

**Commonwealth of Kentucky
Kentucky Department of Revenue**

Modernized e-File (MeF) Guide for Software Developers and Transmitters

Individual Income Tax

KY PUBLICATION 4164



**Tax Year 2015
Processing Year 2016**

**March 10, 2016
Version 1.5**

Contents

SECTION 1: INTRODUCTION.....	3
SECTION 2: OVERVIEW OF 2015TY / 2016PY CHANGES.....	4
SECTION 3: SOFTWARE DEVELOPER'S RESPONSIBILITIES	11
SECTION 4: SOFTWARE ACCEPTANCE, TESTING & APPROVAL	13
SECTION 5: ACKNOWLEDGEMENT SYSTEM.....	15
SECTION 6: GENERAL INFORMATION.....	16
SECTION 7: SCHEMAS & TRANSMISSION SPECIFICATIONS	25
SECTION 8: KENTUCKY FORM EDITS.....	27
SECTION 9: ELECTRONIC FILING STATISTICS FROM TY2014.....	30
SECTION 10: ELECTRONIC FILING PROGRAM PUBLICATIONS AND FORMS.....	32
SECTION 11: IMPORTANT DATES FOR TY2015/PY2016	33
SECTION 12: ELECTRONIC FILING HELP DESK.....	34

Section 1: INTRODUCTION

The material in this publication will provide software developers and transmitters the necessary information for capturing and formatting Kentucky individual income tax data and the associated federal information required as part of a Kentucky return. The information included in these specifications does not provide all the various tax booklet instructions and tax law detail necessary in the preparation of the Kentucky return. Please refer to the 2015 Kentucky individual income tax booklet (Form 740 and Form 740-NP) and Kentucky Department of Revenue (KDOR) website at www.revenue.ky.gov for additional forms, schedules and instructions.

This publication does not represent the requirements and procedures issued by the Internal Revenue Service (IRS). All IRS requirements must be adhered to in developing the Kentucky return and participating in the fed/state e-file program. See IRS Publications 4164, Modernized e-file Guide for Software Developers and Transmitters and Publication 1345, Handbook for Electronic Return Originators of Individual Income Tax Returns.

The Kentucky Department of Revenue e-File program works in conjunction with the Internal Revenue Service 1040 e-File program to allow authorized Providers, or Electronic Return Originators (ERO's) to electronically file both federal and state individual income tax returns and corresponding forms, schedules and attachments. For tax year 2015, Kentucky will accept Form 740 and Form 740-NP and their supporting schedules/forms for electronic filing through fed/state MeF. Form EPAY has been added to individual income tax modernized e-File (IMF) system for tax year 2015.

The transmission method is a Web Service using Simple Object Access Protocol (SOAP) with attachments messaging. An e-File tax return uses schemas which are formatted using Extensible Markup Language (XML). This language defines the structure and content of an XML document to create all forms, schedules and attachments in electronic format for IMF. Business rules are created to specify requirements that cannot be defined in the XML.

The TY2015 IMF schema will be provided upon request by contacting RichardJ.Hill@ky.gov by email.

Kentucky follows the standards defined by the NACTP (National Association of Computerized Tax Processors). If you are not a member of the NACTP, you are encouraged to review the standards on their website (www.nactp.org).

The Kentucky Department of Revenue (KDOR) would like to express our appreciation to the software developers that participated during the 2014 filing season and encourage any new software developers to consider Kentucky for the 2015 filing season. We always welcome your suggestions and comments. Feel free to contact the Department of Revenue at any time.

Section 2: OVERVIEW OF 2015TY / 2016PY CHANGES

Filing Deadline will be April 18, 2016 for TY2015

Per IRS Revenue Ruling 2015-13, the filing deadline for Tax Year 2015 will be April 18, 2016. As Emancipation Day will be observed on Friday, April 15, 2016, this will move the tax filing deadline to the next business day which will be Monday, April 18, 2016.

Same Sex Couples

In accordance with the United States Supreme Court's decision in the case styled as *Obergefell vs. Hodges*, 135 S.Ct. 2071(U.S. 2015), Kentucky will now license a marriage between two people of the same sex, and will recognize a marriage between two people of the same sex when their marriage was lawfully licensed and performed out-of-state. The court decision affords new filing-status options to married same-sex couples when filing their Kentucky income tax returns, and classifies each as a "surviving spouse" for purposes of both Kentucky's income and inheritance taxes. The guidance provided below supersedes that found in the *Kentucky Tax Alert*, Nov. 2013, Vol. 32, No. 6.

Income Taxes: When filing income tax returns, married same-sex couples may elect, for any year, to file a joint return or a combined return, rather than filing separate returns, if they are married at the close of the taxable year. A surviving spouse of a married same-sex couple may also elect to file a joint return or a combined return if the spouse died during the taxable year.

Inheritance Taxes: The survivor of a married same-sex couple will be recognized as a Class A beneficiary for inheritance tax purposes. The exemption from inheritance tax authorized for the total inheritable interest passing to a surviving spouse now extends to married same-sex couples.

Claims for Refund: A married same-sex couple whose marriage was lawfully performed out-of-state may apply for a refund of any overpaid taxes by submitting an amended return within two (2) years from the date the tax was paid, as provided in Ky. Rev. Stat. §134.590(1) and (2).

Distilled Spirits Credit

The distilled spirits credit applies to taxable years beginning on or after January 1, 2015. The amount of the distilled spirits credit shall be used only for capital improvements at the premises of the distiller licensed pursuant to KRS Chapter 243.

The distilled spirits credit has been added to line 23, Section A of Form 740 and Form 740-NP. The total business incentive credits line is now line 25 instead of line 23.

Please refer to KRS 141.389 (<http://www.lrc.ky.gov/Statutes/statute.aspx?id=43409>) for additional information.

Angel Investor Credit

Effective for taxable years beginning on or after January 1, 2015, HB 445 makes available a nonrefundable personal income tax credit under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies.

The amount of Kentucky angel investor tax credit is equal to either (1) 40 percent of the investment, if the principal place of business of the qualified small business is outside a designated enhanced county; or (2) 50 percent of the amount of the investment, if the principal place of business of the qualified small business is in an enhanced incentive county (i.e., certain counties that are designated as economically depressed). The maximum annual credit that may be awarded to each angel investor is \$200,000. The credit is subject to an annual cap of \$3 million that is available to all angel investors.

Carryforward provisions: Unused Kentucky angel investment credits may be carried forward for up to 15 years.

Recapture provisions: If the business fails to submit a report during any year or fails to satisfy the small business qualification requirements during the reporting period, the full amount or any portion of the credit is subject to recapture by the DOR from the qualified investor that received the credit award or any taxpayer receiving the credit through a valid transfer.

The angel investor credit has been added to line 24, Section A of Form 740 and Form 740-NP. The total business incentive credits line is now line 25 instead of line 23.

Please refer to KRS 141.396 (<http://www.lrc.ky.gov/Statutes/statute.aspx?id=43421>) for additional information.

Local History Trust Fund Contribution

Effective for taxable years beginning January 1, 2015, any taxpayer required to file a return under KRS 141.180 who is entitled to an income tax refund and who desires to contribute to the local history trust fund created under KRS 171.325 may designate an amount, not to exceed the amount of the refund, to be paid to the trust fund. A designation made under this section shall not affect the income tax liability of the taxpayer, but it shall reduce the income tax refund by the amount designated.

The Local History Trust Fund Contribution has been added to the list of available contributions on Form 740, 740-EZ, and 740-NP. The contribution section of the tax returns has been renumbered.

Please refer to KRS 141.441 (<http://www.lrc.ky.gov/Statutes/statute.aspx?id=43408>) for additional information.

Family Size Tax Credit

This credit provides benefit to individuals and families at incomes up to 133 percent of the threshold amount. The threshold for a family size of one is \$11,770, \$15,930 for a family of two, \$20,090 for a family of three and \$24,250 for a family of four or more.

Children of divorced or separated parents can be claimed for the FSTC based on where they resided the majority of the year, not necessarily the parent that claimed the child as a deduction.

Determining the Size of Family Unit:

- 1 - An individual either single or married living apart from his or her spouse for the entire year
- 2 - An individual with one dependent child or a married couple
- 3 - An individual with two dependent children or a married couple with one dependent child
- 4 or more - An individual with three dependent children or a married couple with two dependent children

For purposes of computing the family size tax credit, the maximum family size is 4.

The following table lists the percentage used in calculating the FSTC based on family size and modified gross income for tax year 2015. The MGI amounts in the family size tax table changed for TY2015.

Family Size	One		Two		Three		Four or More		Credit Percentage is
	is over	is not over	is over	is not over	is over	is not over	is over	is not over	
TY 2 0 1 5		11,770		15,930		20,090		24,250	100%
	11,770	12,241	15,930	16,567	20,090	20,894	24,250	25,220	90%
	12,241	12,712	16,567	17,204	20,894	21,697	25,220	26,190	80%
	12,712	13,182	17,204	17,842	21,697	22,501	26,190	27,160	70%
	13,182	13,653	17,842	18,479	22,501	23,304	27,160	28,130	60%
	13,653	14,124	18,479	19,116	23,304	24,108	28,130	29,100	50%
	14,124	14,595	19,116	19,753	24,108	24,912	29,100	30,070	40%
	14,595	14,948	19,753	20,231	24,912	25,514	30,070	30,798	30%
	14,948	15,301	20,231	20,709	25,514	26,117	30,798	31,525	20%
	15,301	15,654	20,709	21,187	26,117	26,720	31,525	32,253	10%
15,654	-	21,187	-	26,720	-	32,253	-	0%	

Standard Deduction

The standard deduction increased from \$2,400 to \$2,440.

Schedule A Changes

Schedule A (740) – Casualty and Theft Losses

The amount of casualty and theft losses is limited to 10% of the Kentucky Adjusted Gross Income. The calculation has been added to Schedule A resulting in the addition of lines 22, 23, and 24. The casualty and theft losses are now reported on line 24.

Schedule A (740) – New line 29 for KY AGI, Combined totals from Form 740, line 9
Line 29; combined totals from Form 740, line 9 (KY AGI); has been added to the Job Expenses and Most Other Miscellaneous Deduction section of Schedule A, Form 740.

Schedule A (740) – Total Itemized Deductions

Due to the changes to the other sections of the Schedule A, the total lines is found on line 32 and should now equal the amounts from lines 4, 9, 15, 20, 24, 31, and 32.

Schedule A (740) – Itemized Deductions Limitation

For tax year 2015, the limitation on itemized deductions threshold changed from \$181,150 (\$90,575 if married filing separately on a combined return or filing separate returns) to \$184,000 (\$92,000 if married filing separately on a combined return or filing separate returns). If your Kentucky adjusted gross income is above this threshold then your itemized deductions (excluding medical and dental, investment interest, losses for casualty or theft and gambling losses) will be limited. In general, if the limitation applies, itemized deductions are reduced by the lesser of 3% of the adjusted gross income that exceeds the threshold or 80% of the allowable itemized deductions.

If the taxpayer is itemizing deductions, Part II of Schedule A must be completed if the filing status is Single or Married filing jointly and the KY AGI is greater than \$184,000 or the filing status is married filing separately on a combined return or married filing separate returns and the Kentucky AGI is greater than \$92,000.

The only time Schedule A, Part I is completed is if the filing status is married filing separately on a combined return and the KY AGI is less than \$184,000.

Schedule A (740-NP) – Casualty and Theft Losses

The amount of casualty and theft losses is limited to 10% of the Federal Adjusted Gross Income. The calculation has been added to Schedule A resulting in the addition of lines 21, 22 and 23. The casualty and theft losses are now reported on line 23.

Schedule A (740-NP) – Total Itemized Deductions

Due to the changes to the other sections of the Schedule A, the total lines is found on line 32 and should now equal the amounts from lines 4, 9, 15, 19, 23, 30, and 31.

Schedule A (740-NP) – Itemized Deductions Limitation

For tax year 2015, the limitation on itemized deductions threshold changed from \$181,150 (\$90,575 if married filing separately on a combined return or filing separate returns) to \$184,000 (\$92,000 if married filing separately on a combined return or filing separate returns). If your Kentucky adjusted gross income is above this threshold then your itemized deductions (excluding medical and dental, investment interest, losses for casualty or theft and gambling losses) will be limited. In general, if the limitation applies, itemized deductions are reduced by the lesser of 3% of the adjusted gross income that exceeds the threshold or 80% of the allowable itemized deductions.

Kentucky Payment Voucher (Form 740- V) is Required for Payments Made by Check/Money Order

The use of the Form 740-V, Kentucky Payment Voucher has changed for tax year 2015. The Form 740-V should be enclosed with **all** payments made by check or money order. This will help process the payment more accurately and efficiently. Use the same name on the Kentucky tax return and the Form 740-V. Prior year and amended returns are excluded from this request. ***Failure to abide by these requirements may delay the processing of the income tax return and/or payment.***

Paper filed returns: Taxpayers should enclose the Form 740-V and check or money order with the paper filed return when the taxpayer elects to pay by check or money order at the time of filing the return. Instructions to enclose the payment with the Form 740-V in the envelope with the return were added to the Form 740, Form 740-EZ and Form 740-NP. Do not staple the check/money order and Form 740-V to each other or the return.

Electronic filed returns: Taxpayers should mail the Form 740-V with the check or money order to the Kentucky Department of Revenue, Frankfort, KY 40620-0011 for tax due electronic filed returns when the taxpayer elects to pay by check or money order. A copy of the return should **not** be included with the payment. Do not staple the check/money order to the Form 740-V.

Form 42A740-EPAY - Kentucky Electronic Payment Request Form

This is a new form for tax year 2015. The form was created in order to authorize the Kentucky Department of Revenue and its designated Financial Agent to initiate an ACH electronic funds withdrawal to the financial institution account indicated by the taxpayer for payment of taxes, penalty/interest and estimate tax other than at the time of filing the individual income tax return. If the request is being made at the time of filing the individual income tax return, Form 8879-K, Kentucky Individual Income Tax Declaration For Electronic Filing should be completed.

The Return Type and State Submission Type for the KY Electronic Payment Voucher Form 42A740-EPAY should be KYFormEPAY.

Form 5695-K - Energy Efficiency Products Tax Credit (KRS 141.436)

If you qualified for the Energy Efficiency Products Tax Credit in 2014 and could not utilize your entire approved credit, the balance may be carried forward to apply against your 2015 Kentucky tax liability. Unused amounts are limited to a one-year carry forward period. The amount should be listed on page 2, Part II, line 66 of the Form 5695-K. A Form 5695-K to show the carryover must have been filed in the prior year.

Form 8863-K – Education Tuition Tax Credit

Any unused credit carryforward remaining from the 2010 tax return is no longer eligible for a carryforward on Form 8863K.

Income and Withholding Tax Statements

The following income and withholding tax statements are available as schemas: W-2, W-2G, 1099-B, 1099-R, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-DIV and Form PTE-WH. We will accept PDF documents limited to those documents that contain

Kentucky withholding tax, but we strongly suggest that the data be provided in XML format.

All Kentucky withholding claimed must be supported by an income and withholding tax statement. A valid Kentucky withholding account number assigned by the department will always be six digits. A withholding account number of 6 digits or less (allowing for leading zeros) is required if Kentucky income tax is withheld and claimed on the income tax return. Do not enter the FEIN or any other value in the state withholding account number field for a Kentucky withholding account number, as the submission will be rejected.

Receipt of the PDF document to support the Kentucky income tax withheld will delay processing of the submission. Unsupported Kentucky income tax withheld claimed on the return or an invalid Kentucky withholding account number will cause the return to be rejected or result in the denial of the amount claimed.

Electronic Estimate Tax Payments

Kentucky began accepting direct debit of estimate tax payments through IMF beginning January 2014. Up to four equal payments may be scheduled for the 2016 estimate tax payment period within the financial transaction on IMF at the time the individual income tax return is electronically filed. The valid debit dates are the same as those found on the Form 740-ES. They are: April 18, 2016, June 15, 2016, September 15, 2016, and January 17, 2017.

Refunds

Kentucky does not allow taxpayers to split their refund into different accounts. Kentucky does not allow direct deposits for Form 740-NP filers.

Debit Card option for tax refunds

Refunds may be provided on a debit card serviced by Bank of America beginning TY2015. Option boxes have been included on the tax returns to allow the taxpayer to request that the refund amount be loaded to a debit card. There is also an option to receive the debit card materials in Spanish. The options boxes were added to the Refund line on the Form 740 (line 36), Form 740-EZ (line15) and Form 740-NP (line 36).

Bank of America has requested that a contact phone number be provided for the taxpayer when requesting the debit card. It is not mandatory but strongly suggested.

The Department of Revenue reserves the right to decline the request and provide the refund by check.

Tax Information for the Future:

INDIVIDUAL INCOME TAX REFUND DESIGNATIONS

An individual income taxpayer required to file a return under KRS 141.180 who is entitled to an income tax refund may designate an amount, not to exceed the amount of the refund, to be paid to a selected fund. Effective for taxable years beginning on or after Jan. 1, 2016, new check boxes have been added to the Kentucky Individual Income Tax Return which allow a designation of all or a portion of an individual's refund to be contributed to the taxpayer's fund of choice. The new options are as follows:

Kentucky Special Olympics

HB 178 adds a check box which allows an individual's refund to be contributed to the Kentucky Special Olympics. Designated funds support health, education and athletic programs serving children and adults with intellectual disabilities in the Special Olympics Kentucky program.

Pediatric Cancer Research Trust Fund

SB 82 adds a check box which allows an individual's refund to be contributed to the Pediatric Cancer Research Trust Fund. Designated funds support pediatric cancer research and treatment for Kentucky patients.

Rape Crisis Center Trust Fund

SB 82 adds a check box which allows an individual's refund to be contributed to the Rape Crisis Center Trust Fund. Designated funds support centers which serve victims of rape and their families by providing counseling and other support.

Section 3: SOFTWARE DEVELOPER'S RESPONSIBILITIES

Kentucky will accept returns electronically from any IRS approved software provider upon completion of testing with the Kentucky Department of Revenue. Each year vendors are required to update the following information before they begin testing with the Kentucky Department of Revenue.

- SoftwareID
- NACTP ID
- Software Company Name / Market Name
- Software Company Mailing address
- Company web address
- Type of product supported under the SoftwareID
- Submission Types
- Primary contact name
- Primary e-mail addresses
- Primary telephone numbers

A contact name and e-mail address must be provided for test result notification. The company information is needed for the approval list posted to the web. The type of software is used by our system for statistical purposes to determine the number of professionally prepared returns filed and the number of nonprofessional online returns filed per year. This year a section has been added for Fraud Protection & Prevention information.

A Kentucky Statement of Intent document has been created to gather the requested information from the software development company. A separate form should be completed for each product. The Statement of Intent is located on the MeF web page: <http://revenue.ky.gov/sdi/mef.htm>

Developed software must meet the following requirements:

1. Adhere to all federal and state procedures, requirements and specifications. These requirements are specified in IRS Publication 4164, *Modernized e-File Guide for Software Developers and Transmitters*.
2. Successfully complete all testing.
3. Be developed in accordance with statutory requirements and Kentucky Department of Revenue return preparation instructions.
4. Provide accurate Kentucky tax returns in correct electronic format.
5. Provide data validation, verification, and error detection to prevent transmission of incomplete, inaccurate, or invalid return information.
6. Software provider must be available to correct any software errors, which may occur after production begins, and work with the Kentucky Department of

Revenue to follow up on any processing issues that may arise during filing season. If software providers need to re-release corrected software, it should be done in a timely manner and proper notification should be made to all customers.

7. Assist the Kentucky Department of Revenue in the detection and disclosure of suspicious activity related to the preparation and filing of individual income tax returns and financial products related to refunds and tax due.

Section 4: SOFTWARE ACCEPTANCE, TESTING & APPROVAL

1. Software developers that meet the current testing requirements set forth by the IRS are invited to test for Kentucky Department of Revenue acceptance. No formal application is necessary, although, a secondary check against our records will be performed prior to acceptance. The Kentucky test package will be available by mid-October.
2. All transmissions must contain the 'SoftwareID'. If you do not currently have a Kentucky Software ID contact RichardJ.Hill@ky.gov. This identification must be verified before the first test file is transmitted. The SoftwareID must be all upper case within the XML or it will cause the submission to reject.
3. After your software is accepted, an acceptance letter will be issued which must be provided to all software users with the final version of the software.
4. The Kentucky Department of Revenue will accept test returns for tax year 2015 beginning November 2, 2015. The Kentucky MeF testing system is subject to IRS availability and dates are subject to change. Please e-mail [Audrey J. Terry and Richard J. Hill](#) when sending test returns and include your Software ID, the Submission id's associated with the test returns being submitted and any software limitations.
5. The test package will consist of PDF copies of state test returns and may also include scenarios for special test conditions.
6. Software developers are encouraged to support all schedules, forms and occurrences. It is important that customers are provided with the complete range of services. Please submit linked and unlinked returns within your test package. If you participate as a Free File provider with Kentucky, please submit at least one test as a free filed return with the Special Program element marked appropriately (<SpecialProgram>Freefile</SpecialProgram>).
7. If your software does not support all forms and schedules, occurrences or fields, please remove those from your test submission and complete the test. Please inform the Kentucky Department of Revenue before the first transmission of the software limitations so we can take the limitations into consideration when reviewing your test submission.
8. Business Rules – Kentucky created a list of business rules and issued a reject code for any business rule that will cause a submission to be rejected. The business rules include the element name in an effort to benefit the software developer and tester. The reject code text was created without the element name and reworded in an effort to make the rejection code more understandable for the taxpayer and/or tax preparer receiving the reject code.

A separate set of business rules and reject codes was created for the Form 740 Series and Form 740-NP Series. The rules for the forms and schedules that are

shared by the Form 740 and 740-NP are the same but may have different rejection codes depending on the form series.

Most of the business rules will be verified in Kentucky's test system before your software is approved. A business rule failure could result in the return being adjusted by our backend processes.

Business Rules and Reject codes can be found on the MeF web page (<http://revenue.ky.gov/sdi/mef.htm>).

9. Acknowledgements will be provided for all test returns. The acknowledgement may be manual and automated. The return will be either accepted or rejected. An 'Accepted' acknowledgement does not mean your software is approved for release, it merely means that the system acknowledges having accepted the return for processing. The email will provide the test results and approval status.
10. The Kentucky Department of Revenue will provide test results in a timely manner, usually within two working days of receipt of the submission. A software provider who successfully completes testing will receive an approval letter via an e-mail. The e-mail will be sent to the software developer contacts provided.
11. The Kentucky Department of Revenue will assist the software community in the detection and disclosure of suspicious activity related to the preparation and filing of individual income tax returns and financial products related to refunds and tax due.

Section 5: ACKNOWLEDGEMENT SYSTEM

The Kentucky Department of Revenue will send acknowledgments through the IRS. The acknowledgement record will be in a format approved and agreed upon by the IRS, state agencies, transmitters and software developers.

Kentucky will generate an acknowledgement of receipt of the return immediately upon retrieval of the submission. This does not mean the submission has been accepted for processing. It only means we are in receipt of the submission.

We will generate an acknowledgement of acceptance or rejection for each state submission after it goes through the schema validations/business rules engine. Acknowledgement of acceptance means the submission has been accepted for processing. It does not mean the submission is free of errors. Acknowledgement of rejection means the submission failed to process. A reject code will be returned with the acknowledgement record giving the reason for the rejection. The transmitter may retrieve Kentucky's acknowledgements from the IRS.

Acknowledgement Reconciliation Process

Transmitters and software developers should allow **two working days** from the date the submission status is placed in "Made Available" before contacting us to determine why an acknowledgement has not been received.

To check on the status of a Kentucky submission, contact the Electronic Filing Helpdesk by phone or e-mail. Please be prepared to provide the following information in order to track the status of the submission:

- Transmission Date
- Submission ID

From time to time and especially during peak, the Gateway between the IRS and Kentucky may timeout and submissions are not successfully retrieved but marked as such. We try to run reconciliation at least once a week or more to prevent missing acknowledgements. If you encounter numerous missing acknowledgements (hundreds/thousands), please send the submission ids in an Excel spreadsheet via e-mail to [Audrey J.Terry and Richard J.Hill](#) and we will review and manually download if necessary.

Section 6: GENERAL INFORMATION

Federal Forms & Schedules Required

Kentucky requires a complete copy of the XML federal return and income and withholding tax statements to be sent along with the Kentucky XML return whether sent as a “linked” or “unlinked” submission.

Submission Types

Kentucky’s MeF program accepts two types of submissions.

- **Linked Submissions**

A linked submission is when an original federal return is submitted with one original state return in one transmission to the IRS. The IRS validates and verifies the federal return data. The IRS will either accept or reject the federal return. The state return is made available to Kentucky only if the federal return is accepted by the IRS.

If a federal return is rejected in a Linked submission, the state return is not made available to Kentucky. In this case, the re-transmission should include both the state return and a copy of the federal return.

- **Unlinked Submissions**

An unlinked submission is when the state return is transmitted through the Fed/State system without simultaneously transmitting an original federal return. The software must support unlinked submissions in order for the state only transmissions to be available to the electronic filer. Unlinked returns are transmitted to the IRS and made available for states to retrieve in the same fashion as the Linked transmission. A copy of the federal return is to be included with the state return in an unlinked submission.

Signature Process

- PIN Signature process used for the federal return is accepted for the Kentucky signature requirement.
- Form 8879-K is the required signature / attachments document.
- No signature document should be mailed to Kentucky unless requested.

E-file Mandate

Kentucky requires tax return preparers to electronically file Kentucky returns if they are required to electronically file a return for federal income tax purposes. Beginning January 1, 2011, Kentucky phased-in the mandate over a two year period. The first year paid tax preparers who filed 100 or more returns were required to file electronically. The succeeding years the threshold was dropped to 11 or more returns.

Any preparer who fails or refuses to comply with the mandate shall pay a return processing fee of \$10 for each return not filed as required, unless it is shown to the department that the failure is due to reasonable cause. Reasonable cause may be the lack of one or more of the following:

compatible computer hardware, internet access or other technological capabilities determined relevant by the department.

Kentucky requires a preparer to provide a Form 8948-K, Preparer Explanation For Not Filing Electronically, with any paper return filed as an exception. The form allows the tax preparer to explain the reason for not filing electronically, which includes that the taxpayer chose not to have the return filed electronically.

Reference: House Bill (HB) 319 signed by the Governor on April 13, 2010 in the 2010 Regular Legislative Session

Exclusions from Electronic Filing for TY2015

- Form 740-X, Amended Kentucky Individual Income Tax Returns
- Prior Year Returns
- Form 740-NP-R, Nonresident – Reciprocal State
- Fiscal year filers for individual income tax
- Injured Spouse Declaration
- Fiduciary Returns

Note: Form 8948-K was created in tax year 2011 to explain the reason for not following the paid preparer mandate passed by HB319 in 2010. A Form 8948-K should be attached to any paper return filed by a paid tax preparer that is under the mandate.

*****In addition to the above exclusions from Kentucky electronic filing, any income tax return reflected in the list of exclusions from federal electronic filing cannot be filed through the Federal/State Electronic Filing Program.*****

e-File Documents

At this time, all the forms, schedules, and worksheets for filing a Kentucky individual income tax return listed below have been included in the schemas. Below is a list of forms, schedules and worksheets included with Kentucky IMF:

- Form 740 – Kentucky Individual Income Tax Return Full-Year Residents Only
- Form 740-NP – Kentucky Individual Income Tax Return Nonresident or Part-Year Resident
- Schedule A – (Form 740) - Kentucky Itemized Deductions
- Schedule A (Form 740-NP) – Itemized Deductions
- Schedule J – Kentucky Farm Income Averaging
- Schedule KNOL – Kentucky Net Operating Loss Schedule
- Schedule M – Kentucky Federal Adjusted Gross Income Modifications
- Schedule ME – Moving Expense and Reimbursement
- Schedule P – Kentucky Pension Income Exclusion
- Form 2210K – Underpayment of Estimated Tax by Individuals
- Form 4562K – Depreciation and Amortization
- Form 4972K – Kentucky Tax on Lump-Sum Distributions
- Form 5695K – Kentucky Energy Efficiency Products Tax Credit

- Form 8582K – Kentucky Passive Activity Loss Limitations
- Form 8863K – Kentucky Education Tuition Tax Credit
- Worksheet A – Credit for Taxes Paid to Other State
- Worksheet C – Kentucky Limited Liability Entity Tax Credit
- Form 40A102 – Application for Extension of Time to file Individual Income Tax Returns for Kentucky
- Form 42A740-EPAY—Kentucky Electronic Payment Request Form

The following income and withholding tax statements are available as schemas:

- W-2
- W-2G
- 1099-B
- 1099-R
- 1099-G
- 1099-INT
- 1099-MISC
- 1099-OID
- 1099-DIV
- Form PTE

Note: All Kentucky withholding claimed must be supported by an income and withholding tax statement. We will accept PDF documents limited to those documents that contain Kentucky withholding tax, but we strongly suggest that the data be provided in XML format if a schema is available. If the withholding amount claimed is not supported, the submission may be rejected or the unsupported amount disallowed.

Required Data Elements

The following information is required in MeF.

- The 'LinkedReturn' data element is required on all returns (True for linked; False for unlinked)
- InternetProtocol/IPAddress – required for all online returns;
- InternetProtocol/IPTimestamp, required for all online returns;
- Filer/Primary/DateofBirth, required for ALL returns;
- Filer/Secondary/DateofBirth, required on all returns using the married filing separate on a combined return or married filing joint return filing statuses;
- The 'SoftwareID' data element is required in the schema
- A complete copy of the XML federal return is required for all Kentucky returns, including unlinked returns;
- There are certain elements in the Form 740 and 740-NP schema that are listed as optional, however they should **ALWAYS** be completed and transmitted.
 - The PoliticalPartyFund / Taxpayer element is required on all returns.
 - The PersonalTaxCredits / RegularCredit / Taxpayer element should be checked on all returns.

- Form 740 - If the filing status selected on the return is filing status 2, (SeparateOnJointReturn), PrimaryTaxPayerAmount & SecondaryTaxPayerAmount fields are expected to be completed. If the spouse has no income, filing status 3, (JointReturn), should be selected.
- The Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income (element PctKYToFedAGI) on Form 740-NP is required.
- The Pension Income Exclusion (element KySchdPExclusion) is an assumed negative. The amount should be listed as a positive number and subtracted from the Total Income (element KyTotalIncome) amount.
- If the taxpayer has filed a Form 40A102 with the state or has filed a federal extension (Form 4868), please mark the federal/state extension field (FederalExtension Indicator) in the Form 740/740-NP schema and the late filing penalty will not be assessed during processing.
- Form 40A102 - Use this form if you (1) are requesting a Kentucky extension of time to file; (2) are requesting a Kentucky extension and desire to make a payment prior to the due date; or (3) have a federal extension and desire only to make a Kentucky payment prior to the due date.
- A valid Kentucky withholding account number (EmployerStateIdNumber) is required if Kentucky withholding is claimed on Form 740 or Form 740-NP, line 30(a). The maximum size of the account number is six digits. It must be numeric. The FEIN should not be entered in the Kentucky withholding account number field.
- For electronic submissions; if there are no differences between Federal Form 4562 and Kentucky Form 4562-K, a separate Kentucky Form 4562-K is not necessary. However, Federal Form 4562 should be attached to the copy of the federal return provided with the Kentucky submission.

Decimal places for ratios and percentages

- Ratio types will use a single position in front of the decimal and up to 4 decimal places depending on the element. These element types exist on Form 4972K and Form 8863K.
- Percentage types will use 3 positions in front of the decimal and up to 2 decimal places depending on the element. These element types exist on Schedule A (Form 740 & Form 740-NP), Schedule P, and Worksheet C.

Numeric Fields

Amount fields should be sent as whole dollar amounts. Kentucky numeric fields accommodate up to 15 total digits.

Processing of Business Incentive and Other Tax Credits

Many of the tax credits that can be claimed on individual income tax returns require a taxpayer to receive approval before the credit can be claimed. If approval is required, it should be completed/received prior to claiming the credit on the income tax return. To determine if a tax credit requires pre-approval, please refer to the instructions for the applicable tax return. Return processing will be delayed for credit verification of the

following business incentive tax credits if they are listed in Section A of Form 740 or Form 740-NP.

- Kentucky small business investment credit
- skills training investment credit
- nonrefundable certified rehabilitation credit
- unemployment credit
- recycling and/or composting equipment credit
- Kentucky investment fund credit
- coal incentive credit
- qualified research facility credit
- GED incentive credit
- voluntary environmental remediation credit
- biodiesel and renewable diesel credit
- environmental stewardship credit
- clean coal incentive credit
- ethanol credit
- cellulosic ethanol credit
- railroad maintenance improvement
- Endow Kentucky credit
- New Markets Development Program credit
- Food donation credit
- distilled spirits credit
- angel investor credit

Worksheet C is required if the nonrefundable limited liability entity credit is claimed on Form 740 or Form 740-NP, page 2, Section A, line 1.

Worksheet A is required if credit for taxes paid to other states is claimed on Form 740 or Form 740-NP, page 2, Section A, line 5. A copy of the other state's return should **not** be attached to the electronic submission. Please refer to the Form 740 and Form 740-NP instructions for additional information regarding the tax paid to other states credit.

Attachments

Kentucky will accept PDF documents as binary attachments, limited to those documents that contain KY withholding that are not included in our schema or where your software does not support the schemas provided. A processing delay will occur for those submissions that have attachments with Kentucky withholding so that the attachment can be manually reviewed.

Rejected Returns

Sample:

ErrorCategory	ErrorMessage
XML Validation	<Actual XML Error Message>
Duplicate Return	Original Return already received for this tax year by SSN.

Business Rules and Reject codes can be found on the MeF web page (<http://revenue.ky.gov/sdi/mef.htm>).

Perfection Period

Kentucky allows a 10 calendar day perfection period on rejected individual income tax returns. The perfection period is not an extension of time to file; it is a period of time to correct errors in the electronic file. A rejected submission can be corrected within 10 calendar days and be given the received date of the original rejected submission.

Always enter the original submission date when resubmitting a submission that was previously rejected. The perfection period does not apply to the payment. Please note the last date to retransmit a rejected return in Section 11 – Important Dates.

Direct Deposit and State Payment (Direct Debit/ACH Debit)

- Direct deposit and direct debit payment requests are accepted on Form 740 returns.
- Direct deposit requests will not be accepted for Form 740-NP returns.
- Form EPAY allows a taxpayer to schedule a direct debit payment of tax, penalty/interest and estimate tax at a time other than when filing the individual income tax return.
- Kentucky does not allow the refund to be deposited into multiple bank accounts or into a 529 Tuition Trust Account.
- The Account number must be numeric. No spaces or dashes are permitted.
- The financial transaction record has been altered to allow only one direct deposit account and one state payment account.
- The PaymentAmount in the state payment, if submitted with the return data, must equal the total amount due. No partial payments are accepted when filing the return.
- Form EPAY – The total amount of tax (TotPaymentDebitAmt) must be the sum of the additional tax due (AddTaxDueDebitAmt) and penalty/interest (PenaltyAndIntDueDebitAmt).
- Form EPAY - The PaymentAmount in the state payment must equal the TotPaymentDebitAmt.
- The payment amount (element PaymentAmount) on all financial transactions must be a **whole dollar amount**.
- The payment of tax due on any return filed prior to April 18th can be warehoused until April 18th. The processing of a debit payment can take up to 7 days. Payments warehoused until April 18th may not be withdrawn from the taxpayer's account on the 18th but are treated as timely payments when they are withdrawn. Please advise your client's of this situation.
- After April 18th, there will be no warehousing of payments of additional tax due. The bank account will be debited when the return has completed processing.
- At this time, Kentucky is not able to process International ACH Transactions. The checkbox for "NotIATIndicator" should be checked on all Financial Transactions.

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:

- Direct deposit is not an option for the Form 740-NP filer.
- KDOR reserves the right to deny direct deposit requests at our discretion.
- An invalid account number or bank routing number was provided.
- The amount of the refund is adjusted by the tax processing system.
- All or part of the overpayment is applied to the taxpayer's delinquent Kentucky taxes or the taxpayer's debts to other state agencies and/or the IRS.
- A Kentucky individual income tax return was not filed for the previous tax year.

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.

Multiple requests for direct deposit to the same account

Please be advised that Kentucky adopted the same policy of issuing a check when multiple direct deposit requests to the same financial account are processed. The allowable number of direct deposit requests to the same account for tax year 2015 is three. The fourth and subsequent refunds will convert to a check and be mailed to the taxpayer's mailing address.

Taxpayers will receive a notice informing them that the account has exceeded the direct deposit limits and that they will receive a paper refund check in approximately four weeks if there are no other issues with the return. Taxpayers can track their refunds at Where's My Refund?

The vast majority of taxpayers will not be affected by this limitation, and we would encourage taxpayers and tax preparers to continue to use direct deposit. It is the fastest, safest way for taxpayers to receive refunds.

The direct deposit limit will prevent criminals from easily obtaining multiple refunds. The limit applies to financial accounts, such as bank savings or checking accounts, and to prepaid, reloadable cards or debit cards.

However, the limitation may affect some taxpayers, such as families in which the parent's and children's refunds are deposited into a family-held bank account. Taxpayers in this situation should make other deposit arrangements or expect to receive paper refund checks.

The new limitation also will protect taxpayers from preparers who obtain payment for their tax preparation services by depositing part or all of their clients' refunds into the preparers' own bank accounts. The new direct deposit limits will help eliminate this type of abuse.

A direct deposit must be made to an account bearing the taxpayer's name. Preparer fees cannot be recovered by using Form 8888 to split the refund or by preparers

opening a joint bank account with taxpayers. These actions by preparers are subject to penalty under the Internal Revenue Code and to discipline under Treasury Circular 230 (also, see Circular 230 Tax Professionals page).

Electronic Estimate Tax Payments (ACH Debit)

- Electronic Estimate tax payments can be direct debited from financial accounts through MeF. This can be initiated at the time of filing the Form 740 or Form 740-NP. Beginning in tax year 2015, electronic estimate tax payments can also be made with the electronic filing of the Form EPAY.
- Taxpayers may schedule up to four **equal** payments with the following debit dates: April 18, 2016, June 15, 2016, September 15, 2016, and January 17, 2017. (Only these dates are valid debit request dates.)
- Direct debit of estimate tax can be scheduled in addition to a direct debit of the tax amount due or direct deposit of refund, but the financial institution information (routing number, account number and type of account) must be the same for all the requested transactions.
- Direct debit of estimate tax may be scheduled in the absence of a direct deposit of refund or direct debit of tax amount due transaction.
- At this time, Kentucky is not able to process International ACH Transactions. The checkbox for “NotIATIndicator” should be checked on all Financial Transactions.
- To revoke (cancel) a payment, the taxpayer must contact the Kentucky Department of Revenue at (502) 564-4581 no later than 2 business days prior to the payment (debit) date.

Debit card option for tax refunds

Refunds may be deposited to a debit card serviced by Bank of America beginning TY2015. Option boxes have been included to allow the taxpayer to request that the refund amount be loaded to a debit card and also an option was added to allow the taxpayer to request to receive the debit card materials in Spanish. The options boxes were added to the Refund line on the Form 740 (line 36), Form 740-EZ (line15) and Form 740-NP (line 36). The Department of Revenue reserves the right to decline the request and provide the refund by check.

Application for Extension of Time to File Individual Income Tax Returns – Form 40A102 with a payment of tax direct debit request

Kentucky accepts the Form 40A102 for Individual Income Tax Returns (Form 740 & Form 740-NP). For purposes of electronic filing, the Form 40A102 is appropriate only for the current tax year and the application will be accepted through the original due date. For tax year 2015, the original due date is April 18, 2016. The extension period is six months. Therefore, the extended due date will be through October 15, 2016.

Interest applies to any income tax paid after the original due date of the return. If the amount of tax paid by the original due date is less than 75% of the tax due, a late payment penalty may be assessed (minimum penalty is \$10). Interest and late payment penalty charges can be avoided by remitting payment with the Kentucky extension.

Taxpayers may make a direct debit request of tax due at the time the Kentucky extension is electronically submitted through MeF. The tax due debit amount (TotDueDebitAmt) on the Form 40A102 must equal the direct debit payment amount (PaymentAmount) in the financial transaction record.

Taxpayers may submit the Form 40A102 if a Form 4868 has been approved and they would like to request a direct debit payment of Kentucky tax prior to the filing of the Form 740 or Form 740-NP.

To revoke (cancel) a payment, the taxpayer must contact the Kentucky Department of Revenue at (502) 564-4581 no later than 2 business days prior to the payment (debit) date.

Taxpayers who request a federal extension are not required to file a separate Kentucky extension. Please mark the federal/state extension field (FederalExtension Indicator) in the Form 740/740-NP schema and the late filing penalty will not be assessed during processing if the taxpayer has filed Form 40A102 with the state or has filed a federal extension (Form 4868).

A supporting copy of the Form 40A102 or Form 4868 is not required to be attached to the Form 740 or Form 740-NP when filing through MeF. Please see the Kentucky tax year 2015 individual income tax schema for additional information on filing the extension electronically.

A copy of the Form 40A102 should be signed and retained by the taxpayer and/or tax preparer if the state extension is being filed electronically. It may be requested at a later date. The retention period of the Form 40A102 is 5 years, the same as the Individual Income Tax Return.

Check the Status of a Refund Online

Taxpayers can now check the status of their Individual Income Tax refund by going to the Kentucky Department of Revenue website – <http://www.revenue.ky.gov/refund.htm>. To take advantage of this fast and secure service, taxpayers will need their social security number and the exact amount of their refund. The status will be posted 7-10 days after an electronic tax return is filed or 8-10 weeks after a paper tax return is filed.

- PDF attachment names may contain letters and numbers. The name should reference the Form/Schedule and line number when possible. The PDF should only have one file extension '.pdf' The LinkToAttachment element in the XML state return must match the actual file name of the pdf.
- No nesting of zip archive files or returns will be allowed. (i.e. one submission, one zip.)
- The SOAP message itself must not be compressed or zipped.
- The message must contain a header, a body, and an attachment. See Modernized E-File Logical ICD Model for message layout and message technical specifications.
- ERO's and transmitters must be approved with the IRS in order to transmit MeF returns.
- The Kentucky Department of Revenue will produce an acknowledgement of acceptance or rejection for each state submission. The transmitter may then retrieve Kentucky's acknowledgement from the IRS.
- The Kentucky Department of Revenue requests that vendors not submit form tags for any schedules, worksheets or forms that are not used in the return.
- The Return Type (element Return Type) and State Submission Type (element StateSubmissionType) for Form 740 should be KYForm740.

The Return Type (element Return Type) and State Submission Type (element StateSubmissionType) for Form 740-NP should be KYForm740NP.

The Return Type (element Return Type) and State Submission Type (element StateSubmissionType) for Form 40A102 should be KYForm40A102.

The Return Type (element Return Type) and State Submission Type (element StateSubmissionType) for the KY Electronic Payment Voucher Form 42A740-EPAY should be KYFormEPAY.

An incorrect Return Type or State Submission Type will cause a schema validation failure and the submission will be rejected.

Section 8: Kentucky Form Edits

This Section contains field information rules that should be followed by all developers on the primary Kentucky return and supporting schedules when electronic return data is processed. This should be used as a guide to assist tax software developers.

Form 740 & Form 740-NP

Political Party Fund – One of the three (3) taxpayer political party fund options must be selected for all filing statuses. If the filing status is Single or Married Filing Separate Returns, the spouse political party fund should be NULL. If the filing status married filing joint or married filing separate on a combined return is selected, both the taxpayer and spouse political party fund options must be selected.

If the Married Filing Separate Returns filing status is selected, and the spouse SSN is unavailable, the spouse name should be placed in the Form 740 schema FS4SpouseName or Form 740-NP schema FS3SpouseName element. However, if both spouse name and SSN are provided, place this information in the secondary filer portion of return header state.

Form 740-NP, page 4, Section D, line 1, column A should not include moving expense reimbursements.

Form 740, Line 5 and Form 740-NP, page 4, Section D, line 35, column A **must** match the federal adjusted gross income on Line 37 of Form 1040, Line 21 of Form 1040A or Line 4 of Form 1040EZ. **(Exception: If Kentucky filing status is Married Filing Separate Returns and the federal filing status is Married Filing Joint).**

If a taxpayer's Kentucky modified gross income is negative, the Kentucky modified gross income is zero (\$0) for family size tax credit calculation.

If the family size tax credit amount is greater than zero, the total family size element must be populated.

Tax elements for the following line numbers cannot be less than zero. Form 740: Lines 12A, 12B, 14A, 14B, 16A, 16B, 18A, 18B, 19, 22, 24, 26, and 28 cannot be negative. Form 740-NP: Lines 14, 16, 18, 19, 22, 24, 26 and 28. If value equals negative amount, send zero in the schema element.

If Kentucky Schedule A (Form 740 or Form 740-NP), Schedule M, Schedule ME, Schedule P, Schedule J, Form 4972-K, Form 5695-K, Form 8863-K, Form 8582-K, Worksheet A, or Worksheet C are utilized or required and the software does not support these schedules or forms, the taxpayer will not be allowed to file electronically. Any return requiring and missing these schedules will be rejected.

Underpayment of Estimated Tax Penalty--Form 2210-K is required if Form 740 or Form 740-NP, line 40 exceeds \$500. If Form 2210-K is not supported by your software package, Kentucky will automatically calculate the underpayment of estimated tax penalty and a notice of tax due will be mailed to the taxpayer.

Late Filing Penalty—For returns filed after April 18, 2016, a late filing penalty must be calculated. The penalty is 2 percent of the additional tax due field for each 30 days or fraction thereof that a return is not filed. The penalty does not exceed 20 percent and the minimum penalty is \$10.

Late Payment Penalty--For returns filed after April 18, 2016, if the amount timely paid is greater than 75 percent of the tax determined due, no late payment penalty is due. If the amount prepaid is less than 75 percent of the tax determined due, then a penalty of 2 percent of the additional tax due may be assessed for each 30 days or fraction thereof that the tax is past due. The penalty does not exceed 20 percent and the minimum penalty is \$10.

Interest--For returns filed after April 18, 2016, interest is assessed at the “tax interest rate” of 6% from April 18, 2016, until the date of payment. For 2015 tax returns (calendar year 2016), the interest rate is 6% or .000164 daily. Interest is calculated at the current interest rate + 2%.

The child care credit is only allowable if federal Form 2441 is submitted. It should be included in the federal record with the federal data, even if it is not required for federal purposes. Line 9 of Form 2441 is the amount used to calculate the Kentucky credit for child-care expenses.

The format for percentage fields varies by form. It could be in the range of 2 to 4 positions past the decimal. Please review each schema to determine how to format these fields. Schedule A uses xxx.xx format, Schedule P uses xxx.xx, Form 4972K uses x.xxxx, 8863K uses x.xxx.

Schedule A (Form 740/Form 740-NP)

If the Schedule A schema is present in the return, the KY AGI fields must be populated for medical/dental expense, casualty & theft exclusion and job expenses if those sections are utilized.

The percentage fields listed on page 2 of the Schedule A should be formatted as 5,2. (ie. 100% equals 100.00, 50.5% = 50.50).

If a taxpayer uses itemized deductions then the spouse must also itemize deductions. Returns filed with 2 Schedule A forms are accepted. The standard deduction is only available to non-itemizers. Married Filing Joint Returns are only entitled to one standard deduction.

If the Kentucky adjusted gross income is a negative value, it is treated as such on the Kentucky Schedule A for the adjusted gross income fields and should be entered as a negative value.

If the elements MedicalDentalExpExcl and JobExpExcl are negative, zero should be used instead of the negative value in the calculation of the elements TotalMedicalDentalDed and TotJobOtherExp.

Lines 33 through 36 of the Schedule A (Form 740-NP), must be completed if the filing status is 3-Married filing separate returns or if the spouse is not filing a Kentucky return.

For tax year 2015, the limitation on itemized deductions threshold is \$184,000 (\$92,000 if married filing separate returns). If your Kentucky adjusted gross income is above this threshold then your itemized deductions (excluding medical and dental, investment interest, losses for casualty or theft and gambling losses) will be limited. In general, if the limitation applies, itemized deductions are reduced by the lesser of: 3% of the adjusted gross income that exceeds the threshold or 80% of the allowable itemized deductions. A worksheet has been included with the Schedule A to help determine the amount of deductions you are allowed to take if you cross the threshold.

Form 8582K

Form 8582K contains assumed negative elements on page 1. These elements should be sent as positive numbers since the form assumes a negative entry. The following line numbers pertain to this rule; Line 1b, Line 1c, Line 2a, Line 2b, Line 2c, Line 3b and Line 3c.

Financial Transaction Record

The payment amount (element PaymentAmount) on all financial transactions must be a whole dollar amount.

NOTE: If the return is adjusted and the amount of the refund or the tax due amount changes, the financial transaction data for refunds or payments will not be utilized. Any change in the refund amount will result in a paper check being issued instead of a direct deposit and any change in the tax due amount will result in a notice of total tax due.

Section 9: Electronic Filing Statistics from TY2014

Approximately 85% of all individual income tax returns were filed electronically. The totals below are approximations since we are still processing TY2014 returns.

Total Returns:	1,830,000
Total E-Filed Returns:	1,563,000

Form 740: (Began August 15, 2011)

Type of E-filing Program	Fed/State + State Only
# of State Taxpayers	1,786,000
# of State Returns E-filed	1,461,000
MeF Refund Time Frame	7 - 12 days
Direct Deposit Time Frame	7 - 9 days

Options:

Direct Payment (ACH Debit)	YES
Direct Deposit	YES
Balance Due Returns	YES
Prepaid Debit Card	YES

Form 740-NP: (Began July 5, 2013)

Type of E-filing Program	Fed/State + State Only
# of State Returns	126,500
# of State Returns E-filed	93,500
MeF Refund Time Frame	7 - 12 days
Direct Deposit Time Frame	Not Available

Options:

Direct Payment (ACH Debit)	YES
Direct Deposit	NO
Balance Due Returns	YES
Prepaid Debit Card	YES

Form 40A102: (Began January 20, 2015)

Type of E-filing Program	State Only
# of State Returns	
# of State Returns E-filed	7,200

Options:

Direct Payment (ACH Debit)	YES
----------------------------	-----

Frequent Errors

The following are common errors frequently found in past submissions.

- Incorrect Return Types (element Return Type) were used. KYForm740 should be used for Form 740 and KYForm740NP should be used for Form 740-NP.
- Incorrect format in the financial transaction payment amount (PaymentAmount) - A whole dollar amount is required.
- The Software Id (element SoftwareID) is omitted or not in uppercase.
- Blank forms or schedules are received.
- Missing forms or schedules.

Section 10: Electronic Filing Program Publications and Forms

Publications

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

Internal Revenue Service Publications

- Publication 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns
- Publication 1346, Electronic Return File Specifications for Individual Income Tax Returns
- Publication 4164, Modernized e-File Guide for Software Developers & Transmitters

Kentucky Department of Revenue Publications

- Publication KY-1345, Kentucky Handbook for Electronic Filers of Individual Income Tax Returns
- Publication 4164, Information for Fed/State Development of Modernized E-file for Individual Income Tax – Software Developer's Guide
- Forms and publications can also be found at www.revenue.ky.gov
- 1D Barcode Layout: <http://revenue.ky.gov/NR/rdonlyres/0905A9EE-FD39-4EF8-9120-51CFB385B952/0/TY20151DBarcodeLayout.pdf>

Section 11: Important Dates for TY2015/PY2016

Kentucky's filing period for electronic returns will be identical to the IRS filing period. However, this is subject to change. Important dates and announcements can be found on our Software Developer's Information webpage: <http://revenue.ky.gov/sdi/>

For Taxable Period beginning January 1, 2015, and ending December 31, 2015

Begin ATS software testing for Kentucky Form 740	11/2/2015
Begin ATS software testing for Kentucky Form 740-NP	11/2/2015
Begin ATS software testing for Kentucky Form 40A102	11/2/2015
Begin ATS software testing for Kentucky Form EPAY	11/2/2015
Kentucky will participate in the Controlled Launch	1/15/2016
Begin transmitting Production returns to IRS/KDOR	1/19/2016
Last Day to transmit Production returns electronically	TBD
Last Day for all rejected returns to be re-transmitted and Accepted	TBD

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

Section 12: Electronic Filing Help Desk

The e-file help desk is for use by the software development and tax preparation communities regarding Kentucky e-file technical specifications/issues, schemas, and testing.

The help desk operating hours are Monday through Friday, 7:00 a.m. through 3:30 p.m. (EST). The help desk will observe all state holidays.

E-file Help Desk Contact Information
Help Desk Phone # 502-564-5370

Richard J. Hill (RJ)
Department of Revenue
Division of Operations
E-Commerce Branch
501 High Street, Station 22
Frankfort, KY 40601-2103
Phone: (502) 564-7926
E-Mail: RichardJ.Hill@ky.gov

Audrey J. Terry
Department of Revenue
Division of Operations
E-Commerce Branch
501 High Street, Station 22
Frankfort, KY 40601-2103
Phone: (502) 564-7862
E-Mail: AudreyJ.Terry@ky.gov

Note: Taxpayer's needing assistance on all tax matters should contact the Taxpayer Assistance Branch at 502-564-4581 for assistance.

Reference: Software Development and Substitute Forms Development Information website: <http://www.revenue.ky.gov/sdi/>