

# Kentucky Tax Alert

A REVENUE PUBLICATION FOR THE TAX PROFESSIONAL

January 2016, Vol. 35 No. 1

## TAXPAYERS HAVE ANOTHER WAY TO RECEIVE THEIR 2015 INDIVIDUAL INCOME TAX REFUND

Taxpayers may choose to receive their refund on a debit card issued by Bank of America by checking the appropriate box on the Form 740 or 740-NP. Taxpayers also have the option of receiving the debit card disclosure material in Spanish. The Visa prepaid card allows cash access at 16,300 Bank of America ATMs, cash back at point of sale locations and teller cash access at any Visa financial institution. Cardholders can activate their card online or by telephone. Online account activation allows access to transactions and monthly statements.

## BUSINESS FORMS ELECTRONICALLY ACCEPTED BY DOR FOR TAX YEAR 2015

Kentucky will support the electronic filing of the following business income tax returns for tax year 2015:

- Form 720—Kentucky Corporation Income Tax and LLET Return (Form 41A720)(Separate entity returns only)
- Form 720-S—Kentucky S Corporation Income Tax and LLET Return (Form 41A720S)
- Form 765—Kentucky Partnership Income and LLET Return (Form 41A765)
- Form 765-GP—Kentucky General Partnership Income Return (Form 42A765-GP)
- Form 720-SL—Extension of Time to File Kentucky Corporation/LLET Return (Form 41A720SL)

The Form 765-GP and Form 720-SL are new for tax year 2015.

**Please note: The Form 725—Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 41A725) will not be available for electronic filing for the 2015 tax year as previously scheduled.**

## KENTUCKY PROVIDES LOOK-UP TABLE TO SIMPLIFY USE TAX REPORTING

Spending by holiday e-commerce shoppers in 2015 is projected to increase by 14 percent over 2014 numbers to reach the \$70 billion milestone. Consumers turned Cyber Monday 2015 into the biggest spending day ever with online sales growing 21 percent over last year to \$3.118 billion. Online retail activity for



consumers in Kentucky and around the country is commonplace, and this increase in online shopping by Kentucky residents has the potential to create additional tax reporting requirements. The Department of Revenue reminds Kentuckians that when a purchase is made from an out-of-state retailer that does not collect Kentucky tax, purchasers are responsible for payment of the 6 percent use tax on taxable items delivered into the Commonwealth per KRS 139.310 and 139.330. Kentuckians regularly pay use tax when an out-of-state online merchant collects the tax at the point of sale or when titling out-of-state purchases of boats, trailers, manufactured homes, etc. at their local county clerk office.

Even when the seller does not collect the tax online or there is no subsequent transaction required at the county clerk office, purchasers still must report and pay the corresponding 6 percent use tax directly. During the individual income tax filing season, tax professionals need to be aware of and account for this liability for themselves and their clients. As a reporting convenience, instructions for the 2015 Kentucky Individual Income Tax return again include a Use Tax Look-Up Table, which allows individuals to estimate use tax owed on nonbusiness purchases of less than \$1,000. Retail businesses should continue to report their non-taxed retail purchases on line 23 of the sales and use tax return for the proper calculation and remittance of the applicable tax.

### TABLE OF CONTENTS

Taxpayers Have Another Way To Receive Their 2015 Individual Income Tax Refund.....	1
Business Forms Electronically Accepted by DOR for Tax Year 2015 .....	1
Kentucky Provides Look-Up Table to Simplify Use Tax Reporting.....	1-2
Tangible Personal Property Tax Filing Requirement Reminder.....	2
2016 Tax Calendar .....	3-5
2015 Kentucky Tax Alert Index—Volume 34.....	6
2015 Federal/Kentucky Individual Income Tax Differences.....	7

The Use Tax Look-Up Table for individual purchasers is intended as an alternative to provide taxpayers and practitioners a convenient method to report use tax obligations with a pre-calculated amount of use tax owed on qualifying purchases where detailed records of annual purchases are not readily available. The Use Tax 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 calculated taxable amount. Please direct any questions regarding the Kentucky use tax to the Division of Sales and Use Tax at (502) 564-5170.

**TANGIBLE PERSONAL PROPERTY TAX FILING REQUIREMENT REMINDER**

In accordance with KRS 132.220 (b) 2:

Due Date:  
Monday  
May 16, 2016

May 2016						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	<b>16</b>	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

It shall be the duty of all persons owning any tangible personal property taxable in this state to list or have listed the property with the property valuation administrator of the county of taxable situs or with

the department between January 1 and May 15 in each year, except as otherwise prescribed by law.

Form 62A500 (P) for 2016 is located at for download at <http://www.revenue.ky.gov/forms>

Please visit <http://www.revenue.ky.gov/NR/rdonlyres/0F78CEE7-0978-414D-BF19-B2F6EB01896E/0/TangibleFAQPamphlet.pdf> for answers to frequently asked questions concerning the assessment of tangible personal property taxes.

**Kentucky Tax Alert** comments and suggestions should be addressed to the Office of Income Taxation/Training Branch, Finance Cabinet, Department of Revenue, Frankfort, Kentucky, (502) 564-0937.

**MATTHEW G. BEVIN, Governor**

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

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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>	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 7/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 1/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 4/30)	
	15	Estimated Tax/Individuals/One Fourth Est.	
	20	Coal Severance Tax Returns (December Payment)	
	20	Oil Production Tax Returns (December Payment)	
	20	Monthly Sales and Use Tax Returns (December Payment)	
	20	Quarterly Sales and Use Tax Returns	
	20	Annual Sales and Use Tax Returns	
	20	Health Care Provider Tax Returns (December Payment)	
	25	Monthly Motor Fuels Tax Returns (December Payment)	
	25	Monthly Sales and Use Tax Returns (Accelerated Payment)	
	<b>February</b>	1	Twice-Monthly Income Tax Withholding Returns (Dec. 16 - Dec. 31 Payment and K-2s)
		1	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Annual Reconciliation and K-2s
		1	Monthly Income Tax Withholding Returns (December Payment and K-2s)
		1	Quarterly Income Tax Withholding Returns (Quarterly Payment and K-2s)
		1	Annual Income Tax Withholding Returns (Annual Payment and K-2s)
		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)
		22	Coal Severance Tax Returns (January Payment)
22		Oil Production Tax Returns (January Payment)	
22		Monthly Sales and Use Tax Returns (January Payment)	
22		Health Care Provider Tax Returns (January Payment)	
25		Twice-Monthly Income Tax Withholding Returns (February 1 - February 15 Payment/EFT Payment)	
25		Monthly Motor Fuels Tax Returns (January Payment)	
25	Monthly Sales and Use 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)	
	10	Twice-Monthly Income Tax Withholding Returns (February 16 - February 29 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	
	21	Coal Severance Tax Returns (February Payment)	
	21	Oil Production Tax Returns (February Payment)	
	21	Monthly Sales and Use Tax Returns (February Payment)	
	21	Health Care Provider Tax Returns (February Payment)	
	25	Twice-Monthly Income Tax Withholding Returns (March 1 - March 15 Payment/EFT Payment)	
	25	Monthly Motor Fuels Tax Returns (February Payment)	
25	Monthly Sales and Use Tax Returns (Accelerated Payment)		
<b>April</b>	1	Minerals and Gas Severance Tax Returns (February Payment)	
	1	Electric Plant Board Property Tax Returns (as of 1/1/07)	
	11	Twice-Monthly Income Tax Withholding Returns (March 16 - March 31 Payment/EFT Payment)	
	18	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 10/31)	
	18	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 4/30)	
	18	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 7/31)	
	18	Monthly Income Tax Withholding Returns (March Payment)	
	18	Quarterly Estimated Tax Returns/Individuals (One Fourth Payment)	
	18	Annual Individual Income Tax Returns	
	20	Monthly Sales and Use Tax Returns (March Payment)	
	20	Quarterly Sales and Use 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 and Use Tax Returns (Accelerated Payment)		

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

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<b>September</b>	1	Minerals and Gas Severance Tax Returns (July Payment)	
	12	Twice-Monthly Income Tax Withholding Returns (August 16 - August 31 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 3/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 9/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 12/31)	
	15	Estimated Tax/Individuals/One Fourth Est.	
	15	Monthly Income Tax Withholding Returns (August Payment)	
	20	Coal Severance Tax Returns (August Payment)	
	20	Oil Production Tax Returns (August Payment)	
	20	Monthly Sales and Use Tax Returns (August Payment)	
	20	Health Care Provider Tax Returns (August Payment)	
	26	Twice-Monthly Income Tax Withholding Returns (September 1 - September 15 Payment/EFT Payment)	
	26	Monthly Motor Fuels Tax Returns (August Payment)	
	26	Monthly Sales and Use Tax Returns (Accelerated Payment)	
	<b>October</b>	3	Minerals and Gas Severance Tax Returns (August Payment)
		10	Twice-Monthly Income Tax Withholding Returns (September 16 - September 30 Payment/EFT Payment)
		17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 4/30)
		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 10/31)
		17	Monthly Income Tax Withholding Returns (September Payment)
		20	Coal Severance Tax Returns (September Payment)
		20	Oil Production Tax Returns (September Payment)
		20	Monthly Sales and Use Tax Returns (September Payment)
		20	Quarterly Sales and Use Tax Returns
		20	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 and Use 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)	
	10	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 2/28)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 11/30)	
	15	Monthly Income Tax Withholding Returns (October Payment)	
	21	Coal Severance Tax Returns (October Payment)	
	21	Oil Production Tax Returns (October Payment)	
	21	Monthly Sales and Use Tax Returns (October Payment)	
	21	Health Care Provider Tax Returns (October Payment)	
	28	Twice-Monthly Income Tax Withholding Returns (November 1 - November 15 Payment/EFT Payment)	
	28	Monthly Motor Fuels Tax Returns (October Payment)	
	28	Monthly Sales and Use Tax Returns (Accelerated Payment)	
<b>December</b>	1	Minerals and Gas Severance Tax Returns (October Payment)	
	12	Twice-Monthly Income Tax Withholding Returns (November 15 - November 30 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 6/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 3/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 12/31)	
	15	Monthly Income Tax Withholding Returns (November Payment)	
	20	Coal Severance Tax Returns (November Payment)	
	20	Oil Production Tax Returns (November Payment)	
	20	Monthly Sales and Use Tax Returns (November Payment)	
	20	Health Care Provider Tax Returns (November Payment)	
	27	Twice-Monthly Income Tax Withholding Returns (December 1 - December 15 Payment/EFT Payment)	
	27	Monthly Sales and Use Tax Returns (Accelerated Payment)	

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## 2015 Kentucky Tax Alert Index—Volume 34

### Corporation Income and License Tax

Kentucky Corporation Tax Form Changes and  
New Forms ..... November  
Importance of Using Correct Corporation Account  
Numbers..... November

### Educational Programs

University of Kentucky 49th Annual 2015 Income  
Tax Seminars..... September

### Electronic Filing

Correct Kentucky Corporation/LLET Account Number  
Required for Electronic Filing .....July

### Individual Income Tax

2014 Individual Income Tax Updates and Tips ..... January  
2014 Federal/Kentucky Individual Income Tax  
Differences..... January  
Individual Income Tax Refund Designations ..... May  
Innocent Spouse Relief ..... May  
Supreme Court Ruling on Same-Sex Couples ..... July  
2016 Standard Deduction for Individual  
Income Tax ..... September  
Kentucky's Pension Exclusion, Standard Deduction  
Increase for 2016 Tax Year..... November

### Legislative and Legal Issues

A Review of Tax Law Changes – 2015 Regular  
Session of the General Assembly ..... May

### Miscellaneous Tax

Motor Fuel Taxes ..... May  
Motor Vehicle Usage Tax..... May  
Pari-Mutuel Tax..... May  
Tobacco Taxes ..... May

### Pass-Through and Limited Liability Entity Taxes

Filing Tips and Checkpoints for Corporation/Pass-Through  
Entity Income and Limited Liability Entity  
Tax Returns..... January

### Property Tax

DOR Sets 2015-2016 Homestead Exemption ..... January  
Legislative Changes..... May  
Deadline for Filing Tangible Personal Property Tax  
Return (Form 62A500) ..... May

### Registration

Kentucky One Stop Business Portal Features ..... July

### Revenue

2015 Tax Calendar ..... January  
2014 Kentucky Tax Alert Index – Volume 33..... January  
Open Records Requests ..... July  
Notice to Taxpayers in Areas Declared a  
Federal Disaster..... September  
DOR Offices Closed for Holidays ..... November  
2015 Kentucky Income Tax Forms Requisition ... November

### Tax Credits

Film Production Tax Credit Program Expanded..... May  
Historic Rehabilitation Tax Credit Regulation  
Adopted..... May  
Kentucky Offers Tax Credit to Small Business  
Owners ..... March  
Metropolitan College Consortium Tax Credit  
Extended ..... May  
Note to Employers: Deadline for Work Opportunity  
Tax Credit Extended ..... March

### Tax Rates

Adjusted Prime Rate Capture Date..... May  
State Property Tax Rate Unchanged for 2015..... July  
Tax Interest Rate Set for 2016 ..... November

### Telecommunications Tax

Providers of Multichannel Video Services and  
Communications Service Remain Liable for the  
Telecommunications Tax..... January

### Withholding

Online Filing–Withholding Tax Returns ..... January  
Employers Encouraged to Release Forms  
W-2/K-2 Early ..... November  
Estimated Tax Payment Deadlines..... November

**2015 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES**

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2013. 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:		Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
Commonwealth of Kentucky Retirement Systems	Taxable	
Kentucky Local Government Retirement Systems	Taxable	
Federal and Military Retirement Systems	Taxable	
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. Domestic Production Activities Deduction	Deductible	Deductible; may be limited
27. Active Duty Military Pay	Taxable	Exempt
28. Certain Business Expenses of Reservists	Deductible	Nondeductible