

# Tax Matters

connecting and informing  
employees



OFFICE OF INCOME TAXATION  
COMMUNICATIONS & TRAINING BRANCH

Summer 2010

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## News to Know: Kentucky to Host SEATA Conference in 2011

Kentucky Department of Revenue (DOR) Commissioner, Thomas B. Miller, was named President of the Southeastern Association of Tax Administrators (SEATA) at the 60th Annual SEATA Conference, which was held in Little Rock, AR on July 11-14, 2010. Commissioner Miller stated, "I am honored to be selected as President of Southeastern Association of Tax Administrators for this next year. The Kentucky Department of Revenue is excited to have the opportunity to host the 61st Annual Convention."

SEATA is much more than a conference of state tax officials. Items on this year's agenda included:

- Networking with other industry members, vendors, CPAs, tax lawyers.
- Presentations by Joe Huddleston, President of the Multi-State Tax Commission and Jim Eads, President of the Federation of Tax Administrators.
- Exchange of information projects with SEATA state members.

SouthEastern Association of Tax Administrators

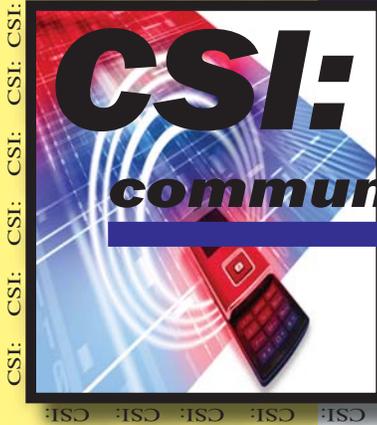


DOR employees should be proud to know the state of Georgia used our successful Revenue Enhancement Initiative program to help get approval to hire an additional 95 auditors!

Kentucky's theme for the 2011 conference will be "Horsin' Around in Kentucky." Approximately 250-300 tax administrators, SEATA Industry Council members and vendor exhibitors are expected to attend the three day conference which will be held in Louisville, at the Galt House, June 26-28, 2011.

For SEATA updates, visit: <http://www.seatastates.org/meetings.htm>





## communicating significant information

### Mid-Year Tax Tips

#### ACKNOWLEDGEMENTS:

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It's summertime. Thinking about taking a well deserved break from work and perhaps even planning a family vacation? There are no vacations when it comes to tax planning and preparation. In fact, with just over half the year already gone, now is the perfect time for you to spend a few minutes reviewing your current financial status to get a better sense of your overall tax situation.

You may already have a good idea what to expect for your income and associated taxes. There is still plenty of time to take advantage of some easy tax-cutting strategies. Knowing how to make mid-year adjustments and taking advantage of applicable tax benefits prior to the end of the year can prove beneficial. This often helps place taxpayers in a more favorable tax situation as the 2010 tax year draws to a close. Congress is still working on some current legislation, including potentially extending some tax breaks that have recently expired or are scheduled to expire soon. These changes may require you to stay on top of your taxes for a bit longer.

Before more time passes, let's look at six mid-year tax strategies that may help reduce your tax liability or perhaps even ensure receiving a larger refund at the end of the year.

**1. Adjust your withholding.** Many taxpayers owe taxes at the end of the year because they do not have enough money withheld from their paycheck in advance. Meanwhile, other taxpayers have too much money withheld from their paycheck during the year and needlessly struggle between pay periods. Taxpayers with too much withheld may receive a big refund on their income tax return, essentially overpaying the government and giving them an interest-free loan. Remember, the goal is to get the amount of your withholding as close to your tax liability as possible. A mid-year review of your financial situation will help determine if you need to adjust your withholding amount.

#### **2. Evaluate your estimated tax situation.**

If you are in a situation where you must make estimated tax payments, the same basic principle applies as adjusting your withholding amount. The key is to actually make four equal quarterly payments and send the IRS and/or the Department of Revenue enough money to satisfy your tax burden. However, you may find that you need to adjust your estimated tax payments at some point during the year. In order to minimize the amount of interest and/or penalties you may have to pay, simply follow the instructions provided on Form 2210 and Form 2210-K.

#### **3. Take advantage of bunching your deductions.**

Some itemized deductions must meet certain thresholds or floors (minimum amounts you have to exceed) before a deduction is allowed. For example, only medical expenses in excess of 7.5 percent of your adjusted gross income (AGI) may be claimed as an itemized deduction. By being aware of these limitations and managing your expenditures to fall primarily in one tax year, rather than spread over two tax years, you may realize significant tax savings. The basic concept of bunching deductions is to accelerate expenses into this year if it appears you might reach the floor or to defer expenses into next year if you do not expect to exceed the floor in 2010. The same strategy also applies to your miscellaneous deductions (including unreimbursed job expenses) and charitable contributions.

#### **4. Be charitable.**

People often become inspired to donate to charities around the Christmas holidays, but you should also consider making contributions whether you donate cash or unwanted items throughout the year. Be sure to keep accurate records (i.e. receipts, cancelled checks, or bank records) to verify all contributions. As long as the donation is made in the 2010 tax year and you follow the IRS rules, you may deduct your charitable gift as an itemized deduction on your upcoming income tax return.

## Mid-Year Tax Tips, continued

**5. Beat the summer heat with energy-related tax credits.** If your home air conditioning system is not working as effectively or efficiently as it should, let Uncle Sam help you replace it. Consider making some energy-efficient improvements to your home and you may qualify for a \$1,500 energy related tax credit on your federal return as part of the American Recovery and Reinvestment Act and possibly even more on the Kentucky return depending on the home–energy improvement made. Other improvements that may qualify include adding insulation, installing energy efficient windows and storm doors, or upgrading to solar space-heating and water–heating systems. The rules are slightly different on the federal and state returns as far as what energy efficient products qualify and how to compute the credit amount and carry forward amounts. Please refer to the appropriate corresponding forms (the federal Form 5695 and the Kentucky Form 5695–K) and instructions for more specific information related to questions you may have.

**6. Buying a new home.** The New Home Tax Credit for Kentucky has recently been extended until Dec. 31, 2010 thanks to new legislation introduced in House Bill 2. Any qualified buyer who purchases a qualified principal residence may be eligible for a nonrefundable credit of up to \$5,000 on their Kentucky individual income tax return. With the lowest home mortgage interest rates since the 1950's, now may be the perfect time to jump into the housing market to take advantage of this tax break. For more details about the New Home Tax Credit, please see the Department of Revenue Web page ([www.revenue.ky.gov](http://www.revenue.ky.gov)).

Remember, when it comes to saving tax dollars, timing is everything. Don't wait until the last minute to take advantage of helpful tax tips that may minimize your tax liability for 2010 and beyond!



**“My problem lies in reconciling my gross habits with my net income.”**

—Errol Flynn, U.S. movie actor

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

F  
Y  
I

# Communications and Training Branch



Clearly,  
Kentucky does  
an excellent job  
answering and  
responding to  
inquiries from  
taxpayers.

## Can You Hear Me Now?

A report released in July, 2010 by the IRS Taxpayer Advocate, the independent group within the IRS that ensures fair and just service for taxpayers, expressed serious concern that fewer and fewer taxpayers who call the IRS are actually getting to speak with a tax specialist about the assistance they require. During fiscal year 2008, the IRS answered only **53 percent** of its calls from taxpayers seeking assistance. That is well below their goal which was to answer only **71 percent** of its calls.

The IRS's inability to reach goals on improving telephone service stems from inadequate resources for staffing phone assistance lines and inadequate planning for late-year tax law changes, the Taxpayer Advocate wrote in its report. Call volume to the agency's customer assistance service (CAS) lines increased 40 percent from fiscal years 2007 to 2009, driven mostly by late-year tax law changes, confusion in consecutive years over economic stimulus legislation and responses to natural disasters, the report stated. Despite IRS efforts to increase staffing during that period, too many taxpayers are waiting longer and hanging up before they get to speak with an IRS assistor.

The report concludes by suggesting that the IRS mission statement be revised to explicitly acknowledge the agency's dual role as part tax collector and part benefits administrator. Such a revision would require the IRS to develop a strategic plan that gives sufficient attention to both roles and would underscore that the IRS requires sufficient funding to perform both functions effectively.

### Kentucky Listens to Taxpayers

That dual role is also performed by the Kentucky Department of Revenue, where customer service is vital to our mission. The taxpayers are our customers. It is written in the Kentucky Taxpayer Bill of Rights that taxpayers have the "right to

advice and assistance from the Department of Revenue in complying with state tax laws and that they "have the right to a clear and concise explanation" of all matters regarding their taxes. This means that we must be accessible by phone.

Currently, DOR excels at answering phone calls from taxpayers. Consider these numbers provided by different areas within Revenue:

- The Division of Collections answered 94.7 percent of the phone calls received in June 2010.
- Over 95 percent of all phone calls received in the Division of Individual Income Tax were answered.
- A similar trend is found throughout other areas of DOR that handle large volumes of phone calls. Areas like Registration, Property Tax, and Sales and Use Tax all respond to taxpayer phone calls quickly and efficiently.

Clearly, Kentucky does an excellent job answering and responding to inquiries from taxpayers. In fact, we often receive positive feedback from taxpayers regarding our accessibility and how quickly tax issues are resolved. This does not mean, however, that we become complacent in our customer service. As changes in the federal tax law increase, there is an increase in the number of differences between federal and state tax law as well; after all, Kentucky is operating under the federal tax code of 12/31/2006. As a result, those who answer phones often see an increase in taxpayer calls.



## **Tips for Answering the Phone**

Consider the following helpful tips when dealing with taxpayers by phone:

### **1. GREET**

Use a warm, friendly, professional greeting including your department name. Also, make sure that you answer the phone within the first three rings when possible. It is suggested that the greeting end with a statement that assures the caller you are willing to help.

### **2. LISTEN**

One of the most important techniques in telephone etiquette is to actively listen to the taxpayer. Listen for both the content as well as the intent. Usually the taxpayer tells you both in his/her opening statement. By actively listening to the taxpayer's opening comments, you can then RESPOND with a statement that assures the taxpayer you were LISTENING.

### **3. EMPATHIZE**

In other words, walk a mile in the taxpayer's shoes. If the taxpayer states "I don't want to be put on hold or transferred to someone else, I'm on my lunch hour and am very busy." "Besides, this is my second call regarding this bill," pause for a moment then try to empathize with the caller. An appropriate response may be "I understand your frustration. Since you are on your lunch hour, I will find someone to speak with you immediately, or I will be happy to have your call returned this evening to your home. Which works best for you?"

### **4. PROBE**

Although probing is not a technique that may come naturally to everyone, it is a required skill for anyone serving taxpayers over the phone.

Keep it simple and remember the classic, five Ws: who, what, when, where, and why. The phrase "Tell me more about..." works miracles when trying to discover information.

### **5. COMMON COURTESIES**

Ask permission to place a caller on hold and address the caller when you return so that you have their attention. Most of us may remember a time when we were placed on eternal hold and wondered if we had been forgotten. A simple rule to remember: call the taxpayer by name when you return to the line and wait for him/her to respond.

### **6 AVOID CONFUSING REVENUE JARGON AND RULES**

Taxes can be quite confusing. Do you remember what it was like when you first started working at DOR? Talk to taxpayers with that in mind. Make sure that you do not tell the taxpayer "Sessions is down" but rather explain that your computer system is responding slowly and apologize for the inconvenience.

### **7. SOLUTIONS/ALTERNATIVES**

Rather than telling the taxpayer what you can't do, just tell him/her what you can do. There are usually alternatives that a taxpayer is willing to accept, if you just take time to offer!

### **8. TONE**

Since you are not face to face, the most important measure of good communication is voice quality and tone. Keep it positive and friendly.

Go the extra distance with every taxpayer—every time! Take time to extend yourself in some way to make a positive, lasting impression on the taxpayer. Remember, providing exceptional telephone service is nothing more than following "the Golden Rule" that we all learned as a child.

# At Your Fingertips

President John F. Kennedy once said that knowledge is power. This is especially true at the Department of Revenue, where increasing our tax knowledge helps us to be the best at our jobs and to better serve the taxpayers of Kentucky. Perhaps the most powerful tool that we have in increasing our tax knowledge is literally at our fingertips: our work computer.

Of course, this tool is only as powerful as your ability to use it. With that in mind, the following is a list of some of the more helpful tax-related Web sites on the Internet. Remember that some of the Web sites will be written from a federal/other state perspective or may not have the most current information, so always be mindful of the source of the information.

## ■ The IRS Website:

<http://www.irs.gov>

- This should be the first Web site you visit when you need information regarding federal tax law. Not only are all of the federal forms and publications on this site, but there are also some plain English explanations of federal tax law. Being a huge Web site, information can be tricky to find, so use the search function at the top right of the screen when you are looking for something specific.

## ■ Kiplinger Tax Site:

<http://kiplinger.com/taxes/>

- Kiplinger publishes a lot of information regarding personal and business finance. Their tax-related content is among some of the most trusted. The informational videos featured on the site are current and easily understood; perhaps the most important resource on this site is the Taxopedia, an online encyclopedia of all things taxes. Included with that is a glossary of tax terms to help us all translate some of the more confusing tax terms.

## ■ About Taxes:

<http://taxes.about.com>

- About.com is a site that features information on, well, about everything. Their tax content is written by many different authors, but is generally of good quality and informative. In addition to original content, this site features links to a large number of other tax or personal finance Web sites.

## ■ Don't Mess with Taxes Blog:

<http://dontmesswithtaxes.typepad.com/>

- One of the most respected and read tax blogs on the Internet, Don't Mess with Taxes, takes a light-hearted look at the world of ever-changing tax law. Although based in Texas, author Kay Bell manages to stay informed about tax issues from around the country and is especially in tune to what is happening on the federal tax front. This site is fantastic for staying abreast of tax news without being bored to tears.

Knowledge is  
POWER.





# WORKWISE

## Pro or No?

What is professionalism? Words that may come to mind include appearance, conduct, attitude, integrity, etiquette or work-related performance. Professionalism is actually a broad spectrum of all these attributes and more. By beginning with the proper attitude, one can attain the main characteristics of professionalism and other attributes of being a professional will naturally follow.

Dana Brownlee, founder of Professionalism Matters Inc., defines professionalism as “the manner of conducting and executing tasks with the highest commitment to effective and efficient execution, personal integrity, and respect for all parties involved.” Professionalism is not something you buy, borrow or are born with. It is developed through nontangible paths such as learning, observing, thinking and living. Professionalism is a way of being. Everyone has the ability to become a professional.

Organizations that adopt a professional business atmosphere will realize great benefits. Setting professional standards for all employees will result in better work performance, making each employee proud of their work and respect their job. Organizations producing the best product possible gain a good standing reputation which is essential in helping define an organization. An organization built on the principles of professionalism attracts more business in return boosting employee morale. All organizations and businesses are built on principles of professionalism.

Professionalism starts at the top. When management sets a negative example employee motivation is diminished eliminating pride in work well done. A business lacking professionalism is destined to experience a negative domino effect. This negative impact deteriorates a desirable mission for the good of the commonwealth. Lack of professionalism leads to disaster for any organization, so great lengths are taken to implement and preserve professionalism in the workplace.

There are many qualities to obtain as a professional and there is always room to improve on your professional skills. Professionalism begins with the attitude you bring to your job and it is about the impression you leave with everyone you interact with. Having the professional advantage will always prove beneficial. When marketing yourself in the business world, professionalism is essential.

### Ask yourself: Are you a professional?

Find out if you have basic professional qualities with the following self assessment:

1. I do my job to the best of my ability.
2. I treat clients, customers and co-workers with respect and dignity.
3. I employ good manners in my interactions with others.
4. I respect my work and myself.
5. I am aware of what is expected of me and strive to uphold those expectations.

**If you answered positively to all five statements, congratulations! You have a professional outlook!**





#### **Processing & Enforcement**

Francesca Blankenship  
John Brawner  
Karen Bailey  
Kevin Miller  
Nicole Manns  
Sarah Ross

#### **Field Operations**

Andy Plank  
April Sunderhaus  
Charnell Edwards  
Jeffery Hayes  
John D. Hughes  
Pamela Newsome  
Rhonda Burkeen  
Scott Grant

#### **Division of Miscellaneous Tax**

Elizabeth Johnson  
Jacob Coley

#### **Sales Tax**

Bethany Couch  
Colleen Tyler  
Roseanne Hurst  
Sarah Pickett

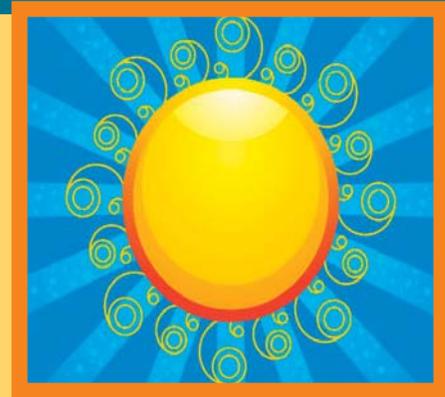
#### **Division of Collections**

Caroline Nickell  
Charles Reinert  
Kathy Cook  
Lacresha Peyton  
Melinda Adkins  
Sara Satterwhite

#### **Property Tax**

Charles Duke  
Christin Gibson  
Darrell Treece  
Lindsey Brown

# Heat Wave



## SUMMER TRIVIA

The highest temperature ever recorded in the world was 136.4 degrees Fahrenheit at El Azizia, Lybia, on September 13, 1922.

The highest temperature ever recorded in the continental US was 134 degrees on July 10, 1913, in Death Valley, California.

Laws forbidding the sale of sodas on Sunday prompted William Garwood to invent the ice cream sundae in Evanston, IL, in 1875.

California's Frank Epperson invented the Popsicle in 1905 when he was 11-years-old.

Watermelon, considered one of America's favorite fruits, is really a vegetable (*Citrullus lanatus*). Cousin to the cucumber and kin to the gourd, watermelons can range in size from 7 to 100 pounds.