



COMMONWEALTH OF KENTUCKY  
DEPARTMENT OF REVENUE  
FRANKFORT, KENTUCKY 40620

42A740-NP(P) (10-18)

# 740-NP

## 2018 Kentucky Income Tax Return Nonresident or Part-Year Resident

### Who must file Form 740-NP?

- Full-year nonresidents with income from Kentucky sources
- Persons moving into Kentucky
- Persons moving out of Kentucky



**Electronic Filing** — *It's to your advantage! Choose one of these easy methods!*

**Federal/State Electronic Filing**—Individuals who use a professional tax practitioner to prepare their Kentucky income tax return can file both their state and federal returns by using the E-File Program. With no data entry, you can have your refund in just a few short weeks.

**Federal/State Online Filing**—This filing method offers the same benefits as the Federal/State E-Filing Program, but you prepare and file your return from the convenience of your own home computer.

**TAXPAYER ASSISTANCE—www.revenue.ky.gov**

**Refund Inquiries**—You may check the status of your refund at **www.revenue.ky.gov**. This system is available 24 hours a day, 7 days a week and is updated nightly.

The following information from your return will be required:

- Your Social Security number shown on the return.
- The **exact** whole-dollar amount to be refunded to you.

**Kentucky Taxpayer Service Centers**—*Information and forms are available in the following locations:*

**Ashland**

1539 Greenup Avenue, 41101-7695  
(606) 920-2037

**Bowling Green**

201 West Professional Park Court, 42104-3278  
(270) 746-7470

**Corbin**

15100 North US 25E, Suite 2, 40701-6188  
(606) 528-3322

**Frankfort**

501 High Street, 40601-2103  
(502) 564-4581 (General Information)  
(502) 564-3658 (Forms)

**Hopkinsville**

181 Hammond Drive, 42240-7926  
(270) 889-6521

**Louisville**

600 West Cedar Street  
2nd Floor West, 40202-2310  
(502) 595-4512

**Northern Kentucky**

Turfway Ridge Office Park  
7310 Turfway Road, Suite 190  
Florence, 41042-4871  
(859) 371-9049

**Owensboro**

Corporate Center  
401 Frederica Street  
Building C, Suite 201, 42301  
(270) 687-7301

**Paducah**

Clark Business Complex, Suite G  
2928 Park Avenue, 42001-4024  
(270) 575-7148

**Pikeville**

Uniplex Center, Suite 203  
126 Trivette Drive, 41501-1275  
(606) 433-7675

**Kentucky Department of Revenue  
Mission Statement**

*As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens.*

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*The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.*

## 2018 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

*Kentucky income tax law is based on the federal income tax law in effect on December 31, 2017.* The Department of Revenue generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists.

The chart below provides a quick reference guide to the major federal/Kentucky differences. It is not intended to be all inclusive. Items not listed may be referred to the Department of Revenue to determine Kentucky tax treatment.

PROVISION	FEDERAL TAX TREATMENT	KENTUCKY TAX TREATMENT
1. Interest from Federal Obligations	Taxable	Exempt
2. Retirement Income from:		-----
Commonwealth of Kentucky Retirement Systems	Taxable	Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
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 \$31,110 per taxpayer; 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. Capital Gains on Property Taken by Eminent Domain	Taxable	Exempt
11. Election Workers—Income for Training or Working at Election Booths	Taxable	Exempt
12. Artistic Contributions	Noncash contribution allowed as itemized deduction	Appraised value allowed as itemized deduction or adjustment to income
13. State Income Taxes	Deductible	Nondeductible
14. Leasehold Interest—Charitable Contribution	May be deductible	Deductible; Schedule HH required
15. Work Opportunity Credit (federal Form 5884)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; entire wage expense is deductible
16. 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
17. Child and Dependent Care Credit	Tax credit based on expenses	20% of federal credit
18. Family Size Tax Credit	No credit allowed	Decreasing tax credit allowed
19. Education Tuition Tax Credit	Tax credit based on expenses	Credit allowed Form 8863-K required
20. Child's Income Reported by Parent	Permitted; taxed at parent's rate	Not permitted
21. Active Duty Military Pay	Taxable	Exempt
22. Certain Business Expenses of Reservists	Deductible	Nondeductible
23. Moving Expenses for Members of the Armed Forces	Deductible	Taxable
24. Medical and Dental Expenses	Deductible	Nondeductible
25. Local Income Taxes	Deductible—limited	Nondeductible
26. Real Estate Taxes	Deductible—limited	Nondeductible
27. Personal Property Taxes	Deductible—limited	Nondeductible
28. Casualty and Theft Losses	Deductible	Nondeductible
29. Job Expenses and Other Miscellaneous Deductions	Nondeductible	Nondeductible

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# What's New

**FAMILY SIZE TAX CREDIT**—This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2018 threshold amount is \$12,140 for a family size of one, \$16,460 for a family of two, \$20,780 for a family of three, and \$25,100 for a family of four or more.

**STANDARD DEDUCTION**—For 2018, the standard deduction is \$2,530.

**INTERNAL REVENUE CODE UPDATE**—HB 487 updated KRS 141.010(14) to change the Internal Revenue Code (IRC) reference date from December 31, 2015, to December 31, 2017, for purposes of computing corporation and individual income taxes. However, taxpayers who placed property into service after September 10, 2001, are required to compute Kentucky depreciation under IRC Section 168 and the expense deduction under IRC Section 179 according to provisions in effect on December 31, 2001.

**DECEASED INDICATOR**—A new check box was added at the top of the 740 and 740-NP. If a taxpayer died before their return was filed for 2018, the deceased box must be checked.

## INDIVIDUAL INCOME TAX CHANGES FROM HB 487

**TAX RATE**—For tax years beginning on or after January 1, 2018, the individual income tax rate is a flat 5%.

**ADJUSTMENTS TO INCOME**—Effective January 1, 2018, the following items can no longer be claimed as deductions.

- Deduction for premiums paid for health insurance coverage
- Deduction for premiums paid for long-term care insurance
- Master Tobacco Settlement payments
- Deduction for the value of property leasehold interests donated and used for homeless shelters

**KENTUCKY SCHEDULE A**—Effective January 1, 2018, the following items can no longer be claimed as deductions.

- Investment interest (IRC Sec 163)
- Taxes (IRC Sec 164)
- Casualty or theft losses (IRC Sec 165)
- Medical care expenses (IRC Sec 213)
- Moving expenses (IRC Sec 217)
- Gambling losses (IRC Sec 165)
- Other miscellaneous deductions subject to the 2% floor (IRC Sec 67)

The following items can still be claimed as deductions.

- Home mortgage interest and points
- Charitable contributions
- Amortizable premium on taxable bonds (IRC Sec 171)
- Federal estate tax on income in respect of a decedent (IRC Sec 691)
- Repayments of more than \$3,000 under a claim of right (IRC Sec 1341)
- Unrecovered investment in an annuity (IRC Sec 72)
- Loss from other activities from Schedule K-1 (Form 1065-B, box 2)

The itemized deduction limitation schedule was repealed.

**KENTUCKY SCHEDULE P**—The pension exclusion decreased from \$41,110 to \$31,110. You are still entitled to exclude more than \$31,110 if you are retired from the federal government, the Commonwealth of Kentucky, or a Kentucky local government and a portion of your pension is attributable to federal or Kentucky government service performed prior to January 1, 1998.

**PERSONAL TAX CREDITS**—You are still allowed personal tax credits if you are 65 or over, blind, or in the Kentucky National Guard. All other personal tax credits were repealed.

**SCHEDULE ITC, KENTUCKY INDIVIDUAL TAX CREDIT SCHEDULE**—This schedule was created for taxpayers to claim: (1) nonrefundable business incentive tax credits; (2) personal tax credits if you are 65 or over, blind, or in the Kentucky National Guard; and (3) if you have dependent children that qualify for the Family Size Tax Credit. You must enclose this schedule along with any other required documentation if you claim any of the credits listed.

**FILM INDUSTRY CREDIT**—New film credit applications are nonrefundable and nontransferable after April 27, 2018. An annual cap of \$100 million applies to 2018 and thereafter, and commercials no longer qualify for the credit.

**INVENTORY TAX CREDIT**—A nonrefundable and nontransferable income tax credit is allowed for ad valorem taxes timely paid on inventory described in KRS 132.020(1)(n) or 132.099 on or after January 1, 2018. The credit is phased-in as follows.

- 2018 – 25% of tax paid
- 2019 – 50% of tax paid
- 2020 – 75% of tax paid
- 2021 – 100% of tax paid

**KENTUCKY CASA NETWORK FUND**— KRS 141.449 allows an individual to direct a refund to the Kentucky Court Appointed Special Advocate (CASA) Network. Designated funds support community volunteers who advocate for children in the child welfare system.

**PROTEST PERIOD**—The time to file a protest increases from 45 to 60 days, applicable to notices of tax due and refund denials issued on or after July 1, 2018. This change does not apply to protests of real property tax assessments.

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## Reminders

**SCHEDULE KW-2**—File this schedule in place of submitting Forms W-2, 1099, and W2-G for any return not electronically filed. Please retain those forms with your records and only provide them upon request.

**AMENDED RETURNS**—Beginning with tax year 2017, you may file an amended return by checking the “amended” box on the first page of Form 740. You will still need to provide a copy of federal Form 1040-X and any supporting schedules. Continue to file Form 740-X to amend returns prior to 2017.

**IDENTITY THEFT**—To help guard against the threat of fraud and identity theft, the Department of Revenue has taken steps to ensure that taxpayers’ individual income tax returns are processed safely. During the department’s initial screening, some returns may require additional verification. This verification is accomplished through the Identity Confirmation Quiz.

If selected, a letter will be sent advising the taxpayer that in order for the department to continue processing their return, a short 5-minute quiz must be taken and passed. The letter will give specifics about what the taxpayer should do to take the quiz. Please do not ignore this letter. Receiving this letter does not mean you have been a victim of identity theft; it only means that the department wishes to verify the identity of the person filing the return before issuing a refund.

## General Information

### Which form should I file?

**File Form 740 if you are a full-year Kentucky resident and meet the filing requirements on page 7 of the Instructions for Form 740.**

**File Form 740-NP if you are a nonresident and:**

- had income from Kentucky sources.

**or are a part-year Kentucky resident and:**

- moved into or out of Kentucky during the taxable year.
- had income while a Kentucky resident.
- had income from Kentucky sources while a nonresident.

**File Form 740-NPR if you are a resident of a reciprocal state: Illinois, Indiana, Michigan, Ohio, Virginia, West Virginia and Wisconsin and you had Kentucky income tax withheld and had no other income from Kentucky sources.**

### Computer-Generated Returns and 2-D Bar Code

Most software packages produce a 2-D bar code. The Department of Revenue scans the bar code that contains all of the information needed to process your return. The bar code is printed in the upper right-hand corner of the return when you prepare your return using an approved software package. **Last minute changes** should be entered into the program and the **entire** return printed again so that the bar code also contains the correct information. This bar code should not be covered up or marked through. Using the bar code reduces data entry errors for the department and results in a faster refund for you.

Check to be sure your software generates an acceptable form. A list of vendors whose software has been approved is posted on the Internet at [www.revenue.ky.gov](http://www.revenue.ky.gov), the Department of Revenue's Web site.

### Where to Get Forms

Forms and instructions are available online from the Department of Revenue's Web site at [www.revenue.ky.gov](http://www.revenue.ky.gov) and at all Kentucky Taxpayer Service Centers. They may also be obtained by writing FORMS, Kentucky Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or by calling (502) 564-3658.

### Address Change

If you move after you file your tax return, please notify the Kentucky Department of Revenue of your new address. This can be done by sending a change of address card (available at your local post office) to: Taxpayer Assistance Section, Kentucky Department of Revenue, P.O. Box 181, Station 56, Frankfort, KY 40602-0181. Notification can also be made to any Kentucky Taxpayer Service Center. A list of locations is included in your packet.

### Refund Inquiries

You may check the status of your refund at [www.revenue.ky.gov](http://www.revenue.ky.gov). This system is available 24 hours a day, 7 days a week, and is updated nightly. The following information from your return will be required:

- Your Social Security Number shown on the return.
- The **exact** whole-dollar amount to be refunded to you.

Information about electronically filed returns should be available within 72 hours of receipt. Information about other refund requests filed on paper will be available after the return has completed initial processing (approximately 12 weeks).

### Need a Copy of Your Tax Return?

If you need a copy of your tax return, you must send your request in writing to: Taxpayer Assistance Section, Kentucky Department of Revenue, P.O. Box

181, Station 56, Frankfort, KY 40602-0181. Please include your name(s) as it appeared on your return, Social Security number(s), your complete mailing address, and a photo ID. To ensure confidentiality, all requests must include your signature.

### How Long Should Records be Kept?

Keep a copy of your tax return, worksheets and records of all items appearing on it (such as Forms W-2 and 1099 or other receipts) until the statute of limitations runs out for that return. Usually, this is four years from the date the return was due or filed (with extensions), or the date the tax was paid, whichever is later. You should keep some records longer. For example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property.



### Filing as an Injured Spouse on Your Federal Form 1040?

**Kentucky does not recognize the federal injured spouse form.** Income tax refunds may be withheld by the department if you owe money to the Kentucky Department of Revenue, another state agency or the Internal Revenue Service.

Kentucky law requires the offset of the entire refund if a joint return is filed. **If spouses want to keep their tax liabilities and/or refunds separate, each must file a separate tax form.** If you choose to file separately on a combined return, for agencies other than the Department of Revenue, the refund will be apportioned between spouses, based on each spouse's income. The indebted spouse's refund will then be paid to the appropriate agency.



## Death of a Taxpayer

If a taxpayer died before filing a return for 2018, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator or anyone who is in charge of the deceased taxpayer's property. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return should check the applicable deceased box at the top of the return.

If your spouse died in 2018 and you did not remarry in 2018, you can file jointly or separately on a combined return. The return should show your spouse's 2018 income before death and your income for all of 2018. You can also file jointly or separately on a combined return if your spouse died in 2019 before filing a 2018 return. Write "**Filing as surviving spouse**" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

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## Death of Military Personnel Killed in Line of Duty

KRS 141.019(k) exempts all income earned by soldiers killed in the line of duty from Kentucky tax for the year during which the death occurred and the year prior to the year during which the death occurred.

The exemption applies to tax years beginning after December 31, 2001. The income exclusion applies to all income from all sources of the decedent, not just military income. The exclusion includes all federal and state death benefits payable to the estate or any beneficiaries.

Amended returns may be filed for the year the soldier was killed in the line of duty and the year prior to the year of death. The amended returns must be filed within the statute of limitations period; four years from the due date, the extended due date or the date the tax was paid, whichever is later.

If a combined return was filed, the exclusion would apply to the income reported in Column A or Column B of the Kentucky return attributable to the military member. If a joint return was

filed, the income must be separated accordingly. Refunds will be issued in the names on the original return. Beneficiaries or estates that received death benefits that were included in a Kentucky return may file an amended return to request a refund of taxes paid on the benefit.

The Department of Revenue will use the Veterans Administration definition for "in the line of duty," which states that a soldier is in the line of duty when he is in active military service, whether on active duty or authorized leave; unless the death was the result of the person's own willful misconduct.

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## Income Tax Withholding for 2019

If the amount you owe or the amount you overpaid is large, you may want to change the amount of income tax withheld from your 2019 pay. To do so you must file a new Form K-4 with your employer.

The Family Size Tax Credit is based on modified gross income and the size of the family. See instructions for lines 20 and 21 for further explanation of these limitations. If you do not expect to have any tax liability for the current year and you meet the modified gross income requirements, you may be entitled to claim exemption from withholding of Kentucky income tax.

You must update your K-4 with your employer.

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## 2019 Estimated Tax Payments

Persons who reasonably expect to have income in excess of \$5,000 from which no Kentucky income tax will be withheld may be required to make estimated tax payments on Form 740-ES. However, if the amount of estimated tax is \$500 or less, no estimated payments are required. Persons who do not prepay at least 70 percent of the tax liability may be subject to a 10 percent penalty for underpayment of estimated tax. If you are required to make estimated tax payments you may also be subject to interest if the payments are not made timely. Prepayments for 2019 may be

made through withholding, a credit forward of a 2018 overpayment or estimated tax installment payments.

Estimated tax installments may now be made electronically at [www.revenue.ky.gov](http://www.revenue.ky.gov), using Form EPAY, or when electronically filing your return using Form 8879-K, or through mailing a 740-ES with payment.

The instructions for Form 740-ES include a worksheet for calculating the amount of estimated tax due and for making installment payments. These forms may be obtained from the Kentucky Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or any Kentucky Taxpayer Service Center, or by calling (502) 564-3658.

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## Return Adjustments

If the Department of Revenue adjusts your return and you do not understand the adjustment, you may write to Taxpayer Assistance, Kentucky Department of Revenue, P.O. Box 181, Station 56, Frankfort, KY 40602-0181 or call (502) 564-4581. If you disagree with an adjustment made to your return, you may appeal that adjustment by submitting a written protest within 60 days of notification.

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## Amended Returns

If you discover that you omitted deductions or otherwise improperly prepared your return, you may obtain a refund by filing an amended return within four years of the due date of the original return. *You are required to file an amended return to report omitted income.* For 2017 and 2018 use form 740 and check the box for amended. For 2016 and prior, use Form 740-X. You may obtain these forms by contacting a Kentucky Taxpayer Service Center or writing FORMS, Kentucky Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518. You may also download forms at <http://revenue.ky.gov> the Department of Revenue's website.

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## Federal Audit Adjustments



Taxpayers who have received a final determination of an Internal Revenue Service audit must submit a copy to the department **within 180 days of its conclusion**. The information should be submitted to the Individual Governmental Program Section, Kentucky Department of Revenue, P.O. Box 1074, Station 68, Frankfort, KY 40602-1074.

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## Confidentiality

Kentucky Revised Statute 131.190 requires the Department of Revenue to maintain strict confidentiality of all taxpayer records. No employee of the Department of Revenue may divulge any information regarding the tax returns, schedules or reports required to be filed. However, the Department of Revenue is not prohibited from providing evidence to or testifying in any court of law concerning official tax records. **Also, Department of Revenue employees or any other person authorized to access confidential state information are prohibited from intentionally viewing such information without an official need to view.**

The department may provide official information on a confidential basis to the Internal Revenue Service or to any other governmental agency with which it has an exchange of information agreement whereby the department receives similar or useful information in return.


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## Extension of Time to File

Taxpayers who are unable to file a return by April 15 may request an extension. Taxpayers may elect to file this request electronically or by mailing the extension to the Department of Revenue on or before the due date of the return. The request must state a reasonable cause for the inability to file. Inability to pay is not an acceptable reason. Acceptable reasons include, but are not limited to, destruction of records by fire or flood and serious illness of the taxpayer. Extensions are limited to six months. **A copy of the Kentucky extension request must be enclosed with the return.**

Individuals who receive a federal extension are not required to request a

separate Kentucky extension. They can meet the requirements by enclosing a copy of the application for automatic federal extension to the Kentucky return.

**IRS extensions by e-file (by personal computer or a tax professional)**—Enclose a copy of Form 4868 with the confirmation number in the lower right-hand corner of the form  or a copy of the electronic acknowledgment.

**Military Personnel**—Kentucky residents who are in the military are often granted extensions for tax filings when serving outside the United States. Any extension granted for federal income tax purposes will be honored for Kentucky income tax purposes.

**Combat Zone Extension**—Members of the Army, Navy, Marines, Air Force, or Public Health Service of the United States government who serve in an area designated as a combat zone by presidential proclamation shall not be required to file an income tax return and pay the taxes, which would otherwise become due during the period of service, until 12 months after the service is completed. Members of the National Guard or any branch of the Reserves called to active duty to serve in a combat zone are granted the same extension.

**Interest and Penalties**—Interest at the “tax interest rate” 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 percent of the tax due, a **late payment penalty** may be assessed (minimum penalty is \$10).

**Interest and penalty charges can be avoided or reduced** by sending payment with your extension request by the due date. If you wish to make a payment prior to the due date of your return when using the:

- (1) *Kentucky Extension*—Complete Section II, Kentucky Extension Payment Voucher, of the Application for Extension of Time to File, Form 740EXT, and send with payment. Write “KY Income Tax—2018” and your Social Security number(s) on the face of the check.
- (2) *Federal Automatic Extension*—Make a copy of the lower portion of the federal Application for Automatic Extension, Form 4868, and send with payment. Write “KY Income Tax—2018” and your Social Security number(s) on the face of the check.

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## Personal Property Forms

Kentucky business taxpayers are reminded to report all taxable personal property, except motor vehicles, owned on January 1 to either the property valuation administrator in the county of residence (or location of business) or the Office of Property Valuation in Frankfort. Tangible personal property is to be reported on the Tangible Personal Property Tax Return, Form 62A500. The due date for this return is May 15. **Do not mail this return with your income tax return; use a separate envelope.**



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## Kentucky State Treasury—Unclaimed Property

**Individuals**—The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit [treasury.ky.gov](http://treasury.ky.gov) or [www.missingmoney.com](http://www.missingmoney.com) for more information on how to locate and claim any funds that may belong to you.

**Businesses**—Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit [treasury.ky.gov](http://treasury.ky.gov) for more information.

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## INSTRUCTIONS FOR 2018 KENTUCKY FORM 740-NP NONRESIDENT OR PART-YEAR RESIDENT INCOME TAX RETURN

**WHO MUST FILE FORM 740-NP**—Form 740-NP must be used by full-year nonresidents who had income from Kentucky sources and by part-year residents who had income while a Kentucky resident or from Kentucky sources while a nonresident. These persons must file Form 740-NP if (1) they had **any gross income** from Kentucky sources **and gross income from all sources** in excess of modified gross income for their family size, or (2) Kentucky gross receipts from self-employment in excess of modified gross income for their family size. See Chart A on page 5.

Individuals who are residents of Kentucky for the entire tax year must use Form 740. Persons who maintain a permanent residence in Kentucky (i.e., are domiciled in Kentucky) are considered residents. Persons not domiciled in Kentucky but who live in Kentucky for more than 183 days during the tax year are also considered residents.

**Full-year nonresidents** must report all income from Kentucky sources (including distributive share income, Schedule K-1), from activities carried on in Kentucky or from the performance of services in Kentucky, and from property located in Kentucky.

**Persons moving into Kentucky** must report income received from Kentucky sources prior to becoming residents and income received from all sources after becoming Kentucky residents.

**Residents moving out of Kentucky** during the year must report income from all sources while a resident and from Kentucky sources while a nonresident.

**Reciprocal States**—Kentucky has reciprocal agreements with specific states. These agreements provide for taxpayers to be taxed by their state of residence, and not the state where income is earned. **Reciprocity does not apply to persons who live in Kentucky for more than 183 days during the tax year.** The states and types of exemptions are as follows:

**Illinois, West Virginia**—wages and salaries

**Indiana**—wages, salaries and commissions

**Michigan, Wisconsin**—income from personal services (including salaries and wages)

**Ohio**—wages and salaries. **Note:** Wages which an S corporation pays to a shareholder-employee if the shareholder-employee is a “twenty (20) percent or greater” direct or indirect equity investor in the S corporation shall not be exempt under the reciprocity agreement.

**Virginia**—commuting daily, salaries and wages

*Taxpayers who qualify for this exemption and have no other Kentucky taxable income should file Form 740-NP-R, Kentucky Income Tax Return, Nonresident-Reciprocal State, to obtain a refund. Also, nonresidents who qualify for the exemption should file Form 42A809, Certificate of Nonresidence, with their employer to exempt their future wages from Kentucky withholding.*

**Gambling income and distributive share income (Schedule K-1) are not exempt under reciprocal agreements. This income is fully taxable. A complete return must be filed if filing requirements are met.**

**Military Personnel**—Nonresident military personnel with civilian jobs in Kentucky are required to report this income on Form 740-NP except residents of reciprocal states (see reciprocal states above). Any income from nonmilitary Kentucky sources is also taxable.

**Military Pay Exclusion**—Effective for taxable years beginning on or after January 1, 2010, all military pay received by active duty members of the Armed Forces of the United States, members of reserve components of the Armed Forces of the United States, and members of the National Guard will be exempt from Kentucky income tax. (KRS 141.019(1))

Soldiers will claim the exemption by excluding military pay when filing a Kentucky individual income tax return starting with the 2010 return. Provided the military member has no income other than military pay, he or she would not be required to file a Kentucky income tax return. The military pay exemption applies to all Kentucky military members regardless of where the member is stationed. Kentucky income tax should no longer be withheld from checks received for military pay, beginning January 1, 2010. If Kentucky income tax is incorrectly withheld from a soldier’s military pay in 2010 and after, the Department of Revenue will refund the tax withheld.

**Military Spouse**—The Military Spouses Residency Relief Act (MSRRA) (Public Law 111-97) was signed into law on November 11, 2009. This new law is effective for taxable year 2009. The MSRRA allows the same residency benefits permitted to military personnel under the Servicemembers Civil Relief Act (SCRA) to also apply to a military spouse’s nonmilitary service income, under certain circumstances.

The MSRRA prohibits a spouse’s income from being considered income earned in a tax jurisdiction if the spouse is not a resident or domiciliary of such jurisdiction when the spouse is in that jurisdiction solely to be with a servicemember serving under military orders.

Those military spouses who fall under this law should file Form 740-NP Kentucky Individual Income Tax Nonresident or Part-Year Resident Return to request a refund of the Kentucky income tax withheld from his or her pay. The income would not be reported as taxable on the Kentucky income tax return. To assist the department in identifying those returns, please check the MILITARY SPOUSE box on the top of the return. Please address any further questions to the Taxpayer Assistance Section at (502) 564-4581.

**Military Personnel Eligible for Combat Zone Extension**—Members of the Army, Navy, Marines, Air Force, or Public Health Service of the United States government who serve in an area designated as a combat zone by presidential proclamation shall not be required to file an income tax return and pay the taxes, which would otherwise become due during the period of service, until 12 months after the service is completed. Members of the National Guard or any branch of the Reserves called to active duty to serve in a combat zone are granted the same extension.

### MODIFIED GROSS INCOME AND FAMILY SIZE (Use With Chart A)

**Family Size**—Consists of yourself, your spouse if married and living in the same household and qualifying children. Family size is limited to four.

**Qualifying Dependent Child**—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer’s qualifying child, a person must satisfy four tests:

- **Relationship**—The taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.
- **Residence**—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents. Other federal exceptions apply.
- **Age**—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.
- **Support**—Did not provide more than one-half of his/her own support for the year.

**Modified Gross Income**—Modified gross income is the greater of federal adjusted gross income adjusted to include interest income derived from municipal bonds (non-Kentucky) and lump-sum pension distributions not included in federal adjusted gross income; *or* Kentucky adjusted gross income adjusted to include lump-sum pension distributions not included in federal adjusted gross income.

Chart A	
If Your Family Size is:	Your <i>Modified Gross Income</i> is greater than:
One.....	<i>and</i> ..... \$ 12,140
Two .....	<i>and</i> ..... \$ 16,460
Three.....	<i>and</i> ..... \$20,780
Four or More .....	<i>and</i> ..... \$ 25,100

**WHEN TO FILE**—April 15, 2019, is the filing deadline for persons reporting income for calendar year 2018. To avoid penalties and interest, returns must be postmarked no later than April 15, 2019.

**Social Security Number**—You are required to provide your Social Security number per Section 405, Title 42, of the United States Code. This information will be used to establish your identity for tax purposes only.

**AMENDED RETURNS**—If you discover that you omitted deductions or otherwise improperly prepared your return, you may obtain a refund by filing an amended return within four years of the due date of the original return. You are required to file an amended return to report omitted income.

**When filing an amended return, check the box on Form 740-NP and enclose a detailed explanation of the changes to income, deductions and tax. Submit a completed Kentucky return and corrected federal schedules, if applicable. If you do not enclose the required information, processing of your amended return may be delayed.**

**CONFIDENTIALITY**—Kentucky Revised Statute 131.190 requires the Department of Revenue to maintain strict confidentiality of all taxpayer records. No employee of the Department of Revenue may divulge any information regarding the tax returns, schedules or reports required to be filed. However, the Department of Revenue is not prohibited from providing evidence to or testifying in any court of law concerning official tax records.

The department may provide official information on a confidential basis to the Internal Revenue Service or to any other governmental agency with which it has an exchange of information agreement whereby the department receives similar or useful information in return.

**REPORTING PERIODS AND ACCOUNTING PROCEDURES**—Kentucky law requires taxpayers to report income on the same calendar or fiscal year and to use the same methods of accounting as required for federal income tax purposes. Any federally approved change in accounting period or methods must be reported to the Kentucky Department of Revenue. Enclose a copy of the federal approval.

Changes to federal income tax law made after the Internal Revenue Code reference date contained in KRS 141.010(14) shall not apply for purposes of Chapter 141 unless adopted by the General Assembly.

**POLITICAL PARTY FUND DESIGNATION**—You may designate that a portion of your taxes will be paid to either the Democratic or Republican parties if you have a tax liability of at least \$2 (\$4 for married persons filing joint returns). *This designation will not increase your tax or decrease your refund.* You may make this designation by checking the applicable box. A taxpayer and spouse may each make a designation. Persons making no designation should check the "No Designation" box.

**FILING STATUS**—*Legal liabilities are affected by the choice of filing methods.* Married persons who file joint returns are jointly and severally liable for all income taxes due for the period covered by the return. If married, you may file separate or joint returns. **Most married persons pay less tax if they file separate returns.**

**Filing Status 1, Single**—Use this filing status if you are unmarried, divorced, widowed, legally separated by court decree, or if you filed as "Head of Household" or "Qualifying Widow(er)" on your federal return.

**Filing Status 2, Married Filing Joint Return**—Use this filing status if you and your spouse choose to file a joint return even if one spouse had no income. Jointly means that you and your spouse add your incomes together and report the total on page 3, Column B, Lines 1 through 33.

**Filing Status 3, Married Filing Separate Returns**—If using this filing status, you and your spouse must file two, separate tax forms. The taxpayer's income is reported on one tax form, the spouse's on the other. When filing separate returns, the name and Social Security number of each spouse must be entered on both returns. Enter the spouse's Social Security number in the block provided, and enter the name on page 1, line 3.

**DETERMINING YOUR INCOME**

**INCOME/ADJUSTMENTS TO INCOME**

**A copy of your federal income tax return and all supporting schedules must be filed with Kentucky Form 740-NP. Please clearly identify as "Copy."**

**INSTRUCTIONS FOR COLUMN A**

All entries in Column A should be amounts reported for federal income tax purposes.

**Depreciation—Assets Purchased After September 10, 2001**

Effective for taxable years ending after September 10, 2001, an individual that for federal income tax purposes elects to utilize



## Moving Expense Reimbursement Worksheet

the 30 percent or the 50 percent special depreciation allowance or the increased 179 deduction will have a different depreciation and Section 179 deduction for Kentucky purposes than for federal purposes. The differences will continue through the life of the assets. There will be recapture and basis differences for Kentucky and federal income tax purposes until the assets are sold or fully depreciated.

### INSTRUCTIONS FOR COLUMN B

**Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets**—*Important: Follow the instructions for Reporting Depreciation and Section 179 Deduction Differences if you have elected for federal income tax purposes to take the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction for property placed in service after September 10, 2001. A copy of the federal Form 4562 if filed for federal income tax purposes must be submitted with Form 740-NP to verify that no adjustments are required.*

**Reporting Depreciation and Section 179 Deduction Differences for property placed in service after September 10, 2001**—**Create a Kentucky Form 4562** by entering **Kentucky** at the top center of a federal Form 4562 above Depreciation and Amortization. In Part I, Line 1 enter the Kentucky limit of \$25,000 and in Part I, Line 3 enter the Kentucky phase-out amount of \$200,000. In Part II, strike through and ignore Line 14, Special depreciation allowance for qualified property placed in service during the tax year. Use the **created Kentucky Form 4562** to compute Kentucky depreciation and Section 179 deduction in accordance with the IRC in effect on December 31, 2001.

**Note:** In determining the Section 179 deduction for Kentucky, the income limitation on line 11 is Kentucky net income before the Section 179 deduction, instead of federal taxable income. Adjust federal Schedules C, E and F for the difference in allowable depreciation and report in Column B the Kentucky income (loss) from business, farming or rental property. **Enclose Kentucky Form 4562 and, if filed, federal Form 4562.**

**Line 1, Wages, Salaries, Tips, etc.**—Enter all wages, salaries, tips, bonuses, commissions or other compensation received for personal services from Kentucky sources while a nonresident and from all sources while a resident of Kentucky. Do not include in this amount any reimbursement for moving expenses included in Kentucky wages on your wage and tax statement.

**Line 2, Moving Expense Reimbursement**—Any payments made to you or on your behalf by any employer for moving expenses are considered income. These payments may be included in box 1 as wages or shown separately on the wage and tax statements. Persons who were residents of Kentucky for only part of the year are required to report as income only part of the total reimbursement they received. The amount which must be reported to Kentucky as income is based on the percentage of Kentucky earned income to total earned income. Earned income is income you received for services you provided. It includes wages, salaries, tips, etc. It also includes income earned from self-employment (Schedules C, C-EZ and F and partnerships). Use the worksheet below to calculate the taxable percentage of your reimbursement.

1. Enter total Kentucky earned income (do not include moving expense reimbursement) \_\_\_\_\_
2. Enter total earned income from federal return (do not include moving expense reimbursement) \_\_\_\_\_
3. Divide line 1 by line 2. Enter result. If amount is equal to or greater than 100%, enter 100% \_\_\_\_\_%

Multiply your total federal reimbursement in Column A by the percentage on line 3 of the worksheet and enter in Column B. This is your Kentucky taxable portion of your moving expense reimbursement.

Moving expense reimbursement is not taxable for nonresidents.

**Line 3, Interest**—Interest income received while a Kentucky resident must be reported, except for the following: (a) income from bonds issued by the Commonwealth of Kentucky and its political subdivisions; and (b) income from U.S. government bonds or securities. Interest income from bonds issued by other states and their political subdivisions is taxable to Kentucky and must be included on line 3.

**Line 4, Dividends**—Report dividends received while a resident of Kentucky and the distributive share of the dividend income reflected on the Schedule K-1.

**Line 5, Taxable Refunds, Credits or Offsets of State or Local Income Taxes**—Enter the amount of taxable local income tax refund or credit reported on your federal return only if you received a tax benefit in a prior year. Do not include state income tax refunds.

**Line 6, Alimony Received**—Enter alimony payments received while a Kentucky resident.

**Lines 7 and 12, Profit or (Loss) from Business or Farming**—*For income taxable to Kentucky, complete and enclose federal Schedule C or C-EZ for business income or federal Schedule F for farming and Form 4562, Depreciation and Amortization. Do not adjust wages by the federal work opportunity credit from federal Form 5884. For passive activities, see Form 8582-K. Do not include income from the national tobacco settlement agreement. Adjust income for the difference in allowable depreciation and report in Column B.*

**Note:** Individual owners of disregarded single member LLCs (SMLLCs) that file on Schedules C, E, or F for federal income tax shall file Form 725, Kentucky Single Member LLC Individually Owned Income and LLET Return, to compute and pay the limited liability entity tax. The individual member shall report income or loss from the entity and determine credit in the same manner as other pass-through entities (PTEs).

**Lines 8 and 9, Gain or (Loss) from Sale or Exchange of Assets**—Gains (losses) on sales of assets (including installment sales) while a Kentucky resident must be reported on the Kentucky return. Gains (losses) on sales of tangible assets located in Kentucky must be reported regardless of state of residence. Generally, gains (losses) on sales of intangible assets are reported to the state of residence.

**Determining and Reporting Differences in Gain or Loss From Disposition of Assets**—If during the year you dispose of assets placed in service after September 10, 2001, on which the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction was taken for federal income tax purposes, you will need to determine and report the difference in the amount of gain or loss on the assets as follows:

**Create a Kentucky form** by entering **Kentucky** at the top center of a federal Schedule D, federal Form 4797 and other applicable federal forms. Compute Kentucky gain or loss from the disposed assets using the Kentucky basis. Enter the Kentucky gain or loss on the appropriate line. **Enclose the created Kentucky Schedule D, Kentucky Form 4797 and other forms or schedules to support the deduction.**

**Line 10(a), Federally Taxable IRA Distributions, Pensions and Annuities**—Enter on Line 10(a), Column A, the total of IRA distributions, pensions and annuities received for the entire year. Enter on Line 10(a), Column B, the total of IRA distributions, pensions and annuities received while a resident of Kentucky.

**Line 10(b), Pension Income Exclusion**—You may exclude up to \$31,110 of pension income per taxpayer **reported on line 10(a), Column B**. If Line 10(a), Column B, is more than \$31,110 and is from the federal government, Commonwealth of Kentucky or Kentucky local governments, complete Schedule P.

**Line 11, Income from Schedule E**—Enter income from rents, royalties, partnerships, estates, trusts, limited liability companies (LLC), S corporations and REMICs. Nonresident individuals receiving a Kentucky Schedule K-1 from a partnership, estate, trust, LLC or S corporation must report their distributive share of the income, gains or losses, etc., as reflected on the Schedule K-1. Shareholders and partners should multiply their distributive share items by the taxable percentage from Schedule K-1; Form 720S, Line B(2); Form 765, Line D(2) and Form 765-GP, Line C(2).

Part-year residents not receiving a Kentucky Schedule K-1, but receiving a federal K-1 from a partnership, estate, trust or S corporation, must report the same amount of distributive income, gains or losses, etc., as reported for federal income tax purposes from entities whose taxable years end during their period of residence.

Do not include in Column B the net income from an S corporation subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

Report income from real estate mortgage investment conduits (REMICs) as follows: (1) if the REMIC is a corporation, include only distributions of cash or property during the taxable year; or (2) if other than a corporation, report the same amount as reported for federal income tax purposes for the taxable year.

**Note:** Individual owners of disregarded single member LLCs (SMLLCs) that file on Schedules C, E, or F for federal income tax shall file Form 725, Kentucky Single Member LLC Individually Owned Income and LLET Return, to compute and pay the limited liability entity tax. The individual member shall report income or loss from the entity and determine credit in the same manner as other pass-through entities (PTEs).

**Line 13, Unemployment Compensation**—Report unemployment compensation received while a resident of Kentucky.

**Line 14, Taxable Social Security Benefits**—Social Security benefits are not taxable for Kentucky.

**Line 15, Gambling Winnings**—Report income from lottery winnings and gambling received while a Kentucky resident or from Kentucky sources while a nonresident.

**Line 16, Other Income**—Report income from prizes, awards, or any sources not listed above while a Kentucky resident or from Kentucky sources while a nonresident.

**Retirement Income** (For persons moving out of Kentucky)—Include differences in pension (3-year recovery rule) and IRA bases received while a resident of Kentucky (also include differences on Schedule P, Line 2).

**Net Operating Loss Deduction**—A Kentucky net operating loss deduction (KNOLD) must be computed using Kentucky income and deduction amounts. The federal net operating loss deduction is not allowed. The KNOLD should be included as a negative amount on line 16. If the loss is from a business outside Kentucky, none of the loss may be used. Kentucky returns must be filed for the year of the loss and for all years for which the loss is utilized. Enclose schedule showing computation.

**Note:** For 2005 and future years, the carryback of net operating losses to prior years is no longer allowed. Net operating losses may be carried forward for up to 20 years. Documentation to substantiate any loss must be available to the Department of Revenue upon request.

**Artistic Charitable Contributions**—A deduction is allowed for "qualified artistic charitable contributions" of any literary, musical, artistic or scholarly composition, letter or memorandum, or similar property.

An amount equal to the fair market value of the property on the date contributed is allowable as a deduction. However, the deduction is limited to the amount of the taxpayer's Kentucky artistic adjusted gross income for the taxable year. This amount should be included as a negative amount on line 16.

The following requirements for a deduction must be met:

- (a) The property must have been created by the personal efforts of the taxpayer at least one year prior to the date contributed. The creation of this property cannot be related to the performance of duties while an officer or employee of the United States, any state or political subdivision thereof.
- (b) A written appraisal of the fair market value of the contributed property must be made by a qualified independent appraiser within one year of the date of the contribution. A copy of the appraisal must be enclosed with the tax return.
- (c) The contribution must be made to a qualified tax-exempt organization.

## ADJUSTMENTS TO INCOME

KRS 141.019(1) and (2) provide that deductions are limited to amounts allocable to income subject to taxation. If a deduction or an adjustment to gross income is allowable based upon the receipt of certain types of income or is limited to a maximum amount deductible for federal income tax purposes, the Kentucky income used to determine the amount allowable for Kentucky shall be the same type of income used to allow the deduction on the federal return. Persons who move into or out of Kentucky during the year are limited to either the adjustments to gross income paid during the period of residence or that portion of adjustments to gross income that Kentucky income bears to total income. Nonresidents are limited to that portion of adjustments to gross income that Kentucky income bears to total income.

**Line 18, Educator Expenses**—Deduct up to \$250 for teachers and other educators for their out-of-pocket expenses incurred while a Kentucky resident or expenses for use in an educational classroom.

**Line 19, Certain Business Expenses of Reservists, Performing Artists and Fee-Basis Government Officials**—Do not include out-of-pocket expenses for members of the National Guard or Reserves.

**Line 20, Health Savings Account (HSA) Deduction**—Federal limitations apply. Contributions deducted by full-year nonresidents are limited to the percentage of their Kentucky total income (Line 17, Column B) to their federal total income (Line 17, Column A). Do not claim amounts as an itemized deduction.

**Line 21, Moving Expenses for Members of the Armed Forces**—Moving expenses are not deductible.

**Line 22, Deduction for One-Half of Self-Employment Tax**—You may deduct one-half of the self-employment tax based upon the self-employment income reported in Column B as Kentucky income for the taxable year.

**Line 23, Self-Employed SEP, SIMPLE and Qualified Plans Deduction**—Self-employed persons may deduct qualified payments to a Keogh retirement plan, a Simplified Employee Pension (SEP) or a SIMPLE plan based upon Kentucky self-employment earnings.

**Line 24, Self-Employed Health Insurance Deduction**—Self-employed persons may deduct self-employed health insurance based upon Kentucky self-employment earnings.

**Line 25, Penalty on Early Withdrawal of Savings**—You may deduct the interest penalty only if the interest income has been reported to Kentucky.

**Line 26, Alimony Paid**—The alimony deduction cannot exceed Kentucky income. Alimony paid by full-year nonresidents is limited to the percentage of their Kentucky total income to their federal total income. Enter the recipient's name and Social Security number.

**Line 27, Individual Retirement Arrangements (IRAs)**—The deduction cannot exceed income earned in Kentucky. Contributions made by full-year nonresidents are limited to the percentage of their Kentucky earned income to their federal earned income. Use federal worksheets and instructions with the above limitations.

**Line 28, Student Loan Interest Deduction**—Federal limitations apply. Student loan interest deduction is limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). Enter in Column A, the total of student loan interest from your federal return. Enter in Column B, the allowable deduction with the above limitation.

**Line 29, RESERVED**—

**Line 30, RESERVED**—

**Line 31, Other Deductions**—List any other adjustments to total income not listed above on lines 18 through 30. List the type of deduction in the space provided. Other deductions, with the exception of military and qualifying military spouse income, are limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). Enter in Column A, the total of any other adjustments to the total income listed on your federal return. Enter in Column B, the allowable deduction with the above limitation.

Nonresident military members filing to report nonmilitary income to Kentucky must subtract their military income on line 31, Column A with a notation "nonresident military income." The qualifying spouse of a military member who

has nonmilitary income should subtract their income on line 31, Column A with a notation "military spouse income." Nonresident military and qualifying military spouse income is not limited to the percentage of Kentucky total income to federal total income.

## INCOME/TAX

**Note:** These items are reported on page 1, Form 740-NP.

**Line 7**—Enter the percentage from page 3, line 34.

**Line 8**—Enter federal Adjusted Gross Income from page 3, Column A, Line 33.

**Line 9**—Enter Kentucky Adjusted Gross Income from page 3, Column B, Line 33.

**Line 10**—Nonitemizers, enter the standard deduction of \$2,530. If filing a joint return, only one \$2,530 standard deduction is allowed.

**Line 11**—Itemizers, complete Schedule A and enter itemized deductions on line 11. If one spouse itemizes deductions, the other must itemize. See specific instructions for Schedule A.

**Line 12**—Multiply line 11 by the percentage on line 7. If line 12 does not exceed \$2,530 and your filing status is 1 or 2, you should elect to take the standard deduction. Married couples filing separate returns, see special rules under instructions for Schedule A.

**Line 13**—Subtract either line 10 or 12 from line 9. This is your Taxable Income.

**Line 14—Tax Computation:** Multiply line 13 by 5% (.05). This is your tax.

**Schedule J, Farm Income Averaging**—If you elect Farm Income Averaging on your federal return, you may also use this method for Kentucky. Complete and enclose Kentucky Schedule J and include tax in the amount on this line.

If you had a **lump-sum distribution** from a qualified retirement plan, complete Schedule P and Form 4972-K and enclose copies to Form 740-NP. The amount of tax computed on Form 4972-K should be included in the amount on this line.

Also enter on this line any recycling composting income tax credit recapture (enclose Schedule RC-R), distilled spirits income tax credit recapture (enclose Schedule DS-R), and/or angel investor income tax credit recapture.

**Line 15**—Enter amount from Schedule ITC, Section A, Line 24. See instructions for Schedule ITC.

**Line 17**—Enter amount from Schedule ITC, Section B, Line 3. See instructions for Schedule ITC.

**NOTE:** Use only if 65 or over, blind, or in Kentucky National Guard.

**Line 18**—Multiply the amount on line 17 by the percentage on line 7 and enter result here.

**Line 20 and Line 21, Family Size Tax Credit**—The Family Size Tax Credit is based on modified gross income (MGI) and the size of the family. If your total MGI is \$33,383 or less, you may qualify for Kentucky Family Size Tax Credit.

Enter family size. See Schedule ITC for instructions.

Enter family size tax credit decimal amount determined from family size tax credit.



**Line 23, Education Tuition Tax Credit**—Complete Form 8863-K to claim this credit. See Forms and instructions.

**Line 25, Child and Dependent Care Credit—Full-year nonresidents are not entitled to this credit.** Part-year residents may be entitled to a credit for child and dependent care expenses paid while a resident of Kentucky. To determine this credit, complete the following worksheet.

- (a) Enter total credit calculated on federal Form 2441, line 9 .....
- (b) Enter total child and dependent care expenses entered on Form 2441, line 3 .....
- (c) Enter the amount included on line (b) paid while a Kentucky resident.....
- (d) Divide line (c) by line (b). Enter result.....
- (e) Multiply the amount on line (a) by the decimal amount on line (d)....
- (f) Percent of allowable credit for Kentucky..... **x .20**
- (g) Multiply the amount on line (e) by the decimal amount on line (f). This is your Child and Dependent Care Credit. Enter on line 25.....

**Note:** If you and your spouse are filing separate Kentucky returns, the child and dependent care credit calculated for Kentucky must be divided based on the percentage of each spouse's adjusted gross income to total Kentucky adjusted gross income (line 9).

**Line 27, Kentucky Use Tax**—If, while a Kentucky resident, you made any out-of-state purchases of tangible personal property, digital property and extended warranties for use in Kentucky on which sales tax was not charged, you must report Kentucky use tax on those purchases, pursuant to KRS 139.330. **For example, if you order from catalogs, make purchases through the Internet, or shop outside Kentucky** for items such as clothing, shoes, jewelry, cleaning supplies, furniture, computer equipment, pre-written computer software, office supplies, books, souvenirs, exercise equipment or subscribe to magazines, you may owe use tax to Kentucky.

For your convenience, the Use Tax Calculation Worksheet and Optional Use Tax Table are provided in these instructions. The Optional Use Tax Table is designed for those purchases of less than \$1,000. If you made **untaxed** out-of-state purchases in amounts under \$1,000, but do not have records readily available that show the amount of those purchases, you may use the Optional Use Tax Table below to estimate the compensating use tax based on your Kentucky Adjusted Gross Income (KYAGI). All **untaxed** purchases in the amount of \$1,000 or greater must be accounted for on an actual basis using the Use Tax Calculation Worksheet. Failure to timely report may result in assessment of penalty and interest in addition to the tax amount due.

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

<b>Use Tax Calculation Worksheet</b>	
<b>Call 502-564-5170 for assistance.</b>	
1. Purchases of \$0 to \$1,000 x 6 percent (.06) <b>OR Use Tax Table Amount</b>	\$
2. Purchases of \$1,000 or more x 6 percent (.06)	\$
3. Total Use Tax Due (add lines 1 and 2)	\$
<b>Report this amount on Form 740 or 740-NP, line 27.</b>	

**Note:** The items reported for use tax on Form 740-NP should be those purchased strictly for personal use. Any use tax liabilities accruing to a business such as mail-order office supplies must be reported on the sales and use tax return or the consumer's use tax return. The Department of Revenue routinely conducts compliance programs with other states regarding out-of-state purchases. Persons not reporting applicable use tax will be liable for the tax plus interest and penalties.

**Credit Against the Kentucky Use Tax Due**

You may reduce or eliminate the amount of Kentucky use tax due by the amount of state sales tax paid to the out-of-state seller on the same transaction. The reduction may not exceed the amount of Kentucky use tax due on the purchase. For example, if Georgia state sales tax of 4 percent is paid, only the additional 2 percent is due to Kentucky, or if Illinois state sales tax of 6.25 percent is paid, no additional Kentucky use tax is due. Sales tax paid to a city, county or another country cannot be used as a credit against Kentucky use tax due.

**Line 30, Amended returns only**—Enter any overpayment received from your original return.

**Line 32(a), Tax Withheld**—Enter the amount of Kentucky income tax withheld as shown on your Schedule KW-2. This schedule must be enclosed with your return. It is no longer necessary to submit W-2s, 1099s, and W2Gs with your return. Please retain these forms with your records and provide upon request.

You will not be given credit for Kentucky income tax withheld unless you enclose the Schedule KW-2.

Employers are required to give these statements to employees no later than January 31, 2019. If by March 1 you are unable to obtain a wage and tax statement from an employer, contact the Department of Revenue for instructions.

You may not claim credit for tax **withheld** by another state. Within certain limitations, Kentucky part-year residents may claim a credit for nonrefundable individual income tax **paid** to other states. See Schedule ITC, Section A, Line 5.

Local government occupational, license or income tax must not be included on line 32(a).

**Line 32(b), Estimated Tax Paid**—Enter Kentucky estimated tax payments made for 2018 and amounts credited from the 2017 return.

Also, include on line 32(b) payments prepaid with extension requests. Identify as "prepaid with extension."

**Line 32(c), Refundable Certified Rehabilitation Credit**—Enter 2018 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

**Line 32(d), Nonresident Withholding**—Enter the amount of Kentucky income tax withheld from form PTE-WH, line 9.

**Line 32(e), Amended Returns**—Enter amount paid with original return plus additional payment(s) made after it was filed.

**Line 33**—Total of amounts on lines 32(a) through 32(e).

**Line 34, Additional Tax Due**—Compare the amounts on lines 31 and 33. If line 31 is larger than line 33, subtract line 33 from line 31, enter additional tax due. This is your additional tax due before penalties and interest.

#### Penalties and Interest

**Line 35(a), Underpayment of Estimated Tax**—If the amount owed is more than \$500 and more than 30 percent of the income tax liability on line 26, you may be subject to a penalty of 10 percent of the underpayment of estimated tax.

The amount of the penalty may be calculated on Form 2210-K. Form 2210-K may also be used by qualifying farmers and others to claim exception to the penalty. If paying the penalty or claiming an exemption, complete Form 2210-K, enclose it with your return and check the block beside line 35(a). Enter the amount of the penalty on line 35(a). The minimum penalty is \$25.

If your return is filed after April 15, 2019, or any tax due on the return is paid after April 15, 2019; you may be subject to additional penalties and interest.

**Line 35(b), Estimated tax interest**—Failure to make four equal installments timely may result in estimated tax interest due. See Form 2210-K and instructions.

**Line 35(c), Interest**—Interest will be assessed at the "tax interest rate" from the original due date of the return until the date of payment.

**Line 35(d), Late Payment Penalty**—If the amount of tax due as shown on line 34 is not paid by the original due date of the return, a penalty of 2 percent of the tax computed due may be assessed for each 30 days or fraction thereof that the tax is past due, not to exceed 20 percent. The minimum penalty is \$10. However, if the amount timely paid is 75 percent of the tax determined due by the Department of Revenue, no late payment penalty will be assessed.

**Line 35(e), Late Filing Penalty**—If a return is not filed by the due date or the extended due date, a penalty of 2 percent of the total tax due for each 30 days or fraction thereof that a return is not filed may be assessed, not to exceed 20 percent. The minimum penalty is \$10.

**Note:** Penalties but not interest may be reduced or waived if reasonable cause for reduction or waiver can be shown.

**Line 36**—Total of amounts on lines 35(a) through 35(e).

**Line 37, Amount You Owe**—If the total of lines 31 and 36 are more than line 33, subtract line 33 from the total of lines 31 and 36. When filing the return, you must pay any tax due shown on line 37.

Your 2018 individual income tax liability may be paid using any of the following options:

- Form EPAY (42A740), if supported by your software vendor, may be used to make an electronic payment of tax due separately from filing your tax return. Refer to the Form EPAY (42A740) instructions for additional information.
- Form 8879-K, for use when simultaneously making an electronic payment and filing your return.
- Pay by Credit Card or ACH Debit through April 15, 2019. Kentucky accepts MasterCard, VISA, Discover or American Express. Access the Department of Revenue's secure Web site ([www.revenue.ky.gov](http://www.revenue.ky.gov)) to make electronic payments.
- Pay by check using Form 740-V if you filed your return electronically. Make check payable to Kentucky State Treasurer, write "KY Income Tax-2018" and your Social Security number on the face of the check. Enclose the check and Form 740-V in the same envelope.

If you need assistance with payment options, you may call the Department of Revenue at (502) 564-4581.

**Note:** If you cannot pay your tax in full, file your return and pay as much as possible by April 15. Contact the Department of Revenue for additional payment information.

**Line 38, Amount Overpaid**—If you have an overpayment on line 38, you may have all of this amount refunded to you on line 42, and/or you may credit all or part of it toward your 2019 Kentucky estimated income tax on line 41.

**Line 39, Fund Contributions**—You may also contribute all or a portion of your overpayment to the following funds on line 39: (a) **Nature and Wildlife Fund** for the purpose of acquiring land to preserve habitat for wildlife and natural areas of historic or scenic value; (b) **Child Victims' Trust Fund** to support local programs designed to prevent sexual abuse and exploitation of children; (c) **Veterans' Program Trust Fund** which was created solely for the benefit of veterans' programs; (d) **Breast Cancer Research and Education Trust Fund** which was created to fund breast cancer research and provide public education about breast cancer; (e) **Farms to Food Banks Trust Fund** which was created to offset farmers' cost for providing surplus Kentucky grown fruits and vegetables to food banks; (f) **Local History Trust Fund** which was created to support grants for local history organizations that help preserve their communities' heritage; (g) **Special Olympics Kentucky** to help provide confidence and self-esteem building sports programs for athletes with intellectual disabilities in Kentucky; (h) **Pediatric Cancer Research Trust Fund** to support pediatric cancer research and treatment for Kentucky patients; (i) **Rape Crisis Center Trust Fund** to help provide direct services to Kentucky citizens who have experienced sexual violence, sexual assault, or rape

at any time in their lifetime, or (j) **Court Appointed Special Advocate Trust Fund** to support and strengthen the local Court Appointed Special Advocate (CASA) programs in Kentucky.

*Amounts contributed on line 40 and/or credited on line 41 must be subtracted from the overpayment and cannot exceed it.*

**Line 40**, Total of amounts on lines 39(a) through 39(j).

**Line 41, Estimated Tax**—You may credit all or part of the overpayment toward your estimated tax liability for 2019. Enter the amount you want credited on line 41. Credit forwards are not available on amended returns.

**Line 42, Refund**—Subtract amounts entered on lines 40 and 41 from line 38. Enter the difference, if any, on line 42. This amount will be refunded to you. If the total of lines 40 and 41 equals the amount on line 38, enter a zero on line 42.

Taxpayers may elect to receive their refund on a Bank of America Prepaid Debit Card (not available for amended returns).

**WHEN AND WHERE TO FILE**—The income tax return for calendar year 2018 must be postmarked no later than April 15, 2019, to avoid penalties and interest. Mail to:

**Refund/Other Returns**  
Kentucky Department of Revenue  
P. O. Box 856970  
Louisville, KY 40285-6970

**Pay Returns**  
Kentucky Department of Revenue  
P. O. Box 856980  
Louisville, KY 40285-6980

**ESTIMATED TAX**— Persons who reasonably expect to have income in excess of \$5,000 from which no Kentucky income tax will be withheld may be required to make estimated tax payments on Form 740-ES. However, if the amount of estimated tax is \$500 or less, no estimated payments are required. Persons who do not prepay at least 70 percent of the tax liability may be subject to a 10 percent penalty for underpayment of estimated tax. If you are required to make estimated tax payments you may also be subject to interest if the payments are not made timely. Prepayments for 2019 may be made through withholding, a credit forward of a 2018 overpayment or estimated tax installment payments.

Estimated tax installments may now be made electronically using Form EPAY, or when electronically filing your return using Form 8879-K, or through mailing a 740-ES with payment.

The instructions for Form 740-ES include a worksheet for calculating the amount of estimated tax due and for making installment payments. These forms may be obtained from the Kentucky Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or any Kentucky Taxpayer Service Center, or by calling (502) 564-3658.

## EXTENSION OF TIME TO FILE

Taxpayers who are unable to file a return by April 15, 2019, may request an extension. Taxpayers may elect to file this request electronically or by mailing the extension to the Department of Revenue on or before the due date of the return. Inability to pay is not an acceptable reason. Acceptable reasons include, but are not limited to, destruction of records by fire or flood and serious illness of the taxpayer. The request for the extension must be submitted in writing to the Department of Revenue on or before the due date of the return. The request must state a

reasonable cause for the inability to file. Extensions are limited to six months. **A copy of the Kentucky extension request must be enclosed with the return.**

Individuals who receive a federal extension are not required to obtain a separate Kentucky extension. They can meet the requirements by enclosing a copy of the application for automatic federal extension or the **approved** federal extension to the Kentucky return.

Kentucky residents who are in the military are often granted extensions for tax filings when serving outside the United States. Any extension granted for federal income tax purposes will be honored for Kentucky income tax purposes.

Interest at the "tax interest rate" 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 percent 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 Extension Payment Voucher by the due date.

If you wish to make a payment prior to the due date of your tax return, complete Section II of the Application for Extension of Time to File, Form 740-EXT, and remit with payment. Write "KY Income Tax—2018" and your Social Security number on the face of the check.

**Personal Property**—Kentucky taxpayers are reminded to report all taxable personal property, except motor vehicles, owned on January 1 to either the property valuation administrator in the county of residence (or location of business) or the Office of Property Valuation in Frankfort. Tangible personal property is to be reported on the Tangible Personal Property Tax Return, Form 62A500. The due date for these returns is May 15.

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**SIGN RETURN**—Be sure to sign on page 2 after completion of pages 1, 2, and 3 of your return. Each return must be signed by the taxpayer. Joint returns must be signed by both taxpayer and spouse. Returns that are not signed may be returned to you for signature.

Enter Driver's License/State Issued ID number.

Please enter a telephone number where you can be reached during regular working hours. You may be contacted for additional information needed to complete processing of your tax return.

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**REFUND/TAX PAYMENT SUMMARY**

29 Enter amount from page 1, line 28. This is your <b>Total Tax Liability</b> .....	29		00	
30 <b>For amended return:</b> overpayment, if any, shown on original return .....	30		00	
31 Add lines 29 and 30, enter here .....	31		00	
32 a Enter <b>Kentucky income tax withheld</b> as shown on enclosed Schedule KW-2 .....	32a	00		
b Enter 2018 Kentucky estimated tax payments .....	32b	00		
c Enter 2018 refundable certified rehabilitation credit .....	32c	00		
d Enter <b>Nonresident Withholding</b> from Form PTE-WH, line 9 .....	32d	00		
e <b>For amended return;</b> enter amount paid with original return plus additional payment(s) made after it was filed .....	32e	00		
33 Add lines 32(a) through 32(e) .....	33		00	
34 If line 31 is larger than line 33, subtract line 33 from line 31, enter <b>ADDITIONAL TAX DUE</b> .....	34		00	
35 a Estimated tax penalty <input type="checkbox"/> <b>Check if Form 2210-K attached</b> .....	35a	00		
b Estimated tax interest .....	35b	00		
c Interest .....	35c	00		
d Late payment penalty .....	35d	00		
e Late filing penalty.....	35e	00		
36 Add lines 35(a) through 35(e). Enter here .....	36		00	
37 If the total of lines 31 and 36 are more than line 33, subtract line 33 from the total of lines 31 and 36. <b>OWE</b> This is the <b>AMOUNT YOU OWE.</b> .....	37		00	
38 If line 33 is more than line 31, subtract lines 31 and 36 from line 33. This is the <b>AMOUNT YOU OVERPAID</b> .....	38		00	
39 <b>Fund Contributions; see instructions.</b>				
a <b>Nature and Wildlife Fund</b> .....	00	e <b>Farms to Food Banks Trust Fund</b> .....		00
b <b>Child Victims' Trust Fund</b> .....	00	f <b>Local History Trust Fund</b> .....		00
c <b>Veterans' Program Trust Fund</b> ..	00	g <b>Special Olympics Kentucky</b> .....		00
d <b>Breast Cancer Research/ Education Trust Fund</b> .....	00	h <b>Pediatric Cancer Research Trust Fund</b> ..		00
		i <b>Rape Crisis Center Trust Fund</b> .....		00
		j <b>Court Appointed Special Advocate Trust Fund</b> .....		00
40 Add lines 39(a) through 39(j) .....	40			00
41 Amount of line 38 to be <b>CREDITED TO YOUR 2019 ESTIMATED TAX</b> .....	41	<b>CREDIT FORWARD</b>		00
42 Subtract lines 40 and 41 from line 38. Amount to be <b>REFUNDED TO YOU</b> .....	42	<b>REFUND</b>		00

Check here if you would like your refund issued on a Bank of America Prepaid Debit Card

Check here if you would like to receive your Debit Card material in Spanish

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

<b>Sign Here</b>	Signature of Taxpayer	Driver's License/State Issued ID No.	Date	Telephone Number (daytime)
	Signature of Spouse	Driver's License/State Issued ID No.	Date	
<b>Paid Preparer Use</b>	Signature of Preparer		Date	
	Name of Preparer or Firm		ID Number	
	Email	Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No	

<b>Enclose</b>	Include a complete copy of federal Form 1040 if you received farm, business, or rental income or loss. If not required, check here. <input type="checkbox"/>	<b>Refund or No Payment</b>	<b>Kentucky Department of Revenue</b> P. O. Box 856970 Louisville, KY 40285-6970
<b>Payment</b>	Check Payable: <b>Kentucky State Treasurer</b> E-Pay Options: <a href="http://www.revenue.ky.gov">www.revenue.ky.gov</a> Include: Your Social Security number and "KY Income Tax—2018"	<b>With Payment</b>	<b>Kentucky Department of Revenue</b> P. O. Box 856980 Louisville, KY 40285-6980



		A. Total from Enclosed Federal Return	B. Kentucky	
<b>INCOME</b>				
1	Enter all wages, salaries, tips, etc. ( <i>enclose Kentucky Schedule KW-2</i> ) Do not include moving expense reimbursements .....	1	00	00
2	Moving expense reimbursement .....	2	00	00
3	Interest .....	3	00	00
4	Dividends.....	4	00	00
5	Taxable refunds, credits or offsets of state and local income taxes .....	5	00	00
6	Alimony received .....	6	00	00
7	Business income or loss ( <i>enclose federal Schedule C or C-EZ</i> ).....	7	00	00
8	Capital gain or loss ( <i>enclose federal Schedule D</i> ).....	8	00	00
9	Other gains or losses ( <i>enclose federal Form 4797</i> ).....	9	00	00
10	a Federally taxable IRA distributions, pensions and annuities .....	10a	00	00
	b Pension income exclusion ( <i>enclose Schedule P if more than \$31,110 per taxpayer</i> )	10b		( 00)
11	Rents, royalties, partnerships, estates, trusts, etc. ( <i>enclose federal Schedule E</i> ).	11	00	00
12	Farm income or loss ( <i>enclose federal Schedule F</i> ) .....	12	00	00
13	Unemployment compensation (see instructions).....	13	00	00
14	Taxable Social Security benefits .....	14	00	
15	Gambling winnings .....	15	00	00
16	Other income (list type and amount) _____	16	00	00
17	Combine lines 1 through 16. This is your <b>Total Income</b>	17	00	00
<b>ADJUSTMENTS TO INCOME</b>				
18	Educator expenses.....	18	00	00
19	Certain business expenses of reservists, performing artists and fee-basis government officials ( <i>enclose federal Form 2106 or 2106-EZ</i> ).....	19	00	00
20	Health savings account deduction ( <i>enclose federal Form 8889</i> ) .....	20	00	00
21	Moving expenses for members of the armed forces.....	21	00	
22	Deductible part of self-employment tax.....	22	00	00
23	Self-employed SEP, SIMPLE, and qualified plans deduction .....	23	00	00
24	Self-employed health insurance deduction .....	24	00	00
25	Penalty on early withdrawal of savings .....	25	00	00
26	Alimony paid (enter recipient's name and Social Security number) _____	26	00	00
27	IRA deduction .....	27	00	00
28	Student loan interest deduction .....	28	00	00
29	RESERVED .....	29	00	00
30	RESERVED .....	30	00	00
31	Other deductions (list type and amount) _____	31	00	00
32	Add lines 18 through 31. <b>Total Adjustments to Income</b> .....	32	00	00
33	Subtract line 32 from line 17. This is your <b>Adjusted Gross Income</b> .....	33	00	00
34	Divide line 33, Column B, by line 33, Column A. If amount is equal to or greater than 100%, enter 100%. This is your <b>Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income</b> .....	34	— — — ▪ — %	









**REFUND/TAX PAYMENT SUMMARY**

29 Enter amount from page 1, line 28. This is your <b>Total Tax Liability</b> .....	29		00	
30 <b>For amended return:</b> overpayment, if any, shown on original return .....	30		00	
31 Add lines 29 and 30, enter here .....	31		00	
32 a Enter <b>Kentucky income tax withheld</b> as shown on enclosed Schedule KW-2 .....	32a	00		
b Enter 2018 Kentucky estimated tax payments .....	32b	00		
c Enter 2018 refundable certified rehabilitation credit .....	32c	00		
d Enter <b>Nonresident Withholding</b> from Form PTE-WH, line 9 .....	32d	00		
e <b>For amended return;</b> enter amount paid with original return plus additional payment(s) made after it was filed .....	32e	00		
33 Add lines 32(a) through 32(e) .....	33		00	
34 If line 31 is larger than line 33, subtract line 33 from line 31, enter <b>ADDITIONAL TAX DUE</b> .....	34		00	
35 a Estimated tax penalty <input type="checkbox"/> <b>Check if Form 2210-K attached</b> .....	35a	00		
b Estimated tax interest .....	35b	00		
c Interest .....	35c	00		
d Late payment penalty .....	35d	00		
e Late filing penalty.....	35e	00		
36 Add lines 35(a) through 35(e). Enter here .....	36		00	
37 If the total of lines 31 and 36 are more than line 33, subtract line 33 from the total of lines 31 and 36. <b>OWE</b> This is the <b>AMOUNT YOU OWE</b> . .....	37		00	
38 If line 33 is more than line 31, subtract lines 31 and 36 from line 33. This is the <b>AMOUNT YOU OVERPAID</b> .....	38		00	
39 <b>Fund Contributions; see instructions.</b>				
a <b>Nature and Wildlife Fund</b> .....	00	e <b>Farms to Food Banks Trust Fund</b> .....		00
b <b>Child Victims' Trust Fund</b> .....	00	f <b>Local History Trust Fund</b> .....		00
c <b>Veterans' Program Trust Fund</b> ..	00	g <b>Special Olympics Kentucky</b> .....		00
d <b>Breast Cancer Research/ Education Trust Fund</b> .....	00	h <b>Pediatric Cancer Research Trust Fund</b> ..		00
		i <b>Rape Crisis Center Trust Fund</b> .....		00
		j <b>Court Appointed Special Advocate Trust Fund</b> .....		00
40 Add lines 39(a) through 39(j) .....	40			00
41 Amount of line 38 to be <b>CREDITED TO YOUR 2019 ESTIMATED TAX</b> .....	41	<b>CREDIT FORWARD</b>		00
42 Subtract lines 40 and 41 from line 38. Amount to be <b>REFUNDED TO YOU</b> .....	42	<b>REFUND</b>		00

Check here if you would like your refund issued on a Bank of America Prepaid Debit Card

Check here if you would like to receive your Debit Card material in Spanish

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

<b>Sign Here</b>	Signature of Taxpayer	Driver's License/State Issued ID No.	Date	Telephone Number (daytime)
	Signature of Spouse	Driver's License/State Issued ID No.	Date	
<b>Paid Preparer Use</b>	Signature of Preparer		Date	
	Name of Preparer or Firm		ID Number	
	Email	Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No	

<b>Enclose</b>	Include a complete copy of federal Form 1040 if you received farm, business, or rental income or loss. If not required, check here. <input type="checkbox"/>	<b>Refund or No Payment</b>	<b>Kentucky Department of Revenue</b> P. O. Box 856970 Louisville, KY 40285-6970
<b>Payment</b>	Check Payable: <b>Kentucky State Treasurer</b> E-Pay Options: <a href="http://www.revenue.ky.gov">www.revenue.ky.gov</a> Include: Your Social Security number and "KY Income Tax—2018"	<b>With Payment</b>	<b>Kentucky Department of Revenue</b> P. O. Box 856980 Louisville, KY 40285-6980



		A. Total from Enclosed Federal Return	B. Kentucky	
<b>INCOME</b>				
1	Enter all wages, salaries, tips, etc. ( <i>enclose Kentucky Schedule KW-2</i> ) Do not include moving expense reimbursements .....	1	00	00
2	Moving expense reimbursement .....	2	00	00
3	Interest .....	3	00	00
4	Dividends.....	4	00	00
5	Taxable refunds, credits or offsets of state and local income taxes .....	5	00	00
6	Alimony received .....	6	00	00
7	Business income or loss ( <i>enclose federal Schedule C or C-EZ</i> ).....	7	00	00
8	Capital gain or loss ( <i>enclose federal Schedule D</i> ).....	8	00	00
9	Other gains or losses ( <i>enclose federal Form 4797</i> ).....	9	00	00
10	a Federally taxable IRA distributions, pensions and annuities .....	10a	00	00
	b Pension income exclusion ( <i>enclose Schedule P if more than \$31,110 per taxpayer</i> )	10b		( 00)
11	Rents, royalties, partnerships, estates, trusts, etc. ( <i>enclose federal Schedule E</i> ).	11	00	00
12	Farm income or loss ( <i>enclose federal Schedule F</i> ) .....	12	00	00
13	Unemployment compensation (see instructions).....	13	00	00
14	Taxable Social Security benefits .....	14	00	
15	Gambling winnings .....	15	00	00
16	Other income (list type and amount) _____	16	00	00
17	Combine lines 1 through 16. This is your <b>Total Income</b>	17	00	00
<b>ADJUSTMENTS TO INCOME</b>				
18	Educator expenses.....	18	00	00
19	Certain business expenses of reservists, performing artists and fee-basis government officials ( <i>enclose federal Form 2106 or 2106-EZ</i> ).....	19	00	00
20	Health savings account deduction ( <i>enclose federal Form 8889</i> ) .....	20	00	00
21	Moving expenses for members of the armed forces.....	21	00	
22	Deductible part of self-employment tax.....	22	00	00
23	Self-employed SEP, SIMPLE, and qualified plans deduction .....	23	00	00
24	Self-employed health insurance deduction .....	24	00	00
25	Penalty on early withdrawal of savings .....	25	00	00
26	Alimony paid (enter recipient's name and Social Security number) _____	26	00	00
27	IRA deduction .....	27	00	00
28	Student loan interest deduction .....	28	00	00
29	RESERVED .....	29	00	00
30	RESERVED .....	30	00	00
31	Other deductions (list type and amount) _____	31	00	00
32	Add lines 18 through 31. <b>Total Adjustments to Income</b> .....	32	00	00
33	Subtract line 32 from line 17. This is your <b>Adjusted Gross Income</b> .....	33	00	00
34	Divide line 33, Column B, by line 33, Column A. If amount is equal to or greater than 100%, enter 100%. This is your <b>Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income</b> .....	34	— — — ▪ — %	





Complete this Schedule KW-2 to determine the total Kentucky income tax withholding to be entered on Kentucky Form 740, 740-NP, or 740-NP-R. This schedule must be fully completed in order to receive proper credit for Kentucky income tax withheld. Include multiple Schedule KW-2(s) as needed to report all Kentucky income tax withholdings. Do not send in your W-2, 1099, or W2-G forms; keep them with your tax records.

NAME(S) AS SHOWN ON THE TAX RETURN \_\_\_\_\_

SPOUSE'S SOCIAL SECURITY NUMBER

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

YOUR SOCIAL SECURITY NUMBER

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

**Part I-Form W-2** Enter all W-2s with Kentucky income tax withheld. Do not include other state withholding or local income tax.

A	B	C	D	E	F
Employee's Social Security Number	Employer's Identification Number (EIN)	State	Employer's State I.D. Number (Box 15 of Form W-2)	KY State Wages (Box 16 of Form W-2)	KY Income Tax Withheld (Box 17 of Form W-2)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11	<b>TOTAL FROM ALL W-2s</b>				

**Part II-Form 1099 and W-2G** Enter all 1099s and W-2Gs with Kentucky income tax withheld.

A	B	C	D	E	F
Recipient's Social Security Number	Payer's Identification Number (EIN)	State	Payer's State I.D. Number	KY Income Amount	KY Income Tax Withheld
12					
13					
14					
15					
16					
17	<b>TOTAL FROM ALL 1099s AND W2-Gs</b>				

**Part III-Totals** Enter total Kentucky income tax withheld from line 18, Column F on your Kentucky income tax return (Form 740 and 740-NP, line 32(a) or 740-NP-R, line 1).

18	Enter combined totals from Column F, lines 11 and 17		<b>F</b> <b>Total Kentucky Income Tax Withheld</b>
----	--	--	---

Enclose with your Kentucky tax return.





Complete this Schedule KW-2 to determine the total Kentucky income tax withholding to be entered on Kentucky Form 740, 740-NP, or 740-NP-R. This schedule must be fully completed in order to receive proper credit for Kentucky income tax withheld. Include multiple Schedule KW-2(s) as needed to report all Kentucky income tax withholdings. Do not send in your W-2, 1099, or W2-G forms; keep them with your tax records.

NAME(S) AS SHOWN ON THE TAX RETURN \_\_\_\_\_

SPOUSE'S SOCIAL SECURITY NUMBER

--	--	--	--	--	--	--	--	--	--	--	--

YOUR SOCIAL SECURITY NUMBER

--	--	--	--	--	--	--	--	--	--	--	--

**Part I-Form W-2** Enter all W-2s with Kentucky income tax withheld. Do not include other state withholding or local income tax.

A	B	C	D	E	F
Employee's Social Security Number	Employer's Identification Number (EIN)	State	Employer's State I.D. Number (Box 15 of Form W-2)	KY State Wages (Box 16 of Form W-2)	KY Income Tax Withheld (Box 17 of Form W-2)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11	<b>TOTAL FROM ALL W-2s</b>				

**Part II-Form 1099 and W-2G** Enter all 1099s and W-2Gs with Kentucky income tax withheld.

A	B	C	D	E	F
Recipient's Social Security Number	Payer's Identification Number (EIN)	State	Payer's State I.D. Number	KY Income Amount	KY Income Tax Withheld
12					
13					
14					
15					
16					
17	<b>TOTAL FROM ALL 1099s AND W2-Gs</b>				

**Part III-Totals** Enter total Kentucky income tax withheld from line 18, Column F on your Kentucky income tax return (Form 740 and 740-NP, line 32(a) or 740-NP-R, line 1).

18	Enter combined totals from Column F, lines 11 and 17		<b>F</b> <b>Total Kentucky Income Tax Withheld</b>
----	--	--	---

Enclose with your Kentucky tax return.







➤ Enclose with Form 740-NP

Enter name(s) as shown on Form 740-NP, page 1.

Social Security Number

<b>Interest Expense</b>	1 Home mortgage interest and points reported to you on federal Form 1098 .....	1		00		
	2 Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name and address)	2		00		
	<i>Note:</i> Personal interest is not deductible.					
	3 Points not reported to you on federal Form 1098 .....	3		00		
	4 RESERVED .....	4		00		
5 <b>Total interest.</b> Add the amounts on lines 1 through 4. Enter here..... ➤				5	00	
<b>Contributions</b>	6 Contributions by cash or check.....	6		00		
	7 Other than cash or check (attach federal Form 8283 if over \$500).....	7		00		
	8 Carryover from prior year .....	8		00		
9 <b>Total contributions.</b> Add the amounts on lines 6 through 8. Enter here..... ➤				9	00	
<b>Other Miscellaneous Deductions</b>	10 Other (see instructions) .....					
				10	00	
<b>Total Itemized Deductions</b>	11 Add the amounts on lines 5, 9, and 10. Enter here .....					
				11	00	
<ul style="list-style-type: none"> <li>• If married filing separate returns, or spouse is not filing a Kentucky return, complete lines 12 through 15 below. If single or married filing jointly, enter total deductions (line 11 above) on Form 740-NP, page 1, line 11.</li> </ul>						
	12 Enter your income from Form 740-NP, page 1, line 8 .....	12		00		
	13 Enter joint or combined <i>federal</i> Adjusted Gross Income .....	13		00		
	14 Divide line 12 by line 13. Enter percentage .....				14	%
	15 Multiply line 11 by line 14. This is your portion of total itemized deductions. Enter here and on Form 740-NP, page 1, line 11..... ➤				15	00





➤ Enclose with Form 740-NP

Enter name(s) as shown on Form 740-NP, page 1.

Social Security Number

<b>Interest Expense</b>	1 Home mortgage interest and points reported to you on federal Form 1098 .....	1		00		
	2 Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name and address)	2		00		
	<i>Note:</i> Personal interest is not deductible.					
	<b>See instructions for lines 3 and 4.</b>					
	3 Points not reported to you on federal Form 1098 .....	3		00		
	4 RESERVED .....	4		00		
	5 <b>Total interest.</b> Add the amounts on lines 1 through 4. Enter here..... ➤	5		00		
<b>Contributions</b>	6 Contributions by cash or check.....	6		00		
	7 Other than cash or check (attach federal Form 8283 if over \$500).....	7		00		
	8 Carryover from prior year .....	8		00		
	9 <b>Total contributions.</b> Add the amounts on lines 6 through 8. Enter here..... ➤	9		00		
<b>Other Miscellaneous Deductions</b>	10 Other (see instructions) .....					
					00	
<b>Total Itemized Deductions</b>	11 Add the amounts on lines 5, 9, and 10. Enter here .....	11		00		
<ul style="list-style-type: none"> <li>• If married filing separate returns, or spouse is not filing a Kentucky return, complete lines 12 through 15 below. If single or married filing jointly, enter total deductions (line 11 above) on Form 740-NP, page 1, line 11.</li> </ul>						
	12 Enter your income from Form 740-NP, page 1, line 8.....	12		00		
	13 Enter joint or combined <i>federal</i> Adjusted Gross Income .....	13		00		
	14 Divide line 12 by line 13. Enter percentage .....	14			%	
	15 Multiply line 11 by line 14. This is your portion of total itemized deductions. Enter here and on Form 740-NP, page 1, line 11..... ➤	15		00		





Enter name(s) as shown on tax return.	Your Social Security Number
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**Complete this schedule and file with Form 740, 740-NP, or 741 if:**

- 1 Taxable pension and retirement income from all sources is **greater than \$31,110** per taxpayer; and
  - (a) you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or
  - (b) you receive supplemental (Tier 2) U.S. Railroad Retirement Board benefits.
- 2 You file Form 4972-K, Tax on Lump-Sum Distributions.

**All others, , you do not need to complete Schedule P. See instructions for Schedule M, line 9.**

**PART I—EXEMPT RETIREMENT INCOME (Do Not Include Income From Deferred Compensation Plans)**

1 Enter on line (a) or (b) the amount of federal, Kentucky state and Kentucky local government pension income attributable to service credit earned before January 1, 1998, and supplemental (Tier 2) U.S. Railroad Retirement Board benefits included on federal Form 1040, line 4(b). Also include federal or Kentucky disability retirement income attributable to service credit earned before January 1, 1998.

(a) If date of retirement is **before January 1, 1998**, enter here.

Names of Payers	Date of Retirement	A. Spouse		B. Yourself	
			00		00
			00		00
			00		00
			00		00
<b>Total ➤</b>			00		00

(b) If date of retirement is **after December 31, 1997**, see the instructions.

Names of Payers	Date of Retirement	Taxable Pension	Exempt Percentage	A. Spouse		B. Yourself	
					00		00
					00		00
					00		00
					00		00
					00		00
<b>Total ➤</b>					00		00

(c) Add lines 1(a) and 1(b) ..... **1(c)** 00 00

**PART II—OTHER RETIREMENT INCOME (Amounts Not Included in Line 1(c))**

2 Enter the total of taxable retirement income not included in line 1(c) above as reported on federal Form 1040, line 4(b). Also report other disability retirement income or deferred compensation included on federal Form 1040, line 1 .....	<b>2</b>		00		00
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**PART III—TOTAL TO BE EXCLUDED THIS YEAR**

3 Enter the lesser of line 2 or \$31,110 .....	<b>3</b>		00		00
4 Add lines 1(c) and 3. Enter here and on Schedule M, line 9 (Form 740-NP, page 3, line 10(b) or Form 741, line 11) .....	<b>4</b>		00		00

**Joint filers**—Combine lines 4(a) and 4(b) and enter on appropriate form.

**Stop here unless you have a lump-sum distribution reported on Form 4972-K.**

**Form 4972-K Filers**—If line 3 is less than \$31,110, enter the amount on Form 4972-K, Part II, line 2.

Types of Income Subject to Exclusion—All pension and retirement income paid under a written retirement plan is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, death benefits, and other similar accounts or plans. As a general rule, if the income is reported on the federal income tax return, Form 1040, line 4(b); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 1, then it qualifies for the exclusion.

Form 740-NP filers report only pension income received while a resident of Kentucky.

LINE-BY-LINE INSTRUCTIONS

Column A, Column B—This exclusion is for each taxpayer. A taxpayer and spouse must compute and claim their own exclusion, regardless of filing status.

PART I—Exempt Retirement Income—Enter the federally taxable portion of pension income paid by the federal government, by the Commonwealth of Kentucky, or by any Kentucky local government. Also include supplemental (Tier 2) U.S. Railroad Retirement Board benefits reported on Form 1040, line 4(b) and federal or Kentucky disability retirement income included on federal Form 1040, line 1. Do not include income from deferred compensation plans in Part I.

Use line 1(a) if retired before January 1, 1998, to report fully exempt pension benefits.

Use line 1(b) if retired after December 31, 1997, to compute the amount of pension income attributable to service credits earned before January 1, 1998. Multiply the taxable pension by the exempt percentage, enter the result (exempt amount) in

Column A or Column B. Use the worksheet below to compute the exempt percentage in the year of retirement.

Note: Subtract the exempt amount from the taxable pension amount and include the difference with other retirement income in Part II.

PART II—Other Retirement Income, Line 2—Enter the amount reported on federal Form 1040 of non-lump-sum pension and retirement income not reported on line 1(c). Also include amounts from Schedule M, line 5 (Form 740-NP, page 3, line 16) that reflect pension and IRA bases differences.

PART III—Total to Be Excluded This Year, Line 3—Enter the lesser of the amount on line 2 or \$31,110.

Line 4—Enter the total of lines 1(c) and 3. This is your pension income exclusion. Enter on line 4 and as follows: Schedule M, line 9; Form 740-NP, page 3, line 10(b); or Form 741, page 1, line 11.

DEFINITIONS—For use with Schedule P and the worksheet below.

Service Credit—Number of months (years) used by your retirement system to determine retirement benefits.

Purchased Service Credit—Voluntary purchases of service credit as allowed by your retirement system (i.e., military service or prior service with the same or similar system). Note: Purchased time is credited based on the dates of service.

Purchased Service Credit (Air-time)—Certain retirement plans allow for the purchase of up to five years of service credit unrelated to prior work history. These purchases are commonly known as air-time. Air-time is not included in total service earned after December 31, 1997, regardless of when purchased.

Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97



Complete this worksheet only if you retired in 2018 or have not computed your exempt percentage in prior years. Keep this worksheet in your records. The percentage will be used this year and in future years to determine the amount of exempt retirement income.

Complete this worksheet to determine what percentage of your pension income is exempt. This percentage must be calculated for each pension.

If your retirement system has computed the exempt amount (earned before January 1, 1998), enter the amount on page 1, line 1(b), column A or B. If your retirement system has computed the exempt percentage, enter the exempt percentage on page 1, line 1(b) in the exempt percentage column. Use a separate worksheet for each governmental pension. Retain this worksheet with your tax records. Use the percentage on line 4 to compute the exempt portion of your pension in future years.

- 1 Enter total months of service credit including purchased service.....
2 Enter months of service credit earned after 12/31/97. Include sick leave credited at date of retirement, and service credit from purchase of military and other service earned after 12/31/97. Do not include purchased credit unrelated to prior work history (air-time) .....
3 Subtract line 2 from line 1. Total months of service before January 1, 1998.....
4 Divide line 3 by line 1. Enter here and on page 1, line 1(b), in the exempt percentage column..... Use this percentage to determine the amount of pension attributable to service earned before 1/1/98.



Enter name(s) as shown on tax return.	Your Social Security Number
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**Complete this schedule and file with Form 740, 740-NP, or 741 if:**

- 1 Taxable pension and retirement income from all sources is **greater than \$31,110** per taxpayer; and
  - (a) you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or
  - (b) you receive supplemental (Tier 2) U.S. Railroad Retirement Board benefits.
- 2 You file Form 4972-K, Tax on Lump-Sum Distributions.

**All others, , you do not need to complete Schedule P. See instructions for Schedule M, line 9.**

**PART I—EXEMPT RETIREMENT INCOME (Do Not Include Income From Deferred Compensation Plans)**

1 Enter on line (a) or (b) the amount of federal, Kentucky state and Kentucky local government pension income attributable to service credit earned before January 1, 1998, and supplemental (Tier 2) U.S. Railroad Retirement Board benefits included on federal Form 1040, line 4(b). Also include federal or Kentucky disability retirement income attributable to service credit earned before January 1, 1998.

(a) If date of retirement is **before January 1, 1998**, enter here.

Names of Payers	Date of Retirement	A. Spouse		B. Yourself	
			00		00
			00		00
			00		00
			00		00
<b>Total ➤</b>			00		00

(b) If date of retirement is **after December 31, 1997**, see the instructions.

Names of Payers	Date of Retirement	Taxable Pension	Exempt Percentage	A. Spouse		B. Yourself	
					00		00
					00		00
					00		00
					00		00
					00		00
<b>Total ➤</b>					00		00

(c) Add lines 1(a) and 1(b) ..... **1(c)** 00 00

**PART II—OTHER RETIREMENT INCOME (Amounts Not Included in Line 1(c))**

2 Enter the total of taxable retirement income not included in line 1(c) above as reported on federal Form 1040, line 4(b). Also report other disability retirement income or deferred compensation included on federal Form 1040, line 1 .....	<b>2</b>		00		00
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**PART III—TOTAL TO BE EXCLUDED THIS YEAR**

3 Enter the lesser of line 2 or \$31,110 .....	<b>3</b>		00		00
4 Add lines 1(c) and 3. Enter here and on Schedule M, line 9 (Form 740-NP, page 3, line 10(b) or Form 741, line 11) .....	<b>4</b>		00		00

**Joint filers—Combine lines 4(a) and 4(b) and enter on appropriate form.**

**Stop here unless you have a lump-sum distribution reported on Form 4972-K.**

**Form 4972-K Filers—If line 3 is less than \$31,110, enter the amount on Form 4972-K, Part II, line 2.**



Types of Income Subject to Exclusion—All pension and retirement income paid under a written retirement plan is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, death benefits, and other similar accounts or plans. As a general rule, if the income is reported on the federal income tax return, Form 1040, line 4(b); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 1, then it qualifies for the exclusion.

Form 740-NP filers report only pension income received while a resident of Kentucky.

LINE-BY-LINE INSTRUCTIONS

Column A, Column B—This exclusion is for each taxpayer. A taxpayer and spouse must compute and claim their own exclusion, regardless of filing status.

PART I—Exempt Retirement Income—Enter the federally taxable portion of pension income paid by the federal government, by the Commonwealth of Kentucky, or by any Kentucky local government. Also include supplemental (Tier 2) U.S. Railroad Retirement Board benefits reported on Form 1040, line 4(b) and federal or Kentucky disability retirement income included on federal Form 1040, line 1. Do not include income from deferred compensation plans in Part I.

Use line 1(a) if retired before January 1, 1998, to report fully exempt pension benefits.

Use line 1(b) if retired after December 31, 1997, to compute the amount of pension income attributable to service credits earned before January 1, 1998. Multiply the taxable pension by the exempt percentage, enter the result (exempt amount) in

Column A or Column B. Use the worksheet below to compute the exempt percentage in the year of retirement.

Note: Subtract the exempt amount from the taxable pension amount and include the difference with other retirement income in Part II.

PART II—Other Retirement Income, Line 2—Enter the amount reported on federal Form 1040 of non-lump-sum pension and retirement income not reported on line 1(c). Also include amounts from Schedule M, line 5 (Form 740-NP, page 3, line 16) that reflect pension and IRA bases differences.

PART III—Total to Be Excluded This Year, Line 3—Enter the lesser of the amount on line 2 or \$31,110.

Line 4—Enter the total of lines 1(c) and 3. This is your pension income exclusion. Enter on line 4 and as follows: Schedule M, line 9; Form 740-NP, page 3, line 10(b); or Form 741, page 1, line 11.

DEFINITIONS—For use with Schedule P and the worksheet below.

Service Credit—Number of months (years) used by your retirement system to determine retirement benefits.

Purchased Service Credit—Voluntary purchases of service credit as allowed by your retirement system (i.e., military service or prior service with the same or similar system). Note: Purchased time is credited based on the dates of service.

Purchased Service Credit (Air-time)—Certain retirement plans allow for the purchase of up to five years of service credit unrelated to prior work history. These purchases are commonly known as air-time. Air-time is not included in total service earned after December 31, 1997, regardless of when purchased.

Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97



Complete this worksheet only if you retired in 2018 or have not computed your exempt percentage in prior years. Keep this worksheet in your records. The percentage will be used this year and in future years to determine the amount of exempt retirement income.

Complete this worksheet to determine what percentage of your pension income is exempt. This percentage must be calculated for each pension.

If your retirement system has computed the exempt amount (earned before January 1, 1998), enter the amount on page 1, line 1(b), column A or B. If your retirement system has computed the exempt percentage, enter the exempt percentage on page 1, line 1(b) in the exempt percentage column. Use a separate worksheet for each governmental pension. Retain this worksheet with your tax records. Use the percentage on line 4 to compute the exempt portion of your pension in future years.

- 1 Enter total months of service credit including purchased service.....
2 Enter months of service credit earned after 12/31/97. Include sick leave credited at date of retirement, and service credit from purchase of military and other service earned after 12/31/97. Do not include purchased credit unrelated to prior work history (air-time) .....
3 Subtract line 2 from line 1. Total months of service before January 1, 1998.....
4 Divide line 3 by line 1. Enter here and on page 1, line 1(b), in the exempt percentage column..... Use this percentage to determine the amount of pension attributable to service earned before 1/1/98.



➤ **Enclose with Form 740 or 740-NP**

Enter name(s) as shown on tax return.

Your Social Security Number

**SECTION A—BUSINESS INCENTIVES AND OTHER TAX CREDITS**

A	B Preapproval Required	C Credit Name	D Required Attachment	E		F	
				Spouse		Yourself	
1	No	Nonrefundable Limited Liability Entity	Kentucky Limited Liability Entity Tax Credit Worksheet/Schedule K-1		00		00
2	Yes	Kentucky Small Business	Schedule K-1		00		00
3	Yes	Skills Training Investment	Schedule K-1		00		00
4	Yes	Certified Rehabilitation	Certification Copies		00		00
5	No	Tax Paid to Another State	Copy(ies) of Other State(s) return or Worksheet A		00		00
6	No	Unemployment	Schedule UTC		00		00
7	Yes	Recycling/Composting Equipment	Schedule RC		00		00
8	Yes	Kentucky Investment Fund	KEDFA notification		00		00
9	No	Qualified Research Facility	Schedule QR		00		00
10	No	GED Incentive	Form DAEL-31		00		00
11	Yes	Voluntary Environmental Remediation	Schedule VERB		00		00
12	Yes	Biodiesel	Schedule BIO		00		00
13	Yes	Clean Coal Incentive	Schedule CCI		00		00
14	Yes	Ethanol	Schedule ETH		00		00
15	Yes	Cellulosic Ethanol	Schedule CELL		00		00
16	No	Railroad Maintenance & Improvement	Schedule RR-I		00		00
17	Yes	Endow Kentucky	Schedule ENDOW		00		00
18	Yes	New Markets Development Program	Form 8874(K)-A		00		00
19	No	Food Donation (Carryover only)	Schedule FD		00		00
20	No	Distilled Spirits	Schedule DS		00		00
21	Yes	Angel Investor	Certification Letter		00		00
22	Yes	Film Industry	Film Office Certification		00		00
23	No	Inventory	Schedule INV		00		00
24	Total of Other Tax Credits (add lines 1 through 23). Enter here and on Form 740, page 1, line 15, Columns A and B, or enter combined totals of Columns E and F on Form 740-NP, page 1, line 15 .....				00		00

**SECTION B—PERSONAL TAX CREDITS—Only use if you or your spouse are 65 or over, blind, or in the Kentucky National Guard.**

1 (a) Credits for yourself:                               1 Enter number of boxes checked on line 1 .....

(b) Credits for spouse:                       

2 If married filing separately on a combined return (Filing Status 2), each taxpayer must claim his or her own credits from line 1, and enter the totals in Boxes 2A and 2B. All other filers enter the amount from line 1 in Box 2B .....

Spouse		Yourself	
2A	x \$10	2B	x \$10
3A		3B	

3 Multiply credits on line 2A by \$10 and enter on line 3A. Multiply credits on line 2B by \$10 and enter on line 3B. **Enter here and on Form 740, page 1, line 17, Columns A and B (Form 740-NP, page 1, line 17)** .....



**SECTION C—FAMILY SIZE TAX CREDIT**

Enter dependents qualifying for family size tax credit. See instructions to determine family size and qualifying dependents.

First and Last Name	Dependent's Social Security number									Dependent's relationship to you	Check if qualifying child for family size tax credit
											<input type="checkbox"/>
											<input type="checkbox"/>
											<input type="checkbox"/>
											<input type="checkbox"/>

**Use worksheet to compute Modified Gross Income. Modified Gross Income along with your family size will be used to determine your credit percentage on the Family Size Tax Table below.**

**WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT**

- (a) Enter your federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). **If zero or less, enter zero** ..... (a) \_\_\_\_\_
- (b) If married filing separate returns and living in the same household, enter your spouse's federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). **If zero or less, enter zero** ..... (b) \_\_\_\_\_
- (c) Enter tax-exempt interest from municipal bonds (non-Kentucky) ..... (c) \_\_\_\_\_
- (d) Enter amount of lump-sum distributions not included in federal adjusted gross income (federal Form 4972) ..... (d) \_\_\_\_\_
- (e) Enter total of lines (a), (b), (c) and (d) ..... (e) \_\_\_\_\_
- (f) Enter your Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). **If zero or less, enter zero** ..... (f) \_\_\_\_\_
- (g) If married filing separate returns and living in the same household, enter your spouse's Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). **If zero or less, enter zero** ..... (g) \_\_\_\_\_
- (h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K)..... (h) \_\_\_\_\_
- (i) Enter total of lines (f), (g) and (h) ..... (i) \_\_\_\_\_
- (j) Enter the **greater** of line (e) or (i). This is your **Modified Gross Income**. Use this amount to determine if you qualify for the Family Size Tax Credit..... (j) \_\_\_\_\_

Use this **Family Size Table** to determine the percentage of credit and enter in the space provided on Form 740 or 740-NP, line 21.

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	
2018	\$ ---	\$ 12,140	\$ ---	\$ 16,460	\$ ---	\$ 20,780	\$ ---	\$ 25,100	100
	12,140	12,626	16,460	17,118	20,780	21,611	25,100	26,104	90
	12,626	13,111	17,118	17,777	21,611	22,442	26,104	27,108	80
	13,111	13,597	17,777	18,435	22,442	23,274	27,108	28,112	70
	13,597	14,082	18,435	19,094	23,274	24,105	28,112	29,116	60
	14,082	14,568	19,094	19,752	24,105	24,936	29,116	30,120	50
	14,568	15,054	19,752	20,410	24,936	25,767	30,120	31,124	40
	15,054	15,418	20,410	20,904	25,767	26,391	31,124	31,877	30
	15,418	15,782	20,904	21,398	26,391	27,014	31,877	32,630	20
	15,782	16,146	21,398	21,892	27,014	27,637	32,630	33,383	10
16,146	---	21,892	---	27,637	---	33,383	---	0	

Multiply tax from Form 740 or 740-NP, line 19, by the applicable percentage and enter on Form 740 or 740-NP, line 21. This is your **Family Size Tax Credit**.



➤ **Enclose with Form 740 or 740-NP**

Enter name(s) as shown on tax return.

Your Social Security Number

**SECTION A—BUSINESS INCENTIVES AND OTHER TAX CREDITS**

A	B Preapproval Required	C Credit Name	D Required Attachment	E		F	
				Spouse		Yourself	
1	No	Nonrefundable Limited Liability Entity	Kentucky Limited Liability Entity Tax Credit Worksheet/Schedule K-1		00		00
2	Yes	Kentucky Small Business	Schedule K-1		00		00
3	Yes	Skills Training Investment	Schedule K-1		00		00
4	Yes	Certified Rehabilitation	Certification Copies		00		00
5	No	Tax Paid to Another State	Copy(ies) of Other State(s) return or Worksheet A		00		00
6	No	Unemployment	Schedule UTC		00		00
7	Yes	Recycling/Composting Equipment	Schedule RC		00		00
8	Yes	Kentucky Investment Fund	KEDFA notification		00		00
9	No	Qualified Research Facility	Schedule QR		00		00
10	No	GED Incentive	Form DAEL-31		00		00
11	Yes	Voluntary Environmental Remediation	Schedule VERB		00		00
12	Yes	Biodiesel	Schedule BIO		00		00
13	Yes	Clean Coal Incentive	Schedule CCI		00		00
14	Yes	Ethanol	Schedule ETH		00		00
15	Yes	Cellulosic Ethanol	Schedule CELL		00		00
16	No	Railroad Maintenance & Improvement	Schedule RR-I		00		00
17	Yes	Endow Kentucky	Schedule ENDOW		00		00
18	Yes	New Markets Development Program	Form 8874(K)-A		00		00
19	No	Food Donation (Carryover only)	Schedule FD		00		00
20	No	Distilled Spirits	Schedule DS		00		00
21	Yes	Angel Investor	Certification Letter		00		00
22	Yes	Film Industry	Film Office Certification		00		00
23	No	Inventory	Schedule INV		00		00
24	Total of Other Tax Credits (add lines 1 through 23). Enter here and on Form 740, page 1, line 15, Columns A and B, or enter combined totals of Columns E and F on Form 740-NP, page 1, line 15 .....				00		00

**SECTION B—PERSONAL TAX CREDITS—Only use if you or your spouse are 65 or over, blind, or in the Kentucky National Guard.**

1 (a) Credits for yourself:                               1 Enter number of boxes checked on line 1 .....

(b) Credits for spouse:                       

2 If married filing separately on a combined return (Filing Status 2), each taxpayer must claim his or her own credits from line 1, and enter the totals in Boxes 2A and 2B. All other filers enter the amount from line 1 in Box 2B .....

		Spouse	Yourself
2A	2B	<b>x \$10</b>	<b>x \$10</b>
3A	3B		

3 Multiply credits on line 2A by \$10 and enter on line 3A. Multiply credits on line 2B by \$10 and enter on line 3B. **Enter here and on Form 740, page 1, line 17, Columns A and B (Form 740-NP, page 1, line 17)** .....



**SECTION C—FAMILY SIZE TAX CREDIT**

Enter dependents qualifying for family size tax credit. See instructions to determine family size and qualifying dependents.

First and Last Name	Dependent's Social Security number									Dependent's relationship to you	Check if qualifying child for family size tax credit
											<input type="checkbox"/>
											<input type="checkbox"/>
											<input type="checkbox"/>
											<input type="checkbox"/>

**Use worksheet to compute Modified Gross Income. Modified Gross Income along with your family size will be used to determine your credit percentage on the Family Size Tax Table below.**

**WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT**

- (a) Enter your federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). **If zero or less, enter zero** ..... (a) \_\_\_\_\_
- (b) If married filing separate returns and living in the same household, enter your spouse's federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). **If zero or less, enter zero** ..... (b) \_\_\_\_\_
- (c) Enter tax-exempt interest from municipal bonds (non-Kentucky) ..... (c) \_\_\_\_\_
- (d) Enter amount of lump-sum distributions not included in federal adjusted gross income (federal Form 4972) ..... (d) \_\_\_\_\_
- (e) Enter total of lines (a), (b), (c) and (d) ..... (e) \_\_\_\_\_
- (f) Enter your Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). **If zero or less, enter zero** ..... (f) \_\_\_\_\_
- (g) If married filing separate returns and living in the same household, enter your spouse's Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). **If zero or less, enter zero** ..... (g) \_\_\_\_\_
- (h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K)..... (h) \_\_\_\_\_
- (i) Enter total of lines (f), (g) and (h) ..... (i) \_\_\_\_\_
- (j) Enter the **greater** of line (e) or (i). This is your **Modified Gross Income**. Use this amount to determine if you qualify for the Family Size Tax Credit..... (j) \_\_\_\_\_

Use this **Family Size Table** to determine the percentage of credit and enter in the space provided on Form 740 or 740-NP, line 21.

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	
2018	\$ ---	\$ 12,140	\$ ---	\$ 16,460	\$ ---	\$ 20,780	\$ ---	\$ 25,100	100
	12,140	12,626	16,460	17,118	20,780	21,611	25,100	26,104	90
	12,626	13,111	17,118	17,777	21,611	22,442	26,104	27,108	80
	13,111	13,597	17,777	18,435	22,442	23,274	27,108	28,112	70
	13,597	14,082	18,435	19,094	23,274	24,105	28,112	29,116	60
	14,082	14,568	19,094	19,752	24,105	24,936	29,116	30,120	50
	14,568	15,054	19,752	20,410	24,936	25,767	30,120	31,124	40
	15,054	15,418	20,410	20,904	25,767	26,391	31,124	31,877	30
	15,418	15,782	20,904	21,398	26,391	27,014	31,877	32,630	20
	15,782	16,146	21,398	21,892	27,014	27,637	32,630	33,383	10
16,146	---	21,892	---	27,637	---	33,383	---	0	

Multiply tax from Form 740 or 740-NP, line 19, by the applicable percentage and enter on Form 740 or 740-NP, line 21. This is your **Family Size Tax Credit**.



➤ Enclose with Form 740 or 740-NP

Enter name(s) as shown on page 1, Form 740 or 740-NP.

Your Social Security Number

**PART I – EXCEPTIONS AND EXCLUSIONS**

The penalty shall not apply if one of the following exceptions is met. If one or more of the following applies to you, check the appropriate box(es), complete any necessary blank(s) and check the "Form 2210-K attached" box located on Form 740, line 35(a) (Form 740-NP, line 35(a))

If none of the exceptions apply, go to Part II.

Check applicable box(es).

- 1  The taxpayer died during the taxable year.
- 2  The declaration was not required until after September 3, 2018, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2019.
- 3  Two-thirds ( $\frac{2}{3}$ ) or more of the gross income was from farming; this return is being filed on or before March 1, 2019; **and** the total tax due is being paid in full. Fiscal year taxpayers must file a return and pay the tax due on or before the first day of the third month following the close of the tax year.

- a Enter total gross income .....
- b Multiply by  $\frac{2}{3}$  (.67) .....
- c Enter gross income from farming .....

3a		00
3b		00
3c		00

Line (c) must **equal or exceed** line (b) to qualify for the exception.

- 4  Prepaid tax **equals or exceeds** last year's income tax liability.
  - a Enter the liability from the 2017 return, Form 740 or Form 740-NP, page 1, line 26 .....
  - b Enter amount from the 2018 Form 740, line 33 (Form 740-NP, page 2, line 33)\* ...

4a		00
4b		00

Line (b) must **equal or exceed** line (a) to claim the exception.

**PART II – FIGURING THE UNDERPAYMENT AND PENALTY** (Complete Part II only if the **additional** tax due exceeds \$500; otherwise, proceed to page 2, Part III.)

- 1 a Enter 2018 income tax liability from Form 740, line 26 (Form 740-NP, page 1, line 26)....
- b Enter credit for taxes paid to another state from Schedule ITC, Section A, line 5 .....
- c Total (add lines 1(a) and 1(b)) .....
- 2 Percentage of liability required to be prepaid is 70% .....
- 3 Multiply line 1(c) by line 2 .....
- 4 a Enter the amount from Form 740, line 33 (Form 740-NP, page 2, line 33)\* .....
- b Enter credit for taxes paid to another state from Schedule ITC, Section A, line 5 .....
- c Total (add lines 4(a) and 4(b)) .....
- 5 Subtract line 4(c) from line 3 (If line 4(c) exceeds line 3, no penalty applies.).....
- 6 Penalty percentage is 10%.....
- 7 Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated tax (minimum penalty \$25). Enter here and on Form 740 or 740-NP, line 35(a) .....
- 8 Enter interest amount due from Form 2210-K, page 2, line 22. Enter here and on Form 740 or 740-NP, line 35(b), if you have additional tax due .....

1a		00
1b		00
1c		00
2	x .7	
3		00
4a		00
4b		00
4c		00
5		00
6	x .1	
7		00
8		00

**➡ To Avoid Underpayment Penalty in the Future, Obtain and File Form 740-ES.**

\*Do not include amounts prepaid with extension after the due date of the fourth declaration installment or amounts paid with the original return.





**NOTE: Use this page to calculate interest amount due on underpaid or untimely required estimated payments. See instructions for list of exclusions.**

**PART III—REQUIRED ANNUAL PAYMENT**

1	Enter 2018 income tax liability: (Form 740 or Form 740-NP, page 1, line 26).....	1		00
2	Enter 2018 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 32(a) and 32(c)).....	2		00
3	Enter 2018 nonresident withholding: (Form 740-NP, page 2, line 32(d)).....	3		00
4	Add lines 2 and 3. Enter total here .....	4		00
5	Subtract line 4 from line 1. (If the result is \$500 or less, stop here. Do not compute this schedule.).....	5		00
6	Enter 2017 income tax liability: (2017 Form 740 or Form 740-NP, page 1, line 26).....	6		00
7	Required annual payment. Enter the smaller of line 1 or line 6.....	7		00

**Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.**

**PAYMENT DUE DATES**

	A 4-15-18	B 6-15-18	C 9-15-18	D 1-15-19
8 <b>Required Installments.</b> Enter 1/4 (.25) of line 7 in each column.....	8	00	00	00
9 <b>Estimated tax paid and tax withheld.</b> For column A only, enter the amount from line 9 on line 13. If line 9 is equal to or greater than line 8 for all payment periods (columns A through D), stop here. You do not owe interest. Complete lines 10 through 17 of each column before going to the next column .....	9	00	00	00
10 Enter amount, if any, from line 17 of previous column .....	10		00	00
11 Add lines 9 and 10. Enter here .....	11		00	00
12 Enter the amount from line 16 of previous column. ....	12		00	00
13 Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9.....	13	00	00	00
14 If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero.....	14		00	00
15 <b>Underpayment.</b> If line 8 is equal to or greater than line 13, subtract line 13 from line 8. Otherwise, go to line 17 .....	15	00	00	00
16 Add lines 14 and 15. Enter here. If line 8 is equal to or greater than line 13, then go to line 10 of the next column .....	16	00	00	00
17 <b>Overpayment.</b> If line 13 is more than line 8, subtract line 8 from line 13, then go to line 10 of the next column.....	17	00	00	00

**FIGURING THE INTEREST**

18 Interest calculation payment date .....	18	6-15-18	9-15-18	1-15-19	4-15-19
19 Number of days <b>from</b> the payment due date shown at the top of the column above line 8 <b>to</b> the date the amount on line 16 was paid, or the date shown for that column on line 18, whichever is earlier.....	19				
20 Annual Percentage Rate (APR).....	20	.06	.06	.06	.07
21 Underpayment Number of from line 16 X $\frac{\text{days from line 19}}{365}$ X APR on line 20 .....	21	00	00	00	00
22 <b>INTEREST DUE:</b> Add amounts on line 21 columns A through D. Enter the total here and on Form 2210-K, page 1, line 8 .....	22				00



➤ Enclose with Form 740 or 740-NP

Enter name(s) as shown on page 1, Form 740 or 740-NP.

Your Social Security Number

**PART I – EXCEPTIONS AND EXCLUSIONS**

The penalty shall not apply if one of the following exceptions is met. If one or more of the following applies to you, check the appropriate box(es), complete any necessary blank(s) and check the "Form 2210-K attached" box located on Form 740, line 35(a) (Form 740-NP, line 35(a))

If none of the exceptions apply, go to Part II.

Check applicable box(es).

- 1  The taxpayer died during the taxable year.
- 2  The declaration was not required until after September 3, 2018, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2019.
- 3  Two-thirds ( $\frac{2}{3}$ ) or more of the gross income was from farming; this return is being filed on or before March 1, 2019; **and** the total tax due is being paid in full. Fiscal year taxpayers must file a return and pay the tax due on or before the first day of the third month following the close of the tax year.

- a Enter total gross income .....
- b Multiply by  $\frac{2}{3}$  (.67) .....
- c Enter gross income from farming .....

3a		00
3b		00
3c		00

Line (c) must **equal or exceed** line (b) to qualify for the exception.

- 4  Prepaid tax **equals or exceeds** last year's income tax liability.
  - a Enter the liability from the 2017 return, Form 740 or Form 740-NP, page 1, line 26 .....
  - b Enter amount from the 2018 Form 740, line 33 (Form 740-NP, page 2, line 33)\* ...

4a		00
4b		00

Line (b) must **equal or exceed** line (a) to claim the exception.

**PART II – FIGURING THE UNDERPAYMENT AND PENALTY** (Complete Part II only if the **additional** tax due exceeds \$500; otherwise, proceed to page 2, Part III.)

- 1 a Enter 2018 income tax liability from Form 740, line 26 (Form 740-NP, page 1, line 26)....
- b Enter credit for taxes paid to another state from Schedule ITC, Section A, line 5 .....
- c Total (add lines 1(a) and 1(b)) .....
- 2 Percentage of liability required to be prepaid is 70% .....
- 3 Multiply line 1(c) by line 2 .....
- 4 a Enter the amount from Form 740, line 33 (Form 740-NP, page 2, line 33)\* .....
- b Enter credit for taxes paid to another state from Schedule ITC, Section A, line 5 .....
- c Total (add lines 4(a) and 4(b)) .....
- 5 Subtract line 4(c) from line 3 (If line 4(c) exceeds line 3, no penalty applies.).....
- 6 Penalty percentage is 10%.....
- 7 Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated tax (minimum penalty \$25). Enter here and on Form 740 or 740-NP, line 35(a) .....
- 8 Enter interest amount due from Form 2210-K, page 2, line 22. Enter here and on Form 740 or 740-NP, line 35(b), if you have additional tax due .....

1a		00
1b		00
1c		00
2	x .7	
3		00
4a		00
4b		00
4c		00
5		00
6	x .1	
7		00
8		00

**➡ To Avoid Underpayment Penalty in the Future, Obtain and File Form 740-ES.**

\*Do not include amounts prepaid with extension after the due date of the fourth declaration installment or amounts paid with the original return.



**NOTE: Use this page to calculate interest amount due on underpaid or untimely required estimated payments. See instructions for list of exclusions.**

**PART III—REQUIRED ANNUAL PAYMENT**

1	Enter 2018 income tax liability: (Form 740 or Form 740-NP, page 1, line 26).....	1		00
2	Enter 2018 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 32(a) and 32(c)).....	2		00
3	Enter 2018 nonresident withholding: (Form 740-NP, page 2, line 32(d)).....	3		00
4	Add lines 2 and 3. Enter total here .....	4		00
5	Subtract line 4 from line 1. (If the result is \$500 or less, stop here. Do not compute this schedule.).....	5		00
6	Enter 2017 income tax liability: (2017 Form 740 or Form 740-NP, page 1, line 26).....	6		00
7	Required annual payment. Enter the smaller of line 1 or line 6.....	7		00

**Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.**

**PAYMENT DUE DATES**

	A 4-15-18	B 6-15-18	C 9-15-18	D 1-15-19
8 <b>Required Installments.</b> Enter 1/4 (.25) of line 7 in each column.....	8	00	00	00
9 <b>Estimated tax paid and tax withheld.</b> For column A only, enter the amount from line 9 on line 13. If line 9 is equal to or greater than line 8 for all payment periods (columns A through D), stop here. You do not owe interest. Complete lines 10 through 17 of each column before going to the next column .....	9	00	00	00
10 Enter amount, if any, from line 17 of previous column .....	10		00	00
11 Add lines 9 and 10. Enter here .....	11		00	00
12 Enter the amount from line 16 of previous column. ....	12		00	00
13 Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9.....	13	00	00	00
14 If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero.....	14		00	00
15 <b>Underpayment.</b> If line 8 is equal to or greater than line 13, subtract line 13 from line 8. Otherwise, go to line 17 .....	15	00	00	00
16 Add lines 14 and 15. Enter here. If line 8 is equal to or greater than line 13, then go to line 10 of the next column .....	16	00	00	00
17 <b>Overpayment.</b> If line 13 is more than line 8, subtract line 8 from line 13, then go to line 10 of the next column.....	17	00	00	00

**FIGURING THE INTEREST**

18 Interest calculation payment date .....	18	6-15-18	9-15-18	1-15-19	4-15-19
19 Number of days <b>from</b> the payment due date shown at the top of the column above line 8 <b>to</b> the date the amount on line 16 was paid, or the date shown for that column on line 18, whichever is earlier.....	19				
20 Annual Percentage Rate (APR).....	20	.06	.06	.06	.07
21 Underpayment Number of from line 16 X $\frac{\text{days from line 19}}{365}$ X APR on line 20 .....	21	00	00	00	00
22 <b>INTEREST DUE:</b> Add amounts on line 21 columns A through D. Enter the total here and on Form 2210-K, page 1, line 8 .....	22				00



Enter name(s) as shown on Form 740 or Form 740-NP, page 1.

Your Social Security Number

**Caution:** You **cannot** take the 2018 Kentucky Education Tuition Tax Credit if you are not eligible for the Federal Education Credits. You must attach the federal Form 8863.

**Carryforward Information:** If you have an unused credit from prior year(s), complete Page 2, Part V to determine your carry-forward amount. You must have completed Form 8863-K in prior years to claim any allowable unused credit carryforward.

**PART I—Qualifications**

	Yes	No
• Are all expenses claimed on this form for an eligible educational institution located within the Commonwealth of Kentucky (Kentucky institution)?.....		
• Are all of the expenses claimed on this form for undergraduate studies?.....		
• Is your Kentucky filing status single; married filing separately on a combined return; or married filing a joint return? .....		

If you answered "No" to any of these questions above, **STOP**, you do not qualify for this credit.  
If you answered "Yes" to all questions above, go to Part II.

**PART II—American Opportunity Credit (List only expenses for undergraduate studies from Kentucky institutions)**

1	(c) Qualified Expenses (see instructions). <b>Do not</b> enter more than \$4,000 for each student.	(d) Subtract \$2,000 from column (c); if zero or less enter -0-	(e) Multiply column (d) by 25% (.25)	(f) If column (d) is zero enter the amount from column (c); otherwise, add \$2,000 to column (e) and enter result
a <u>Student Name</u> SSN				
	.00	.00	.00	.00
b Institution Name and Address				
a <u>Student Name</u> SSN				
	.00	.00	.00	.00
b Institution Name and Address				
2 Add the amounts on line 1, column (f) .....	2			00
3 Enter the decimal amount from line 6 of the federal Form 8863. If this line is blank, enter -0- and go to line 4; you cannot take any American Opportunity Credit .....	3		. . . . .	
4 <b>Tentative American Opportunity Credit.</b> Multiply line 2 by line 3 and enter here (Note: The result on line 4 cannot exceed the amount of the federal Form 8863, line 7). If you are taking the Lifetime Learning Credit for another student, complete Part III; otherwise, enter amount from line 4 on line 11 .....	4			00



**PART III—Lifetime Learning Credit (List only expenses for undergraduate studies from Kentucky institutions)**

5	(a) Student Name	(b) Student SSN	(c) Name and Address of Kentucky Institution	(d) Qualified Expenses (See instructions)
			-----	.00
			-----	.00
6	Add the amounts on line 5, column (d) and enter total here.....			00
7	Enter the smaller of line 6 or \$10,000 .....			00
8	Multiply line 7 by 20% (.20) and enter here.....			00
9	Enter the decimal amount from line 17 of the federal Form 8863. If this line is blank, enter -0- and go to line 10; you cannot take any Lifetime Learning Credit.....			— • — — —
10	<b>Tentative Lifetime Learning Credit.</b> Multiply line 8 by line 9 and enter here (Note: The result on line 10 cannot exceed the amount of the federal Form 8863, line 18) .....			00
11	<b>Total Tentative Kentucky Education Tuition Tax Credits. Add lines 4 and 10.</b> .....			00

**PART IV—Allowable Education Credits**

12	Multiply the amount on line 11 by 25% (.25) and enter total here .....	12	00
13	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22 .....	13	00
14	Enter amount from Part V, line 34. If Part V, line 34 is blank, enter -0-.....	14	00
15	Subtract line 14 from line 13.....	15	00
16	Enter the smaller of line 15 or line 12 .....	16	00
17	Add lines 14 and 16. Enter here and on Form 740 or Form 740-NP, line 23. <b>This is your allowable 2018 Kentucky Education Tuition Tax Credit</b> .....	17	00
18	If line 15 is smaller than line 12, subtract line 15 from line 12. This is the amount of <b>unused credit carryforward from 2018 to 2019</b> . Enter here and on the 2018 Carryforward Worksheet, Line E, provided below .....	18	00

**PART V—Credit Carryforward from Prior Years**

19	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22 .....	19	00
20	Enter your credit carryforward from 2013 .....	20	00
21	Enter your credit carryforward from 2014 .....	21	00
22	Enter your credit carryforward from 2015 .....	22	00
23	Enter your credit carryforward from 2016 .....	23	00
24	Enter your credit carryforward from 2017 .....	24	00
25	Add lines 20 through 24 and enter total here .....	25	00
26	Subtract line 20 from line 19. If zero or less, enter -0-.....	26	00
27	<b>Enter 2014 credit carryforward to 2019.</b> Subtract line 26 from line 21. If zero or less, enter -0- .....	27	00
28	Subtract line 21 from line 26. If zero or less, enter -0-.....	28	00
29	<b>Enter 2015 credit carryforward to 2019.</b> Subtract line 28 from line 22. If zero or less, enter -0- .....	29	00
30	Subtract line 22 from line 28. If zero or less, enter -0-.....	30	00
31	<b>Enter 2016 credit carryforward to 2019.</b> Subtract line 30 from line 23. If zero or less, enter -0- .....	31	00
32	Subtract line 23 from line 30. If zero or less, enter -0-.....	32	00
33	<b>Enter 2017 credit carryforward to 2019.</b> Subtract line 32 from line 24. If zero or less, enter -0-.....	33	00
34	Enter the smaller of line 19 or line 25 .....	34	00

**2018 Carryforward Worksheet**

<b>A</b>	<b>From Part V, Line 27, 2014 to 2019</b>	<u>          .00</u>
<b>B</b>	<b>From Part V, Line 29, 2015 to 2019</b>	<u>          .00</u>
<b>C</b>	<b>From Part V, Line 31, 2016 to 2019</b>	<u>          .00</u>
<b>D</b>	<b>From Part V, Line 33, 2017 to 2019</b>	<u>          .00</u>
<b>E</b>	<b>From Part IV, Line 18, 2018 to 2019</b>	<u>          .00</u>

**If you have a carryforward of credit, maintain a copy of this worksheet or Form 8863-K for your records. This information will be needed to prepare future returns.**



Enter name(s) as shown on Form 740 or Form 740-NP, page 1.

Your Social Security Number

**Caution:** You **cannot** take the 2018 Kentucky Education Tuition Tax Credit if you are not eligible for the Federal Education Credits. You must attach the federal Form 8863.

**Carryforward Information:** If you have an unused credit from prior year(s), complete Page 2, Part V to determine your carry-forward amount. You must have completed Form 8863-K in prior years to claim any allowable unused credit carryforward.

**PART I—Qualifications**

	Yes	No
• Are all expenses claimed on this form for an eligible educational institution located within the Commonwealth of Kentucky (Kentucky institution)?.....		
• Are all of the expenses claimed on this form for undergraduate studies?.....		
• Is your Kentucky filing status single; married filing separately on a combined return; or married filing a joint return? .....		

If you answered "No" to any of these questions above, **STOP**, you do not qualify for this credit.  
If you answered "Yes" to all questions above, go to Part II.

**PART II—American Opportunity Credit (List only expenses for undergraduate studies from Kentucky institutions)**

1	(c) Qualified Expenses (see instructions). <b>Do not</b> enter more than \$4,000 for each student.	(d) Subtract \$2,000 from column (c); if zero or less enter -0-	(e) Multiply column (d) by 25% (.25)	(f) If column (d) is zero enter the amount from column (c); otherwise, add \$2,000 to column (e) and enter result
a <u>Student Name</u> SSN				
-----	.00	.00	.00	.00
b Institution Name and Address				
-----				
a <u>Student Name</u> SSN				
-----	.00	.00	.00	.00
b Institution Name and Address				
-----				
2 Add the amounts on line 1, column (f) .....	2			00
3 Enter the decimal amount from line 6 of the federal Form 8863. If this line is blank, enter -0- and go to line 4; you cannot take any American Opportunity Credit .....	3		. . . . .	
4 <b>Tentative American Opportunity Credit.</b> Multiply line 2 by line 3 and enter here (Note: The result on line 4 cannot exceed the amount of the federal Form 8863, line 7). If you are taking the Lifetime Learning Credit for another student, complete Part III; otherwise, enter amount from line 4 on line 11 .....	4			00



**PART III—Lifetime Learning Credit (List only expenses for undergraduate studies from Kentucky institutions)**

5	(a) Student Name	(b) Student SSN	(c) Name and Address of Kentucky Institution	(d) Qualified Expenses (See instructions)
			-----	.00
			-----	.00
6	Add the amounts on line 5, column (d) and enter total here.....			00
7	Enter the smaller of line 6 or \$10,000 .....			00
8	Multiply line 7 by 20% (.20) and enter here.....			00
9	Enter the decimal amount from line 17 of the federal Form 8863. If this line is blank, enter -0- and go to line 10; you cannot take any Lifetime Learning Credit.....			— • — — —
10	<b>Tentative Lifetime Learning Credit.</b> Multiply line 8 by line 9 and enter here (Note: The result on line 10 cannot exceed the amount of the federal Form 8863, line 18) .....			00
11	<b>Total Tentative Kentucky Education Tuition Tax Credits. Add lines 4 and 10.</b> .....			00

**PART IV—Allowable Education Credits**

12	Multiply the amount on line 11 by 25% (.25) and enter total here .....	12	00
13	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22 .....	13	00
14	Enter amount from Part V, line 34. If Part V, line 34 is blank, enter -0-.....	14	00
15	Subtract line 14 from line 13.....	15	00
16	Enter the smaller of line 15 or line 12 .....	16	00
17	Add lines 14 and 16. Enter here and on Form 740 or Form 740-NP, line 23. <b>This is your allowable 2018 Kentucky Education Tuition Tax Credit</b> .....	17	00
18	If line 15 is smaller than line 12, subtract line 15 from line 12. This is the amount of <b>unused credit carryforward from 2018 to 2019</b> . Enter here and on the 2018 Carryforward Worksheet, Line E, provided below .....	18	00

**PART V—Credit Carryforward from Prior Years**

19	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22 .....	19	00
20	Enter your credit carryforward from 2013 .....	20	00
21	Enter your credit carryforward from 2014 .....	21	00
22	Enter your credit carryforward from 2015 .....	22	00
23	Enter your credit carryforward from 2016 .....	23	00
24	Enter your credit carryforward from 2017 .....	24	00
25	Add lines 20 through 24 and enter total here .....	25	00
26	Subtract line 20 from line 19. If zero or less, enter -0-.....	26	00
27	<b>Enter 2014 credit carryforward to 2019.</b> Subtract line 26 from line 21. If zero or less, enter -0- .....	27	00
28	Subtract line 21 from line 26. If zero or less, enter -0-.....	28	00
29	<b>Enter 2015 credit carryforward to 2019.</b> Subtract line 28 from line 22. If zero or less, enter -0- .....	29	00
30	Subtract line 22 from line 28. If zero or less, enter -0-.....	30	00
31	<b>Enter 2016 credit carryforward to 2019.</b> Subtract line 30 from line 23. If zero or less, enter -0- .....	31	00
32	Subtract line 23 from line 30. If zero or less, enter -0-.....	32	00
33	<b>Enter 2017 credit carryforward to 2019.</b> Subtract line 32 from line 24. If zero or less, enter -0-.....	33	00
34	Enter the smaller of line 19 or line 25 .....	34	00

**2018 Carryforward Worksheet**

A	From Part V, Line 27, 2014 to 2019	.00
B	From Part V, Line 29, 2015 to 2019	.00
C	From Part V, Line 31, 2016 to 2019	.00
D	From Part V, Line 33, 2017 to 2019	.00
E	From Part IV, Line 18, 2018 to 2019	.00

**If you have a carryforward of credit, maintain a copy of this worksheet or Form 8863-K for your records. This information will be needed to prepare future returns.**



## Instructions for Schedule ITC

You must file Schedule ITC if you have:

- nonrefundable business incentive credits
- Personal tax credits (65 or over, blind or in Kentucky National Guard)
- qualifying dependent children and are claiming The Family Size tax credit.

### SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

#### Line 1, Nonrefundable Limited Liability Entity Tax Credit (KRS 141.0401(2))

An individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by KRS 141.020 equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by KRS 141.0401(2), after the LLET is reduced by the minimum tax of \$175 and by other tax credits which the limited liability pass-through entity may be allowed. The credit allows an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by KRS 141.0401(3) (b). Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

Nonrefundable Kentucky limited liability entity tax credit (KRS 141.0401(2))—The credit amount is shown on Kentucky Schedule(s) K-1 from pass-through entities (PTEs) or Form(s) 725 for single member limited liability companies. **Copies of Kentucky Schedule(s) K-1 or Form(s) 725 must be enclosed with your return.**

#### Kentucky Limited Liability Entity Tax Credit Worksheet

Complete a separate worksheet for each LLE. Retain for your records.

Name \_\_\_\_\_

Address \_\_\_\_\_

FEIN \_\_\_\_\_

**Percentage of Ownership** ..... %

1. Enter Kentucky taxable income from Form 740, line 11 or 740-NP, line 13... \_\_\_\_\_
2. Enter LLE income **as shown on Kentucky Schedule K-1 or Form 725** ..... \_\_\_\_\_
3. Subtract line 2 from line 1 and enter total here ..... \_\_\_\_\_
4. Enter Kentucky tax on income amount on line 1..... \_\_\_\_\_
5. Enter Kentucky tax on income amount on line 3..... \_\_\_\_\_

6. Subtract line 5 from line 4. If line 5 is larger than line 4, enter zero. This is your tax savings if income is ignored ..... \_\_\_\_\_
7. Enter nonrefundable limited liability entity tax credit (**from Kentucky Schedule K-1 or Form 725**) ..... \_\_\_\_\_
8. Enter the lesser of line 6 or line 7. This is your credit. Enter here and on Schedule ITC, Section A, line 1 .... \_\_\_\_\_

**Line 2, Kentucky Small Business Tax Credit**—For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after December 31, 2010. The definition of base year for purposes of the credit computation was changed to the first full year of operation that begins on or after January 1, 2009 and before January 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

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

A small business that is a pass-through entity not subject to the tax imposed by KRS 141.040 and that has tax credits approved under Subchapter 60 of KRS Chapter 154 shall apply the credits against the limited liability entity tax imposed by KRS 141.0401, and shall also distribute the amount of the approved tax credits to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of income as determined for the year during which the tax credits are approved.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars (\$3,000,000).

The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars (\$25,000). The credit shall be claimed on the tax return for the year during which the credit was approved. As per KRS 141.0205, individuals entitled to this credit will claim the credit

on Schedule ITC, Section A, line 2—Business Incentive and Other Tax Credits.

Unused credits may be carried forward for up to five (5) years.

**Line 3, Skills Training Investment Tax Credit**—Enter the amount of credit certified by the Bluegrass State Skills Corporation. A copy of the Kentucky Schedule K-1 for the year the credit was approved must be enclosed with the return in the first year the credit is claimed. The excess credit over the income tax liability in the year approved may be carried forward for three successive taxable years. For information regarding the application and approval process for this credit, contact the Cabinet for Economic Development, Bluegrass State Skills Corporation at (502) 564-2021.

**Line 4, Nonrefundable Certified Rehabilitation Credit**— This credit is available to owner-occupied residential and commercial preservation projects for structures that are listed in the National Register of Historic Places, or in a National Register historic district, up to \$3 million annually. The credit is 30 percent of certified rehabilitation expenses for owner-occupied residential properties, not to exceed \$60,000 per project, and 20 percent for commercial and income-producing properties. To qualify, an owner must spend at least \$20,000 on rehabilitation.

Individuals or businesses can apply the credit against their state income tax liability, carry the credit forward up to seven years or transfer it to a banking institution to leverage financing. For applications submitted on or after **April 30, 2010**, the credit shall be refundable if the taxpayer makes an election under KRS 171.397(2)(b). For more information regarding this credit, visit the Kentucky Heritage Council’s website at [www.heritage.ky.gov](http://www.heritage.ky.gov), or call (502) 564-7005.

**Line 5, Credit for Tax Paid to Another State**—Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, a credit for income tax paid to another state may be claimed. The credit is **limited** to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of tax paid to the other state, **whichever is less**. As per KRS 141.070(3) “state” means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States.

**You may not claim credit for tax withheld by another state.** You must file a return with the other state and pay tax on income also taxed by Kentucky in order to claim the credit. A copy of the other state’s return including a schedule of income sources must be enclosed to verify this credit. **If you owe tax in more than one state, the credit for each state must be computed separately.**

**Reciprocal States**—Kentucky has reciprocal agreements with specific states. These agreements provide for taxpayers to be taxed by their state of residence, and not the state where income is earned. Persons who live in Kentucky for more than 183 days during the tax year are considered residents and reciprocity does not apply. The states and types of exemptions are as follows:

**Illinois, West Virginia**—wages and salaries

**Indiana**—wages, salaries and commissions

**Michigan, Wisconsin**—income from personal services (including salaries and wages)

**Ohio**—wages and salaries. **Note:** Wages which an S corporation pays to a shareholder-employee if the shareholder-employee is a “twenty (20) percent or greater” direct or indirect equity investor in the S corporation shall not be exempt under the reciprocity agreement.

**Virginia**—commuting daily, salaries and wages

Kentucky does not allow a credit for tax paid to a reciprocal state on the above income. If tax was withheld by a reciprocal state, you must file directly with the other state for a refund of those taxes.

**Credit for Taxes Paid to Other State Worksheet**

**Kentucky residents/part-year residents only. Complete a separate worksheet for each state.**

Name of other state.....

1. List Kentucky taxable income from Form 740, line 11 or 740-NP, line 13... \_\_\_\_\_
2. List income reported to other state included on Kentucky return ..... \_\_\_\_\_
3. Subtract line 2 from line 1 and enter total here ..... \_\_\_\_\_
4. Enter Kentucky tax on income amount on line 3 (multiply line 3 by 5%)..... \_\_\_\_\_
5. Enter Kentucky tax on income amount on line 1 (multiply line 1 by 5%)..... \_\_\_\_\_
6. Subtract line 4 from line 5. This is the tax savings on return if other state’s income is ignored ..... \_\_\_\_\_
7. Enter tax paid to other state on income claimed on Kentucky return . \_\_\_\_\_
8. Enter the lesser of line 6 or line 7. This is your credit for tax paid to other state. Carry this total to Schedule ITC, Section A, line 5..... \_\_\_\_\_

**Line 6, Employer’s Unemployment Tax Credit**—If you hired unemployed Kentucky residents to work for you during the last six months of 2017 or during 2018, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of \$100. The period of unemployment must be certified by the Office of Employment and Training, Education Cabinet, 275 East Main Street, 2-WA, Frankfort, KY 40621-0001, and you must maintain a copy of the certification in your files. A copy of Schedule UTC must be enclosed with your return.

**Line 7, Recycling and/or Composting Tax Credit**—Individuals who purchase recycling or composting equipment to be used exclusively in Kentucky for recycling or composting postconsumer waste materials, are entitled to a credit

against the tax equal to 50 percent of the installed cost of the equipment pursuant to KRS 141.390. Application for this credit must be made on Schedule RC, which may be obtained from the Department of Revenue. A copy of Schedule RC and/or Schedule RC (K-1) reflecting the amount of credit approved by the Department of Revenue must be enclosed with the return.

**Line 8, Kentucky Investment Fund Tax Credit—Limits on Kentucky Investment Fund Act (KIFA) Credits**—An investor whose cash contribution to an investment fund has been certified by the Kentucky Economic Development Finance Authority (KEDFA) is entitled to a nonrefundable credit against Kentucky income tax equal to 40 percent of the cash contribution. For investments before July 1, 2002, the amount of credit that may be claimed in any given year is limited to 25 percent of the total amount certified by the Kentucky Economic Development Finance Authority (KEDFA). For investments after June 30, 2002, the credit is claimed on the tax return filed for the tax year following the year in which the credit is granted and is limited in any tax year to 50 percent of the initial aggregate credit apportioned to the investor. Enclose a copy of the certification by KEDFA in the first year claimed. Any excess credit may be carried forward. No credit may extend beyond 15 years of the initial certification.

**Line 9, Qualified Research Facility Tax Credit**—A nonrefundable credit is allowed against individual and corporation income taxes equal to 5 percent of the cost of constructing and equipping new facilities or expanding or remodeling existing facilities in Kentucky for qualified research. “Qualified research” is defined to mean qualified research as defined in Section 41 of the IRC. Any unused credit may be carried forward 10 years. Complete and enclose Schedule QR, Qualified Research Facility Tax Credit.

**Line 10, Employer GED Incentive Tax Credit**—KRS Chapter 164.0062 provides a nonrefundable income tax credit for employers who assist employees in completing a learning contract in which the employee agrees to obtain his or her high school equivalency diploma. The employer shall complete the lower portion of the GED-Incentive Program Final Report (Form DAEL-31) and enclose a copy to the return to claim this credit. Shareholders and partners should enclose a copy of Schedule K-1 showing the amount of credit distributed. For information regarding the program, contact the Education Cabinet, Kentucky Adult Education, Council on Postsecondary Education.

**Line 11, Voluntary Environmental Remediation Credit**—This line should be completed only if the taxpayers have an agreed order with the Environmental and Public Protection Cabinet under the provisions of KRS 224.1-400 or 405 and have been approved for the credit by the Department of Revenue. Maximum credit allowed to be claimed per taxable year is 25 percent of approved credit. For more information regarding credit for voluntary environmental remediation property, contact the Environmental and Public Protection Cabinet at (502) 564-3350. To claim this credit, Schedule VERB must be enclosed.

**Line 12, Biodiesel and Renewable Diesel Credit**—Producers and blenders of biodiesel and producers of renewable diesel are entitled to a tax credit against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for biodiesel and renewable diesel credit with the

Department of Revenue by January 15 each year for biodiesel produced or blended and the renewable diesel produced in the previous calendar year. The department shall issue a credit certification to the taxpayer by April 15. The credit certification must be enclosed with the tax return claiming this credit.

**Line 13, Clean Coal Incentive Tax Credit**—A nonrefundable, nontransferable credit against taxes imposed by KRS 136.120, KRS 141.020, KRS 141.040 or KRS 141.0401 shall be allowed for a clean coal facility. As provided by KRS 141.428, a clean coal facility means an electric generation facility beginning commercial operation on or after January 1, 2005, at a cost greater than \$150 million that is located in the Commonwealth of Kentucky and is certified by the Environmental and Public Protection Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies. The amount of the credit shall be two dollars (\$2) per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility.

**Line 14, Ethanol Tax Credit**—An ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per ethanol gallon produced, unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining ethanol credit shall be disallowed and shall not be carried forward to the next year. “Ethanol producer” is defined as an entity that uses corn, soybeans, or wheat to manufacture ethanol at a location in this Commonwealth.

**Line 15, Cellulosic Ethanol Tax Credit**—A cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining cellulosic ethanol

credit shall be disallowed and shall not be carried forward to the next year. "Cellulosic ethanol producer" is defined as an entity that uses cellulosic biomass materials to manufacture cellulosic ethanol at a location in this Commonwealth.

**Line 16, Railroad Maintenance and Improvement Credit**—The railroad maintenance and improvement credit provided by KRS 141.385 is a nonrefundable credit that can be applied against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The tax credit shall be used in the tax year of the qualified expenditures which generated the tax credit and cannot be carried forward to a return for any other period.

An *eligible taxpayer* means the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or III railroad in Kentucky, or any person that furnishes railroad-related property or services to a Class II or Class III railroad located in Kentucky. A copy of Schedule RR-I must be enclosed with your return.

**Line 17, Endow Kentucky Credit**—Effective for taxable years beginning on or after January 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. KRS 141.438 was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000.

A taxpayer shall enclose a copy of the approved Schedule ENDOW to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401.

A partner, member or shareholder of a pass-through entity shall enclose a copy of Schedule K-1, Form 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP to the partner's, member's or shareholder's tax return each year to claim the tax credit.

Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years.

**Line 18, New Markets Development Program Tax Credit**—A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the Department of Revenue for approval. The person or entity actually making the loan or making the equity investment will be able to claim a credit, subject to a \$10 million credit cap each fiscal year, by completing Form 8874(K)-A.

**Line 19, Food Donation Credit**—Enter any unused credit from a prior year.

**Line 20, Distilled Spirits Credit**—Nonrefundable and nontransferable distilled spirits ad valorem tax credit may be claimed by income taxpayers who pay Kentucky property tax on distilled spirits. If the taxpayer is a pass-through entity, such as a partnership or limited liability company classified as a partnership for Kentucky income tax purposes, the taxpayer may apply the credit against the LLET and pass the credit through to its members, partners,

or shareholders in the same proportion as the distributive share of income or loss is passed through. For tax year 2018, the distilled spirits credit is equal to eighty percent (80%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis on or after January 1, 2018. For more information, see KRS 141.389.

**Line 21, Angel Investor Credit**—Effective for taxable years beginning on or after January 1, 2015, a nonrefundable personal income tax credit is available 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 maximum amount of credit that may be claimed by a taxpayer in any taxable year shall not exceed fifty percent (50%) of the total amount of credit awarded or transferred to the taxpayer.

Any amount of credit that a taxpayer is unable to utilize during a taxable year may be carried forward for use in a succeeding taxable year for a period not to exceed fifteen (15) years. Any amount of credit not used within fifteen (15) years shall be lost. No amount of credit may be carried back by any taxpayer. For more information, see KRS 141.396.

**Line 22, Film Industry Tax Credit**—For applications approved on or after April 27, 2018, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to 148.546. KRS 141.383

**Line 23, Inventory Tax Credit**—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable income tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% on 2021 and thereafter. KRS 141.408

## SECTION B—PERSONAL TAX CREDITS

Complete this section if you are 65 or over, blind or in the Kentucky National Guard.

**Line 1(a), Yourself**—If you are 65 or older check the four boxes labeled 65 or over. If you are blind check the four boxes labeled blind. If you are a member of the Kentucky National Guard on December 31, 2018 also check the last two boxes on line 1(a). Kentucky law specifically restricts this credit to Kentucky National Guard members; military reserve members are not eligible.

**Line 1(b), Your spouse**—Do not fill in line 1(b) if (1) you are single; or (2) you are married and you and your spouse are filing two separate returns. Complete line 1(b) if your spouse



is 65 or older, blind or in the Kentucky National Guard. If your spouse is 65 or over check the four boxes labeled 65 or over. If your spouse is blind check the four boxes labeled blind. If your spouse is a member of the Kentucky National Guard on December 31, 2018 also check the last two boxes on line 1(b).

**Lines 3A and 3B, Dividing the Credits**—Each taxpayer must claim all of his or her own tax credits for age, blindness and Kentucky National Guard.

**Example:** A taxpayer who is 65 and a spouse who is 60 are filing separately on a combined return. The taxpayer must claim four credits (four for being 65 or older) and the spouse does not have any.



**Remember to carry amounts from Section B, Line 3A and/or 3B, to Form 740 or 740-NP, page 1, line 17.**

### SECTION C—FAMILY SIZE TAX CREDIT

Complete this section if you are: (1) single and have a family size greater than one; (2) married, filing separately on a combined return or married, filing a joint return and have a family size greater than two; or (3) married filing separate returns and have a family size greater than two.

You must enter each dependents' name, social security number and relationship that qualify to be included in your family size.

**Family Size**—Consists of yourself, your spouse if married and living in the same household and qualifying children.

**Family Size 1** is an individual either single, or married living apart from his or her spouse for the entire year. You may qualify for the Family Size Tax Credit even if you are claimed as a dependent on your parent's tax return.

**Family Size 2** is an individual with one qualifying child or a married couple.

**Family Size 3** is an individual with two qualifying children or a married couple with one qualifying child.

**Family Size 4** is an individual with three or more qualifying children or a married couple with two or more qualifying children.

**Qualifying Dependent Child**—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

**Relationship**—Must be the taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.

**Residence**—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents.

**Age**—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.

**Support**—Did not provide more than one-half of his/her own support for the year.

### DETERMINE MODIFIED GROSS INCOME.

Use worksheet for computation of Modified Gross Income. Use this amount to determine if you qualify.

**Example:** A taxpayer is filing single, has one qualifying dependent child and their Modified Gross Income is \$21,350. This taxpayer has a family size of two and would be entitled to a family size tax credit of 20% (.20).

**INSTRUCTIONS FOR SCHEDULE A  
FORM 740-NP**

You may itemize your deductions for Kentucky even if you do not itemize for federal purposes. Amounts entered on Schedule A should be total deductions for the taxable period. These amounts are prorated on Form 740-NP, page 1. If you do not itemize, you may elect to take a standard deduction of \$2,530 and it does not have to be prorated.

**Special Rules for Married Couples**—If one spouse itemizes deductions, the other must itemize. Married couples filing a joint federal return and who wish to file separate returns for Kentucky may: (a) file separate Schedules A showing the specific deductions claimed by each; (b) file a joint Schedule A, divide the total deductions between them based on the percentage of each spouse's income to total income, and enclose a copy with each return; or (c) each spouse may claim the standard deduction of \$2,530.

**INTEREST**

You may deduct interest that you have paid during the taxable year on a home mortgage. You may not deduct interest paid on credit or charge card accounts, a life insurance loan, an automobile or other consumer loan, delinquent taxes or on a personal note held by a bank or individual.

Interest paid on business debts should be deducted as a business expense on the appropriate business income schedule.

You may not deduct interest on an indebtedness of another person when you are not legally liable for payment of the interest. Nor may you deduct interest paid on a gambling debt or any other nonenforceable obligation. Interest paid on money borrowed to buy tax-exempt securities or single premium life insurance is not deductible.

**Line 1**—List the interest and points (including "seller-paid points") paid on your home mortgage to financial institutions and reported to you on federal Form 1098.

**Line 2**—List other interest paid on your home mortgage and not reported to you on federal Form 1098. Show name and address.

**Line 3**—List points (including "seller-paid points") not reported to you on federal Form 1098. Points (including loan origination fees) charged only for the use of money and paid with funds other than those obtained from the lender are deductible over the life of the mortgage. However, points may be deducted in the year paid if all three of the following apply: (1) the loan was used to **buy, build or improve your main home**, and was secured by that home, (2) the points did not exceed the points usually charged in the area where the loan was made, and were figured as a percentage of the loan amount, and (3) if the loan was used to **buy or build** the home, you must have provided funds (see below) at least equal to the points charged. If the loan was used to **improve** the home, you must have paid the points with funds other than those obtained from the lender.

**Funds provided by you** include down payments, escrow deposits, earnest money applied at closing, and other amounts actually paid at closing. They do not include amounts you borrowed as part of the overall transaction.

**Seller-Paid Points**—If you are the buyer, you may be able to deduct points the seller paid in 2018. You can do this if the loan was used to buy your main home and the points meet

item 2 above. You must reduce your basis in the home by those points, even if you do not deduct them.

The seller cannot deduct these points as interest. However, they are a selling expense that reduces the amount realized by the seller. See federal Publication 523 for information on selling your home.

This generally does not apply to points paid to refinance your mortgage. Federal rules apply. See federal Publication 936 for more information.

**Line 4, Qualified Mortgage Insurance Premiums**—Premiums that you pay or accrue for "qualified mortgage insurance" during 2018 in connection with home acquisition debt on your qualified home are deductible as home mortgage insurance premiums. Qualified mortgage insurance is mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and private mortgage insurance. Mortgage insurance premiums you paid or accrued on any mortgage insurance contract issued before January 1, 2007, are not deductible.

**Limit on amount you can deduct.** You cannot deduct your mortgage insurance premiums if the amount on Form 740-NP, line 8, is more than \$109,000 (\$54,500 if married filing separate returns). If the amount on Form 740-NP, line 8, is more than \$100,000 (\$50,000 if married filing separate returns), your deduction is limited and you must use the worksheet below to figure your deduction

**Qualified Mortgage Insurance Premiums Deduction Worksheet**

*See the instructions for Line 4 above to see if you must use this worksheet to figure your deduction.*

1. Enter the total premiums you paid in 2018 for qualified mortgage insurance for a contract <b>entered into on or after January 1, 2007</b> .....	1. _____
2. Enter the amount from Form 740-NP, page 1, Line 8.....	2. _____
3. Enter \$100,000 (\$50,000 if married filing separate returns).....	3. _____
4. Is the amount on Line 2 more than the amount on Line 3? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from Line 1 above on Schedule A, Line 4. <input type="checkbox"/> Yes. Subtract Line 3 from Line 2. If the result is not a multiple of \$1,000 (\$500 if married filing separate returns), increase it to the next multiple of \$1,000 (\$500 if married filing separate returns). For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000; or if married filing separate returns, increase \$425 to \$500, increase \$2,025 to \$2,500, etc. ....	4. _____
5. Divide Line 4 by \$10,000 (\$5,000 if married filing separate returns). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0.....	5. _____
6. Multiply Line 1 by Line 5.....	6. _____
7. Qualified mortgage insurance premiums deduction. Subtract Line 6 from Line 1. Enter the result here and on Schedule A, Line 4.....	7. _____

**CONTRIBUTIONS**

You may deduct what you actually gave to organizations that are religious, charitable, educational, scientific or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. In general, contributions deductible for federal income tax purposes are also deductible for Kentucky.

You are required to maintain receipts, cancelled checks or other reliable written documentation showing the name of the organization and the date and amount given to support claimed deductions for charitable contributions.

Separate contributions of \$250 or more require written substantiation from the donee organization in addition to your proof of payment. It is your responsibility to secure substantiation. A letter or other documentation from the qualifying charitable organization that acknowledges receipt of the contribution and shows the date and amount constitutes a receipt. This substantiation should be kept in your files. Do not send it with your return.

In addition, enter on line 7 the value of a leasehold interest property contributed to a charitable organization to provide temporary housing for the homeless. Enclose Schedule HH.

**LINE 10—OTHER MISCELLANEOUS DEDUCTIONS**

Use this line to report miscellaneous deductions that are NOT subject to the 2 percent adjusted gross income limit. Only the expenses listed below can be deducted on line 10.

**Expenses NOT Subject to the 2 Percent Limit**

- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if more than \$3,000. See federal Publication 525.
- Unrecovered investment in a pension.

List the type and amount of each expense. Enter one total on line 10. For more information on these expenses, see federal Publication 529.

**LINE 11—TOTAL ITEMIZED DEDUCTIONS**

**Dividing Deductions Between Spouses**—Married taxpayers combining itemized deductions must divide the itemized deductions if filing separate Kentucky returns or if one spouse is not filing a Kentucky return. Complete lines 12 through 15, Schedule A.



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# Instructions for Form 2210-K

**Purpose of Form**—Use this form to determine if you owe an underpayment of estimated tax penalty for failing to prepay 70% of your tax liability and/or interest for failing to make four equal estimated tax installments timely. You may be subject to one or both even if you are due a refund when you file your tax return.

**Underpayment of Estimated Tax Penalty**—You may be charged an underpayment of estimated tax penalty if you did not prepay 70% of your tax liability and you did not meet one of the exceptions listed in Part I.

**Estimated Tax Interest**—You may also be charged interest if you failed to make four equal installments timely pursuant to KRS 141.305. These payments are due by April 15, June 15, September 15 of the taxable year, and on January 15 of the succeeding taxable year. Failure to make these equal installments timely may result in interest due pursuant to KRS 141.985. The interest is computed separately for each due date.

**Part I—Exceptions and Exclusions**—The underpayment of estimated tax penalty may not apply if one of the exceptions listed in Part I is met. If you meet one or more of the exceptions, check the appropriate box(es), complete the lines associated with the exception and check the “Form 2210-K attached” box on Form 740, line 35(a)(Form 740-NP, line 35(a)).

**Part II—Figuring the Underpayment and Penalty**—Only complete this section if the additional tax due exceeds \$500 and you do not meet one of the exceptions listed in Part I. Do not include amounts that were prepaid with extension or payments made after the due date of the fourth declaration installment. To avoid this penalty in the future, obtain and file Form 740-ES.

**Part III—Required Annual Payment and Interest Calculation**—This section is used to calculate your required annual payment. The required annual payment is used to calculate the amount of payment that you should have made each quarter. If you do not pay the required amount in each quarter, you will be subject to interest until that payment is made. You may not be required to pay estimated tax payments if you meet one of the following exceptions:

- Taxpayer died during the taxable year
- Declaration was not required until after September 3, 2018, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2019.
- Two-thirds (2/3) or more of the gross income was from farming; this return is being filed on or before March 1, 2019; and the total tax due is being paid in full.
- Prepaid your last years tax liability with timely payments.

**Lines 1–7**—Calculates your required annual payment which is the lesser of your current years income tax liability or your previous years tax liability. If you have paid withholding that exceeds the lesser of the two, you do not owe interest and you do not need to complete the rest of the form.

**Line 8**—Multiply line 7, page 2, by 25 percent (.25) and enter amount in columns A through D. However, if your source(s) of income changed unexpectedly throughout the year or your income was received later in the year, the required number of installments may be fewer.

A taxpayer who is not required to pay estimated tax in four equal installments at the beginning of the year may be

required to make installment payments during the remainder of the year. Refer to the payment due dates at the top of columns A – D to determine how many installments you are required to make based on when your income changed or was received.

If you are required to make 3 installments, multiply line 7 by 34 percent (.34) and enter in column B then multiply line 7 by 33 percent (.33) and enter in columns C and D.

If you are required to make 2 installments, multiply line 7 by 50 percent (.50) and enter in columns C and D.

If you are required to only make 1 installment, multiply line 7 by 100 percent (1.00) and enter in column D.

**Line 9**—Enter the sum of estimated tax payments made and Kentucky withholding for each quarter. If you have Kentucky income tax withheld, multiply the total by 25 percent (.25) and enter in columns A through D. If you had a credit forward from a prior year return, enter the total amount in Column A only.

**Note:** Complete lines 10 through 17 for Column A before going to Column B, etc.

**Line 10**—Enter amount from line 17 of the previous column. This amount should be the overpayment if any from the previous column.

**Line 12**—Enter amount from line 16 of the previous column. This amount should be the underpayment amount from the previous column that will be carried over to each column until the payment is made.

**Line 16**—This is the underpayment amount for that column and any underpayment from the previous columns. The underpayment will continue to carryover to the next column until the payment is made or the due date, whichever is earlier.

**Figuring the Interest**—Interest will be calculated on each underpayment in each column from the payment due date written above line 8 to the date on line 18 or the date the payment was made, whichever is earlier. The underpayments will carryover to the next column and be added to that columns underpayment to calculate interest on that balance.

**Line 18**—Use this date to calculate the number of days that the current interest amount will be based upon, unless the underpayment was paid prior to this date.

**Line 19**—This is the number of days from the payment due date shown above line 8 to the date the amount on line 16 was paid or the date shown on line 18 for the column in which you are calculating interest.

For example, if your underpayment on line 16 for column A is \$1,000, you would calculate the interest from 4–15–18 to 6–15–18 and enter 61 days on line 19. If this \$1,000 remains unpaid, it will be added to any underpayment in column B and you would calculate interest from 6–15–18 until 9–15–18 which would be 92 days for that period, etc.

**Line 20**—The annual interest rate is established by the Department of Revenue for each calendar year. The interest rate for calendar years 2018 is 6 percent and 2019 is 7 percent. The interest calculation for the required third installment payment may be calculated using two different interest rates.

## Instructions for Form 8863-K

**Purpose of Form**—Use Form 8863-K to calculate and claim your 2018 education tuition tax credits. The education credits are: the American Opportunity Credit and the Lifetime Learning Credit. These credits are based on qualified undergraduate education expenses paid to an eligible postsecondary educational institution located in Kentucky. If you elected to claim the education credit for federal purposes rather than the tuition and fees deduction, you must make that same election for Kentucky purposes.

**Part I, Qualifications**—All questions in Part I must be answered “Yes” to be eligible to claim the Kentucky education tuition tax credit.

**Qualified Education Expenses**—See the federal instructions to determine the qualified expenses for the American Opportunity Credit and the Lifetime Learning Credit. The allowable expenses may be different for each credit.

**Eligible Educational Institution located in Kentucky**—An eligible educational institution is generally any accredited public, nonprofit, or private college, university, vocational school, or other postsecondary institution. The institution must be eligible to participate in a student aid program administered by the Department of Education. **The institution attended must be physically located in Kentucky to qualify.**

**Part II, American Opportunity Credit**—You must enter the student’s name and Social Security number, the name and address of the Kentucky institution, and the qualified expenses. Use the federal instructions to determine if each student meets the qualifications. **For Kentucky, the credit is limited to 25% of the allowable federal credit with a maximum amount allowed of \$625 for each qualifying student.**

**Part III, Lifetime Learning Credit**—You must enter the student’s name and Social Security number, the name and address of the Kentucky institution, and the qualified expenses. Use the federal instructions to determine if each student meets the qualifications. **For Kentucky, the credit is limited to 25% of the allowable federal credit with a maximum allowed of \$500 per return.**

### Part IV, Allowable Education Credits—

**Line 12**—Multiply line 11 by 25% (.25). This is your tentative Kentucky allowable credit.

**Line 13**—Enter the tentative tax from Form 740 or Form 740-NP, page 1, line 22.

**Line 14**—Enter the amount from page 2, Part V, line 34. This is the allowable credit carryforward from prior year(s). If there is no carryforward, enter zero.

**Line 15**—Subtract line 14 from line 13.

**Line 16**—Enter the smaller of line 15 or line 12.

**Line 17**—Add lines 14 and 16. **Enter here and on Form 740 or Form 740-NP, line 23.** This is your allowable 2018 education credit.

**Line 18**—If line 15 is smaller than line 12, subtract line 15 from line 12. This is the amount of unused credit carryforward from 2018 to 2019. Maintain records for following years.

**Part V, Credit Carryforward from Prior Years**—The Kentucky education tuition tax credit can be carried forward for up to 5 years if unused during the preceding tax year(s). You must have completed Form 8863-K for any prior year(s) in which you are claiming a credit carryforward.

**Kentucky  
implemented a Flat 5% tax rate  
for tax year 2018.**

**Tax tables will no longer be published.**

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# YOUR RIGHTS AS A KENTUCKY TAXPAYER

As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue (DOR) is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens.

As a Kentucky taxpayer, you have the right to expect the DOR to honor its mission and uphold your rights every time you contact or are contacted by the DOR.

Some Kentucky taxpayer rights are very specific, such as when and how to protest a Notice of Tax Due or the denial of a refund. Others are more general.

The following is a summary of your rights and the DOR's responsibilities to you as a Kentucky taxpayer.

## RIGHTS OF TAXPAYER

### Privacy

You have the right to privacy with regard to information you provide pertaining to returns, reports, or the affairs of your business.

### Assistance

You have the right to advice and assistance from the DOR in complying with state tax laws.

### Explanation

You have the right to a clear and concise explanation of:

- ✓ basis of assessment of additional taxes, interest and penalties, or the denial or reduction of any refund or credit claim;
- ✓ procedure for protest and appeal of a Notice of Tax Due, a reduction or denial of a refund, or a denial of a request for additional time to file a supporting statement; and
- ✓ tax laws and changes in tax laws so that you can comply with the law.

### Protest and Appeal

You have the right to file a protest with the DOR if you disagree with a Notice of Tax Due, a reduction or denial of a refund, or a denial of a request for additional time to file a supporting statement. If you file a timely protest, you have a right to a conference to discuss the matter. If you are not satisfied with the Department's final ruling following your protest, you may appeal the final ruling to the Kentucky Claims Commission, Tax Appeals pursuant to KRS 131.110(5) and KRS 49.220 et. seq. (See reverse for procedure to file a protest.)

### Representation

You have the right to representation by your authorized agent (attorney, accountant, or other person) in any hearing or conference with the DOR. You have the right to be informed of this right prior to the conference or hearing. If you intend for your representative to attend the conference or hearing in your place, you will be required to give your representative a power of attorney before the DOR can discuss tax matters with your authorized agent. See Form 20A100.

### Recordings

You have the right to make an audio recording of any meeting, conference, or hearing with the DOR. The DOR has the right to make an audio recording, if you are notified in writing in advance or if you make a recording. You have the right to receive a copy of the recording.

### Consideration

You have the right to consideration of:

- ✓ waiver of penalties or collection fees if "reasonable cause" for reduction or waiver is given ("reasonable cause" is defined in KRS 131.010(9) as: "an event, happening, or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of monies due the department pursuant to law or administrative regulation");
- ✓ installment payments of delinquent taxes, interest, and penalties;
- ✓ waiver of interest and penalties, but not taxes, resulting from incorrect written advice from the DOR if all facts were given and the law did not change or the courts did not issue a ruling to the contrary;
- ✓ extension of time for filing reports or returns; and
- ✓ payment of charges incurred resulting from an erroneous filing of a lien or levy by the DOR.

### Guarantee

You have the right to a guarantee that DOR employees are not paid, evaluated, or promoted based on taxes assessed or collected, or a tax assessment or collection quota or goal imposed or suggested.

### Damages

You have the right to file a claim for actual and direct monetary damages with the Kentucky Claims Commission if a DOR employee willfully, recklessly, and intentionally disregards your rights as a Kentucky taxpayer.

### Interest

You may have the right to receive interest on an overpayment of tax.

## DEPARTMENT OF REVENUE RESPONSIBILITIES

The DOR has the responsibility to:

- ✓ perform audits and conduct conferences and hearings with you at reasonable times and places;
- ✓ authorize, require, or conduct an investigation or surveillance of you only if it relates to a tax matter;
- ✓ make a written request for payment of delinquent taxes which are due and payable at least 30 days prior to seizure and sale of your assets;
- ✓ conduct educational and informational programs to help you understand and comply with the laws;
- ✓ publish clear and simple statements to explain tax procedures, remedies, your rights and obligations, and the rights and obligations of the DOR;
- ✓ notify you in writing when an erroneous lien or levy is released and, if requested, notify major credit reporting companies in counties where lien was filed;

- ✓ advise you of procedures, remedies, and your rights and obligations with an original notice of audit or when an original Notice of Tax Due is issued, a refund or credit is denied or reduced, or whenever a license or permit is denied, revoked, or canceled;
- ✓ notify you in writing prior to termination or modification of a payment agreement;
- ✓ furnish copies of the agent's audit workpapers and a written narrative explaining the reason(s) for the assessment;
- ✓ resolve tax controversies on a fair and equitable basis at the administrative level whenever possible;
- ✓ notify you in writing at your last known address at least 60 days prior to publishing your name on a list of delinquent taxpayers for which a tax or judgment lien has been filed; and
- ✓ notify you by certified mail 20 days prior to submitting your name to the relevant agency for the revocation or denial of professional license, driver's license, or motor vehicle registration.

**PROTEST AND APPEAL PROCEDURE**

**Protest**

If you receive a Notice of Tax Due, or if the DOR notifies you that a tax refund has been reduced or denied, or the DOR denies your request for additional time to file a supporting statement, you have the right to protest. To do so:

- ✓ submit a written protest within 60 days from the original notice date (or 45 days if the original notice date is prior to 07/01/2018); notice of refund reduction or denial, or denial of a request for additional time to file a supporting statement;
- ✓ identify the type of tax involved and give the account number, Social Security number, or other identification number and attach a copy of the DOR Notice of Tax Due or refund denial to support that your protest is timely;
- ✓ explain why you disagree;
- ✓ attach any proof or documentation available to support your protest or request additional time to support your protest;
- ✓ sign your statement, include your daytime telephone number and mailing address; and
- ✓ mail to the Kentucky Department of Revenue, Frankfort, Kentucky 40620.

**Conference**

You have the right to request a conference to discuss the issue.

**Final Ruling**

If you do not want to have a conference or if the conference did not resolve your protest, you have the right to request a final ruling of the DOR so that you can appeal your case further.

**Appeal**

If you do not agree with the DOR's final ruling, you can file a written appeal with the Kentucky Claims Commission. If you do not agree with the decision of the Kentucky Claims Commission, you have the right to appeal their ruling to the Kentucky courts (first to the circuit court in your home county or in Franklin County, then to the Kentucky Court of Appeals, and finally to the Kentucky Supreme Court).

**NOTE:** The above protest and appeal procedures do not apply for real property which is valued by the local property valuation administrator (PVA). Contact the local PVA for information about how to appeal the valuation of real property.

**TAXPAYER OMBUDSMAN**

The DOR has a Taxpayer Ombudsman whose job is to serve as an advocate for taxpayers' rights. One of the main functions of the Ombudsman is to ensure that your rights as a Kentucky taxpayer are protected.

Also, an important function of the Taxpayer Ombudsman is to confer with DOR employees when you have a problem or conflict that you have been unable to resolve. However, it is not the role of the Ombudsman to intercede in an audit,

handle a protest, waive taxes, penalty or interest, or answer technical tax questions. To file a protest, see PROTEST AND APPEAL PROCEDURE. Please do not mail your protest to the Ombudsman.

The Taxpayer Ombudsman is your advocate and is there to make sure your rights are protected. If you think you are not being treated fairly or if you have a problem or complaint, please contact the Ombudsman for assistance.

The Taxpayer Ombudsman may be contacted by telephone at 502-564-7822 (between 8:00 a.m. and 5:00 p.m. weekdays). The mailing address is: Department of Revenue, Taxpayer Ombudsman, P. O. Box 930, Frankfort, Kentucky 40602-0930.

**WHERE TO GET ASSISTANCE**

The DOR has offices in Frankfort and taxpayer service centers in nine cities and towns throughout Kentucky. DOR employees in the service centers answer tax questions and provide assistance. You may obtain assistance by contacting any of the following:

**Ashland Taxpayer Service Center**  
1539 Greenup Avenue, 41101-7695  
606-920-2037

**Bowling Green Taxpayer Service Center**  
201 West Professional Park Court, 42104-3278  
270-746-7470

**Corbin Taxpayer Service Center**  
15100 North US25E, Suite 2, 40701-6188  
606-528-3322

**Frankfort Taxpayer Service Center**  
501 High Street, 40601-2103  
502-564-4581 (*Taxpayer Assistance*)

**Hopkinsville Taxpayer Service Center**  
181 Hammond Drive, 42240-7926  
270-889-6521

**Louisville Taxpayer Service Center**  
600 West Cedar Street, 2nd Floor West, 40202-2310  
502-595-4512

**Northern Kentucky Taxpayer Service Center**  
Turfway Ridge Office Park  
7310 Turfway Road, Suite 190  
Florence 41042-4871  
859-371-9049

**Owensboro Taxpayer Service Center**  
401 Frederica Street, Building C, Suite 201, 42301-6295  
270-687-7301

**Paducah Taxpayer Service Center**  
Clark Business Complex, Suite G  
2928 Park Avenue, 42001-4024  
270-575-7148

**Pikeville Taxpayer Service Center**  
Uniplex Center, 126 Trivette Drive, Suite 203, 41501-1275  
606-433-7675

\* \* \* \* \*

The DOR has an online taxpayer service center where you can download forms, publications, and obtain general information about the department. The address is [www.revenue.ky.gov](http://www.revenue.ky.gov).

The information in this brochure merely summarizes your rights as a Kentucky taxpayer and the responsibilities of the Department of Revenue. The Kentucky Taxpayers' Bill of Rights may be found in the Kentucky Revised Statutes (KRS) at Chapter 131.041-131.083. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.1817, 131.183, 131.190, 131.500, 131.654, 133.120, 133.130, 134.580, and 134.590.

*The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.*

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Commonwealth of Kentucky  
**DEPARTMENT OF REVENUE**  
**10F100 (7-18)**



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# Electronic Filing

*It's fast, it's easy, it's simply the best way to file.....*

## **It's fast, easy and convenient.**

- Faster refund.
- Sign your return electronically and file a completely paperless return.
- Get an electronic acknowledgment that the Department of Revenue has received your return.
- Schedule debit dates for estimate tax payments and pay any additional income tax owed by using direct debit. **Direct debit is available only through e-file.**
- Prepare and file your federal and state returns at the same time.
- File from the comfort of your home 24 hours a day, 7 days a week.

## **It's accurate and secure.**

- Approved software ensures more accurate returns due to edits within the program.
- Department of Revenue computers quickly and automatically process return information.
- IRS/Kentucky *e-file* meets or exceeds all government security standards.
- Over 85% of Kentucky taxpayers chose *e-file* in 2018.