a. Enter 2011 income tax liability from Form 740, line 26 (Form 740-NP, page 1, line 26)	1a	
	b. Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)	1b	
	c. Total (add lines 1a and 1b)	1c	
2.	Percentage of liability required to be prepaid is 70%	2	x .7
3.	Multiply line 1c by line 2	3	
4.	a. Enter the amount from Form 740, line 31 (Form 740-NP, page 2, line 31)*	4a	
	b. Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)	4b	
	c. Total (add lines 4a and 4b)	4c	
5.	Subtract line 4c from line 3 (If line 4c exceeds line 3, no penalty applies.)	5	
6.	Penalty percentage is 10%	6	x .1
7.	Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated tax (minimum penalty $25)	7	
8.	Enter interest amount due from Form 2210-K, page 2, line 22	8	
9.	Add lines 7 and 8. Enter here and on Form 740 or Form 740-NP, line 41(a). **Also check the "Form 2210-K attached" box**	9	

➲ ***To Avoid Underpayment Penalty In the Future, Obtain and File Form 740-ES.***

*Do not include amounts prepaid with extension after the due date of the fourth declaration installment.

FORM 2210-K (2011)
42A740-S1

Page 2

NOTE: Use this page to calculate interest amount due on underpaid or untimely required estimated payments. See instructions for list of exclusions.

DRAFT 6/8/11

PART III—REQUIRED ANNUAL PAYMENT

1.	Enter 2011 income tax liability: (Form 740 or Form 740-NP, page 1, line 26)	1	
2.	Enter 2011 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 30a, 30c and 30d)	2	
3.	Enter 2011 nonresident withholding: (Form 740-NP, page 2, line 30e)	3	
4.	Add lines 2 and 3. Enter total here	4	
5.	Subtract line 4 from line 1. (If the result is $500 or less, stop here. Do not compute this schedule.)	5	
6.	Enter 2010 income tax liability: (2010 Form 740 or Form 740-NP, page 1, line 28)	6	
7.	Required annual payment. Enter the smaller of line 1 or line 6	7	

Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.

PAYMENT DUE DATES		A 4-15-11	B 6-15-11	C 9-15-11	D 1-15-12
8. **Required Installments.** Enter 1/4 (.25) of line 7 in each column	8				
9. **Estimated tax paid and tax withheld.** For column A only, enter the amount from line 9 on line 13. If line 9 is equal to or greater than line 8 for all payment periods (columns A through D), stop here. You do not owe interest. Complete lines 10 through 17 of each column before going to the next column	9				
10. Enter amount, if any, from line 17 of previous column	10				
11. Add lines 9 and 10. Enter here	11				
12. Enter the amount from line 16 of previous column.	12				
13. Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9	13				
14. If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero	14				
15. **Underpayment.** If line 8 is equal to or greater than line 13, subtract line 13 from line 8. Otherwise, go to line 17	15				
16. Add lines 14 and 15. Enter here. If line 8 is equal to or greater than line 13, then go to line 10 of the next column	16				
17. **Overpayment.** If line 13 is more than line 8, subtract line 8 from line 13, then go to line 10 of the next column	17				
FIGURING THE INTEREST					
18. Interest calculation payment date	18	6-15-11	9-15-11	1-15-12	4-15-12
19. Number of days **from** the payment due date shown at the top of the column above line 8 **to** the date the amount on line 16 was paid, or the date shown for that column on line 18, whichever is earlier	19				
20. Annual Percentage Rate (APR)	20	.05	.05	.05	.05
21. Underpayment from line 16 X (Number of days from line 19 / 365) X APR on line 20	21				
22. **INTEREST DUE:** Add amounts on line 21 columns A through D. Enter the total here and on Form 2210-K, page 1, line 8	22				

5695–K
41A720–S7 (10–11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 9/19/11

2011

➤ **See instructions.**
➤ **Attach to Form 720, 720S, 725, 740, 740–NP, 741, 765 or 765–GP.**

Kentucky Energy Efficiency Products Tax Credit
KRS 141.435 to KRS 141.436

Name of Entity/Individual	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable)

Part I–Qualifications

	Yes	No
■ Was the installation of the energy efficiency products completed before January 1, 2011?		
■ Was the installation of the energy efficiency products completed after December 31, 2011?		
■ Have you taken a tax credit as provided by KRS 141.437 for an ENERGY STAR home or an ENERGY STAR manufactured home?		

If you answered "yes" to any of the questions above, STOP; you do not qualify for these credits.
If you answered "no" to all of the questions above, go to Part II.

Part II–Installation of Energy Efficiency Products

Residence or Single–family or Multifamily Residential Rental Unit:										
1. **Qualified upgraded insulation costs**	1		00							
2. Multiply line 1 by 30% (.30)	2		00							
3. Credit from pass–through entities	3		00							
4. Add lines 2 and 3	4		00							
5. Maximum Credit amount	5	**$100**	**00**							
6. Enter the smaller of line 4 or line 5				6		00				
7. **Qualified energy–efficient windows and storm doors**	7		00							
8. Multiply line 7 by 30% (.30)	8		00							
9. Credit from pass–through entities	9		00							
10. Add lines 8 and 9	10		00							
11. Maximum Credit amount	11	**$250**	**00**							
12. Enter the smaller of line 10 or line 11				12		00				
13. **Qualified energy property**	13		00							
14. Multiply line 13 by 30% (.30)	14		00							
15. Credit from pass–through entities	15		00							
16. Add lines 14 and 15	16		00							
17. Maximum Credit amount	17	**$250**	**00**							
18. Enter the smaller of line 16 or line 17				18		00				
19. Add lines 6, 12 and 18				19		00				
20. Maximum Credit amount				20	**$500**	**00**				
21. Enter the smaller of line 19 or line 20							21		00	
Residence or Single–family Residential Rental Unit:										
22. Qualified active solar space–heating system	22		00							
23. Qualified passive solar space–heating system	23		00							
24. Qualified combined active solar space–heating and water–heating system	24		00							
25. Qualified solar water–heating system	25		00							
26. Qualified wind turbine or wind machine	26		00							
27. Add lines 22 through 26	27		00							
28. Multiply line 27 by 30% (.30)	28		00							
29. Credit from pass–through entities	29		00							
30. Add lines 28 and 29	30		00							
31. Qualified solar photovoltaic system–Watts of direct current (DC) _____ X $3	31		00							
32. Credit from pass–through entities	32		00							
33. Add lines 31 and 32	33		00							
34. Enter the larger of line 30 or line 33				34		00				
35. Maximum Credit amount				35	**$500**	**00**				
36. Enter the smaller of line 34 or line 35							36		00	

5695–K
41A720–S7 (10–11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 7/7/11

Part II–Installation of Energy Efficiency Products (continued)

Multifamily Residential Rental Unit or Commercial Property:										
37. Qualified active solar space–heating system	37		00							
38. Qualified passive solar space–heating system	38		00							
39. Qualified combined active solar space–heating and water–heating system	39		00							
40. Qualified solar water–heating system	40		00							
41. Qualified wind turbine or wind machine	41		00							
42. Add lines 37 through 41	42		00							
43. Multiply line 42 by 30% (.30)	43		00							
44. Credit from pass–through entities	44		00							
45. Add lines 43 and 44	45		00							
46. Qualified solar photovoltaic system–Watts of direct current (DC) _____ X $3	46		00							
47. Credit from pass–through entities	47		00							
48. Add lines 46 and 47	48		00							
49. Enter the larger of line 45 or line 48				49		00				
50. Maximum Credit amount				50	**$1,000**	**00**				
51. Enter the smaller of line 49 or line 50							51		00	
Commercial Property:										
52. **Qualified energy–efficient interior lighting system**	52		00							
53. Multiply line 52 by 30% (.30)	53		00							
54. Credit from pass–through entities	54		00							
55. Add lines 53 and 54	55		00							
56. Maximum Credit amount	56	**$500**	**00**							
57. Enter the smaller of line 55 or line 56				57		00				
58. **Qualified energy–efficient heating, cooling, ventilation, or hot water system**	58		00							
59. Multiply line 58 by 30% (.30)	59		00							
60. Credit from pass–through entities	60		00							
61. Add lines 59 and 60	61		00							
62. Maximum Credit amount	62	**$500**	**00**							
63. Enter the smaller of line 61 or line 62				63		00				
64. Add lines 57 and 63							64		00	
65. Add lines 21, 36, 51 and 64							65		00	
66. Enter any unused Energy Efficiency Products Tax Credit earned in 2010, if applicable							66		00	
67. Add lines 65 and 66							67		00	

Enter the amounts from Form 5695–K on the applicable tax return as follows:

Individual, estate or trust filing:

- Form 740–Enter the amount from Line 67 on Form 740, Section A, Line 18.
- Form 740–NP–Enter the amount from Line 67 on Form 740–NP, Section A, Line 18.
- Form 741–Enter the amount from Line 67 on Form 741, Line 18.

Corporation or pass–through entity filing:

- Form 720–Enter the amount from Line 67 on Schedule TCS, Line 16.
- Form 720S–Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 720S, Schedule K, Lines 27, 28, 29, 30, 31, 32, 33, 34 and 35, respectively; and the amount from Line 67 on Schedule TCS, Line 16.
- Form 725–Enter the amount from Line 67 on Schedule TCS, Line 16.
- Form 765–Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 765, Schedule K, Lines 28, 29, 30, 31, 32, 33, 34, 35 and 36, respectively; and the amount from Line 67 on Schedule TCS, Line 16.
- Form 765–GP–Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 765–GP, Schedule K, Lines 28, 29, 30, 31, 32, 33, 34, 35 and 36, respectively.

8863-K 42A740-S24 Department of Revenue

➤ **Attach to Form 740 or Form 740-NP.**

2011

KENTUCKY EDUCATION TUITION TAX CREDIT

Enter name(s) as shown on Form 740 or Form 740-NP, page 1. | Your Social Security Number

If you have a credit carry forward from previous years, see Page 2, Part V.

Caution: Requirements for the 2011 Kentucky Education Tuition Tax Credit are different from the federal education requirements. Please review instructions to determine if you meet the qualifications for this credit.

PART I— Qualifications

	Yes	No
• Are all expenses claimed on this form from an eligible educational institution located within the Commonwealth of Kentucky (Kentucky institution)?		
• Are all of the expenses claimed on this form for undergraduate studies?		
• Is your Kentucky filing status single; married filing separately on a combined return; or married filing a joint return?		

DRAFT 6/8/11

If you answered "No" to any of these questions above, **STOP**, you do not qualify for this credit.
If you answered "Yes" to all questions above, go to Part II.

PART II— Hope Credit (List only expenses from Kentucky institutions.) See Instructions

1. (a) Student Name / SSN	(c) Qualified Expenses (see instructions). **Do not** enter more than $2,400 for each student.	(d) Enter the **smaller** of the amount in column (c) or $1,200	(e) Add column (c) and column (d)	(f) Enter one-half of the amount in column (e)
	$	$	$	$
(b) Institution Name and Address				

(a) Student Name / SSN	(c) Qualified Expenses (see instructions). **Do not** enter more than $2,400 for each student.	(d) Enter the **smaller** of the amount in column (c) or $1,200	(e) Add column (c) and column (d)	(f) Enter one-half of the amount in column (e)
	$	$	$	$
(b) Institution Name and Address				

2. **Tentative Hope Credit.** Add the amounts on line 1, column (f). If you are taking the Lifetime Learning Credit for another student, go to Part III; otherwise, go to line 7 2

PART III— Lifetime Learning Credit

3. (a) Student Name	(b) Student SSN	(c) Name and Address of Kentucky Institution	(d) Qualified Expenses (See instructions)

4. Add the amounts on line 3, column (d) and enter total here 4
5. Enter the smaller of line 4 or $10,000 5
6. **Tentative Lifetime Learning Credit.** Multiply line 5 by 20% (.20), enter here 6
7. Tentative Kentucky Education Credits. Add lines 2 and 6, enter here and on Page 2, line 8 7

Note: If you have an unused credit from prior year(s), complete Page 2, Part V to determine your carryforward amount. You must have completed Form 8863-K in prior years to claim any allowable unused credit carryforward.

FORM 8863-K (2011)
42A740-S24

DRAFT 6/8/11

Page 2

PART IV — Allowable Education Credits

8.	Enter tentative Kentucky Education Credits from page 1, line 7	8	
9.	Enter: $122,000 if married filing jointly or married filing separately on a combined return; $61,000 if single	9	
10.	Enter the amount from Form 1040, line 37, or Form 1040A, line 21	10	
11.	Subtract line 10 from line 9. If zero or less, STOP; you cannot take any education credits for Kentucky	11	
12.	Enter $20,000 if married filing jointly or married filing separately on a combined return; $10,000 if single	12	
13.	If line 11 is equal to or more than line 12, enter the amount from line 8 on line 14 and go to line 15. If line 11 is less than line 12, divide line 11 by line 12. Enter the result as a decimal (rounded to at least three places)	13	x .
14.	Multiply line 8 by the decimal amount on line 13 and enter here	14	
15.	Multiply the amount on line 14 by 25% (.25) and enter total here	15	
16.	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	16	
17.	Enter amount from Part V, line 37. If Part V, line 37 is blank, enter -0-	17	
18.	Subtract line 17 from line 16	18	
19.	Enter the smaller of line 18 or line 15	19	
20.	Add lines 17 and 19. Enter here and on Form 740 or Form 740-NP, line 23. This is your allowable 2011 education credit	20	
21.	If line 18 is smaller than line 15, subtract line 18 from line 15. This is the amount of **unused credit carryforward from 2011 to 2012.** Enter here and on the 2011 Carryforward Worksheet, Line E, provided below	21	

PART V — Credit Carryforward from Prior Years

22.	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	22	
23.	Enter your credit carryforward from 2006	23	
24.	Enter your credit carryforward from 2007	24	
25.	Enter your credit carryforward from 2008	25	
26.	Enter your credit carryforward from 2009	26	
27.	Enter your credit carryforward from 2010	27	
28.	Add lines 23 through 27 and enter total here	28	
29.	Subtract line 23 from line 22. If zero or less, enter -0-	29	
30.	**Enter 2007 credit carryforward to 2012.** Subtract line 29 from line 24. If zero or less, enter -0-	30	
31.	Subtract line 24 from line 29. If zero or less, enter -0-	31	
32.	**Enter 2008 credit carryforward to 2012.** Subtract line 31 from line 25. If zero or less, enter -0-	32	
33.	Subtract line 25 from line 31. If zero or less, enter -0-	33	
34.	**Enter 2009 credit carryforward to 2012.** Subtract line 33 from line 26. If zero or less, enter -0-	34	
35.	Subtract line 26 from line 33. If zero or less, enter -0-	35	
36.	**Enter 2010 credit carryforward to 2012.** Subtract line 35 from line 27. If zero or less, enter -0-	36	
37.	Enter the smaller of line 22 or line 28	37	

2011 Carryforward Worksheet

A. From Part V, Line 30, 2007 to 2012 _____
B. From Part V, Line 32, 2008 to 2012 _____
C. From Part V, Line 34, 2009 to 2012 _____
D. From Part V, Line 36, 2010 to 2012 _____
E. From Part IV, Line 21, 2011 to 2012 _____

If you have a carryforward of credit, maintain a copy of this worksheet or Form 8863-K for your records. This information will be needed to prepare future returns.

740-X
42A740-X (11-11)
Department of Revenue

AMENDED KENTUCKY INDIVIDUAL INCOME TAX RETURN

Kentucky

20____

☐ For calendar year *or*
☐ For fiscal year beginning _____ , _____ , and ending _____ , _____

Filing Status: Check only one block.

	Original	Amended	
1.	☐	☐	Single
2.	☐	☐	Married, filing separately on this combined return
3.	☐	☐	Married, filing joint return
4.	☐	☐	Married, filing separate returns. Enter spouse's name and Social Security number as it appears on separate return.

➤

Spouse's Social Security No.	Your Social Security No.

Last Name | First Name (Joint or combined return, give both names and initials.)

Mailing Address | Number and Street including Apartment Number or P.O. Box

City, Town or Post Office | State | ZIP Code

INCOME AND DEDUCTIONS	I—As Originally Reported or Adjusted	II—Net Change *Increase or Decrease* (see p. 2)	III Correct Amount
1. **KENTUCKY ADJUSTED GROSS INCOME (Form 740 or 740-EZ)**			
Column A, Spouse			
Column B, Yourself (or Joint)			
2. **ITEMIZED DEDUCTIONS / STANDARD DEDUCTION**			
Column A, Spouse			
Column B, Yourself (or Joint)			
3. **TAXABLE INCOME**			
Column A, Spouse			
Column B, Yourself (or Joint)			
TAX LIABILITY			
4. **Enter tax from Form 740, line 14 or Form 740-EZ, line 4.**			
Column A, Spouse			
Column B, Yourself (or Joint)			
5. **Business Incentive Credits.** Column A, Spouse			
Column B, Yourself (or Joint)			
6. **Personal Tax Credits.** Column A, Spouse			
Column B, Yourself (or Joint)			
7. **Subtract lines 5 and 6 from line 4.** Column A, Spouse			
Column B, Yourself (or Joint)			
8. Add line 7, Columns A and B and enter here			
9. Family Size Tax Credit			
10. Education Tuition Tax Credit			
11. Child and Dependent Care Credit			
12. New Home Tax Credit (2009 and 2010 Only)			
13. Income Tax Liability. Subtract lines 9, 10, 11 and 12 from line 8			
14. Kentucky Use Tax			
15. Total Tax Liability			
PAYMENTS AND CREDITS			
16. Kentucky Income Tax Withheld			
17. Kentucky Estimated Tax Payments			
18. Refundable Kentucky Corporation Tax Credit (KRS 141.420(3)(c))			
19. Refundable certified rehabilitation credit (KRS 141.382(1)(b))			
20. Film industry tax credit (KRS 141.383)			
21. Amount paid with original return, plus additional payments made after it was filed			
22. Total of lines 16 through 21, Column III			
REFUND OR AMOUNT DUE			
23. Overpayment, if any, shown on original return, Form 740 or Form 740-EZ			
24. Subtract line 23 from line 22 and enter the result			
25. If line 15, Column III, is more than line 24, enter amount due			
26. Compute interest on the amount due from the due date until paid. **Use Interest Rate Chart on Page 2, Part IV when calculating interest.**			
27. Add lines 25 and 26. Pay in full with this return			
28. If line 15, Column III, is less than line 24, enter refund to be received			

DRAFT 6/21/11

N F

Form 740-X (11-11) Page 2

PART I – TAX CREDITS **(This section must be completed for any increase or decrease in the number of personal tax credits claimed on original return)**

1. Number of personal tax credits claimed on original return (Form 740, Section B, lines 3A and 3B)	
2. Number of personal tax credits claimed on this return	
3. Difference	

Explain any difference in detail below. Include name and Social Security number.

PART II – FAMILY SIZE TAX CREDIT **(This section must be completed for any increase or decrease to Total Family Size claimed on original return.)**

4. Total Family Size claimed on original return	1 ☐	2 ☐	3 ☐	4 or more ☐
5. Total Family Size claimed on this return	1 ☐	2 ☐	3 ☐	4 or more ☐

Explain any difference in detail below. Include name and Social Security number.

PART III – CHANGES Explain changes to income, deductions and tax from page 1, Column II in detail below. **Attach additional or corrected Kentucky and/or federal forms, schedules or W-2s.**
If you do not attach the required information, processing of your Form 740-X may be delayed.

DRAFT 6/21/11

PART IV – INTEREST RATE CHART - Use the following rates when computing interest for amount on Page 1, Line 25.

Jan. 1, 2012–Dec. 31, 2012	–	7%
Jan. 1, 2011–Dec. 31, 2011	–	5%
Jan. 1, 2010–Dec. 31, 2010	–	5%
Jan. 1, 2009–Dec. 31, 2009	–	7%
May 1, 2008–Dec. 31, 2008	–	10%
Jan. 1, 2008–Apr. 30, 2008	–	8%

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and, to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of appropriate income tax regulations will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If a joint or combined return, both must sign.) Spouse's Signature Telephone Number (daytime) Date Signed

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Make check payable to:
Kentucky State Treasurer.

REFUNDS Mail to: **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS Mail to: **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

40A102 (11-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Kentucky

2011

➤ *COMPLETE ONLY IF NOT FILING FEDERAL EXTENSION*

➤ *SEE INSTRUCTIONS FOR PAYMENT REQUIREMENTS*

APPLICATION FOR EXTENSION OF TIME TO FILE INDIVIDUAL, GENERAL PARTNERSHIP AND FIDUCIARY INCOME TAX RETURNS FOR KENTUCKY

INSTRUCTIONS: Taxpayers who request a federal extension are not required to file a separate Kentucky extension. The requirements may be met by attaching federal Form 4868 (automatic extension) to the Kentucky return.

Interest at the annual rate of ? percent applies to any income tax paid after the original due date of the return. If the amount of tax paid by the original due date is less than 75 percent of the tax due, a late payment penalty may be assessed (minimum penalty is $10). Interest and late payment penalty charges can be avoided by remitting payment with the Extension Payment Voucher below by the due date.

Use this form if you (1) are requesting a Kentucky extension of time to file **(complete Section I)**; (2) are requesting a Kentucky extension and desire to make a payment prior to the due date **(complete Sections I and II)**; or (3) have a federal extension and desire only to make a Kentucky payment prior to the due date **(complete and submit Section II only)**.

You will be notified only if the application for extension is denied. To avoid the late filing penalty, a copy of this form must be attached to your return when filed. Keep a copy for yourself.

SECTION I *(Please print or type name and address in block below.)*

Check type of return:

☐ Individual (740 or 740-NP)
☐ General Partnership (765-GP)
☐ Fiduciary (741)

DRAFT 6/21/11

Soc. Sec. No. or Employer ID No. _____

A six-month extension is requested for filing the income tax return of the above-named taxpayer(s) for the taxable year ended _____ .

REASON FOR REQUEST (A reason must be given before any request can be considered. Inability to pay tax liability is not a valid reason.)

_____

_____

_____

_____

Signature of taxpayer — Date — Preparer other than taxpayer — Date

➤ **Mail to: Kentucky Department of Revenue, P.O. Box 1190, Frankfort, KY 40602-1190** ➤

DENIED: ☐ Late *(postmarked after return due date)* ☐ Other:

You will be notified only if the application for extension is denied. To avoid the late filing penalty, a copy of this form must be attached to your return when filed. Keep a copy for yourself.

40A102 (11-11)

SECTION II

Kentucky

COMPLETE ONLY IF MAKING PAYMENT FOR INDIVIDUAL OR FIDUCIARY INCOME TAX

2011

KENTUCKY EXTENSION PAYMENT VOUCHER

Last name — First name (joint or combined return, give both names and initials) — Your Social Security number

Mailing address (Number and Street including Apartment Number or P.O. Box) — Spouse's Social Security number

City, town or post office — State — ZIP code

Make check payable to: Kentucky State Treasurer

Mail to: Kentucky Department of Revenue
P.O. Box 1190
Frankfort, KY 40602-1190

Enter payment amount here ..... ➤ $ _____

KENTUCKY INDIVIDUAL INCOME TAX FORMS

40A727 (10-11)

Kentucky

KENTUCKY INCOME TAX FORMS REQUISITION

The label at right will be used to mail your forms. ***Do not detach.***
Please prepare a duplicate address below for our files.

Name _____

Street _____
City, State and ZIP _____

Phone ( ) _____

Date Ordered _____

FROM: Department of Revenue
Frankfort, KY 40620

TO: Name _____

Street _____

City, State and ZIP Code _____

DRAFT 9/06/11

Check one: ☐ Individual ☐ Attorney ☐ CPA ☐ Tax Practitioner ☐ Other _____

FORMS	ISSUANCE NO.	QUANTITY
740/740-EZ—Kentucky Individual Income Tax Packet (Maximum 10)	42A740	
740-NP—Nonresident or Part-Year Resident Income Tax Packet (Maximum 10)	42A740-NP	
740-ES—2012 Estimated Tax Voucher	42A740-ES	
740-ES—Instructions	42A740-S4	
Kentucky Individual Income Tax Installment Agreement Request	12A200	
765-GP—Kentucky General Partnership Income Return	42A765-GP	
765-GP(I)—Instructions	42A765-GP(I)	
Schedule K-1 (765-GP)—Partner's Share of Income, Credits, Deductions, etc.	42A765-GP (K-1)	
720—Kentucky Corporation Income Tax and LLET Return	41A720	
720(I)—Instructions	41A720(I)	
720S—Kentucky S Corporation Income Tax and LLET Return	41A720S	
720S(I)—Instructions	41A720S(I)	
Schedule K-1 (720S)—Shareholder's Share of Income, Credits, Deductions, etc.	41A720S (K-1)	
725—Kentucky Single Member LLC Individually Owned LLET Return	41A725	
725(I)—Instructions	41A725(I)	
725CP—Kentucky Single Member LLC Individually Owned Composite Return Schedule	41A725CP	
765—Kentucky Partnership Income and LLET Return	41A765	
765(I)—Instructions	41A765(I)	
Schedule K-1 (765)—Partner's Share of Income, Credits, Deductions, etc.	41A765 (K-1)	
Total Forms ➤		

ENVELOPES *(Available in groups of 100 only)*

Refund 6" x 9" Blue—Enter number of groups here ➤ _____

Payment 6" x 9" Yellow—Enter number of groups here ➤ _____

Envelopes _____ x $5.00 per group of 100 _____

Subtotal _____

Sales Tax (6%) *(Kentucky residents only)* _____

TOTAL ➤ _____

Make check payable to:
Kentucky State Treasurer

Mail order form and check to: Kentucky Department of Revenue
FORMS
P.O. Box 518
Frankfort, Kentucky 40602-0518

All income tax and limited liability entity tax (LLET) forms are available at ***www.revenue.ky.gov*** (click on Forms).

EXTENSIONS

Kentucky individual and corporation income tax returns for the 2011 calendar year must be filed with the Department of Revenue on or before April 17, 2011, unless an extension is obtained.

The Form 40A102 - Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky is located on page 27 of these materials.

Since the Department of Revenue accepts the federal extension, only a few circumstances will require a separate Kentucky extension. Form 40A102 is **NOT** an automatic extension. The request must state a reasonable cause for the inability to timely file. Even though it is not an automatic extension, you will only be notified if the extension request is denied. Form 40A102, if utilized, must be filed by April 17, 2011. You must attach a copy of Form 40A102 to the return, if a Kentucky extension is used.

Federal Extension – Individuals may use federal Form 4868 to obtain an automatic six month extension. If you file Form 4868, a separate extension request for Kentucky is not required. Attach Form 4868 to your Kentucky return.

Payments – An extension of time to file a return does not extend the due date for payment of tax. Interest and penalty charges can be avoided on payments sent by the due date. To make a payment with the extension request, write "KY Income Tax–2011" and your Social Security number(s) on the face of the check. Mail payment with:

- Completed Section II, Kentucky Extension Payment Voucher, of Form 40A102 – Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky, or

- A copy of the lower portion of federal Form 4868 - Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.

ELECTRONIC FILED EXTENSION

Attach a copy of federal Form 4868 with the confirmation number listed on the form or a copy of the electronic acknowledgement to a paper Kentucky individual income tax return. To E-file a return using a personal computer or through a tax professional, follow the instructions provided.

Instructions for federal Form 4868 advise taxpayers to complete Form 4868 to use as a worksheet. Then, taxpayers may take advantage of one of the three IRS E-file options; E-file by phone, E-file using your personal computer or tax professional, or E-file and pay by credit card.

If an extension request is E-filed, a confirmation number or acknowledgement to indicate that Form 4868 has been accepted will be received electronically. The confirmation number should be entered in the lower right-hand corner of Form 4868 and a copy

should be kept for record keeping purposes.

MILITARY PERSONNEL ELIGIBLE FOR COMBAT ZONE EXTENSION AND OTHER TAX RELIEF ITEMS

Extension to File and Related Issues – Federal

Internal Revenue Code Sections 112 and 7508 provide for an automatic extension of 180 days following service for the filing and paying federal income taxes and claiming refunds for an individual who is serving in the Armed Forces in a combat zone or qualified hazardous duty area or who has qualifying service outside of a combat zone or qualified hazardous duty area. Specifically, members of the military are allowed an extension of time to file and pay federal income taxes, request a refund, bring a legal suit, make an IRA contribution, and so forth while they are deployed in a combat zone. For the most part, the extension runs for at least 180 days from the day when the taxpayer leaves the combat zone.

In addition, all federal audit and collection activities are ceased while the taxpayer is in the combat area and for 180 days afterward.

Certain personnel who are deployed from their permanent assignments to a position that supports a hazardous duty area – even if the individual is not within the hazardous duty area – receive a similar extension for filing and payment and are not subject to collection activities. They do not, however, receive income exclusion.

Also, civilian employees of the Department of Defense and accredited correspondents are eligible for the extensions of time to file and delay of collection activities, but not for income exclusion, provided they are within the designated combat zone.

Extension to File and Related Issues – Kentucky

When the President signs an executive order designating certain areas as combat zones, provisions of Kentucky law (**KRS 141.215** & **KRS 141.175**) are automatically activated. The law provides for deferred filing of the Individual income tax return and payment of income taxes. Under Kentucky law, a one-year extension of the filing date is in effect for those people serving in the combat zone on January 1, 2009, to April 16, 2009, i.e., members of the Army, Navy, Marines, Air Force or Public Health Service of the United States government as well as members of the National Guard or any branch of the Reserves. The one-year period begins when service in the combat zone ends. No penalty or interest will accrue on tax payments made during the one-year deferment period.

On March 10, 2003, Executive Order 2003-221 became effective, providing an extension of time for obtaining or renewing any licenses, filing any return, report or other document, paying any taxes, fees or other charges, which would fall due or expire during the

period for Kentuckians who have been mobilized or deployed in support of the war. The extension expires 90 days following demobilization from active duty or ninety days following deployment to Kentucky for persons remaining on active duty. The Kentucky Department of Revenue does follow the 180 day IRS extension for filing returns, making payments or taking any other action related to income tax for U.S. Armed Forces deployed overseas away from their permanent duty station in support of operations in a qualified hazardous duty area but outside the qualified hazardous duty area.

EXAMPLE – DUE DATE WHILE IN COMBAT ZONE

Sergeant Peterson arrived in the combat zone on March 1, 2012, and served there until June 15, 2012.

Question: When is the due date for his 2011 Individual Income tax return?

Answer: Because Sergeant Peterson was in a combat zone during the filing period for the 2011 return, he is allowed an extension to file the return and to pay any liability. The extension of the due date for his return consists of the time remaining on the normal due date (March 1 to April 18 = 49 days) plus 1 year after leaving the combat zone. Therefore, his 2011 tax return is due June 18, 2013. The due date of his 2012 return is not affected because he was not in the combat zone during the January 1 through April 15, 2013, filing period. However, the due date for the first quarter 2013 estimated tax payment is extended.

In a related matter, the extension continues to apply while a qualifying person is continuously hospitalized outside the United States as a result of injuries suffered in the combat zone. For hospitalization within the United States, the extension cannot exceed 5 years and does not apply to a spouse.

Taxpayers who receive a Notice of Tax Due should return the notice to the address below with “Combat Zone and the date of deployment” written across the top. All actions on the bill will be suspended until the expiration of the extension. Taxpayers who are filing a return using the extended deadline should write “Combat Zone” across the top of the return and the “date that service in the combat zone ended”.

CONTACT INFORMATION:
Taxpayer Assistance
P. O. Box 181, Station 56
Frankfort, Kentucky 40602

ELECTRONIC FILING AND PROCESSING ISSUES

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ELECTRONIC FILING

Electronic filing reduces data entry errors, results in a faster refund turnaround and saves manpower hours during the processing season. It is the Department of Revenue's goal to increase electronic filing frequency each year; through September 2011, electronically-filed returns represent over 65 percent of the total number of returns filed in Kentucky.

State-Only Filing

Kentucky is accepting state-only returns for the 2011 tax year. State-only filing is a method to file a state return through the current Fed/State system. The type returns that will be eligible for state-only filing are: (1) Previously rejected state e-filed returns, and, (2) State returns input separately from a previously filed federal return. In all transmissions, the federal data must be attached. Consult your software vendor to determine the availability of state-only filing.

Online Filing

Prepare and submit the Kentucky return at the same time as the federal return. Approved software developers and providers of online filing will be listed on the Department of Revenue's website.

1-D Barcode

The 2011 Kentucky forms will also contain a 1-D barcode printed at the top of the forms. The barcode contains information identifying the form number and page number. This information will be used in the future to index the forms and allow the Department of Revenue the capability of scanning and imaging tax forms.

2-D Barcode

Computer-generated Forms 740, 740-NP and 740-EZ will have a computer-generated two-dimensional (2-D) barcode. Barcode returns account for approximately 15 percent of the total returns filed. If the taxpayer has their return completed by a tax preparer or purchases off the shelf software and chooses not to electronically file their return, the Department of Revenue processes the return using the barcode information.

TAX TIP:

Do not mark through or cover the barcode. Enter last minute changes into the program and print the entire return again so that the barcode contains the correct information, even if the change is reflected only on one page. Examples include copies of other states' tax return to verify credit for tax paid to another state, wage statements and Form 2210-K to determine if the non-estimating penalty applies, etc.

Modernized Electronic Filing System (MeF)

Beginning August 15, 2011, Kentucky began accepting returns through the MeF system, the successor to the Department's Legacy Electronic Filing System. The IRS set an effective date of January 1, 2013 for all electronically filed returns to be transmitted through MeF. For tax year 2011, Kentucky will accept returns using either the Legacy System or MeF. Beginning tax year 2012, the Legacy System will no longer be used.

E-FILING MANDATE

The Worker, Homeownership, and Business Assistance Act of 2009 is federal legislation that included a provision requiring tax preparers to electronically file beginning in the 2011 tax season if they expect to file more than ten individual, estate, or trust returns.

However, the IRS has announced on its website that it has decided to phase in the e-file mandate over 2011 and 2012. As a result, the federal e-file mandate is as follows:

2011 – Return preparers who **reasonably anticipate** filing 100 or more tax returns in 2011 are required to electronically file.
2012 – Return preparers who **reasonably anticipate** filing more than 10 tax returns in 2012 are required to electronically file.

The Commonwealth of Kentucky became the 21st state to adopt an e-filing mandate for paid tax preparers, also beginning with the 2011 tax season. Kentucky will follow the IRS' lead as far as implementing the e-filing mandate over a two-year period.

Form 8948-K - Preparer Explanation for Not Filing Electronically

The Form 8948-K is used is used **only by specified tax return preparers** to explain why a particular return is being filed on paper. A specified tax return preparer may be required by law to electronically file certain covered returns. There are exceptions to this requirement, and Form 8948-K is used by specified tax return preparers to identify returns that meet allowable exceptions.

ELECTRONIC FILING INFORMATION

Beginning with processing year 2008, the IRS eliminated the signature Form 8453 and began using Form 8879. Kentucky will only accept Form 8879-K beginning tax year 2011.

TAX TIP:
Please be sure to use tax software that is up to date and utilizes the current version of forms available from the KY Department of Revenue.

FORM 8879-K

The Kentucky Department of Revenue is transitioning from Form 8453-K to Form 8879-K. This transition is in keeping with the federal transition. A copy of this form is included in this chapter. The following is information regarding when the 8879-K is required by the Department of Revenue.

- Fed/State E-filed returns with a federal PIN – For returns filed via this method, an 8879-K is **not** required. The use of the federal PIN meets signature requirements for the Kentucky return.

- Fed/State E-filed returns without a federal PIN – For returns filed via this method, an 8879-K is required. **This document does not need to be mailed to KDOR**. EROs must retain them for a period of three years. State copies of the wage statements, supporting schedules, documents requiring signatures and other informational documents should be attached to the 8879-K and be retained by the ERO for a period of three years.

- Online Filing – For returns filed via this method, an 8879-K is required. This document does **not** need to be mailed to KDOR. Taxpayers must retain the form for a period of three years.

TAX TIP:
Form 8879-K is the only form that contains direct deposit and direct debit information and is to be used by any taxpayer that selects these options.

Exclusions from Electronic Filing

In addition to the returns excluded from federal electronic filing listed in Publication 1345 for tax year 2011 (2012 filing season), the following are specific Kentucky forms which are also excluded:

- Form 740-X, Amended Kentucky Individual Income Tax Return
- Form 740-XP, Prior Year Amended Kentucky Individual Income Tax Return
- Prior Year Return(s)
- Form 740-NP, Nonresident or Part-Year Resident Income Tax Return
- Form 740-NP-R, Nonresident – Reciprocal State
- Any Partnership, Corporate or Fiduciary Tax Return
- Fiscal Year Return(s)
- Injured Spouse Declaration

Acknowledgment of Kentucky Return

The Kentucky acknowledgment system is designed to inform transmitters that the Kentucky return has been received and either accepted or rejected by the DOR. (Rejection codes are listed at the end of this section.) The acknowledgement system will provide codes of “A” for accepted, “R” for rejected and “D” for a duplicate return, which will not be processed.

Please note that the acknowledgement code of “A” means that the return has been accepted for processing by the Department of Revenue, not necessarily that the return is error free.

Direct Deposits

Taxpayers may elect to have overpayments applied to next tax year's estimated tax, mailed in the form of a refund check, or deposited directly into a bank account. If direct deposit is elected, the same verification procedures outlined in IRS Publication 1345 must be followed.

The DOR's acknowledgment of the electronic return will not indicate whether the refund will be direct deposited.

Refund Delays

It is anticipated that refunds from Kentucky returns filed in the Federal/State Electronic Filing Program will be issued within two weeks. The average amount of time to issue a refund during the 2011 processing year was 7 to 14 days. However, the following conditions may delay refunds and/or change refund amounts on electronically filed returns:

- The taxpayer owes delinquent Kentucky taxes.
- The taxpayer owes a debt to another state agency or to the IRS.
- The estimated tax payments claimed on the return do not match the estimated tax payments recorded on the DOR's estimated tax file.
- The refund amount is adjusted when the electronic return is processed.
- Address problems. One common problem is addresses containing a rural route. While the DOR recognizes that some rural routes still exist in Kentucky, most rural routes have been eliminated and assigned a street name with a house number. Preparers should verify that the rural route is still a valid address before using this address on the taxpayer's return.
- Another common problem is an address that contains both a post office box number and a street address. Please enter the street name and house number on the first address line and enter the post office box number on the second address line.

Please verify that ALL banking information – including bank name, routing number and account number – is correct before transmitting returns. The DOR may only submit Direct Deposit transactions one time. Thus, if the information is incorrect and the transaction is rejected, a paper check must be created and mailed to the taxpayer. This process will add approximately two to four weeks to the timeframe for a taxpayer to receive their refund check.

Individuals contacting the Department of Revenue regarding their Kentucky return should be prepared to give their Social Security number and whole dollar amount of the expected refund. These taxpayers should contact the DOR's ARTIS line (502) 564-1600.

Payment of Balance Due Amounts

The taxpayer is responsible for paying the amount due the DOR by April 17, 2012 to avoid penalties and interest. Details of each payment option are listed below**.**

Direct Debit

Kentucky will again be accepting direct debit payments on tax due returns**.** The payment **must be the full amount due** as indicated on the return. At this time, the DOR cannot process partial payments on electronically submitted returns. A date up to April 17, 2012 can be elected for the payment to be debited from the specified account. After April 17, the payment will be debited when the return has completed processing. Please use the transmitting date as the direct debit date so the return will not be rejected for an invalid date. The direct debit account information can be found on the Form 8879-K.

Note: Please allow up to two weeks for your debit payment to be withdrawn from your account. Payments with a requested withdrawal date of April 17, 2012, will be considered timely when processed.

The DOR accepts MasterCard, Visa and Discover credit cards. In addition, taxpayers may choose to electronically submit payment from a checking or savings account. Payments made by the April 17, 2012 due date are timely and no additional fees are applied. Access the Department of Revenue's home page at *www.revenue.ky.gov* to make credit card payments and electronic check payments over the Internet. Click on the *KY E-Tax* logo then click on *E-Payments.*

If the taxpayer does not have access to the Internet, you may call the DOR at (502) 564-4581.

Vouchers

Taxpayers may mail form 740-V with payment. Form 740-V is a payment coupon made available to Electronic Return Originators (ERO). If the ERO's software package has the capability of printing a document in the same format as the Form 740-V, this may also be used.

Do not submit a paper copy of the electronic return with the 740-V. This not only delays the processing of the electronic voucher and payment, but creates a billing situation for the taxpayer due to an additional return being entered into the system.

Mail payments with Form 740-V to:

KENTUCKY DEPARTMENT OF REVENUE
FRANKFORT, KY 40619-0008

When submitting a payment for an electronically filed tax-due return, please be sure to use the specially designed 740-V envelope; please send only the 740-V voucher and check (do not include anything else in the envelope), and do not attach the check to the voucher (no staples or paper clips). This ensures fewer delays in the mailroom and a taxpayer's return will be processed in a timely manner.

Notice of Tax Due

A 'tax due notice' will not be sent to the taxpayer prior to the April 17, 2012 filing deadline. The taxpayer should submit payment using one of the payment options listed above prior to April 17, 2012 to avoid penalties and interest.

TAX TIP:

740-V envelopes are available FREE of charge from the Kentucky Department of Revenue.

DO NOT MAIL! RETAIN FOR YOUR RECORDS.

8879-K 42A740-S22 Department of Revenue

KENTUCKY INDIVIDUAL INCOME TAX DECLARATION FOR ELECTRONIC FILING

2011

Declaration Control Number (DCN) ▶

Taxpayer's Name	Taxpayer's Social Security number
Spouse's Name	Spouse's Social Security number

DRAFT 6/25/11

PART I—Tax Return Information (Whole Dollars Only)

				A Spouse	B Taxpayer
1. Kentucky taxable income	740, line 11	740-EZ, line 3	1	.00	.00
2. Total tax liability	740, line 28	740-EZ, line 10	2		.00
3. Total payments	740, line 31		3		.00
4. Refunded to you	740, line 39	740-EZ, line 15	4		.00
5. Amount you owe	740, line 43	740-EZ, line 16	5		.00

PART II—☐ Direct Deposit of Refund *or* ☐ Direct Debit of Tax Amount Due (See Instructions)

6. Routing transit number (RTN) ☐☐☐☐☐☐☐☐☐ The first two numbers of the RTN must be 01 through 12 or 21 through 32.
7. Depositor account number (DAN) ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐
8. Type of account: ☐ Savings ☐ Checking 9. Debit amount _____ Debit date M M / D D / Y Y Y Y
10. In order to comply with new electronic banking regulations, please answer the following questions.
    a. Direct Deposit—Will these funds be going to an account outside of the United States? Yes ☐ No ☐
    b. Direct Debit—Will these funds come from an account located outside of the United States? Yes ☐ No ☐

KENTUCKY

PART III—Declaration of Taxpayer *(Sign only after Part I is completed.)*

11. ☐ I consent that my refund be directly deposited as designated in Part II, and declare that the information shown on lines 6 through 10 is correct. If I have filed a joint return, this is an irrevocable appointment of the other spouse as an agent to receive the refund.
12. ☐ I do not want direct deposit of my refund or am not receiving a refund.
13. ☐ I authorize the Kentucky Department of Revenue and its designated Financial Agent to initiate an ACH electronic funds withdrawal entry to the financial institution account indicated above for payment of my state taxes owed on this return. To revoke a payment, I must contact the Kentucky Department of Revenue at (502) 564-4581 no later than two business days prior to the payment (debit) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.

If I have filed a balance due return, I understand that if the Kentucky Department of Revenue does not receive my full and timely payment of my tax liability, I will remain liable for the tax liability and all applicable interest and penalties.

Under penalties of perjury, I declare that the information I have given my electronic return originator (ERO) or transmitter and the amounts in Part I above agree with the amounts on the corresponding lines of the electronic portion of my 2011 Kentucky income tax return. To the best of my knowledge and belief, my return is true, correct and complete. I consent to my ERO or transmitter sending my return and accompanying schedules and statements to the Kentucky Department of Revenue. I also consent to the Kentucky Department of Revenue sending my ERO and/or transmitter an acknowledgment of receipt or transmission and an indication of whether or not my return is accepted, and, if rejected, the reason(s) for the rejection.

➤ Your Signature (If joint or combined return, both must sign) ➤ Spouse's Signature ☎ Telephone Number (daytime) Date Signed

PART IV—Declaration and Signature of Electronic Return Originator and Paid Preparer

I declare that I have reviewed the above taxpayer's return and that the entries on Form 8879-K are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on this return. If Part II is completed, I declare that I have verified the taxpayer's proof of account and it agrees with the name shown on this form. The taxpayer will have signed this form before I submit the return. I will give the taxpayer a copy of all forms and information to be filed with the Kentucky Department of Revenue, and have followed all other requirements in Kentucky Publication KY-1345, Kentucky Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 2011). If I am also the paid preparer, under penalties of perjury I declare that I have examined the above taxpayer's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete. This declaration is based on all information of which I have any knowledge.

Check ☐ if also paid preparer. Check ☐ if self-employed.

ERO's Use Only

Signature Date I.D. Number of ERO

Firm's name (or yours if self-employed) and address FEIN ZIP code

Paid Preparer's Use Only

Check ☐ if self-employed.

Preparer's Signature Date I.D. Number of Preparer

Firm's name (or yours if self-employed) and address FEIN ZIP code

➤ **Keep this form with your tax return. *Do not mail!***

Attach Copy of Forms W-2, W-2G and 1099-R Here

Instructions for Form 8879-K

Kentucky Individual Income Tax Declaration for Electronic Filing

DRAFT 6/22/11

Filing Requirements

- ★ *Federal/State E-file With a Federal PIN*— For returns filed via this method, an 8879-K is not required.
- ★ *Federal/State E-file Without a Federal PIN*— For returns filed via this method, an 8879-K is required to be completed. ***Do not mail this form.*** Electronic return originators (EROs) must retain them for a period of three years.
- ★ *Online Filing*— For returns filed via this method, an 8879-K is required to be completed and retained for a period of three years. ***Do not mail this form.***

Completing the Form

You must complete your Kentucky individual income tax return before you complete Form 8879-K. You must also complete this form before signing it. Taxpayers, EROs and paid preparers must not sign the form before it is completed.

Declaration Control Number (DCN)

The DCN, located in the upper right corner of the form, must be identical on the federal electronic return, the federal Form 8879 and the Kentucky Form 8879-K.

Name and Social Security Number

You must enter your name and Social Security number on Form 8879-K.

Taxpayer Responsibilities

Taxpayer(s) that use an ERO must:

- ★ Verify all information on the Form 8879-K, including Social Security number.
- ★ Inspect the paper copy of the return and ensure the information is correct.
- ★ Sign Form 8879-K after the return has been prepared but before it is transmitted.

Taxpayer(s) that file from home must:

- ★ Complete Form 8879-K.
- ★ **Attach** the Kentucky copy of Forms W-2, W-2G and 1099-R; any documents verifying credit amounts; any schedules explaining "Other" adjustments to income; and any documents with required signatures.
- ★ Keep this form with your tax return. Do not mail.

ERO Responsibilities

The ERO must:

- ★ Complete Form 8879-K
- ★ Obtain signature of taxpayer(s)
- ★ **Attach** the Kentucky copy of Forms W-2, W-2G and 1099-R; any documents verifying credit amounts; any schedules explaining "Other" adjustments to income; and any documents with required signatures.
- ★ Provide the taxpayer with copies of the completed 8879-K and all other information.
- ★ Retain form for three years.

Part I—Tax Return Information

Enter the required data from the Kentucky tax return. Lines 1 through 3 and either Line 4 or 5 must be completed.

Part II—Direct Deposit of Refund or Direct Debit of Tax Amount Due

Direct Deposit of Refund— If there is an amount on **Line 4** (Refunded to you), the taxpayer can choose to have their refund directly deposited by completing Part II, and checking the box on Part III, Line 11. Taxpayers can choose direct deposit for the Kentucky income tax refund regardless of the choice for federal purposes.

Payment of Balance Due— Penalty and interest will begin to accrue on any tax due that has not been paid by April 17, 2012.

If there is an amount on **Line 5** (Amount you owe), the taxpayer can choose from the following methods of payment:

(1) **Pay by check or money order**— Taxpayers should submit their payment using Form 740-V, Kentucky Electronic Payment Voucher.

(2) **Pay by Credit Card or ACH Debit**— Pay your 2011 Kentucky individual income tax by Mastercard, VISA or Discover credit cards or by ACH Debit through April 17, 2012. Access the Department of Revenue's secure Web site (**www.revenue.ky.gov**) to make electronic payments over the Internet. Click on the **KY *E-Tax*** logo and select E-Payments-Credit Cards and ACH Debits link. If you do not have access to the Internet, you may call the Department of Revenue at (502) 564-4581.

To make a credit card payment, the following information is needed: credit card type, credit card number, expiration date, and the cardholder's address as it appears on the credit card billing statement. To make an ACH Debit payment, the following information is needed: bank name, bank account number and bank routing number.

(3) **Pay by Direct Debit**— The taxpayer can choose to pay the amount due by completing Part II, Lines 6 through 10, and checking the box on Line 13. Taxpayers can choose direct debit for Kentucky regardless of the choice for federal purposes. The taxpayer must ensure that the following information relating to the financial institution account is provided in the tax preparation software: Routing Number, Account Number, Type of Account (Checking or Savings), Debit Amount, Debit Date (through April 17, 2012).

Note: Select any date until April 17 to have the payment withdrawn from your account. Actual withdrawal of funds may be later, but will be considered timely. Please allow up to two weeks for processing.

Line 6— The routing transit number must be nine digits and begin with 01 through 12 or 21 through 32.

Line 7— The depositor account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special characters. If fewer than 17 characters, enter the numbers from left to right and leave the unused boxes blank.

Note: Taxpayers should use a check, form, report or other statement generated by their financial institution to verify the routing transit number and depositor account number. Do not use a deposit slip as it may contain internal routing numbers. If there is any doubt about the correct routing transit number, the taxpayer should ask the financial institution for the routing transit number to use for direct deposit (Electronic Funds Transfer).

Line 10— Due to new federal electronic banking regulations, you must answer the following questions if you are requesting a direct deposit of your refund or are paying the amount you owe via direct debit. If you are requesting a direct deposit of your refund, answer question 10a. If you are paying the amount you owe on your return via direct debit, answer questions 10b.

Part III—Declaration of Taxpayer

An electronically transmitted return will not be considered true, accurate and complete unless Form 8879-K is signed by the taxpayer(s) prior to transmitting the electronic return.

The taxpayer must sign and date Form 8879-K after it has been completed to verify that the information is correct and that the taxpayer agrees with the information on the completed tax return.

EROs and tax preparers are prohibited from obtaining taxpayer signatures on blank or incomplete forms.

When an error is corrected after the taxpayer has signed Form 8879-K, and the corrected Kentucky taxable income varies more than $50, or the corrected refund or balance due varies more than $14, a new Form 8879-K must be completed for taxpayer signature.

PART IV—Declaration and Signature of ERO and Paid Preparer

This section must be completed and signed by the ERO.

If the ERO is also the paid preparer, the ERO must check the paid preparer box, but is not required to complete or sign the Paid Preparer Section.

A paid preparer who is not the ERO must complete, sign and date the Paid Preparer Declaration.

If the ERO cannot obtain the paid preparer's signature on Form 8879-K, a copy of the tax return with the paid preparer's signature should be attached to the 8879-K.

Refund Information— The Automated Refund and Tax Information System (ARTIS) is available to provide information by telephone on the receipt of your tax return. The automated system telephone number is (502) 564-1600. It is available 24 hours a day, 7 days a week.

8948-K

42A740-S25 (10-11)

Department of Revenue

PREPARER EXPLANATION FOR NOT FILING ELECTRONICALLY

➤ **Attach to Form 740.**

➤ **See federal instructions for 8948**

Name(s) on tax return.	Taxpayer's Identifying Number

Check the applicable box to indicate the reason this return is not being filed electronically.

1. ☐ Taxpayer chose to file this return on paper.
2. ☐ The preparer received a federal waiver from the requirement to electronically file the tax return.

   Waiver Reference Number: _____ Approval Letter Date: _____

3. ☐ The preparer is a member of a recognized religious group that is conscientiously opposed to electronic filing.
4. ☐ The return was rejected by IRS / Kentucky *e-file* and the reject condition could not be resolved.

   Reject Code: _____ Number of attempts to resolve reject: _____

5. ☐ The preparer's e-file software package does not support Form _____ or Schedule _____
6. Check the box that applies and provide additional information if requested.
   a. ☐ The preparer is ineligible to file electronically because IRS e-file does not accept foreign preparer's without social security numbers who live and work abroad.
   b. ☐ The preparer is ineligible to participate in IRS/KY *e-file* due to an IRS sanction.
   c. ☐ Other: Describe below the circumstances that prevented the preparer from filing the return electronically.

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

DRAFT 9/28/11

Approved 2D Barcode Vendors for 2010 Tax Year	
Software Package	**Company Name**
ProSystem	CCH, a Wolters Kluwer business
ATX	CCH Small Firm Services, a Wolters Kluwer business
Intelliforms	CCH Small Firm Services, a Wolters Kluwer business
Ultratax CS	Thomson Reuters
Drake Software	Drake Software
H&R Block at Home	H&R Block
TurboTax / ProSeries	Intuit
Crosslink	Petz Enterprises
Taxslayer	RCS
Taxact	2nd Story
Superform	STF
TaxWorks	TaxWorks
OLT / OLT-Pro	On-Line Taxes, Inc.
Wolters Kluwer	Wolters Kluwer CCH

The Kentucky Department of Revenue has verified that the software listed above will produce a return which contains the required data fields. The Department of Revenue, however, has reviewed neither the accuracy of the software program's instructions nor the program's calculations and is not liable for and does not assume responsibility for the accuracy of any information relative to these income tax filing products or programs.

Help Desk for Transmitters, Preparers and Electronic Return Originators (ERO)

The Kentucky Department of Revenue (DOR) will operate a helpdesk for electronic transmitters/preparers who are experiencing problems. The operating hours will be Monday through Friday, 8:30 a.m. to 4:30 p.m., except for holidays. The helpdesk number, (502) 564-5370, is to be **used by electronic transmitter/preparers only.**

Kentucky Electronic Filing Calendar for Legacy System For Taxable Period beginning January 1, 2011 and ending December 31, 2011	
Begin Federal/State Software Testing	**November 10, 2011**
Begin Transmitting Returns to IRS/KDOR	**January 13, 2012**
Last Day to Transmit Kentucky Returns Electronically	**October 15, 2012**
NOTE: Dates are subject to change at any time. Please check the Department of Revenue's website to verify updates or changes.	

Kentucky Electronic Filing Calendar for MeF System For Taxable Period beginning January 1, 2011	
Begin Federal/State Software Testing	**November 10, 2011**
Begin Transmitting Returns to IRS/KDOR	**January 17, 2012**
Last Day to Transmit Kentucky Returns Electronically	**December 15, 2012**
All Fed/State Rejected Returns Must be Re-transmitted and Accepted	**December 20, 2012**
NOTE: Dates are subject to change at any time. Please check the Department of Revenue's website to verify updates or changes.	

PROCESSING ISSUES

Wage and Tax Statements – Wage and Tax Statements should be attached to Forms 740-EZ, 740, 740-NP, or 740-NP-R where noted on page 1 of the tax return. Affix to top page only using two staples. Care should be taken to avoid tearing the tax forms and there should not be any additional markings on the return outside of the fields allowed for writing. Wage statements that are faxed or copied are not allowable statements.

TAX TIP:
Attach W-2 forms that reflect the amount claimed as Kentucky income tax withheld. Do not claim any federal (box 2) or local (box 19) income tax withheld.

Copy of Federal Return – A copy of pages 1 and 2 of the federal return and any other supporting federal schedules must be attached to the Kentucky return if certain criteria have been met. If the taxpayer is not required to attach a copy of the return, it is necessary to check the box on the bottom portion of Form 740, page 3. A complete copy of the federal return must be attached if an individual received any of the following during the tax year:

- Farm Income or Loss,
- Business Income or Loss, including income from partnerships, pass-through entities, etc.
- Rental Income or Loss;

–or–

- When an individual is filing a part-year resident or nonresident return (Form 740-NP).

Failure to attach a copy of the federal return may delay processing.

Basic Filing Tips

- Always start the Kentucky return with federal adjusted gross income.
- If you are married filing a joint return, make sure that you enter the taxpayer's names and corresponding Social Security numbers in the same order each year.
- Make certain that the income amounts reported in columns A and B in the body of the income tax return corresponds with the SSNs entered in the SSN boxes labeled A and B.
- Be sure that all pages of the Forms 740 (3 pages) or 740-NP (four pages) are included with the return. Personal tax credits on page 3, Section B should be completed.
- Attach forms together with one staple in the upper left-hand corner to **Forms 740 or 740-NP** in the following order:
  - ✓ All pages of the Forms 740 or 740-NP;
  - ✓ Any extension to file;
  - ✓ Kentucky schedules, alphabetically;
  - ✓ Other tax forms in numerical order, smallest first;
  - ✓ Copies of the federal return, if required.

- Kentucky copies of wage and tax statements must be attached to the return. Failure to attach the wage statement verifying Kentucky withholding may delay the processing of the return.

- If a pay agreement is needed, please attach Kentucky Individual Income Tax Installment Agreement Request (or statement) to front of the return.

- Paper returns must include copies of other state('s) returns when credit is claimed for tax paid to another state or processing will be delayed. Electronically filed returns must have the Credit for Tax Paid to Another State worksheet completed and submitted with the electronic submission for proper processing.

- One of the most common errors on Individual Income Tax returns is in the amount of Kentucky withholding claimed. When electronically filing a return, before the final submission, please be sure to check that the amount of Kentucky withholding claimed accurately reflects what is being reported in Box 17 of the W-2 forms.

AVERAGE PROCESSING TIME FOR INDIVIDUAL INCOME TAX RETURNS

Electronically Filed Returns
7 to 10 days

Paper Returns
8 to 12 weeks

Amended and Prior Year Returns
4 to 6 months

REJECTION CODES AND EXPLANATIONS FOR TAX YEAR 2011	
CODE	**DESCRIPTION OF ERROR**
	Form 740 Errors
0001	Kentucky return must begin with Federal Adjusted Gross Income.
0002	Invalid Software developer code.
0003	Invalid EFIN.
0004	Duplicate Return. Electronic Return already received.
0005	Error in Federal AGI on married filing separate return.
0006	Federal Return required for State Only returns.
0007	Nonresidents and part-year residents are not eligible for electronic filing.
0008	Unformatted header records incomplete. Software format issue.
0009	Unformatted record byte count incorrect.
0010	Invalid debit routing number.
0011	Invalid debit account number. Must be numeric only. No spaces/dashes allowed.
0012	Invalid indicator. Indicator should be "1" for Direct Deposit option.
0013	Invalid debit indicator. Indicator should be "2" for Direct Debit option.
0014	Invalid debit amount. Debit payment amount must equal amount due on return.
0015	Invalid debit date. Debit payment cannot be warehoused after April 15th.
0016	Invalid debit date. Invalid date format in file.
0017	Incomplete debit/deposit account type. (Checking / savings account indicator blank)
0018	Primary and/or Spouse Social Security number missing.
0019	Name/Address Fields incomplete.
0020	City / State / ZIP code fields incomplete.
0021	Filing status incorrect.
0022	Filing Status 4 error - Income reported does not belong to Primary Taxpayer.
0023	Invalid Filing Status. Must equal 1, 2, 3 or 4.
0024	Taxpayer political party fund code invalid. Must equal 4, 5 or 6.
0025	Spouse political party fund code invalid. Must equal 1, 2 or 3 if filing status 2 or 3 is used.
0026	Additions on Form 740, line 6, does not match additions from Schedule M.
0027	Error in calculation on Form 740, line 7.
0028	Subtractions on Form 740, line 8, does not match subtractions from Schedule M.
0029	Error in computing KY AGI, Form 740, line 9.

0030	Error in standard deduction amount claimed.
0031	Itemized deductions claimed does not match the Spouse total on Schedule A.
0032	Itemized deductions claimed does not match the Taxpayer total on Schedule A.
0033	Error in computing taxable income.
0034	Line 13 amount claimed does not match value on Form 4972-K.
0035	Error in tax amount from tax table or computation.
0036	Total Business Incentive Credits does not match total from Section A, ln 21A or 21B.
0037	Total Personal Tax Credits claimed does not match total from Section B, line 4A or 4B.
0038	Error in computing subtotal tax after business incentive and personal credits, line 18.
0039	Error in computing Total Family Size.
0040	Error in computing Family Size Tax Credit.
0041	Error in computing Education Tuition Tax Credit.
0042	Error in computing Child and Dependent Care Credit.
0043	Error in computing Income Tax Liability, line 26.
0044	Error in computing Total Tax Liability, page 1, line 28 / page 2, line 29.
0045	Error in amount claimed as Kentucky Income Tax Withheld.
0046	Error in amount claimed as Kentucky Estimated Tax Payments.
0047	BLANK
0048	Error in computing line 31, total refundable credits.
0049	Error in computing amount overpaid.
0050	Error in computing additional tax due.
0051	If additional tax due is greater than $500, you are required to file Form 2210-K
0052	Error in computing amount you owe.
0053	Error in computing total Business Incentive Credits, Section A.
0054	Credit for Tax Paid to Other State not eligible for electronic filing without documentation.
0055	Limited Liability Entity Credit not eligible for electronic filing without supporting documentation.
0056	BLANK
0057	Worksheet required when claiming tax paid to another state.
0058	Check boxes for personal credits must be checked if applicable.
0059	Error in totaling personal credits.
0060	Incomplete dependent information.
0061	Dependents claimed on lines 3A and 3B, Section B, credits do not equal total.

0062	Calculation error in Section B, Personal Tax Credits, lines 4A and/or 4B
Schedule M Errors	
0063	Schedule M required, but not submitted with return.
0064	Spouse total additions is mathematically incorrect.
0065	Taxpayer total additions is mathematically incorrect.
0066	Spouse total subtractions is mathematically incorrect.
0067	Taxpayer total subtractions is mathematically incorrect.
0068	Negative values are not allowed on Schedule M.
0069	Pension exclusion amount claimed does not match federal return data.
0070	Social security amount claimed as deduction does not match federal return data.
Schedule A Errors	
0071	Schedule A required but not submitted with return.
0072	Percentage field format error.
0073	Error in computing KY AGI on Schedule A.
0074	Total contributions are limited to 50 percent of KY AGI.
0075	Filing status 2 requires page 2, Schedule A to be completed.
0076	Error in total itemized deduction calculation.
Schedule P Errors	
0077	Invalid date format on Schedule P.
0078	Schedule P required but not submitted with return.
0079	Invalid Percentage field format on Schedule P.
0080	Error in Schedule P flow to Schedule M.
Form 2210-K Errors	
0081	Part I calculation error on Form 2210-K.
0082	Part I data incomplete on Form 2210-K
0083	Part II calculation error on Form 2210-K.
0084	2210-K required but not filed.
Form 8863-K Errors	
0085	8863-K required but not filed.
0086	Error in calculating education credit.
0087	Incomplete data on 8863-K.
0088	Only undergraduate studies at Kentucky institutions qualify for the education credit.
Form 4972-K Errors	

0089	4972-K required but not filed.
0090	Calculation error on Form 4972-K.
0091	Incomplete data on Form 4972-K.
Credit for Tax Paid to Other State worksheet	
0092	Tax Paid to Other State worksheet required, but not filed.
0093	Incorrect computation on TPOS worksheet.
0094	Reciprocal state. Other state income appears to be on wages.
Credit for Refundable / Nonrefundable Corporate Entity Credit	
0095	Limited Liability Entity Tax Credit worksheet required, but not filed.
0096	Incorrect computation on Limited Liability Entity Tax Credit worksheet.
0097	Total on Limited Liability Entity Tax Credit worksheet does not match credit claimed on return.
Schedule J Errors	
0098	Schedule J required, but not filed.
0099	Calculation error on Schedule J.
0100	Incomplete data on Schedule J.
0101	Education Credit Carryforward claimed, but no 8863-K filed in prior years.
0102	Error in calculating tentative Hope Credit.
0103	Hope Credit claimed exceeds allowable amount.
0104	Lifetime Credit claimed exceeds allowable amount of $2000.
0105	BLANK
0106	BLANK
0107	BLANK
0108	Energy Efficiency Credit Form 5695-K required, but not filed.
0109	Error in computing energy efficiency credit allowed.
0110	Amount of 8863-K credit does not match amount claimed on Form 740, page 1.
0111	Total on Schedule A does not match amount claimed on Form 740, page 1.
0112	State not identified on TPOS worksheet.
0113	KY is not a valid entry on TPOS worksheet.
0114	Energy Efficiency Credit carryforward claimed but no Form 5695-K filed in prior year.
0115	Energy Efficiency Credit carryforward amount incorrect.
0116	Film Industry Refundable Credit claimed in error.
0117	Certified Rehabilitation Refundable Credit claimed in error.

REJECTION CODES AND EXPLANATIONS FOR TAX YEAR 2011	
Code	**DESCRIPTION OF ERROR**
F740-0001	Incorrect filing status selected based on information reported on the return.
F740-0002	Form 740, line 5 must equal the federal AGI from line 37 of Form 1040, line 21 of Form 1040A or line 4 of Form 740-EZ unless filing status 4, married filing separate returns is checked.
F740-0003	The federal AGI amount reported on Form 740, line 5 for Filing Status 4, Married filing separate returns does not contain the correct amount of income for the taxpayer filing this return based on the information provided on the federal return.
F740-0004	If filing status = 1, Single, 3, Joint return or 4, Married filing separate returns, the Spouse fields (column A) on Form 740, Schedule M, Schedule A, page 2 and Schedule P should not be completed.
F740-0005	Taxpayer political party fund check box is required for all filing statuses.
F740-0006	Spouse political party fund check box is required only for Filing Status 2 and Filing Status 3.
F740-0007	ONLY If filing status 2, married filing separately on a combined return all Spouse entries for income and credits are required. All other filing statuses use Taxpayer fields only.
F740-0008	If Form 740, line 6, additions from Schedule M, is not zero, Schedule M Part I, AdditionsToFAGIType must be completed.
F740-0009	If Form 740, line 8, subtractions from Schedule M, is not zero, Schedule M Part II, SubtractionsToFAGIType must be completed.
F740-0010	If Form 740, line 10, standard or itemized deductions, is not equal to 2240, Schedule A must be completed.
F740-0011	If Form 740, line 12, Schedule J check box is marked, Schedule J must be completed.
F740-0012	If Form 740, line 12, Schedule J check box is marked, Form 740, line 12, must equal Schedule J amount from line 22.

F740-0013	If Form 740, line 13, tax from Form 4972-K or Schedule RCR is greater than zero, one or both of the indicators must be checked.
F740-0014	If Form 740, line 13, Form 4972-K check box is marked, Form 4972-K must be completed.
F740-0015	If Form 740, line 13, Form 4972-K check box is marked, Form 740, line 13, must equal Form 4972-K amount from line 32.
F740-0016	Form 740, line 20, total family size must equal 1, 2, 3 or 4 if line 21, family size tax credit amount is greater than 0.
F740-0017	If Form 740, line 23, education tuition tax credit is greater than zero, Form 8863-K data must be completed.
F740-0018	If Form 740, line 23, education tuition tax credit is greater than zero, the amount must equal the amount from Form 8863-K, line 20, allowable education credit.
F740-0019	Form 740, line 25, federal child and dependent care amount from federal Form 2441, line 9 must be populated if line 25 is greater than zero.
F740-0020	BLANK
F740-0021	BLANK
F740-0022	Form 740, line 30(a), Kentucky tax withheld must equal the addition of all state withholding amounts from all federal form W-2's and W-2G's where the state abbreviation code listed is KY. This amount should also include all withholding amounts from federal Form 1099R where the state abbreviation code listed is KY. This amount can also include the amount from federal form W-2 where line 14 Description equals KREDA.
F740-0023	If Form 740, Section A, line 1, nonrefundable LLET credit is greater than zero, Worksheet C data must be completed.
F740-0024	Form 740, Section A, line 1, nonrefundable LLET credit must equal Worksheet C, line 8, total LLET credit amount.
F740-0025	If Form 740, Section A, line 5, tax paid to other state credit is greater than zero, Worksheet A data must be completed.
F740-0026	Form 740, Section A, line 5, tax paid to other state credit must equal Worksheet A, line 12, allowable credit for tax paid to other state.

F740-0027	If Form 740, Section A, line 18, energy efficiency products credit is greater than zero, Form 5695-K data must be completed.
F740-0028	Form 740, Section A, line 18, energy efficiency products credit must equal Form 5695-K, line 67, total energy efficiency credit.
SA-F740-0029	Schedule A fields for adjusted gross income in the medical and dental expenses section, casualty and theft losses section and the job expenses section must equal the KY adjusted gross income from Form 740, line 9. If filing status 2 is used, the Ky adjusted gross income is the net value of the taxpayer and spouse columns.
SA-F740-0030	Schedule A, line 30, total itemized deductions, is mathematically incorrect. Should equal the sum of Schedule A, lines 3, 8, 14, 19, 22, 28 and 29.
SA-F740-0031	Schedule A data incomplete.
SA-F740-0032	Amount of allowable itemized deductions claimed on Schedule A does not match amount claimed on Form 740, line 10.
SM-F740-0033	Schedule M total additions, line 8A, for the spouse column is mathematically incorrect.
SM-F740-0034	Schedule M total additions, line 8B, for the taxpayer column is mathematically incorrect.
SM-F740-0035	If the amount claimed on Schedule M, line 11, excludable retirement income is greater than $41,110; Kentucky Schedule P is required and must be attached to the Kentucky return.
SM-F740-0036	Schedule M data incomplete.
SP-F740-0037	Schedule P total exclusion does not match amount claimed on Schedule M.
SJ-F740-0038	Calculation error(s) on Schedule J.
SJ-F740-0039	Incomplete data on Schedule J.
SJ-F740-0040	Schedule J tax amount does not match amount claimed on Form 740, line 12.
F2210K-0041	Calculation error(s) on Form 2210-K, Part I,
F2210K-0042	Data incomplete on Form 2210-K, Part I.
F4972K-0043	Data incomplete on Form 4972-K.
F5695K-0044	Error in computing the total energy efficiency credit allowed.

F5695K-0045	Credit qualifications section of Form 5695K- not completed.
F5695K-0046	Taxpayer / Business Entity data incomplete on Form 5695-K.
F5695K-0047	Energy Efficiency Credit Carryforward claimed for prior year on Form 5695-K but no prior year 5695-K form was filed.
F8582K-0048	Incomplete data on Form 8582-K.
F8863K-0049	Incomplete data on Form 8863-K.
F8863K-0050	Incomplete data on Form 8863-K.
F8863K-0051	Name and address of Kentucky institution required on Form 8863-K.
F8863K-0052	Tentative Hope Credit claimed exceeds allowable amount on Form 8863-K, line 1f.
F8863K-0053	Error in calculating Tentative Hope Credit on Form 8863-K, line 1f.
F8863K-0054	Error in calculating Total Hope Credit on Form 8863-K, line 2.
F8863K-0055	Lifetime Learning Credit claimed exceeds allowable amount.
F8863K-0056	Error in computing allowable education credit from Form 8863-K, line 20.
F8863K-0057	Education Credit Carryforward claimed for prior years on Form 8863-K, but no prior year 8863-K forms were filed.
WA-F740-0058	Recipient Name and SSN are required when completing Worksheet A.
WA-F740-0059	Reciprocal State. Wages earned in a reciprocal state not eligible for TPOS credit.
WA-F740-0060	Missing other state name or reciprocal used on Worksheet A.
WA-F740-0061	KY is not a valid entry on Worksheet A, tax paid to other states worksheet.
WA-F740-0062	Worksheet A, line 12 should be the lesser of line 10 or line 11.
WC-F740-0063	LLE name, address, FEIN, KY corporate account number and ownership percentage are required when completing Worksheet C.

WC-F740-0064	Worksheet C, line 8 should be the lesser of line 6 or line 7.
WD-F740-0065	Buyer Name, SSN and Ownership Percentage are required.
F740-0067	Duplicate Return. Electronic return already received and processed.
F740-0068	Copy of federal return is required for all electronically filed returns.
F740-0069	Primary Social Security number and/or Spouse Social Security number missing.
F740-0070	Primary name elements and/or Spouse name elements missing or incomplete.
F740-0071	Taxpayer address elements missing or incomplete.
F740-0072	Software Developer Code has not been approved for electronic filing by the State of Kentucky.
F740-0073	Invalid direct debit routing number. Routing number must be numeric only and first 2 digits must begin with 01 through 12 or 21 through 32.
F740-0074	Invalid direct debit account number. Account number must be numeric only. Cannot contain spaces and /or dashes.
F740-0075	Invalid direct debit amount. Debit amount must equal amount you owe on the return.
F740-0076	Invalid direct debit date. Debit payments cannot be warehoused after the April 15th filing deadline.
F740-0100	Schema Failed Validation. See attached information.
F740-0101	Manifest Data Missing.
F740-0102	State Return Data Missing.

PROCESSING POINTERS

✓ **ELECTRONIC FILING**

- File electronically. This is the fastest way for your clients to receive their refund.
- Check all routing and account numbers on form 8879-K for accuracy before submitting an electronic return for processing.
- Provide your clients with copies of the taxpayer's income tax return including copies of all applicable schedules and wage and tax statements.
- Send a copy of Form 740-V Electronic Voucher when you remit payment for an electronic filed tax due return. The check should include the SSN(s) and the tax year. Make sure the name on the return and the voucher is the same. **Do not include a paper copy of the return with payment**. This will help avoid a bill being issued due to two returns being filed.
- Use the specialized 740-V envelope when sending in a payment on a 740-V Electronic Voucher.

✓ **PAPER FILING**

- Check to make sure the address on the return is correct as filed.
- Attach supporting schedules for all credits claimed, such as 8863-K, LLET credit, 5695-K, etc.
- Provide your clients with copies of the taxpayer's income tax return including copies of all applicable schedules and wage and tax statements.
- Make sure amounts such as tax credits from pages 2 & 3 are entered on the proper line(s) on page 1 of Forms 740 and 740-NP.
- Use Form 2210-K – Underpayment of Estimated Tax by Individuals to calculate any underestimated tax penalties or to claim a waiver of penalty. Check appropriate box on Form 740 when Form 2210-K is attached.
- Use the proper form for the year you are amending, enter applicable year and include an explanation of changes on page 2. Attach all schedules and information (i.e., federal return) necessary to verify changes reported on the Amended Income Tax Return.

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FEDERAL/STATE DIFFERENCES

INTRODUCTION

The starting point for the Kentucky income tax return is federal Adjusted Gross Income. Additions and subtractions may apply as the result of provisions of the Kentucky Revised Statutes. Many of these provisions can be found in **KRS 141.010(10)** and **(11).**

These adjustments are reported on **Kentucky Schedule M – Kentucky Federal Adjusted Gross Income Modifications.** Columns A and B are available to match the additions or subtractions to the appropriate taxpayer.

The foundation for Kentucky income tax law has always been grounded in the Internal Revenue Code (IRC) as of a certain date. Accordingly, all rules, regulations and definitions are the same unless specifically different in Kentucky statutes and/or because Kentucky has not yet adopted the current IRC for the tax year involved.

Normally there are both ***transitional*** and ***traditional*** differences between the federal and Kentucky income tax returns. The ***transitional*** differences are those that only exist until the next time the General Assembly updates the IRC date in **KRS 141.010(3)** to the current Internal Revenue Code. The ***traditional*** differences are those differences that will always exist between the Kentucky and Federal tax returns regardless of whether or not there is a code update.

FEDERAL LEGISLATION/ KENTUCKY IMPACT

Internal Revenue Code (IRC) Reference Date – The 2007 General Assembly, through House Bill 258, amended **KRS 141.010(3)** to advance the Internal Revenue Code reference date for state individual and corporation income tax purposes to December 31, 2006, exclusive of any amendments made subsequent to that date, other than amendments which extend provisions in effect on December 31, 2006. The depreciation and Section 179 expense deductions for property placed in service after September 10, 2001 will still be computed under the IRC in effect on December 31, 2001. The bill also amended **KRS 67.750** to update the reference date for the IRC for local governments to December 31, 2006. In addition, the bill also amended **KRS 141.010(13)** to disallow any dividend-paid deduction of a captive real estate investment trust when computing the taxable net income of a corporation.

Provisions of IRC Not Adopted for Kentucky – HB 258 updates the IRC reference date to December 31, 2006, with two exceptions, as the basis for Kentucky income taxes.

The exceptions are:

1. For property placed in service after September 10, 2001, only the depreciation and expense deductions allowed under Sections 168 and 179 of the IRC in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, shall be allowed. Depreciation calculations are based on the IRC in effect

at December 31, 2001. This continues depreciation calculations without the bonus depreciation allowed after September 11, 2001. This is not a change. Corporations and individuals will continue to use the methods in place prior to September 11, 2001.

2. The provisions of the Military Family Tax Relief Act (MFTRA) of 2003, P.L. No. 108-121, are effective on the dates specified in that act. Individuals who were impacted unfavorably should file an amended return. The provisions of MFTRA that now apply for Kentucky include, but are not limited to, the following:

- **Military Death Benefit –** MFTRA increases the excludable amount for federal tax purposes to $12,000 (effective with respect to deaths occurring after September 10, 2001).

- **Benefits for Astronauts –** An exclusion for certain income and death benefits of astronauts who have lost their lives on a space mission (effective for qualified individuals whose lives are lost after December 31, 2002).

- **Homeowner's Assistance –** An exclusion for amounts received by certain employees and members of the armed forces under the federal Department of Defense Homeowners Assistance Program, which is designed to offset the adverse effects on housing values that result from a military base realignment or foreclosure (effective for payments made after November 11, 2003).

- **National Guard and Reserve Travel –** An above-the-line deduction for overnight transportation, meals, and lodging expenses of National Guard and Reserve members who must travel away from home more than 100 miles and who must stay overnight to attend National Guard and Reserve meetings (effective with respect to amounts paid or incurred in taxable years beginning after 2002). Kentucky National Guard and Reserve members may deduct other expenses as a miscellaneous itemized deduction subject to the 2 percent floor. Form 2106 is required.

- **Home Sale Exclusion –** The five-year test period for ownership and use of a residence to be suspended for up to ten years in excluding gain from the sale or exchange of a principal residence, if during the period of the suspension the individual or the individual's spouse is serving on qualified official extended duty in the uniformed services or the Foreign Service of the United States (effective for sales or exchanges made after May 6, 1997).

KENTUCKY DOMESTIC PRODUCTION ACTIVITIES DEDUCTION (KDPAD)

Provision 102 of the American Jobs Creation Act of 2004 passed October 22, 2004, added a deduction based on domestic production activities available to corporations, individuals, S corporations and partnerships. This provision created a new Internal Revenue Code Section 199. For pass-through entities, the deduction is based on the activities of the partnership or S corporation, and it is computed at the individual partner or shareholder level. The partner or shareholder is allocated its share

of items to compute the deduction via the Schedule K-1. This deduction became available for tax years beginning after December 31, 2004.

***Production activities* are more than manufacturing. This also includes construction, film production, farming, software development and other production activities. These activities must substantially take place in the United States for the taxpayer to claim the benefit. There is a safe harbor to determine if the product is substantially produced in the United States. Under the safe harbor method, labor and overhead costs incurred by the taxpayer in the United States for the production of the product must be at least twenty percent of the total cost of goods sold of the property.**

The IRC Section 199 deduction is calculated by taking the qualified production activity gross receipts and then reducing it by cost of goods sold, direct expenses and a portion of the indirect expenses. This results in the taxpayer's qualified production activity income. Taxable income is compared to qualified production activity income and the lesser amount is multiplied by the applicable percentage.

Federal Treatment – On the federal return, the applicable percentage is 3 percent for 2005 and 2006 tax years; and this applicable percentage increases to 6 percent for 2007 through 2009 and then increases again to 9 percent for 2010 and after. This calculated amount is then limited by 50 percent of the W-2 wages paid by the taxpayer.

Kentucky Treatment – For taxable years beginning on or after January 1, 2010, the amount of the domestic production activities deduction (DPAD) for Kentucky income tax returns will remain 6 percent as allowed in Section 199(a)(2) of the Internal Revenue Code (IRC) for taxable years beginning before January 1, 2010. Kentucky does not recognize the 9 percent DPAD calculation rate allowed for federal income tax returns filed for taxable years beginning on or after January 1, 2010.

For production gross receipts to qualify, the gross receipts must be the result of a lease, rental, sale, license, exchange or other disposition of the property. There are special rules for film production, utilities, construction, engineering and architectural services, and for food and beverage production. A taxpayer may be required to allocate its gross receipts between qualified domestic production gross receipts and non-qualified domestic production gross receipts. To do this, the taxpayer must use a reasonable method to make this determination. If less than 5 percent of the total gross receipts are nonqualified, there is a safe harbor that provides that no allocation is required.

Once gross receipts are determined, costs must be allocated to determine the net qualified activity production income. A simplified method is available for businesses that have average annual gross receipts of $25 million or less.

The W-2 wages limitation is only based on the wages of the taxpayer's common law employees. There are three methods provided to compute the W-2 wages, which include a simplified method based on the

total entries in Box 1 or Box 5 of the Form W-2.

For taxpayers other than corporations: (1) a full-year resident individual will complete Schedule M to make adjustments to the allowable federal DPAD to determine the KDPAD; (2) a part-year resident or full-year nonresident individual shall prorate the allowable federal DPAD based upon the percentage of Kentucky domestic production gross receipts to federal domestic production gross receipts. The KDPAD shall not exceed 50 percent of the Kentucky W-2 wages from the entity that generated Kentucky domestic production gross receipts. Enter the KDPAD amount computed for a nonresident or part-year resident individual on Form 740-NP, Page 4, Column B, line 30.

INCOME TAX EXCLUSION FOR MILITARY KILLED IN THE LINE OF DUTY

House Bill 380 amended **KRS.141.010** to exempt all income earned by soldiers killed in the line of duty from Kentucky tax for the years during which the death occurred and the year prior to the year of death.

The changes are applicable for tax years beginning after December 31, 2001. The income exclusion applies to all income from all sources of the decedent, not just military income. The exclusion includes all federal and state death benefits payable to the estate or any beneficiaries.

Amended returns may be filed for the year the soldier was killed in the line of duty and the year prior to the year of death. The amended returns must be filed within the statute of limitations period; four years from the due date, the extended due date or the date the tax was paid, whichever is later.

If a combined return was filed, the exclusion would apply to the income reported in Column A or Column B of the Kentucky return attributable to the military member. If a joint return was filed, the income must be separated accordingly. Refunds will be issued in the names on the original return. Beneficiaries or estates that received death benefits that were included in a Kentucky return may file an amended return to request a refund of taxes paid on the benefit.

The Department of Revenue will use the Veterans Administration definition for *in the line of duty*, which is in active military service, whether on active duty or authorized leave, unless the death was the result of the person's own willful misconduct.

FEDERAL LIMITATIONS ON STATE TAXATION

Below is a list of federal statutes that limit or otherwise affect the power of the states to tax. This list does not include constitutional provisions – such as the Commerce, Import-Export, Privileges and Immunities and Due Process Clauses, or the First Amendment, to name a few – or doctrines, such as tribal or intergovernmental immunity, that would impact state taxation, or tariffs and treaties. The list also does not include what are probably dozens of statutes pertaining to specific federal instrumentalities and Indian tribes.

1. **Income taxation affecting federal employees** – P.L. 89-554, 80 Stat 608, 4 USCA §111. States cannot tax federal employees differently from state employees. See *Davis v. Michigan Dept. of Treasury*. 489 U.S. 803, 103 L.Ed.2d 891 (1989), regarding taxation of retirement benefits.

2. **Nonresident pensions** – P.L. 104-95, 109 Stat 979, 4 USCA §114. Preempts state taxation of pension and other types of deferred compensation when paid out to nonresidents.

3. **Soldiers and Sailors Civil Relief Act of 1940** – 566 Stat. 777, 50 USC 574, members of the armed forces are subject to tax only in their respective states of residence, and not necessarily in the state where they are stationed or assigned.

4. **"4-R Act" (Railroad Regulatory Reform and Revitalization Act of 1976)** – P.L. 94-210, 90 Stat 31, 45 USC §801. Provides that state may not treat railroads differently from other commercial and industrial property for property tax purposes.

5. **Property tax on airlines and interstate carriers** – Under federal statute, 49 U.S.C. §1513(d)(1)(A), a state is prohibited from assessing air carrier transportation property at a value that has a higher ratio to its true market value than the ratio that the assessed value of other property has to its true market value.

6. **Interstate bus and motor carrier transportation tickets** – enacted as a result of the U.S. Supreme Court decision in *Jefferson Lines*. P.L. 104-88, 109 Stat 803, 49 USCA §101. Preempts state taxation of interstate motor carrier passenger transportation. This includes the sale of transportation or the gross receipts derived from such transportation.

7. **Prohibition against any head tax on passengers in air transportation** – Federal Aviation Act 49 USC §40116(b), P.L. 103-272. Amended P.L. 103-105. (See below, no. 26 for another reference to this provision.)

8. **Interstate commerce workers** – airline workers, interstate carrier employees and barge workers, as follows:

- ✓ P.L. 101-322, 104 Stat 295, 45 USCA §501. Compensation paid to an employee of an interstate railroad or an

interstate motor carrier may be subject only to income tax laws of the state of the employee's residence. In 1994 P.L. 103-440, 108 Stat 4615, 49 USCA §20101, extended to include years prior to 1990.

- ✓ P.L. 96-113, 94 Stat 50, 49 USCA 2101, and P.L. 103-305, 108 Stat 1569, 49 USCA §40101. Airline employees are subject to tax in the state of residence and the state in which they perform 50 percent or more of their duties.

- ✓ P.L. 101-322, 104 Stat 295, 45 USCA §501. Water carriers are subject to tax withholding only in the state of residence and the state in which the employee earned more than 50 percent of the pay. [This was expanded to prohibit taxation by PL 106-489.]

9. **Waterway workers** – P.L. 106-489 limits state income taxation of workers on vessels operating in the waters of more than one state to the state in which the individual resides.

10. **Amtrak Reauthorization Act of 1997** – P.L. 101-322,104 Stat 295, 45 USCA §501. Prevents state taxation of Amtrak transportation for the sale of the transportation or gross receipts derived from the transportation.

11. **Income tax on members of Congress** – P.L. 95-67, 91 Stat 271 4 USC §113. Members are not to be considered residents of any state other than the state from which they are elected for purposes of individual income taxation.

12. **P.L. 86-272** – 73 Stat. 555-56, 15 U.S.C. 381-384 (1976). Prevents state from imposing income tax on a business whose only contact with a state is to solicit sales through employees or contractors.

13. **Government sponsored enterprises** – receive complete exemption from state and local tax. 12 USC 1723a (c)(2) and 40 USC 24301(1).

14. **Motor fuel tax** – Intermodal Surface Transportation Efficiency Act (ISTEA) of 1992, P.L. 102-240, 105 Stat 1914, 49 USCA §101. Requires states to collect motor fuel use taxes through a base-state mechanism. [49 USCA §31701 - 31707.]

15. **Airport Development Acceleration Act of 1973** – P.L. 93-44, 87 Stat. 88, 49 U.S.C. 1513. Preempts state and local gross receipts taxes on the sale of commercial air transportation.

16. **Tax Reform Act of 1976** – P.L. 94-455, 90 Stat. 1520, 15 U.S.C. 391. Prevents state from imposing taxes on or with respect to the generation or transmission of electricity when such a tax would discriminate against out-of-state manufacturers, producers, wholesalers, retailers, and consumers of that electricity.

17. **Bankruptcy jurisdiction** – 11 USC §505. Allows a bankruptcy court to make decisions regarding state tax matters. Other bankruptcy provisions affect the ability of states to assess taxes after a bankruptcy has been filed; also, case law indicates that, in some cases, the

filing of a claim by a state can be viewed as a waiver of the state's sovereign immunity.

18. **Workers in federal enclaves** – The Defense Authorization Act of 1998 (P.L.105-261) contained provisions that prevent states from imposing individual income tax on nonresidents employed on certain federal installations.

19. **Employee Retirement Income Security Act (ERISA)** – 29 USCA §1144(a). Provides that ERISA super cedes any and all state laws insofar as they may now or hereafter relate to any employee benefit plan.

20. **Exemption from Custom Duties and Internal Revenue Tax** – based on bonded aviation fuel. 19 USCA 1309.

21. **Sales tax on purchases food stamps** – 7 USC §2013. States may only participate in the food stamp program if state and local sales taxes are not collected on food purchases with coupons issued under this act. Similar exemption presumed for women's, infant's and children's program payments, under Child Nutrition Act of 1966, 42 USC §1771-1789.

22. **Prohibition on state and local taxation of federal obligations** – or the interest thereon other than under a nondiscriminatory franchise tax. 31 USCA §3124.

23. **Federal Reserve Banks** – 12 USCA §531. Federal Reserve banks, including the capital stock and surplus therein and the income derived therefrom shall be exempt from federal, state and local taxation, except taxes upon real estate.

24. **Continental Shelf** – State taxation laws shall not apply to the outer Continental Shelf. 43 USCA §1333(2)(A).

25. **Telecommunications** – Direct-to-home satellite services exempt from local, but not state, taxation. 47 USCA §152.

26. **Aircraft taking off or landing in a state** – State may tax a flight "only if the aircraft takes off or lands in the State or political subdivision as part of the flight." 49 USCA §40116(c).

27. **Mobile Telecommunications Services** – P.L. 106-252 establishes the "customer's place of primary use" as the situs for taxation of all mobile telecommunication services used by the customer.

28. **Internet Tax Freedom Act** – Except for grandfathered states, the states are prohibited from taxing Internet access, as defined in the statute, and from imposing multiple or discriminatory taxes on Internet activity, for the duration of the moratorium. 47 USCA §151, nt.

WHERE TO ADJUST FOR DIFFERENCES BETWEEN KENTUCKY AND FEDERAL LAW

Individual taxpayers should use **Kentucky Schedule M – Kentucky Federal Adjusted Gross Income Modifications** to adjust for differences between the Kentucky and federal income tax treatment.

SCHEDULE M, PART I: ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME

Other States Municipal Bond Interest Income (Line 1, Schedule M) –

> ***KRS 141.010(10)(c)*** *Include interest income derived from obligations of sister states and political subdivisions thereof;*

Self-Employed Health Insurance Deduction (Line 2, Schedule M) – Report self-employed health insurance deduction from federal Form 1040, line 29.

Resident Adjustment from Partnerships, Fiduciaries and S corporations, Schedule K-1 (Line 3, Schedule M) – Partners, estate and trust beneficiaries, and S Corporation shareholders compute a resident adjustment on Schedule K-1. If the Kentucky income is greater than the federal income an addition to federal adjusted gross income is required.

Federal Depreciation (Line 4, Schedule M) – Enter federal depreciation amounts from federal Form 4562. (See Schedule M instructions.)

Federal Net Operating Losses (Line 5, Schedule M) – Enter amount of federal net operating loss reported on federal Form 1040.

Federal Domestic Production Activities Deduction (Line 6, Schedule M) – Enter the amount of federal domestic production activities deduction calculated on federal Form 8903.

Other Additions (Line 7, Schedule M) – Enter other additions to federal adjusted gross income not listed above. Include any of the following:

- The portion of a lump-sum distribution on which you have elected the 20 percent capital gains rate for federal income tax purposes;
- Any mortgage debt forgiven under the Mortgage Forgiveness Debt Relief Act of 2007;
- The passive activity loss adjustment;
- Differences in pension and IRA bases;
- Differences in gains (losses) from the sale of intangible assets amortized under the provision of the Revenue Reconciliation Act of 1993; and
- Differences in gains (losses) from the sale of depreciable property placed in service after September 10, 2001.

SCHEDULE M, PART II: SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME

State Income Tax Refund (Line 9, Schedule M) – Enter the amount of taxable state income tax refund or credit reported on your federal return and included as income on federal Form 1040.

Interest from U. S. Obligations (Line 10, Schedule M) – Kentucky has a very simple rule: If the law that creates the federal obligation prohibits state taxation, then Kentucky cannot tax the income.

> ***KRS 141.010(10)(a)*** *Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States and Kentucky;*

Special rules for mutual funds, partnerships, S Corporations, and estates and trusts: If the taxpayer is to receive the exemption, the entity must provide the name(s) of the obligation and the amount of interest attributable to each obligation.

Pension/Retirement Income Exclusion (Line 11, Schedule M) – Kentucky allows a limited amount of pension income to be excluded. For 2011, the exclusion is $41,110. Benefits accruing for service after December 31, 1997, from federal and Kentucky government retirement systems, other pension and annuities are excludable up to the maximum exclusion. See Schedule P and instructions.

> ***KRS 141.010(10)(i)*** *1. Exclude the applicable amount of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans.*
>
> *3. As used in this paragraph:*
>
> *a. "Distributions" includes, but is not limited to, any lump-sum distribution from pension or profit-sharing plans qualifying for the income tax averaging provisions of Section 402 of the Internal Revenue Code; any distribution from an individual retirement account as defined in Section 408 of the Internal Revenue Code; and any disability pension distribution;*
>
> *b. "Annuity contract" has the same meaning as set forth in Section 1035 of the Internal Revenue Code; and*
>
> *c. "Pension plans, profit-sharing plans, retirement plans, or employee savings plans" means any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit-sharing plan of a public or private employer for the exclusive benefit of employees or their beneficiaries and includes plans qualified or unqualified under Section 401 of the Internal Revenue Code and individual retirement accounts as defined in Section 408 of the Internal Revenue Code.*

Exempt Retirement Benefits (Lines 11 and 12, Schedule M) – The following types of retirement benefits are exempt and may be deducted from federal adjusted gross income without reducing the pension exclusion.

Social Security and U.S. Railroad Retirement Board Benefits – KRS 141.010(10)(e) Exclude Social Security and railroad retirement benefits subject to federal income tax.

Supplemental Annuities from the U.S. Railroad Retirement Board – KRS 141.010(10)(b) Exclude income from supplemental annuities provided by the Railroad Retirement Act of 1937 as amended and which are subject to federal income tax by Public Law 89-699.

Commonwealth of Kentucky Retirement Systems – All benefits if retired before January 1, 1998, and benefits accruing for service before January 1, 1998, if retired after December 31, 1997.

> ***KRS 141.010(10)(a)*** *Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States and Kentucky;*
>
> ***KRS 141.0215*** *Inclusion in gross income of government retirement payments after December 31, 1997 - Computation.*
>
> *(1) Notwithstanding the provisions of* ***KRS 141.010(9)****, for tax years commencing on or after January 1, 1998, the amount of all previously untaxed distributions from a retirement plan paid pursuant to KRS Chapters 6, 16, 21, 61, 67A, 78, 90, 95, 96, 161, and 164, and the amount of all previously untaxed distributions paid from a retirement plan by the federal government, which are excluded from gross income pursuant to* ***KRS 141.021****, shall be included in gross income as follows:*

Kentucky Local Government Retirement and Federal and U.S. Military Retirement Systems (Line 12, Schedule M) – All benefits if retired before January 1, 1998, and benefits accruing for service before January 1, 1998, if retired after December 31,1997.

> ***KRS 141.021*** *Federal and local government annuities excluded from gross income – Taxability after December 31, 1997.*
>
> *Notwithstanding the provisions of* ***KRS 141.010****, federal retirement annuities, and local government retirement annuities paid pursuant to* ***KRS 67A.320****, 67A.340, 67A.360 to 67A.690, 79.080, 90.400, 90.410, 95.290, 95.520 to 95.620, 95.621 to 95.629, 95.767 to 95.784, 95.851 to 95.884, or 96.180, shall be excluded from gross income. Except federal retirement annuities and local government retirement annuities accrued or accruing on or after January 1, 1998, shall be subject to the tax imposed by* ***KRS 141.020****, to the extent provided in* ***KRS 141.010 and 141.0215.***

Long-Term Care Insurance Premiums (Line 13, Schedule M) – KRS 141.010(10)(m) Exclude any amount paid during the taxable year for insurance for long-term care as defined in **KRS 304.14-600**;

KRS 141.010(10)(m) provides an exclusion from gross income on the Kentucky return for any amounts paid for long-term care insurance. This exclusion is not limited to premiums paid for the taxpayer, taxpayer's spouse and dependents. The premiums can be paid for anyone and be excluded. The taxpayer that pays the premium is the one

who can claim the exclusion. This provision was first applicable for the 1998 tax year. The federal limitations, based on age and cost, do not apply to the Kentucky treatment.

Excludable long-term care insurance premiums are subtracted on line 13, Schedule M. Any amount of long-term care insurance premiums claimed on the line 29 of federal Form 1040 will be added back on line 2 of Schedule M.

Long-term care insurance premiums shall not be claimed as itemized deductions on the Kentucky return.

Health Insurance Premiums (Line 14, Schedule M) – KRS 141.010(10)(k) states "Exclude for taxable years beginning after December 31, 1998, to the extent not already excluded from gross income, any amounts paid for health insurance which constitutes medical care coverage for the taxpayer, the taxpayer's spouse, and dependents during the taxable year. Any amounts paid by the taxpayer for health insurance that are excluded pursuant to this paragraph shall not be allowed as a deduction in computing the taxpayer's net income under section (11) of this section."

- The law does not allow for any item to be deducted twice.

- Being eligible for employer sponsored health insurance does not make one ineligible for this exclusion. If an employee pays health insurance premiums through their employer, the premiums may be excluded if the premiums are included in box 1 (wages) of the employee's W-2 form.

- No exclusion is allowed for employees whose premiums are paid through a tax deferred arrangement (i.e., pre-tax dollars). This will most likely include all teachers and state employees.

- Any amounts paid for health insurance coverage that is excluded under **KRS 141.010(10)(k)** shall not be allowed as an itemized deduction.

- The exclusion applies to premiums paid for the taxpayer, taxpayer's spouse and dependents.

Schedule M is used to claim the exclusion. Any amount claimed on line 29 of federal Form 1040 shall be added to federal adjusted gross income on line 2, Schedule M. One hundred percent of excludable health insurance premiums paid may then be subtracted on line 14, Schedule M.

Resident Adjustment from Partnerships, Fiduciaries and S corporations, Schedule K-1 (Line 15, Schedule M) – Partners, estate and trust beneficiaries, and S Corporation shareholders compute a resident adjustment on Schedule K-1. If the Kentucky income is less than the federal income, a subtraction from federal adjusted gross income is required.

Kentucky Depreciation (Line 16, Schedule M) – Enter Kentucky depreciation amounts from revised Form 4562. (Please see Schedule M instructions.)

Kentucky Net Operating Loss (Line 17, Schedule M) – Enter amount of Kentucky Net Operating Loss. Differences in Net Operating Losses (NOL) occur if the taxpayer has income that is exempt for Kentucky income tax purposes and differences in nonbusiness deductions. Kentucky taxpayers must compute a Kentucky NOL using Kentucky income and deductions on Schedule KNOL – Kentucky Net Operating Loss Schedule. The Kentucky NOL is subtracted on Schedule M, line 17. The federal NOL is not allowable and for the individual taxpayer must be added to federal adjusted gross income on Schedule M, line 5.

The Kentucky tobacco farmer may have a Kentucky NOL without having a federal NOL because of the tobacco settlement/Tobacco Loss Assistance Program (TLAP) income.

KENTUCKY TAX TREATMENT

Net operating losses must be computed using Schedule KNOL. For 2005 and future years the carryback of net operating losses to prior years will no longer be allowed. NOL carryforwards will be available for up to 20 years.

Schedule KNOL is used to compute the current year loss for purposes of carryforward. Attach copies of federal Form 1040 and all supporting schedules to Kentucky Form 740.

All future years claiming a Kentucky Net Operating Loss deduction should have a supporting schedule. To verify the loss claimed, the supporting schedule should include the loss amount, year(s) of loss, any amounts utilized in prior years and amounts to be carried forward.

Loss Incurred in Tax Year Beginning	Kentucky Treatment Carryback	Kentucky Treatment Carryforward
On/before 8/5/97	3 yrs.	15 yrs.
After 8/5/97, but before 1/1/2000	2 yrs.	20 yrs.
After 8/5/97, but before 1/1/2000 (Farm Loss)	2 yrs.	20 yrs.
On/after 1/1/2000 forward	2 yrs.	20 yrs.
On/after 1/1/2000 forward – Farm Loss	5 yrs.	20 yrs.
On/after 1/1/2005 forward	N/A	20 yrs.

Kentucky Domestic Production Activities Deduction (Line 18, Schedule M) – Enter Kentucky domestic productions activities deduction. Beginning on or after January 1, 2010 limit the federal domestic productions activity by the 6 percent in lieu of the rate provided by IRC §199(a).

Other Subtractions (Line 19, Schedule M) – Enter other subtractions from federal adjusted gross income not listed above. Include any of the following:

- income received from the tobacco quota buyout;
- income received as a result of the Master Tobacco Settlement Agreement;
- income received from the Tobacco Loss Assistance Program (TLAP);
- income of precinct workers for election training or working at election booths;
- capital gains on property taken by eminent domain;
- passive activity loss adjustment (see Form 8582-K and instructions);
- income of a child reported on the parent's return;
- artistic charitable contributions (if you do not itemize deductions);
- the federal work opportunity credit used to reduce wages;
- at-risk limitations (see Schedule M instructions);
- qualified farm networking project differences per **KRS 141.0101(15)**;
- differences in the gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993;
- differences in gains (losses) from assets purchased after September 10, 2001; and
- income of military personnel killed in the line of duty.

Tobacco Master Settlement Agreement (Line 19, Schedule M) – KRS 141.010(10)(o) Exclude any amount received by a producer of tobacco or a tobacco quota owner from the multi-state settlement with the tobacco industry, known as the Master Settlement Agreement, signed on November 22, 1998;

> ***KRS 141.010(10)(p)*** *Exclude any amount received from the secondary settlement fund, referred to as "Phase II," established by tobacco companies to compensate tobacco farmers and quota owners for anticipated financial losses caused by the national tobacco settlement;*

It should be recognized that any self-employment tax taken as a deduction on federal Form 1040 that is based on monies received from Phase II will be allowed as a deduction for Kentucky income tax purposes.

FEDERAL TAX TREATMENT

Report payments received under the secondary settlement funds, Phase II, in the year received. Cash basis farmers should report the income in the year received.

KENTUCKY TAX TREATMENT

Payments from Phase II are not taxable on the Kentucky return. Growers and quota owners should use Schedule M, line 19, Other Subtractions, to make the adjustment. Identify as Tobacco Settlement income.

Tobacco Loss Assistance Program (TLAP) (Line 19, Schedule M) – KRS 141.010(10(q) Exclude any amount received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program as a result of a reduction in the quantity of tobacco quota allotted. Tax treatment of TLAP payments is the same as for the Phase II payments. Use Schedule M, line 19, Other Subtractions, to make the adjustment.

Tobacco Quota Buydown Exemption – The American Jobs Creation Act of 2004 (AJCA)(H.R. 4520) provides a buyout for tobacco quota owners. However, payments received from a tobacco quota buydown are exempt from the state income taxes imposed on individuals and corporations. (HB 97 (2004) codified as **KRS 141.010(10)(r) and 141.010(12)(l))**

KRS 141.010(10)(r) – (10) *Adjusted gross income*, in the case of taxpayers other than corporations, means gross income as defined in subsection (9) of this section minus the deductions allowed individuals by Section 62 of the Internal Revenue Code and as modified by **KRS 141.0101** and adjusted as follows, except that deductions shall be limited to amounts allocable to income subject to taxation under the provisions of this chapter, and except that nothing in this chapter shall be construed to permit the same item to be deducted more than once:

> (r) Exclude any amount received as a result of a tobacco quota buydown program that all quota owners and growers are eligible to participate in;

KRS 141.010(12)(l) – (12) *Gross income*, in the case of corporations, means *gross income* as defined in Section 61 of the Internal Revenue Code and as modified by **KRS 141.0101** and adjusted as follows:

> (l) Exclude any amount received as a result of a tobacco quota buydown program that all quota owners and growers are eligible to participate in;

Imputed Interest – Imputed interest received as part of the Tobacco Quota Buyout Program is exempt from Kentucky tax. Adjustments to federal adjusted gross income should be made on Kentucky Schedule M.

Income for Training and/or Working at Election Booths (Line 19, Schedule M) – Exclude income received for services performed as a precinct worker for election training or for working at election booths in state, county, and local primary, regular, or special elections. **KRS 141.010(10)(l)**

TAX TIP:
Salary and fees paid to trainers of election workers and County Election Board members are not eligible for the exclusion.

Capital Gains on Property Taken by Eminent Domain (Line 19, Schedule M) – Exclude any capital gains income attributable to property taken by eminent domain. This provision, effective for years beginning after December 31, 1997, is applicable only for individual income tax purposes. Eminent domain is defined as the power of government and certain kinds of corporations, such as railroads and public utilities, to take private property against the objection of the owner, provided the taking is for a public purpose and just compensation is paid to the owner. It also includes threat of condemnation.

If by chance the seizure includes property used in the business that results in a loss, the loss would be deductible on the business return.

The exclusion is claimed on line 19 of Schedule M. Documentation in support of the exclusion should be attached to the return and may include copies of the federal Schedule D and the settlement from the agency, i.e., Transportation Cabinet, or the court.

Child's Income Reported on Parent's Return (Line 19, Schedule M) – Kentucky allows a dependent child to claim both the standard deduction and the $20 tax credit. Subtract any income attributable to the child reported on the parent's federal return and file a separate Kentucky return for the child.

Work Opportunity Tax Credit and Welfare to Work Credit (Line 19, Schedule M) – The Work Opportunity Tax Credit and Welfare to Work credits are now a combined credit for federal purposes. Kentucky does not allow this credit. However, taxpayers are allowed a deduction for those wages that are taken as a direct credit on the federal return. Since the net income from federal Schedules C and F are ultimately reflected in federal adjusted gross income, taxpayers must make an adjustment to allow as a deduction such wages for Kentucky income tax purposes.

Capital Gains on Sales of Kentucky Turnpike Bonds (Line 19, Schedule M) – Gains on the sale of bonds, even those that produce exempt interest income, are subject to tax. However the Kentucky Turnpike Bond legislation included an exemption for capital gain income realized on the sale.

> ***KRS 175.560*** *Turnpike properties and bonds are tax exempt.*
>
> *The exercise of the powers granted by this chapter will be in all respects for the benefit of the people of the Commonwealth, . . . and the bonds issued under the provisions of this chapter, their transfer and the income therefrom* ***(including any profit made on the sale thereof)*** *shall at all times be free from taxation within the Commonwealth. [Emphasis added]*

2011 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2006. The Department of Revenue generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists.

The chart below provides a quick reference guide to the major federal/Kentucky differences. It is not intended to be all inclusive. Items not listed may be referred to the Department of Revenue to determine Kentucky tax treatment.

PROVISION	FEDERAL TAX TREATMENT	KENTUCKY TAX TREATMENT
1. Interest from Federal Obligations	Taxable	Exempt
2. Retirement Income from:		Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
Commonwealth of Kentucky Retirement Systems	Taxable	
Kentucky Local Government Retirement Systems	Taxable	
Federal and Military Retirement Systems	Taxable	
3. Pensions and Annuities Starting After 7/1/86 and Before 1/1/90	3-year recovery rule eliminated	3-year recovery rule retained
4. Other Pension and Annuity Income	Taxable	100% excludable up to $41,110; Schedule P may be required
5. Benefits from U.S. Railroad Retirement Board	May be taxable	Exempt; Schedule P may be required
6. Social Security Benefits	May be taxable	Exempt
7. Capital Gains on Sale of Kentucky Turnpike Bonds	Taxable	Exempt
8. Other States' Municipal Bond Interest Income	Exempt	Taxable
9. Kentucky Local Government Lease Interest Payments	Taxable	Exempt
10. Long-Term Care Insurance Premiums Paid With After-Tax Dollars	Limited deduction as self-employed health insurance	100% adjustment to gross income
11. Medical and Dental Insurance Premiums Paid With After-Tax Dollars	Limited deduction as self-employed health insurance	100% adjustment to gross income
12. Capital Gains on Property Taken by Eminent Domain	Taxable	Exempt
13. Election Workers—Income for Training or Working at Election Booths	Taxable	Exempt
14. Artistic Contributions	Noncash contribution allowed as itemized deduction	Appraised value allowed as itemized deduction or adjustment to income
15. State Income Taxes	Deductible	Nondeductible
16. Leasehold Interest—Charitable Contribution	May be deductible	Deductible; Schedule HH required
17. Kentucky Unemployment Tax Credit	No credit allowed	$100 per certified employee; Schedule UTC required
18. Work Opportunity Credit (federal Form 5884)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; entire wage expense is deductible
19. Welfare to Work Credit (federal Form 8861)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; wage expense reduced by amount of federal credit
20. Child and Dependent Care Credit	Tax credit based on expenses	20% of federal credit
21. Family Size Tax Credit	No credit allowed	Decreasing tax credit allowed
22. Education Tuition Tax Credit	Tax credit based on expenses	Credit allowed Form 8863-K required
23. Taxpayer Who May be Claimed as Dependent on Another's Return (i.e., full-time student)	May not claim self	May claim self
24. Child's Income Reported by Parent	Permitted; taxed at parent's rate	Not permitted
25. National Tobacco Settlement TLAP Income Quota Buyout (including imputed interest)	Taxable	Exempt
26. Bonus Depreciation/Additional Section 179 Expense	Deductible	Nondeductible
27. Mortgage Debt Forgiveness	Exempt	Taxable
28. Domestic Production Activities Deduction	Deductible	Deductible; may be limited
29. Active Duty Military Pay	Taxable	Exempt

PROVISIONS OF THE IRC CODE ENACTED AFTER DECEMBER 31, 2006

The following are some brief summaries of several important pieces of federal legislation that have been enacted since December 31, 2006 and that have an impact on individual income tax.

Small Business and Work Opportunity Tax Act of 2007 – President Bush signed on May 25, 2007 the Small Business and Work Opportunity Tax Act of 2007. The new tax law targets nearly $5 billion in tax incentives principally to small businesses, but also to some larger ones. It also includes tax incentives to help taxpayers recovering from Hurricane Katrina, as well as an important package of S corporation reforms. However, unlike past tax bills, the revenue raisers that mean more taxes for certain taxpayers are significantly fewer in number; although one-an expansion of the *kiddie tax* to apply to children who are 18 years old or who are full-time students up to age 24-will impact millions of families. Since this is after the IRC date adopted by Kentucky, provisions of this act will not apply to 2011 Kentucky tax returns. Some of the highlights of this act follow.

The major provisions in the Small Business and Work Opportunity Tax Act of 2007 include:

Work Opportunity Tax Credit (WOTC) – The new law extends the WOTC for 3 1/2 years through September 30, 2011. It also expands the WOTC to allow credit to employers who hire disabled veterans and individuals in counties that have suffered significant population losses.

Small Business Expensing – The new law extends and expands the Section 179 enhanced expensing provisions through 2010. It provides for an immediate 2007 increase in the expensing limit from $112,000 to $125,000, with phase-out level from $450,000 to $500,000.

GO Zone Businesses – The new law will also extend Section 179 expensing for Go Zone businesses (those devastated by Katrina and other recent hurricanes) through 2008. Under the new law, the $100,000 limit ($112,000 for 2007) is increased to $125,000 for tax years beginning in 2007 through 2011. The amount is also indexed for inflation for tax years beginning after 2007 and before 2011. The maximum deduction is reduced by the amount by which all qualifying property placed in service during the tax year exceeds an investment limitation. The inflation-adjusted investment limitation for property placed in service in tax years beginning in 2007 is $450,000. The new law also raises the investment limitation to $500,000 for tax years beginning in 2007 through 2011.

Family Business Tax Simplification – Under the new law, a married couple who operates a joint venture and who files a joint return can elect not to be treated as a partnership for federal tax purposes. This treatment is available for tax years beginning after December 31, 2006. Each spouse would take into account his or her share of income, gain, loss, and other items as a sole proprietor. They would not have to file a partnership return (Form 1065) and report two Schedule K-1s. Instead, couples

would each report their share of income on Form 1040, Schedule C.

Offsets – Not all provisions in the new law are pro-taxpayer. Some have been inserted to offset the cost of the pro-taxpayer provisions, pursuant to Congressional rules. The more significant offsets, all of which are estimated to raise almost $5 billion over ten years, include:

- Raising those subject to the *kiddie tax*. The new law raises the age from under-18 to under-19 (under-24 if a student) at which a child's unearned income in excess of $1,700 is taxed at the parent's rate.

- Interest suspension. The new law doubles the time – from 18 months to 36 months – that the IRS has before it must stop charging interest and filing related penalties if it fails to notify the taxpayer about a tax deficiency.

- Collection Due Process (CDP) hearings. The new law eliminates the requirement that the IRS hold a collection due process hearing before issuing a levy on delinquent employment taxes Post-levy hearings remain an option.

- Bad checks. The $750 threshold for bad check penalties is increased to $1,250 and the $15 fee is increased to $25 for bounced checks payable to the IRS.

- Preparer penalties. The new law expands preparer penalties to all types of tax returns (e.g., employment, excise, exempt organizations, estate and gift tax). It also raises the amounts of the penalties.

Mortgage Forgiveness Debt Relief Act of 2007 – The Mortgage Forgiveness Debt Relief Act of 2007 was enacted on December 20, 2007. Generally, the Act allows exclusion of income realized as a result of modification of the terms of the mortgage, or foreclosure on your principal residence.

Usually, debt that is forgiven or cancelled by a lender must be included as income on your tax return and is taxable. The Mortgage Forgiveness Debt Relief Act of 2007 allows you to exclude certain cancelled debt on your principal residence from income.

The Act applies only to forgiven or cancelled debt used to buy, build or substantially improve your principal residence, or to refinance debt incurred for those purposes. Debt used to refinance your home qualifies for this exclusion, but only up to the extent that the principal balance of the old mortgage, immediately before the refinancing, would have qualified.

The Act applies to qualified debt forgiven in 2007, 2008, or 2009. The amount of debt forgiven must be reported on Form 982 and the Form 982 must be attached to your tax return.

Tax Increase Prevention Act of 2007 – On December 19, 2007 Congress passed the *Tax Increase Prevention Act of 2007* and the President signed it into law on December 26, 2007 The Alternative Minimum Tax (AMT) exemption *patch* was extended for 2007. The act extends for 2007 the

provision that all nonrefundable personal credits are allowed against the AMT.

The Economic Stimulus Act of 2008 – On February 13, 2008, President Bush signed H.R. 5140, otherwise known as the Economic Stimulus Act of 2008. The Economic Stimulus Act immediately grabbed headlines because most Americans would receive a check for $600 from Uncle Sam. While the Economic Stimulus Act was a boon for consumers, there were significant benefits in the Economic Stimulus Act for businesses as well.

Small businesses stand to benefit a great deal from the Economic Stimulus Act of 2008. This is because the Section 179 deduction limits have been generously increased, and small businesses across the country will reap the rewards.

The specific impact the Economic Stimulus Act has had on the Section 179 deduction is related to the dollar limits of the deduction. The previous dollar limits were a $125,000 limit on the deduction and the total amount of equipment purchased could not exceed $500,000. The Economic Stimulus Act raises these limits significantly. The new deduction limits are $250,000 on the deduction, and the total amount of equipment purchased cannot exceed $800,000.

The Food, Conservation, and Energy Act of 2008 – The Food, Conservation, and Energy Act of 2008 was enacted on May 22, 2008 by Congress. Some of its more important provisions include:

- Enhanced like-kind exchanges – The Farm Bill amends the like-kind exchange rules under IRC Section 1031 to permit the exchange of water rights in the form of mutual ditch, reservoir and irrigation company stock. The new like-kind exchange treatment applies to exchanges completed after the date of enactment.

- Tax credit for protecting agricultural chemicals – Individuals and businesses that manufacture, sell and distribute agricultural fertilizers and pesticides will be eligible for a tax credit of 30 percent of their costs of protecting these dangerous products. The credit is part of the general business credit. There are limits to the credit, however, and it may not exceed $2 million for any taxpayer in any tax year. In addition, qualifying costs are not limited to the protection of chemicals, but include the costs associated with employee background checks and training.

- Enhanced depreciation for race horses – H.R. 2419 creates a uniform depreciation period of three years for all race horses, regardless of age. The new treatment generally applies to property placed in service after December 31 and before January 1, 2014, with an exception for horses more than two years of age placed in service after December 31, 2013.

- Conservation Reserve Program (CRP) payments– The act excludes any CRP payments to retired or disabled farmers from self-employment income. Instead, payments will be treated as rental payments for federal tax purposes, and this change is retroactive for payments made after December 31, 2007. This

change came about so the Social Security benefits paid to retired or disabled farmers would not be reduced because of additional self-employment income.

- Conservation easements – The Pension Protection Act (PPA) of 2006 created new opportunities for, and imposed new requirements on, charitable contributions of real property for conservation purposes. Individuals could take an immediate deduction for the donation of conservation property, up to 50 percent of their contribution base, rather than being restricted to the normal 20 percent limit. This portion of the PPA was designed to encourage farmers and ranchers even more, allowing them charitable contribution deductions of up to 100 percent of their contribution base for contributions of qualified conservation property. This special treatment, both for individuals in general and for farmers and ranchers, expired at the end of 2007. H.R. 2419 extends this treatment through December 31, 2009.

- Agricultural bonds – The legislation increases caps on loans made to first-time farmers from the proceeds of tax-exempt agricultural bonds. The maximum loan amount was raised to $450,000 and is indexed for inflation. Lawmakers also removed the fair market value test from the definition of substantial farmland.

The Emergency Economic Stabilization Act of 2008 – The major provisions in this act include the following:

- Stabilizing the Economy – The Emergency Economic Stabilization Act (EESA) of 2008 provides up to $700 billion to the Secretary of the Treasury to buy mortgages and other assets that are clogging the balance sheets of financial institutions and making it difficult for working families, small businesses, and other companies to access credit. EESA also establishes a program that would allow companies to insure their troubled assets.

- Homeownership Preservation – EESA requires the Treasury to modify troubled loans – many resulting from predatory lending practices – wherever possible to help American families keep their homes. It also directs other federal agencies to modify loans that they own or control. Finally, it improves the *HOPE for Homeowners* program by expanding eligibility and increasing the tools available to the Department of Housing and Urban Development to help more families keep their homes.

- Taxpayer Protection – The legislation requires companies that sell some of their bad assets to the government to provide warrants so that taxpayers will benefit from any future growth these companies may experience as a result of participation in this program. The legislation also requires the President to submit legislation that would cover any losses to taxpayers resulting from this program from financial institutions.

Kentucky Impact – Since EESA was enacted October 3, 2008, it is effective after the IRC date adopted by Kentucky. Therefore, the

provisions of this act will not apply to 2011 Kentucky tax returns.

The American Recovery and Reinvestment Act of 2009 – The American Recovery and Reinvestment Act (ARRA) is an economic stimulus package enacted by the Unites States Congress and signed by President Obama on February 19, 2009. In the face of an economic crisis, the magnitude of which has not been seen since the Great Depression, the American Recovery and Reinvestment Act represents a strategic and significant investment in our country's future. The ARRA was intended to provide a stimulus to the U.S. economy in the wake of the economic downturn, to save or create 3.5 million jobs, and to include measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

Some of its more important provisions include federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector. Many of these provisions were originally adopted for only two tax years – 2009 and 2010 – and were set to expire soon. However, some of these provisions have been extended by recently passed federal legislation and are still in effect.

Kentucky Impact – Since Kentucky is still under the IRC date of December 31, 2006 and has not adopted the legislation for the American Recovery and Reinvestment Act, the provisions of this act will not apply to 2011 Kentucky tax returns.

The Hiring Incentives to Restore Employment Act of 2010 (the HIRE Act) – In early March of 2010, Congress passed the Hiring Incentives to Restore Employment (HIRE) Act of 2010 and the president signed it into law on March 18, 2010. The HIRE Act was often characterized as a "jobs bill" and was created to provide payroll tax breaks and incentives for businesses to hire and retain unemployed workers.

It also extended the increased Section 179 Expensing dollar limitation of $250,000 and the $800,000 purchase limitation to the 2010 tax year. In addition, the provision in the law that these limitations be indexed for inflation has been eliminated. This means that absent any further legislation, the dollar and purchase limitations will be reduced to $25,000 and $200,000 respectively for tax years beginning in 2011 and will not be indexed for inflation in future years.

The Small Business Jobs Act of 2010 – On September 27, 2010, President Obama signed into law H.R. 5297 as the Small Business Jobs Act of 2010. This Act contains a number of significant tax provisions that are intended to benefit small and large businesses, as well as individuals. A summary of some of the key new provisions follows.

- Increase of the Section 179 annual expensing deduction limits to $500,000 from $250,000 for 2010 and 2011 (reducing back to $25,000 in 2012);

- Expansion of the Section 179 annual expensing to include qualified real property;
- Extension of 50 percent bonus first-year depreciation for qualified real property;
- First-year depreciation cap for passenger automobiles, light trucks, sport-utility vehicles and minivans increased by $8,000 for 2010;
- Deduction for start-up expenses increased to $10,000 from $5,000 for 2010 and 2011;
- Eligible small business credits can be carried back 5 years instead of one year, and extension of carryforward periods;
- Gains from the disposition of qualified small business stock can now be 100 percent excluded (up from 75 percent) and will not be an AMT tax preference item for stock acquired before 2011;
- S Corporation built-in gains period reduced to 5 years for 2011;
- 2010 health insurance expenses are deductible in computing self-employment tax;
- Substantiation requirements for cell phones and similar equipment are eliminated by removing them from being "listed property;"
- Recipients of rental real estate income are deemed to be in a trade or business for information reporting requirements (and thus must report all expenditures of $600 or more);
- New reporting requirements and increased penalties for failure to file information returns;
- Roth options added to Section 457 plans;
- Retirement plan distributions may be rolled over to Roth IRA accounts (other than periodic distributions, minimum required distributions, and hardship distributions).

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 – H.R. 4853 was passed by the United States Congress on December 16, 2010 and signed into law by President Barack Obama on December 17, 2010. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 centers on a temporary, two-year reprieve from the sunset provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). The act also extends some important provisions from the American Recovery and Reinvestment Act of 2009. Finally, it includes several other tax- and economy-related measures intended to have a new stimulatory effect, mostly notably an extension of unemployment benefits and a temporary, one-year reduction in the FICA payroll tax.

Patient Protection and Affordable Care Act of 2010 and **the Health Care and Education Reconciliation Act of 2010 –** On March 23, 2010, President Obama signed comprehensive health reform, the Patient Protection and Affordable Care Act, into law. The following summary explains key health coverage provisions of this act:

- Most individuals will be required to have health insurance beginning in 2014.

- Individuals who do not have access to affordable employer coverage will be able to purchase coverage through a health insurance exchange with premium and cost-sharing credits available to some people to make coverage more affordable. Small businesses will be able to purchase coverage through a separate exchange.
- Employers will be required to pay penalties for employees who receive tax credits for health insurance through the exchange, with exceptions for small employers.
- New regulations will be imposed on all health plans that will prevent health insurers from denying coverage to people for any reason, including health status, and from charging higher premiums based on health status and gender.
- Medicaid will be expanded to 133 percent of the federal poverty level ($14,404 for an individual and $29,327 for a family of four in 2009) for all individuals under age 65.
- Health coverage provided for an employee's children under 27 years of age is now generally tax-free to the employee, effective March 30, 2010. Further, medical expenses incurred by a child under age 27 can be paid or reimbursed as a tax-free fringe benefit through a parent's employer-sponsored health insurance plan even if the child is not the parent's dependent for tax purposes.

The Health Care and Education Reconciliation Act of 2010 was later enacted by congress to allow them to make changes to the Patient Protection and Affordable Care Act that was previously signed into law in March 2010.

Kentucky Impact – The Kentucky General Assembly passed House Bill 255 in the 2011 Regular Session and the Governor signed this bill into law on March 16, 2011. This means that Kentucky has expanded the health insurance deduction to include any person authorized to be provided excludable coverage by the taxpayer pursuant to the federal Patient Protection and Affordable Care Act of 2010, Pub. L. 111-148, or the Health Care and Education Reconciliation Act of 2010 Pub. L. 111-152 for tax years beginning on or after January 1, 2011.

2010 ROTH IRA CONVERSIONS

For the 2010 tax year, there are two key pieces of federal legislation that have a significant impact on the tax consequences of implementing a Roth IRA conversion.

The Tax Increase Prevention and Reconciliation Act of 2005, enacted May 17, 2006, allows a taxpayer to convert from a Traditional IRA to a Roth IRA by removing the modified adjusted gross income (MAGI) limitation on such rollovers starting in tax year 2010. Taxpayers who convert in 2010 may, as a special case, elect to pay tax on amounts converted in equal installments in 2011 and 2012.

The Small Business Jobs Act of 2010, signed into law on September 27, 2010, provides that distributions from 401(k), 403(b) and 457(b) government plans distributed after September 27, 2010 and before January 1, 2011, may be rolled over into a designated

Roth IRA account within their plans, and the taxpayer may elect to include amounts converted in equal installments in 2011 and 2012, unless the taxpayer elects otherwise. However, because Kentucky is under the IRC code reference date of December 31, 2006, the tax treatment of Roth IRA conversions is different for these two federal Acts. Traditional IRAs rolled into Roth IRAs would be treated the same for Kentucky as federal, since the adoption of the **Tax Increase Prevention and Reconciliation Act of 2005** falls within our IRC code date. Thus, taxpayers will be allowed to take advantage of Kentucky's pension exclusion each year, should they elect to pay tax in equal installments in 2011 and 2012.

However, since the **Small Business Jobs Act of 2010** is effective after Kentucky's code reference date of December 31, 2006, this provision would not apply for Kentucky purposes; therefore, a rollover of a 401(k), 403(b) or 457(b) government plan distributed after September 27, 2010 and before January 1, 2011, would be fully taxed in 2010 for Kentucky purposes, and eligible for Kentucky's pension exclusion.

FEDERAL DISASTER AREAS

On May 4, 2011, following several days of severe storms, tornados, and flooding in late April, President Obama declared the following counties as a federal disaster area qualifying for assistance and special tax relief: Ballard County, Boyd County, Carlisle County, Carroll County, Crittenden County, Daviess County, Floyd County, Fulton County, Graves County, Hardin County, Henderson County, Hickman County, Jefferson County, Johnson County, Lawrence County, Livingston County, Marshall County, McCracken County, McLean County, Pike County, Union County, and Webster County.

Further, on July 25, 2011, the President declared Bell County, Breathitt County, Knott County, Knox County, Lee County, Magoffin County, and Perry County as federal disaster areas after severe storms, tornados, and flooding occurred in those counties in late June.

Affected Taxpayers – Affected taxpayers in a Presidentially declared disaster area(s) have the option of claiming disaster-related casualty losses on their federal income tax return for either this year or last year. Claiming the loss on an original or amended return for last year will get the taxpayer an earlier refund, but waiting to claim the loss on this year's return could result in a greater tax savings, depending on other income factors.

Note: For further information related to federal disaster areas, please visit the IRS website (*www.irs.gov)*, go to "The Newsroom" page and then click on the "Around the Nation" link.

The following regulation is included to help identify the taxability of federal and certain nonfederal obligations. It can also be found on our website at www.revenue.ky.gov/laws.

103 KAR 1:130: Taxation of federal and certain nonfederal obligations.

RELATES TO: **KRS 136.290, 136.300, 136.310, 136.320, 141.010(10)(a), (12)(a)**
STATUTORY AUTHORITY: **KRS 131.130(1)**
NECESSITY, FUNCTION, AND CONFORMITY: **KRS 131.130(1)** authorizes the Department of Revenue to promulgate administrative regulations to administer and enforce Kentucky's tax laws. **KRS 141.010(10)(a)** and **(12)(a)** provides an exclusion from gross income when calculating Kentucky income tax for income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States and Kentucky. **KRS 136.290, 136.300, 136.310, and 136.320** impose an ad valorem tax on the total value of the capital of federally or state chartered savings and loan associations, savings banks, and other similar institutions and domestic life insurance companies authorized to transact business in Kentucky, with property and payroll both within and without this state. This administrative regulation establishes the requirements relating to taxation of federal and certain nonfederal obligations in accordance with those statutes.

Section 1. Income Taxation. Interest income from United States government obligations upon which states are prohibited by federal law from imposing a tax shall be excluded from gross income when calculating Kentucky income tax liability. Only the interest income from exempt United States government obligations included in the taxpayer's federal taxable income may be deducted from the taxpayer's gross income for Kentucky income tax purposes.

Section 2. This section contains two (2) lists of certain agencies, authorized corporations, and banks of the United States government from which Kentucky taxpayers may receive interest income. These lists are not all-inclusive, nor are they intended to be conclusive of the taxable or exempt status of a particular obligation issued by or in conjunction with a listed department, agency, instrumentality, or other entity.

(1) The list in this subsection shall serve as examples of departments, agencies, and instrumentalities that issue United States government obligations from which interest income **shall be exempt** from state taxation.

(a) U.S. Treasury (Bonds);
(b) U.S. Treasury (Series EE and HH Savings Bonds and I Bonds);
(c) U.S. Treasury (Certificates of Indebtedness);
(d) U.S. Treasury (Bills);
(e) U.S. Treasury (Notes);
(f) U.S. Treasury (Note and Bond "Strips");
(g) Commodity Credit Corporation;
(h) Central Banks for Cooperatives and Banks for Cooperatives;

(i) Farm Credit Banks;
(j) Federal Land Bank Associations;
(k) Production Credit Associations;
(l) Farm Credit System Financial Assistance Corporation;
(m) Federal Deposit Insurance Corporation;
(n) Federal Financing Bank;
(o) Federal Home Loan Banks;
(p) Federal Savings and Loan Insurance Corporation;
(q) General Insurance Fund, Department of Housing and Urban Development, Rental Housing Insurance, War Housing Insurance Project, Rental Housing Project, Armed Services Housing, National Defense Housing Insurance, Neighborhood Conservation Housing Insurance;
(r) Guam (Bonds);
(s) Puerto Rico (Bonds);
(t) Virgin Islands (General Obligation Bonds and Public Improvement Bonds);
(u) American Samoa (Industrial Development Bonds);
(v) Student Loan Marketing Association (SLMA or "Sallie Mae");
(w) Tennessee Valley Authority (Bonds); or
(x) United States Postal Service.

(2) The list in this subsection shall serve as examples of organizations which issue obligations from which interest income **shall be taxable** for Kentucky income tax purposes.
(a) Bank Certificates of Deposit;
(b) Farmers Home Administration;
(c) Federal Home Loan Mortgage Corp. (FHLMC or "Freddie Mac");
(d) Federal National Mortgage Association (FNMA or "Fannie Mae");
(e) Government National Mortgage Association (GNMA or "Ginnie Mae");
(f) Inter-American Development Bank;
(g) International Bank for Reconstruction and Development (World Bank); or
(h) International Monetary Fund.

Section 3. Property Taxation. A claim by a taxpayer that property or capital subject to the ad valorem taxes imposed by **KRS 136.290, 136.300, 136.310 or 136.320** is exempt under federal law shall be supported by specific statutory or binding case authority. In the absence of statutory or binding case authority, all intangible property shall be taxable. Securities merely guaranteed by the U.S. government shall be taxable as intangible property.

Section 4. Exempt federal obligations shall be classified as:

(1) Direct obligations of the United States such as U.S. Treasury bonds, U.S. Treasury notes or U.S. Treasury bills; or
(2) Direct obligations of U.S. government agencies.

Section 5. (1) The following list is provided as a general reference of obligations exempt from state ad valorem taxation imposed by **KRS 136.290, 136.300, 136.310, or 136.320**:

(a) Banks for Cooperatives;
(b) Central Banks for Cooperatives;
(c) Commodity Credit Corporation;
(d) Farmers Home Administration;
(e) Farmers Home Corporation;
(f) Federal Credit Union;
(g) Federal Savings and Loan Associations (Kentucky);
(h) Federal Deposit Insurance Corporation;
(i) Federal Farm Credit Corporation;
(j) Federal Home Loan Bank (Stocks and Bonds);
(k) Federal Housing Administration;
(l) Federal Intermediate Credit Banks;
(m) Federal Land Banks;
(n) Federal Maritime Board and Maritime Administration;
(o) Federal Reserve Banks;
(p) Federal Savings and Loan Insurance Corporation;
(q) General Insurance Fund;
(r) Guam Bonds;
(s) Municipal Obligations (Kentucky);
(t) National Farm Loan Association;
(u) Panama Canal Bonds;
(v) Production (Agricultural) Credit Association or Corporation;
(w) Puerto Rican Bonds;
(x) Student Loan Marketing Association;
(y) Tennessee Valley Authority;
(z) U.S. Housing Authority;
(aa) U.S. Postal Service Bonds; or
(bb) Virgin Island Bonds.

(2) The following list is provided as a general reference of obligations that are taxable entities for state ad valorem taxation imposed by **KRS 136.290, 136.300, 136.310, or 136.320**:

(a) Federal Home Loan Bank Deposits;
(b) Federal Home Loan Mortgage Corporation Bonds;
(c) Federal National Mortgage Corporation Bonds;
(d) Government National Mortgage Corporation Bonds; or
(e) Retail Repurchase Agreements. (33 Ky.R. 1190; Am. 1790; eff. 2-2-07

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KENTUCKY INCOME TAX CREDITS

Kentucky Income Tax Credits – Direct income tax credits result from legislation passed every year by the Kentucky General Assembly. These credits can be applicable to the corporate and/or non-corporate taxpayer; however, a taxpayer must meet various criteria in order to take advantage of a given credit.

Kentucky Revised Statutes determine the order these credits must be used, how the credits are calculated, any carryover provisions (if applicable) and whether a credit may pass through to a shareholder or partner.

Sequence of Nonrefundable Tax Credits – The following is a list of credits that can be claimed on Section A, Business Incentive and Other Tax Credits, found on Page 2 of Kentucky Form(s) 740 and 740-NP. These credits are listed in the sequence or order they must be taken (see **KRS 141.0205**).

- **KRS 141. 0401 – Limited Liability Entity Tax Credit**
- **KRS 141.384, 154.60-020 – Kentucky Small Business Investment Credit**
- **KRS 141.347, 141.400, 141.403, 141.407, 154.12-2088 – Skills Training Investment Credit and Other Economic Development Credits**
- **KRS 171.397 – Nonrefundable Certified Rehabilitation Credit**
- **KRS 141.070 – Credit for Tax Paid to Other States**
- **KRS 141.065 – Unemployment Credit**
- **KRS 141.390 – Recycling and/or Composting Equipment Credit**
- **KRS 154.20-258 – Kentucky Investment Fund Credit**
- **KRS 141.0405 – Coal Incentive Credit**
- **KRS 141.395 – Qualified Research Facilities Credit**
- **KRS 151B.127 – GED Incentive Credit**
- **KRS 141.418 – Environmental Remediation Credit**
- **KRS 141.423 – Biodiesel Credit**
- **KRS 154.48-025 – Environmental Stewardship Credit**
- **KRS 141.428 – Clean Coal Incentive Credit**
- **KRS 141.4242 – Ethanol Credit**
- **KRS 141.4244 – Cellulosic Ethanol Credit**
- **KRS 141.436 – Energy Efficiency Products Credit**
- **KRS 141.385, 141.387 – Railroad Maintenance and Improvement Credit**
- **KRS 141.438 – Endow Kentucky Credit**

Additional Nonrefundable Credits – There are four additional nonrefundable tax credits available to the individual taxpayer.

- **KRS 141.020 – Personal Tax Credit(s)**
- **KRS 141.066 – Family Size Tax Credit**
- **KRS 141.069 – Education Tuition Tax Credit**
- **KRS 141.067 – Child and Dependent Care Credit**

Refundable Credits – Finally, there are two refundable tax credits also available to the individual taxpayer on **Form 740 or 740-NP**.

- **KRS 141.382 – Refundable Certified Rehabilitation Credit**
- **KRS 141.383 – Film Industry Tax Credit**

BUSINESS INCENTIVE AND OTHER TAX CREDITS

Limited Liability Entity Tax Credit – For taxable years beginning on or after January 1, 2007, an individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by **KRS 141.020** equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by **KRS 141.0401(2)**, after the LLET is reduced by the minimum tax of $175 and by other tax credits for which the limited liability pass-through entity may be allowed. The credit allowed an individual that is a partner, member or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by **KRS 141.0401(3)(b)**. Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year. The credit amount available to the partner, member or shareholder shall be reflected on the appropriate **Kentucky Schedule(s) K-1** or **Form(s) 725**. **KRS 141.0401(2)**

Kentucky Small Business Investment Credit – The Kentucky Small Business Investment Credit (KSBIC) program is designed to encourage small business growth and job creation by providing a nonrefundable state income tax credit to eligible small businesses hiring one or more eligible individuals and investing at least $5,000 in qualifying equipment or technology. For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to 100 percent of the Kentucky income tax imposed under **KRS 141.020** or **141.040**, and the limited liability entity tax imposed under **KRS 141.0401**.

The Small Business Development Credit Program authorized by **KRS 154.60-020** and **KRS 141.384** was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010. The definition of base year for purposes of the credit computation was changed to the first full year of operation that begins on or after January 1, 2009 and before January 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one year after the small business:

• Creates and fills one or more eligible positions over the base employment, and that position or positions are created and filled for 12 months; and

• Invests $5,000 or more in qualifying equipment or technology.

With certain exceptions, most for-profit businesses with 50 or fewer full-time employees are considered eligible small businesses for this program.

The small business shall submit all necessary information to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year, and the amount of credit for which the small business is eligible.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at $3 million. The maximum amount of credit for each small business for each year shall not exceed $25,000. Unused credits may be carried forward for up to five years. **KRS 141.384, 154.60-020**

Skills Training Investment Credit – A credit is allowed for the amount of credit certified by the Bluegrass State Skills Corporation. A copy of the certification must be attached to the return in the first year the credit is claimed.

The credit is equal to 50 percent of the approved cost incurred in connection with the company's occupational or skills upgrade training program. The credit shall not exceed $500 per employee and $100,000 per approved company per biennium. The excess credit over the company's income tax liability in the year approved may be carried forward for three successive taxable years.

A taxpayer that has received a final authorizing resolution from the Bluegrass State Skills Corporation is entitled to a nonrefundable credit against Kentucky individual or corporation income tax.

This credit, as the law was originally written, did not pass through to the shareholders or partners. To utilize the credit, an S corporation or a partnership was required to compute tax using individual income rules and rates. The S corporation or partnership pays any income tax remaining after applying the credit and the income would not pass to the shareholders or partners for Kentucky individual income tax purposes. **KRS 141.347, 141.400, 141.403, 141.407 & 154.12-2088**

Note: *Effective for taxable years beginning after December 31, 1999,* ***KRS 141.405*** *was amended to allow S corporations and partnerships to pass through the skills training investment tax credit to shareholders and partners. For information regarding the application and approval process for this credit, contact the Cabinet for Economic Development, Bluegrass State Skills Corporation at (502) 564-2021.*

Certified Rehabilitation Credit – A credit may be taken against corporation or individual income taxes for a portion of the cost of restoring a qualified residential and commercial structure listed on the National Registry of Historic Places. The credit is

equal to 30 percent of the rehabilitation expenses, in the case of owner-occupied residential property, and 20 percent of the rehabilitation expenses, in the case of all other property. The total credit available was originally capped at $3 million annually, with each individual owner-occupied property receiving no more than $60,000. Due to legislation passed in 2009, the certified rehabilitation credit cap was increased from $3 million to $5 million effective for applications received on or after April 30, 2010.

An application for credit must be submitted to the Kentucky Heritage Council within thirty (30) days following the close of a calendar year. The council shall determine the amount of credit approved for each taxpayer and notify the taxpayer and Department of Revenue of the approved credit amount by the thirty-first day of the third month following the close of the calendar year.

Credits received under this section may be transferred or assigned, for some or no consideration, along with any related benefits, rights, responsibilities and liabilities to any entity subject to the tax imposed by **KRS 136.505**. Within thirty (30) days of the date of any transfer of credits, the party transferring the credits shall notify the Department of Revenue of:

(a) The name, address, employer identification number, and bank routing and transfer number of the party to which the credits are transferred;

(b) The amount of credits transferred; and,

(c) Any additional information the Department of Revenue deems necessary.

The provisions of this subsection shall apply to any credits that pass through to a successor or beneficiary of a taxpayer.

For applications received prior to April 30, 2010, the taxpayer may carry any excess tax credit forward until the tax credit is used, provided that any tax credits not used within seven years of the taxable year the certified rehabilitation was complete shall be lost.

Effective for applications approved on or after April 30, 2010, the credit will be refundable if a proper election form is filed. **KRS 171.397**

Credit for Tax Paid to Other States – Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, Kentucky residents and part-year residents may claim a credit for nonrefundable income tax paid to other states per **KRS 141.070.** Credit for tax paid to another state is claimed on the **Form 740** or **740-NP,** page two under **Section A – Business Incentive and Other Tax Credits.** This credit cannot be claimed for tax withheld by another state.

This credit can only be claimed on income derived from sources outside Kentucky. It cannot be claimed on income derived from Kentucky sources. You must file a return with the other state and pay tax on income also taxed by Kentucky in order to claim the credit. A copy of the other state's return including a schedule of income sources

must be attached to verify this credit along with the Kentucky Credit for Taxes Paid to Other State Worksheet (which follows in this material). The credit is **limited** to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of the tax paid to the other state, whichever is less.

Part-year residents may claim credit for taxes paid to another state if the income from the other state was received during the period of residency and is subject to Kentucky tax.

Full-year nonresidents may not claim credit for taxes paid to another state as the taxpayer would not be reporting this income to Kentucky.

The credit for taxes paid to other states has several variables and depends on comparing the rate at which the income was taxed in the other state with the rate at which Kentucky is taxing that income. Because of these variables, the credit can be difficult to calculate; the Department of Revenue has provided taxpayers with a worksheet to help them determine the correct amount of credit they are allowed to claim.

Gambling Losses and Claiming the Credit for Taxes Paid to Other States – A credit for tax paid to another state on gambling income may be allowed if the income is taxed by both Kentucky and the other state. However, if you have paid tax on gambling income in another state and you claimed an itemized deduction on your Kentucky Schedule A for losses, the allowable credit may be reduced or eliminated. Any gambling income offset by a gambling loss deduction is not considered taxed in Kentucky. In this situation the income is not being taxed by both Kentucky and another state, so no tax savings result.

TAX TIP:
If a taxpayer is claiming credit for Taxes Paid to Other States for multiple states, then the credit for each state must be completed on separate worksheets.

Credit for Taxes Paid to Other State Worksheet

Kentucky residents/part-year residents only. Complete a separate worksheet for each state. See instructions for Form 740 or 740-NP, Section A, line 5.

Taxpayer Social Security number....._____

Taxpayer Name ....._____

Name of Other State....._____

Type of Income Reported to Other State ....._____

1. List Kentucky taxable income from Form 740, line 11....._____
2. List any gambling losses from Schedule A, line 29....._____
3. Add lines 1 and 2 and enter total here ....._____
4. List income reported to other state included on Kentucky return....._____
5. Subtract line 4 from line 3 and enter total here ....._____
6. Adjusted gambling losses. Compute gambling losses allowed on Kentucky return if income from other state is ignored ....._____
7. Subtract line 6 from line 5 and enter total here ....._____
8. Enter Kentucky tax on income amount on line 7....._____
9. Enter Kentucky tax on income amount on line 1....._____
10. Subtract line 8 from line 9. This is the tax savings on return if other state's income is ignored ....._____
11. Enter tax paid to other state on income claimed on Kentucky return....._____
12. Enter the lesser of line 10 or line 11. This is your credit for tax paid to other state. Carry this total to Form 740, Section A, line 5 ....._____

Unemployment Tax Credit – If you hired unemployed Kentucky residents to work for you during the last six months of 2010 or anytime during 2011, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of $100.

The period of unemployment must be certified by the Office of Employment and Training, Education Cabinet, 275 East Main Street 2-WA, Frankfort, Ky. 40621-0001. The taxpayer must maintain a copy of the certification in his/her files. To claim this credit one must file **Schedule UTC**. **KRS 141.065**

Recycling and/or Composting Equipment Credit – Individuals, who purchased recycling or composting equipment to be used exclusively in Kentucky for recycling or composting post consumer waste materials, are entitled to a credit against the tax equal to 50 percent of the installed cost of the equipment. Application for this credit must be made on **Schedule RC - Application for Income Tax Credit for Recycling and/or Composting Equipment**, which may be obtained from the Department of Revenue (DOR). A copy of Schedule RC reflecting the amount of credit approved by the DOR must be attached to the return.

The credit claimed for the taxable year during which the equipment is purchased (installed) is limited to 10 percent of the total allowable credit and 25 percent of the tax liability less other credits claimed for the year. The unused portion of the total credit may be carried forward to succeeding tax years limited to 25 percent of the tax liability for the taxable year.

This credit does pass through from a partnership or S corporation to the partner/shareholder. **Schedule RC (K-1) – Pro Rata/Distributive Share of Approved Recycling and/or Composting Equipment Tax Credit** is utilized to allocate the credit to each partner or shareholder.

Corporation and individual income tax recycling credits available are expanded for major recyclers who make a significant investment in plant and equipment and who meet certain employment standards. Credits are allowed for up to 50 percent of the cost of new and expanded recycling equipment, limited each taxable year to 50 percent of the total tax liability for the year the credit is claimed over the tax liability for the most recent taxable year ending prior to January 1, 2005, or $2.5 million, whichever is less. Any unused approved credit may be carried forward for a period of ten years commencing with the date the recycling credit application is approved.

This bill also provides for the recapture of the credit if the equipment is no longer used in a qualifying manner or is sold or disposed of within five years from the date it is purchased, based upon the useful life of the equipment and year of disposition. An exception to the recapture exists in the case of transfers due to death or change in business ownership or organization as long as the equipment remains qualifying equipment. **KRS 141.390**

Kentucky Investment Fund Credit – Legislation introduced in 1998 established the Kentucky Investment Fund Program and authorized the Kentucky Economic Development Finance Authority (KEDFA) to certify investment funds and investment fund managers on or after July 1999. An investor who makes cash contributions to an investment fund certified by KEDFA is allowed a nonrefundable credit against the Kentucky individual income tax, Kentucky corporation income tax or Kentucky corporation license tax equal to 40 percent of the cash contribution. The credit may be claimed in any tax year after December 31, 1998, during which the investment is made.

For investments before July 1, 2002, 25 percent of the total credit certified by KEDFA is allowed in each year. For investments after June 30, 2002, the credit is claimed on the tax return filed for the tax year following the year in which the credit is granted and is limited in any tax year to 50 percent of the initial aggregate credit apportioned to the investor. A copy of the certification by KEDFA is required in the first year the credit is taken.

Any excess credit that may be claimed in a given year over the investor's liability may be carried forward but may not extend beyond 15 years of the initial certification.

Effective July 1, 2005, Kentucky Investment Fund tax credits available to any single investment fund are limited to $1.3 million for all investors and all taxable years. Total Kentucky Investment Fund tax credits available for all investors in all investment funds shall not exceed $5 million per fiscal year**. KRS 154.20-258**

Income Tax Credit for the Purchase of Kentucky Coal (Coal Incentive Tax Credit) – Effective for ten consecutive years beginning on July 15, 2001, **KRS 141.0405** and **KRS 141.0406** allow for a nonrefundable credit against corporation income tax, individual income tax, corporation license tax, and public service company property tax for Kentucky coal purchased and used for generating electricity. Only coal that is subject to Kentucky's coal severance tax qualifies for the credit. The credit is equal to $2 per ton of Kentucky coal purchased by the company that is above the amount of Kentucky purchased during the base year. The base year amount is the amount of coal purchased in 1999 for existing companies. For new entities established after 1999, the base year amount will be zero.

This bill affects corporation and individual income, corporation license tax, and public service company property tax. This bill requires the DOR to prescribe Coal Incentive Claim Forms and to issue a Credit Certificate. This credit will no longer be in effect after the 2011 tax year. **KRS 141.0405**

Qualified Research Facility Credit – A nonrefundable credit is allowed against individual and corporation income taxes equal to 5 percent of the cost of constructing and equipping new facilities or expanding or remodeling existing facilities in Kentucky for qualified research. "Qualified research" is defined to mean qualified research as defined in Section 41 of the IRC. Any unused credit may be carried forward up to ten years. **KRS 141.395**

GED Incentive Credit – Effective July 14, 2000, employers who assist employees in obtaining his or her high school equivalency diploma are eligible for a tax credit. The program is administered through the Department for Adult Education and Literacy (DAEL).

Employees can earn a tuition discount of $250 per semester for a maximum of four semesters at a Kentucky public postsecondary institution. Their employers can receive a state income tax credit for a portion of the paid release time given to the employee to study for the GED. The tax credit is calculated at half of the employee's hourly salary for released time, up to a maximum of $1,250. The regulation became effective on September 5, 2001. **KRS 151B.127(3)**

WHO IS ELIGIBLE

Full-time employees who enter a learning contract with the adult education program and their employer, and who earn a GED within one year are eligible for tuition discounts. Employers who provide paid release time are eligible for the tax credit.

Requirements:

The employee:

- must have been out of secondary school for at least three years;
- must develop and complete a learning contract (DAEL 29); and
- must spend a minimum of five hours per week studying for the GED.

The employer:

- must sign the learning contract (DAEL 29);
- must allow the employee a minimum of five hours per week paid release time to study; and
- must complete the employer portion of the final report (DAEL 31) and attach to the tax return to receive credit.

The adult education program:

- must develop and sign the learning contract (DAEL 29);
- must maintain and file attendance records (DAEL 30);
- must provide appropriate assessment and instruction; and
- must complete and file the final report (DAEL 31).

DOCUMENTS

The Learning Contract (DAEL 29):
No later than ten days after the final signature is obtained on the learning contract, the local adult education program submits a copy to the employee, the employer, and DAEL, retaining the original contract. The original contract must be retained for three years following the employee's completion of the program.

The Attendance Record (DAEL 30):
The local adult education program submits monthly attendance reports to DAEL and the employer. The program uses sign-in and sign-out sheets to verify the information; maintains these sheets for three years, and provides copies to DAEL upon request.

The Final Report (DAEL 31):
No later than ten days after the final report is created, the local adult education program submits a copy to the employee, the employer, DOR, and DAEL, retaining the original report.

For more information regarding the program, please contact the Education Cabinet, Kentucky Adult Education, Council on Postsecondary Education, 1024 Capital Center Drive, Suite 250, Frankfort KY 40601.

Environmental Remediation Credit – Effective for tax periods beginning after Dec. 31, 2004, taxpayers who agree to clean up or develop an existing abandoned Brownfield area may qualify for a nonrefundable credit against corporation or individual income taxes in a maximum amount of $150,000. The credit may be carried forward for ten successive taxable years. **KRS 141.418**

Biodiesel Credit – Effective for tax periods beginning on or after Jan. 1, 2005, a nonrefundable credit may be taken against corporation or individual income taxes for producing or blending biodiesel fuels of up to $1 per gallon produced or blended, limited to a maximum statewide credit of $1.5 million. The credit may not be carried forward. **KRS 141.423**

Environmental Stewardship Credit – Effective for tax years ending on or after Jan. 31, 2007, a nonrefundable credit is available against the corporation and individual income taxes for a corporation or individual that undertakes an environmental stewardship project with a minimum investment of at least $5 million. The Cabinet for Economic Development must approve these projects. The taxpayer must meet certain wage requirements in order to qualify. The credit will cover 100 percent of eligible skills upgrade training costs and up to 25 percent of eligible equipment costs. The project must produce an environmental stewardship product, which is defined to mean a new manufactured product or substantially improved existing manufactured product that has a lesser or reduced adverse effect on human health and the environment. It may also be used for improvement to human health and the environment when compared with existing products or competing products that serve the same purpose. The maximum amount of credit claimed for any single fiscal year may not exceed 25 percent of the total authorized inducement. **KRS 154.48-025**

Clean Coal Incentive Credit – Effective for tax periods ending on or after Dec. 31, 2006, a credit is available to an electricity generation facility certified as using clean coal equipment and technology and burning coal subject to Kentucky's severance tax. The nonrefundable credit may be taken against corporation income, individual income, corporation license and public service property taxes at the rate of $2 per ton of qualifying coal burned. The credit applies to electricity generation facilities with an investment of more than $150 million that meet Natural Resources and Environmental Protection Cabinet standards. **KRS 141.428**

Ethanol Credit – Effective for taxable years beginning after December 31, 2007, an ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by **KRS 141.020** or **141.040** and

141.0401 in an amount certified by the department. The credit rate shall be one dollar ($1) per ethanol gallon produced, unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers. The credit allowed shall be applied both to the income tax imposed under **KRS 141.020** or **141.040** and to the limited liability entity tax imposed under **KRS 141.0401**, with the ordering of credits as provided in **KRS 141.0205**. Any remaining ethanol credit shall be disallowed and shall not be carried forward to the next year. **KRS 141.4242**

Cellulosic Ethanol Tax Credit – Effective for taxable years beginning after December 31, 2007, a cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by **KRS 141.020** or **141.040** and **141.0401** in an amount certified by the department. The credit rate shall be one dollar ($1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers. The credit allowed shall be applied both to the income tax imposed under **KRS 141.020** or **141.040** and to the limited liability entity tax imposed under **KRS 141.0401**, with the ordering of credits as provided in **KRS 141.0205**. Any remaining cellulosic ethanol credit shall be disallowed and shall not be carried forward to the next year. **KRS 141.4244**

Energy Efficiency Products Credit – Effective for taxable years beginning after December 31, 2008 and before January 1, 2016, a person who installs a qualified energy efficient product shall be eligible for a nonrefundable tax credit against the taxes imposed by **KRS 141.020** in an amount certified by the department. The credit is equal to 30 percent of the installed costs subject to limitations and shall apply to the tax year in which the installation is completed. **Form 5695-K** must be completed to claim this credit and any unused credit shall be carried forward for one year. Some examples of energy efficient products that may qualify for the credit are: upgraded insulation, energy efficient windows, qualified energy property, active and passive solar heating systems, qualified solar water-heating systems, qualified wind turbine or wind machines and qualified solar photovoltaic systems. **KRS 141.436**

Railroad Maintenance and Improvement Credit – Effective for taxable years beginning after December 31, 2009, a nonrefundable credit against the individual

income, corporation income, and limited liability entity taxes was enacted in an amount equal to 50 percent of the qualified expenditures paid or incurred by an *eligible taxpayer* during the taxable year to maintain or improve railroads located in Kentucky. The credit applies to taxable years beginning after December 31, 2009. An *eligible taxpayer* means the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or III railroad in Kentucky, or any person that furnishes railroad-related property or services to a Class II or Class III railroad located in Kentucky. The credit is reported on **Form 740**, Page 3, Section A, Line 19. The credit cannot be carried forward. **KRS 141.385**

Endow Kentucky Credit – Effective for taxable years beginning on or after January 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed $10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the DOR in each fiscal year is $500,000.

An application for preliminary authorization for the credit must be submitted to the DOR (using Form 41A720-S85). If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. Within ten (10) days of making the endowment gift, the taxpayer shall file **Schedule ENDOW**, Notice of Endow Kentucky Tax Credit and Certification, with the department as proof of the endowment gift. If the schedule is then approved, the department will issue a final tax credit letter to the taxpayer. **KRS 141.438**

ADDITIONAL NONREFUNDABLE TAX CREDITS

As previously mentioned, there are four additional nonrefundable tax credits available to the individual taxpayer, which are not reflected on Section A, Business Incentive and Other Credits. These are:

- **KRS 141.020 – Personal Tax Credit(s)**
- **KRS 141.066 – Family Size Tax Credit**
- **KRS 141.069 – Education Tuition Tax Credit**
- **KRS 141.067 – Child and Dependent Care Credit**

PERSONAL TAX CREDITS

Personal tax credits are reported in Section B of **Form 740** and **740-NP**. A credit of $20 is allowed for each personal and dependency credit claimed.

Yourself – You are always allowed to claim a tax credit for yourself (even if your parent(s) can claim a credit for you on their return). On Line 1(a), there are five boxes under three separate headings. Always check the box under "Check Regular" to claim a tax credit for yourself. *If 65 or older*, then also check the next two boxes on the line. *If legally blind*, then also check the last two boxes on the line.

Do not fill in Line 1(b) if (1) you are single; (2) you are married and you and your spouse are filing two separate returns; or (3) your spouse received more than half of his or her support from another taxpayer. However, if your spouse died during the taxable year, you may claim a credit for the deceased on Line 1(b).

Fill in Line 1(b) if you are married and (1) you and your spouse are filing a joint or combined return, or (2) if your spouse had no income or is not required to file a return. If you meet these criteria, then check the first box on Line 1(b) for your spouse. *If your spouse is 65 or older*, then also check the next two boxes. *If your spouse was legally blind at the end of the taxable year*, then check the last two boxes on Line 1(b).

Dependents – You are allowed to claim a tax credit for each person defined as a dependent in the Internal Revenue Code. Generally, dependents who qualify for federal purposes also qualify for Kentucky.

Dependents Who Live With You – Use Line 2 to claim tax credits for your dependent children, including stepchildren and legally adopted children, who lived with you during the taxable year. **If the dependent meets the requirements for a qualifying child under the provisions of IRC 152(c), check the box; this child qualifies to be counted when determining the family size.**

Dependents Who Did Not Live With You – Also use Line 2 to claim tax credits for your dependent children who did not live with you and to claim tax credits for other persons who qualify as dependents. **These dependents do not qualify to be counted when determining the family size.**

Children of Divorced or Separated Parents – Attach a copy of **federal Form 8332** filed with your federal return. Children may only be counted for family size by the custodial parent.

Tax Credits for Individuals Supported by More Than One Taxpayer – Attach a copy of **federal Form 2120** filed with your federal return.

Kentucky National Guard Members – Persons who were members of the Kentucky National Guard on December 31, 2011, may claim an additional credit on Line 2. Designate this credit with the initials "N.G." Kentucky law specifically restricts this credit to Kentucky National Guard members only; military reserve members are not eligible.

Dividing the Credits – Each taxpayer must claim all of his or her own tax credits including the credits for age and blindness. *Therefore, if married, each spouse must claim at least one credit. However, spouses may divide tax credits for dependents, or one spouse may claim all dependent credits and the other none.*

FAMILY SIZE TAX CREDIT

The Family Size Tax Credit is a credit that provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. Depending on your modified gross income (MGI) and the size of the family, you may qualify for the Kentucky Family Size Tax Credit.

Claiming the Credit – To claim the Family Size Tax Credit, one must complete the following four steps:

- Determine your family size;
- Determine modified gross income;
- Use the 2011 Family Size Table to determine the correct percentage; and
- Multiply tax liability by the percentage and enter it on the form.

TAX TIP:
The Family Size Tax Credit may be claimed by a resident, nonresident or part year resident. The credit is not prorated, but is the full percentage based upon modified gross income.

KENTUCKY EDUCATION TUITION TAX CREDIT

The Hope and Lifetime Learning credits are available to allow persons to receive tax credits for certain educational expenses (i.e. tuition, books and fees). In order to be eligible for a Kentucky education credit, the student must be enrolled in undergraduate studies only and attend a qualified educational institution that has a physical location within the Commonwealth of Kentucky. Further, the taxpayer cannot have a filing status of "married filing separate returns."

On the Kentucky return, the Hope Credit is available only for the first two years of post-secondary education and the maximum amount a taxpayer can claim is $450 per student. The maximum amount for the Lifetime Learning credit is $500 per return. Any unused credit may be carried forward for up to five years.

Taxpayers claiming the Kentucky Education Tuition Tax credit **must complete Kentucky Form 8863-K** to determine the correct amount of Hope or Lifetime Learning Credits they are eligible to claim and any credit carry forwards that may apply.

Federal Return – Because of the American Recovery and Reinvestment Act of 2009, the Hope Credit was modified on the federal return and is now titled the American Opportunity Tax Credit. Originally, the American Opportunity credit was effective only for 2009 and 2010 tax years; however it was recently extended for an additional two years.

There are several significant differences between the Hope Credit and the American Opportunity Credit. While only students in their first two years of post-secondary education were eligible to claim the Hope Credit on the federal return, the American Opportunity credit is available to those students in their first four years of post-secondary education. Also, the maximum amount of the American Opportunity credit was increased for each eligible student and 40 percent of the credit is now refundable on the federal return.

However, because Kentucky is still under the IRC of December 31, 2006 and has not adopted the legislation from the American Recovery and Reinvestment Act, the American Opportunity credit is available to taxpayers *only* on the Federal return.

TAX TIP:
Qualified expenses are determined by the amount reported in box 1 or 2 of Form 1098-T (provided by the educational institution) minus any adjustments for scholarships or grants received by the student.

CHILD AND DEPENDENT CARE CREDIT

Taxpayers claiming the child and dependent care credit must file **Form 740** or **740-NP** as this credit cannot be claimed on **Form 740-EZ**. The credit is claimed on Line 25 - Form 740 by entering the amount of the federal credit from **federal Form 2441 - Child and Dependent Care Expenses** and multiplying by 20 percent.

If you did not meet the federal filing requirements, but would have been entitled to the federal child and household care credit, you must complete and attach **federal Form 2441** and attach to your Kentucky return. Also, you must state on the Form 2441: "Did not meet federal filing requirements."

Part-year residents may be allowed a prorated credit for child and dependent care, based upon a ratio of such expenses paid within and without Kentucky. In other words, for a part-year resident to receive any credit at all, some child and dependent care

expenses must have been paid while a resident of Kentucky. Full-year nonresidents are **not** entitled to this credit. A worksheet is included in the instructions with the **Form 740-NP** to help facilitate computation of the credit.

It should be noted that if you and your spouse are filing separate returns, the child and dependent care credit calculated for Kentucky must be divided based on the percentage of each spouse's Kentucky adjusted gross income to total Kentucky adjusted gross income.

REFUNDABLE TAX CREDITS

There are also two refundable tax credits available to the individual taxpayer on the **Form 740** or **740-NP**. These are:

- **KRS 141.382 – Refundable Certified Rehabilitation Credit**
- **KRS 141.383 – Film Industry Tax Credit**

REFUNDABLE CERTIFIED REHABILITATION CREDIT

Effective for applications for the Certified Rehabilitation Credit received for preliminary approval on or after April 30, 2010, a taxpayer will be able to claim a refundable tax credit if a proper election form is filed. The refundable credit is reported on Page 2, Line 30(c) of the **Form 740** or **740-NP**.

Note: The certified rehabilitation credit cap was also increased from $3 million to $5 million effective for applications received on or after April 30, 2010. **(KRS 141.382)**

FILM INDUSTRY TAX CREDIT

A refundable credit against individual income, corporation income, and limited liability entity taxes is allowed for motion picture and entertainment productions that take place within the Commonwealth of Kentucky. An approved company may receive the refundable tax credit beginning July 1, 2010 for tax incentive agreements approved by the Tourism, Arts and Heritage Cabinet and executed before January 2015. The refundable credit is 20 percent of an approved company's qualifying expenditures. There are minimum expenditure thresholds that must be met in order for the film or entertainment production company to be eligible for the credit. For individual taxpayers, the refundable credit should be reported on **Form 740** or **740-NP**, Page 2, Line 30(d).

Note: The film industry tax credit is subject to a cap of $5 million for the fiscal year 2010-2011, and $7.5 million for the fiscal year 2011-2012. **(KRS 141.383 and 148.542– 148.548)**

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NEW FOR 2011

Endow Kentucky Tax Credit – Effective for taxable years beginning on or after January 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed $10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the DOR in each fiscal year is $500,000. An application for preliminary authorization for the credit must be submitted to the DOR. If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. The taxpayer has ten days after making the gift to provide the department with proof of the gift. If the proof is then approved, the department will issue a final tax credit letter to the taxpayer.

New Markets Development Program Tax Credit – The New Markets Development Program Tax Credit (NMDPTC) was created in **KRS 141.432** to **141.434** to encourage taxpayer investment in low-income communities. A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the DOR and once approved, the qualified community development entity may issue a long-term debt security or receive an equity investment that will result in eligible credit. The person or entity actually making the loan or making the equity investment will be able to claim a credit, subject to a $5 million credit cap each fiscal year.

The total credit computation is 39 percent of the purchase price or loan amount, broken down as follows for each of the next seven years beginning with the date on which the equity investment is initially made:

• 0 percent of the purchase price or loan amount may be taken in the first two years including the year in which the investment is initially made;
• 7 percent of the purchase price or loan amount may be taken in the third year including the year in which the investment is initially made; and,
• 8 percent of the purchase price or loan amount may be taken for fourth through seventh years including the year in which the investment is initially made.
Any unused approved credit may be carried forward for use in any subsequent tax year.

Small Business Development Credit - For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent

(100%) of the Kentucky income tax imposed under **KRS 141.020** or **141.040**, and the limited liability entity tax imposed under **KRS 141.0401**.
The Small Business Development Credit Program authorized by **KRS 154.60-020** and **KRS 141.384** was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010. The definition of *base year* for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan.1, 2009 and before Jan. 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars ($5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year, and the amount of credit for which the small business is eligible.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars ($3,000,000). The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars ($25,000). Unused credits may be carried forward for up to five (5) years.

NEW AND UPDATED 2011 CORPORATE FORMS AND SCHEDULES

Minimal changes have been made to most Corporate Income Tax forms and instructions for tax year 2011. There are five new corporate schedules for 2011. A brief description of each follows. Selected draft copies of important corporate forms for 2011 are included in this manual. Copies of all corporate forms are available on the DOR website:

www.revenue.ky.gov

The following schedules are new for tax year 2011:

Schedule A-N Apportionment Factor Schedule

This schedule should be completed by a corporation filing a mandatory nexus consolidated return to show the Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls of the corporation and each of its subsidiaries included in the computation of the sales factor, property factor and payroll factor.

Schedule ENDOW

Taxpayers must first complete an APPLICATION FOR PRELIMINARY AUTHORIZATION OF THE ENDOW KENTUCKY TAX CREDIT. Once the application is approved, Schedule ENDOW must be completed and attached to the return to claim a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed $10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years.

Schedule IEIA-SP Tax Computation Schedule

This schedule is used by any pass–through entity which has entered into a tax incentive agreement for an Incentives for Energy Independence Act (IEIA) project to determine the credit allowed against the Kentucky income tax and LLET in accordance with **KRS 141.421** on the income and Kentucky gross receipts or Kentucky gross profits from the project.

Schedule KESA-SP Tax Credit Computation Schedule

For taxable years ending on or after June 4, 2010, this schedule is used by a pass-through entity which has an approved Kentucky Environmental Stewardship Act (KESA) project as provided by **KRS 154.48–025** to determine the environmental stewardship tax credit allowed against its LLET and distributed to its partners, members or shareholders.

Schedule KJRA-SP Tax Computation Schedule

This schedule is used by any pass–through entity which has entered into a tax incentive agreement for a Kentucky Jobs Retention Agreement (KJRA) project to determine the credit allowed against the Kentucky income tax and LLET in accordance with **KRS 141.402** on the income and Kentucky gross receipts or Kentucky gross profits from the project.

2011 KENTUCKY CORPORATE INCOME TAX FORMS– DRAFT VERSION

The following forms are included in this manual for your convenience:

- **Schedule A-N**
- **Schedule ENDOW**
- **720 Kentucky Corporation Income Tax and LLET Return**
- **720S Kentucky S Corporation Income Tax and LLET Return**
- **725 Kentucky Single Member LLC Individually Owned LLET Return**
- **765 Kentucky Partnership Income and LLET Return**
- **765 GP Kentucky General Partnership Income Return**

SCHEDULE A-N

41A720A-N (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

APPORTIONMENT FACTOR SCHEDULE

(For a Nexus Consolidated Tax Return)

Taxable Year Ending

__ __ / __ __
Mo. Yr.

➤ **See instructions.**

➤ **Attach to Form 720.**

DRAFT 6/30/11

Name	Federal Identification Number	Kentucky Corporation/LLET Account Number	Kentucky Sales	Total Sales	Average Value of Kentucky Real/Tangible Property	Average Value of Total Real/Tangible Property	Kentucky Payrolls	Total Payrolls
Total of Each Column								

Schedule ENDOW
41A720-S86 (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE
➤ **See instructions.**

NOTICE OF ENDOW KENTUCKY TAX CREDIT AND CERTIFICATION
KRS 141.438

DRAFT 7/14/11

A Name of Taxpayer	**B** Federal Identification Number or Social Security Number __ __ __ __ __ __ __ __ __	**C** Kentucky Corporation/LLET Account Number (if applicable) __ __ __ __ __ __
Street Address or P. O. Box		Telephone
City	State / ZIP Code	Fax Number
D Type of Entity: ☐ Individual ☐ Estate ☐ Trust ☐ Corporation ☐ Limited Liability Pass-through Entity ☐ General Partnership ☐ Other _____		
E Date the Endowment Gift was made to the Approved Foundation __ __ / __ __ / __ __ Mo. Day Yr.	**F** Amount of Endowment Gift	**G** Date of the Department's Preliminary Authorization of Credit __ __ / __ __ / __ __ Mo. Day Yr.
H Name of Qualified Community Foundation or Affiliate Community Foundation	**I** Federal Identification Number __ __ __ __ __ __ __ __ __	Telephone Fax Number
Street Address or P. O. Box		
City	State	ZIP Code
J If applicable, name of Permanent Endowment Fund or County-Specific Component Fund receiving the gift		

Under penalties of perjury, I declare that the Foundation is a qualified community foundation as provided by KRS 147A.310(6); that the endowment gift listed above is held in a permanent endowment as provided by KRS 147A.310(4); and that I have examined this schedule, including all accompanying documents and statements, and to the best of my knowledge and belief, it is true, correct and complete.

By: _____ _____
Signature of Foundation Officer (or designee) Date

Print Name: _____

Title: _____

Department of Revenue Use Only

Endow Kentucky tax credit approved by the Department of Revenue.

Amount

By: _____ Date: _____

Hand–delivery: Department of Revenue, 1st floor security desk at 501 High Street, Frankfort, Kentucky
Fax: (502) 564-0058 Email: KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

720
41A720
Kentucky
Department of Revenue

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

➤ See Instructions.
Taxable period beginning _____, 2011, and ending _____, 201 __.

KENTUCKY CORPORATION INCOME TAX AND LLET RETURN **2011**

B *Check applicable box(es):*
LLET Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum
Nonfiling Status Code
Enter Code ____ ____

C Income Tax Return
☐ Elected Consolidated *Attach Form 722*
☐ Mandatory NEXUS
Nonfiling Status Code
Enter Code ____ ____

D Federal Identification Number ___ – _____

Taxable Year Ending ___ / ___ (Mo. Yr.)

Name of Corporation

State and Date of Incorporation

Number and Street

Principal Business Activity in KY

City | State | ZIP Code | Telephone Number

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

DRAFT 9/12/11

E Name of Common Parent

Kentucky Corporation/LLET Account Number ___ ___ ___ ___ ___ ___

F *Check if applicable:* ☐ Initial return ☐ Final return *(Complete Part IV)*
☐ Short-period return *(Complete Part IV)* ☐ Change of name ☐ Change of address ☐ Change of accounting period

G *Check if applicable:* ☐ Amended return ☐ Amended return–RAR
Provide explanation of changes in Part V – Explanation of Amended Return Changes.

PART I—LLET COMPUTATION

1. **Schedule LLET**, Section D, line 1	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. **Total** (add lines 1 and 2)	3		00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. **LLET liability** (greater of line 3 less lines 4 and 5 or $175 minimum)	6		00
7. Withholding tax (Form PTE-WH)	7		00
8. Estimated tax payments	8		00
9. Certified rehabilitation tax credit	9		00
10. Film industry tax credit	10		00
11. Extension payment	11		00
12. Prior year's tax credit	12		00
13. Income tax overpayment from Part II, line 17	13		00
14. LLET paid on original return	14		00
15. LLET overpayment on original return	15		00
16. **LLET due** (lines 6 and 15 less lines 7 through 14)	16		00
17. **LLET overpayment** (lines 7 through 14 less lines 6 and 15)	17		00
18. Credited to 2011 income tax	18		00
19. Credited to 2012 LLET	19		00
20. **Amount to be refunded**	20		00

PART II—INCOME TAX COMPUTATION

1. **Income tax** (see instructions)	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Tax installment on LIFO recapture	3		00
4. **Total** (add lines 1 through 3)	4		00
5. Nonrefundable LLET credit from the Corporation LLET Credit Worksheet(s) (see instructions)	5		00
6. Nonrefundable LLET credit (Part I, line 6 less $175)	6		00
7. Nonrefundable tax credits (Schedule TCS)	7		00
8. **Net income tax liability** (line 4 less lines 5 through 7, but not less than zero)	8		00
9. Estimated tax payments ☐ Check if Form 2220-K attached	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. LLET overpayment from Part I, line 18	12		00
13. Corporation income tax paid on original return	13		00
14. Corporation income tax overpayment on original return	14		00
15. **Income tax due** (lines 8 and 14 less lines 9 through 13)	15		00
16. **Income tax overpayment** (lines 9 through 13 less lines 8 and 14)	16		00
17. Credited to 2011 LLET	17		00
18. Credited to 2012 corporation income tax	18		00
19. **Amount to be refunded**	19		00

TAX PAYMENT SUMMARY (Round to nearest dollar)

LLET
1. LLET due (Part I, Line 16) $_____
2. Penalty $_____
3. Interest $_____
4. Subtotal $_____

INCOME
1. Income tax due (Part II, Line 15) $_____
2. Penalty $_____
3. Interest $_____
4. Subtotal $_____

TOTAL PAYMENT (Add Subtotals) ➤ $ _____

➤ **Federal Form 1120, all pages and any supporting schedules must be attached.**

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

Form 720 (2011)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 7/21/11

Page 2

PART III—TAXABLE INCOME COMPUTATION

1. Federal taxable income (Form 1120, line 28)	1		00	14. Federal work opportunity credit	14		00
ADDITIONS:				15. Depreciation adjustment	15		00
2. Interest income (state and local obligations)	2		00	16. Other (attach Schedule O-720)	16		00
3. State taxes based on net/gross income	3		00	17. Revenue Agent Report (RAR)	17		00
4. Depreciation adjustment	4		00	18. **Net income** (line 11 less lines 12 through 17)	18		00
5. Deductions attributable to nontaxable income	5		00	19. Current net operating loss adjustment (mandatory nexus only)	19		00
6. Related party expenses	6		00	20. **Kentucky net income** (add lines 18 and 19)	20		00
7. Dividend paid deduction (REIT)	7		00	21. **Taxable net income** (attach Schedule A if applicable)	21		00
8. Domestic production activities deduction	8		00	22. Net operating loss deduction (NOLD)	22		00
9. Other (attach Schedule O-720)	9		00	23. **Taxable net income** after NOLD (line 21 less line 22)	23		00
10. Revenue Agent Report (RAR)	10		00	24. Kentucky domestic production activities deduction (KDPAD)	24		00
11. **Total** (add lines 1 through 10)	11		00	25. **Taxable net income after KDPAD** (line 23 less line 24)	25		00
SUBTRACTIONS:							
12. Interest income (U.S. obligations)	12		00				
13. Dividend income	13		00				

PART IV—EXPLANATION OF FINAL RETURN AND/OR SHORT–PERIOD RETURN

PART V—EXPLANATION OF AMENDED RETURN CHANGES

Form 720 (2011)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 7/21/11

Page 3

SCHEDULE Q—KENTUCKY CORPORATION/LLET QUESTIONNAIRE

IMPORTANT: Questions 4—13 must be completed by all corporations. If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. **Failure to do so may result in a request for a delinquent return.**

1. Indicate whether: (a) ☐ new business; (b) ☐ successor to previously existing business which was organized as: (1) ☐ corporation; (2) ☐ partnership; (3) ☐ sole proprietorship; or (4) ☐ other _____

   If successor to previously existing business, give name, address and federal I.D. number of the previous business organization. _____

2. List the following ***Kentucky*** account numbers. Enter N/A for any number not applicable.
   Employer Withholding _____
   Sales and Use Tax Permit _____
   Consumer Use Tax _____
   Unemployment Insurance _____
   Coal Severance and/or Processing Tax _____

3. If a foreign corporation, enter the date qualified to do business in Kentucky. __ __ / __ __ / __ __

4. If change of accounting period, Item F on page 1, is checked, complete the following information:
   Year End before the change:
   Month _____ and Day _____
   a. ☐ Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)
   b. ☐ Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
      New Year End:
      Month _____ and Day _____
   c. ☐ Change from a Fiscal Year to a Calendar Year (52/53 week filer):
      New Year End: December and day of week _____
   d. ☐ Change from a Calendar Year to a Fiscal Year (52/53 week filer):
      New Year End:
      Month _____ and day of week _____
      If a 52/53 week filer: (Choose one of the options below.)
      i. ☐ Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.
      ii. ☐ Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.

5. The corporation's books are in care of: (name and address)
   _____

6. Are disregarded entities included in this return?
   ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity. _____

7. Was the corporation a partner or member in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No. If yes, attach schedule listing name and federal I.D. number of the pass-through entity(ies). _____

   Was the corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No

8. Are related party costs made to related members as defined in KRS 141.205(1)(l) included in this return? ☐ Yes ☐ No. If yes, attach schedule listing name, federal I.D. and/or Kentucky Corporation/LLET account number of the individual(s) or entity(ies).

9. Did the corporation at any time during the taxable year do business in Kentucky and own 80 percent or more of the voting stock of another corporation doing business in Kentucky? ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity. _____

10. Was 80 percent or more of the corporation's voting stock owned by any corporation doing business in Kentucky at any time of the year? ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity. _____

11. Was this return prepared on: (a) ☐ cash basis, (b) ☐ accrual basis, (c) ☐ other _____

12. Did the corporation file a Kentucky tangible personal property tax return for January 1, 2012? ☐ Yes ☐ No

13. Is the corporation currently under audit by the Internal Revenue Service? ☐ Yes ☐ No

    If yes, enter years under audit _____

    If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to the department, check here ☐ and file an amended return. See 2011 Kentucky Corporation Income Tax and LLET Return instructions for information regarding amended returns. Attach a copy of the final determination to each amended return.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Attach a schedule listing the name, home address and Social Security number of the vice president, secretary and treasurer.

Has the attached officer information changed from the last return filed? ☐ Yes ☐ No

President's Name _____ President's Home Address _____

President's Social Security Number _____

Date Became President __ __ / __ __ / __ __ __ __

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

✍ _____ Signature of principal officer or chief accounting officer

_____ Date

_____ Name of person or firm preparing return

__ __ __ __ __ __ __ __ __ SSN, PTIN or FEIN

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

Email Address:

Telephone Number:

www.revenue.ky.gov

720S
41A720S
Department of Revenue
➤ **See instructions.**

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

KENTUCKY S CORPORATION INCOME TAX AND LLET RETURN 2011

Taxable period beginning _____, 2011, and ending _____, 201 ___ .

B *Check applicable box(es):*
LLET
Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum

Nonfiling Status Code
Enter Code ____ ____

C Income Tax Return
Nonfiling Status Code
Enter Code ____ ____

D Federal Identification Number ___ ___ – ___ ___ ___ ___ ___ ___ ___

Taxable Year Ending ___ ___ / ___ ___ (Mo. Yr.)

Name of S Corporation

State and Date of Incorporation

Principal Business Activity in KY

Number and Street

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

City | State | ZIP Code | Telephone Number

DRAFT 7/21/11

E *Check if applicable:* ☐ Qualified Investment pass-through entity ☐ LLC ☐ Initial return ☐ Final return *(attach explanation)* ☐ Short-period return *(attach explanation)* ☐ Amended return ☐ Change of name ☐ Change of address ☐ Change of accounting period

F *Number of Shareholders (Attach K-1s)* ➤ _____
Number of QSSSs Included In This Return (Attach Schedule) ➤ _____

PART I—ORDINARY INCOME (LOSS) COMPUTATION

1. Federal ordinary income (loss) (see instructions)	1		00
ADDITIONS			
2. State taxes based on net/gross income	2		00
3. Federal depreciation (do not include Section 179 expense deduction)	3		00
4. Related party expenses	4		00
5. Other (attach Schedule O-PTE)	5		00
6. Total (add lines 1 through 5)	6		00
SUBTRACTIONS			
7. Federal work opportunity credit	7		00
8. Kentucky depreciation (do not include Section 179 expense deduction)	8		00
9. Other (attach Schedule O-PTE)	9		00
10. **Kentucky ordinary income (loss)** (line 6 less lines 7 through 9)	10		00

PART II—LLET COMPUTATION

1. Schedule LLET, Section D, line 1	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Total (add lines 1 and 2)	3		00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. LLET liability (greater of line 3 less lines 4 and 5 or $175 minimum)	6		00
7. Estimated tax payments	7		00
8. Certified rehabilitation tax credit	8		00
9. Film industry tax credit	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. Income tax overpayment from Part III, line 11	12		00
13. **LLET due** (line 6 less lines 7 through 12)	13		00
14. **LLET overpayment** (lines 7 through 12 less line 6)	14		00
15. Credited to 2011 income tax	15		00
16. Credited to 2012 LLET	16		00
17. **Amount to be refunded**	17		00

PART III—INCOME TAX COMPUTATION

1. Excess net passive income tax	1		00
2. Built-in gains tax	2		00
3. Tax installment on LIFO recapture	3		00
4. **Total** (add lines 1 through 3)	4		00
5. Estimated tax payments ☐ Check if Form 2220-K attached	5		00
6. Extension payment	6		00
7. Prior year's tax credit	7		00
8. LLET overpayment from Part II, line 15	8		00
9. **Income tax due** (line 4 less lines 5 through 8)	9		00
10. **Income tax overpayment** (lines 5 through 8 less line 4)	10		00
11. Credited to 2011 LLET	11		00
12. Credited to 2012 corporation income tax	12		00
13. **Amount to be refunded**	13		00

TAX PAYMENT SUMMARY (Round to nearest dollar)

LLET		INCOME	
1. LLET due (Part II, Line 13)	$_____	*1. Income tax due (Part III, Line 9)*	$_____
2. Penalty	$_____	*2. Penalty*	$_____
3. Interest	$_____	*3. Interest*	$_____
4. Subtotal	$_____	*4. Subtotal*	$_____

TOTAL PAYMENT (Add Subtotals) ➤ $ _____

➤ Federal Form 1120S, all pages and any supporting schedules must be attached.

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

Form 720S (2011)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 7/14/11

SCHEDULE Q — KENTUCKY S CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4—10 must be completed by all S corporations. If this is the S corporation's initial return or if the S corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. **Failure to do so may result in a request for a delinquent return.**

1. Indicate whether: (a) ☐ new business; (b) ☐ successor to previously existing business which was organized as:
   (1) ☐ corporation; (2) ☐ partnership; (3) ☐ sole proprietorship; or (4) ☐ other _____
   If successor to previously existing business, give name, address and federal I.D. number of the previous business organization.
   _____
   _____
   _____
2. List the following *Kentucky* account numbers. Enter N/A for any number not applicable.
   Employer Withholding _____
   Sales and Use Tax Permit _____
   Consumer Use Tax _____
   Unemployment Insurance _____
   Coal Severance and/or Processing Tax _____
3. If a foreign S corporation, enter the date qualified to do business in Kentucky. __ __ / __ __ / __ __
4. If change of accounting period, Item E on page 1, is checked, complete the following information:
   Year End before the change:
   Month _____ and Day _____
   a. ☐ Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)
   b. ☐ Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
      New Year End:
      Month _____ and Day _____
   c. ☐ Change from a Fiscal Year to a Calendar Year (52/53 week filer):
      New Year End: December and day of week _____
   d. ☐ Change from a Calendar Year to a Fiscal Year (52/53 week filer):
      New Year End:
      Month _____ and day of week _____
      If a 52/53 week filer: (Choose one of the options below.)
      I. ☐ Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.
      II. ☐ Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.
5. The S corporation's books are in care of: (name and address)
   _____
   _____
   _____
6. Are disregarded entities included in this return? ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity.
   _____
   _____
   _____
   _____
7. Was the S corporation a partner or member in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No. If yes, list name and federal I.D. number of each pass-through entity.
   _____
   _____
   Was the S corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No
8. Was this return prepared on: (a) ☐ cash basis, (b) ☐ accrual basis, (c) ☐ other _____
9. Did the S corporation file a Kentucky tangible personal property tax return for January 1, 2012? ☐ Yes ☐ No
10. Is the S corporation currently under audit by the Internal Revenue Service? ☐ Yes ☐ No
    If yes, enter years under audit _____
    If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to the department, check here ☐ and file an amended Form 720S for each year adjusted. Attach a copy of the final determination to each amended return.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Has the officer information entered below changed from the last return filed? ☐ Yes ☐ No

President's Name: _____
President's Home Address: _____
_____
President's Social Security Number: _____
Date Became President __ __ / __ __ / __ __ __ __
Vice President's Name: _____
Vice President's Home Address: _____
_____
Vice President's Social Security Number: _____

Treasurer's Name: _____
Treasurer's Home Address: _____
_____
Treasurer's Social Security Number: _____
Secretary's Name: _____
Secretary's Home Address: _____
_____
Secretary's Social Security Number: _____

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

_____ Signature of principal officer or chief accounting officer
_____ Date

_____ Name of person or firm preparing return
__ __ __ __ __ __ __ __ __ SSN, PTIN or FEIN
_____ Date

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

Email Address:

Telephone No.:

www.revenue.ky.gov

Form 720S (2011)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Page 3

SCHEDULE K—SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	(a) Pro Rata Share Items				(b) Total Amount
Income (Loss) and Deductions					
1. Kentucky ordinary income (loss) from trade or business activities (page 1, Part I, line 10)				1	00
2. Net income (loss) from rental real estate activities (attach federal Form 8825)				2	00
3. (a) Gross income from other rental activities	3(a)		00		
(b) Less expenses from other rental activities (attach schedule)	(b)		00		
(c) Net income (loss) from other rental activities (line 3a less line 3b)				3(c)	00
4. Portfolio income (loss):					
(a) Interest income				4(a)	00
(b) Dividend income				(b)	00
(c) Royalty income				(c)	00
(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)				(d)	00
(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)				(e)	00
(f) Other portfolio income (loss) (attach schedule)				(f)	00
5. Section 1231 net gain (loss) (other than due to casualty or theft) (attach federal and Kentucky Forms 4797)				5	00
6. Other income (loss) (attach schedule)				6	00
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)				7	00
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)				8	00
9. Deductions related to portfolio income (loss) (attach schedule)				9	00
10. Other deductions (attach schedule)				10	00
Investment Interest					
11. (a) Interest expense on investment debts				11(a)	00
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above				(b)(1)	00
(2) Investment expenses included on line 9 above				(2)	00
Tax Credits					
12. Kentucky Small Business Investment Tax Credit (attach KEDFA notification)				12	00
13. Skills Training Investment Tax Credit (attach copy of certification(s))				13	00
14. Certified Rehabilitation Tax Credit (attach copy of certification(s))				14	00
15. Kentucky Unemployment Tax Credit (attach Schedule UTC)				15	00
16. Recycling/Composting Equipment Tax Credit (attach Schedule RC)				16	00
17. Kentucky Investment Fund Tax Credit (attach KEDFA notification)				17	00
18. Coal Incentive Tax Credit (attach Schedule CI)				18	00
19. Qualified Research Facility Tax Credit (attach Schedule QR)				19	00
20. GED Incentive Tax Credit (attach Form DAEL-31)				20	00
21. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)				21	00
22. Biodiesel Tax Credit (attach Schedule BIO)				22	00
23. Environmental Stewardship Tax Credit (attach Schedule KESA)				23	00

DRAFT 7/21/11

Form 720S (2011)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Page 4

SCHEDULE K—SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I—continued	(a) Pro Rata Share Items		(b) Total Amount
Tax Credits—continued			
24. Clean Coal Incentive Tax Credit (attach Schedule CCI)	24		00
25. Ethanol Tax Credit (attach Schedule ETH)	25		00
26. Cellulosic Ethanol Tax Credit (attach Schedule CELL)	26		00
Form 5695-K Pass-through Amounts (attach Form 5695-K)			
27. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	27		00
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	28		00
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	29		00
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	30		00
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 3	31		00
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	32		00
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	33		00
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	34		00
35. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	35		00
36. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	36		00
37. Endow Kentucky Tax Credit (attach Schedule ENDOW)	37		00
Other Items			
38. (a) Type of Section 59(e)(2) expenditures ➤	38(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
39. Tax-exempt interest income	39		00
40. Other tax-exempt income	40		00
41. Nondeductible expenses	41		00
42. Total property distributions (including cash) other than dividends reported on line 42 below	42		00
43. Other items and amounts required to be reported separately to shareholders (attach schedule)	43		
44. Total dividend distributions paid from accumulated earnings and profits	44		00

DRAFT 7/14/11

SECTION II—Pass-through Items			
1. S corporation's Kentucky sales from Schedule A, Section I, line 1	1		00
2. S corporation's total sales from Schedule A, Section I, line 2	2		00
3. S corporation's Kentucky property from Schedule A, Section I, line 5	3		00
4. S corporation's total property from Schedule A, Section I, line 6	4		00
5. S corporation's Kentucky payroll from Schedule A, Section I, line 8	5		00
6. S corporation's total payroll from Schedule A, Section I, line 9	6		00
7. S corporation's Kentucky gross profits from Schedule LLET, Section A, Column A, line 5	7		00
8. S corporation's total gross profits from all sources from Schedule LLET, Section A, Column B, line 5	8		00
9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less $175	9		00

725 41A725 Kentucky

Department of Revenue

➤ **See instructions.**
Taxable period beginning _____, 2011, and ending _____, 201 __.

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

KENTUCKY SINGLE MEMBER LLC INDIVIDUALLY OWNED LLET RETURN **2011**

B *Check applicable box(es):*

LLET

Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum

Nonfiling Status Code

Enter Code

___ ___

C Federal Identification Number ___-_____
Social Security Number ___-__-____

Taxable Year Ending __ __/__ __ (Mo. Yr.)

Name of LLC

Name of Owner

Number and Street

City | State | ZIP Code | Telephone Number

State and Date of Organization

Principal Business Activity in KY

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

DRAFT 7/14/11

D *Check if applicable:* ☐ Qualified investment pass-through entity ☐ Initial return ☐ Final return *(attach explanation)* ☐ Amended return ☐ Short-period return *(attach explanation)* ☐ Change of name ☐ Change of address ☐ Change of accounting period

E *Check applicable box:* ☐ Composite return ☐ Single return

PART I—KENTUCKY NET DISTRIBUTABLE INCOME

1. Ordinary income (loss)	1		00
2. Net income (loss) from rental real estate activities	2		00
3. Net income (loss) from other rental activities	3		00
4. Interest income	4		00
5. Dividend income	5		00
6. Royalty income	6		00
7. Net short-term and long-term capital gain (loss). If net (loss), do not include more than ($3,000)	7		00
8. Section 1231 net gain (loss)	8		00
9. Other income (attach schedule)	9		00
10. Other deductions (attach schedule)	10		00
11. **Total net distributable income** (lines 1 through 9 less line 10)	11		00
12. Enter 100% or the apportionment fraction from Schedule A, Section I, line 12 (attach schedule)	12		%

PART II—LLET COMPUTATION

1. Schedule LLET, Section D, line 1	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Total (add lines 1 and 2)	3		00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. LLET liability (greater of line 3 less lines 4 and 5 or $175 minimum)	6		00
7. Estimated tax payments	7		00
8. Certified rehabilitation tax credit	8		00
9. Film industry tax credit	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. **LLET due** (line 6 less lines 7 through 11)	12		00
13. **LLET overpayment** (lines 7 through 11 less line 6)	13		
14. Credited to 2012 LLET	14		00
15. **Amount to be refunded**	15		00

➤ **Federal Schedules C, E and F, and any other supporting federal forms and schedules must be attached.**

PART III—LLET CREDIT FOR MEMBER

1. LLET liability (Part II, the total of lines 4 and 6)	1		00
2. Minimum tax	2	175	00
3. Member's LLET credit (line 1 less line 2)	3		00

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

TAX PAYMENT SUMMARY
(Round to nearest dollar)

LLET

1. *LLET due (Part II, line 12)* $_____
2. *Penalty* $_____
3. *Interest* $_____
4. ***Total Payment*** $_____

Form 725 (2011)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Page 2

SCHEDULE Q—SINGLE MEMBER LIMITED LIABILITY COMPANY QUESTIONNAIRE

IMPORTANT: Questions 1—9 must be completed by the limited liability company.

1. Single member's (owner) name, address and Social Security number or federal I.D. number _____

2. List the following ***Kentucky*** account numbers. Enter N/A for any number not applicable.

   Employer Withholding _____
   Sales and Use Tax Permit _____
   Consumer Use Tax _____
   Unemployment Insurance _____
   Coal Severance and/or Processing Tax _____

3. If a foreign limited liability company, enter the date qualified to do business in Kentucky. __ __ / __ __ / __ __

4. The limited liability company's books are in care of: (name and address)

5. Are disregarded entities included in this return?
   ☐ Yes ☐ No

   If yes, list name, address and federal I.D. number of the entity(ies).

6. Was the limited liability company a partner in a pass-through entity doing business in Kentucky for the tax year being reported? ☐ Yes ☐ No

   If yes, list name and federal I.D. of the pass-through entity(ies).

   DRAFT 7/14/11

   Was the limited liability company doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No

7. Was this return prepared on: (a) ☐ cash basis, (b) ☐ accrual basis, (c) ☐ other _____

8. Did the limited liability company file a Kentucky tangible personal property tax return for January 1, 2012? ☐ Yes ☐ No

9. Is the single member limited liability company currently under audit by the Internal Revenue Service? ☐ Yes ☐ No

   If yes, enter years under audit

   If the Internal Revenue Service has made final and unappealable adjustments to the limited liability company's taxable income which have not been reported to this department, check here ☐ and file Form 740X for tax years 2005 through 2011 or Form 740-XP for 2004 and prior tax years, whichever is applicable, and file an amended Form 725 for each year adjusted. Attach a copy of the final determination to each amended return.

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of member (owner)	SSN or FEIN	Date
Name of person or firm preparing return	SSN, PTIN or FEIN	Date

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

Email Address:

Telephone No.:

www.revenue.ky.gov

765 Kentucky
41A765
Department of Revenue

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

2011

➤ **See instructions.**
Taxable period
beginning _____, 2011, and ending _____, 201 ___.

DRAFT 8/04/11

KENTUCKY PARTNERSHIP INCOME AND LLET RETURN

B *Check applicable box(es):*
LLET
Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum

Nonfiling Status Code
Enter Code ____ ____

C
Income Return
Nonfiling Status Code
Enter Code ____ ____

D Federal Identification Number ___ ___ – ___ ___ ___ ___ ___ ___ ___

Taxable Year Ending ___ ___ / ___ ___ (Mo. Yr.)

Name of Partnership

Number and Street

City | State | ZIP Code | Telephone Number

State and Date of Organization

Principal Business Activity in KY

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

E *Check if applicable:*
☐ LLC ☐ LP ☐ LLP ☐ Qualified investment pass-through entity ☐ Amended return
☐ Initial return ☐ Final return (attach explanation) ☐ Change of Address
☐ Short-period return (attach explanation) ☐ Change of Name ☐ Change of Accounting Period

F
Number of Partners (Attach K-1s) ➤ _____

PART I—ORDINARY INCOME (LOSS) COMPUTATION

1. Federal ordinary income (loss) (see instructions)	1		00
ADDITIONS			
2. State taxes based on net/gross income	2		00
3. Federal depreciation (do not include Section 179 expense deduction)	3		00
4. Related party expenses	4		00
5. Other (attach Schedule O-PTE)	5		00
6. Total (add lines 1 through 5)	6		00
SUBTRACTIONS			
7. Federal work opportunity credit	7		00
8. Kentucky depreciation (do not include Section 179 expense deduction)	8		00
9. Other (attach Schedule O-PTE)	9		00
10. **Kentucky ordinary income (loss)** (line 6 less lines 7 through 9)	10		00

➤ **Federal Form 1065, all pages and any supporting schedules must be attached.**

PART II—LLET COMPUTATION

1. Schedule LLET, Section D, line 1	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Total (add lines 1 and 2)	3		00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. LLET liability (greater of line 3 less lines 4 and 5 or $175 minimum)	6		00
7. Estimated tax payments	7		00
8. Certified rehabilitation tax credit	8		00
9. Film industry tax credit	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. **LLET due** (line 6 less lines 7 through 11)	12		00
13. **LLET overpayment** (lines 7 through 11 less line 6)	13		00
14. Credited to 2012 LLET	14		00
15. **Amount to be refunded**	15		00

TAX PAYMENT SUMMARY
(Round to nearest dollar)

LLET
1. *LLET due (Part II, line 12)* $_____
2. *Penalty* $_____
3. *Interest* $_____
4. ***Total Payment*** $_____

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

Form 765 (2011)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 7/21/11

SCHEDULE Q—KENTUCKY PARTNERSHIP QUESTIONNAIRE

IMPORTANT: Questions 4—10 must be completed by all partnerships. If this is the partnership's initial return or if the partnership did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. **Failure to do so may result in a request for a delinquent return.**

1. Indicate whether: (a) ☐ new business; (b) ☐ successor to previously existing business which was organized as: (1) ☐ corporation; (2) ☐ partnership; (3) ☐ sole proprietorship; or (4) ☐ other _____

   If successor to previously existing business, give name, address and federal I.D. number of the previous business organization. _____

2. List the following ***Kentucky*** account numbers. Enter N/A for any number not applicable.

   Employer Withholding _____
   Sales and Use Tax Permit _____
   Consumer Use Tax _____
   Unemployment Insurance _____
   Coal Severance and/or Processing Tax _____

3. If a foreign partnership, enter the date qualified to do business in Kentucky. __ __ / __ __ / __ __

4. If change of accounting period, Item E on page 1, is checked, complete the following information:

   Year End before the change:
   Month _____ and Day _____

   a. ☐ Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)
   b. ☐ Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
      New Year End:
      Month _____ and Day _____
   c. ☐ Change from a Fiscal Year to a Calendar Year (52/53 week filer):
      New Year End: December and day of week _____
   d. ☐ Change from a Calendar Year to a Fiscal Year (52/53 week filer):
      New Year End:
      Month _____ and day of week _____
      If a 52/53 week filer: (Choose one of the options below.)
      i. ☐ Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.
      ii. ☐ Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.

5. The partnership's books are in care of: (name and address)

   _____

6. Are disregarded entities included in this return?
   ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity. _____

7. For the taxable period being reported, was the partnership a partner in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No
   If yes, list name and federal I.D. number of the pass-through entity(ies). _____

   For the taxable period being reported, was the partnership doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No

8. Was this return prepared on: (a) ☐ cash basis, (b) ☐ accrual basis, (c) ☐ other _____

9. Did the partnership file a Kentucky tangible personal property tax return for January 1, 2012? ☐ Yes ☐ No

10. Is the partnership currently under audit by the Internal Revenue Service? ☐ Yes ☐ No
    If yes, enter years under audit _____

    If the Internal Revenue Service has made final and unappealable adjustments to the partnership's taxable income which have not been reported to the department, check here ☐ and file an amended Form 765 for each year adjusted. Attach a copy of the final determination to each amended return.

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of partner or member	SSN or FEIN	Date
Name of person or firm preparing return	SSN, PTIN or FEIN	Date

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

Email Address:

Telephone No.:

www.revenue.ky.gov

Form 765 (2011)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 7/21/11

SCHEDULE K— PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	(a) Distributive Share Items			(b) Total Amount
Income (Loss) and Deductions				
1. Kentucky ordinary income (loss) from trade or business activities (page 1, Part I, line 10)		1		00
2. Net income (loss) from rental real estate activities (attach federal Form 8825)		2		00
3. (a) Gross income from other rental activities	3(a)	00		
(b) Less expenses from other rental activities (attach schedule)	(b)	00		
(c) Net income (loss) from other rental activities (line 3a less line 3b)		3(c)		00
4. Portfolio income (loss):				
(a) Interest income		4(a)		00
(b) Dividend income		(b)		00
(c) Royalty income		(c)		00
(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)		(d)		00
(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)		(e)		00
(f) Other portfolio income (loss) (attach schedule)		(f)		00
5. Guaranteed payments to partners		5		00
6. Section 1231 net gain (loss) (other than due to casualty or theft)(attach federal and Kentucky Forms 4797)		6		00
7. Other income (loss) (attach schedule)		7		00
8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)		8		00
9. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)		9		00
10. Deductions related to portfolio income (loss) (attach schedule)		10		00
11. Other deductions (attach schedule)		11		00
Investment Interest				
12. (a) Interest expense on investment debts		12(a)		00
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above		(b)(1)		00
(2) Investment expenses included on line 10 above		(2)		00
Tax Credits				
13. Kentucky Small Business Investment Tax Credit (attach KEDFA notification)		13		00
14. Skills Training Investment Tax Credit (attach copy of certification(s))		14		00
15. Certified Rehabilitation Tax Credit (attach copy of certification(s))		15		00
16. Kentucky Unemployment Tax Credit (attach Schedule UTC)		16		00
17. Recycling/Composting Equipment Tax Credit (attach Schedule RC)		17		00
18. Kentucky Investment Fund Tax Credit (attach KEDFA notification)		18		00
19. Coal Incentive Tax Credit (attach Schedule CI)		19		00
20. Qualified Research Facility Tax Credit (attach Schedule QR)		20		00
21. GED Incentive Tax Credit (attach Form DAEL-31)		21		00
22. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)		22		00
23. Biodiesel Tax Credit (attach Schedule BIO)		23		00
24. Environmental Stewardship Tax Credit (attach Schedule KESA)		24		00
25. Clean Coal Incentive Tax Credit (attach Schedule CCI)		25		00
26. Ethanol Tax Credit (attach Schedule ETH)		26		00
27. Cellulosic Ethanol Tax Credit (attach Schedule CELL)		27		00

Form 765 (2011)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 7/21/11

Page 4

SCHEDULE K— PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I— continued	(a) Distributive Share Items		(b) Total Amount
Form 5695-K Pass-through Amounts (attach Form 5695-K)			
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	28		00
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	29		00
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	30		00
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	31		00
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	32		00
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	33		00
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	34		00
35. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	35		00
36. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	36		00
37. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit (attach Form 8908-K)	37		00
38. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	38		00
39. Railroad Expansion Tax Credit (attach Schedule RR-E)	39		00
40. Endow Kentucky Tax Credit (attach Schedule ENDOW)	40		00
Other Items			
41. (a) Type of Section 59(e)(2) expenditures ➤	41(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
42. Tax-exempt interest income	42		00
43. Other tax-exempt income	43		00
44. Nondeductible expenses	44		00
45. Total property distributions (including cash)	45		00
46. Other items and amounts required to be reported separately to partners (attach schedule)	46		

SECTION II— Pass-through Items

1. Partnership's Kentucky sales from Schedule A, Section I, line 1	1		00
2. Partnership's total sales from Schedule A, Section I, line 2	2		00
3. Partnership's Kentucky property from Schedule A, Section I, line 5	3		00
4. Partnership's total property from Schedule A, Section I, line 6	4		00
5. Partnership's Kentucky payroll from Schedule A, Section I, line 8	5		00
6. Partnership's total payroll from Schedule A, Section I, line 9	6		00
7. Partnership's Kentucky gross profits from Schedule LLET, Section A, Column A, line 5	7		00
8. Partnership's total gross profits from all sources from Schedule LLET, Section A, Column B, line 5	8		00
9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less $175	9		00

765-GP
42A765-GP
Department of Revenue

➤ **See instructions.**

Kentucky

KENTUCKY
GENERAL PARTNERSHIP INCOME RETURN

A. Date business commenced or qualified	For calendar year 2011 or fiscal year beginning _____, 2011, and ending _____, 201 __.	**2011**
B. Number of partners (attach K-1s)	Name of General Partnership	E. Federal Employer Identification Number
C. NAICS business code number (Relating to Kentucky activity) (See www.census.gov)	Number and Street	F. Kentucky Withholding Account Number
D. Partnership telephone number	City County State ZIP code	G. Sales and Use Tax Permit Number

DRAFT 8/04/11

H. Check applicable boxes:
☐ Initial return ☐ Publicly traded partnership ☐ Short-period return
☐ Change of name ☐ Final return ☐ Amended return
☐ Change of address ☐ Qualified investment pass-through entity

1. Federal ordinary income (loss) (Form 1065, line 22)	1		00
ADDITIONS:			
2. State taxes based on net/gross income	2		00
3. Federal depreciation (do not include Section 179 expense deduction)	3		00
4. Related party expenses	4		00
5. Other (attach Schedule O-PTE)	5		00
6. **Total** (add lines 1 through 5)	6		00
SUBTRACTIONS:			
7. Federal work opportunity credit	7		00
8. Kentucky depreciation (do not include Section 179 expense deduction)	8		00
9. Other (attach Schedule O-PTE)	9		00
10. **Total** (add lines 7, 8 and 9)	10		00
11. **Ordinary income (loss)** (line 6 less line 10)	11		00

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of partner — SSN or FEIN — Date

Name of person or firm preparing return — SSN, PTIN or FEIN — Date

➤ **Federal Form 1065, all pages and any supporting schedules must be attached.**

Mail return to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

www.revenue.ky.gov

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

Email Address:

Telephone No.:

Form 765-GP (2011)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Schedule K— PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	(a) Distributive Share Items			(b) Total Amount
Income (Loss) and Deductions				
1. Kentucky ordinary income (loss) from trade or business activities (page 1, line 11)		1		00
2. Net income (loss) from rental real estate activities (attach federal Form 8825)		2		00
3. (a) Gross income from other rental activities	3(a)	00		
(b) Less expenses from other rental activities (attach schedule)	(b)	00		
(c) Net income (loss) from other rental activities (line 3a less line 3b)		3(c)		00
4. Portfolio income (loss):				
(a) Interest income		4(a)		00
(b) Dividend income		(b)		00
(c) Royalty income		(c)		00
(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)		(d)		00
(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)		(e)		00
(f) Other portfolio income (loss) (attach schedule)		(f)		00
5. Guaranteed payments to partners		5		00
6. Section 1231 net gain (loss) (other than due to casualty or theft)(attach federal and Kentucky Forms 4797)		6		00
7. Other income (loss) (attach schedule)		7		00
8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)		8		00
9. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)		9		00
10. Deductions related to portfolio income (loss) (attach schedule)		10		00
11. Other deductions (attach schedule)		11		00
Investment Interest				
12. (a) Interest expense on investment debts		12(a)		00
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above		(b)(1)		00
(2) Investment expenses included on line 10 above		(2)		00
Tax Credits—Nonrefundable				
13. Kentucky Small Business Investment Tax Credit (attach KEDFA notification)		13		00
14. Skills Training Investment Tax Credit (attach copy of certification(s))		14		00
15. Certified Rehabilitation Tax Credit (attach copy of certification(s))		15		00
16. Kentucky Unemployment Tax Credit (attach Schedule UTC)		16		00
17. Recycling/Composting Equipment Tax Credit (attach Schedule RC)		17		00
18. Kentucky Investment Fund Tax Credit (attach KEDFA notification)		18		00
19. Coal Incentive Tax Credit (attach Schedule CI)		19		00
20. Qualified Research Facility Tax Credit (attach Schedule QR)		20		00
21. GED Incentive Tax Credit (attach Form DAEL-31)		21		00
22. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)		22		00
23. Biodiesel Tax Credit (attach Schedule BIO)		23		00
24. Environmental Stewardship Tax Credit (attach Schedule KESA)		24		00
25. Clean Coal Incentive Tax Credit (attach Schedule CCI)		25		00
26. Ethanol Tax Credit (attach Schedule ETH)		26		00
27. Cellulosic Ethanol Tax Credit (attach Schedule CELL)		27		00

DRAFT 8/01/11

Form 765-GP (2011)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 7/21/11

Page 3

Schedule K— PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I— continued	(a) Distributive Share Items		(b) Total Amount
Tax Credits—Nonrefundable—continued			
Form 5695-K Pass-through Amounts (attach Form 5695-K)			
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	28		00
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	29		00
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	30		00
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	31		00
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	32		00
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	33		00
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	34		00
35. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	35		00
36. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	36		00
37. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit (attach Form 8908-K)	37		00
38. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	38		00
39. Railroad Expansion Tax Credit (attach Schedule RR-E)	39		00
40. Endow Kentucky Tax Credit (attach Schedule ENDOW)	40		00
Tax Credits—Refundable			
41. Certified Rehabilitation Tax Credit (attach Kentucky Heritage Council certification(s))	41		00
42. Film Industry Tax Credit (attach Kentucky Film Office certification(s))	42		00
Other Items			
43. (a) Type of Section 59(e)(2) expenditures ➤ _____	43(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
44. Tax-exempt interest income	44		00
45. Other tax-exempt income	45		00
46. Nondeductible expenses	46		00
47. Total property distributions (including cash)	47		00
48. Other items and amounts required to be reported separately to partners (attach schedule)	48		
SECTION II— General Partnership Pass-through Items			
1. Partnership's Kentucky sales from Schedule A, Section I, line 1	1		00
2. Partnership's total sales from Schedule A, Section I, line 2	2		00
3. Partnership's Kentucky property from Schedule A, Section I, line 5	3		00
4. Partnership's total property from Schedule A, Section I, line 6	4		00
5. Partnership's Kentucky payroll from Schedule A, Section I, line 8	5		00
6. Partnership's total payroll from Schedule A, Section I, line 9	6		00
7. Partnership's Kentucky gross profits	7		00
8. Partnership's total gross profits from all sources	8		00
SECTION III— Limited Liability Entity Tax (LLET) Pass-through Items			
1. Partners' shares of net distributive income from limited liability pass-through entities	1		00
2. Partners' shares of limited liability entity tax (LLET) nonrefundable credit	2		00

FILING GUIDELINES

The guide for filing below details the following:

- Who must file;
- What tax the entity is subject to; and
- The correct form required.

FILING FORM GUIDE

Ownership	Kentucky Form and Tax		
	Form Required	Corporation Income Tax	LLET
1. C corporation	720	Yes	Yes
2. C corporation (consolidated group as provided by KRS 141.200(4))	720	Yes	Yes
3. C corporation (nexus consolidated group as provided by KRS 141.200 (9) to (14))	720	Yes	Yes
4. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720	Yes	Yes
5. S corporation	720S	Yes *	Yes
6. Single member limited liability company whose single member is an individual	725	No	Yes
7. Limited liability company (two or more members)	765	No	Yes
8. Limited partnership	765	No	Yes
9. Limited liability partnership	765	No	Yes
10. General partnership	765-GP	No	No
11. Publicly traded partnership (taxed as a partnership for federal income tax purposes)	765-GP	No	No

*** If the S corporation has built-in gains, passive investment income or installments of tax on the recapture of LIFO benefits as provided by KRS 141.040(14), corporation income tax is due.**

Note: Regardless of whether or not the entity had any activity or income during the tax year, a return is required and the minimum tax of $175 is due. This also applies to dormant entities that have not officially dissolved if the entity is organized under the laws of Kentucky.

CORPORATE AND LLET RETURN FILING TIPS AND CHECKPOINTS

The following list of filing tips is provided for your convenience to help ensure that returns are processed accurately and promptly. To avoid processing problems, please note the following:

- Once an account is established, a return is required to be filed for Kentucky corporations, even if there is no business activity for the year and all foreign corporations that have Kentucky Nexus
- When ceasing operations and closing an account, there are different requirements for Secretary of State and DOR
- Always ensure the correct Kentucky Corporation/LLET account number is used on the return being filed
- Place payments on the front of return so they will not be missed when the return is processed
- Submit 851-K when making payments for multiple accounts
- Make estimated payments on a timely basis to avoid interest
- Always use a valid extension – extensions are for **filing** purposes only
    - Late payment penalties apply to payments made after the original due date
- Additional errors that delay processing returns or create adjustments include:
    - Incorrect tax exemption code
    - Incomplete information
    - Missing forms
    - Taxable year end missing
    - More than 1 box checked for Receipts method
    - Tax payment summary section of return blank or incorrect

No-Pay Returns

The DOR annually receives a substantial number of corporate and LLET returns submitted without payment. Common reasons for no-pay returns include the following:

- Forgot to include payment
- Payment submitted with incorrect account number
- One payment for multiple liabilities, tax types, or different year ending periods
- Omitting Form 41A720SL when paying with an extension

Returns submitted without payment of tax are automatically selected for review and billed for tax due, penalty, and interest. Be sure to use the correct Kentucky account number and include your payment with the return to avoid penalty and interest.

LIMITED LIABILITY ENTITY TAX

House Bill 1 of the 2006 Extraordinary Special Session conducted by the Kentucky Legislature contained several provisions that greatly impacted Kentucky's corporate tax law, including establishing a Limited Liability Entity Tax (LLET) and credit.

This tax and credit is applicable for tax years beginning on or after Jan. 1, 2007 as per **KRS 141.0401 (2) (a)**:

> **KRS 141.0401 (2) (a)** For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits except as provided in this subsection. A small business exclusion from this tax shall be provided based on the reduction contained in this subsection. The tax shall be the greater of the amount computed under paragraph (b) of this subsection or one hundred seventy-five dollars ($175), regardless of the application of any tax credits provided under this chapter or any other provisions of the Kentucky Revised Statutes for which the business entity may qualify.

HOW DOES THE LLET WORK?

Previously, for tax years beginning on or after Jan. 1, 2005, corporations subject to corporation income tax under the provisions of **KRS 141.040** paid:

- a minimum of $175; or
- the **greater** of the tax due based on the corporation's net income, or
- the tax due under the alternative minimum calculation (AMC),
- the AMC tax being the **lesser** of: $0.095 per $100 of the corporation's Kentucky gross receipts; or
- $0.75 per $100 of corporation's Kentucky gross profits

However, corporation tax laws were changed under HB1 enacted during the 2006 Extraordinary Special Session and the LLET became effective with tax years beginning on or after Jan. 1, 2007. The AMC tax was repealed for tax years beginning on or after Jan. 1, 2007.

For tax years beginning on or after Jan. 1, 2007, a limited liability entity tax (LLET) shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits.

ENTITIES SUBJECT TO LLET

Entities, as defined by various sections of **KRS 141.010**, subject to the LLE tax include:

- C Corporations,
- S Corporations, and
- Limited Liability Pass-Through Entities (PTE's)

C Corporations are defined as per **KRS 141.010 (24) (a); 141.010 (24) (b):**

KRS 141.010 (24) (a) For taxable years beginning before January 1, 2005, and *after* December 31, 2006, "corporation" means "corporation" as defined in Section 7701(a)(3) of the Internal Revenue Code;

S Corporations are defined as per **KRS 141.010 (27):**

> **KRS 141.010 (27)** "S corporation" means "S corporation" as defined in Section 1361(a) of the Internal Revenue Code;

Limited Liability PTE's are defined as per **KRS 141. 010 (28):**

> **KRS 141.010 (28)** "Limited liability pass-through entity" means any pass-through entity that affords any of its partners, members, shareholders, or owners, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity;

PUBLIC LAW 86-272 IMPACT

Kentucky, as a member of the Multistate Tax Commission, is a signatory to a resolution adopting a document entitled "Statement of Information Concerning Practices of Multistate Tax Commission and Signatory States under Public Law 86-272." Public Law 86-272 includes a comprehensive listing of unprotected and protected activities subject to tax. It is the policy of the State signatories to that document to impose their net Income tax, subject to state and federal legislative limitations, to the fullest extent constitutionally permissible.

The LLET imposed by **KRS 141.0401(2)(a**) on an entity doing business in Kentucky is not an income tax and therefore protection under Public Law 86-272 does not apply.

ENTITIES NOT SUBJECT TO LLET

Not all entities are subject to the LLET. Entities not subject to the LLET imposed by **KRS 141.0401 (2)** are listed as follows in **KRS 141.0401 (6)**:

KRS 141.0401 (6) The tax imposed by subsection (2) of this section shall not apply to:

(a) Financial institutions, as defined in **KRS 136.500**, except banker's banks organized under **KRS 287.135** or **286.3-135**;

(b) Savings and loan associations organized under the laws of this state and under the laws of the United States and making loans to members only;

(c) Banks for cooperatives;

(d) Production credit associations;

(e) Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;

(f) Corporations or other entities exempt under Section 501 of the Internal Revenue Code;

(g) Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit;

(h) Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that:

1. The property consists of the final printed product, or copy from which the printed product is produced; and
2. The corporation has no individuals receiving compensation in this state as provided in **KRS 141.120(8)(b)**;

(i) Public service corporations subject to tax under **KRS 136.120**;

(j) Open-end registered investment companies organized under the laws of this state and registered under the Investment Company Act of 1940;

(k) Any property or facility which has been certified as a fluidized bed energy production facility as defined in **KRS 211.390**;

(l) An alcohol production facility as defined in **KRS 247.910**;

(m) Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;

(n) Regulated investment companies as defined in Section 851 of the Internal Revenue Code;

(o) Real estate mortgage investment conduits as defined in Section 860D of the Internal Revenue Code;

(p) Personal service corporations as defined in Section 269A(b)(1) of the Internal Revenue Code;

(q) Cooperatives described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, home-owners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives; or

(r) Publicly traded partnerships as defined by Section 7704(b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes under Section 7704(c) of the Internal Revenue Code, or their publicly traded partnership affiliates. *Publicly traded partnership affiliates* shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership.

QUALIFIED INVESTMENT PARTNERSHIPS

In addition to the above entities, there is an exception for qualified investment partnerships, as noted by **KRS 141.206 (15) (b)**:

(15) (b) A qualified investment partner- ship shall be subject to all other provisions relating to a pass-through entity under this section and shall not be subject to the tax imposed under **KRS 141.040 or 141.0401.**

A qualified investment partnership may file a Kentucky Form 720S, 725, 765 or a 765-GP. Qualified investment pass-through entities should file the form they normally file and check the box for a qualified investment partnership on the return. To qualify, the investments must be intangible portfolio type investments.

The inclusion of any ordinary income, rental income or pass-through income would disqualify the entity as a qualified investment partnership.

LLET COMPUTATION

Under the new law, the LLET computation works very much like the AMC did for tax years 2005 and 2006. The LLET is the **greater** of:

- a **minimum** of $175, or
- the lessor of gross receipts LLET
  or gross profits LLET

Additionally, the gross receipts LLET and
the gross profits LLET may be subject to reduction, based on gross receipts or gross profits from **all** sources, as follows:

- if gross receipts or gross profits are $3,000,000 or less then the LLET is $0 and only the $175 minimum LLET is due,
- if gross receipts or gross profits are >$3,000,000 but < $6,000,000 the additional LLET is computed at a reduced rate per Schedule LLET, and
- if gross receipts or gross profits are $6,000,000 or more then the LLET shall be computed at a rate of .00095 per $100 of Kentucky gross receipts and .0075 per $100 of Kentucky gross profits

COMBINED GROUP

Combined Group – Combined group means all members of an affiliated group as defined in **KRS 141.200(9)(b)** and all limited liability pass-through entities that would be included in an affiliated group if organized as a corporation.

A member of a combined group pursuant to **KRS 141.0401(1)(c)** must use the total gross receipts and the total gross profits of **the combined group** to determine if it is eligible for the small business relief provided by **KRS 141.0401(2)(b**). The member computes its LLET based upon its Kentucky gross receipts and Kentucky gross profits.

LLET FLOW THROUGH CREDIT

The LLET may be allowed as a credit against other taxes depending upon the entity's tax situation. A discussion about allowing credit against other entities such as limited liability pass-through entities, corporations and individuals follows.

LIMITED LIABILITY ENTITY TAX (LLET) CREDIT AGAINST LLET

The LLET credit from a limited liability pass-through entity shall be the proportionate share of LLET of a limited liability pass-through entity reduced by the minimum tax of $175 and by any other tax credits which the limited liability pass-through entity may be allowed. The LLET credit from a lower tier limited liability pass-through entity shall be the proportionate share of lower tier LLET of a limited liability pass-through entity reduced by the minimum tax of $175 and by any other tax credits which the limited liability pass-through entity may be allowed.

The LLET credit from multi-layered limited liability pass-through entities shall be the proportionate share of LLET credit from each lower layer, after the LLET is reduced by the minimum tax of $175 and by any other tax credits at each layer.

LLET CREDIT AGAINST CORPORATION INCOME TAX

A corporation is allowed a LLET credit against the income tax imposed by **KRS 141.040** equal to the LLET computed on its gross receipts or gross profits as provided by **KRS 141.0401(2)**, after the LLET is reduced by the minimum tax of $175 and by any other credits which the corporation may be allowed.

A corporation that is a partner or member of a limited liability pass-through entity is allowed a LLET credit against the income tax imposed by **KRS 141.040** equal to the corporation's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by **KRS 141.0401(2)**, after the LLET is reduced by the minimum tax of $175 and by other tax credits which the limited liability pass-through entity may be allowed.

The credit allowed a corporation that is a partner or member of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the corporation's proportionate share of distributive income from the limited liability pass-through entity as provided by **KRS 141.0401(3)(b)**. Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

LLET CREDIT AGAINST INDIVIDUAL INCOME TAX

An individual that is a partner, member, or shareholder of a limited liability pass-through entity is allowed a LLET credit against the income tax imposed by **KRS 141.020** equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by **KRS 141.0401(2)**, after the LLET is reduced by the minimum tax of $175 and by other tax credits which the limited liability pass-through entity may be allowed.

The credit allowed an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by **KRS 141.0401(3)(b)**. Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

Note: The Kentucky Limited Liability Entity Tax Credit Worksheet must be completed for each LLE in order to determine the allowable credit on the Individual Income Tax return. This worksheet may be found in the instructions for Forms 740 and 740-NP.

APPORTIONMENT

General – A corporation that is taxable in this state and taxable in another state shall apportion and allocate net income to Kentucky in accordance with **KRS 141.120**. A corporation must use the statutory formula unless the corporation
has been required or granted approval in writing by the DOR to use an alternative method provided by **KRS 141.120(9)(a)** or the corporation qualifies for and elects an alternative apportionment method provided by **KRS 141.120(9)(b)**. A copy of the letter from the DOR requiring or granting approval to use a method other than the statutory formula or a statement electing an alternative apportionment method in accordance with **KRS 141.120(9)(b)(1)** or **(2)** must be attached to the return when filed.

Consolidated Return – An affiliated group filing a consolidated return is treated as a single corporation. All transactions between members of the affiliated group shall be eliminated in determining the sales, property, and payroll factors.

COMPUTATION OF APPORTIONMENT FRACTION

Schedule A must be completed and submitted with the applicable tax return (Form 720, Form 720S, Form 725, Form 765 or Form 765-GP). If the corporation or limited liability pass-through entity filing the tax return is a partner, member, or shareholder of a limited liability pass-through entity or general partnership organized or formed as a general partnership after Jan. 1, 2006; or if the general partnership filing the partnership income return is a

partner or member of a pass-through entity, complete Schedule A-C, Apportionment and Allocation– Continuation Sheet.

For a corporation or limited liability pass-through entity that is not a partner, member, or shareholder of a limited liability pass-through entity or general partnership organized or formed as a general partnership after Jan. 1, 2006; or a general partnership that is not a partner or member of a pass-through entity, the business apportionment factors shall be computed as follows:

Sales – Total sales include all gross receipts other than nonbusiness receipts. Sales of real or tangible personal property are assigned to Kentucky if the property is located in Kentucky or is shipped or delivered to a purchaser in Kentucky. Sales of tangible personal property to the U.S. government are assigned to Kentucky if the property is shipped from Kentucky. **KRS 141.120(8)(c)(3)** provides that sales other than sales of tangible personal property are assigned to Kentucky if the income-producing activity is performed entirely within Kentucky or if the income producing activity is performed both within and without Kentucky and a greater portion of the income-producing activity is performed in Kentucky than in any other state based on cost of performance. The following are general guidelines for assigning these receipts to Kentucky, but should not be considered all inclusive:

A. Receipts from intangibles are assigned to Kentucky if the corporation's commercial domicile is in Kentucky or the intangible has acquired a Kentucky business situs. Examples of receipts from intangibles which are deemed to have acquired a Kentucky business situs are franchise fees from a franchisee located in Kentucky and a corporation's Kentucky distributive share of net income from a partnership doing business in Kentucky.

B. Rents or royalties from real or tangible personal property are assigned to Kentucky if the property is located in Kentucky or in the case of mobile property the rent is assigned to Kentucky if the lessee's base of operations for the property is in Kentucky.

C. Receipts from the performance of services are assigned to Kentucky if the services are performed entirely in Kentucky or the services are performed both within and without Kentucky, but a greater portion is performed in Kentucky than in any other state based on cost of performance.

Property – Total property includes all real and tangible personal property owned or rented and used during the taxable year. Property owned is valued at original cost. Leased property is valued at eight times the annual rental rate less any nonbusiness subrentals.

Real and tangible personal properties are assigned to Kentucky if owned or rented and used in Kentucky. Exclude (a) construction in progress and (b) property which has been certified by Kentucky as a pollution control facility and is owned or leased by the corporation. Safe

harbor lease property must be included in the factor of the seller/lessee at cost and excluded from the property factor of the purchaser/lessor.

Payroll – Total payroll includes all compensation paid or payable by the corporation during the tax period. Kentucky payroll is that portion of total payroll that is paid or payable for services performed within the state. Compensation is paid or payable in this state if the service is performed entirely within the state, the service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state or if the individual's residence is in this state and some of the service is performed in the state and the base of operations or the place from which the service is directed is in this state or in any state in which none of the service is performed.

Apportionment Fraction – To compute the apportionment fraction, the sales factor must be multiplied by two and the property and payroll factors must each be multiplied by one and the total divided by four. A corporation which does not have either sales, property or payroll must average only the factors which are present to determine the weighted apportionment fraction.

APPORTIONMENT AND ALLOCATION OF INCOME

Business income arises from transactions and activities in the regular course of the corporation's trade or business, and includes income from tangible and intangible property if the acquisition, management or disposition of the property constitutes integral parts of the corporation's trade or business. Classifying income by categories (such as interest, rents, royalties and capital gains) does not determine whether income is business or nonbusiness. For example, gain or loss recognized on the sale of property may be business income or nonbusiness income depending upon its relationship to the corporation's trade or business.

Nonbusiness income includes all income not properly classified as business income less all direct or indirect expenses attributable to the production of this income. Nonbusiness income is allocated to Kentucky if (a) the corporation's commercial domicile (the principal place from which the trade or business is managed) is located in Kentucky, or (b) property creating the nonbusiness income is utilized in Kentucky. Generally, tangible personal property is utilized in
Kentucky if it is physically located in Kentucky; intangible property, such as patents and copyrights, is utilized in Kentucky if it is actually used in Kentucky.

Note: See instructions for Schedule A for additional information.

SCHEDULE TCS AND NONREFUNDABLE CREDITS APPLIED AGAINST LLET

Corporations and limited liability pass-through entities may claim other tax credits that are allowable against the LLET as provided by **KRS 141.0401** by utilizing Schedule TCS. This schedule summarizes the credits and lists them in order as per **KRS 141.0205.** The pertinent portion of **KRS 141.0205** as applicable to the taxes imposed by **KRS 141.040** and **KRS 141.0401** follows:

KRS 141.0205 If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax imposed by **KRS 141.040**, and **141.0401**, the priority of application and use of the credits shall be determined as follows:

(4) The nonrefundable credit permitted by **KRS 141.0401** shall be applied against the tax imposed by **KRS 141.040**.

(5) The following nonrefundable credits shall be applied against the sum of the tax imposed by **KRS 141.040** after subtracting the credit provided for in subsection (4) of this section, and the tax imposed by **KRS 141.0401** in the following order:
(a) The economic development credits computed under **KRS 141.347, 141.381, 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-2088, and 154.27-080**;
(b) The certified rehabilitation credit permitted by **KRS 171.397(1)(a)**;
(c) The health insurance credit permitted by **KRS 141.062**;
(d) The unemployment credit permitted by **KRS 141.065**;
(e) The recycling or composting equipment credit permitted by **KRS 141.390**;
(f) The coal conversion credit permitted by **KRS 141.041**;
(g) The enterprise zone credit permitted by **KRS 154.45-090**, for taxable periods ending prior to January 1, 2008;
(h) The tax credit for cash contributions to investment funds permitted by **KRS 154.20-263** in effect prior to July 15, 2002, and the credit permitted by **KRS 154.20-258**;
(i) The coal incentive credit permitted under **KRS 141.0405**;
(j) The research facilities credit permitted under **KRS 141.395**;
(k) The employer GED incentive credit permitted under **KRS 151B.127**;
(l) The voluntary environmental remediation credit permitted by **KRS 141.418**;
(m) The biodiesel and renewable diesel credit permitted by **KRS 141.423;**
(n) The environmental stewardship credit permitted by **KRS 154.48-025**;
(o) The clean coal incentive credit permitted by **KRS 141.428**;
(p) The ethanol credit permitted by **KRS 141.4242**;
(q) The cellulosic ethanol credit permitted by **KRS 141.4244**;
(r) The energy efficiency credits permitted by **KRS 141.436**;
(s) The ENERGY STAR home or ENERGY STAR manufactured home credit permitted by **KRS 141.437**;
(t) The railroad maintenance and improvement credit permitted by **KRS 141.385**;
(u) The railroad expansion credit permitted by **KRS 141.386**;

(v) The Endow Kentucky tax credit permitted by **KRS 141.438**; and
(w) The New Markets Development Program tax credit permitted by **KRS 141.434**.

COST OF GOODS SOLD

Per **KRS 141.0401 (1) (d)** "Cost of goods sold" means:

Amounts that are:

- Allowable as cost of goods sold pursuant to the Internal Revenue Code and any guidelines issued by the Internal Revenue Service relating to cost of goods sold, unless modified by this paragraph; & incurred in acquiring or producing the tangible product generating the Kentucky gross receipts.

- For manufacturing, producing, reselling, retailing, or wholesaling activities, cost of goods sold shall only include costs directly incurred in acquiring or producing the tangible product.

In determining cost of goods sold:

- Labor costs shall be limited to direct labor costs as defined below

- Bulk delivery costs as defined below may be included; and

- Costs allowable under Section 263A of the Internal Revenue Code may be included only to the extent the costs are incurred in acquiring or producing the tangible product generating the Kentucky gross receipts. Notwithstanding the foregoing, indirect labor costs allowable under Section 263A shall **not** be included;

For any activity other than manufacturing, producing, reselling, retailing, or wholesaling**, no costs shall be included** in cost of goods sold.

Direct labor means labor that is incorporated into the tangible product sold or is an integral part of the manufacturing process;

Bulk delivery costs means the cost of delivering the product to the consumer if:

- The tangible product is delivered in bulk and requires specialized equipment that generally precludes commercial shipping; and

- The tangible product is taxable under **KRS 138.220**

CONSOLIDATED TAX RETURNS

Federal Definition of an Affiliated Group – Section 1504(a)(1) provides that an affiliated group means one or more chains of includible corporations connected through stock ownership with a common parent which is an includible corporation, but only if (A) the common parent owns directly stock meeting the requirements of Section 1504(a)(2) in at least one of the includible corporations and (B) stock meeting the requirements of Section 1504(a)(2) in each of the includible corporations (other than the common parent) is owned directly by one or more of the other includible corporations. Section 1504(a)(2) imposes two requirements. First, pursuant to Section 1504(a)(2)(A), the stock must possess at least 80 percent of the total voting power of the stock of the corporation. Second, pursuant to Section 1504(a)(2)(B), the stock must have a value equal to at least 80 percent of the total value of the stock of the corporation (the value requirement).

FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2005 & ELECTION PERIODS BEGINNING PRIOR TO JANUARY 1, 2005

House Bill 272 changed the consolidated corporation income tax return rules. Prior to the law change, corporations subject to the tax filed separate entity returns unless an affiliated group of corporations elected to file a consolidated return for a 96- month period. House Bill 272 preserved the elective consolidated return provisions for certain periods and enacted new mandatory nexus consolidated return provisions.

Elective Consolidated Returns - KRS 141.200(2) through **(7)** permits an affiliated group of corporations to make an election to file a consolidated income tax return for a group of corporations that meet the federal definition of affiliated group as defined in Section 1504(a) of the Internal Revenue Code and related regulations. The election to file a consolidated return for an affiliated group as defined under the federal rules applies for taxable periods ending before January 1, 2005, and election periods beginning prior to January 1, 2005 **KRS 141.200(1).**
An *election period* means a period of ninety-six (96) consecutive calendar months that:

(a) Begins prior to January 1, 2005; and,

(b) Begins with the first day of the first taxable year for which an election to file a consolidated return is made and ending on the last day of the taxable year which includes the 96th consecutive calendar month provided the affiliated group remains in existence in accordance with Treasury Regulation section 1.1502-75(d).

Practitioner Question: May I include limited liability companies, limited partnerships or limited liability partnerships in a Kentucky elective consolidated return filed for calendar years ending on or after Dec. 31, 2005?

Answer: No, under the elective consolidated rules, the federal definition of affiliated group in Section 1504(a) of the Internal Revenue Code (IRC) and related regulations limits the affiliated group to the federal definition of "includible corporations" in Section 1504(b) of the IRC. Non-corporate entities cannot be included as part of the elective consolidated affiliated group. Kentucky will recognize a limited liability company that elects to be taxed as a corporation as an "includible corporation" for an elective consolidated group, provided that the LLC is recognized as a member of the affiliated group under the federal consolidated rules.

FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2005

The nexus consolidated return provisions apply to taxable years beginning on or after January 1, 2005. Excluding those affiliated groups under a valid consolidated return election provided under the provisions of **KRS 141.200(1)** through **(7)**, all other corporations that are doing business in Kentucky are required by **KRS 141.200(10)** to file a separate return unless the corporation was, for any part of the taxable year:

(a) An includible corporation in an affiliated group;

(b) A common parent corporation doing business in this state;

(c) A qualified subchapter S Subsidiary that is included in the return filed by the Subchapter S parent corporation; or,

(d) A qualified real estate investment trust subsidiary that is included in the return filed by the real estate investment trust parent.

Common parent corporation is defined by **KRS 141.200(9)(b)** to be the member of an affiliated group that meets the ownership requirement of **KRS 141.200(9)(a)1.**

Practitioner Question: Can I include limited liability companies, limited partnerships or limited liability partnerships in a Kentucky nexus consolidated return filed for calendar years ending on or after December 31, 2005?
Answer: Yes, limited liability corporations, limited partnerships and limited liability partnerships that are doing business in this state can be included in a nexus consolidated return provided those entities meet the definition of "includible corporation" in **KRS 141.200(9)(d)**.

FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2006

For taxable years beginning after December 31, 2006, "affiliated group" means one (1) or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation if:

(a) The common parent directly owns stock meeting the requirements of subparagraph 2. of this paragraph in at least one (1) other includible corporation; and

(b) Stock meeting the requirements of subparagraph 2. of this paragraph in each of the includible corporations, excluding the common parent, is owned directly by one (1) or more of the other corporations.

The stock of any corporation meets the requirements of this paragraph if the stock encompasses at least eighty percent (80%) of the voting power of all classes of stock and has a value equal to at least eighty percent (80%) of the total value of all stock.

"Common parent corporation" means the member of an affiliated group that meets the ownership requirements as per **KRS 141.200 (9) A (1)** or **(9) B (1)**.

Foreign corporation means a corporation that is organized under the laws of a country other than the United States and is related to a member of an affiliated group through stock ownership;

Includible corporation means any corporation that is doing business in this state except:

1. Corporations exempt from corporation income tax under **KRS 141.040(1)(a)** to **(i)**;

2. Foreign corporations;

3. Corporations with respect to which an election under Section 936 of the Internal Revenue Code is in effect for the taxable year;

4. Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;

5. Regulated investment companies as defined in Section 851 of the Internal Revenue Code;

6. A domestic international sales company as defined in Section 992(a)(1) of the Internal Revenue Code;

7. Any corporation that realizes a net operating loss whose Kentucky property, payroll, and sales factors pursuant to **KRS 141.120(8)** are de minimis;

8. Any corporation for which the sum of the property, payroll and sales factors described in **KRS 141.120(8)** is zero; and

9. For taxable years beginning prior to January 1, 2006, and taxable years beginning on or after January 1, 2007, an S corporation as defined in Section 1361(a) of the Internal Revenue Code;

(f) ***Ownership interest*** means stock, a membership interest in a limited liability company, or a partnership interest in a limited partnership or limited liability partnership;

(g) ***Consolidated return*** means a Kentucky corporation income tax return filed by members of an affiliated group in accordance with this section. The determinations and computations required by this chapter shall be made in accordance with the provisions of the Internal Revenue Code and related regulations, except as required by differences between this chapter and the
Internal Revenue Code;

(h) ***Separate return*** means a Kentucky corporation income tax return in which only the transactions and activities of a single corporation are considered in making all determinations and computations necessary to calculate taxable net income, tax due, and credits allowed in accordance with the provisions of this chapter; and

(i) ***Stock*** means stock in a corporation, or a membership interest in a limited liability company that has elected to be treated as a corporation for federal tax purposes.

10. Every corporation doing business in this state except those exempt from taxation under **KRS 141.040(1)(a)** to **(i)** shall, for each taxable year, file a separate return unless the corporation was, for any part of the taxable year:
(a) An includible corporation in an affiliated group;
(b) A common parent corporation doing business in this state;
(c) A qualified subchapter S Subsidiary that is included in the return filed by the
Subchapter S parent corporation;
(d) A qualified real estate investment trust subsidiary that is included in the return filed by the real estate investment trust parent; or
(e) A disregarded entity that is included in the return filed by its parent entity.

11. (a) An **affiliated group**, whether or not filing a federal consolidated return, shall file a consolidated return which includes all includible corporations.

(b) An affiliated group required to file a consolidated return under this subsection shall be treated for all purposes as a single corporation under the provisions of this chapter. All transactions between corporations included in the consolidated return shall be eliminated

in computing net income in accordance with **KRS 141.010(13)**, and in determining the property, payroll, and sales factors in accordance with **KRS 141.120**. Includible corporations that have incurred a net operating loss shall not deduct an amount that exceeds, in the aggregate, fifty percent (50%) of the income realized by the remaining includible corporations that did not realize a net operating loss. The portion of any net operating loss limited by the application of this subsection shall be available for carryforward in accordance with **KRS 141.011**. The DOR shall promulgate administrative regulations to establish the manner and extent to which net operating losses attributable to tax periods ending prior to January 1, 2005 may offset income of affiliated groups. The gross receipts received by a public service company that is a member of an affiliated group shall be excluded from the calculation of the alternative minimum calculation under **KRS 141.040**. For purposes of this paragraph, "public service company" has the same meaning as provided in **KRS 136.120.**

12. Each includible corporation included as part of an affiliated group filing a consolidated return shall be jointly and severally liable for the income tax liability computed on the consolidated return, except that any includible corporation which was not a member of the affiliated group for the entire taxable year shall be jointly and severally liable only for that portion of the Kentucky consolidated income tax liability attributable to that portion of the year that the corporation was a member of the affiliated group.

13. Every corporation return or report required by this chapter shall be executed by one (1) of the following officers or management of the corporation: the president, vice president, secretary, treasurer, assistant secretary, assistant treasurer, chief accounting officer, manager, member, or partner. The Department of Revenue may require a further or supplemental report of further information and data necessary for computation of the tax.

14. In the case of a corporation doing business in this state that carries on transactions with stockholders, members or partners, or with other corporations related by ownership, by interlocking directorates, or by some other method, the department shall require that information necessary to make possible an accurate assessment of the income derived by the corporation from sources within this state be provided. To make possible this assessment, the department may require the corporation to file supplementary returns showing information respecting the business of any or all individuals and corporations related by one (1) or more of these methods to the corporation. The department may require the return to show in detail the record of transactions between the corporation and any or all other related corporations or individuals.

15. For any taxable year ending on or after December 31, 1995, except as provided under this section and **KRS 141.205**, nothing in this chapter shall be construed as allowing or requiring the filing of:

(a) A combined return under the unitary business concept; or

(b) A consolidated return.

16. No assessment of additional tax due for any taxable year ending on or before December 31, 1995, made after December 22, 1994, and based on requiring a change from any initially filed separate return or returns to a combined return under the unitary business concept or to a consolidated return, shall be effective or recognized for any purpose.

17. No claim for refund or credit of a tax overpayment for any taxable year ending on or before December, 31, 1995, made by an amended return or any other method after December 22, 1994, and based on a change from any initially filed separate return or returns to a combined return under the unitary business concept or to a consolidated return, shall be effective or recognized for any purpose.

18. No corporation or group of corporations shall be allowed to file a combined return under the unitary business concept or a consolidated return for any taxable year ending before December 31, 1995, unless on or before December 22, 1994, the corporation or group of corporations filed an initial or amended return under the unitary business concept or consolidated return for a taxable year ending before December 22, 1994.

19. This section shall not be construed to limit or otherwise impair the department's authority under **KRS 141.205.**

BUSINESS REGISTRATION

An entity must complete a Kentucky Tax Registration Application (Form 10A100) when it begins doing business in Kentucky, begins conducting a new taxable activity in Kentucky, or changes its form or demographics. Form 10A100 may be downloaded from the DOR's website at *www.revenue.ky.gov* following the link to Business, or you may request a copy of the application by contacting the Taxpayer Registration Section at 502-564-3306.

An entity's ownership type dictates whether it is subject to the Limited Liability Entity Tax (LLET). The following charts outline a business's registration requirements for Corporation Income Tax and/or the Limited Liability Entity Tax.

UPDATING OR CANCELLING KENTUCKY TAX ACCOUNTS

The Division of Registration and Data Integrity has developed a new form, 10A104 (7-10) Update or Cancellation of Kentucky Tax Account(s), which allows a business to update the following information as well as to cancel existing accounts:

1. Update business name or DBA name;
2. Update existing business location information for sales and use tax accounts;
3. Add a new location of current business for sales and use tax accounts;
4. Update accounting period;
5. Update ownership type for a tax election change (Some changes in ownership will require a new registration and a 10A100 Kentucky Tax Registration Application must be completed.);
6. Update or provide new responsible party information; and/or
7. Update mailing address(es)/mailing address phone numbers.

This form may only be used to update or cancel existing accounts. Form 10A100, Kentucky Tax Registration Application, must be used to apply for new accounts or reinstate a previous account.

CORPORATION INCOME AND LIMITED LIABILITY ENTITY TAX

Ownership Type	ACCOUNT ASSIGNMENT	
	Corporation Income Tax	Limited Liability Entity Tax
Sole Proprietor	NEITHER	
Joint Venture		
Trust		
Nonprofit		
Estate		
General Partnership		
Government		

Note: Kentucky nexus rules apply to both types of tax accounts. However, if a company is not liable for corporation income tax due to protections afforded under PL 86-272, they are still liable for LLET and need the account to pay the LLE tax. The LLE tax is not an income tax and the protections of PL 86-272 DO NOT apply.

CORPORATION INCOME AND LIMITED LIABILITY ENTITY TAX

Qualified Investment Partnership (QIPs)	QIPs are exempt from tax *(See Corporation and LLET statutory exemptions below)* but must file an informational return. **Corporation Income and/or LLET accounts are assigned based on the ownership type listed on the application.**
Corporation	**BOTH** (Unless otherwise exempted by law. See Corporation and LLET statutory exemptions below.)
S Corporation	
Association	
LLC federally taxed as a corporation	
LLC federally taxed as an s-corporation	
Real Estate Investment Trust (REIT)	**REGISTER FOR CORPORATION INCOME TAX ONLY** (Unless otherwise exempted by law. See Corporation statutory exemptions below.)
Regulated Investment Company (RIC)	
Real Estate Mortgage Investment Conduit (REMIC)	
Cooperatives	
Professional Service Corporations (PSC)	
Professional Service LLC (PLLC) federally taxed as a corporation or s-corporation	
Public Service Corporations	
Homeowner's Association	
Political Campaigns (if they file federal form 1120POL)	
Limited Partnership (LP)	**REGISTER FOR LLE TAX ONLY** (Unless otherwise exempted by law. See LLET statutory exemptions below.)
Limited Liability Partnership (LLP or LLLP)	
Professional Service LLC (PLLC) federally taxed as a partnership *Note: This LLC must file a KY form 765.*	
Professional Service LLC (PLLC) federally taxed as a sole proprietorship *Note: This LLC must file a KY form 725.*	
LLC federally taxed as a partnership *Note: This LLC must file a KY form 765.*	
LLC federally taxed as a sole proprietorship *Note: This LLC must file a KY form 725.*	
LLC federally taxed as a disregarded entity whose single member owner is an entity that would NOT qualify for its own Corporation/LLET account. **(examples-- single member is a:** **• general partnership,** **• estate, or** **• trust** **• IRA.)** *Note: This LLC must file*	

LLC federally taxed as a disregarded entity whose single member owner is a company that WOULD qualify for its own Coporation/LLET account and is not otherwise exempt. **(examples - single member is a:** **• corporation** **• s-corporation** **• LLC,** **• LP, or** **• LLP)** (Note: The lower level LLC will not be assigned a Coroporation/LLET account. Instead, its members MUST register to file on behalf of the subsidary LLC and to report the LLE tax and any pass-through income. The parent member will file the appropriate tax form that matches its taxing designation. See Corporation/LLET statutory exemptions below.)	**Neither corporate income tax nor LLE tax**
LLC federally taxed as a disregarded entity whose single member owner is a company that CANNOT be assigned a Corporation/LLET account due to being exempt by statute. The disregarded entity LLC takes on the exempt status of its parent member. **(example - single member is:** **• financial institution (bank, credit union),** **• exempt under 501 or IRS code,** **• See below for complete list of those companies statutorily exempt from Corporation and/or LLET.)** (Note: The LLC will not be assigned a Corporation/LLET account. Neither will the parent member since it is exempt by statute.)	
S-corporation or LLC federally taxed as an S-corporation that is wholly owned by another S-corporation or LLC-S-corp. (QSS) **REIT wholly owned by another REIT (QREIT)** (Note: The lower level S-corp or REIT will not be assigned a Corporation/LLET account. Instead its parent MUST register to file on behalf of the subsidiary and to report the LLET tax and any pass-through income. The parent member will file KY Form 720S. See Corporation/LLET statutory exemptions below.)	

Statutorily exempt from Corporation Income Tax: See KRS 141.040 and 141.206(15)(a) & (b)	• Financial institution (bank, credit union); • Savings and loan association; • Bank for cooperatives; • Production credit association; • Insurance company; • Exempt under 501 of IRS code; •Religious, educational, charitable organizations, and; •Corporation whose only owned or leased property located in KY is located at the premises of a printer with which it has contracted for printing. • Qualified Investment Partnership (QIPs)
Statutorily exempt from Limited Liability Entity Tax: See KRS 141.0401 and 141.206(15)(a) & (b)	**• All companies listed in the Corporation Income Exemptions above, AND;** • Public service corporation; • Open-end registered investment company; • Property or facility certified as a fluidized bed energy production facility; • Alcohol production facility; • REIT; • RIC; • REMIC; • Personal service corporation; •Cooperatives (such as farming, advertising, and purchasing); • Homeowner's Association; • Political Associations/Organizations; • Rural Electric and Rural Telephone Cooperatives; • Publicly traded partnerships; and • Qualified Investment Partnership (QIPs)

FORM 725 – KENTUCKY SINGLE MEMBER LLC INDIVIDUALLY OWNED

Tax Treatment

For taxable years beginning on or after January 1, 2007, a limited liability company that affords its single member, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity is classified as a limited liability pass-through entity as provided by **KRS 141.010(28)**. Also, for taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits as provided by **KRS 141.0401(2)**, unless specifically excluded.

A single member LLC whose single member is an individual shall file a Kentucky Single Member LLC Individually Owned LLET Return (Form 725). A single member LLC and any lower-tier single member LLC shall be treated as one entity in determining the limited liability tax. An individual who owns more than one single member LLC can file Schedule CP, Kentucky Single Member LLC Individually Owned Composite Return Schedule rather than filing multiple forms (Form 725).

A resident or nonresident individual single member shall be entitled to a nonrefundable LLET credit against income tax imposed by **KRS141.020** (Kentucky individual income tax). The nonrefundable LLET credit allowed a member shall be the LLET for the current year after the subtraction of any credits identified in **KRS 141.0205** and reduced by $175. The credit allowed a member shall be applied to the income tax assessed on income from the single member LLC. Any remaining credit from the single member LLC shall be disallowed. **KRS 141.0401(3)**

Disregarded Entities

A single member LLC owned by an individual, estate, trust or general partnership is treated in the same manner as it is treated for federal income tax purposes. Consequently, an individual, estate, trust, or general partnership filing a Kentucky tax return will include any single member LLC when filing the applicable Kentucky return. However, a single member LLC is classified as a limited liability pass-through entity as provided by **KRS 141.010(28)** and is subject to the limited liability entity tax as provided by **KRS 141.0401(2)**. A single member LLC whose single member is an individual, estate, trust, or general partnership must file a Kentucky Single Member LLC Individually Owned LLET Return (Form 725) to report and pay any LLE tax that is due.

Pass-through Entity

A single member LLC individually owned that is doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 725 pursuant to the provisions of **KRS 141.010, 141.0401** and **141.206.** If necessary, use Schedule A, Apportionment and Allocations Instructions and Schedule A-C, Apportionment and Allocation Continuation Sheet available on the DOR website (*www.revenue.ky.gov*.)

Required Forms

Each single member LLC must enter all applicable information on Form 725, attach a schedule for each line item or line item instruction which states "attach schedule," and use the following forms or schedules, if applicable:

1. Kentucky Single Member LLC Individually Owned LLET Return (Form 725);

2. Kentucky Single Member LLC Individually Owned Composite Return Schedule (Schedule CP);

3. Apportionment and Allocation (Schedule A);

4. Apportionment and Allocation–Continuation Sheet (Schedule A–C);

5. Limited Liability Entity Tax (Schedule LLET);

6. Limited Liability Entity Tax–Continuation Sheet (Schedule LLET–C).

COMPLETING FORM 725

PART I—KENTUCKY NET DISTRIBUTABLE INCOME

Line 1—Enter the ordinary income from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule C (Form 1040), Schedule F (Form 1040), Schedule E (Form 1040), Form 1065 or other applicable forms to return. If Schedule C, Schedule F, Schedule E, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only the activity of the single member LLC.

Line 2—Enter the net income (loss) from rental real estate activities from Form 1040, Form 1041, or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule E (Form 1040), Form 4835, Form 1065, or other applicable forms to return. If Schedule E, Form 4835, Form 1065, or other applicable forms contain activity of both the individual and single member LLC, prepare a pro-forma schedule which contains only activity of the single member LLC.

Line 3—Enter the net income (loss) from other rental activities from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule C (Form 1040), Form 1065 or other applicable forms to return. If Schedule C, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 4—Enter the interest income earned by the single member LLC (attach schedule).

Line 5—Enter the dividend income earned by the single member LLC (attach schedule).

Line 6—Enter the royalty income from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule E (Form 1040), Form 1065, or other applicable forms to return. If Schedule E, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 7—Enter the short-term and long-term capital gain (loss) from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws. If a net (loss), do not include more than $3,000. Attach Schedule D (Form 1040), Schedule D (Form 1041), Schedule D (Form 1065) or other applicable forms to return. If Schedule D or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 8—Enter the Section 1231 gain or (loss) from Form 4797 or Form 1065 adjusted to reflect differences in federal and Kentucky tax laws. Attach Form 4797, Form 1065 or other applicable forms to return. If Form 4797, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 9—Enter the total of any other income (attach schedule).

Line 10—Enter the total of deductions not included on Lines 1 through 9, if any (attach schedule).

Line 11—Enter the total of Lines 1 through 9 less Line 10.

Line 12—Enter 100 percent if the single member limited liability company is doing business only in Kentucky or the percentage from Schedule A (Form 41A720A), Section I, Line 12 if the single member limited liability company is doing business within and without Kentucky.

If Form 8582-K is required, adjust the amount entered on Line 11 to exclude any income, loss, deduction or expense related to a passive activity. If the amount on Line 7 (Net short-term and long-term capital loss) is subject to a capital loss limitation, adjust the amount entered on Line 11 to exclude the loss not allowed.

Note: For purposes of determining the income to enter on Line 2 of the Kentucky Limited Liability Entity Tax Credit Worksheet included in the instructions for Forms 740, 740-NP or 741, Multiply Line 11 by the percentage on Line 12.

PART II—LLET COMPUTATION

Line 1—Enter the amount from Schedule LLET, Section D, Line 1. A single member LLC must use Schedule LLET(K), Limited Liability Entity Tax for Pass-through Entities with Economic Development Project(s), if the single member LLC has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Jobs Development Act (KJDA), Kentucky Economic Opportunity Zone (KEOZ) or Kentucky Industrial Revitalization Act (KIRA).

Line 2—Enter the recycling/composting equipment recapture amount from Schedule RC-R, Line 10. There is no recapture of the recycling/composting equipment credit for LLET purposes if the credit was not taken against LLET in a prior year. Attach Schedule RC-R, Kentucky Disposition of Recycling or Composting Equipment Schedule.

Line 3—Enter the total of Lines 1 and 2.

Line 4—Enter nonrefundable LLET credit from Schedule(s) Kentucky K-1. **Copies of Kentucky Schedule(s) K-1 must be attached to the tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E.

Line 6—Enter the greater of line 3 less lines 4 and 5, or $175.

Line 7—Enter the total LLET estimated tax payments made for the taxable year. Do not include the amount credited from prior year.

Line 8—Enter amount of approved refundable certified rehabilitation credit.

Line 9—Enter amount of approved film industry credit.

Line 10—Enter the amount of LLET paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation Income Tax Return.

Line 11—Enter the amount credited to 2010 from Part II, line 12 of the 2009 tax return.

Line 12—If line 6 is greater than the total of lines 7 through 11, enter the difference on this line and enter the amount in Tax Payment Summary.

Line 13—If line 6 is less than the total of lines 7 through 11, enter the difference on this line.

Line 14—Enter the portion of line 11 to be credited to 2010 LLET.

Line 15—Enter the portion of line 11 to be refunded (line 11 less line 12).

PART III—LLET CREDIT for MEMBER

Line 1—Enter the LLET paid from Part II, the total of lines 4 and 6.

Line 2—Minimum tax $175.

Line 3—Enter line 1 less line 2.

Tax Payment Summary – Payments submitted with Form 725 must be itemized. Enter the amount of tax payment from Part II, line 12, on the LLET due line, the amount of penalty payment on the Penalty line, the amount of interest payment on the Interest line, and the total payment on the Total Payment line.

LLET CREDIT COMPUTATION FOR THE INDIVIDUAL INCOME TAX RETURN

An individual that is a partner, member, or shareholder of a limited liability pass-through entity is allowed a LLET credit against the income tax imposed by **KRS 141.020** within limitations. To determine the allowable credit, the Kentucky Limited Liability Entity Tax Credit Worksheet much be completed for **each** Limited Liability Entity.

Any remaining LLET credit shall be disallowed and not be carried forward to the next year. A copy of the worksheet, which is included in the instructions for Forms 740 and 740-NP, follows.

Kentucky Limited Liability Entity Tax Credit Worksheet

Complete a separate worksheet for each LLE. Retain for your records.

Name _____

Address _____

FEIN _____

Percentage of Ownership: _____ %

1. Enter Kentucky Taxable income from Form 740, line 11: _____

2. Enter LLE income **as shown on Kentucky Schedule K-1 or Form 725:** _____

3. Subtract line 2 from line 1 and enter total here: _____

4. Enter Kentucky tax on income amount on line 1: _____

5. Enter Kentucky tax on income amount on line 3: _____

6. Subtract line 5 from line 4. If line 5 is larger than line 4, enter zero. This is your tax savings if income is ignored: _____

7. Enter nonrefundable limited liability entity tax credit **(from Kentucky Schedule K-1 or Form 725):** _____

8. Enter the lesser of line 6 or line 7. This is your credit. Enter here and on Form 740, Section A, line 1: _____

LETTERS OF GOOD STANDING

Effective July 1, 2008 and pursuant to **KRS 271B.14-220(1)(e)**, a letter of good standing from the Kentucky Division of Unemployment Insurance must be submitted to the Secretary of State to complete the reinstatement process. This brings the total documents needed to complete the reinstatement process to four:

(1) A letter of good standing from the Department of Revenue stating that the business entity has filed all Kentucky tax returns presently due and that any outstanding due and owing tax liabilities have been paid;

(2) A letter of good standing from the Kentucky Division of Unemployment Insurance;

(3) The Application for Reinstatement. This application can be obtained from the Secretary of State website by clicking on the link to access the Online Business Database and then the reinstatement packet button at the top of the page; and

(4) The Reinstatement Annual Report. The reinstatement annual report is created the same way as the application for reinstatement, by using the Online Business Database. A personalized annual report will be created for you upon entering your organization ID or company name in the space provided on the business database search.

Effective November 1, 2010, there are two options available for requesting a Letter of Good Standing for reinstatement purposes:

From Secretary of State:
A Letter of Good Standing may be obtained by contacting the Secretary of State's (SOS) Office at (502) 564-3490 or by accessing their website at:

http://www.sos.ky.gov/business/annualreports/

Scroll down to the Administrative Dissolution and Reinstatement header and follow the three-step reinstatement instructions listed below:

(1) Print the Reinstatement Application via the *Organization Search* page of the Office of the Secretary of State website.

(2) After identifying the business entity, select the Reinstatement Package button at the top of the page.

(3) Mail or hand deliver the Reinstatement Application to the Office of the Secretary of State.

The SOS will request, on the entities behalf, a letter of good standing from the Kentucky Department of Revenue and, in the case of profit companies, the Division of Unemployment Insurance. When both good standing letters are received, the SOS will process the reinstatement application.

From DOR:

In the event a business entity chooses not to have the SOS request the letters of good standing, the entity must contact the agencies on their own and submit the good standing letters with the Reinstatement Application to be processed by the SOS.

To obtain a Letter of Good Standing directly from the Department of Revenue, mail or fax the request to:

Department of Revenue
Division of Corporation Income Tax
501 High Street
PO Box 181, Station 52
Frankfort, Ky. 40602-0181

The request must be signed by a responsible party of the business entity seeking the letter of good standing and state that the purpose of the request is for reinstatement with the Secretary of State. Include the business name of the entity as well as the federal identification number and the Kentucky Corporation or Limited Liability Entity Tax number, if applicable, with the request. Also include a return address or fax number, depending upon how the completed letter is to be returned to the business entity, in the request.

Requests for letters of good standing are given a high priority when received by the Division of Corporation Income Tax and are normally completed within five working days of receipt. The letter of good standing is valid for only 30 days; therefore it is very important that all documentation required by the Secretary of State be submitted before that expiration date.

To avoid the need for these letters of good standing, file the Annual Report and pay the filing fees due the Secretary of State by June 20th of each year.

NOTE: Either option for requesting a letter of good standing is acceptable; however, requesting through the SOS Online Business Database will expedite the reinstatement process.

KRS 141.206 - WITHHOLDING ON DISTRIBUTIVE SHARE INCOME

Withholding on distributive share income, otherwise known as pass-through entity (PTE) withholding, is reported on Form 740NP-WH with Forms PTE-WH attached. Copies of the PTE-WH forms must also be sent to each nonresident individual partner, member or shareholder, or foreign corporation partner or member whose only source of Kentucky income is from the pass-through entity. A foreign corporation in this case is any corporation that was formed outside of Kentucky.

The PTE withholding is the amount required to be withheld from each nonresident individual partner, member or shareholder **(including estates and trusts)** or C corporation partner or member on the distributable income apportioned to Kentucky. The withholding is only on each nonresident individual partner, member or shareholder, or corporate partner or member that is doing business in Kentucky only through its ownership interest in a pass-through entity.

A Partnership or S corporation partner, member or shareholder is not subject to withholding. A partnership or S corporation is classified as a pass-through entity as provided by **KRS 101.010(26)** and not a corporation or an individual.

The withholding rate is 6 percent of the distributable income. Estimated tax payments shall be made for tax years beginning after Dec. 31, 2011 if required by the provisions of **KRS 141.206 (6)** and in accordance with **KRS 141.207**. The full amount of withholding is due on the 15th day of the fourth month after the entity's year end. For calendar year filers, the due date is April 15th.

The reporting of a nonresident individual's net distributive share income and withholding on Form 740NP-WH at the maximum rate of 6 percent shall satisfy the filing requirements of **KRS 141.180** for a nonresident individual partner, member or shareholder whose **only** Kentucky source income is net distributive share income. The nonresident individual partner, member or shareholder may elect to file a Kentucky Individual Income Tax Return Nonresident or Part-Year Resident (Form 740-NP) to take advantage of the graduated tax rates, credits and deductions.

COMPOSITE RETURNS

(For taxable years beginning on or after January 1, 2007). A composite return may be filed for nonresident individuals **(including estates and trusts)** who **are exempt** from the withholding requirement. A nonresident individual may be exempt from PTE withholding if the entity provides evidence that the individual has filed an appropriate Kentucky income tax return in the prior year.

The individual must also elect to be included in the composite return. A schedule must be attached reporting each of the electing nonresident individual partner's, member's or shareholder's name, address, Social Security number, net distributive share income and tax due. Income tax is calculated on the distributable income of the electing partners, members or shareholders at the rate of 6 percent. The composite return is filed on Form 740NP-WH. A pass-through entity filing a composite return shall make estimated payments if required by the provisions of **KRS 141.206** on Form 740 NP-WH.

At the time of filing the actual 740NP-WH return, a schedule PTE-WH shall be attached for each electing nonresident individual partner, member or shareholder reporting their name, address, Social Security number, net distributive share income and tax due. The balance of tax due for all electing partners, members or shareholders shall be remitted with the composite return.

KEY POINTS

No withholding is required for:

- Members, partners or share-holders that are pass-through entities, (including partnerships and S corporations)

No withholding is required if:

- The pass-through entity demonstrates to the DOR that a partner, member or shareholder has filed an appropriate tax return for the prior year with the DOR, by attaching to the Kentucky Form 40A201, "740NP-WH, Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report", a statement that the partner, member, or shareholder is exempt from withholding as provided by **KRS 141.206(4)(b)2** and including the information as listed above. Filing a completed PTE-WH for each exempt member with the word "Exempt" added to the form will satisfy the reporting requirement for exempt partners, members, or shareholders.
- The nonresident partner or member is exempt from Kentucky income tax as provided by **KRS 141.040(1)**
- The partner, member or shareholder is a nonresident individual and the pass-through entity is a qualified investment pass-through entity as provided by **KRS 141.206(12)(a)**
- The partners or member is a pass-through entity (including partnerships and S corporations) as provided by **KRS 141.010(26)**.

Include all items listed on the Schedule K in distributable income including, but not limited to interest income, dividend income, capital gains, guaranteed payments and rents.

ESTIMATED TAX ISSUES

Every entity subject to the corporation income tax under **KRS 141.040** and/or the limited liability entity tax under **KRS 141.0401** shall make a declaration of estimated tax and must pay installments if the taxes imposed by **KRS 141.040** and/or **KRS 141.0401** for the taxable year can reasonably be expected to exceed $5,000. Failure to pay estimated tax installments equal to the amount determined by first subtracting $5,000 from 70 percent of the total tax due under **KRS 141.040** and computed by the taxpayer on the return filed for the tax year will result in the assessment of an underpayment penalty. Entities whose prior year combined tax liability is less than or equal to $25,000 can make estimated tax installments equal to its prior year tax less $5,000 and avoid the underpayment penalty. **KRS 141.042, KRS 141.044(1) and KRS 141.990**

FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2011

Effective for taxable years beginning after Dec. 31, 2011 the provisions of KRS 141. 206 may apply if certain tax liability thresholds are exceeded. When considering these requirements note that two calculations may be necessary; one for the individual partners and one for the corporate partners.

KRS 141.206 (6) is provided below:

(6) (a) Effective for taxable years beginning after December 31, 2011, every pass-through entity required to withhold Kentucky income tax as provided by subsection (5) of this section shall make a declaration and payment of estimated tax for the taxable year if:

1. For a nonresident individual partner, member, or shareholder, the estimated tax liability can reasonably be expected to exceed five hundred dollars ($500); or

2. For a corporate partner or member that is doing business in Kentucky only through its ownership interest in a pass-through entity, the estimated tax liability can reasonably be expected to exceed five thousand dollars ($5,000).

(b) The declaration and payment of estimated tax shall contain the information and shall be filed as provided in **KRS 141.207,** which follows.

KRS 141.207 Declaration and payment of estimated tax required by KRS 141.206.

(1) The declaration and payment of estimated tax required by KRS 141.206(6) shall contain the following information:

(a) For a nonresident individual partner, member, or shareholder, the amount of estimated tax calculated under KRS 141.020 for the taxable year; and

(b) For a corporate partner or member that is doing business in Kentucky only through its ownership interest in a pass-through entity, the amount of estimated tax calculated under KRS 141.040 for the taxable year.

(2) The declaration of estimated tax required under this section shall be filed with the department by the pass-through entity in the same manner and at the same times as provided by:
(a) KRS 141.300, for a nonresident individual partner, member, or shareholder; and
(b) KRS 141.042, for a corporate partner or member.

(3) The payment of estimated tax shall be made in installments by the pass-through entity in the same manner and at the same times as provided by:
(a) KRS 141.305, for a nonresident individual partner, member, or shareholder; and
(b) KRS 141.044, for a corporate partner or member.

(4) A pass-through entity required to make a declaration and payment of estimated tax shall be subject to the penalty provisions of KRS 131.180 and 141.990 for any declaration underpayment or any installment not paid on time.

Interest on Late Installments – Form 2220-K has been revised and is now a two page form. Page two now includes Part III which is used to calculate interest on any installment not paid on time as provided by **KRS 131.183 (2).**

FORM 740NP-WH-ES VOUCHER

Below is an example of the new Form 740NP-ES Kentucky Estimated Tax Voucher. Effective for tax years beginning after December 31, 2011, every pass-through entity required to withhold Kentucky income tax as provided by KRS 141.206(5) or that files a composite income tax return as provided by KRS 141.206(16)(a) shall make a declaration and payments of estimated tax as required by KRS 141.206(6) if:

> A nonresident individual's, partner's, member's, or shareholder's estimated tax liability can reasonably be expected to exceed $500, or
>
> A corporate partner's or member's estimated tax liability can reasonably be expected to exceed $5,000.

See instructions for Form 740NP-WH-ES for additional information on filing requirements and due dates.

2012 PASS-THROUGH ENTITY NONRESIDENT DISTRIBUTIVE SHARE WITHHOLDING REPORT AND COMPOSITE INCOME TAX RETURN VOUCHER

KENTUCKY ESTIMATED TAX VOUCHER INSTALLMENT 2

Form 740NP-WH-ES

Kentucky Corporation / LLET Account Number _ _ _ _ _ _

Tax Year Ending

Payment Date

Federal Identification Number (FEIN) _ _ - _ _ _ _ _ _ _

Make check payable to: Kentucky State Treasurer

INDIVIDUAL TAX TRANS CODE 07	, , .00
CORPORATE TAX TRANS CODE 08	, , .00
Total Tax Paid	, , .00

(Round to nearest dollar)

Kentucky Department of Revenue
Frankfort, KY 40619-0004

ENCLOSE CHECK AND VOUCHER UNATTACHED

Kentucky UNBRIDLED SPIRIT

40A201ES(10/11)

EXTENSIONS

The department will recognize the extension to file the income/LLET return as an extension to file the 740-NP-WH return.

Note: The extension to file the return does not extend the time to pay the withholding by the original due date. Both the 740-NP-WH and the PTE-WH are available at *www.revenue.gov* under *Forms*. These schedules are also included in the forms for your entity type.

Mail
Forms 740NP-WH and PTE-WH
SEPARATELY
from tax returns.

MISCELLANEOUS TAXES

Inheritance and Estate Taxes 164

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2011 Legislative Updates 177

INHERITANCE AND ESTATE TAXES

Inheritance Tax – The Kentucky inheritance tax is a tax on a beneficiary's right to receive property from a deceased person. The amount of the inheritance tax depends on the relationship of the beneficiary to the deceased person and the value of the property. The closer the relationship is the greater the exemption is, the smaller the tax rate will be. All property belonging to a resident of Kentucky is subject to the tax except for real estate located in another state. Also, real estate and personal property located in Kentucky and owned by a nonresident is subject to being taxed. If the inheritance tax is paid within nine months of date of decedent's death, a 5 percent discount is allowed. The tax due should be paid when the return is filed. However, if the beneficiary's net inheritance tax liability exceeds $5,000, an election may be made to pay the tax in ten equal annual installments. The first installment is due at the time the return is filed. The portion of the tax deferred is charged with interest at the rate established by law beginning 18 months after the date of death.

There are three classes of beneficiaries: Class A, Class B, and Class C.

CLASS A beneficiaries include: spouse, parent, child, grandchild, brother, and sister. If the date of death is after June 30, 1998, all Class A beneficiaries are exempt from paying Kentucky inheritance tax.

CLASS B beneficiaries include: niece by blood, nephew by blood, daughter-in-law, son-in-law, aunt, uncle, great grandchild. Class B beneficiaries receive a $1,000 exemption and the tax rate is 4 percent to 16 percent.

CLASS C beneficiaries include all persons not included in Classes A or B and all educational, religious, or other institutions, societies or associations, or public institutions not exempted by **KRS 140.060**. Cousins are considered Class C beneficiaries. Class C beneficiaries receive a $500 exemption and the tax rate is 6 percent to 16 percent.

If a Federal Estate and Gift Tax Return, Form 706, is required to be filed and Kentucky's portion of the credit for state death taxes exceeds the inheritance tax, the difference between the credit and the inheritance tax must be paid to the Commonwealth of Kentucky as an estate tax.

Year	Amount of Exclusion
2001	$675,000
2002	$1,000,000
2003	$1,000,000
2004	$1,500,000
2005	$1,500,000
2006	$2,000,000
2007	$2,000,000
2008	$2,000,000
2009	$3,500,000
2010	$5,000,000 *
2011	$5,000,000

***The Executor of a decedent's estate may elect out of the estate tax for 2010. This amount may be adjusted for inflation for 2011 and/or 2012.**

Estate Tax – Under the Economic Growth and Tax Reconciliation Act (EGTRRA) of 2001 the credit for state death (estate) taxes was reduced by 25 percent each year starting in 2002 and was eliminated completely by 2005. Beginning in 2005 there is no Kentucky estate tax. The state death tax credit was replaced by a deduction for state death taxes paid on the Federal Estate and Gift Tax Return until the repeal of the federal estate tax in 2010. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 retroactively reinstates the estate tax for estates of decedents dying in 2010 and provides for an applicable exclusion amount of $5,000,000 and a maximum tax rate of 35 percent. The 2010 Tax Relief Act also repeals the new basis rules under section 1022 of the Internal Revenue Code enacted under EGTRRA that are applicable to estates of decedents dying in 2010. However, the 2010 Tax Relief Acts provides that an executor of a decedent's estate who died in 2010 may elect out of the estate tax and instead have the new basis rules under section 1022 apply to the property acquired from the decedent. The provisions of the 2010 Tax Relief Act sunset December 31, 2012. Therefore, under current law, the applicable exclusion amount will return to $1 million and the maximum tax rate will return to 55 percent. Also, Kentucky estate tax will return. For answers to questions pertaining to the filing of a Federal Estate and Gift Tax Return, call (800) 829-1040. Be advised there could still be Kentucky inheritance tax due.

Affidavit of Exemption – On June 18, 1999, the Kentucky Revenue Cabinet sent a memorandum to the District Judges in the Commonwealth of Kentucky requesting that an Affidavit of Exemption be accepted in place of an Inheritance and Estate Tax Acceptance Letter for final settlement and closing of the administration of an estate. The affidavit should be used only when the entire estate passes to nontaxable beneficiaries and a United States Estate and Gift Tax Return is not required to be filed under federal law and applicable regulations. Using this form will eliminate expending time and money for the preparation and review of Inheritance and Estate Tax Returns. The Affidavit of Exemption should ease the administration of estates that do not owe any Kentucky death tax and are not required to file a Federal Estate and Gift Tax Return. If you have questions, contact the Financial Tax Section at (502) 564-4810. If an Affidavit of Exemption is submitted to the Court, do not send a copy of the affidavit to the Kentucky Department of Revenue.

Filing and Payment Information Effective July 1, 1998 – A tax return must only be filed by the personal representative when any assets of the estate pass to taxable beneficiaries or taxable organizations or a Federal Estate and Gift Tax Return is required to be filed. If no inheritance taxes are due, the entire estate passes to tax exempt beneficiaries and a Federal Estate and Gift Tax Return is not required, an Affidavit of Exemption will be accepted by the court for final settlement and closing of the administration of an estate. It is not necessary to file a No Tax Due Inheritance and Estate Tax Return with the Kentucky Department of Revenue. If an Affidavit of Exemption is submitted to the court, do not send a copy of the affidavit to the Kentucky Department of Revenue. A copy

of the Affidavit of Exemption and tax returns may be obtained from the Financial Tax Section, Kentucky Department of Revenue, Frankfort, KY 40620, by calling (502) 564-4810, from the taxpayer service center in your area or via our website *www.revenue.ky.gov.*

Question: If taxes are due, when should the forms be filed?

Answer: If taxes are due, the return must be filed within 18 months from the date of the decedent's death. If the tax due is not paid within 18 months of death, interest and perhaps penalties are due. Filing the tax return should not be postponed due to the delay in receiving the federal estate tax audit or closing letter or because the real estate is being sold.

Inheritance Tax Table for Estates of Decedents who were Residents of Kentucky (Applicable for Dates of Death on or after July 1, 1998) –Classification of Beneficiary Instructions for Using Inheritance Tax Table.

A. Compute each beneficiary's tax separately.

B. Do not deduct the beneficiary's exemption from the distributive share. The tax shown in the table for each distributive share bracket automatically applies the allowable exemption.

C. Determine the proper classification of the beneficiary at the left side of the table.

D. Nephews and nieces by marriage and great nephews and great nieces are Class C beneficiaries.

E. Follow the tax table across to distributive share bracket at the top of the table that includes the distributive share of that beneficiary.

F. The tax applicable to that beneficiary's distributive share is the amount shown plus the designated percentage of the amount by which the distributive share exceeds the base of the distributive share bracket. An estate tax is levied when the credit for state death taxes allowable on the federal estate tax return exceeds the Kentucky inheritance tax.

Affidavit of Exemption

Affiant _____ being first duly sworn, states that he is the fiduciary or beneficiary of the estate of_____, who died on the _____day of _____, _____, a resident of _____ County, Kentucky.

Affiant states that all assets of the estate pass to exempt beneficiaries pursuant to **KRS 140.080** or exempt organizations pursuant to **KRS 140.060** either by virtue of the decedent's will, the intestate laws of this state, or by contract (survivorship, payable on death, trust, etc).

Affiant also states that a Kentucky Inheritance and Estate Tax Return will not be filed since no death tax is due the state and a Federal Estate and Gift Tax Return (Form 706) will not be filed because the gross estate is less than the required amount set out in Section 2010(c) of the Internal Revenue Code. This affidavit is being submitted to the court to satisfy the requirements of **KRS 395.605**.

_____
Signature

Witness my hand this _____day of _____, _____. Sworn and subscribed before
Me by_____, this _____day of _____, _____.

_____
Notary Public
My commission expires: _____

INHERITANCE TAX TABLE
FOR ESTATES OF DECEDENTS WHO WERE RESIDENTS OF KENTUCKY
(APPLICABLE FOR DATES OF DEATH ON OR AFTER JULY 1, 1998)

CLASS A—The following list of beneficiaries are exempt from paying inheritance tax.

(1) Surviving spouse, parent
(2) Child (adult or infant)
child by blood, stepchild, child adopted during infancy, or a child adopted during adulthood who was reared by decedent during infancy
(3) Grandchild
issue of child by blood, stepchild, child adopted during infancy, or of a child adopted during adulthood who was reared by decedent during infancy
(4) Brother, sister (whole or half)

DISTRIBUTIVE SHARE BRACKETS

CLASSIFICATION OF BENEFICIARY	$500 or less	$500-$1,000	$1,000-$10,000	$10,000-$20,000	$20,000-$30,000	$30,000-$45,000	$45,000-$60,000	$60,000-$100,000	$100,000-$200,000	$200,000- and over
CLASS B *Nephew, niece, half-nephew or half-niece, daughter-in-law, son-in-law, aunt, uncle, or great-grandchild who is grandchild of child by blood, stepchild or child adopted during infancy.	0	0	4% of Amt. over $1,000	$360 + 5% of Amt. over $10,000	$860 + 6% of Amt. over $20,000	$1,460 + 8% of Amt. over $30,000	$2,660 + 10% of Amt. over $45,000	$4,160 + 12% of Amt. over $60,000	$8,960 + 14% of Amt. over $100,000	$22,960 + 16% of Amt. over $200,000
	Exemption $1,000									
CLASS C All persons not included in Classes A or B and educational, religious, or other institutions, societies or associations, or public institutions not exempted by KRS 140.060	0	6% of Amt. over $500	$30 + 6% of Amt. over $1,000	$570 + 8% of Amt. over $10,000	$1,370 + 10% of Amt. over $20,000	$2,370 + 12% of Amt. over $30,000	$4,170 + 14% of Amt. over $45,000	$6,270 + 16% of Amt. over $60,000	$12,670 + 16% of Amt. over $100,000	$28,670 + 16% of Amt. over $200,000
	Exemption $500									

* Nephews and nieces by marriage and great nephews and nieces are Class C beneficiaries.

INSTRUCTIONS FOR USING INHERITANCE TAX TABLE ABOVE

A. Compute each beneficiary's tax separately.
B. **Do not deduct the beneficiary's exemption from the distributive share. The tax shown in the table for each distributive share bracket automatically applies the allowable exemption.**
C. Determine the proper classification of the beneficiary at the left of the table.
D. Follow the tax table across to distributive share bracket at the top of the table that includes the distributive share of that beneficiary.
E. The tax applicable to that beneficiary's distributive share is the amount shown ***plus*** the designated percentage of the amount by which the distributive share exceeds the base of the distributive share bracket.

An estate tax is levied when the credit for state death taxes allowable on the federal estate tax return exceeds the Kentucky inheritance tax.

QUESTIONS AND ANSWERS

Question: If tax is due, what must be included on the return?

Answer: In general, all real and personal property in which the decedent owned or has an interest must be included on the tax return. Example of taxable property:

- Real estate
- Cash
- Bank accounts even if located outside of Kentucky
- Certificates of deposit
- Money
- Stock, bonds
- Annuities
- Life insurance payable to the insured or to the estate
- Unpaid balance of mortgages, notes
- Debts due the decedent
- Household goods
- Livestock
- Growing crops
- Farm machinery
- Automobiles
- Income tax refunds
- Boats, travel trailers
- Royalties
- Jewelry
- Antiques

Question: How must property included on the tax return be valued?

Answer: Most of the time all real and personal property must be reported at its fair cash value on the date of decedent's death. Under certain conditions when real estate passes to a son-in-law or a daughter-in-law, the real estate may be valued at its agricultural or horticultural value. Since special rules apply, for more information please contact the Financial Tax Section, Kentucky Department of Revenue, Frankfort, KY 40620, or call (502) 564-
4810.

Question: Are gifts made before death taxable?

Answer: Any gift made within three years of death is subject to being taxed unless the gift was made for a living reason and not in contemplation of death.

Question: If a tax return has to be filed, what deductions are allowed in the Kentucky Inheritance and Estate Tax Return?

Answer:
- Funeral expenses up to $5,000
- Attorney's fees
- Personal representative commissions
- Debts and taxes owed by the decedent
- Real property taxes
- Mortgages

Question: If the decedent was a resident of Kentucky, is property located outside of the state taxable?

Answer: If the decedent was a resident of Kentucky, all intangible property located outside of Kentucky is taxable. Under certain conditions, partnership property located in another state is taxable. Real estate is taxable in the state where it is located. So, if a Kentucky resident owned real estate in another state, that real estate is not taxable for Kentucky

inheritance and estate tax purposes. If a Kentucky nonresident owned real estate in Kentucky, then that property is subject to Kentucky inheritance and estate taxes.

Question: How are assets distributed?

Answer: When a person dies, real and personal property may pass by title, under the terms of the will, or by the laws of Kentucky. Survivorship property and property payable on death passes to the surviving co-owner shown on the deed or instrument, unless a disclaimer was filed, and not by the terms of the will or by the laws of intestate succession. When a person dies with a will, distribution of the estate is made according to the will, unless the will is renounced by the surviving spouse or a disclaimer is filed. If the will is renounced, the surviving spouse receives one-third of the real property and one-half of surplus personal property. The law provides that when a person dies without a will, one half of the estate, after funeral expenses, debts, and cost of administration are paid, goes to the surviving spouse and one-half descends as follows (if there is no surviving spouse, the whole estate descends):

1. to his children and their descendants (descendants take the share of their deceased parents); if there are none,

2. to his father and mother; if one is deceased, to the survivor; if there is no father or mother,

3. to his brothers and sisters and their descendants; (half-sisters and half-brothers and their descendants inherit only one-half as much as those of the whole blood); if none,
4. to the husband or wife of the intestate; if none,

5. one share shall pass to the paternal and the other to the maternal kindred in the following order:

> (a) the grandfather and grandmother equally, if one is deceased, it shall go to the survivor; if both are deceased,
> (b) to the uncles and aunts and their descendants; if there are none,
> (c) to the great-grandfathers and great-grandmothers; if none,
> (d) to the brothers and sisters of the grandfathers and grandmothers; and,

6. if there is no kindred to one of the parents as described in (5), the whole descends to the kindred of the other. If there are neither paternal nor maternal kindred, the whole descends to the kindred of the spouse.

Question: What are the exemptions, if the decedent was a nonresident of Kentucky?

Answer: The exemption for a beneficiary of a nonresident decedent's estate is prorated based on the exemption of a resident decedent and is in proportion to the net value of the property subject to tax in Kentucky before federal estate taxes to the total property transferred by the decedent.

COMMON MISTAKES ON INHERITANCE AND ESTATE TAX RETURNS

Failure to include a copy of the will and/or trust. For No Tax Due returns, the will and/or trust are necessary to verify there is no tax due.

Failure to include a copy of the U.S. Estate and Generation Skipping Transfer Tax Return when required. NOTE: A copy of the Federal Closing Letter must be sent to DOR.

Failure to include a Real Estate Information Sheet for real estate.

Failure to include the date items were placed in joint names.

Failure to include relationship of heirs to the decedent.

Incorrect classification of heirs. For example, nephews and nieces by marriage and great nephews and great nieces are class C beneficiaries, not class B beneficiaries.

Incorrect tax computation. The exemption is already built into the tax table.

Incorrect distribution (i.e. survivorship property, payable on death accounts and gifts). These are distributed first, before distribution of the residue.

For additional information, please visit the DOR's website at *www.revenue.ky.gov*.

Or contact the Financial Tax Section by phone at (502) 564-4810.

FREQUENTLY ASKED QUESTIONS

How long does it take to get the acceptance letter?
If there are no problems with an estate, it takes approximately three to four months for the taxpayer to get the acceptance letter. However, if there are problems or questions on an estate or if a United States Estate (and Generation-Skipping Transfer) Tax Return is filed, it will take longer to certify the estate. If a federal estate tax return is filed, the Kentucky return cannot be certified until a copy of the federal closing letter is received.

Why haven't I received a packet of forms for filing a return?
The DOR no longer mails out tax packets to taxpayers. If you need a tax packet, please visit the DOR website at *www.revenue.ky.gov* or contact the Financial Tax Section at (502) 564-4810.

Do I need to file a return if no tax is due?
If no inheritance tax is due, the entire estate passes to tax exempt beneficiaries and a federal Form 706 is not required to be filed, an Affidavit of Exemption should be filed with probate court. This will be accepted in lieu of our acceptance letter for final settlement and closing of the administration of an estate. Do not file a copy of the affidavit with DOR. The affidavit in the DOR packet is just a "sample". If the estate has different circumstances, but still no tax is due, change the wording on the affidavit to fit the situation (Example: The estate passes to exempt beneficiaries except for a specific bequest passing to a taxable beneficiary, but is under their exemption amount).

If all assets were held in a trust, do I need to file a return since it passes outside probate?
Even though the assets pass outside probate, it is still taxable assets of the estate. However, if the assets in the trust pass to tax exempt beneficiaries and no federal return is required, then you do not have to file a Kentucky Inheritance and Estate Tax Return.

In order to receive the 5 percent discount, what is considered a timely filed tax return?
The return must be postmarked by the final day of the discount period (nine months from date of death). If the ninth month date falls on a weekend or holiday, the next business day is considered timely.

How are Individual Retirement Accounts (IRA) and annuities taxed?
An IRA is ONLY exempt from taxation if the beneficiary elects to receive payments in equal installments over a minimum 36-month period. If the beneficiary receives the payment in a lump sum, or if the beneficiary elects to roll it over, the IRA is fully taxable. Tax on an annuity is based on whether the IRA is a qualified or nonqualified plan under **KRS 140.063**. If the IRA is a qualified plan, Kentucky calculates the tax on value of the decedent's contribution to the plan at the date of death. If the IRA is a nonqualified plan, tax is calculated on the total value of the annuity.

Is there Kentucky Estate Tax?
No. Effective Jan. 1, 2005 Kentucky Estate Tax no longer exists due to changes in the federal law. The credit for state death taxes is a deduction on the federal estate tax return. However, the federal estate tax will return on January 1, 2013, unless Congress acts to extend this tax break.

Do I need to obtain a tax waiver or lien release for an asset that is in the estate?
No. Effective July 1, 1998, the DOR no longer requires a person to obtain prior written consent (i.e. lien release) from the DOR for the transfer of specific property owned by a resident or nonresident decedent. Examples include: real estate, stocks, bonds, cash accounts, trust funds, life insurance, employee retirement accounts and trusts of all types, safety deposit box contents, etc.

SALES AND USE TAX

Filing Tips for Online Returns – You may choose to electronically file your sales and use tax return. The electronic option via KY E-Tax is free, fast, accurate, convenient, and reduces postage expenses. You may go to the KY E-Tax logo on the DOR website at *www.revenue.ky.gov* to learn more about the electronic filing of sales and use tax returns. The following tips pertain specifically to electronic filers:

- Line 1 begins with Total Receipts, but does not include sales tax collected.
- Passwords are case sensitive and must be 9-12 characters, containing at least one upper case letter, one lower case letter, one number, and one special character.
- Amended returns may not be electronically filed but may be submitted via fax to (502) 564-2041.
- Please designate a preparer once an administrator of the account is named. Please change the administrator when the administrator leaves the employment of the company by contacting the Division of Sales and Use Tax at (502) 564-5170.
- When paying by check for an electronically filed return, include in the memo portion of the check the following information: filed by E-Tax, sales and use tax account number, and filing period. **Do not** include a copy of the e-filed return with the check as this will delay processing.

Filing Tips for Paper Returns – To ensure efficient processing of the sales and use tax returns and to reduce erroneous billings, please consider the following filing tips:

- Please use the return mailed by the DOR or a pre-approved form. If you employ a forms provider, ensure that the provider has been approved by the DOR to replicate the DOR sales and use tax return.
- Please use a blue or black pen, or dark pencil, to enter numbers on the return. The numbers should be legible and fully contained within each appropriate box.
- Please do not use slashes through 7s or 0s. Also please fill in the cents boxes on lines you have entered figures on, do not leave them blank or use a slash.
- When submitting payment by check, **do not** include the stub with the check. Also, do not paper clip a check to the return.
- When paying by check, always include the sales and use tax account number and filing period on the memo portion of the check.
- To file a No Activity return, write zero (0) on lines 1, 20, and 23(a) and sign the signature block.

Closing a Sales and Use Tax Account When canceling a sales tax account number or requesting a change to your mailing address, a written request confirming this action is required. Form 51A205 for account maintenance is mailed with every sales and use tax return

and the Account Maintenance portion of that form may be used for this purpose. You may also write a letter including the sales tax account number and the requested changes. Please mail the completed account maintenance form or correspondence to the Kentucky Department of Revenue, Division of Sales and Use Tax, 501 High Street, P.O. Box 181, Station 67, Frankfort, KY 40620-0181, you may fax to (502) 564-2041, or send via email to DOR.Webresponsesalestax@ky.gov.

Use Tax on Out-of-State Purchases – KRS 139.310 imposes a 6 percent use tax on purchases from out-of-state retailers of property for use, storage, or other consumption in Kentucky. Examples of items on which use tax must be paid include purchases of clothing, sporting goods, seeds, garden supplies, computer hardware, prewritten computer software, digital products defined in **KRS 139.010(9)**, film processing and photographic equipment, books, CDs, DVDs, electronics, magazine subscriptions, furniture, and artwork.

Purchases subject to Kentucky use tax include items purchased from catalogs, the Internet, television advertisements, home shopping networks, and from any other out-of-state retailer that sells in Kentucky. Use tax also applies to retail purchases made outside Kentucky when the products are then brought immediately into Kentucky for regular use. According to **KRS 139.330**, the purchaser is directly liable for payment of the 6 percent use tax on the purchase price of these transactions if the tax is not collected by the retailer at the time of purchase.

However, if another state's sales tax is legally due and collected by the retailer at the time of purchase, then the purchaser may claim a credit against the Kentucky 6 percent use tax liability. This credit does not apply in the case of local option sales tax paid to out-of-state retailers or to the extent that another state sales tax rate exceeds six percent. For example, if another jurisdiction's state tax rate is seven percent and this amount of tax was paid to the retailer, the purchaser may claim credit up to the six percent Kentucky use tax on this purchase to satisfy the liability.

Anyone involved in retail transactions subject to Kentucky use tax should carefully check sales receipts. If sales or use tax has not been paid on these purchases, Kentucky use tax is due and payable.

Taxpayers may report and pay use tax annually on their Kentucky individual income tax return. Compute the Kentucky use tax due by using the worksheet located in the instructions for Forms 740, 740-EZ, and 740-NP. The worksheet contains sections for a description of the property, date of purchase, and purchase price. For tax year 2010, an optional use tax table will be available in the income tax packet to calculate certain use tax liability based upon KY adjusted gross income. Use tax may also be reported and paid by individuals on a monthly basis by using Form 51A113 (O), Consumer's Use Tax Return.

Anyone who fails to report and pay applicable use tax is liable for the tax plus interest and penalties. For additional information, contact the Division of Sales and Use Tax Section, (502) 564-5170. The DOR anticipates an increase in use tax reporting by individuals due to an

increase in U.S. retail e-commerce spending by 14.8 percent in 2010 to $165 billion while total retail sales increased by 7 percent. Annual double digit increases in e-commerce are projected through at least 2015.

Drop Shipment – Drop shipment, otherwise known as a *third party sale*, is a shipment of tangible personal property from a seller directly to the purchaser's customer, at the direction of the purchaser. Generally, a retailer accepts an order from its customer, places a request to fill an order with a third party, usually a manufacturer or wholesale distributor, and directs the third party to ship the goods directly to the end consumer. Drop shipments are treated as two transactions (1) the sale from the seller (manufacturer/wholesaler) to the purchaser (retailer), and (2) the sale from the purchaser (retailer) to the end customer. When all parties are located in Kentucky, the retailer furnishes a resale certificate to the seller (manufacturer/wholesaler). The retailer collects sales tax on the final sale to the end consumer. In cases where the purchaser (retailer) is not located or registered with Kentucky, the nonresident retailer should issue a Kentucky resale certificate, but make a notation on the form that it is a nonresident purchaser not required to register in Kentucky. When a Kentucky customer purchases tangible personal property through a nonresident retailer that does not collect Kentucky tax, the customer is then subject to the use tax in accordance with **KRS 139.310** and **KRS 139.330.**

Streamlined Sales and Use Tax Update – The Streamlined Sales and Use Tax Agreement (SSUTA) is a nationwide effort by 43 states, various local governments, and members of the business community to develop measures to design, test and implement a system that radically simplifies sales and use tax collection and administration by retailers and states. The agreement became effective on Oct. 1, 2005, and currently consists of 24 conforming states and almost 1600 registered participating businesses. On Friday, July 29th, the Main Street Fairness Act (S1452) was introduced in Congress by Senator Richard Durbin (IL) and co-sponsored by Senators Tim Johnson (SD) and Jack Reed (RI).

Kentucky retailers that make sales in other states are encouraged to review more information on registering with the SSUTA at *http://www.streamlinedsalestax.org/* to take advantage of the simplified registration, collection and filing system established by the project for retailers involved in cross-border sales. Registration for sales and use tax collection through the national SSUTA site will automatically register a vendor for tax collection in all member states.

Taxpayers who voluntarily register through the Streamlined Sales and Use Tax website to remit sales and use tax in Kentucky and other member states are able to electronically file their simplified electronic returns. There is no registration process other than the original registration with the Streamlined Sales and Use Tax site. Also, for more information on Streamlined Sales Tax, please see the article in Legislative Updates in regard to HB 429.

2011 LEGISLATIVE UPDATES

HB 429 adopts conforming language to the national Streamlined Sales and Use Tax Agreement (SSUTA). The legislation provides greater clarity and administrative ease for sellers with the following changes effective July 1, 2011:

- Updates direct mail definitions and sourcing provisions (**KRS 139.010** and **139.777**).
- Clarifies general sourcing rules for digital property and florist sales (**KRS 139.105**).
- Preserves and extends the burden of proof relief for sellers with fully completed exemption certificates (**KRS 139.270**).
- Provides limited seller protection from underpayment of tax due to a tax rate change with less than 30 day public notice (**KRS 139.795**).

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2012 PROPERTY VALUATION CALENDAR

DUE DATE	REVENUE FORM #	FORM
01/31/2012	62A600 62A601 62A601-S2	Savings & Loan Tax Return (Includes savings banks, agricultural credit associations, bank for cooperatives, and foreign savings & loans) Schedule B Computation of Exempt Securities
01/31/2012	61A508	Distilled Spirits in Bonded Warehouses Tax Return
03/01/2012	62A850	Bank Deposit Tax Return
03/15/2012	73A801	State Bank Franchise Tax Return
03/15/2012	73A802	Application for 90 Day Extension of Time to File Bank Franchise Tax Return
04/01/2012	62A329	Domestic Life Insurance Companies
04/15/2012	62A200	Unmined Coal Property Tax Information Return
04/15/2012	62A384-O	Oil Property Tax Return Lease Report
04/15/2012	62A384-C	Clay Property Tax Return
04/15/2012	62A384-G	Natural Gas Property Tax Return
04/15/2012	62A384-L	Limestone, Sand and Gravel Property Tax Return
04/30/2012	61A200	Public Service Company Tax Return (Extensions available until 5/30 upon written request)
04/30/2012	61A200	Electric Plant Board Tax Return
04/30/2012	61A202	Railroad CarLine Tax Return

PROPERTY TAXES

DUE DATE	REVENUE FORM #	FORM
04/30/2012	61A206	Commercial Air Passenger & Air Freight Carriers
05/15/2012	61A207	Commercial Watercraft Property Tax Return
05/15/2012	61A500	Personal Property Tax Return for Communications Service Providers and Multi-Channel Video Programming Service Providers
05/15/2012	62A500	
05/15/2012	62A500-A	Tangible Personal Property Tax Return
05/15/2012	62A500-C	Tangible Personal Property Tax Return (Noncommercial Aircraft Owners)
05/15/2012	62A500-L	Consignee Tangible Personal Property Tax Return
		Lessee Tangible Personal Property Tax Return
05/15/2012	62A500-W	Tangible Personal Property Tax Return (Non-Ky Registered Watercraft Owners)
08/15/2012	62A863	Financial Institutions Local Deposits Summary Report for Local Franchise Tax
08/15/2012	62A863-A	Summary of Net Deposits

WHERE TO FILE RETURNS

Revenue Form 62A500, **Revenue Form 62A500A, Revenue Form 62A500C, Revenue Form 62A500L, and Revenue Form 62A500W** are filed with the Property Valuation Administrator in the county of situs or with the Office of Property Valuation, State Valuation Branch, Station 32 Fourth Floor, 501 High Street, Frankfort, KY 40601-2103. PVA addresses are listed in the instructions for the tangible return.

Revenue Forms 62A024, 62A200, 62A384, 62A384C, 62A384G, and 62A384L are filed with the Office of Property Valuation, Minerals Taxation and GIS Services Branch, Station 33 Fourth Floor, 501 High Street, Frankfort, KY 40601-2103. Telephone (502) 564-8334, Fax (502) 564-5977.

All others are filed with the Department of Property Valuation, State Valuation Branch, Station 32 Fourth Floor, 501 High Street, Frankfort, KY 40601-2103. Telephone (502) 564-5807, Fax (502) 564-8192.

FORMS AVAILABILITY

Tangible personal property forms and instructions are available from the Department of Revenue, Taxpayer Service Centers, Property Valuation Administrator (PVA) offices, and via the Internet at *www.revenue.ky.gov*.

The Tangible Personal Property Tax Return packet contains the telephone number and address of each PVA office. Questions regarding the situs of property should be directed to PVAs. General questions regarding personal or public utility property tax returns should be directed to the following telephone numbers:

REVENUE FORM 62A500(L)

Revenue Form 62A500(L) is to be completed by all taxpayers that lease (i.e. the lessee) tangible personal property not reported by that taxpayer on the **Tangible Personal Property Tax Return (Revenue Form 62A500).** Many entities are not required to file a Tangible Personal Tax Return since it is exempt from property taxation; however, such entities have the responsibility of reporting any leased property to the PVA in the county of situs or DOR.

LEGISLATIVE UPDATE – PROPERTY TAXES

Sale of Delinquent Real Property Tax Bills (HB 262 effective January 1, 2010, HB 298 effective April 7, 2010) – Per 103 KAR 5:180 and 103 KAR 5:190 the sale of delinquent real property tax bills has been transferred from the sheriff's office to the county clerk's office. County attorneys must send out notices informing delinquent taxpayers of their liability and that their bill is subject to being purchased by a third party. Specific procedures have been established to ensure fairness for all participating third party purchasers that the county clerks

will follow when advertising and conducting the tax sale. New requirements have been mandated for third party purchasers with regard to registering with both the DOR and each county clerk's office. Third party purchasers must also provide more detailed information in the notices sent to the delinquent taxpayers.

TANGIBLE PERSONAL PROPERTY TAX
COMMON FILING MISTAKES

Some of the most common mistakes and omissions made by taxpayers when filing the tangible property tax return are:

1. Property is mistakenly placed on **Schedule B** when such property should have been listed on **Schedule A. Schedule A** property are fixed assets that are used in a trade or business that are not directly utilized in the manufacturing process.

   In addition to the obvious **Schedule A** items such as office furniture and fixtures, all assets used for storage, maintenance or shipping and receiving should also be listed on **Schedule A.**

2. Failure to capitalize all costs into the original cost for personal property reporting. For example: freight, installation costs, and sales and use taxes.

3. Property is listed in the wrong economic life classification on **Schedule A** or **B.** (See suggested classifications contained in the property tax return.

4. Inventory is often misclassified for tangible property tax purposes. For example: Inventory in transit leaving the state within six months receives special treatment.

5. Taxpayers sometimes inadvertently fail to carry numbers from supporting schedules to the front page of the return.

6. Reductions in the basis of assets which are taken due to **IRC 179** deduction and Investment Tax Credits are not included in the reported original cost.

7. Failure to capitalize major repair costs and rebuilds.

8. Failure to list purchases of used assets as being Age 1 on the assessment date following the year of purchase.

9. Failure to list fully depreciated assets which are still in service.

10. Assets expensed through the cost of goods sold are not reported on the tangible return.

11. Recording assets as real estate when such assets are personal property.

12. Failure to include property location, including street, city and county.

13. Failure to list materials, supplies, and spare parts on **Schedule C.**

14. Recycling machinery and equipment property is listed in error on Schedule A or B. These items should be recapped on the sample worksheet and reported on line 90.

EXPENSED ASSETS

Properties included in this group are materials and supplies, reference materials, precious metals (gold, silver, and platinum), coin, stamp and art collections, many tools, reusable containers (coops, barrels, drums, cylinders, bottles, etc.). These are subject to taxation at the full state rate of 45¢ per $100 of assessed value and full local rates. These properties are to be listed on Schedule C.

All expensed assets which are actually on hand on the assessment date are to be assessed at fair market value. The Office of Property Valuation will furnish the January 1st market value of precious metals measured in ounces and kilograms upon request.

MATERIALS AND SUPPLIES

A common type of property which is often misclassified and generally unreported by taxpayers is *materials and supplies*. The term materials and supplies covers a number of items that are not subject to resale by the taxpayer, but which render service to and are necessary in the normal operation of a business. *Materials and supplies* are not embodied in or delivered with the final product. These include office and professional supplies, replacement parts, clothing, lubricating oils, mail and shipping supplies, selling and advertising supplies, janitorial and cleaning supplies, fuel, and other consumable items.

IMPORTANT NUMBERS

Local Franchise Tax on Deposits.....502-564-7099
Tangible Property……..502-564-2557
Public Service (Telecom, Cable, Satellite TV Providers & Commercial Watercraft)……502-564-8175
Motor Vehicles and Boats…….502-564-8180

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KENTUCKY TAXPAYER SERVICE CENTERS

The Kentucky Department of Revenue has ten (10) taxpayer service centers conveniently located throughout Kentucky. The service centers can assist taxpayers with Individual Income issues, return preparation and electronic filing. In addition, taxpayers may also pick up forms, receive assistance with business registrations and help with other tax types, such as sales, corporation, withholding, etc. All of the service center locations, with addresses, phone and fax numbers are listed below:

Ashland
134 Sixteenth Street
Ashland, KY 41101-7670
Phone: (606) 920-2037
Fax: (606) 920-2039

Bowling Green
201 West Professional Park Court
Bowling Green, KY 42104-3278
Phone: (270) 746-7470
Fax: (270) 746-7847

Central Kentucky
501 High Street
Frankfort, KY 40601
Phone: (502) 564-4581
Fax: (502) 564-8946

Corbin
15100 North US 25E, Suite 2
Corbin, KY 40701-6188
Phone: (606) 528-3322
Fax: (606) 523-1972

Hopkinsville
181 Hammond Drive
Hopkinsville, KY 42240-7926
Phone: (270) 889-6521
Fax: (270) 889-6563

Louisville
600 West Cedar Street
Second Floor W
Louisville, KY 40202-2446
Phone: (502) 595-4512
Fax: (502) 595-4205

Northern Kentucky
Turfway Ridge Office Park
7310 Turfway Road, Suite 190
Florence, KY 41042-4871
Phone: (859) 371-9049
Fax: (859) 371-9154

Owensboro
401 Frederica St.
Building C, Suite 201
Owensboro, KY 42301
Phone: (270) 687-7301
Fax: (270) 687-7244

Paducah
Clark Business Complex, Suite G
2928 Park Avenue
Paducah, KY 42001-0734
Phone: (270) 575-7148
Fax: (270) 575-7027

Pikeville
Uniplex Center, Suite 203
126 Trivette Drive
Pikeville, KY 41501-1275
Phone: (606) 433-7675
Fax: (606) 433-7679

QUICK REFERENCE GUIDE

Useful Phone Numbers

ARTIS Refund Line	502-564-1600
Collections	502-564-4921
Corporation Income Tax	502-564-8139
Forms	502-564-3658
Individual Income Tax	502-564-4581
Inheritance Tax	502-564-4810
Miscellaneous Tax	502-564-6823
Motor Fuels	502-564-3853
Ombudsman	502-564-7822
Property Tax	502-564-8338
Registering a Business	502-564-3306
Sales and Use Tax	502-564-5170
Special Investigations	502-564-4470
Withholding Tax	502-564-7287

Kentucky IRS Office Locations

City	Street Address	Days/Hours of Service	Telephone*
Bowling Green	200 West Professional Park Court Bowling Green, KY 42104	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 11:30 a.m.-12:30 p.m.)	(270) 782-7667
Hopkinsville	121 W. Tenth Street Hopkinsville, KY 42240	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 11:30 a.m.-12:30 p.m.)	(270) 886-6625
Lexington	1500 Leestown Rd. Lexington, KY 40511	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch Noon-1:00 p.m.)	(859) 244-2400
Louisville	600 Dr. Martin Luther King, Jr. Place Louisville, KY 40202	MON-FRI 8:30 a.m.-4:30 p.m.	(502) 582-6700
Owensboro	401 Frederica Street Owensboro, KY 42301	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 11:30 a.m.-12:30 p.m.)	(270) 852-8490
Paducah	2765 Wayne Sullivan Dr. Paducah, KY 42003	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 11:30 a.m.-12:30 p.m.)	(270) 443-1977
Prestonsburg	311 N. Arnold Ave. Prestonsburg, KY 41653	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 12:00 p.m.-1:00 p.m.)	(606) 886-3539

For Northern Kentucky Preparers

City	Street Address	Days/Hours of Service	Telephone
Cincinnati, Ohio	550 Main Street Cincinnati, OH 45202	MON-FRI 8:30 a.m. – 4:30 p.m.	(513) 263-3333

INTERNAL REVENUE CODE REFERENCE DATES

Kentucky Taxable Year	*Internal Revenue Code in Effect*
Prior to 1/1/1986	12/31/1981
Beginning After 12/31/1985	12/31/1985
Beginning After 12/31/1989	12/31/1989
Beginning After 12/31/1991	12/31/1991
Beginning After 12/31/1993	12/31/1993
Beginning After 12/31/1995	12/31/1995
Beginning After12/31/1996	12/31/1997
Beginning After 12/31/1999	12/31/1999
Beginning On or After 1/1/2002	12/31/2001
Beginning On or After 1/1/2005	12/31/2004
Beginning On or After 1/1/2007	12/31/2006

QUICK REFERENCE GUIDE

2011 W-2 Quick Reference Instructions & Codes

The following is a quick reference listing of instructions and box codes for the 2009 W-2 form. For more detailed information, refer to the IRS web site at www.IRS.gov.

2011 W-2 Box Descriptions	
Box 1	Wages, Tips, Other Compensation
Box 2	Federal Income Tax Withheld
Box 3	Social Security Wages
Box 4	Social Security Tax Withheld
Box 5	Medicare Wages and Tips
Box 6	Medicare Tax Withheld
Box 7	Social Security Tips
Box 8	Allocated Tips
Box 9	Advance EIC Payment
Box 10	Dependent Care Benefits
Box 11	Nonqualified Plans
Box 12	Codes (see chart below)
Box 13	Checkboxes
Box 14	Other
Boxes 15 - 20	State and Local Income Tax Information

Form W-2 Reference Guide for Box 12 Codes

A	Uncollected Social Security or RRTA tax on tips	J	Nontaxable sick pay	S	Employee salary reduction contributions under a section 408(p) SIMPLE
B	Uncollected Medicare Tax on tips	K	20% excise tax on excess golden parachute payments	T	Adoption benefits
C	Taxable cost of group-term life insurance over $50,000	L	Substantiated employee business expense reimbursements (federal rate)	V	Income from exercise of nonstatutory stock option(s)
D	Elective deferrals under a section 401(k) cash or deferred arrangement (including a SIMPLE 401(k) arrangement)	M	Uncollected Social Security or RRTA tax on taxable cost of group-term life (for former employees)	W	Employer contributions (including employee contributions through a cafeteria plan) to an employee's Health Savings Account (HSA)
E	Elective deferrals under a section 403(b) salary reduction agreement	N	Uncollected Medicare tax on taxable cost of group-term life insurance over $50,000 (for former employees)	Y	Deferrals under a section 409A nonqualified deferred compensation plan
F	Elective deferrals under a section 408(k)(6) salary reduction SEP	P	Excludable moving expense reimbursements paid directly to employee	Z	Income under section 409A on a nonqualified deferred compensation plan
G	Elective deferrals and employer contributions (including nonelective deferrals) under a section 457(b) deferred	Q	Nontaxable combat pay	AA	Designated Roth contributions under a section 401(k) plan
H	Elective deferrals under a section 501(c)(18)(D) tax-exempt organization plan	R	Employer contributions to an Archer MSA	BB	Designated Roth contributions under a section 403(b) plan
				DD	Cost of employer-sponsored health coverage
				EE	Designated Roth contribution under a governmental section 457(b) plan

STANDARD MILEAGE RATES

Applicable Period	Rates in Cents Per Mile		
	Business	Charitable Contribution	Medical & Moving
July 1 - December 31, 2011	55.5	14	19
January 1-June 30, 2011	51	14	23.5
2010	50	14	16.5
2009	55	14	24
July 1 - December 31, 2008	58.5	14	27
January 1 - June 30, 2008	50.5	14	19
2007	48.5	14	20
2006	44.5	General: 14 Hurricane Katrina deduction: 32 Hurricane Katrina reimbursement: 44.5	18
September 1 - December 31, 2005	48.5	General: 14 Hurricane Katrina deduction: 34 Hurricane Katrina reimbursement: 48.5	22
August 25 - 31, 2005	40.5	General: 14 Hurricane Katrina deduction: 29 Hurricane Katrina reimbursement: 40.5	15
January 1 - August 24, 2005	40.5	14	15
2004	37.5	14	14

INCOME TAX RECIPROCITY

States with which Kentucky has a Reciprocal Agreement

State Taxing Agencies

Alabama Dept. of Revenue www.ador.state.al.us (334)242-1170	**Illinois Dept. of Revenue** www.revenue.state.il.us (800)732-8866 or (217)782-3336	**Nebraska Dept. of Revenue** www.revenue.ne.gov (800)742-7474 or (402)471-5729
Alaska Dept. of Revenue www.revenue.state.ak.us (907)465-2344	**Indiana Dept. of Revenue** www.in.gov/dor (317)232-2240	**Nevada Dept. of Taxation** www.tax.state.nv.us (775)684-2000
Arizona Dept. of Revenue www.azdor.gov (602)255-3381	**Iowa Dept. of Revenue** www.iowa.gov/tax (512)281-3114 or (800)367-3388	**New Hampshire D.O.R. Admins.** www.nh.gov/revenue (603)271-2191
Arkansas Dept. of F & A www.arkansas.gov/dfa (501)682-1100	**Kansas Dept. of Revenue** www.ksrevenue.org (785)368-8222	**New Jersey Division of Taxation** www.state.nj.us/treasury/taxation/ (609)292-5185
California Franchise Tax Board www.ftb.ca.gov (800)852-5711 or (916)845-6500	**Kentucky Dept. of Revenue** www.revenue.ky.gov (502)564-4581	**New Mexico Taxation & Revenue** www.tax.newmexico.gov (505)827-0822
California State Board of Equalization www.boe.ca.gov (800)400-7115	**Louisiana Dept. of Revenue** www.rev.louisiana.gov (255)219-0102	**N.Y. State Dept. Taxation & Finance** www.tax.ny.gov (800)225-5829
Colorado Dept. of Revenue www.colorado.gov/revenue (303)238-SERV	**Maine Revenue Services** www.maine.gov/revenue (207)287-2076	**N. Carolina Dept. of Revenue** www.dor.state.nc.us (877)252-4052
Connecticut Dept. of Revenue Services www.ct.gov/drs (860)297-5962	**Maryland Taxpayer Registration Assistance Center** www.comp.state.md.us/ (410)767-1300 or (800)492-1751	**N. Dakota Office of State Tax Commissioner** www.nd.gov/tax (701)328-3450 or (701)328-2770
Deleware Division of Revenue www.revenue.deleware.gov (302)577-8205	**Massachusetts D. O. R.** www.mass.gov (617)887-6770	**Ohio Dept. of Taxation** www.tax.ohio.gov (800)282-1780

State Taxing Agencies, *continued*

D.C. Office of Tax & Revenue www.otr.cfo.dc.gov/otr (202)727-4TAX	**Michigan Department of Treasury** www.michigan.gov/treasury (800)827-4000	**Oklahoma Tax Commission** www.tax.ok.gov (405)521-3160
Florida Dept. of Revenue www.myflorida.com/dor/ (800)352-3671	**Minnesota Dept. of Revenue** www.taxes.state.mn.us (651)296-3781	**Oregon Dept. of Revenue** www.oregon.gov/dor (503)378-4988
Georgia Dept. of Revenue www.dor.ga.gov (404)417-4477 or (877)602-8477	**Mississippi Dept. of Revenue** www.dor.ms.gov (601)923-7089	**Pennsylvania Dept. of Revenue** www.revenue.state.pa.us/ (717)787-1064 or (888)PA-TAXES
Hawaii Dept. of Taxation www.hawaii.gov/tax (808)587-4242 or (800)222-3229	**Missouri Dept. of Revenue** www.dor.mo.gov (573)751-3505	**Rhode Island Division of Taxation** www.tax.ri.gov (401)222-1040
Idaho State Tax Commission www.tax.idaho.gov (208)334-7660 or (800)972-7660	**Montana Dept. of Revenue** www.revenue.mt.gov (406)444-6900	**S. Carolina Dept. of Revenue** www.sctax.org (843)898-5709
S. Dakota D. O. R. & Regulation www.state.sd.us/drr2/ (800)TAX-9188	**Vermont Dept. of Taxes** www.state.vt.us/tax/ (802)828-2551	**Wisconsin Dept. of Revenue** www.revenue.wi.gov (608)266-2486
Tenessee Dept. of Revenue www.tn.gov/revenue (615)253-0600	**Virginia Dept. of Taxation** www.tax.virginia.gov (804)367-8031	**Wyoming Dept. of Revenue** http://revenue.state.wy.us/ (307)777-7961
Texas Comptroller of Public Accounts www.window.stat.txes (877)662-8375	**Washington State Deptartment of Revenue** www.dor.wa.gov (800)647-7706	**Puerto Rico Dept. of Revenue** www.hacienda.gobierno.pr (787)723-7085
Utah State Tax Commission www.tax.utah.gov (801)297-6358 or (800)662-4335	**West Virginia Dept. of Revenue** www.revenue.wv.gov (304)558-0211	

QUICK REFERENCE GUIDE

KENTUCKY DEPARTMENT OF REVENUE WEBSITE

http://www.revenue.ky.gov

Updated information can be found on:

- Hot Topics Information
- Tax Forms
- Information on Various Tax Types including:
  - Individual Income Tax
  - Withholding Tax
  - Corporate Income Tax
  - Pass-Through Entity Tax
  - Other T ax Types
- Electronic Filing and Payment Options
- Interest Rates
- Business Registration
- Live Chat Help
- FAQ's
- Tax Laws and Regulations

For confidentiality reasons, please do not include your Social Security number in a Live Chat or Web response.

REQUESTING COPIES OF RETURNS

Requests for copies of returns must be in writing. Please mail or fax the request to:

Taxpayer Assistance
P. O. Box 181, Station #56
Frankfort, KY 40602
(502)564-4581
Fax: (502)564-3392

Please also ensure the following are included with the request:

- ✓ Tax year(s) requested *(Please note that returns are generally kept on file for five years. Older returns may be available in summary format.),*
- ✓ Name and Social Security number,
- ✓ Current mailing address,
- ✓ Copy of photo ID (if return was electronically filed),
- ✓ Signature (if return was filed on paper), and
- ✓ Daytime phone Number.

Copies may be faxed to you; however, please note on the request to have the copies faxed and that the DOR has your permission to fax those copies.
Copies may be faxed to others at the taxpayers request (i.e., CPA, attorney), just include the Power of Attorney form or the attorney's or CPA company letterhead and ensure the request is signed by the taxpayer and the approved representative.

Processing Time for Requests:

Paper returns: 7 – 10 business days
Electronic filed returns: 2 – 5 business days

INJURED SPOUSE

Kentucky does not recognize the federal injured spouse form. Kentucky law requires the offset of the entire refund if a joint return is filed. If spouses want to keep their tax liabilities and/or refunds separate, each must file a separate tax form. Doing so will prevent the individual refund from being offset to the spouses liabilities. If one chooses to file separately on a combined return {for agencies other than Revenue}, the refund will be apportioned between the spouses based on each spouse's income. The portion of the refund attributed to the spouse who has the liability, will be offset to that liability. The remainder of the refund will be mailed to the other spouse.

As the tax preparer, please note that you are not required to file a joint Kentucky return if the federal return is filed jointly. Filing your clients return using Filing Status #4: (married filing separate), results in a faster refund for your client.

Note: Kentucky recognizes Injured Spouse relief for Child Support claims **ONLY**.

INNOCENT SPOUSE

When filing jointly on a return both taxpayers are jointly and individually responsible for the tax and any interest or penalty due on the joint return even if they later divorce. Innocent Spouse relief from this liability is considered through the Department of Collections. It can be reached at:

Division of Collections
501 High Street
Frankfort, KY 40602
(502)564-4921

HOMESTEAD EXEMPTION

The Homestead Exemption (based on age or disability status) allows taxpayers who are at least 65 years of age or who are totally disabled to receive an exemption. The following requirements must be met in order to claim the homestead exemption:

- The taxpayer must both own and maintain the property as his or her personal residence as of January 1st;
- The taxpayer must have been classified as totally disabled under a program authorized or administered by an agency of the United States government, or any retirement system either within or outside the state of Kentucky on January 1st for the year in which the application is made and maintain the disability classification through December 31st; and
- The taxpayer must be receiving disability payments pursuant to that disability classification.

An application for the disability exemption must be made on an annual basis. The maximum homestead exemption on real estate owned by qualified persons has been set at $34,000 for the 2011 and 2012 tax periods. The 2011-2012 exemption reflects a $300 increase over the 2009-2010 exemption of $33,700.

The amount of the homestead exemption is adjusted every two years in accordance with **KRS 132.810** to compensate for changes in the purchasing power of the dollar. The exemption provided state and local property tax savings of approximately $155 million for more than 399,000 elderly or disabled Kentuckians during the 2010 tax year.

For more information about Kentucky's Homestead Exemption program and how to qualify for the Homestead Exemption, contact your local PVA's office.

KENTUCKY EDUCATIONAL EXCELLENCE SCHOLARSHIP (KEES)

During the months of June and July, Kentucky Higher Education sends out letters advising high school students of the amount of KEES money they have available toward tuition.

The letter states that the taxpayer may be eligible for a tax credit and lists Taxpayer Assistance's phone number – 502-564-4581.

The taxpayer will not get any type of credit for the KEES money, but may be able to take a credit for the balance of tuition, fees, etc. that are paid out of pocket.

Kentucky Form 8863-K will need to be completed when the taxpayer files next year's tax return in order to determine eligibility for a Kentucky education tuition tax credit.

REPAYMENTS

Return of Income

A taxpayer may have to return income that he or she was not entitled to (such as Social Security payments or unemployment compensation). If the mistake is found in the same year and the taxpayer repays it in the same year, the amount repaid is simply not entered on any form.

Federal Treatment
(Please see IRS Publication 525 for more information.)

Under Code Section 1341, if the money is repaid in a later year, and it is **$3,000 or less**, the taxpayer has to deduct the repayment amount as a Job Expense and Most Other Miscellaneous Deductions on Schedule A. There is no way to recover the tax benefit on amounts of $3000 or less if the taxpayer does not itemize.

If the amount repaid in a later year is **greater than $3,000**, and the taxpayer can establish a claim of right (i.e., he or she appeared to have a right to the money), the taxpayer has a choice:

1) Claim the money repaid as Other Miscellaneous Deductions, not subject to the 2 percent limitation; **or**
2) Claim a tax credit for the difference caused by the added income in the previous year's taxes.

Kentucky Treatment

If the money repaid in a later year is **$3,000 or less**, same as federal.

If the amount repaid in a later year is **greater than $3,000**, it may be claimed as follows on the Kentucky return:

1) Compute the tax on the current year return with a subtraction of income that was repaid, listing the amount repaid as Other Subtraction on Schedule M, if not already subtracted in the Federal AGI; **or**
2) Recalculate the tax for the prior year without including the income you repaid in the current year and claim a credit for the difference. If this option is chosen, the taxpayer would list the credit on the estimated tax payment line, write Section 1341 credit or "Claim of Right" beside the entry and attach a schedule to the return showing how the credit was computed.

TAX INTEREST RATES

Year	Rate
2012	???
2011	5%
2010	5%
2009	7%
2008	8%
2007	8%

2011 Tax Interest Rate

The Commissioner of the DOR is required by law to set the tax interest rate by November 15 for the following calendar year.

All taxes payable to the Commonwealth that have not been paid at the time prescribed by statute shall accrue interest at the base rate plus 2 percent; when interest is paid on a refund, it shall be paid at the base rate minus 2 percent.

Pursuant to **KRS 131.183**, the 2011 tax interest rate will remain at 3 percent. The rate charged by the Kentucky DOR on unpaid taxes is 5 percent. When interest is due on a refund, the rate shall be 1 percent.

This rate, effective Jan. 1, 2011, is based on the prime interest rate charged by Kentucky banks during the month of October 2010. A survey of Kentucky banks revealed that the average prime interest rate in October was 3.2 percent. Pursuant to **KRS 131.183(1)(c)**, the average prime rate is rounded to the nearest whole percent which is 3 percent.

Note: The interest rate for 2012 was not yet determined prior to our deadline for the publication of this material.

FAMILY SIZE TAX CREDIT CHART

Family Size	One		Two		Three		Four or More		Credit Percentage is
If MGI . . .	is over	is not over	is over	is not over	is over	is not over	is over	is not over	
2011	$ ---	$ 10,890	$ ---	$14,710	$ ---	$18,530	$ ---	$22,350	100
	10,890	11,326	14,710	15,298	18,530	19,271	22,350	23,244	90
	11,326	11,761	15,298	15,887	19,271	20,012	23,244	24,138	80
	11,761	12,197	15,887	16,475	20,012	20,754	24,138	25,032	70
	12,197	12,632	16,475	17,064	20,754	21,495	25,032	25,926	60
	12,632	13,068	17,064	17,652	21,495	22,236	25,926	26,820	50
	13,068	13,504	17,652	18,240	22,236	22,977	26,820	27,714	40
	13,504	13,830	18,240	18,682	22,977	23,533	27,714	28,385	30
	13,830	14,157	18,682	19,123	23,533	24,089	28,385	29,055	20
	14,157	14,484	19,123	19,564	24,089	24,645	29,055	29,726	10
	14,484	---	19,564	---	24,645	---	29,726	---	0

WITHHOLDING INFORMATION

1099–MISC ISSUED BY THE COMMONWEALTH OF KENTUCKY

The Form 1099–Miscellaneous issued by the Commonwealth of Kentucky Division of Accounting Services is not generated by the DOR. You may directly contact them with any questions at:

The Division of Accounting Services
702 Capitol Avenue, Room 484
Frankfort, KY 40601
(502) 564-7750

Form 1099 is not required to be sent to the Kentucky Department of Revenue unless tax has been withheld.

Quick Reference Guide

Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Adairville	1.5	Both	Both	Sharon Head, City Clerk/Treasurer	PO Box 185	Adairville	42202	270/539-6731	270/539-5503	shead@logantele.com	No Web site
Alexandria	1.5	Wages	Both	Compliance Mgr Occupational License	PO Box 72958	Newport	41072	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcountyky.org
Allen County	1	Both	Both	Evelina Williams, Occupational Tax Adm.	PO Box 115	Scottsville	42164	270/237-4472	270/237-9155	sandra@allencountykentucky.com	www.allencountykentucky.com
Ashland	1.5	Both	Both	Finance Director, Tony Grubb	PO Box 1839	Ashland	41105	606/327-2009	606/327-2010	accountsreceivable@windstream.net	www.ashlandky.org
Auburn	1.5	Both	Both	City Clerk/Treasurer	PO Box 465	Auburn	42206	270/542-4149	270/542-4143	auburnky@logantele.com	No Web site
Augusta	1	Net Profits	Both	City Clerk/Treasurer	PO Box 85	Augusta	41002	606/756-2183	606/756-2185	gengland@augustaky.com	www.augustaky.com
Ballard County	1	Wages	Quarterly	Treasurer	PO Box 276	Wickliffe	42087	270/335-5176	270/335-3010	bcjudge@brtc.net	No Web site
Bardstown	0.5	Both ($15000-75000)	Both	Mike Abell, CFO	220 N. 5th Street	Bardstown	40004	502/348-5947	502/348-2433	mabell@bardstowncable.net	www.cityofbardstown.com
Bath County	1.5	Wages	Quarterly	Doug Copher, Bath County Treasurer	PO Box 39	Owingsville	40360	606/674-3129	606/674-3087	dcopher@windstream.net	No Web site
Beattyville	1	Wages	Quarterly	Wilma Kelly, City Clerk	PO Box 307	Beattyville	41311	606/464-5007	606/464-2123	wkelley@beattyville.org	No Web site
Bellevue	2.5	Wages	Both	City Clerk/Treasurer	616 Poplar St.	Bellevue	41073	859/431-8888	859/261-8387	mary.scott@bellevueky.org	www.bellvueky.org
Bellevue	Scale	Gross Receipts	Both	City Clerk/Treasurer	616 Poplar St.	Bellevue	41073	859/431-8888	859/261-8387	mary.scott@bellevueky.org	www.bellvueky.org
Benton	0.5	Wages	Quarterly	Bethany Cooper, Treasurer	1009 Main St.	Benton	42025	270/527-8677	270/527/2251	bcooper@cityofbenton.org	www.cityofbenton.org
Berea	2	Wages	Both	Carol Richmond, Treasurer	212 Chestnut St.	Berea	40403	859/986-7218	859/986-7616	cityofbereaky.gov	www.bereaky.com
Boone County (School Bd)	0.5	Both	Both	Boone Cty Occ Tax Adm.	PO Box 960	Burlington	41005	859/334-2144	859/334-3914	occlicense@boonecountyky.org	www.boonecountyky.org
Boone County	0.8	Both	Both	Boone Cty Occ Tax Adm.	PO Box 960	Burlington	41005	859/334-2144	859/334-3914	occlicense@boonecountyky.org	www.boonecountyky.org
Boone County (mental health tax)	0.15	Both	Both	Boone Cty Treasurer	PO Box 960	Burlington	41005	859/334-2144	859/334-3914	occlicense@boonecountyky.org	www.boonecountyky.org
Bourbon County	0.75	Both	Both	Treasurer	Courthouse Rm 210	Paris	40361	859/987-2139	859/987-2136		www.bourbonky.com
Bowling Green	1.85	Both	Both	David Lyne, Occ. License Mgr	PO Box 430	Bowling Green	42102	270/393-3639	270/393-3636	David.Lyne@bgky.org	www.bgky.org
Boyd County	1	Both	Both	Tax Administrator, Missy Shumate	PO Box 423	Catlettsburg	41129	606/739-4134	606/739-0164	missmuller@zoominternet.net	No Web site
Boyle County	0.75	Both	Both	Boyle County Tax Adm.	321 W. Main St, Rm 117	Danville	40422	859/238-1115	859/238-1108	mpierce@boyleky.com	No Web site
Breathitt County	1	Both	Both	Tax Administrator, Kay Barnett	PO Box 2	Jackson	41339	606/666-3810	606-666-3813	kayab_2000@yahoo.com	No Web site
Bromley	0.075	Gross Profits	Quarterly	License Inspector	PO Box 792	Covington	41011	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Bromley	1	Wages	Quarterly	License Inspector	PO Box 792	Covington	41011	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Brooksville	1.75	Both	Quarterly	Clerk/Treasurer	PO Box 216	Brooksville	41004	606/735-2501	606/735-2272	cityclerk@maysvilleky.net	No Web site
Brownsville	1	Both	Both	City Clerk/Treasurer	PO Box 238	Brownsville	42210	270/597-3814	270/597-3274	brownsville@usdol.net	No Web site
Burkesville	1	Quarterly	Both	City Clery/Treasurer/Tax Collector	PO Box 250	Burkesville	42717	270/864-5391	270/864-1795	cityofburkesville@yahoo.com	No Web site
Butler County	1	Both	Both	Occ. Tax Adm.	PO Box 608	Morgantown	42261	270/526-2659	270/526-2658	susan.johnson@butlercoky.com	No Web site
Cadiz	1.5	Wages	Quarterly	City Clerk	PO Box 1465	Cadiz	42211	270/522-8244	270/522-0025	dmcdermott@cityofcadiz.com	www.cadiz.ky.gov

Quick Reference Guide

Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Caldwell County	1	Both	Both	Janie Kirk, Caldwell Cty Tax Adm	100 E. Market, Rm 24	Princeton	42445	270/365-9776	270/365-9776	jkirk@caldwellcourthouse.com	No Web site
Calvert City	0.5	Both	Both	Gail Bivens	PO Box 36	Calvert City	42029	270/395-7138	270/395-5554	gbivens@calvertcity.com	No Web site
Campbell County	1.05	Both	Both	L.L. Eads,Tax Mgr	PO Box 72958	Newport	41071	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcountyky.org
Campbellsville	1	Both	Both	Occ Tax Clerk	203 N. Court, Suite 10	Campbellsville	42718	270/465-9760	270/465-0380	occtax@taylorcounty.us	www.taylorcounty.us
Caneyville	$1/wk pt $2/wk ft	Wages	Quarterly	City Clerk Brenda Brown	PO Box 69	Caneyville	42721	270/879-9701	270/879-3333	brenda333@windstream.net	No Web site
Carlisle	1	Both	Both	Clerk/Treasurer	107 E. Chestnut St	Carlisle	40311	859/289-3700	859/289-7704	maryscityofcarlisle71@yahoo.com	No Web site
Carnargo	1	Both	Both	Carnargo City Clerk	4460B Carnargo Road	Mt Sterling	40353	859/498-9075	859/498-9075	No e-mail	No Web site
Carroll County ($5000+)	1	Both	Both	Carroll Cty Tax Administrator, Traci Courtney	440 Main Street, 2nd Flr	Carrollton	41008	502/732-7003	502-732-7023	cctax@bellsouth.net	www.carrollcountygov.us/occupationalasp
Catlettsburg	1.5	Both	Both	Helen Barker, City Clerk Kay Cole, Treasurer	PO Box 533	Catlettsburg	41129	606/739-4533	606/739-3754	cityofcatkettsburg@windstream.net	No Web site
Cave City	2	Both	Both	Pam Hunt, City Clerk/Treasurer	PO Box 367	Cave City	42127	270/773-2188	270/834-0429	cityhall@caveland.net	www.cityofcavecity.com
Clark County	1.5	Both	Both	Director of Finance	34 S. Main St., #103	Winchester	40391	859/745-0202	859/737-5678	clarkcountydof@yahoo.com	www.clarkcoky.com
Clarkson	2.00 wk	Wages	Quarterly	City Clerk/Treasurer	PO Box 10	Clarkson	42726	270/242-6997	270/242-2841	clerk@clarksonky.com	No Web site
Clay City	1	Wages	Quarterly	City Clerk	PO Box 548	Clay City	40312	606/663-2224	606/663-0672	claycity04@yahoo.com	No Web site
Clay County	1	Both	Both	County Tax Adm	305 Main St	Manchester	40962	606/598-0009	606/598-1483	clayoctax@mikrotec.com	No Web site
Clinton	0.5	Wages	Quarterly	Occ Tax Adm	PO Box 303	Clinton	42031	270/653-6419	270/653-6422	clincity@bellsouth.net	No Web site
Clinton County	0.75	Both	Both	Occ Tax Administrator	100 S. Cross St	Albany	42602	606/387-6409	606/387-7651	occtax@windstream.net	No Web site
Cold Spring	1	Wages	Quarterly	LL Eads, Tax Mgr	PO Box 72958	Newport	41071	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcountyky.org
Cold Spring	Scale	Gross Receipts	Both	LL Eads, Tax Mgr	PO Box 72958	Newport	41071	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcountyky.org
Covington	2.5	Both	Both	Finance Director	638 Madison Avenue	Covington	41011	859/292-2176	859/292-2131	bobdue@covingtonky.gov	www.covingtonky.com
Crescent Springs	1	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Crescent Springs	0.075	Gross Receipts	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Crestview Hills	1	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Crestview Hills	0.75	Net Profits	Annually	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Cumberland County	0.5	Both	Both	Deborah Carter, Tax Collector	PO Box 420	Burkesville	42717	270/864-3577	270/864-3803	debbie.carter@cumberland.kyschools.us	No Web site
Cumberland County	0.75	Both	Both	Cum. Cty Fiscal Court, Stacey Thrasher	PO Box 826	Burkesville	42717	270/864-3444	270/864-1757	staceytreasurer@windstream.net	No Web site
Cynthiana	1.5	Gross Wages	Both	City Clerk	PO Box 67	Cynthiana	41031	859/234-7150	859/234-0035	cityofcynthiana@bellsouth.net	www.cynthiana.com
Danville	1.25	Wages	Both	Boyle Cty Tax Adm	321 W Main St, Rm 117	Danville	40422	859/238-1115	859/238-1108	mpierce@boyleky.com	No Web site
Danville	1	Net Profits	Both	Boyle Cty Tax Adm	321 W Main St, Rm 117	Danville	40422	859/238-1115	859/238-1108	mpierce@boyleky.com	No Web site
Daviess County	0.35	Both	Both	Occupational Tax Administrator	PO Box 10008	Owensboro	42302	270/887-8231	270/687-8526	pedleye@owensboro.org	www.owensboro.org
Dawson Springs	1.5	Both	Both	City Clerk/Treasurer	PO Box 345	Dawson Springs	42408	270/797-2781	270/797-2221	jdunbardawsonsprings@ky.com	www.dawsonsprings.com
Dayton	2	Wages	Quarterly	City Clerk	514 6th Avenue	Dayton	41074	859/491-1600	859/491-3538	dlegen@daytonky.com	www.daytonky.com
Dry Ridge	0.5	Wages	Quarterly	City of Dry Ridge	PO Box 145	Dry Ridge	41035	859/824-3335	859/824-3598	dryridge@fuse.net	No Web site
Eddyville	1.5	Both	Both	Clerk/Treasurer	PO Box 744	Eddyville	42038	270/388-2226	270/388-3683	eddyville@vci.net	No Web site
Edgewood	0.75	Net Profits	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org

Quick Reference Guide

Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Edgewood	1	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Edmonton	1.5	Both	Both	City Clerk	PO Box 374	Edmonton	42129	270/432-2811	270/432-3949	libby@cityofedmonton.ky	No Web site
Elizabethtown	1.35	Both	Both	Cheryl Bulur, Auditor	PO Box 550	Elizabethtown	42702	270/765-6121	270/737-5362	cheryl.bulur@elizabethtownky.gov	www.elizabethtownky.org
Elkhorn City	1	Wages	Quarterly	Tax Administrator	PO Box 303	Elkhorn City	41522	606/754-5080	606/754-8588	elkhorncityhall@bellsouth.net	No Web site
Elkton	2	Wages	Both	Laura Brock, City Clerk	Box 578	Elkton	42220	270/265-9877	270/265-5816	city_clerk@elktonky.com	www.elktonky.com
Elkton (see schedule)	0.125	Gross Receipts	Annual	City Clerk	Box 578	Elkton	42220	270/265-9877	270/265-5816	city_clerk@elktonky.com	No Web site
Elsmere	0.015	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Elsmere	1	Net Profits	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Eminence	0.75	Both	Both	Asst City Clerk	PO Box 163	Eminence	40019	502/845-4159	502/845-8066	robinm@insightbb.com	No Web site
Erlanger	0.075	Gross Receipts	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Erlanger	0.015	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Estill County	1.25	Both	Both	Ann Rogers, Treasurer	130 Main Street, #107	Irvine	40336	606/723-4822	606/723-5471	annrogers@irvineonline.net	www.estillky.com
Fayette County (School tax)	0.5	Both	Both	Jennifer Koutoulas	701 E. Main, Rm 219	Lexington	40502	859/381-4159	859/381-4706	jennifer.koutoulas@fayette.kyschools.us	www.fcps.net/tax
Flemingsburg	1	Both	Both	City Clerk	Box 406	Flemingsburg	41041	606/845-5951	606/845-0712	joyroark@altiusbb.com	www.flemingsburgky.org
Florence	2	Wages	Quarterly	Finance Director, Linda Chapman	8100 Ewing Blvd.	Florence	41042	859/647-5413	859/647-5447	linda.chapman@florence-ky.gov	www.florence-ky.gov
Fort Mitchell	0.075	Gross Receipts	Annually	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Fort Mitchell	1	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Fort Thomas	1.25	Both	Both	L.L. Eads, Tax Mgr	PO Box 72958	Newport	41071	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcountyky.org
Fort Wright	0.075	Gross Receipts	Annually	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1459	conley.thompson@kentoncounty.org	www.kentoncounty.org
Fort Wright	1.00	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1459	conley.thompson@kentoncounty.org	www.kentoncounty.org
Frankfort	1.75	Both	Both	License Fee Administrator	PO Box 697	Frankfort	40602	502/352-2081	502/875-8502	tbrown@frankfort.ky.gov	www.frankfort.ky.gov
Franklin	1	Wages	Both	Ms. Cassady, License & Fees	PO Box 2805	Franklin	42135	270/586-4497	270/586-9419	mandy.cassady@franklinky.org	www.franklinky.org
Franklin	1	Gross Receipts	Both	Ms. Cassady, License & Fees	PO Box 2805	Franklin	42135	270/586-4497	270/586-9419	mandy.cassady@franklinky.org	www.franklinky.org
Franklin County	1	Both	Both	Occ. Tax Administrator	PO Box 594	Frankfort	40602	502/875-8709	502/875-8755		www.franklinky.org
Fulton	2	Gross Receipts	Annual	Helen Lee, City Clerk	PO Box 1350	Fulton	42041	270/472-1320	270/472-6526	hlee@newwavecomm.net	www.fulton-ky.net
Fulton	2	Wages	Annual	Helen Lee, City Clerk	PO Box 1350	Fulton	42041	270/472-1320	270/472-6526	hlee@newwavecomm.net	www.fulton-ky.net
Gallatin County	1	Wages (exemption 5000+)	Quarterly	Occ. Tax Administrator	PO Box 144	Warsaw	41095	859/567-5691	859/567-4764	lbullardtreasurergallatin@fuse.net	www.gallatincounty.ky.gov
Gamaliel	1	Both	Both	City Clerk	PO Box 126	Gamaliel	42140	270/457-2901	270/457-2902	gamalielgov@scrtc.com	No website
Garrard County	1	Both	Both	Tax Administrator	PO Box 505	Lancaster	40444	859/792-3531	859/792-2010	No E-mail	www.garrardcounty.ky.gov
Georgetown	1	Both	Both	Georgetown/Scott Cty Rev. Commission	PO Box 800	Georgetown	40324	502/863-9805	502/863-9808	info@gscrevenue.com	www.gscrevenue.com
Glasgow	1.5	Both	Both	Brandon Kerney, License Fee Mgr	PO Box 278	Glasgow	42142	270/651-5131	270/651-2511	bkerney@glasgow-ky.com	www.glasgowky.org

QUICK REFERENCE GUIDE

2011 Kentucky Communities Imposing an Occupational Tax

Compiled by the Kentucky Society of CPAs

Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Graves County	1	Wages	Quarterly	Graves County Treasurer	101 E. South St	Mayfield	42066	270/247-3626	270/247-1274	judgeexecsmith@hotmail.com	No Web site
Grayson	1	Wages	Both	Occ Tax Department	302 E. Main St.	Grayson	41143	606/474-6651	606/474-6653	dsimmons@graysonky.net	www.graysonky.net
Grayson County	0.5	Both	Both	Tax Administrator Larry Holeman	PO Box 4160	Leitchfield	42755	270/259-0354	270/259-0404	gcdcor@bgtelco.com	No Web site
Greensburg	1	Both	Both	Tax Clerk	110 West Court Street	Greensburg	42743	270/932-4298	270-932-7778	khenderson@greensburgonline.com	www.greensonline.com
Guthrie	1	Wages	Annual	City of Guthrie	PO Box 125	Guthrie	42234	270/483-2511	270/483-9062	guthriecityclk@yahoo.com	www.guthrieky.com
Hancock County	1.25	Both	Both	Tax Administrator	PO Box 416	Hawesville	42348	270/927-8788	270/927-0999	fbozarth_hctax@bellsouth.net	No Web site
Harrison County	1.5	Both	Quarterly	Tax Administrator	111 S Main St., PO Box 708	Cynthiana	41031	859/234-7136	859/234-6647	hctax@roadrunner.com	No Web site
Harrodsburg	1	Both	Both	Occ. License Fee Adm. Rebecca McKinney	P. O.Box 468	Harrodsburg	40330	859/734-2225	859/734-6231	bmckinney@harrodsburgcity.org	No Web site
Hart County	0.008	Both	Both	Rietta Osborn, Occ. Tax Administrator	PO Box 247	Munfordville	42765	270/524-3507	270/524/9732	N/A	No Web site
Hazard	1.25 under 60,000	Both	Both	Tax Administrator	PO Box 420	Hazard	41702	606/436-3171	606/436-3252	No E-mail	www.cityofhazard.com
Hazard	.50 up to 60,000	Both	Both	Tax Administrator	PO Box 420	Hazard	41702	606/436-3171	606/436-3252	No E-mail	www.cityofhazard.com
Henderson	1	Both	Both	Helen Keaton, Occ Tax	PO Box 671	Henderson	42419	270/831-1200	270/827-6054	businesslic@cityofhendersonky.org	www.cityofhendersonky.org
Hickman	1	Both	Both	Donna Haney, City Clerk	1812 S. 7th St	Hickman	42050	270/236-2535 ext 229	270/236-2537	dhaney@galaxycable.net	No Web site
Highland Heights	1	Gross Receipts	Both	L.L. Eads, Tax Mgr	PO Box 72958	Newport	41071	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcoky.orgfor/occlic/htm
Highland Heights	1	Wages	Both	L.L. Eads, Tax Mgr	PO Box 72958	Newport	41071	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcoky.orgfor/occlic/htm
Hillview	1.5	Both	Both	Betty Bradbury, City Clerk	298 Prairie Drive	Louisville	40229	502/957-5280	502/955-5673	betty@hillviewky.org	www.hillviewky.org
Hodgenville	0.75	Both	Quarterly	City Clerk/Treasurer	PO Box 189	Hodgenville	42240	Wrong #			No Web site
Hopkinsville	1.5	Net Profits ($250 min)	Annually	Kim Osteen	101 N. Main Street	Hopkinsville	42241	270/890-0221	270/890-0277	tax-info@hopkinsvilleky.us	No Web site
Hopkinsville	0.020	Wages	Both	Kim Osteen	101 N. Main Street	Hopkinsville	42240	270/890-0221	270/890-0277	tax-info@hopkinsvilleky.us	www.hopkinsvilleky.us
Horse Cave	0.5	Wages	Both	Brenda Crain	PO Box 326	Horse Cave	42749	270/786-2680	270/786-2688	bkcrain@scrtc.com	www.horsecaveky.com
Independence	0.075	Gross Receipts	Annually	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Independence	1.25	Wages	Quarterly	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Jackson	1	Both	Both	Tax Administrator	333 Broadway	Jackson	41339	606/666-7069	606/666-7046	angiecombs@setel.com	No Web site
Jackson County	1	Both	Both	Teresa Truett, Occ. Tax Administrator	PO Box 514	McKee	40447	606/287-8375	606/287-4501	taxadmin@prtcnet.org	www.jacksoncountyky.us
Jamestown	1	Wages	Quarterly	City Clerk/Treasurer, Tyler McGowan	PO Box 587	Jamestown	42629	270/343-4594	270/343-4929	revenue@jeffersontownky.com	No Web site
Jeffersontown	1	Wages	Both	John Carter, Tax Administrator	10416 Watterson Trail	Jeffersontown	40299	502/267-8333	502/267-0547	revenue@jeffersontownky.com	www.jeffersontownky.com
Jeffersonville	1	Both	Both	Stacey Honeycutt, Jeffersonville Clerk	PO Box 127	Jeffersonville	40337	859/498-5808	859/497-6267	honeycutt01@winchtwebc.com	No Web site
Jessamine County	1	Both	Both	Cindy Tudor, Tax Adm	105 Court Row	Nicholasville	40356	859/885-3206	859/887-0900	cindyt.ta@jessamineco.com	www.jessamineco.com
Johnson County	0.5	Both	Both	Edna Bussey, Adm of Tax	PO Box 868	Paintsville	41240	606/789-2550	606/789-2555	edabussey@bellsouth.net	No Web site
Junction City	1	Wages	Both	Clerk/Treasurer	PO Box 326	Junction City	40440	859/854.3900	Same	policedepartment@bellsouth.net	No Web site

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Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Kenton County	0.7097	Wages under 25,000	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Kenton County	0.1097	Wages over 25,000	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Kenton County	0.1097	Net Profits over 37,500	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Kenton County	0.020	Net Profits under 37,500	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Knox County	1	Both	Both	Occ Tax Administrator	PO Box 177	Barbourville	40906	606/546-8915	606/546-6196	kfctax@barbourville.com	No Web site
Lakeside Park	0.75	Gross Receipts	Annually	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	No Web site
Lakeside Park	1	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	No Web site
Laurel County	1	Both	Both	Tax Administrator	PO Box 650	London	40743	606/878-9766	606/878-9803	laurelocctax@windstream.net	www.lcotax.com
Lebanon	1	Both	Both	Lori Boone	PO Box 840	Lebanon	40033	270/692-6272	270/692-4638	lhamilton@lebanonky.org	www.lebanon.ky.gov
Lebanon Junction	0.8	Both	Both	City Clerk	PO Box 69	Lebanon Junction	40150	502/695-3010	502/833-4388	No e-mail	No Web site
Leitchfield	1.2	Both	Both	City Clerk/Treasurer	PO Box 398	Leitchfield	42755	270/259-4034	270/259-5858	erin.embry@leitchfield.org	www.leitchfield.ky.gov
Leslie County	1	Wages	Both	Tax Adm Serena Asher	PO Box 620	Hyden	41749	606/672-3200	606/672-7373	serenaasher@tds.net	www.lesliecoky.com
Lewisburg	1.5	Both	Both	City Clerk/Treasurer, Angela Swinney	PO Box 239	Lewisburg	42256	270/755-4828	270/755-4829	lewisky@logantele.com	No Web site
Lexington Fayette Urban County	2.25	Both	Both	Director of Revenue	200 E. Main St.	Lexington	40507	859/258-3355	859/258-3352	www.lexingtonky.com	No Web site
Lincoln County	1	Both	Both	Tax Adm, Pat Young	201 E. Main St, Ste. 5	Stanford	40484	606/365-4520	606/365-4520	lcolf@hometownwireless.biz	No Web site
Livingston County	1	Both	Both	Kayla Curry	PO Box 48	Smithland	42081	270/928-3361	270/928-3262	kcurry@livingstonco.ky.gov	No Web site
Logan County	0.75	Both	Both	Logan Cty Occ Tax Dir	PO Box 236	Russellville	42276	270/726-4667	270/726-3117	logantaxes@bellsouth.net	www.logancounty.ky.gov
Louisville Metro	1.45	Both	Both	Secretary/Treasurer	617 W. Jefferson St.	Louisville	40202	502/574-4860	502/574-4818	switchboard@metrorevenue.org	www.metrorevenue.org
Louisville Metro	0.75	School Tax		Secretary/Treasurer	617 W. Jefferson St.	Louisville	40202	502/574-4860	502/574-4818	switchboard@metrorevenue.org	www.metrorevenue.org
Ludlow	1.5	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Madison County	1	Both	Both	Occ Tax Admin	PO Box 547	Richmond	40476	859/624-4742	859/624-4027	angel.powell@madisoncountyky.us	www.madisoncountyky.us
Madisonville	1.5	Both	Both	Finance Director	PO Box 1270	Madisonville	42431	270/824-2107	270/821-0271	calexander@madisonvillegov.com	www.madisonville.gov
Magoffin County	1	Wages	Both	Kila Keeton, Treasurer	PO Box 430	Salyersville	41465	606/349-2313	606/349-2109	magtreasurer@foothills.net	
Marion	0.75	Both	Both	Melinda Gipson	217 S. Main St	Marion	42064	270/965-4177	270/965-5235	mgipson@marionky.gov	
Marion County	1	Both	Quarterly	Melinda Gipson, County Treasurer	223 N Spalding Ave #201	Lebanon	40033	270/692-3451	270/692-9487	kevinrcochran@windstream.net	
Marshall County	1	Both	Both	Tax Administrator, Angie Murphy	PO Box 114	Benton	42025	270/527-4725	270/527-3194	angie.murphy@ky.gov	www.marshallcounty.ky.gov
Marshall County (school tax)	0.5	Both	Both	Marshall Cty Finance Officer	86 High School Road	Benton	42025	270/527-6759	(270) 527-0804	karen.frizzell@kyschools.us	www.marshall.k12.ky.us
Martin	1.3	Wages	Both	City Clerk	PO Box 749	Martin	41649	606/285-9335	606/285-3309	waterabc@setel.com	No Web site
Martin County	1	Wages	Quarterly	Tax Administrator: Jeanetta Goble	PO Box 309	Inez	41224	606/298-2085	606/298-2120	mcot@suddenlinkmail.com	No Web site
Mayfield (different rate over 50000)	2	Both	Both	City Clerk/Treasurer	211 E. Broadway	Mayfield	42066	270/251-6212	270/247-7151	tjohnson@cityofmayfield.org	www.cityofmayfield.com

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Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Maysville	1.95	Both	Both	Asst. City Comptroller	216 Bridge St	Maysville	41056	606/564-9419	606/564-9416	lrdunbar@maysville.net	www.cityofmaysville.com
McCracken County	1	Both	Both	Angie Brown, County Tax Administrator	PO Box 2658	Paducah	42002	270/444-4722	270/444-4737	abrown@co.mccracken.ky.us	www.mccrackencofisca/court.com
McCreary County	1	Both	Both	Stephanie Tucker, Tax Adm.	PO Box 327	Whitley City	42653	606/376-1322	606/376-4319	mc.co.occtax@highland.net	www.mccrearycounty.com/tax
McKee	1	Both	Both	Marla Fields, City Clerk	PO Box 455	McKee	40447	606/287-8305	606/287-7179	citymckee@prtcnet.org	
McLean County	1	Both	Both	Darron L. Brawner, Adm.	PO Box 670	Calhoun	42327	270/273-9170			
Menifee County	1.25	Both	Both	Jennifer Rogers	PO Box 294	Frenchburg	40322	606/768-9029	Same #	taxadm@mrtc.com	
Mercer County	0.45	Both	Both	Tax Administrator/Sandy Sanders	PO Box 265	Harrodsburg	40330	859/734-6300	859/734-6345	ssanders@mercerky.com	www.mercercounty.ky.gov
Metcalfe County	1	Both	Both	Tax Administrator	PO Box 149	Edmonton	42129	270/432-3181	270/432-3726	metcoje@scrtc.com	
Middlesboro	2	Both	Quarterly	Code Enforcement Officer	PO Box 736	Middlesboro	40965	606/248-3670	606/248-1202		
Midway	2	Both	Both	City Clerk/Treasurer	PO Box 4275	Midway	40347	859/846-4413	859/846-4411	phyllis1@mikrotec.com	www.midwayky.net
Millersburg	1	Both	Both	Carolyn Sears	5th St., PO Box 265	Millersburg	40348	859/484-3901	859/484-3901	norsburgrose@yahoo.com	
Monroe County	0.5	Both	Both	Occ. Tax Administrator	200 N. Main St, Suite G	Tompkinsville	42167	270/487-6392	270/487-0591		
Montgomery County	1	Both	Both	Mary Blevins	44 W. Main St	Mt. Sterling	40353	859/498-5389	859/498-1040	mary.blevins@ky.gov	
Morehead	1.5	Both	Both	Charles Stansbury, Finance Director	PO Box 490	Morehead	40351	606/784-9744	606/784-6629	cfstansbury@roadrunner.com	
Morgan County	0.5	Wages	Both	Linda Bradley, Adm Assistant	450 Prestonsburg St	West Liberty	41472	606/743-3897	606/743-3895	mcfc.lb@gmail.com 7/1/08	
Morgantown	2	Both	Both	Anita Gossett, City Clerk/Treasurer	PO Box 397	Morgantown	42261	270/526-3537	270/526-6295	morg6874@bellsouth.net	
Mount Vernon	1	Both	Both	Tax Adm., Josh Bray	PO Box 1463	Mount Vernon	40456	606/256-3437	606/256-3443	jbray@mtvernonky.org	
Mt. Olivet	1	Wages	Both	City of Mt. Olivet	PO Box 166	Mt Olivet	41064	606/724-5816	606/724-5816		
Mt. Washington	1	Wages	Quarterly	City Clerk	PO Box 285	Mt. Washington	40047	502/538-4216	502/538-4064	dawn.fick@cityofmtwashington.org	
Muldraugh	1	Wages	Both	City Clerk/Treasurer	PO Box 395	Muldraugh	40155	502/942-2824	502/942-2892	cityofmuldraugh@aol.com	
Muldraugh	0.25	Gross Profits	Both	City Clerk/Treasurer	PO Box 395	Muldraugh	40155	502/942-2824	502/942-2892	cityofmuldraugh@aol.com	
Munfordville	0.75	Wages	Quarterly	Tax Administrator	PO Box 85	Munfordville	42765	270/524-5701	270/524-3021	citymfvl@scrtc.com	
Nelson County	0.5	Both ($0-15000)	Both	Teresa Haffner, Occupational License Adm.	PO Box 578	Bardstown	40004	502/348-1862	502/348-1897	nelsonolf@bardstown.com	www.bardstownky.com
Newport	2.5	Wages	Quarterly	Robert Bramel, License Inspector	998 Monmouth Street	Newport	41071	859/292-3660	859/292-3663	rbramel@newportky.gov	www.newportky.gov
Newport	0.35	Gross Receipts	Annual	Robert Bramel, License Inspector	998 Monmouth Street	Newport	41071	859/292-3660	859/292-3663	rbramel@newportky.gov	www.newportky.gov
Nicholas County	1	Both	Both	Tax Administrator	PO Box 167	Carlisle	40311	859/289-3725	859/289-3705	dana2@qx.net	
Nicholasville	1.5	Both	Both	Tax Adm., Leanne Wafford	PO Box 590	Nicholasville	40356	859/885-7618	859/881-0750	leanne_wafford@nicholasville.org	www.nicholasville.org
Oak Grove	1.5	Both	Both	City Clerk, Evelyn McDaniel	PO Box 230	Oak Grove	42262	270/439-4646	270/439-1201	ogcc@oakgroveky.org	
Ohio County	1	Both	Both	Tax Adm., Eugenia Sapp	PO Box 185	Hartford	42347	270/298-4410	270/298-4409	hgenias@bellsouth.net	ohiocounty.ky.gov/departments/octax.htm
Owensboro	1.33	Both	Both	Occ Tax Administrator	PO Box 10008	Owensboro	42302	270/687-8321	270/687-8526	pedleyg@owensboro.org	www.owensboro.org
Owenton	1	Both	Quarterly	Clerk/Treasurer	220 S. Main St	Owenton	40359	502/484-2322	502/484-5156	aldridge2008@bellsouth.net	No website
Paducah	2	Wages/Gross Receipts	Both	Revenue Manager	PO Box 2427	Paducah	42002	270/444-8513	270/443-6653	acopeland@ci.paducah.ky.us	www.paducahky.gov
Paintsville	1	Both	Both	City Clerk	PO Box 1588	Paintsville	41240	606/789-2600	606/789-2602	clerkcastle@cityofpaintsville.net	www.cityofpaintsvilleville.net
Paris	1.5	Both	Both	Occ. License Adm.	525 High St.	Paris	40361	859/987-2110	859/987-4640	cdryden@paris.ky.gov	paris.ky.gov
Park City	1	Both	Quarterly	Pauline Toms	PO Box 304	Park City	42160	270/749-3695	270/749-2425	cityhall@parkcity.ky.gov	

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Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Park Hills	0.015	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Park Hills	0.35	Gross Receipts	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Pendleton County	1.50 until 12/31/10	Wages	Both	Jenny Schlueter, Tax Adm (apply before forms available)	233 Main St, Rm 4	Falmouth	41040	859/654-1808	859/654-5047	pcpayrolltaxadm@fuse.net	Tax Rate will go back to .5% on 1/1/11
Perryville	1	Wages	Both	Mona Followell	P. O. Box 95	Perryville	40468	859/332-8361	859/332-8361	cityofperryville@bellsouth.net	
Pikeville	2	Both	Both	Occ. Tax Administrator, Grace Ratliff	118 College Street	Pikeville	41501	606/437-5105	606/444-5292	gratliff@pikevillecity.com	www.pikevillecity.com
Pineville	1.5	Both	Both	City Clerk/Treasurer	PO Box 688	Pineville	40977	606/337-2958	606/337-7111	ctyclerk@bellsouth.net	
Pioneer Village	1	Wages	Quarterly	City of Pioneer Village	4700 Summitt Dr.	Louisville	40229	502/937-3800	502/937-4580	cityclerk@cityofpioneervillage.org	www.cityofpioneervillage.org
Powell County	1.25	Both	Quarterly	Patricia Holland, Finance Officer	PO Box 506	Stanton	40380	606/663-2834	606/663-2905	judge099@yahoo.com	
Prestonsburg	1.5	Both	Both	City Comptroller	200 North Lake Dr.	Prestonsburg	41653	606/886-2335	606/886-0563	ystephens@prestonsburg.org	
Princeton	1.5	Both	Both	Diane Knox, Finance Director	206 E. Market St.	Princeton	42445	270/365-9575	270/365-4661	dknoxprinceton@mchsi.com	www.princetonky.gov
Pulaski County	1	Both	Both	Tax Administrator	PO Box 638	Somerset	42502	606/679-2393	606/451-8763	ladams@pcgovt.com	www.pulaskicoocctax.com
Raceland	1	Wages	Both	Diana Moore, City Clerk	711 Chinn St	Raceland	41169	606/836-4522	606/836-7161	cityofraceland@yahoo.com	
Radcliff	2	Both	Both	City CFO	PO Box 519	Radcliff	40159	270/351-4714	270/351-7329	cfox@radcliff.org	www.radcliff.org
Richmond	2	Both	Both	Michael Broyles, Dir. of Finance	PO Box 1268	Richmond	40476	859/623-1000	859/624-2753	mbroyles@richmond.ky.us	finance.richmond.ky.us
Robertson County	1.5	Both	Both	Payroll Occ Tax Adm.	PO Box 76	Mt Olivet	41064	606/724-5615	606/724-5022		
Rockcastle County	1.5	Both	Both	Joseph Clontz, Occ. Tax Adm.	PO Box 1810	Mt Vernon	40456	606/256-1293	606/256-8104	jclontzcpa@windstream.net	
Rowan County	1	Both	Both	Charles Stansbury, Finance Director	PO Box 607	Morehead	40351	606/784-6628	606/784-6629	cfstansbury@roadrunner.com	
Russell	0.875	Both	Both	Reva Sturgill, Occupational License Fee Division	PO Box 473	Russell	41169	606/833-9555	606/324-4739	revasturgill@yahoo.com	
Russell County	0.25	Both	Both	Tax Administrator	PO Box 7	Jamestown	42629	270/343-1404	270/343-2134	rctaxad@duo-county.com	
Russell Springs	1	Wages	Quarterly	City Clerk	PO Box 247	Russell Springs	42642	270/866-3981	270/866-3860	wburton@duo-county.com	
Russellville	2	Both	Both	Julie Daech	PO Box 434	Russellville	42276	270/726-3002	270/726-3064	jdaech@russellvilleky.org	www.russellvilleky.org
Salyersville	1.00	Wages	Quarterly	Clerk	PO Box 640	Salyersville	41465	606/349-2409	606/349-2449	glendasue@foothills.net	
Scott County	1	Both	Both	Georgetown/Scott Cty Rev Commission	PO Box 800	Georgetown	40324	502/863-9805	502/863-9808	info@gscrevenue.com	
Scott County	0.5	Both	Annual	Georgetown/Scott Cty Rev Commission (school tax)	PO Box 800	Georgetown	40324	502/863-9805	502/863-9808	info@gscrevenue.com	
Scottsville	1.5	Both	Quarterly	City Treasurer	201 W. Main St, Ste 8	Scottsville	42164	270/237-4472	270/237-4922	Eanderson@Scottsville.cityof.org	No Web site
Shelby County	1	Both	Both	Tax Administrator	215 Washington St	Shelbyville	40065	502/633-7685	502/633-6514	jamesray.wiley@shelbycountykentucky.com	www.shelbycountykentucky.com
Shelbyville	1.5	Both	Quarterly	Wendy, Deputy City Clerk	PO Box 1289	Shelbyville	40066	502/633-8000	502/633-4202	wendy@shelbyvillekentucky.com	www.shelbykentucky.com
Shepherdsville	1	Wages	Quarterly	City Clerk/Treasurer	PO Box 400	Shepherdsville	40165	502/543-2923	502/543-6201	trichmond@shepcity.com	www.shepherdsville.net
Shively	1.5	Both	Both	Becky Roberson, Occ. Tax Adm.	3920 Dixie Hwy	Shively	40216	502/449-5000	502/449-5004	broberson@insightbb.com	www.shivelyky.org
Silver Grove	1.5	Wages	Both	City Clerk, Kay Wright	PO Box 428	Silver Grove	41085	859/441-6390	859/441-4363	sgclerk@insightbb.com	No website
Simpson County	0.75	Wages	Quarterly	Nicole Law, Simpson County Tax Adm.	PO Box 242	Franklin	42135	270/586-7184	270/598-8914	nlaw@simpsoncounty.us	www.simpsoncounty.us
Southgate	2.5	Gross Receipts	Both	Compliance Mgr Occupational License	PO Box 72958	Newport	41071	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcountyky.org

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Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Southgate	2.5	Wages	Both	Compliance Mgr Occupational License	PO Box 72958	Newport	41071	859/292-3884	859/292-3827	leads@campbellcountyky.org	www.campbellcountyky.org
Spencer County	0.008	Both	Both	Occ License Adm., Stephanie Smith	PO Box 397	Taylorsville	40071	502/477-2997	502/477-2998	stephanniesmith@spencercountyky.gov	www.spencercountyky.gov
Springfield	1	Both	Both	City Treasurer	127 W. Main St.	Springfield	40069	859/336-3440	859/336-3455	springcityhall@hotmail.com	www.springfieldky.org
St Matthews	0.75	Wages	Quarterly	Tax Administrator	3940 Grandview Ave	St Matthews	40207	502/895-9444	502/895-0510	ptopping@kystmatthews.com	www.stmatthews.org
Stanford	0.65	Both	Both	Sandy Gooch	305 E. Main St.	Stanford	40484	606/365-4500	606/365-4500	clerk@standford.ky.com	www.stanford-ky.com
Stanton	1	Both	Quarterly	Stephanie Lacy, Treasa Koontz	PO Box 370	Stanton	40380	606/663-6474	606/663-4433	(additional 3% school tax) cityofstanton@kymail.com	No Web site
Taylor County	1	Both	Both	Occ. Tax Clerk	203 N. Court Suite 10	Campbellsville	42718	270/465-9760	270/465-0380	occtax@taylorcounty.us	www.taylorcounty.us
Taylor Mill	2	Both	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Taylorsville	0.75	Wages	Both	Sheila Hardin, Adm Clerk	PO Box 279	Taylorsville	40071	502/477-3235Ext 102	502/477-1310	shardin@taylorsvillewater.org	No Web site
Todd County	1	Both	Quarterly	Todd County Treasurer	PO Box 310	Elkton	42220	270/265-9966 Ext 226	270/265-9966 Ext 234	amandagayle23@hotmail.com	No Web site
Tompkinsville	1	Wages	Quarterly	City Clerk	206 N Magnolia St	Tompkinsville	42167	270/487-6776	270/487-6940	cityoftompkinsville@mchsi.com	No Web site
Union County	0.5	Both	Both	County Tax Admin, Lissa Gibson	PO Box 60	Morganfield	42437	270/389-3438	270/389-4232	lissa.gibson@unioncounty.ky.org	www.unioncounty.ky.gov/fiscl/taxadmin.htm
Vanceburg	1	Both	Both	Jeana Billman	189 Second St. Ste. A	Vanceburg	41179	606/796-3044	606/796-6096	jeana@ekuf.net	No Web site
Versailles	1	Both	Both	Allison B. White	PO Box 625	Versailles	40383	859/873-3436	859/873-3969	awhite@cityhall.versaillesky.com	No Web site
Villa Hills	1	Wages	Both	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Villa Hills	0.075	Gross Receipts	Annually	License Inspector	PO Box 792	Covington	41012	859/392-1440	859/392-1439	conley.thompson@kentoncounty.org	www.kentoncounty.org
Vine Grove	1	Wages	Both	Revenue Clerk	300 W Main St	Vine Grove	40175	270/877-2422	270/877-2875	terri@vinegrove.org	www.vinegrove.org
Warren County	1	Both	Both	Warren Cty Treasurer	429 East 10th St.	Bowling Green	42101	270/842-3805	270/781-2777	jerry.pearson@ky.gov	No Web site
Warren County (school tax)	0.5	Both	Both	Sue Bruce, CPA	PO Box 51530	Bowling Green	42102	270/842-7168	270/842-3411	sue.bruce@warren.kyschools.us	www.warren.kyschools.us
Warsaw	1	Both	Quarterly	Clerk/Treasurer	PO Box 785	Warsaw	41095	859/567-5900	859/567-5931	carolyn@cityofwarsawky.org	www.cityofwarsawky.org
Washington County	0.75	Both	Both	Carla Hardin, Occ. Tax Administrator	PO Box 228	Springfield	40069	859/336-5430	859/336-5407	carlah@kyol.net	www.washingtoncountyky.com
Wayne County	0.9	Wages	Quarterly	Barbara Hagen, Wayne Cty Tax Adm	PO Box 439	Monticello	42633	606/348-4241	606/348-6647	wcocctax@windstream.net	No Web site
West Buechel	1	Both	Both	City Clerk/Treasurer -Brenda Gerald-Singleton	3705 Bashford Ave.	Louisville	40218	502/459-4400	502/456-6928	b.gerald@cityofwestbuechelky.com	www.cityofwestbuechelky.com
West Liberty	0.5	Wages	Both	Sally Barker, City Clerk	565 Main Street	West Liberty	41472	606/743-3330	606/743-2202	wliberty@mrtc.com	No Web site
West Point	2	Both	Both	Clerk/Treasurer	509 Elm Street	West Point	40177	502/922-4260	502/922-4262	mwilliams2@insightbb.com	www.westpointky.org
Whitley County	1	Both	Quarterly	Phil Brewnenstuhl	PO Box 268	Williamsburg	40769	606/539-0477	606/539-0478	Philb@2geton.net	www.whitleycofiscalcounty.com
Wilder	2.25	Wages / Gross Receipts	Both	City Clerk	520 Licking Pike	Wilder	41071	859/581-8884	859/581-0823	tgibson@isoc.net	www.cityofwilder.com
Wilmore	2	Both	Both	Tax Administrator	335 E. Main St.	Wilmore	40390	859/858-4411	859/858-3595	cbrandenburg@wilmore.org	www.wilmore.org
Winchester	1.5	Wages	Quarterly/monthly	Debra Bailey, Treasurer	PO Box 4135	Winchester	40392	859/744-1660	859/744-7450	dbailey@winchesterky.com	www.winchesterky.com

Community	Tax Rate %	Wages/Profit	Quarterly/Annually	Name	Address	City	Zip	Phone	Fax	Email	Web site
Wolfe County	1.25	Wages	Quarterly	Barbara Phillips	PO Box 429	Campton	41301	606/668-3040	606/668-3367	wolsecoema@yahoo.com	No Web site
Woodford County	1.5	Both	Both	Treasurer/Tax Adm., Becky Wilson	103 S. Main St. #201	Versailles	40383	859/873-5701	859/873-0196	bwilson@woodfordcountyky.org	www.woodfordcounty.ky.gov

Note: This document is based on information received by the Kentucky Society of Certified Public Accountants as of Jan. 2011. The data contained is the latest information provided by the individual local authorities and should be used for informational purposes only. It is important to remember that authorities can change their regulations and rates at any time. Please note that many of the communities revise forms during the year. For complete details and form we suggest that you contact the taxing authority. If you note any errors on this listing or know of additional communities imposing an occupational tax, please contact Suzanne Boone at sboone@kycpa.org, KyCPA, 1735 Alliant Avenue, Louisville, KY 40299 502.266.5272 or 800.292.1754.

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QUICK REFERENCE GUIDE

STATUTES & REGULATIONS REFERENCES	
STATUTES	**REFERENCE**
KRS 131.010	Definitions for Chapter
KRS 131.071	Office of Taxpayer Ombudsman
KRS 131.081	Administration Rules
KRS 131.110	Protest of Assessment
KRS 131.150	Jeopardy Assessments
KRS 131.650	Delinquent Taxpayer Published
KRS 131.170	Filing Extension
KRS 131.180	Uniform Civil Penalty Act
KRS 131.183	Tax Interest Rate/Refund
KRS 131.185	Preservation of Tax Records
KRS 131.190	Confidentiality
KRS 131.560	Priority of Claims for Withholding Tax Refund
KRS 131.575	Apportionment of Refund on Separate Return between Spouses
KRS 131.990	Penalties
KRS 141.010	Definitions for Chapter
KRS 141.0101	Depreciation Methods & Transitional Rules
KRS 141.011	Casualty/NOL Losses
KRS 141.016	Allocation of Income & Business Deductions among Spouses
KRS 141.020	Levy of Income Tax/Resident/Nonresident/Reciprocal
KRS 141.0205	Priority of Application & Use of Credits
KRS 141.021	Federal & Local government Annuities
KRS 141.030	Liability of Fiduciaries
KRS 141.050	Federal Interpretations
KRS 141.068	Determination of Tax Credits
KRS 141.069	Tuition/Education Credit
KRS 141.070	Other States Tax Credit
KRS 141.071	Political Party Definitions/Contributions to Politic Party
KRS 141.081	Standard Deduction
KRS 141.120	Interstate Business – Division of Income

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STATUTES	REFERENCE
KRS 141.130	Tax Liability on Discontinuation of Business
KRS 141.140	Accounting Period for Computation of Income
KRS 141.150	Reports of Income Payments to Others
KRS 141.160	Due Date for Income Tax
KRS 141.170	Extensions
KRS 141.175	Extensions/National Guard/Reservists in Combat Zones
KRS 141.210	Audit of Return/Assessment of Additional Tax/Federal Audit
KRS 141.220	Payment of Tax – When Due
KRS 141.235	Limitation on Refund of Taxes
KRS 141.300	Estimated Tax
KRS 141.305	Installment Payments for Estimated Tax
KRS 141.388	New Home Tax Credit
KRS 141.435	Energy Efficiency Products Tax Credit Definitions
KRS 141.436	Energy Efficiency Products Tax Credit
KRS 141.137	Energy Efficiency Products Tax Credit – Energy Star Certified Home
KRS 141.985	Interest on Tax Due
KRS 141.990	Penalties
REGULATIONS	**REFERENCE**
KAR 1:010	Protests & Appeals
KAR 15:040	Statute of Limitations
KAR 15:050	Filing Date & Extensions
KAR 15:060	Estimated Tax
KAR 17:010	Residence
KAR 17:020	Combined Individual Returns
KAR 17:041	Tax Deferral for Combat Zone
KAR 17:060	Income Subject to Taxation
KAR 17:100	Division of Income Between Married Filing Separate Spouses
KAR 17:120	Estimated Tax Penalty
KAR 17:130	Individual Income Tax Military Person – Nonresident
KAR 17:140	Individual Income Tax Reciprocal - Nonresident

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INDIVIDUAL INCOME AND WITHHOLDING TAX CALENDAR 2012

Note: If a return due date falls on a scheduled holiday or weekend, returns will be due the next working day.

January	**18 Quarterly Estimated Tax Returns/Individuals (1/4 Payment)**
	31 Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Annual Reconciliation
	31 Twice-Monthly Tax Withholding Returns/Annual Reconciliation (December 16 – December 31)
	31 Monthly Income Tax Withholding Returns/Annual Reconciliation (December 1 – December 31)
	31 Quarterly Income Tax Withholding Returns/Annual Reconciliation (October 1 – December 31)
	31 Annual Income Tax Withholding Returns (January 1 – December 31)
February	**29** Wage & Tax Statements (W-2/K-2 Forms)
	10 Twice-Monthly Income Tax Withholding Returns (January 1-January 31)
	15 Monthly Income Tax Withholding Returns (January Payment)
	27 Twice-Monthly Income Tax Withholding Returns (February 1 - February 15)
March	**12** Twice-Monthly Income Tax Withholding Returns (February 16 - February 29)
	15 Monthly Income Tax Withholding Returns (February Payment)
	26 Twice-Monthly Income Tax Withholding Returns (March 1- March 15)
April	**10** Twice-Monthly Income Tax Withholding Returns (March 16 - March 31)
	16 Monthly Income Tax Withholding Returns (March 1- March 31)
	18 Quarterly Estimated Tax Returns/Individuals (1/4 Payment)
	16 Annual Individual Income Tax Returns
	25 Twice-Monthly Income Tax Withholding Returns (April 1 - April 15)
	30 Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/First Quarter Reconciliation
	30 Quarterly Income Tax Withholding Returns (January 1 – March 31)
May	**10** Twice-Monthly Income Tax Withholding Returns (April 16-April 30)
	15 Twice-Monthly Income Tax Withholding Returns (April 1-April 30)
	25 Twice-Monthly Income Tax Withholding Returns (May 1 – May 15)
June	**11** Twice-Monthly Income Tax Withholding Returns (May 16 - May 31)
	15 Monthly Income Tax Withholding Returns (May 1 – May 31)
	15 Quarterly Estimated Tax Returns/Individuals (1/4 Payment)
	25 Twice-Monthly Income Tax Withholding Returns (June 1 - June 15)
July	**10** Twice-Monthly Income Tax Withholding Returns (June 16 - June 30)
	16 Monthly Income Tax Withholding Returns (June 1 – June 30)
	25 Twice-Monthly Income Tax Withholding Returns (July 1 - July 15)
	31 Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Second Quarter Reconciliation
	31 Quarterly Income Tax Withholding Returns (April 1 – June 30)

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August	**10** Twice-Monthly Income Tax Withholding Returns (July 16 - July 31)
	15 Monthly Income Tax Withholding Returns (July 1 – July 31)
	27 Twice-Monthly Income Tax Withholding Returns (August 1 - August 15)
September	**10** Twice-Monthly Income Tax Withholding Returns (August 16 - August 31)
	15 Quarterly Estimated Tax Returns/Individuals (1/4 Payment)
	17 Monthly Income Tax Withholding Returns (August 1 – August 31)
	25 Twice-Monthly Income Tax Withholding Returns (September 1 - September 15)
October	**10** Twice-Monthly Income Tax Withholding Returns (September 16 - September 30)
	15 Monthly Income Tax Withholding Returns (September 1 – September 30)
	16 Individual Income Tax Returns with an Extension Due
	25 Twice-Monthly Income Tax Withholding Returns (September 16 - September 30)
	31 Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Third Quarter Reconciliation
	31 Quarterly Income Tax Withholding Returns (July 1 – September 30)
November	**12** Twice-Monthly Income Tax Withholding Returns (October 16 - October 31)
	15 Monthly Income Tax Withholding Returns (October 1 – October 31)
	26 Twice-Monthly Income Tax Withholding Returns (November 1 - November 15)
December	**10** Twice-Monthly Income Tax Withholding Returns (November 15 - November 30)
	17 Monthly Income Tax Withholding Returns (November 1 – November 30)
	27 Twice-Monthly Income Tax Withholding Returns (December 1 - December 15)

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