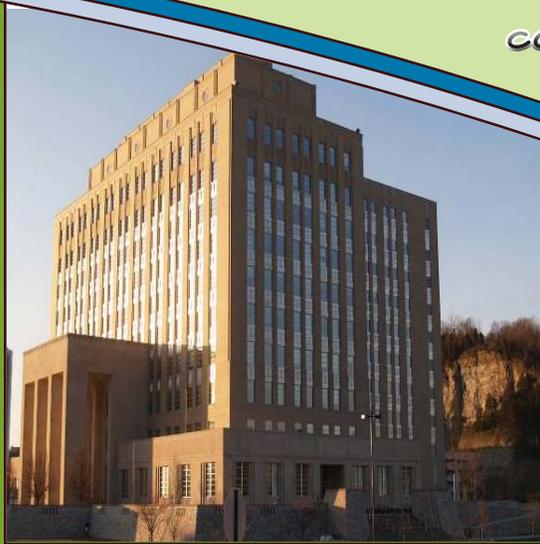


# Tax Matters



connecting and informing  
employees



OFFICE OF INCOME TAXATION  
COMMUNICATIONS & TRAINING BRANCH

Spring 2010

## Great Job!

...from Commissioner Miller



### ◆◆ MEMORANDUM ◆◆

TO: Steven L. Beshear, Governor  
Commonwealth of Kentucky  
  
Mary Lassiter, State Budget Director  
Governor's Office for Policy and Management

Cc: Jonathan Miller, Secretary  
Finance and Administration Cabinet

FROM: Thomas B. Miller, Commissioner  
Department of Revenue

DATE: April 16, 2010

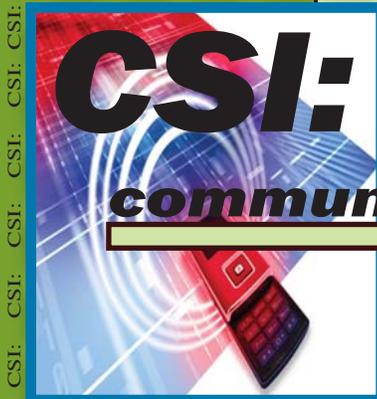
SUBJECT: Revenue Enhancement Initiative

The Department of Revenue is pleased to announce that the Revenue Enhancement Initiative for Fiscal Year 2010 has already exceeded the projected receipts goal. For this year, a total of \$18.5 million was projected and, as of the end of February, more than \$21 million has been received.

I am very proud to represent the dedicated employees of the Department of Revenue who make this program a success. With the significant budgetary challenges facing our state, the Department appreciates the assistance and support we have received for our revenue enhancement projects. We hope for continued success for the benefit of the citizens of the Commonwealth.

Thank you again for your support.

CSI: CSI: CSI: CSI: CSI:



# communicating significant information

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## Buy Green, Save Green

Are you in the market for a new, more energy efficient washing machine, dishwasher, refrigerator or central air conditioner? If so, you may be eligible for a rebate! Beginning April 22, 2010, Kentucky will begin to offer rebates (ranging from \$40 to \$400) towards purchases of 17 different Energy Star qualified appliances.

This new program, the State Energy Efficient Appliance Rebate Program, is funded through the American Recovery and Reinvestment Act (ARRA). Under ARRA, Kentucky will receive \$4 million to return to consumers who purchase qualifying energy efficient appliances.

Rebates will be issued on a first come, first serve basis. Eligible consumers are Kentucky residents who purchase replacement appliances from retailers located in Kentucky. The purchase must replace an older, less efficient product with a qualified Energy Star appliance purchased in Kentucky. Each consumer may receive only one rebate per product category.

Listed in the following chart are just a few of the 17 Energy Star qualified appliances that will be covered by the rebate program along with the amount of rebate that will be issued for that appliance type.

PRODUCT	REBATE
Washing machines	\$100
Dishwashers	\$50
Refrigerators	\$50
Freezers	\$50
Room air conditioning units	\$40

In addition to these rebates, new for tax year 2009, Kentucky is also offering an energy efficiency products tax credit (Kentucky Form 5695-K). Under this new tax credit, Kentucky taxpayers may qualify for a tax credit of up to 30 percent of the installation costs on qualified energy efficient property. This tax credit is in addition to the rebate program; therefore, many Kentucky taxpayers may be able to take advantage of both benefits.

The Energy Efficient Appliance Rebate Program will be administered by the Kentucky Department for Energy Development and Independence. To learn how to obtain the rebate, information on eligible models under each category, and answers to frequently asked questions, go to <http://www.energy.ky.gov/recovery/rebate/>.

# Show Me the MONEY

Have you ever had to track down a lost or misapplied payment? If so, you know that it can be both time consuming and frustrating. In general, when a payment has not been applied to the proper account, the taxpayer or business filer will receive a Notice of Tax Due from DOR. This is usually followed by a phone call to DOR and so begins the process of trying to locate the missing payment.

Locating a payment can involve many steps. Often, the first step is to research the appropriate DOR database—PF2 for Sales Tax, PF3 for Individual Income Tax, PF4 for Withholding Tax, PF5 for Corporate Tax, etc. This process can involve researching multiple screens for some tax types—for instance payments for Corporation Tax and Limited Liability Entity Tax are found on separate screens within the Corporation Tax database. Or you may research PF18, Remittance Inquiry to try to locate the missing payment.

Unfortunately, all of your time and efforts still may not provide a solution. At this point, we most often ask the taxpayer or business to send in a copy of their cancelled check to verify the payment. Once DOR has a copy of the cancelled check, there are several options for determining where the payment was applied.

On the check there should be either a validating number, a document locator number (DLN) or both. With this information, you should be able to track the payment and find out where it was applied.

First, let's start with tracking the payment using the validating number; there should be either a six or seven digit number stamped on the check. Usually it is on the face of the check, but in some instances, may be on the back.

If you can determine the validating number and have access, then you have two options:

- PF18 Remittance Inquiry
- Filenet

Next, let's consider DLNs. DLNs flow through the Modernized Front End (MFE) system. MFE must be accessed through KRC applications, so some employees may have access via their desktop and some may not. However, once the information makes it to MFE, after 30 days it then becomes available on Filenet.

Filenet is available to many areas of Revenue. Once you access Filenet, then you have several search options. Two that are user friendly are validating numbers and DLN numbers. Using those features will often help you determine where a payment was applied.

## Searching for an E-Payment

Locating an electronic payment (*e-pay*) involves different steps. These payments are accessed/processed via DOR's e-pay system, which can be accessed via the KREW Web site.

Because e-pays may not be listed on the proper database, CARS bill or in the OSCAR history, it may be necessary to search the e-pay system to see how the payment was submitted. Once you have accessed the system, go to Search Transactions and try finding the payment by:

- Entering name; last name, first name or initial. Do not space between the comma and first name or initial;
- Enter payment locator number (PLN);
- Payment ID number; or,
- Authorization number.



## PF18

A word of caution about PF18—the same validating numbers are often used in multiple years, so be aware that the year is critical for accurately matching payments to specific taxpayers or business filers.



Choose *Continue* to access payment submission details. The payment may be submitted in one of three different ways, by:

- Case number;
- Tax type, account number and ending period; or
- Notice number.

Once you have details of the payment, then you can track where the payment has been applied. Common mistakes involving e-pays include the following:

- Payments submitted with wrong tax type (TT). A common example is TT 001 and TT 010 being confused. TT 001 is individual income tax, whereas TT 010 is sales tax.
- Sales tax payments submitted with bank account number instead of account number.
- Withholding tax submitted on the Internet by taxpayers. DOR cannot process payments on withholding bills submitted via the Internet; however, the payment may be accepted, resulting in our E-pay system defaulting the payment to TT 010.

In the three examples above, the payment would be found in the MIXERS system, which is also accessed via KREW by those employees having access.

Remember, checking the details of the payment submission is critical to tracking an e-pay. It is also important to take the extra steps needed and research all CARS bills attached to the case and any other relevant DOR database, such as PF3 individual income tax for G payments.

### **Electronic Fund Transfer (EFT) Payments**

Payments submitted to DOR via EFT may be for various types of tax. To track these, you must have access to the EFT database. Some DOR employees have read only access and others have additional access.

When DOR receives a payment via EFT we must process the payment even if we do not have all of the pertinent information, such as proper name, account number etc. It is possible to have available payments that have not been applied to a specific account.

The Document Prep and Miscellaneous Branch in our Processing and Enforcement Division has established a special account for these payments, which they call the EFT Orphan Account. If you need assistance with tracking an EFT payment, please call 502-564-6020.

### **Individual Income Tax Payment Processing Change for Paper Returns**

For the 2010 Individual Income Tax Processing Year (2009 tax year), the PF3 database will reflect new payment match information for all tax due returns. This is the result of changes to processing returns received with payments attached.

Previously, tax due returns and payments were processed together and then the information was uploaded to the mainframe. This often created a time lag and the information would show much later than the actual date the return was worked.

Recently, our processing department has initiated some changes to make the process more efficient and timely. For 2009 tax returns, payments will be removed and processed separately from the return. Processing has created a new internal form 740-PMT to capture the taxpayer and payment information.

ALL payments received with tax due returns will be posted to the PF3 screen and reflect a seven digit validating number initially beginning with **88** and could potentially use the 89 series numbers. The returns will then be sent to SourceCorp for processing and be assigned a validating number, which will be different than the payment validating number.

Because there will be two separate entries in PF3, the payment must be matched with the return. This match will occur on or after the "*Magic Date*" sometime in May 2010 via the Electronic Escrow process. Once the match occurs, it will be reflected on the PF3 screen via asterisks posted next to the payment and return, showing the payment utilized for the proper taxpayer.

There are several advantages to this processing change. Payment information will be uploaded to the mainframe separately from the return and show on the PF3 screen in a timely fashion. This means you should see the payment on the PF3 screen before the return is posted. This will allow DOR personnel to be more efficient in answering taxpayer questions, tracking payments and processing money.



## **ZEROES, FEINs & SSNs**

If you encounter a payment that has all zeroes on the back of the check for a validating number, it belongs to Unemployment Insurance (UI). DOR uses our MFE equipment to process these payments for UI.

Payments that have a Social Security number or Federal Employer ID number on the back of the check are payments that have gone to the IRS.



## PAYMENT VALIDATING NUMBERS

When looking for a payment, you might encounter validating numbers that are six digits, some that are seven digits, and numbers that

begin with 1, 7, or 9, etc. So what's the method to this madness? The charts that follow will help you make sense of the way validating numbers are used by DOR.

### Payments with 6-digit Validating Numbers

Tax Types	Series Used
Accounts Receivable (Includes many miscellaneous taxes, tire tax, 204 cards, 740-V vouchers, sales tax temporary vendors)	3xxxxx-849999
Health Care Provider Tax	9xxxxx
School Tax (UGRL)	99xxxx
Special Refunds (processed manually)	25xxxx
Telecommunications	20xxxx
Withholding—740NP-WH	1xxxxx

### Payments with 7-digit Validating Numbers

Tax Types	Series Used
Corporation Tax	7xxxxxx
Electronic Funds Transfer (EFT) and Electronic Payments (E-pay)	9xxxxxx
Individual Income Tax and Fiduciary Tax	88xxxxxx
Manual Sales (Includes consumer and accelerated Sales Tax)	2xxxxxx
Partnerships	48xxxxxx
Prior Year and Amended	9xxxxxx
Withholding—(K1E and K3E)	2xxxxxx



# Environmental Awareness in the Office

## Kentucky Department of Revenue Goes Green

Alarming facts from the Clean Air Council state that in the United States, the average person contributes 4.39 pounds of trash per day and up to 56 tons of trash per year. The Kentucky State Office Building in Frankfort is occupied by over 1,000 people.

Using the statistics given, over 4 thousand pounds of waste is generated daily in this one building. In order to reduce solid waste generation, the Department of Revenue (DOR) is taking the initiative to go green.

DOR's drive to promote green office practices may save green, all while contributing to a better environment. Some green initiatives have already taken place. To help reduce paper waste, paper recycling bins are already in use throughout the State Office Building. In an effort to lower state government travel costs and conserve man hours, DOR recently began videoconferencing meetings and training courses statewide. The entire DOR workforce benefits through this avenue of communication. This program has proven environmentally successful from the reduction of gasoline consumption and reduction of gas emissions into the environment.

In January 2010, Frankfort Mayor Gippy Graham and Finance and Administration Secretary Jonathan Miller announced a partnership

between the state and city governments to expand recycling collections to include more state buildings at no charge to taxpayers. Because these buildings were located on the city's existing collection routes, they do not create additional costs to the city or state.

Recycling is collected weekly.



To aid in developing more green office practices, a new committee has been created within DOR appropriately named the Green Team. The committee is beginning to implement various recycling programs. The addition of recycling bins designated for metals and plastics to each floor of the State Office Building was the Green Team's first accomplishment. Submit your recycling ideas or questions to any of the committee members below:

- Nicholas Adkins — Field Operations**
- Walter Crecelius — Processing and Enforcement**
- Melissa Harrod — Sales and Excise Tax**
- Erik Johnson — Property Tax**
- Kim Lyons — Income Tax**
- Lindsay Milton — Field Operations**

Implementing a green office approach is an effective way to reduce the amount of municipal solid waste that humans produce daily. For more information on recycling, visit the United States Environmental Protection Agency's Web page at [www.EPA.gov](http://www.EPA.gov) or the city of Frankfort's recycling Web page at [www.Frankfort.ky.gov/recycling.html](http://www.Frankfort.ky.gov/recycling.html).

# Ten Ways to Work Green

1. Turn off desk lamps and overhead lights at the end of the day or when not in use.
2. Send documents via e-mail instead of printing and faxing.
3. Eat your lunch on reuseable dishware.
4. Use recycled printer paper and recycle unwanted paper.
5. Turn off power strips at the end of the day.
6. Use live, indoor plants in your office to purify the air.
7. Take the stairs instead of the elevator.  
(Burns additional calories in the process.)
8. Turn in outdated electronics to a recycling program.
9. Use office supplies made from recycled materials.
10. Return empty printer ink cartridges to the supplier to be reused.

Waste Facts and Figures. Home page. Clean Air Council. 3 February 2010 <http://www.cleanair.org/Waste/wasteFacts.html>  
Finance and Administration Cabinet. *Recycling Program Expanded for Frankfort State Office Buildings*. Kentucky: 12 Jan. 2010.



*“It’s not so much how busy you are, but why you are busy. The bee is praised. The mosquito is swatted.”*

—Mary O’Connor, Author



FYL...FYL...FYL...FYL...FYL...FYL...FY

...FYL...FYL...FYL...FYL...FYL...FYL...FY



# ...news to use

## IDENTITY THEFT Are You a Potential Victim?

Do you carry your Social Security card or Medicare card in your wallet? Do you throw away bank and credit card statements without shredding them first? Do you provide your Social Security number whenever asked without questioning how it will be safeguarded? Do you mail out bills from an unlocked mail box? If you answered yes to any of these questions you are at risk for identity theft (IDT).



The Federal Trade Commission (FTC) estimates that as many as 9 million Americans are victims of identity theft every year. Identities are stolen in many ways; some of the most common ways include Internet or phone scams that require personal information, stolen wallets or purses, hacked Web sites containing credit card or banking information, trash rummaging, and mailbox theft.

The consequences of IDT are dreadful. The first hurdle is convincing creditors that you were victimized and did not charge thousands of dollars on your credit card. Often, victims of IDT discover erroneous criminal records filed under their name. Catching the criminal is difficult for authorities due to the fact that the identity thief could be operating from another country or could be using multiple identities. The overall aftermath is expensive to clean up and the emotional impact is difficult to overcome.

Taking steps to prevent IDT is simple and many of the following suggestions are good habits.

1. Be defensive of your personal information. Acknowledge who may be listening when you are giving out your Social Security number or banking information.
2. Monitor credit reports on a regular basis. One of the first signs of identity theft can be revealed in a credit report.
3. Try to eliminate a paper trail of sensitive information. Shred credit and bank statements before discarding them.
4. Be cautious of who prepares your tax refund every year. The information used to prepare these documents is a thief's treasure trove.

The most effective ways to find out if you have become a victim of IDT are to monitor banking and credit card statements and to get a free credit report once a year. Credit reports may be ordered online or by phone through [www.annualcreditreport.com](http://www.annualcreditreport.com), the only agency approved for credit reports by federal law.

If you feel you may be a victim of IDT, alert your local law enforcement agency immediately to file an identity theft police report. This document is needed to inform other agencies involved in helping stop the theft. Next, contact your banks and credit agencies to file a fraud alert. The next order of business is to check with your local Division of Motor Vehicles to confirm that there are no erroneous driving records committed by the thief. Checking for any criminal records filed against your identity is important as well.

For more information on protecting your identity visit the FTC's Web page at [www.FTC.gov](http://www.FTC.gov). Taking the time to prevent identity theft is easy. Taking the time to get your identity back is devastating.

About Identity Theft. Home Page. Federal Trade Commission. 11 February 2010  
<http://www.ftc.gov/bcp/edu/microsites/idtheft/consumers/about-identity-theft.html>



## Social Security Snag

The most misused Social Security number of all time was 078-05-1120. In 1938, as part of a promotion to sell wallets through Woolworth and other department stores, wallet manufacturer E.H. Ferree Company wanted to demonstrate how a Social Security card would fit into its wallets. A sample card was placed inside each wallet and displayed the Social Security number of the company's secretary, Mrs. Hilda Schrader Whitcher. Even though the sample card was half the size of an actual Social Security card, was written in red, and had specimen written in bold, many people confusedly used this as their own Social Security number.

**In all, about how many people do you think reported 078-05-1120 as their Social Security Number?**

- A. 40,000
- B. 10,000
- C. 7,000
- D. 400,000

Understanding Taxes. Home page. Internal Revenue Service. 11 February 2010  
[http://www.irs.gov/app/understandingTaxes/student/whys\\_thm06\\_les02.jsp#taxTrivia](http://www.irs.gov/app/understandingTaxes/student/whys_thm06_les02.jsp#taxTrivia)

P.S. ...

**PROBLEM:**

Have you missed any training courses and need more CPE credits before the end of the year? Do you have a tight schedule and need more training flexibility? Do you want to be a better trained employee and enjoy learning at your own pace?

**SOLUTION:**

DOR employees may now check out DVDs of courses provided by the Communications and Training Branch. The archives are kept up to date so that employees may view training courses on their own time, making for a flexible learning experience. Access to materials for each course will be provided and CPE credit certificates will be given upon confirmation of completion. If you are interested in checking out a DVD, contact Shannon Couch in the Communications and Training Branch.

## REMINDER



Training materials from previous classes may be accessed on the **KREW** Web site under the **TRAINING** tab.



### **Division of Miscellaneous Tax**

Mickey Catron  
Aisha Ivory  
Pearl Slucher

### **Corporation Tax**

Jordan Burch  
Jessica Martin  
Heather Robinson  
Jeremy Vaughn

### **Collections**

Krystal Embry  
Paul Richardson  
Julia Tillett

### **Individual Income Tax**

Catherine Cooley  
Eva Mangun  
Patsy Wilson  
Brittany Woody

### **Registration**

Gwen Singleton  
Kristopher Trautwein  
Autumn Wilson

### **Field Operations**

Jonathan Ford  
Bradley Foster  
Heather Oates

### **Sales Tax**

George Carter  
Andy Kohler

### **Processing and Enforcement**

Bradley Kennedy  
Mackenzie Napier

### **Property Tax**

Tiffany Hyatt

## **CONNECTIONS:**

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### **INPUT**

Barbara Backer  
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Teresa Gardner  
Faye Goodlett  
Mary Hockensmith

Mark Hulette  
Susan Neasham  
Donna Sayre-Craig  
Marci Wells  
Kevin West

## **YOUR INPUT IS REQUESTED:**

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

## **CONTACT:**

Gayle.Fields@ky.gov