

# Kentucky Tax Alert

## ELECTRONIC FILING - SPECIAL EDITION

### Message from the Commissioner:

The Kentucky Department of Revenue's number one priority is our commitment to providing taxpayers of Kentucky with an efficient and cost-effective method of filing tax returns. The department recognizes that electronic filing is more efficient and reduces costs for all involved. Faster processing leads to quicker refunds and happier clients and taxpayers. So, when possible, file returns electronically.

This special edition of the Tax Alert offers advice on how to file returns efficiently with the Department of Revenue. Your cooperation in following the tips included will be greatly appreciated by both the department and your clients, with the end result being quicker processing of the information received.

Sincerely,

Daniel P. Bork, Commissioner  
Department of Revenue

- Although electronic returns are preferred, the mailing address for the filing of paper returns has changed:

Individual Income Tax Return *with* payment:  
**Kentucky Department of Revenue**  
P. O. Box 856980  
Louisville, KY 40285-6980

Individual Income Tax Return *without* payment:  
**Kentucky Department of Revenue**  
P. O. Box 856970  
Louisville, KY 40285-6970

### E-Filed Refund Requests

- Filing electronically is the fastest way for taxpayers to receive a refund. E-filed returns generally process within 2-3 weeks.
- Direct deposit for individual income tax refunds are only available through e-filed returns.

### Filing Tips

- Ensure the accuracy of both the financial institution **account and routing numbers** on returns requesting a refund to be deposited through direct deposit. Incorrect account information results in a paper refund check being issued, which delays the taxpayer's refund.

## INDIVIDUAL INCOME TAX

### New for Tax Year 2016

- A field for the driver's license number or state issued ID has been added to the 2016 Kentucky Individual Income Tax Return Form 740. While providing a driver's license or state issued ID number is optional, doing so may expedite the processing and help ensure validity of the return as well as aiding the department in fraud protection measures.
- New e-File for 2016 Individual Income Tax Forms & Schedules
  - Form 740-NP-R (Kentucky Income Tax Return Nonresident-Reciprocal State);
  - Current year amended returns;
  - Form 740-X (Amended Kentucky Individual Income Tax Return); and,
  - Form 725 (Kentucky Single Member LLC Individually Owned Income and LLET Return).

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- Ensure that all **taxpayer data**, including Social Security numbers (SSNs), is accurate, legible, and placed in the appropriate boxes on the return.
- Use the current **mailing address** for the taxpayer. If the taxpayer moves after the return is submitted, please have the taxpayer contact the department at (502) 564-4581 to update their address. If the address is not corrected, the refund check could be mailed to the wrong address. Refund checks sent to the wrong address are not forwarded by the U.S. Post Office.
- Include all **Wage and Tax Statements (W-2s and 1099's)** with the return. Income tax withholding not verified by a W-2 will be disallowed and the refund adjusted. 2-D barcodes may contain some of the withholding information needed, but the W-2s are still required to be attached for verification. Ensure the W-2 contains an account number and FEIN prior to submission.
- Include **Form PTE-WH** with the return, if applicable. Without proper documentation, the withholding from the pass-through entities will be disallowed.
- **Form 2210-K** should be used, when applicable, to calculate any underpayment of estimated tax penalties, underpayment of estimated tax interest, or to claim an exception to the penalty. Check the appropriate box on Form 740 when Form 2210-K is attached.
- Taxpayers who qualify for the nonrefundable **Education Tuition Tax Credit** and are *not* able to claim the credit that year (usually due to not having a tax liability) *must* file a **Form 8863-K** to establish the credit and claim it as a carryforward to future tax years.
- **Form 740-V** should be used to remit payment for e-filed returns. A copy of the tax return should *not* be attached to the form or payment. The SSN and tax year should be written on the check or money order.
- **Form EPAY** may be used to make an electronic payment of tax due separately from filing the tax return (if supported by your software vendor). The purpose of the form is to authorize the department and its designated financial agent to initiate an ACH electronic funds withdrawal from the financial institution account indicated by the taxpayer for payment of taxes and estimated tax other than at the time of filing the individual income tax return. Refer to the Form EPAY instructions for additional information.
- **Schedule FD** is required to be attached to a return when the food donation tax credit is claimed on Form 740 or Form 740-NP, Section A, line 22 for both e-filed and paper returns.

### Common E-File Errors

- Incorrect return forms are used.
- Incorrect format in the payment amount. Payments are required to be denoted in whole dollar amounts.
- The Software ID is omitted or not in UPPERCASE. The Software ID is a unique code authorized by the DOR to each tax software company that e-files Kentucky returns.
- Blank forms or schedules are received.
- Missing forms or schedules (especially W-2's and 1099's).

### WITHHOLDING TAX

#### Withholding Returns and Payment System (WRAPS)

The department encourages all tax preparers to file electronically. Taxpayers with existing withholding accounts can register for online filing of their K-1 and K-3 returns by creating a user name at:

<https://wraps.ky.gov>

- You cannot file on the same day you register. You will receive an email notification when a return is available for filing.
- Filing withholding returns electronically allows you to view and/or amend all returns previously submitted and paid through WRAPS.
- Ensure the accuracy of all payment information before submitting your transaction.
- WRAPS passwords expire after one year. Use the Account Self-Service portal to reset the password.
- If, after repeated attempts, you are unable to log-in to your WRAPS account and receive a message that states "Incorrect username/password," use the Account Self-Service portal to unlock the account. After completing the steps to unlock the account, use the Account Self-Service portal to reset your password.
- You will only be able to see payments made if WRAPS was used to make the payment. Any payment made outside of the WRAPS system will not show under your account in WRAPS.

#### E-Filing W-2s

- Employers with 100 or more W-2s are required to file electronically.
- Ensure W-2s are submitted in the EFW-2 format outlined by the Social Security Administration. Refer to guidelines on the department's website for state defined fields.

- Verify that W-2 files submitted contain the employer's correct Kentucky Withholding Account Number.

#### Electronic Submissions of 1099 and W-2G forms:

- Employers with 250 or more 1099 or W-2G forms are required to submit those forms in an electronic format.
- Verify that files submitted contain the employer's correct Kentucky Withholding Account Number.
- Ensure 1099 and W-2G forms are submitted in the format outlined by IRS Publication 1220. Refer to guidelines on the department's website for state defined fields.
- 1099 and W-2G electronic submissions can only be submitted on a CD at the following address:

**Kentucky Department of Revenue**  
**CD Processing**  
**501 High Street, Station 57**  
**Frankfort, KY 40601**

- Although electronic submissions are preferred, the mailing address for the filing of paper W-2's has changed to:

**Kentucky Department of Revenue**  
**P. O. Box 856950**  
**Louisville, KY 40285-6950**

#### CORPORATION INCOME AND LIMITED LIABILITY ENTITY TAX

##### New for Tax Year 2016

- New e-File for 2016 Corporate Income Tax Forms and Schedules
  - Form 720 (Mandatory Nexus consolidated return and supporting schedules including the Form 851-K, Schedule KCR, Schedule CR, and Schedule A-N);
  - Form 40A102 (Extension for Form 765-GP);
  - Form 725 (Kentucky Single Member LLC Individually Owned Income and LLET Return).
- Although electronic returns are preferred, the mailing address for the filing of paper returns has changed:

Corporate Income Tax Return *with* payment:

**Kentucky Department of Revenue**  
**P. O. Box 856910**  
**Louisville, KY 40285-6910**

Corporate Income Tax Return *without* payment:

**Kentucky Department of Revenue**  
**P. O. Box 856905**  
**Louisville, KY 40285-6905**

- **Forms 725 and 720 Mandatory Nexus consolidated returns** and their supporting schedules can now be e-filed for 2016.
- To find the department's listing of approved software vendors and developers, please call the **Electronic Filing Helpdesk** at (502) 564-5370 or at <http://revenue.ky.gov/Software-Developer/Pages/default.aspx>.
- To determine which forms are supported by your software, please check with the company that develops your software.
- Direct debit is an option for e-filed corporate income tax return forms. Direct deposit is not available for e-filed corporate income tax return forms.
- If the federal extension is used as a six-month extension to file a Kentucky return, a copy of the image of the federal extension is required to be attached to the electronic submission.
- Any Kentucky form or schedule that requires a Kentucky Corporation/LLET account number must be populated with the appropriate number associated with the FEIN. These numbers must match the department's records. Any mismatch of numbers will cause the return to be rejected.
- If the return is rejected because of a problem with the account number, please contact the department's Registration Division at 502-564-3306.
- If your e-filed return has been rejected, **DO NOT** submit a 720-V voucher at that time. You will get a NEW 720-V voucher once you have successfully submitted an accepted KY return. (NOTE: The Submission ID number will change each time your return is sent to the department.)

#### Important 2017 Income Tax Dates

January 6, 2017:	DOR will begin accepting 2016 corporate income tax returns
January 23, 2017:	DOR will begin accepting 2016 individual income tax returns
January 31, 2017:	2016 W-2, K-3/K-3E deadline
February 15, 2017:	DOR will begin processing requests for Individual Income Tax refunds
April 18, 2017:	Deadline for filing income tax return (or request for extension)
April 18, 2017:	Deadline for paying tax due (even if extension filed)

**A Message from the Secretary of State:**

Greetings Business Administrators,

The 2017 annual report for companies registered in Kentucky is due to be filed with the Kentucky Secretary of State's office between January 1, 2017 and June 30, 2017.

To file your annual report online, use the link below and follow the on-screen instructions to submit your filing.

<http://www.sos.ky.gov/bus/business-filings/Pages/Annual-Reports.aspx>

If you have any questions, please call (502) 564-3490. I also want to let you know about an exciting development: all eligible Kentuckians may now register to vote and update their voter registration ONLINE! Visit GoVoteKY.com and join the more than 60,000 other Kentuckians who have already used the online portal to register or update their registration.

My staff and I are always hard at work to make it easier for Kentuckians to do business with government.

Sincerely,

Alison Lundergan Grimes  
Secretary of State

**ADDITIONAL TIPS**

All checks should be made payable to the **Kentucky State Treasurer** and must be filled out completely.

Kentucky tax return preparers that are required to file US federal tax returns electronically, must also do so in Kentucky. KRS 131.250(2)(d), 26 USC §6011(e)(3). In 2017, the Department of Revenue will actively assess a return processing fee of \$10 per paper return filed by tax preparers that fail to file electronically. KRS 131.990(7).

If a taxpayer receives a letter from the department requesting additional information, please provide the information promptly. Refunds will be delayed until the requested information is received and reviewed by the department.

The Department of Revenue takes active steps to protect taxpayers, and taxpayer dollars, from fraud and identity theft. This can increase the time it takes to review and process income tax returns and requests for refunds. The department strives to process individual income tax requests efficiently and is committed to processing individual requests for income tax refunds within 2-3 weeks of receiving an electronically filed return and within 8-12 weeks of receipt of a paper return. However, the department will not process 2016 individual income tax refund requests before February 15, 2017.

**Kentucky Tax Alert** comments and suggestions should be addressed to the Office of Tax Policy and Regulation, Department of Revenue, Finance and Administration Cabinet, Frankfort, Kentucky 40601, (502) 564-7268.

**MATTHEW G. BEVIN, Governor**

**WILLIAM M. LANDRUM III, Secretary  
Finance and Administration Cabinet**

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The Department of Revenue may be found at:

[www.revenue.ky.gov](http://www.revenue.ky.gov)

