

**Commonwealth of Kentucky
Department of Revenue**

**Handbook for Electronic Filers of
Individual Income Tax Returns**

Tax Year 2009



Kentucky Dept of Revenue
Electronic Filing



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What's New for Tax Year 2009

STANDARD DEDUCTION - For 2009, the standard deduction is increased to \$2,190.

FAMILY SIZE TAX CREDIT - This credit provides benefit to individuals and families at incomes up to 133 percent of the threshold amount. The 2009 threshold amount is \$10,830 for a family size of one, \$14,570 for a family of two, \$18,310 for a family of three and \$22,050 for a family of four or more.

ENERGY EFFICIENCY PRODUCTS TAX CREDIT (KRS 141.436) – A nonrefundable tax credit against the individual income tax imposed under KRS 141.020 was established by House Bill 2 in the 2008 General Assembly. Installation of energy efficiency products must be in a Kentucky residence. This credit is available for tax periods beginning after 12/31/08 and before 01/01/16. Therefore, the credit may be claimed on 2009 Kentucky Individual Income Tax returns. **Form 5695-K** has been created to claim this credit.

Requirements and features of this credit include the following:

- Credit is reported and computed on Form 5695-K
- Credit applies in the tax year in which installation is completed
- Credit is equal to 30% of installed costs subject to limitations
- Unused credit may be carried forward 1 year
- Credit may be allowed on:
 - Upgraded insulation, energy efficient windows, qualified energy property, active & passive solar heating systems, qualified solar water-heating systems, qualified wind turbine or wind machines, and qualified solar photovoltaic systems.

Form 8863-K KENTUCKY EDUCATION TUITION TAX CREDIT – Because Kentucky has not adopted the American Recovery and Reinvestment Act of 2009, which included provisions that impacted the federal Form 8863. Taxpayers must use the Kentucky form and instructions to correctly compute the allowable Kentucky Education Tuition Tax Credit.

NEW HOME TAX CREDIT - The New Home Tax Credit is a **nonrefundable** individual income tax credit that is effective July 26, 2009 and applies to a "qualified buyer" who purchases a "qualified principal residence" during the one-year period of July 26, 2009 through July 25, 2010.

Requirements and features of this credit include the following:

- Qualified buyer(s) approved for the credit will receive a credit allocation letter with a four (4) digit approval code from the Department of Revenue. This letter must be attached to the income tax return filed for the taxable year during which the qualified principal residence was purchased.

- Electronic filers: Information from the credit allocation letter and the New Home Tax Credit Worksheet D (for electronic filers only) must be included with any electronic return submitted. Make sure the software used to submit the return can meet these requirements.

The New Home Tax Credit application and additional information is available on the Department of Revenue website: www.revenue.ky.gov

UNEMPLOYMENT COMPENSATION - Under the American Recovery and Reinvestment Act (ARRA), the first \$2,400 of unemployment benefits each individual receives in 2009 are tax free for **federal** purposes. However, because Kentucky has not adopted this legislation, all unemployment compensation will still be considered income for Kentucky purposes and **subject to Kentucky tax**. Therefore, an adjustment must be made on Schedule M, Part 1, Additions to Federal Adjusted Gross Income, line 6 to report this income.

COMPOSITE RETURNS – Beginning in tax year 2009 composite returns are no longer filed via Kentucky Form 740-NP. If filing a composite return, use Form 740NP-WH for those electing nonresident individual partners, member or shareholders **exempt** from withholding as per KRS 141.206(4) (b). A pass-through entity filing a composite return shall make estimated tax payments required by the provisions of KRS 141.300 on Form 740NP-WH.

MORTGAGE DEBT FORGIVENESS – **(not an allowable deduction for Kentucky tax purposes)** The Mortgage Forgiveness Debt Relief Act of 2007 has been enacted to provide relief to those families who have been adversely affected by problems in the subprime mortgage market. This act will provide relief to those families by permanently excluding debt forgiven under these circumstances for tax liability for **federal** purposes. However, because Kentucky has not adopted this legislation, any mortgage debt forgiveness will still be considered income for Kentucky purposes and **subject to Kentucky tax**. Therefore a Schedule M adjustment must be made on Part 1, Additions to Federal Adjusted Gross Income, line 7 to report this income.

Section 1

Kentucky Electronic Filing Calendar

For Taxable Period beginning January 1, 2009, and ending December 31, 2009

Begin Federal/State Software Testing State testing for software developers is to begin after the developers have been accepted by the IRS.	November 10, 2009
Begin Transmitting Returns to IRS/KDOR	January 15, 2010
Last Day to Transmit Kentucky Returns Electronically All fed/state rejected returns must be re-transmitted and accepted by	October 15, 2010 October 20, 2010

NOTE: These dates are subject to change at any time.

Section 2

Introduction

The Kentucky Department of Revenue (KDOR) joined with the Internal Revenue Service (IRS) in 1994 to offer electronic filing of federal and state individual income tax returns. The Federal/State Electronic Filing Program allows taxpayers to file both their federal and state returns electronically through their tax preparer. This program is an effort to provide “one-stop shopping” for all tax preparation and filing. Taxpayers, tax practitioners and KDOR benefit from electronic filing.

The program was offered to all Kentucky taxpayers during the 2009 filing season, with nearly 1,164,000 returns being received to date. This represents an increase of 4 percent from 2008.

IRS Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns, regulations and requirements governing tax preparers, transmitters, and originators of returns put forth by the IRS are used by KDOR.

Publication KY-1345, Kentucky Handbook for Electronic Filers of Individual Income Tax Returns, is to be used in conjunction with IRS Publication 1345. The Kentucky Handbook sets forth those items that are unique to KDOR. Because most functions in the Federal/State Electronic Filing Program are the same, this handbook highlights the special features for Kentucky. The information contained herein explains the program, including changes from last year.

If there are any questions, comments or suggestions on this handbook, please contact the:

Kentucky Department of Revenue

Primary Contact

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Section 3

Publications

The following publications describe the process of electronic filing and federal/state electronic filing:

Internal Revenue Service Publications

Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns

Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns

Publication 1436, Test Package for Electronic Filing of Individual Income Tax Returns

Publication 1545, The Electronic Filing Logo Guidelines for Effective Use

Kentucky Department of Revenue Publications

Publication KY-1345, Kentucky Handbook for Electronic Filers of Individual Income Tax Returns

Publication KY-1346, Kentucky Software Developer's Guide

Publication KY-1436, Kentucky Test Package

Forms and publications are also available on the internet at www.revenue.ky.gov

Section 4

Federal/State Electronic Filing

General Information

Tax preparers and transmitters accepted in the IRS Electronic Filing Program will be able to participate in the Federal/State Electronic Filing Program and be able to file both the federal return and the state return in one transmission to the IRS Philadelphia Service Center. **The software used to transmit the data must be certified by both the IRS and Kentucky Department of Revenue (KDOR).** KDOR will provide a certification letter to all approved software developers. This certification should accompany the final version of the software. The IRS will acknowledge acceptance of the federal data and receipt of the state data packet. The IRS acts as a conduit through which KDOR will retrieve the state data packet for processing.

KDOR will acknowledge receipt of the state data and then process the taxpayer's return. The transmitter should be able to retrieve the Kentucky acknowledgment within three days from the time acknowledgment is received from the IRS.

Who May Participate

Federal/state electronic filing for full-year resident Kentucky returns is available to all interested parties who have been accepted in the federal electronic filing program. There is no additional application for Kentucky. In 2010, KDOR will accept returns through October 15th. Please contact software companies directly if you have questions about availability of state software packages.

State Only Filing

Kentucky is accepting state only returns for the 2009 tax year. *We will not accept state-only returns for part-year residents and nonresidents.* 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.

Please consult your software vendor to determine the availability of state only filing.

Section 5

Acceptance Process

*Getting
started*

In order to participate in the Federal/State Electronic Filing Program, participants must apply to the IRS by submitting Form 8633, Application to Participate in the Electronic Filing Program. This form is available from the IRS. **An additional application form is not necessary for the Kentucky Department of Revenue.**

Federal Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns, specifies the application process and requirements for federal participation. The IRS definition of the various categories of electronic filers (electronic return originator, transmitter or software developer) will apply for Kentucky electronic filing purposes under the federal/state program.

KDOR will recognize the federal acceptance process for the 2009 tax period. Acceptance into the federal program is automatic acceptance into the Kentucky electronic filing program. No separate application form is necessary for the Kentucky program. However, KDOR will conduct a suitability check on the applicants into the Federal/State Electronic Filing Program and will notify any applicant who is ineligible to participate.

KDOR will use the same EFIN and ETIN assigned by the IRS for the Federal/State Electronic Filing Program.

Software developers are required to test with KDOR prior to distribution of software. Use of untested software could cause Kentucky returns to be rejected.

In addition to software developers, transmitters will be allowed to test with KDOR to ensure they have the ability to retrieve the Kentucky acknowledgment records. Tax preparers and EROs also have the option to test with KDOR but this is not required.

Test material and instructions are posted on the internet at <http://revenue.ky.gov> or can be obtained by contacting the Kentucky Department of Revenue.

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Section 6

Filing an Electronic Return

Composition of an Electronic Return

An electronic return consists of data transmitted electronically to KDOR, using the IRS as a conduit.

Electronic Portion of Return

The following forms and schedules can be transmitted electronically and are considered the electronic portion of the return:

1. All federal individual income tax forms and schedules allowed by IRS Publication 1345, Section 18.
2. Form 740, Kentucky Individual Income Tax Return.*
3. Schedule A, Kentucky Itemized Deductions.
4. Schedule J, Kentucky Farm Income Averaging.
5. Schedule KNOL, Kentucky Net Operating Loss.
6. Schedule M, Kentucky Federal Adjusted Gross Income Modifications.
7. Schedule P, Kentucky Pension Income Exclusion.
8. Form 2210-K, Underpayment of Estimated Tax by Individuals.
9. Form 4562K, Kentucky Depreciation & Amortization.
10. Form 4972K, Kentucky Tax on Lump-Sum Distributions.
11. Form 5695K, Kentucky Energy Efficiency Products Tax Credits.
12. Form 8582K, Kentucky Passive Activity Loss Limitations.
13. Form 8863K, Kentucky Education Tuition Tax Credit.
14. Tax Paid to Other State (Worksheet A).
15. Limited Liability Entity Tax Credit (Worksheet C).
16. New Home Tax Credit (Worksheet D).

*740-EZ is filed through the Form 740 format.

All software packages should support all forms available for Kentucky electronic filing. Check your software package for forms availability before submitting returns. Any electronic tax returns submitted without all required forms will be rejected. (See Appendix A for rejection codes.)

Non-electronic Portion of Return

The non-electronic portion of the return consists of the following:

1. Form 8453-K, Kentucky Individual Income Tax Declaration for Electronic Filing.
2. State copies of Form W-2, W-2G or 1099-R which would normally be attached to a paper return.
3. Supporting schedules and documents requiring signatures. (Neither the federal nor state return is required to be attached to Form 8453-K since they are sent electronically. However, if someone other than the transmitter prepared the return, the preparer should sign Form 8453-K or the transmitter should attach the paper return with the preparer's original signature to the Form 8453-K).
4. Any other informational documents that the taxpayer voluntarily includes with the return as supporting material.

Guidelines for Form 8453-K

Note: Form 8453-K is the only form that contains direct deposit and direct debit information and should be printed for any taxpayer that selects these options.

- Fed/State E-filed returns with a federal PIN – For returns filed via this method, an 8453-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 8453-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 8453-K and be retained by the ERO for a period of three years.
- Online Filing – For returns filed via this method, an 8453-K is required. This document does **not** need to be mailed to KDOR. Taxpayers must retain the form for a period of three years.

Exclusions from Electronic Filing

In addition to the returns excluded from federal electronic filing listed in Publication 1345 for tax year 2009 (2010 filing season), the following are specific Kentucky forms which are also excluded:

1. Form 740-X, Amended Kentucky Individual Income Tax Return.
2. Form 740-XP, Prior Year Amended Kentucky Individual Income Tax Return.
3. Prior Year Returns.
4. Form 740-NP, Nonresident or Part-Year Resident Income Tax Return.
5. Form 740-NP-R, Nonresident--Reciprocal State.
6. Any partnership, corporate or fiduciary tax return.
7. Fiscal Year Returns.
8. Injured Spouse Declaration.

Section 7

Transmitting the Kentucky Electronic Return

Kentucky returns included in the Federal/State Electronic Filing Program will be transmitted to the IRS Philadelphia Service Center, along with the federal return. Transmissions shall be accomplished according to IRS procedures.

Kentucky will be accepting state-only returns for the 2009 tax year. We will not accept state-only returns for part-year residents and nonresidents. Please consult your software vendor to determine the availability of state only filing.

Once the IRS has provided an acknowledgment to the ERO, the state data segment will be made available to KDOR for retrieval within 24 hours. **KDOR will not receive any state data associated with a rejected federal return.**

The IRS acknowledges only that it received the state data for both Fed/State and state only transmissions. The IRS acknowledgment is not an indication that the KDOR has “accepted” your state return. You must receive the Kentucky acknowledgment to be assured your state return has been accepted. Contact KDOR if you receive a federal acknowledgment but no state acknowledgment within three days from the time acknowledgment is received from the IRS.

Acknowledgment of the 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 KDOR. (Rejection codes are included in Appendix A.) The acknowledgement system will provide codes of “A” for accepted, “R” for rejected and “D” for a duplicate return. The records with acknowledgement codes of rejected and duplicate will not be accepted for processing. The acknowledgement code of “A” means that the return has been accepted for processing by KDOR, not necessarily that the return is error free. Upon receipt of the Kentucky return from the IRS, KDOR will generate an acknowledgment record and post the record for retrieval by transmitters.

Kentucky’s acknowledgement system is handled through the IRS. We will be using the same format that is described by the IRS for all acknowledgements.

Transmitters are encouraged to retrieve their acknowledgment records regularly. Transmitters should notify their EROs of the return’s acceptance within two working days after obtaining the acknowledgment. EROs are instructed to wait until they receive the acknowledgment record before the corresponding Form 8453-K is held for the retention period. (see Section 8).

NOTE: All transmitters will be allowed to perform state testing to ensure they can access and retrieve the state acknowledgment record.

Non-receipt of Kentucky Acknowledgment Record

If any of the following error conditions occur, please follow the resolution process indicated below.

1. Kentucky acknowledgment records are received for some, but not all returns filed on a given date.
2. IRS acknowledgment records were received more than four working days ago and no Kentucky acknowledgment records have been received.
3. A transmission day is skipped (i.e., received acknowledgment records for a Monday and a Wednesday but none for a Tuesday transmission).

In all instances, be sure you have received an IRS acknowledgment record before you contact the Department of Revenue.

Resolution Process

To check the status of a Kentucky acknowledgment record, EROs must contact KDOR's Electronic Filing Helpdesk at (502) 564-5370. Have the primary Social Security number and date of transmission available when making the call.

In some instances, you may be required to file a paper return to correct problems, if the return is not eligible for state-only filing. Paper returns to replace rejected electronic returns should be sent to:

Kentucky Department of Revenue
Electronic Filing
P.O. Box 1231, Station 29
Frankfort, KY 40602-1231

The paper return should include a printout of the return (including a copy of the federal return and all supporting schedules) and copies of all Forms W-2, W-2G and 1099-R. If the paper replacement is not sent to this address, it cannot be guaranteed priority processing.

Changes to Electronic Returns

After electronic returns are transmitted, they cannot be recalled or intercepted in process. If the electronic filer or taxpayer wishes to change any entries after a return has been accepted, an amended return (Form 740-X) must be filed through the normal paper filing process. No action should be taken to change the computation between the date transmitted and the date the KDOR acknowledges the return.

Section 8

Form 8453-K

Kentucky Individual Income Tax Declaration for Electronic Filing

NOTE: Due to new federal electronic banking regulations, questions 10a or 10b must be answered on Form 8453-K if the taxpayer elects to receive a refund via direct deposit (Question 10a) or pay via direct debit (Question 10b). If the taxpayer elects a direct deposit of their refund and answers yes on question 10a, a paper check will be issued. If a taxpayer elects to pay via direct debit and answers yes on question 10b, KDOR will notify the taxpayer that they must submit payment via check or money order, or pay the amount due via credit card by visiting our website.

Once revenue systems have been updated to handle additional information needed for out of country banking transactions, this limitation will be removed.

Form 8453-K is the signature portion of the return. It must be completed and signed, if required, by all appropriate parties before the return is transmitted electronically. It also serves to transmit the taxpayer's banking information for direct deposits and direct debits.

Form 8453-K:

1. Authenticates the return;
2. Authorizes the ERO to file the return electronically on behalf of the taxpayer; and
3. Authorizes KDOR to inform the ERO whether a taxpayer's return has been accepted.

Returns requiring forms or schedules excluded in Section 6 must be filed in paper format. Electronic filers must not use Form 8453-K to submit forms or schedules which are excluded (see Section 6) from electronic filing.

Form 8453-K authorizes the KDOR to discuss tax return information with the ERO.

Use only the official Form 8453-K or an approved substitute form that duplicates the official form in format, language, content and size. Photocopies are acceptable.

The following is the sequence of events in the handling of Form 8453-K:

1. An ERO prepares the return and computes the taxes based on the information the taxpayer provides or accepts an already prepared tax return for the purpose of transmitting it electronically.
2. After the return has been prepared and before it is transmitted, the taxpayer must verify the information on the return and sign Form 8453-K. The signature of both taxpayers is required on returns filed “Married, filing joint return” or “Married, filing separately on a combined return.”
3. A copy of the prepared return must be provided to the taxpayer.

Form 8453-K is part of the electronic tax return for the purposes of taxpayer verification and signature. See Section 6 for details on when to use the 8453-K. A blank Form 8453-K is the same as a blank tax return. Practitioners are prohibited from allowing taxpayers to sign a blank tax return. However, it is permissible to have the taxpayer review the completed tax return on the display terminal. The taxpayer should also review the completed Form 8453-K before signing it.

The DCN assigned to the taxpayer’s federal return will also be used for the Kentucky return. This DCN should be entered on Form 8453-K. If the electronic return is rejected by the IRS and a new DCN is assigned, you must use the DCN accepted by the IRS on the Kentucky electronic return and Form 8453-K.

Following the new guidelines for Form 8453-K (see Section 6), the ERO is required to retain this form for a period of three years.

If requested by the KDOR, the ERO must provide the department with a copy of the Form 8453-K or a new Form 8453-K within five days of the department’s request for the form.

Section 9

Refund Options for Electronic Filers

Taxpayers may elect to have their overpayments applied to their next tax year's estimated tax, mailed to them 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.

Taxpayers' Kentucky refunds do not have to be direct deposited in the same bank account as their federal refunds.

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

Some items which could cause KDOR to deny a direct deposit request:

**Please verify
all banking
information
before
transmitting
returns.**

- All/part of the overpayment is applied to the taxpayer's delinquent Kentucky taxes.
- All/part of the overpayment is applied to the taxpayer's debts to other state agencies and/or the IRS.
- The amount of the refund is adjusted by the tax processing system.
- An invalid account number or bank routing number is submitted.

The taxpayer may determine the reason for the conversion by calling the Department of Revenue's Taxpayer Assistance Section at (502) 564-4581 between 8:00 a.m. and 5:00 p.m., Monday through Friday, Eastern Standard Time.

Section 10

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 2009 processing year was 7 to 10 days. However, the following conditions may delay refunds and/or change refund amounts on electronically filed returns:

1. The taxpayer owes delinquent Kentucky taxes.
2. The taxpayer owes a debt to another state agency or to the IRS.
3. The estimated tax payments claimed on the return do not match the estimated tax payments recorded on KDOR's estimated tax file.
4. The refund amount is adjusted when the electronic return is processed.
5. Common problems are addresses containing a rural route. While the KDOR 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 utilizing 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.

If individuals need to contact the Department of Revenue regarding their Kentucky refund, they should be prepared to give their Social Security number and whole dollar amount of the refund. These taxpayers should contact KDOR's ARTIS line (502) 564-1600.

Section 11

Payment of Balance Due Amounts

The taxpayer is responsible for paying the amount due the KDOR on or before April 15, 2010 to avoid penalties and interest. Details of each payment option are listed below.

1. Kentucky will again be accepting direct debit payments on tax due returns. The payment **must** be the amount due as indicated on the return. A date up to April 15, 2010 can be elected for the payment to be debited from the specified account. After April 15, 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 8453-K.

Note: Please allow up to two weeks for your debit payment to be withdrawn from your account. Payments with a withdrawal date of April 15, 2010, will be considered timely when processed.

2. The taxpayer may submit payment by mailing Form 740-V with their payment. Form 740-V is a payment coupon made available to EROs. If the ERO's software package has the capability of printing a document in the same format as the Form 740-V, this can also be used. **A paper copy of the electronic return should not be submitted with the 740-V. This delays processing of the electronic voucher and payment.**

Payments made with Form 740-V should be mailed to:

Kentucky Department of Revenue
Frankfort, KY 40620-0011

3. Taxpayers can also pay their 2009 Kentucky individual income tax by MasterCard or Visa credit card through April 15, 2010. 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 select E-Payments-Credit Cards and ACH Debits link. If the taxpayer does not have access to the Internet, you may call the KDOR at (502) 564-4581.

A 'tax due notice' will not be sent to the taxpayer prior to the April 15 filing deadline. The taxpayer should submit payment using one of the payment options listed above prior to April 15, 2010 to avoid penalties and interest.

Section 12

What Electronic Filers Must Provide to the Taxpayer

The ERO must furnish the taxpayer with documentation of all completed Kentucky forms and schedules filed for the taxpayer. This material should be provided to taxpayers at the time they sign Form 8453-K or use one of the electronic pin signature methods made available by the IRS.

The ERO must also provide the taxpayer with a copy of the following material filed with KDOR:

1. The completed Form 8453-K, Kentucky Individual Income Tax Declaration for Electronic Filing, if required.
2. Other documents containing required signatures.
3. Any other documents which are not Kentucky forms or schedules.

In addition, the ERO should advise the taxpayer to retain copies of the following material:

1. Form W-2, W-2G or 1099-R.
2. Any other documents, not required by KDOR, which the taxpayer voluntarily includes as supporting material.
3. The signed Form 8453-K, if required.

Immediately upon learning that a return was not accepted by KDOR, the ERO must advise the taxpayer that their return was not accepted, **(if the return is not eligible for state-only filing)** and that a paper return must be filed. The taxpayer should allow up to twelve weeks for any Kentucky refund to be issued on a paper return.

If an electronically filed return was acknowledged as accepted by the KDOR, the ERO should advise the taxpayer to wait three weeks from the acknowledgment date before making an inquiry about his/her refund. The taxpayer may call KDOR's ARTIS line (502) 564-1600 for information about his or her refund. They should be prepared to give their Social Security number and whole dollar amount of the expected refund.

It is the responsibility of the electronic filer to follow all guidelines in IRS Publication 1345.

Section 13

Penalties

Penalties for Disclosure or Use of Information

Guidelines outlined in IRS Revenue Procedure 94-63 and 94-63A should be followed as well as Kentucky Revised Statute 131.190.

Penalties for Late Filing, Late Payment and Fraudulent Returns

This provision provides due notice that all additions to tax, penalties, and criminal provisions applicable to paper filers are also applicable to electronic filers. Specifically, penalties and interest for late filing and late payment will be assessed.

Penalties will be assessed against any person filing an incomplete or misleading return. Additionally, any person who willfully subscribes or presents a fraudulent return will be subject to prosecution and penalties. Other criminal provisions will be applicable to the extent that a person attempts to commit forgery and falsify signatures on any electronic filing form, check or direct deposit form.

Section 14

Taxpayer Assistance and Refund Inquiry

Taxpayers may confirm acknowledgment of their Kentucky returns with their practitioner or transmitter and are advised to wait three weeks from the transmission date before calling or writing KDOR to inquire about their refund status.

If a taxpayer and/or spouse owes money to KDOR, other state agency, IRS, etc., the amount may be deducted from the refund. This debt will delay processing of the taxpayer's refund because all claims against the refund must be resolved before a refund check can be processed. Electronically filed returns experiencing errors in KDOR income tax system will be given first priority for resolution.

For Taxpayers

KDOR has an Automated Refund and Tax Information System, ARTIS, that a taxpayer can call to get the status of their refund. The taxpayer must provide the primary Social Security number listed first on the tax return and the amount of the refund expressed in whole dollars.

ARTIS Line: 1-502-564-1600

Taxpayers needing assistance to resolve any adjustments on returns or problems after processing should contact the Taxpayer Assistance Branch at (502) 564-4581.

For Transmitters, Preparers and EROs

The KDOR 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.

APPENDIX A

Rejection Codes and Explanations for Tax Year 2009

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, Line 18A or 18B.
 - 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 30/ page 2, line 31.
 - 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 33, 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 2210K
 - 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 don't 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% 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 2210K Errors

- 0081 Part I calculation error on Form 2210K.
- 0082 Part I data incomplete on Form 2210K
- 0083 Part II calculation error on Form 2210K.
- 0084 2210K required but not filed.

Form 8863K Errors

- 0085 8863K required but not filed.
- 0086 Error in calculating education credit.
- 0087 Incomplete data on 8863K.
- 0088 Only undergraduate studies at Kentucky institutions qualify for the education credit.

Form 4972K Errors

- 0089 4972K required but not filed.
- 0090 Calculation error on Form 4972K.
- 0091 Incomplete data on Form 4972K.

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 8863K 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 New Home Tax Credit worksheet required but not filed.**
- 0106 Authorization number not listed on New Home Tax Credit worksheet.**
- 0107 Incomplete data on New Home Tax Credit worksheet.**
- 0108 Energy Efficiency Credit Form 5695K required but not filed.**
- 0109 Error in computing energy efficiency credit allowed.**
- 0110 Amount of 8863K credit does not match amount claimed on 740, page 1.**
- 0111 Total on Schedule A does not match amount claimed on 740, page 1.**
- 0112 State not identified on TPOS Worksheet.**
- 0113 KY is not a valid entry on TPOS Worksheet.**

APPENDIX B

Sample Addresses

Prefix Names:

EXAMPLE:	O'Brien Van Winkle Mc Donald	KEY:	Obrien Vanwinkle McDonald
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Street:

EXAMPLE:	120 South Fourth Street
KEY:	120 South Fourth Street

EXAMPLE:	23 East 4th Street
KEY:	23 East 4th Street

EXAMPLE:	2466 1/2 West Highway North
KEY:	2466 West Highway North

EXAMPLE:	C/O George Smith
KEY:	CO George Smith

EXAMPLE:	C/O Jones Mfg Co
KEY:	Jones Mfg Co

EXAMPLE:	C/O 123 Main St
KEY:	123 Main St

EXAMPLE:	12 North St Apt #4
KEY:	12 North St Apt 4

EXAMPLE:	34 Hopewell-Bohon Rd
KEY:	34 Hopewell Bohon Rd

EXAMPLE:	543 Lovelace-Florence Station Rd
KEY:	543 Lovelace Florence Stat Rd