

SCHEDULE P

Form 740
42A740-P

Revenue Cabinet

KENTUCKY
PENSION INCOME EXCLUSION

Attach to Form 740, 740-NP or 741.

Use this form to calculate excludable retirement income.

1999

Enter name(s) as shown on tax return.

Your Social Security Number

Complete this schedule and file with Form 740 if:

- 1. your taxable pension and retirement income from all sources is greater than \$35,700; and
(a) you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or
(b) you receive supplemental U.S. Railroad Retirement Board benefits.
2. you file Form 4972-K, Tax on Lump-Sum Distributions.

All others, STOP, you do not need to complete Schedule P. See instructions for Schedule M, line 8.

PART I—EXEMPT RETIREMENT INCOME

- 1. Enter on line (a) or (b) the amount of federal, Kentucky state and Kentucky local government pension and retirement income attributable to service credit earned before January 1, 1998, and supplemental U.S. Railroad Retirement Board benefits included on federal Form 1040, line 16(b) (Form 1040A, line 11(b)). Also include federal or Kentucky disability retirement income attributable to service credit earned before January 1, 1998.

(a) If date of retirement is before January 1, 1998, enter here.

Table with 4 columns: Names of Payers, Dates of Retirement, A. Spouse, B. Yourself. Includes a Total row.

(b) If date of retirement is after December 31, 1997, complete the worksheet on the reverse of this form and enter here.

Table with 4 columns: Names of Payers, Dates of Retirement, A. Spouse, B. Yourself. Includes a Total row.

(c) Add lines 1(a) and 1(b) (c)

PART II—OTHER RETIREMENT INCOME (Not Included in Line 1(c))

Table with 4 columns for entering other retirement income not included in line 1(c).

PART III—TOTAL TO BE EXCLUDED THIS YEAR

Table with 4 columns for calculating total excluded income for the year.

Joint filers—Combine lines 4(a) and 4(b) and enter on appropriate form.

STOP Stop here unless you have a lump-sum distribution reported on Form 4972-K.

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Form 4972-K Filers—If line 3 is less than \$35,700, enter the amount on Form 4972-K, Part II, line 2.

INSTRUCTIONS—SCHEDULE P

New in 1999—The pension exclusion is 100 percent or \$35,700, whichever is less. Retirees of previously exempt retirement systems of the federal government, Commonwealth of Kentucky, or any Kentucky local government must compute the amount of pension income attributable to service credit earned after December 31, 1997. This amount will be included with other nonexempt pension sources in Part II.

Types of Income Subject to Exclusion—All pension and retirement income paid under a written retirement plan is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, death benefits, and other similar accounts or plans. As a general rule, if the income is reported on the federal income tax return, Form 1040, line 15(b) or 16(b); Form 1040A, line 10(b) or 11(b); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 7 or 1040A, line 7, then it qualifies for the exclusion.

Roth IRA—Income from converting an IRA to a Roth IRA is eligible for the exclusion. If in 1998 you converted a regular IRA to a Roth IRA, and elected to report the income over four years, the income that you must report in 1999 is eligible for the pension exclusion. Report this income on line 2.

Form 740-NP filers report only pension income received while a resident of Kentucky.

LINE-BY-LINE INSTRUCTIONS

Column A, Column B—This exclusion is for each taxpayer. A husband and wife must compute and claim their own exclusion, regardless of filing status.

PART I—Exempt Retirement Income—Enter the federally taxable portion of pension income paid by the federal government, by the Commonwealth of Kentucky, or by any Kentucky local government. Also include supplemental U.S. Railroad Retirement Board benefits reported on Form 1040, line 16(b)

(Form 1040A, line 11(b)) and federal or Kentucky disability retirement income included on federal Form 1040, line 7 (Form 1040A, line 7).

Use Line 1(a) if retired before January 1, 1998, to report fully exempt pension benefits.

Use Line 1(b) if retired after December 31, 1997, to report pension income attributable to service credits earned before January 1, 1998. See worksheet below.

PART II—Other Retirement Income, Line 2—Enter the amount reported on federal Form 1040 or 1040A of non-lump-sum pension and retirement income not reported on line 1(c). Also include amounts from Schedule M, line 4 (Form 740-NP, line 45) that reflect pension and IRA bases differences.

PART III—Total to Be Excluded This Year, Line 3—Enter the lesser of the amount on line 2 or \$35,700.

Line 4—Enter the total of lines 1(c) and 3. This is your pension income exclusion. Enter on line 4 and as follows: Schedule M, line 8; Form 740-NP, line 42(b); or Form 741, page 1, line 6.

DEFINITIONS—For use with Schedule P and the worksheet below.

Service Credit—Number of months (years) used by your retirement system to determine retirement benefits.

Purchased Service Credit—Voluntary purchases of service credit as allowed by your retirement system (i.e., military service or prior service with the same or similar system).

Purchased Service Credit Under Internal Revenue Code 415(n)—Internal Revenue Code 415(n) allows for the purchase of up to five years of service credit not otherwise purchasable under the plan.



Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97

Complete this worksheet to determine the exempt amount of your pension. If your retirement system has computed the taxable amount earned after December 31, 1997, complete line 1, enter the taxable amount on line 6 and compute line 7. If your retirement system has computed the taxable percentage, complete line 1, enter the taxable percentage on line 4 and complete lines 5, 6 and 7.

1. Enter federally taxable amount of federal, Kentucky state and Kentucky local government pension income. (Use a separate worksheet for each governmental pension.)
 2. Enter months of service credit earned after 12/31/97. (Do not include service credit purchased pursuant to Internal Revenue Code 415(n.)
 3. Enter total months of service including purchased service credits
 4. Divide line 2 by line 3 and enter result
 5. Multiply line 1 by line 4
 6. Enter amount of pension earned after 12/31/97 from line 5 or Form 1099-R. (Include in Part II, line 2, with all other non-lump-sum pension and retirement income.)
 7. Subtract line 6 from line 1. Enter here and in Part I, line 1(b)
- This is the amount of exempt pension.