

# Kentucky Tax Alert

A REVENUE PUBLICATION FOR THE TAX PROFESSIONAL

January 2009, Vol. 28, No. 1

## K-4E SPECIAL WITHHOLDING EXEMPTION CERTIFICATE

**Employers:** The Kentucky Department of Revenue (DOR) strongly encourages all employers to utilize Form K-4E, Special Withholding Exemption Certificate, when applicable.

This certificate should be completed by employees that anticipate no Kentucky Income Tax liability. If the employee is eligible to claim this exemption, the employer will **not** withhold Kentucky income tax from wages. This certificate may be used instead of Form K-4 by those employees qualified to claim the exemption.

To download the form along with instructions go to the Kentucky Department of Revenue's Web site at [www.revenue.ky.gov](http://www.revenue.ky.gov) and click on Tax Forms/Current Year Forms/Withholding Tax.

## USE TAX REMINDER

Tax professionals, businesses and individuals are reminded of their use tax reporting responsibilities as we enter income tax filing season. KRS 139.310 and 139.330 impose a use tax liability on those purchases for storage, use or other consumption in Kentucky upon which the tax has not previously been paid. Purchases of items such as aircraft, boats, artwork, jewelry, furniture, clothing, software, sporting goods, electronics, computers, books, and magazines are examples of tangible personal property bought out of state that may be subject to Kentucky use tax.

Purchases subject to use tax may be reported by individuals on line 27 of Kentucky individual income tax forms 740 or 740-NP and line 9 of Kentucky form 740-EZ. Use tax may also be reported and paid on form 51A113(O), available on the Web at [www.revenue.ky.gov](http://www.revenue.ky.gov) Businesses and entities registered for sales and use tax must report their use tax on line 23(a) of the Kentucky sales and use tax return. If you have any questions about use tax, please call the Division of Sales and Use Tax at (502) 564-5170.

**NEW**

## DECLARATION PENALTY ALERT

Due to advances in technology, the Department of Revenue now has the capability to impose Declaration Tax Penalties on corporations and individuals, as per the following statutes:

- Tax penalties as provided by KRS 131.180 for any corporation declaration underpayment or any installment not paid on time as provided by KRS 141.044.
- Tax penalties as provided by KRS 131.180 for any individual declaration underpayment or any installment not paid on time as provided by KRS 141.305

## 740-V PAYMENT ENVELOPE AVAILABLE FOR PREPARERS

The Department of Revenue has created a new 740-V payment envelope for taxpayers who file electronically and owe tax to Kentucky. The DOR is providing these envelopes at no cost to tax preparers. Envelopes are available by contacting the Forms Department at (502) 564-3658.

This new envelope is color coded for accuracy and faster processing of payments. It is sized to accommodate Form 740-V and payment. We encourage all taxpayers, who file electronically and owe individual income tax to Kentucky, to use these envelopes for the payment of 2008 Kentucky tax liabilities.

## 2008 KENTUCKY INDIVIDUAL INCOME TAX UPDATES AND TIPS

### What's New For Kentucky

**Standard Deduction**—The standard deduction has increased to \$2,100 for 2008.

**Family Size Tax Credit**—This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2008 threshold amount is \$10,400 for a family size of one, \$14,000 for a family size of two, \$17,600 for a family size of three and \$21,200 for a family size of four or more.

### **Mortgage Debt Forgiveness (not an allowable exclusion from income for Kentucky tax purposes)–**

The Mortgage Forgiveness Debt Relief Act of 2007 was enacted to provide relief to those families who have been adversely affected by problems in the subprime mortgage market. This act provides federal income tax relief to those families by permanently excluding mortgage debt forgiven by a lender. 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 one, Additions to Federal Adjusted Gross Income, line 6 to report this income.



**Ethanol Tax Credit**–For taxable years beginning after Dec. 31, 2007, an ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per ethanol gallon produced, unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount

of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers. The credit allowed shall be applied both



to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining ethanol credit shall be disallowed and shall not be carried forward to the next year.

**Cellulosic Ethanol Tax Credit**–For taxable years beginning after Dec. 31, 2007, a cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining cellulosic ethanol credit shall be disallowed and shall not be carried forward to the next year.

### **FILING TIPS**

**File Electronically**–Filing electronically is the fastest way to receive your refund. Electronically filed returns generally process within 7–21 days, and it's the only way to have your refund check directly deposited into your bank account.

**Direct Deposit**–If you are filing electronically and request that your refund be direct deposited, be sure to verify that all account and routing numbers are current.

**Payments**–When submitting payments for electronically filed returns, **do not** send a copy of your return. Use Form 740-V to remit your payment. Include your Social Security number and tax year on the check.

**Wage and Tax Statements**–Be sure that all necessary statements are attached to support the *Kentucky* withholding claimed on the return.

**Social Security Numbers**–The numbers are *not* on the pre-printed labels. Please enter the numbers legibly in the appropriate boxes on the return.

**Addresses**—If your address is correct, use the pre-printed labels furnished with your booklet. Otherwise, make sure the address entered on the return is the correct address. If you move after you have submitted your return, please contact the Department of Revenue to update your address.

**Form 2210-K**—When applicable, use Form 2210-K to calculate any underpayment tax penalties or to claim an exception to the penalty. Check the appropriate box on Form 740 when Form 2210-K is attached.

**2D Barcode Returns**—Even though some W-2 information is included, wage statements need to be attached for verification of withholding claimed.

**Credit for Tax Paid to Another State**—Paper returns *must* include copies of other state(s) returns if claiming a credit. Electronically filed returns must have the **Credit for Tax Paid to Another State** worksheet completed and submitted with the electronic submission for proper processing.

**Amended Returns**—Use the proper form for the year you are amending and include a complete explanation of the changes.

**Attach Supporting Schedules**—Make sure all appropriate schedules and worksheets are attached to the return, i.e., K-1's, 8863-K, etc.

## CORPORATION TAX NEWS FOR CALENDAR YEAR 2008

**Treasury Function**—House Bill 258 enacted by the 2008 General Assembly provided for tax years beginning on or after **Jan. 1, 2008**, as provided by KRS 141.121, the **net gain** from the sale of liquid assets will be included in the numerator and denominator of the sales factor for purposes of apportionment business income and computing the limited liability entity tax (LLET).

- **KRS 141.121(1)(g)** provides that “**treasury function**” means the pooling and management of liquid assets for the purpose of satisfying the cash flows of the trade or business and includes the following situations: (i) providing liquidity for a corporation’s business cycle; and (ii) providing a reserve for business contingencies or business acquisitions.

**Schedule O**—A new corporate schedule has been created to show other additions to and subtractions from federal taxable income. The schedule may be used by pass-through entities and those entities using Kentucky forms 720, 720S, 765 and 765-GP.

Using Schedule O, much like the Schedule M for individual taxpayers, will allow the entity to arrive at the correct Kentucky taxable income when adjustments to federal income are necessary. This schedule is posted on our Web site with other corporate forms.

## ENERGY EFFICIENCY CREDITS for 2009

**Energy Efficiency Credits**—House Bill 2 enacted by the 2008 General Assembly created a new section of KRS Chapter 141 to provide for a nonrefundable credit against the tax imposed under KRS 141.020 or KRS 141.040 and KRS 141.0401 (**for tax years beginning after Dec. 31, 2008**). Individuals may receive a nonrefundable credit of 30 percent of installed costs for

upgraded insulation, energy-efficient windows and storm doors, or qualified energy property not to exceed a maximum of \$500 per taxpayer when installed on a dwelling unit located in the commonwealth that is owned by the taxpayer and used by the taxpayer



as the taxpayer’s principal place of residence. A \$1,000 maximum credit is allowed a taxpayer when certain energy efficient property is installed on property owned by the taxpayer, located in the commonwealth, and used by the taxpayer as commercial property. If the credit cannot be taken in full in the year of installation, the tax credit may be carried forward one year.

**Energy Star Home or Energy Star Manufactured Home Credit**—House Bill 2 enacted by the 2008 General Assembly created a new section of Chapter 141 to provided for a nonrefundable credit against the tax imposed under KRS 141.040 and KRS 141.0401 (**for tax years beginning after Dec 31, 2008**), if a taxpayer builds a new ENERGY STAR home located in the commonwealth for use as a principal place of residence, or sells a new ENERGY STAR manufactured home to a buyer who uses that home as a principal place of

residence in the commonwealth. The tax credit shall equal:

(a) \$800 if the taxpayer builds an ENERGY STAR home; or  
 (b) \$400 if the taxpayer sells an ENERGY STAR manufactured home. The tax credits provided by this new section of KRS Chapter 141 shall apply in the tax year in which the taxpayer completes construction of the ENERGY STAR home or sells an ENERGY STAR manufactured home.



### GASOLINE EXCISE TAX RATE

Under KRS 138.210 and KRS 138.220, the Department of Revenue (DOR) is responsible for establishing the average wholesale price (AWP) of gasoline for the purposes of calculating the gasoline excise tax rate. The current price calculation is based on sales data accumulated for the month of October 2008 and a grade and formulation

weighted average reflecting gasoline consumption patterns. For the quarter commencing Jan. 1, 2009, the DOR has determined the AWP of gasoline remains at \$1.786.

Therefore, the rate remains 22.5 cents per gallon for gasoline and 19.5 cents per gallon for special fuels and is inclusive of the 1.4 cents Petroleum Storage Tank Environmental Assurance

Fee. Additionally, the rate for liquefied petroleum remains at 21.1 cents per gallon.



**Kentucky Tax Alert** comments and suggestions should be addressed to the Office of Public Information, Finance Secretary's Office, Frankfort, Kentucky, (502) 564-9165, ext. 4500.

STEVEN L. BESHEAR, Governor

JONATHAN MILLER, Secretary  
 Finance and Administration Cabinet

THOMAS B. MILLER, Commissioner  
 Department of Revenue

Valeria Cummings, Editor  
 Sarah Gilkison, Publications Coordinator  
 Production/Design: Support Services

The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

The Department of Revenue can be found at...

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

**Kentucky**  
 UNBRIDLED SPIRIT™

**T  
A  
X  
  
C  
A  
L  
E  
N  
D  
A  
R  
  
2  
0  
0  
9**

NOTE: If a return due date falls on a scheduled holiday or weekend, returns will be due the next working day.

<b>January</b>	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 7/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 1/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 4/30)	
	15	Estimated Tax/Individuals/One Fourth Est.	
	20	Coal Severance Tax Returns (December Payment)	
	20	Oil Production Tax Returns (December Payment)	
	20	Monthly Sales Tax Returns (December Payment)	
	20	Quarterly Sales Tax Returns	
	20	Annual Sales Tax Returns	
	20	Health Care Provider Tax Returns (December Payment)	
	26	Monthly Motor Fuels Tax Returns (December Payment)	
	26	Monthly Sales Tax Returns (Accelerated Payment)	
	31	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Annual Reconciliation	
	31	Monthly Income Tax Withholding Returns (December Payment and K-2s)	
	31	Quarterly Income Tax Withholding Returns (Quarterly Payment and K-2s)	
	31	Annual Income Tax Withholding Returns (Annual Payment and K-2s)	
	<b>February</b>	2	Minerals and Gas Severance Tax Returns (December Payment)
		2	Annual Report of Distilled Spirits in Bonded Warehouses (as of 1/1/07)
		10	Twice-Monthly Income Tax Withholding Returns (January 1 - January 31 Payment/EFT Payment)
		16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 8/31)
		16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 2/29)
		16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 5/31)
		16	Monthly Income Tax Withholding Returns (January Payment)
		20	Coal Severance Tax Returns (January Payment)
		20	Oil Production Tax Returns (January Payment)
		20	Monthly Sales Tax Returns (January Payment)
	20	Health Care Provider Tax Returns (January Payment)	
	25	Twice-Monthly Income Tax Withholding Returns (February 1 - February 15 Payment/EFT Payment)	
	25	Monthly Motor Fuels Tax Returns (January Payment)	
	25	Monthly Sales Tax Returns (Accelerated Payment)	
	<b>March</b>	2	Minerals and Gas Severance Tax Returns (January Payment)
2		Watercraft Property Tax Return (as of 1/1/07)	
10		Twice-Monthly Income Tax Withholding Returns (February 16 - February 28 Payment/EFT Payment)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 9/30)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 3/31)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 6/30)	
16		Monthly Income Tax Withholding Returns (February Payment)	
16		Bank Franchise Tax Returns	
20		Coal Severance Tax Returns (February Payment)	
20		Oil Production Tax Returns (February Payment)	
20	Monthly Sales Tax Returns (February Payment)		
20	Health Care Provider Tax Returns (February Payment)		
25	Twice-Monthly Income Tax Withholding Returns (March 1 - March 15 Payment/EFT Payment)		
25	Monthly Motor Fuels Tax Returns (February Payment)		
25	Monthly Sales Tax Returns (Accelerated Payment)		
<b>April</b>	1	Minerals and Gas Severance Tax Returns (February Payment)	
	1	Electric Plant Board Property Tax Returns (as of 1/1/07)	
	10	Twice-Monthly Income Tax Withholding Returns (March 16 - March 31 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 10/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 4/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 7/31)	
	15	Monthly Income Tax Withholding Returns (March Payment)	
	15	Quarterly Estimated Tax Returns/Individuals (One Fourth Payment)	
	15	Annual Individual Income Tax Returns	
	20	Monthly Sales Tax Returns (March Payment)	
	20	Quarterly Sales Tax Returns	
	20	Coal Severance Tax Returns (March Payment)	
	20	Oil Production Tax Returns (March Payment)	
	20	Health Care Provider Tax Returns (March Payment)	
	27	Twice-Monthly Income Tax Withholding Returns (April 1 - April 15 Payment/EFT Payment)	
27	Monthly Motor Fuels Tax Returns (March Payment)		
27	Monthly Sales Tax Returns (Accelerated Payment)		
30	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/First Quarter Reconciliation		
30	Quarterly Income Tax Withholding Returns		

**J  
A  
N  
U  
A  
R  
Y  
  
\*  
\*  
\*  
  
A  
P  
R  
I  
L**

**T  
A  
X  
  
C  
A  
L  
E  
N  
D  
A  
R  
  
2  
0  
0  
9**

<b>May</b>	1	Minerals and Gas Severance Tax Returns (March Payment)	
	1	Public Service Company Property Tax Returns (as of 12/31/06)	
	1	Railroad Car Line Property Tax Returns (as of 12/31/06)	
	11	Twice-Monthly Income Tax Withholding Returns (April 16 - April 30 Payment/EFT Payment)	
	15	Intangible Personal Property Tax Return (Taxpayer will be billed later)	
	15	Tangible Personal Property Tax Return (Taxpayer will be billed later)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 11/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 5/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 8/31)	
	15	Monthly Income Tax Withholding Returns (April Payment)	
	20	Monthly Sales Tax Returns (April Payment)	
	20	Coal Severance Tax Returns (April Payment)	
	20	Oil Production Tax Returns (April Payment)	
	20	Health Care Provider Tax Returns (April Payment)	
	25	Twice-Monthly Income Tax Withholding Returns (May 1 - May 15 Payment/EFT Payment)	
	25	Monthly Motor Fuels Tax Returns (April Payment)	
	25	Monthly Sales Tax Returns (Accelerated Payment)	
	<b>June</b>	1	Minerals and Gas Severance Tax Returns (April Payment)
		10	Twice-Monthly Income Tax Withholding Returns (May 16 - May 31 Payment/EFT Payment)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 12/31)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 6/30)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 9/30)
		15	Estimated Tax/Individuals/One Fourth Est.
		15	Monthly Income Tax Withholding Returns (May Payment)
		22	Monthly Sales Tax Returns (May Payment)
		22	Coal Severance Tax Returns (May Payment)
		22	Oil Production Tax Returns (May Payment)
		22	Health Care Provider Tax Returns (May Payment)
	25	Twice-Monthly Income Tax Withholding Returns (June 1 - June 15 Payment/EFT Payment)	
	25	Monthly Motor Fuels Tax Returns (May Payment)	
	25	Monthly Sales Tax Returns (Accelerated Payment)	
	<b>July</b>	1	Minerals and Gas Severance Tax Returns (May Payment)
		1	Cigarette License Annual Renewal Applications and License Fee
10		Twice-Monthly Income Tax Withholding Returns (June 16 - June 30 Payment/EFT Payment)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 1/31)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 7/31)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 10/31)	
15		Monthly Income Tax Withholding Returns (June Payment)	
20		Coal Severance Tax Returns (June Payment)	
20		Oil Production Tax Returns (June Payment)	
20		Monthly Sales Tax Returns (June Payment)	
20		Quarterly Sales Tax Returns	
20		Health Care Provider Tax Returns (June Payment)	
27		Twice-Monthly Income Tax Withholding Returns (July 1 - July 15 Payment/EFT Payment)	
27		Monthly Motor Fuels Tax Returns (June Payment)	
27	Monthly Sales Tax Returns (Accelerated Payment)		
31	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Second Quarter Reconciliation		
31	Quarterly Income Tax Withholding Returns		
<b>August</b>	3	Minerals and Gas Severance Tax Returns (June Payment)	
	10	Twice-Monthly Income Tax Withholding Returns (July 16 - July 31 Payment/EFT Payment)	
	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 2/29)	
	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 8/31)	
	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 11/30)	
	17	Monthly Income Tax Withholding Returns (July Payment)	
	20	Coal Severance Tax Returns (July Payment)	
	20	Oil Production Tax Returns (July Payment)	
	20	Monthly Sales Tax Returns (July Payment)	
	20	Health Care Provider Tax Returns (July Payment)	
	25	Twice-Monthly Income Tax Withholding Returns (August 1 - August 15 Payment/EFT Payment)	
	25	Monthly Motor Fuels Tax Returns (July Payment)	
	25	Monthly Sales Tax Returns (Accelerated Payment)	

**M  
A  
Y  
  
\*  
\*  
\*  
  
A  
U  
G  
U  
S  
T**

**T  
A  
X  
  
C  
A  
L  
E  
N  
D  
A  
R  
  
2  
0  
0  
9**

<b>September</b>	1	Minerals and Gas Severance Tax Returns (July Payment)	
	10	Twice-Monthly Income Tax Withholding Returns (August 16 - August 31 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 3/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 9/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 12/31)	
	15	Estimated Tax/Individuals/One Fourth Est.	
	15	Monthly Income Tax Withholding Returns (August Payment)	
	21	Coal Severance Tax Returns (August Payment)	
	21	Oil Production Tax Returns (August Payment)	
	21	Monthly Sales Tax Returns (August Payment)	
	21	Health Care Provider Tax Returns (August Payment)	
	25	Twice-Monthly Income Tax Withholding Returns (September 1 - September 15 Payment/EFT Payment)	
	25	Monthly Motor Fuels Tax Returns (August Payment)	
	25	Monthly Sales Tax Returns (Accelerated Payment)	
	<b>October</b>	1	Minerals and Gas Severance Tax Returns (August Payment)
		12	Twice-Monthly Income Tax Withholding Returns (September 16 - September 30 Payment/EFT Payment)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 4/30)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 1/31)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 10/31)
		15	Monthly Income Tax Withholding Returns (September Payment)
		20	Coal Severance Tax Returns (September Payment)
		20	Oil Production Tax Returns (September Payment)
		20	Monthly Sales Tax Returns (September Payment)
		20	Quarterly Sales Tax Returns
		20	Health Care Provider Tax Returns (September Payment)
		26	Twice-Monthly Income Tax Withholding Returns (October 1 - October 15 Payment/EFT Payment)
		26	Monthly Motor Fuels Tax Returns (September Payment)
		26	Monthly Sales Tax Returns (Accelerated Payment)
	31	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Third Quarter Reconciliation	
	31	Quarterly Income Tax Withholding Returns	
	<b>November</b>	2	Minerals and Gas Severance Tax Returns (September Payment)
10		Twice-Monthly Income Tax Withholding Returns (October 16 - October 31 Payment/EFT Payment)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 5/31)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 2/29)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 11/30)	
16		Monthly Income Tax Withholding Returns (October Payment)	
20		Coal Severance Tax Returns (October Payment)	
20		Oil Production Tax Returns (October Payment)	
20		Monthly Sales Tax Returns (October Payment)	
20		Health Care Provider Tax Returns (October Payment)	
25		Twice-Monthly Income Tax Withholding Returns (November 1 - November 15 Payment/EFT Payment)	
25		Monthly Motor Fuels Tax Returns (October Payment)	
25		Monthly Sales Tax Returns (Accelerated Payment)	
<b>December</b>	1	Minerals and Gas Severance Tax Returns (October Payment)	
	10	Twice-Monthly Income Tax Withholding Returns (November 15 - November 30 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 6/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 3/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 12/31)	
	15	Monthly Income Tax Withholding Returns (November Payment)	
	21	Coal Severance Tax Returns (November Payment)	
	21	Oil Production Tax Returns (November Payment)	
	21	Monthly Sales Tax Returns (November Payment)	
	21	Health Care Provider Tax Returns (November Payment)	
	26	Twice-Monthly Income Tax Withholding Returns (December 1 - December 15 Payment/EFT Payment)	
30	Monthly Motor Fuels Tax Returns (November Payment)		
30	Monthly Sales Tax Returns (Accelerated Payment)		

**S  
E  
P  
T  
E  
M  
B  
E  
R  
  
\*  
\*  
\*  
  
D  
E  
C  
E  
M  
B  
E  
R**

## 2008 Kentucky Tax Alert Index—Volume 28

### Corporation Income and License Tax

LLET Subject to Estimated Tax Payments.....January  
Ethanol Credit and Cellulosic Ethanol Credit..... July  
Estimated Tax Payment Deadlines.....December

### Educational Programs

Grief Tax Planning Institute Scheduled.....September  
University of Kentucky General Income Tax  
Seminars for 2008.....September

### Electronic Commerce

Important Scanning Information.....March  
Limited Liability Entity Tax (LLET) Reminder.....March

### Individual Income Tax

2007 Kentucky Individual Income Tax Updates & Tips.....January  
What's New for Kentucky.....January  
2007 Federal/Kentucky Individual Income Tax  
Differences.....January  
Indiana Department of Revenue Launches Another  
Enhanced Version of I-File.....March  
Forms No Longer Provided in Bulk.....September  
Kentucky's Standard Deduction, Pension Exclusion  
for 2008 Tax Year.....September  
Employers Encourage to Release Forms W-2/K-2  
Early.....December  
W-2 Processing.....December

### IRS

IRS e-News for Small Businesses.....September

### Legislative Issues

Last Minute Federal Legislation.....March  
2008 Legislation Affecting Kentucky Department  
of Revenue.....May

### Property

Homestead Exemption Allowance for 2009 and 2010.....December

### Registration

Revisions on *Kentucky Tax Registration* Application  
(Form 10A100).....March

### Revenue

Tax Calendar 2008.....January  
Index for 2008 *Kentucky Tax Alert* –Volume 28.....January  
DOR Offices Closed for Holidays.....December  
Energy Direct Pay Annual Returns.....December

### Sales Tax

Use Tax Reminder.....January  
Digital Television Converter Box Program..... July

### Tax Rates

Gasoline Excise Tax Rate.....January  
2008 State Property Tax Rate Set at 12.2 Cents..... July  
Department of Revenue Sets 2009 Tax Interest Rate.....December

### Withholding

K-4E Special Withholding Exemption Certificate.....January  
Withholding on Distributive Share Income-KRS 141.206.....March

**2008 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES**

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2006. The Department of Revenue generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists.

The chart below provides a quick reference guide to the major federal/Kentucky differences. It is not intended to be all inclusive. Items not listed may be referred to the Department of Revenue to determine Kentucky tax treatment.

PROVISION	FEDERAL TAX TREATMENT	KENTUCKY TAX TREATMENT
1. Interest from Federal Obligations	Taxable	Exempt
2. Retirement Income from: Commonwealth of Kentucky Retirement Systems Kentucky Local Government Retirement Systems Federal and Military Retirement Systems	Taxable Taxable Taxable	Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
3. Pensions and Annuities Starting After 7/1/86 and Before 1/1/90	3-year recovery rule eliminated	3-year recovery rule retained
4. Other Pension and Annuity Income	Taxable	100% excludable up to \$41,110; Schedule P may be required
5. Benefits from U.S. Railroad Retirement Board	May be taxable	Exempt; Schedule P may be required
6. Social Security Benefits	May be taxable	Exempt
7. Capital Gains on Sale of Kentucky Turnpike Bonds	Taxable	Exempt
8. Other States' Municipal Bond Interest Income	Exempt	Taxable
9. Kentucky Local Government Lease Interest Payments	Taxable	Exempt
10. Long-Term Care Insurance Premiums Paid With After-Tax Dollars	Limited deduction as self-employed health insurance	100% adjustment to gross income
11. Medical and Dental Insurance Premiums Paid With After-Tax Dollars	Limited deduction as self-employed health insurance	100% adjustment to gross income
12. Capital Gains on Property Taken by Eminent Domain	Taxable	Exempt
13. Election Workers—Income for Training or Working at Election Booths	Taxable	Exempt
14. Artistic Contributions	Noncash contribution allowed as itemized deduction	Appraised value allowed as itemized deduction or adjustment to income
15. State Income Taxes	Deductible	Nondeductible
16. Leasehold Interest—Charitable Contribution	May be deductible	Deductible; Schedule HH required
17. Kentucky Unemployment Tax Credit	No credit allowed	\$100 per certified employee; Schedule UTC required
18. Work Opportunity Credit (federal Form 5884)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; entire wage expense is deductible
19. Welfare to Work Credit (federal Form 8861)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; wage expense reduced by amount of federal credit
20. Child and Dependent Care Credit	Tax credit based on expenses	20% of federal credit
21. Family Size Tax Credit	No credit allowed	Decreasing tax credit allowed
22. Education Tuition Tax Credit	Tax credit based on expenses	25% of federal credit for Kentucky undergraduate studies
23. Taxpayer Who May be Claimed as Dependent on Another's Return (i.e., full-time student)	May not claim self	May claim self
24. Child's Income Reported by Parent	Permitted; taxed at parent's rate	Not permitted
25. National Tobacco Settlement TLAP Income Quota Buyout (including imputed interest)	Taxable	Exempt
26. Bonus Depreciation/Additional Section 179 Expense	Deductible	Nondeductible
27. Mortgage Debt Forgiveness	Exempt	Taxable