

# Kentucky Tax Alert

A REVENUE PUBLICATION FOR THE TAX PROFESSIONAL

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## WEBSITE LAUNCHED TO BETTER SERVE BUSINESSES

*Site to streamline process to register, operate a business*

On Oct. 17, 2011 the Kentucky Business One Stop, <http://onestop.ky.gov>, website was launched in an effort to better serve the business community across the Commonwealth. The new website will be particularly helpful for those starting small businesses, about 90 percent of the businesses in the state.



The Kentucky Business One Stop – <http://onestop.ky.gov> – is an interactive web portal designed to provide faster, friendlier, more reliable and cost-effective state government services to businesses.

The website, created by Senate Bill 8, features a link to the Secretary of State's office allowing citizens to register a new business online, while at the same time, providing a convenient way to communicate and interact with the Department of Revenue (DOR). A common sense guide is provided to walk businesses through all the steps needed at the state and local levels to start a business in Kentucky.

Information is also provided on the website concerning economic development incentives, employee insurance information and business counseling expertise.

"Throughout my administration, we have found numerous ways to make navigating state government much easier for Kentucky's business community. Now with the launch of the Kentucky Business One Stop, we have created yet another avenue to strengthen this relationship," Gov. Beshear said. "This website will serve as a single, unified access point for businesses to find information on planning, starting, operating or expanding a business right here in the Commonwealth. Putting all of this information in one place is a huge step in the right direction to save our businesses time and money."

The Beshear administration worked with business leaders and Secretary of State Elaine Walker and her staff to develop the website. Walker and Secretary of the Governor's Executive

Cabinet Mary Lassiter co-chaired the website's development committee, which included representatives from all state agencies that interact with Kentucky businesses.

Several members of the business community advised the development team during the creation of the website and will continue to be partners with the Commonwealth as future features to the website are implemented.

Several other states have developed similar successful websites, including Michigan, Ohio, South Carolina and Virginia. Kentucky was able to work with these states during the creation of its website.

## 2012 STANDARD DEDUCTION

In accordance with KRS 141.081(2) (a), the Kentucky DOR adjusts the standard deduction on an annual basis. The standard deduction for 2012 is \$2,290. The online tax tables effective for pay periods ending on or after Jan. 1, 2012 may be viewed at:

<http://revenue.ky.gov/business/wbtax.htm>

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## NEW INTEGRATED TAX PAYMENT SOLUTION (TPS) FOR ACH TAX PAYMENTS

On Nov. 1, 2011 the DOR, in partnership with *Kentucky.gov*, released a new integrated Tax Payment Solution (TPS) for ACH tax payments. If you would like to participate in the DOR's EFT program, you need to register with *Kentucky.gov* before using the service. The registration process is simple and can be managed completely online. Within TPS, you may elect to pay taxes using ACH Debit or register for ACH Credit. To initiate ACH Debit payments using TPS, you must authorize the DOR to make ACH Debit transactions within the application. Additional information, as well as a link to the new service, is available at <http://revenue.ky.gov>. If you have questions, please contact the EFT Help Desk at 1-800-839-4137 or email [dorecommerce@ky.gov](mailto:dorecommerce@ky.gov).

**Important Notice for Current EFT Registrants:** Effective Jan. 1, 2012, Global Payments will no longer process tax payments for the Kentucky Department of Revenue. To prevent delays and late payments, you are urged to register to use the new Tax Payment Solution as soon as possible. After your registration has been approved, you should begin initiating payments using the new service immediately. ACH Debit payments made via the TPS will be considered timely as long as the payment receipt is generated by 3:45 p.m. EST on the tax due date. Funds may be drawn from your account up to two or more banking days later. If you have questions, please contact the EFT Help Desk at 1-800-839-4137 or email [dorecommerce@ky.gov](mailto:dorecommerce@ky.gov).

## ESTIMATED TAX PAYMENT DEADLINES

Individual income taxpayers are reminded that final 2011 quarterly estimated tax payments are due on Jan. 16, 2012. Final 2011 estimated corporation income tax payments of 25 percent are due on Dec. 15, 2011.

Taxpayers who have not yet made their April 15, June 15, or Sept. 15, 2010, estimated payments must submit those payments on or before Jan. 16, 2012 to minimize underestimation penalties.

## EMPLOYERS ENCOURAGED TO RELEASE FORMS W-2/K-2 EARLY

In an effort to speed the issuance of individual income tax refunds, employers are encouraged to release Employee's Wage and Tax Statements, Forms W-2/K-2, at the earliest possible date. This allows taxpayers to

file their income tax returns earlier, thereby avoiding backlogs and delay of refunds. Fewer returns are filed at the beginning of the tax season than near the April 15 deadline. By increasing the number of tax returns filed early, refunds can be processed more efficiently.

## W-2 PROCESSING

Web filing is the preferred method to report Employees Wage and Tax Statements. The EFW2 specifications are updated and posted annually to the department's website at <http://revenue.ky.gov/business/wbtax.htm> no later than Oct. 31 each year. Electronic filing is required for reporting of 100 or more Wage and Tax Statements. Those reporting fewer than 100 Wage and Tax Statements are encouraged to file in an electronic format (Web filing, CD, or diskette).



A Transmitter Report, Form 42A806, is required to be included with CD, diskette and paper submissions of Wage and Tax Statements. Do **not** mail the Wage and Tax Statements with the year-end return, Form K-3. Mail CD, diskette and paper submissions to: Kentucky Department of Revenue, W-2 Processing, Station 57, 501 High Street, Frankfort, KY 40601.

The Department is now electronically accepting Forms 1099G, 1099M, 1099R and W2G. Electronic submissions may only be made via CD and are required to be in the federal format found in Pub. 1220 Rev. Proc. 2010-26. See Kentucky DOR's website at [www.revenue.ky.gov](http://www.revenue.ky.gov) for the detailed specifications on the state defined fields. **1099 Forms are required to be submitted to Kentucky DOR only when Kentucky tax is withheld.**

*The filing deadline for Wage and Tax Statements is Jan. 31, 2012.*

## REPORTING ECONOMIC INCENTIVE CREDIT ON W-2S

The economic incentive credit amount should be included in box 17 (Kentucky income tax) of the W-2. When electronically filing, the economic incentive credit amount should be reported in fields 287-297 of the RS Record.

## DEPARTMENT OF REVENUE SETS 2012 TAX INTEREST RATE

Pursuant to KRS 131.183 et seq., the Commissioner of the Department of Revenue has set the following tax interest rates: for taxes underpaid the interest rate shall be 6 percent; for taxes overpaid the interest rate shall be 2 percent when interest is required to be paid.

The rates, effective Jan. 1, 2012, are based on the prime rate charged by Kentucky banks during October 2011. A recent survey of Kentucky banks showed the average prime interest rate in October was 3.69 percent. Pursuant to KRS 131.183(1)(c), the average prime rate is rounded to the nearest full percent, which is 4 percent.

Effective May 1, 2008, all taxes payable to the commonwealth that have not been paid at the time prescribed by statute shall accrue interest at the base rate plus two percent; when interest is paid on a refund, it shall be paid at the base rate minus two percent.

The Commissioner of the Department of Revenue is required by law to set the tax interest rate by Nov. 15 for the following calendar year.

## WHAT'S NEW IN PASS-THROUGH?

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

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

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

Also be reminded that when withholding on the distributable share income of nonresident individuals, estates, trusts and corporations, no withholding is made for partners or members that are pass-through entities. The distributive share income will continue to pass through as Kentucky source income requiring

withholding at each level of each pass through entity of multiple tier structures. Therefore, withholding, as well as the calculation to determine if an entity is required to make declaration payments, will be at each level of the structure using only the nonresident individual and corporations doing business in Kentucky only through its ownership interest in the pass-through entity. Trusts and Estates are entities treated as individuals and are included in the withholding requirement.

## DOR OFFICES CLOSED FOR HOLIDAYS

Pursuant to KRS 18A.190, all DOR offices will be closed Thursday and Friday, Nov. 24 and 25, in observance of Thanksgiving; Tuesday, Dec. 13 for the Governor's Inauguration; Friday, Dec. 23 and Monday, Dec. 26 for Christmas; and Friday, Dec. 30 and Monday, Jan. 2, 2012 for New Year's Day holidays. Normal hours will resume on Tuesday, Jan. 3, 2012.



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

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



