

# Kentucky Tax Alert

A REVENUE PUBLICATION FOR THE TAX PROFESSIONAL

January 2012, Vol. 31, No. 1

## WHAT'S NEW FOR 2011

**Family Size Tax Credit**—This credit provides benefits to individuals and families at income levels of up to 133 percent of the threshold amount based on the federal poverty level. The 2011 threshold amount is \$10,890 for a family size of one, \$14,710 for a family of two, \$18,530 for a family of three and \$22,350 for a family of four or more.

**Standard Deduction**—For 2011, the standard deduction is \$2,240.

**Kentucky Small Business Investment Credit**—For taxable years beginning after Dec. 31, 2010, a small business may be eligible for a nonrefundable credit of up to 100 percent of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the



credit to apply to taxable years beginning after Dec. 31, 2010. The definition of *base year* for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan. 1, 2009, and before Jan. 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one year after the small business:

- Creates and fills one or more eligible positions over the base employment that remain filled for 12 months; and
- Invests \$5,000 or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year and the amount of credit for which the small business is approved.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at \$3 million. The maximum amount of credit for each small business for each year shall not exceed \$25,000. Unused credits may be carried forward for up to five years.

**Endow Kentucky Tax Credit**—Effective for taxable years beginning on or after Jan. 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** allows a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the Department of Revenue in each fiscal year is \$500,000. An application for preliminary authorization for the credit must be submitted to the Department of Revenue.

If preliminary approval is recognized by the Department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission as outlined in KRS 147A. The taxpayer has ten days after making the gift to provide the Department with proof of the gift. The Department will issue a final tax credit letter to the taxpayer if the gift is approved after receipt of the proof.

**Certified Rehabilitation Tax Credit**—The certified rehabilitation credit cap has been increased from \$3 million to \$5 million, effective for applications received on or after April 30, 2010. The credit will be refundable if a proper election form is filed for applications for which preliminary approval was received on or after April 30, 2010. The refundable credit is reported by individuals on Form 740, Page 2, Line 30(c). The refundable credit is reported by corporation and pass-through entities on the applicable line, on business forms 720, 720-S, 725, 765 or 765-GP. (KRS 171.396, 171.397 and 141.382)

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**New Markets Development Program Tax Credit**—The New Markets Development Program Tax Credit was created in KRS 141.432-141.434 to encourage taxpayer investment in low-income communities. A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the Department of Revenue for approval. The person or entity making the loan or making the equity investment will be able to claim a credit, subject to a \$5 million credit cap each fiscal year, by completing Form 8874(K)-A.

Any unused approved credit may be carried forward for use in any subsequent tax year. Additional information regarding this new credit program is available online at [www.revenue.ky.gov](http://www.revenue.ky.gov).

**KENTUCKY INTRODUCES USE TAX LOOK-UP TABLE TO SIMPLIFY REPORTING**

Consumers spent over \$170 billion with online retailers in 2011. The top online spending day, commonly known as Cyber Monday, tallied a one-day sales record of over \$1.25 billion. Clearly the popularity of online retail activity for consumers in Kentucky and around the country is growing at a record-setting pace. The Department of Revenue is reminding Kentuckians that when a purchase is made from an out-of-state retailer that does not collect Kentucky sales tax, Kentucky consumers remain responsible for payment of the corresponding 6 percent use tax on taxable items delivered in the



Commonwealth per KRS 139.310 and 139.330. During the individual income tax filing season, tax professionals must be aware of this potential liability for themselves and their clients.

To facilitate reporting convenience, the 2011 Kentucky state income tax return will include within the instructions for calendar year 2011 a new Use Tax Look-Up Table, which allows individuals to estimate use tax owed on nonbusiness purchases of less than \$1,000. The Look-Up Table is intended as an alternative to provide taxpayers and practitioners a convenient method to report use tax obligations with an estimated amount of use tax owed on qualifying purchases where detailed records of annual purchases are not readily available.

The Look-up Table is designed for calculating use tax due on items with a purchase price of less than \$1,000. Any purchases made in the amount of \$1,000 or greater must be accounted for

on an actual basis and added to the derived percentage or other taxable amount. Direct any questions regarding the Kentucky use tax treatment to the Division of Sales and Use Tax at (502) 564-5170.

<b>Optional Use Tax Table</b>	
KY AGI* Tax	
\$0 - \$10,000.....	\$4
\$10,001 - \$20,000.....	\$12
\$20,001 - \$30,000.....	\$20
\$30,001 - \$40,000.....	\$28
\$40,001 - \$50,000.....	\$36
\$50,001 - \$75,000.....	\$50
\$75,001 - \$100,000.....	\$70
Above \$100,000.....	Multiply AGI by 0.08% (0.0008)
* AGI from line 9 on KY Form 740 or KY Form 740-NP or line 1 on KY Form 740-EZ.	

**WHAT’S NEW IN PASS-THROUGH?**

Effective for taxable years beginning after Dec. 31, 2011, every pass-through entity required to withhold Kentucky income tax as provided by subsection (5) of KRS 141.206 will be required to make a declaration and pay estimated tax if :

The nonresident individual owner’s tax liability can reasonably be expected to exceed five hundred dollars (\$500). This includes estates and trusts. And/or:

A corporate owner doing business in Kentucky only through its ownership interest in a pass-through entity has a tax liability that can reasonably be expected to exceed five thousand dollars (\$5,000).

Also be reminded that when withholding on the distributable share income of nonresident individuals, estates, trusts and corporations, no withholding is made for partners or members that are pass-through entities. The distributive share income will continue to pass through as Kentucky source income requiring withholding at each level of each pass through entity of multiple tier structures. Therefore, withholding, as well as the calculation to determine if an entity is required to make declaration payments, will be at each level of the structure using only the nonresident individual and corporations doing business in Kentucky only through its ownership interest in the pass-through entity. Trusts and Estates are entities treated as individuals and are included in the withholding requirement.

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

<b>January</b>	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 7/31)	
	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 1/31)	
	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 4/30)	
	17	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)	
	25	Monthly Motor Fuels Tax Returns (December Payment)	
	25	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>	1	Minerals and Gas Severance Tax Returns (December Payment)
		1	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)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 8/31)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 2/29)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 5/31)
		15	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)
	27	Twice-Monthly Income Tax Withholding Returns (February 1 - February 15 Payment/EFT Payment)	
	27	Monthly Motor Fuels Tax Returns (January Payment)	
	27	Monthly Sales Tax Returns (Accelerated Payment)	
	<b>March</b>	1	Minerals and Gas Severance Tax Returns (January Payment)
1		Watercraft Property Tax Return (as of 1/1/07)	
12		Twice-Monthly Income Tax Withholding Returns (February 16 - February 28 Payment/EFT Payment)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 9/30)	
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 6/30)	
15		Monthly Income Tax Withholding Returns (February Payment)	
15		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)	
26		Twice-Monthly Income Tax Withholding Returns (March 1 - March 15 Payment/EFT Payment)	
26		Monthly Motor Fuels Tax Returns (February Payment)	
26	Monthly Sales Tax Returns (Accelerated Payment)		
<b>April</b>	2	Minerals and Gas Severance Tax Returns (February Payment)	
	2	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)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 10/31)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 4/30)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 7/31)	
	16	Monthly Income Tax Withholding Returns (March Payment)	
	16	Quarterly Estimated Tax Returns/Individuals (One Fourth Payment)	
	16	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)	
	25	Twice-Monthly Income Tax Withholding Returns (April 1 - April 15 Payment/EFT Payment)	
25	Monthly Motor Fuels Tax Returns (March Payment)		
25	Monthly Sales Tax Returns (Accelerated Payment)		

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<b>May</b>	1	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/First Quarter Reconciliation	
	1	Quarterly Income Tax Withholding Returns	
	1	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/First Quarter Reconciliation	
	1	Quarterly Income Tax Withholding Returns	
	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)	
	10	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)	
	21	Monthly Sales Tax Returns (April Payment)	
	21	Coal Severance Tax Returns (April Payment)	
	21	Oil Production Tax Returns (April Payment)	
	21	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)
		11	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)
		20	Monthly Sales Tax Returns (May Payment)
		20	Coal Severance Tax Returns (May Payment)
		20	Oil Production Tax Returns (May Payment)
		20	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>	2	Minerals and Gas Severance Tax Returns (May Payment)
		2	Cigarette License Annual Renewal Applications and License Fee
10		Twice-Monthly Income Tax Withholding Returns (June 16 - June 30 Payment/EFT Payment)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 1/31)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 7/31)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 10/31)	
16		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)	
25		Twice-Monthly Income Tax Withholding Returns (July 1 - July 15 Payment/EFT Payment)	
25		Monthly Motor Fuels Tax Returns (June Payment)	
25	Monthly Sales Tax Returns (Accelerated Payment)		
<b>August</b>	1	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Second Quarter Reconciliation	
	1	Quarterly Income Tax Withholding Returns	
	1	Minerals and Gas Severance Tax Returns (June Payment)	
	10	Twice-Monthly Income Tax Withholding Returns (July 16 - July 31 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 2/29)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 8/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 11/30)	
	15	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)	
	27	Twice-Monthly Income Tax Withholding Returns (August 1 - August 15 Payment/EFT Payment)	
	27	Monthly Motor Fuels Tax Returns (July Payment)	
27	Monthly Sales Tax Returns (Accelerated Payment)		

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

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**2011 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	Credit allowed Form 8863-K required
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
28. Domestic Production Activities Deduction	Deductible	Deductible; may be limited
29. Active Duty Military Pay	Taxable	Exempt