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Governor

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LORI HUDSON FLANERY  
Secretary

THOMAS B. MILLER  
Commissioner

In the matter of:

█ & █

Contact: █ & █  
█

FINAL RULING NO. 2015-19  
April 23, 2015

Individual Income Tax Assessment  
For the Year Ended 2009

FINAL RULING

The Kentucky Department of Revenue (“the Department”) has issued an individual income tax assessment to █ & █ (“the Taxpayers”) for the taxable year ended December 31, 2009. The following table provides a breakdown of the amount of tax and penalty assessed, as well as interest accrued as of the date of this final ruling:

	Tax	Interest	Amnesty Fees	Penalties	Total
12/31/2009	\$ █	\$ █	\$ █	\$ █	\$ █

The Taxpayers protested the disallowance of expenses claimed on the Schedule A of the Form 740 Kentucky Individual Income Tax Return for the year ended December 31, 2009. The expenses disallowed from the Schedule A were charitable contributions of \$ █ and unreimbursed employee expenses of \$ █. The components of the unreimbursed employee expenses disallowed were vehicle expense of \$ █, travel and business expense of \$ █, and meals and entertainment expense of \$ █. The total unreimbursed employee expenses were reduced by \$ █, a sum equal to two percent of the Taxpayers’ Kentucky adjusted gross income.

The deductions and expenses listed were reduced or disallowed because the Taxpayers failed to submit adequate documentation to substantiate the deductions. For example, the Taxpayers submitted documentation, a complete listing of each charitable contribution by cash or check to █ but failed to submit substantiation for gifts other than by cash or check. The charitable contributions category was adjusted to allow \$█ of the \$█ originally disallowed. The \$█ remaining disallowance resulted from a lack of submitted documentation to identify and attest the gifts by other than cash or check.

Regarding unreimbursed employee expenses, a statement from the employer, █ was presented to confirm █ was employed by the church and no uniform reimbursement policy was in place for the 2009 period. The only documentation submitted to substantiate the unreimbursed employee expenses were credit card statements, highlighted to identify various transaction descriptions, dates and amounts. Documentation to corroborate these transactions, totaling \$█, was specifically requested on █, 2014 and █, 2014 but never furnished. In totality, no documentation was presented to verify expenses reported were of a business and not personal origin. No mileage log or other supporting documentation was submitted to support vehicle and travel expenses. No receipts for meals and entertainment were submitted. Unreimbursed employee expenses, net of the required 2% of adjusted gross income reduction and totaling \$█, were thusly disallowed.

Late payment penalty was properly assessed under KRS 131.180(2). Taxpayers have failed to provide any documentation showing why the penalty should not apply. In addition a cost of collection fee resulting from the assessment of additional tax after the amnesty period for taxable periods ending prior to October 1, 2011, was properly assessed under KRS 131.440(1). Taxpayers have failed to provide any documentation showing why the fee should not apply.

Correspondence dated █, 2014, █, 2015 and █, 2015, requesting documentation in support of the disallowed expenses was sent to the Taxpayers. No response was received with respect to these requests.

After reviewing the protest, and the applicable statutes and case law, it is the position of the Department that the individual income tax assessment issued against the Taxpayers for taxable year 2009 is a valid liability due the Commonwealth of Kentucky.

This letter is the final ruling of the Department.

### **APPEAL**

You may appeal this final ruling to the Kentucky Board of Tax Appeals pursuant to the provisions of KRS 131.110, KRS 131.340-131.365, 103 KAR 1:010 and 802 KAR 1:010. If you decide to appeal this final ruling, your petition of appeal must be filed at the principal office of the

Kentucky Board of Tax Appeals, 128 Brighton Park Boulevard, Frankfort, Kentucky 40601-3714, within thirty (30) days from the date of this final ruling. The rules of the Kentucky Board of Tax Appeals, which are set forth in 802 KAR 1:010, require that the petition of appeal must:

1. Be filed in quintuplicate;
2. Contain a brief statement of the law and facts in issue;
3. Contain the petitioner's or appellant's position as to the law and facts; and
4. Include a copy of this final ruling with each copy of the petition of appeal.

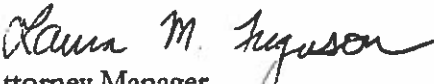
The petition of appeal must be in writing and signed by the petitioner or appellant. Filings by facsimile or other electronic means shall not be accepted.

Proceedings before the Kentucky Board of Tax Appeals (the "Board") are conducted in accordance with 103 KAR 1:010, 802 KAR 1:010 and KRS 131.340-131.365 and KRS Chapter 13B. Formal hearings are held by the Board concerning the tax appeals before it, with all testimony and proceedings officially reported. Legal representation of parties to appeals before the Board is governed by the following rules set forth in Section 3 of 802 KAR 1:010:

1. An individual may represent himself in any proceedings before the Board where his individual tax liability is at issue or he may obtain an attorney to represent him in those proceedings;
2. An individual who is not an attorney may not represent any other individual or legal entity in any proceedings before the Board;
3. In accordance with Supreme Court Rule 3.020, if the appealing party is a corporation, trust, estate, partnership, joint venture, LLC, or any other artificial legal entity, the entity must be represented by an attorney on all matters before the Board, including the filing of the petition of appeal. If the petition of appeal is filed by a non-attorney representative for the legal entity, the appeal will be dismissed by the Board; and
4. An attorney who is not licensed to practice in Kentucky may practice before the Board only if he complies with Rule 3.030(2) of the Rules of the Kentucky Supreme Court.

You will be notified by the Clerk of the Board of the date and time set for any hearing.

Sincerely,  
FINANCE AND ADMINISTRATION CABINET

  
Attorney Manager  
Office of Legal Services for Revenue

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED