

740-NP

2025 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—revenue.ky.gov

Refund Inquiries—You may check the status of your refund at refund.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

1212 Bath Avenue, Suite 201, 41101
(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) 564–5930 (Taxpayer Service Center)

(502) 564–4581 (General Information)

(502) 564–3658 (Forms)

Hopkinsville

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

Louisville

320 Whittington Parkway,
Suite 304, Louisville, KY 40222
(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, 42301–6295
(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.

2025 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2024. 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 Kentucky Local Government Retirement Systems Federal and Military Retirement Systems	Taxable Taxable Taxable	Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
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
16. Welfare to Work Credit (federal Form 8861)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed
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	Nondeductible
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
30. Qualified Tips	May be Deductible	Nondeductible
31. Overtime Income	May be Deductible	Nondeductible
32. Car Loan Interest	May be Deductible	Nondeductible

What's New

STANDARD DEDUCTION—For 2025, the standard deduction is \$3,270.

INDIVIDUAL INCOME TAX RATE—For 2025, the tax rate for individual income tax is 4%.

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 2025 threshold amount is \$15,650 for a family size of one, \$21,150 for a family of two, \$26,650 for a family of three, and \$32,150 for a family of four or more.

INTERNAL REVENUE CODE DATE—HB 775 updated KRS 141.010(21) to change the Internal Revenue Code (IRC) reference date from December 31, 2023, to December 31, 2024, 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 according to the provisions in effect on December 31, 2001. Taxpayers who placed property into service after September 10, 2001, but before January 1, 2020, are required to compute the expense deduction under IRC Section 179 according to provisions in effect on December 31, 2001. Taxpayers who placed property into service on or after January 1, 2020, are required to compute the expense deduction under IRC Section 179 according to provisions in effect on December 31, 2003, except that the phase-out provisions of IRC Section 179, limiting the qualifying investment in property, shall not apply.

FEDERAL TAX LAW CHANGES—Recent federal income tax changes were enacted after Kentucky's conformity date set forth in KRS 141.010(21). As a result, these federal changes do not apply to Kentucky returns. Items such as qualified tips, overtime income, and car loan interest are not deductible on the Kentucky return. Social Security income, which was already exempt from Kentucky taxation prior to the federal updates, remains exempt under KRS 141.019(1)(e).

QUALIFIED BROADBAND INVESTMENT TAX CREDIT—For taxable years beginning on or after January 1, 2025, but before January 1, 2029, a nonrefundable and nontransferable credit allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for the expansion of broadband services in Kentucky. The credit application must be submitted to the Department of Revenue by December 31 of the current calendar year. The Department will review and approve the allowable credit amount by February 1. The total amount of Qualified Broadband Investment Tax Credit is capped at \$5 million dollars annually.

Reminders

REFUNDABLE PASS-THROUGH ENTITY TAX CREDIT—The Kentucky General Assembly passed HB 5 during the 2023 Regular Session that established a new Section of KRS Chapter 141 allowing an authorized person to make an annual election to file and pay income tax at the entity level on behalf of the pass-through entity effective for tax years beginning January 1, 2022. Individual owners filing Kentucky individual income tax returns with tax imposed by KRS 141.020 are allowed a refundable pass-through entity tax credit passed through on Form PTET-CR. The credit may be claimed on Kentucky Form 740 or Form 740NP, line 31(g), Refundable Pass-Through Entity Tax Credit.

INVENTORY TAX CREDIT WORKSHEET—A new Kentucky Inventory Tax Credit Worksheet has been added to the Schedule ITC instructions. If an amount is claimed on Section A, line 23 of the Schedule ITC, the Kentucky Inventory Tax Credit Worksheet should be completed for each entity that has passed through an Inventory Tax Credit to the individual income tax return. A Worksheet INV would not be utilized when the Schedule INV is taxed as an individual. A Schedule INV and Worksheet INV should not be submitted for the same entity.

The new Kentucky Inventory Tax Credit Worksheet is below.

Kentucky Inventory Tax Credit Worksheet

Worksheet INV

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

Name of Entity _____

FEIN _____

Percentage of Ownership %

Distributive Share of Allowable Inventory
Tax Credit.....

General Information

Which form should I file?

File Form 740 if you are a full-year Kentucky resident and meet the filing requirements in 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 Barcode

Most software packages produce a 2-D barcode. The Department of Revenue scans the barcode that contains all of the information needed to process your return. The barcode 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 barcode also contains the correct information. This barcode should not be covered up or marked through. Using the barcode 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 revenue.ky.gov, the Department of Revenue's website.

Free Electronic Filing Options

You may visit <https://revenue.ky.gov/Individual/Pages/FreeFileSoftware.aspx> for free electronic filing options. You may qualify to file your federal and Kentucky individual income tax returns for free depending on your income level. Some offers require state and federal returns to be filed at the same time. The Kentucky Department of Revenue does not endorse any specific tax filing product. Each software company is responsible for the accuracy of the software program instructions and calculations. However, all software packages will produce a return which contains the required data fields. The Kentucky Department of Revenue does not offer technical assistance for these software products. You should contact the tax software customer service department if you have issues using any of the software products.

Kentucky also offers another option for filing your state return electronically, free of charge. If you would like to fill out your Kentucky forms and schedules without software help or assistance you may use the *KY File* website.

KY File allows you to file current year Kentucky individual income tax returns and is designed to be the simple electronic equivalent of a paper form. It will provide basic mathematical and error checks but unlike most other software it does not ask about or explain tax situations. Your federal forms should be completed before accessing the *KY File* website. You can access the *KY File* website at Filetaxes.ky.gov.

Where to Get Forms

Forms and instructions are available online from the Department of Revenue's website at revenue.ky.gov and at all Kentucky Taxpayer Service Centers. They may also be obtained by writing FORMS, Kentucky Department of Revenue, 501 High Street, Station 23B, Frankfort, KY 40601, 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 refund.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 or fax to (502) 564-3392. 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 2025, 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 2025 and you did not remarry in 2025, you can file jointly or separately on a combined return. The return should show your spouse's 2025 income before death and your income for all of 2025. You can also file jointly or separately on a combined return if your spouse died in 2026 before filing a 2025 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.

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 or she 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.

Income Tax Withholding for 2026

You may elect to increase your withholding by updating your Form K-4 with your employer. Or if you do not expect to have any tax liability for the current year or you meet the modified gross income requirement, you may be entitled to claim an exemption from withholding of Kentucky income tax.

2026 Estimated Tax Payments

Individuals who can reasonably expect to have income of more than \$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. Individuals who do not prepay at least 90% of the tax to be shown on the 2026 tax return, or 100% of the tax shown on the 2025 tax return, may be subject to a penalty for underpayment of estimated tax. For more information on calculating the penalty, please refer to Form 2210-K. Prepayments for 2026 may be made through withholding, a credit forward of a 2025 overpayment or estimated tax installment payments.

Estimated tax installments may now be made electronically at 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.

Return Adjustments

If the Department of Revenue adjusts your return and you do not understand the adjustment(s), you may write to Taxpayer Assistance, Kentucky Department of Revenue, P.O. Box 181, Station 56, Frankfort, KY 40602-0181, fax your request to Taxpayer Assistance (502) 564-3392, or call (502) 564-4581. Please include your name(s) as it appears on your return, complete Social Security Number(s), notice number(s), and daytime contact information.

If you disagree with an adjustment made to your return, you must appeal the adjustment by submitting a written protest within 60 days of notification.

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 later 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 revenue.ky.gov the Department of Revenue's website.

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.

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.

Extension of Time to File

Taxpayers who are unable to file a return by April 15 may request an extension of time to file their return. 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 your paper return. If you file your return electronically, you must indicate that an extension was filed by checking the appropriate box in the software.**

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, Coast Guard, 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—2025" 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. Make check payable to Kentucky State Treasurer, write "KY Income Tax—2025" and your Social Security number on the face of the check. Enclose the check, Federal extension and send to Kentucky Department of Revenue, Frankfort KY 40620-0009.

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.

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 or 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 for more information.

INSTRUCTIONS FOR 2025 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 they had (1) **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 10.

Individuals who maintain a permanent residence in Kentucky (i.e., are domiciled in Kentucky) for the entire tax year are considered full-year residents and must use Form 740. Persons not domiciled in Kentucky but who live in Kentucky for more than 183 days during the tax year are also considered residents; however, since they are not full-year residents they must use Form 740-NP. Individuals who established or abandoned Kentucky residency are considered part-year residents.

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.

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.

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(I))

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—Effective for tax years beginning 2018 and after, the Veterans Benefits and Transition Act allows the same tax 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. This new law expands those rights originally granted to military spouses beginning tax year 2009 under the Military Spouse Residency Relief Act (MSRRA), by now allowing military spouses to choose the same state of legal residence as their servicemember for tax purposes, regardless of whether the military spouse has ever lived in that state.

A military spouse’s income is not taxable to Kentucky if all of these requirements are met:

- the active duty servicemember is present in Kentucky in compliance with military orders;
- the military spouse is in Kentucky solely to be with the active duty servicemember; and
- the active duty servicemember maintains legal residence in a state other than Kentucky and the military spouse chooses to claim that same state as his/her state of legal residence, too.

If the servicemember’s spouse qualifies for military spouse relief but his or her employer withholds income tax, he or she should file Form 740-NP Kentucky Individual Income Tax Nonresident or Part-Year Resident Return to request a refund of Kentucky income tax withheld. Please check the box labeled “Military Spouse”. Your income will not be reported as taxable on the Kentucky income tax return. A military spouse who meets all of the requirements for his/her income to not be taxable to Kentucky should file a new Form K-4 with his or her employer to claim the exemption from withholding of Kentucky income tax for future years.

Military Personnel Eligible for Combat Zone Extension—Members of the Army, Navy, Marines, Air Force, Coast Guard, 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 Modified Gross Income is greater than:
One.....	and \$ 15,650
Two.....	and \$ 21,150
Three.....	and \$ 26,650
Four or More.....	and \$ 32,150

WHEN TO FILE—April 15, 2026, is the filing deadline for persons reporting income for calendar year 2025. To avoid penalties and interest, returns must be postmarked no later than April 15, 2026.

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(21) 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.

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 4, Column B, Lines 1 through 31.

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

SECTION B—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 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. For property placed into service from September 10, 2001 through December 31, 2019: In Part I, Line 1 enter the Kentucky limit of \$25,000 and in Part I, Line 3 enter the Kentucky phaseout amount of \$200,000. For property placed into service on or after January 1, 2020: in Part I, line 1, enter the Kentucky limit of \$100,000 and the phaseout threshold does not apply for purposes of determining Kentucky depreciation. For property placed into service between September 10, 2001 and December 31, 2019, the maximum allowable IRC §179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying IRC §179 property placed in service during the year exceeds the threshold. In determining the IRC §179 deduction for Kentucky for property placed into service between September 10, 2001 and December 31, 2019, the income limitation on Line 11 should be determined by using Kentucky net income before the IRC §179 deduction instead of federal taxable income. In Part II, strikethrough 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. For property placed into service from September 10, 2001 through December 31, 2019, or the IRC in effect on December 31, 2003 for property placed into service on or after January 1, 2020.

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 and F and partnerships). Use the following worksheet to calculate the taxable percentage of your reimbursement.

Moving Expense Reimbursement Worksheet

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.

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 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 PTE, Line B(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 (SM LLCs) 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. You must include any amount that was excluded on the federal Form 1040 or 1040-SR as part of the American Rescue Plan Act.

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—Net operating losses generated on or after January 1, 2018, are limited to 80% of the Kentucky taxable income without the net operating loss, but any unused amounts are available for carryforward indefinitely. Schedule KNOL, Part II must be completed if you are claiming a Kentucky net operating loss deduction.

Note: If your net operating loss occurred in 2025, complete part I of Kentucky Schedule KNOL to determine the amount of loss to be carried forward in any future years. Keep a copy with your records and enclose a copy with your return.

Excess Business Loss Limitation—Complete Form 461-K if your net losses from your trades or businesses are more than \$313,000 (\$626,000 for married taxpayer filing jointly or married filing separately on a combined return). Enter amount from Form 461-K, line 16. See form and instructions for additional instructions. Please note this addition as "excess business loss."

The Kentucky excess business loss will be added to your net operating loss (NOL) carryforward.

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 \$300 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.

You can't take a deduction for alimony payments you made to or for your spouse if you entered into your divorce or separation agreement after December 31, 2018, or if you entered into the agreement on or before December 31, 2018, and the agreement was changed after December 31, 2018, to expressly provide that alimony received is not included in your former spouse's income.

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, Archer MSA Deduction—Federal limitations apply. Archer MSA 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 Archer MSA deduction from your federal return. Enter in Column B, the allowable deduction with the above limitation.

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 4, line 34.

Line 8—Enter federal Adjusted Gross Income from page 4, Column A, Line 33.

Line 9—Enter Kentucky Adjusted Gross Income from page 4, Column B, Line 33.

Line 10—Nonitemizers, enter the standard deduction of \$3,270. If filing a joint return, only one \$3,270 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 \$3,270 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 four percent (.04). 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 25. See instructions for Schedule ITC.

Line 17—Enter amount from Schedule ITC, Section B. 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 \$42,760 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 Table.

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

Line 24, 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.

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).

Child and Dependent Care Credit Worksheet

- (a) Enter total credit calculated on federal Form 2441, line 11
- (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 KentuckyX .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 24

Line 25, RESERVED

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.

Optional Use Tax Table	
KY AGI* Tax	
\$0 - \$10,000	\$5
\$10,001 - \$20,000	\$15
\$20,001 - \$30,000	\$20
\$30,001 - \$40,000	\$30
\$40,001 - \$50,000	\$40
\$50,001 - \$75,000	\$60
\$75,001 - \$100,000	\$80
Above \$100,000	Multiply AGI by 0.08% (0.0008)
* AGI from line 9 on KY Form 740 or KY Form 740-NP.	

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

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 29, Amended returns only—Enter any overpayment received from your original return.

Line 31(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, 2026. 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 6.

Local government occupational, license or income tax must not be included on line 31(a).

Line 31(b), Estimated Tax/Extension Payments Paid—Enter Kentucky estimated tax payments made for 2025 and amounts credited from the 2024 return.

Also, include on line 31(b) payments prepaid with extension requests. Identify as “prepaid with extension.”

Line 31(c), Refundable Certified Rehabilitation Credit—Enter 2025 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

Line 31(d), Refundable Entertainment Incentive Tax Credit—Enter 2025 approved refundable entertainment incentive tax credit per KRS 141.383(2)(b)(3).

Line 31(e), Refundable Development Area Tax Credit—Enter 2025 approved refundable development area tax credit per KRS 141.398(2). If you have “residential property” located in the West End Development area located in Louisville, Kentucky you may be entitled to a development area tax credit. To qualify for the credit, it must be your principal place of residence, located within the West End development area and owned as of January 1, 2021. Your credit will be equal to the amount in which the property tax timely paid on the residential property exceeds the amount of property tax assessed on that residential property on January 1, 2021. KRS 141.398.

Line 31(f), Refundable Decontamination Credit—Enter 2025 approved refundable decontamination credit per KRS 141.419(2).

Line 31(g), Refundable Pass-Through Entity Credit—Enter the amount of pass-through entity tax credit from form PTET-CR, line 9.

Line 31(h), Nonresident Withholding—Enter the amount of Kentucky income tax withheld from form PTE-WH, line 9.

Line 31(i), Amended Returns—Enter amount paid with original return plus additional payment(s) made after it was filed.

Line 32—Total of amounts on lines 31(a) through 31(i).

Line 33, Additional Tax Due—Compare the amounts on lines 30 and 32. If line 30 is larger than line 32, subtract line 32 from line 30, enter additional tax due. This is your additional tax due before penalties and interest.

Penalties and Interest

Line 34(a), Estimated Tax Penalty—If the amount owed is more than \$500, you may be subject to a penalty for 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 claiming an exemption, complete Form 2210-K, enclose it with your return and check the block beside line 34(a). Enter the amount of the penalty on line 34(a).

If your return is filed after April 15, 2026, or any tax due on the return is paid after April 15, 2026; you may be subject to additional penalties and interest.

Line 34(b), Interest—Interest will be assessed at the “tax interest rate” from the original due date of the return until the date of payment.

Line 34(c), Late Payment Penalty—If the amount of tax due as shown on line 33 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 34(d), 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 35—Total of amounts on lines 34(a) through 34(d).

Line 36, Amount You Owe—If the total of lines 30 and 35 is more than line 32, subtract line 32 from the total of lines 30 and 35. When filing the return, you must pay any tax due shown on line 36.

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

- Form EPAY (42A740-EPAY), 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-EPAY) 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. Kentucky accepts MasterCard, VISA, Discover, or American Express. Access the Department of Revenue’s secure website (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—2025” and your Social Security number on the face of the check. Enclose the check and Form 740-V in the same envelope.

Actual withdrawal of electronic payments may be later than requested date. Please allow up to two weeks for processing.

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 37, Amount Overpaid—If you have an overpayment on line 37, you may have all of this amount refunded to you on line 41, and/or you may credit all or part of it toward your 2026 Kentucky estimated income tax on line 40.

Line 38, Fund Contributions—You may also contribute all or a portion of your overpayment to the following funds on line 38: (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, (j) **Court Appointed Special Advocate Trust Fund** to support and strengthen the local Court Appointed Special Advocate (CASA) programs in Kentucky, or (k) **YMCA Youth Association Fund** to provide funding and scholarships to Kentucky schools and students attending Kentucky Youth Assembly (KYA).

Amounts contributed on line 39 and/or credited on line 40 must be subtracted from the overpayment and cannot exceed it.

Line 39, Total of amounts on lines 38(a) through 38(k).

Line 40, Estimated Tax—You may credit all or part of the overpayment toward your estimated tax liability for 2026. Enter the amount you want credited on line 40. Credit forwards are not available on amended returns.

Line 41, Refund—Subtract amounts entered on lines 39 and 40 from line 37. Enter the difference, if any, on line 41. This amount will be refunded to you. If the total of lines 39 and 40 equals the amount on line 37, enter a zero on line 41.

WHEN AND WHERE TO FILE—The income tax return for calendar year 2025 must be postmarked no later than April 15, 2026, to avoid penalties and interest. Mail to:

Refund/Other Returns
Kentucky Department of Revenue
Frankfort, KY 40618-0006

Pay Returns
Kentucky Department of Revenue
Frankfort, KY 40619-0008

ESTIMATED TAX—Individuals who can reasonably expect to have income of more than \$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. Individuals who do not prepay at least 90% of the tax to be shown on the 2026 tax return, or 100% of the tax shown on the 2025 tax return, may be subject to a penalty for underpayment of estimated tax. For more information on calculating the penalty, please refer to Form 2210-K. Prepayments for 2026 may be made through withholding, a credit forward of a 2025 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, 2026, 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.

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.

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 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—2025" 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.

SIGN RETURN—Be sure to sign on page 3 after completion 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.

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 Worksheet C

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.

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

Line 3, Kentucky Selling Farmers Tax Credit—For taxable years beginning January 1, 2020, a selling farmer 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 selling farmer 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 selling farmers credit for each year shall not exceed twenty-five thousand dollars (\$25,000) and cannot exceed \$100,000 over the lifetime of the selling farmers credit. The credit shall be claimed on the tax return for the year during which the credit was approved.

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

Line 4, 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 5, 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, or call (502) 564-7005.

Line 6, 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.

Any resident entity owner of an electing entity, as those terms are defined in KRS 141.209, doing business in another state in which the tax is assessed and paid at the entity level shall be allowed a credit. The credit shall be based on the entity owner's distributive share of the electing entity's items of income, loss, deduction, and credit.

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

Worksheet A

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



TIP—Credit for taxes paid to another state may be reduced or eliminated if gambling losses are claimed on Schedule A.

Name of other state

1. List Kentucky taxable income from Form 740, line 11 or 740-NP, line 13 _____
2. List any gambling losses from Schedule A _____
3. Add lines 1 and 2 and enter total here _____
4. List income reported to other state included on Kentucky return _____
5. Subtract line 4 from line 3 and enter total here _____
6. Adjusted gambling losses. Compute gambling losses allowed on Kentucky return if income from other state is ignored _____
7. Subtract line 6 from line 5 and enter total here _____
8. Enter Kentucky tax on income amount on line 7 _____
9. Enter Kentucky tax on income amount on line 1 _____
10. Subtract line 8 from line 9. This is the tax savings on return if other state's income is ignored _____
11. Enter tax paid to other state on income claimed on Kentucky return _____
12. Enter the lesser of line 10 or line 11. This is your credit for tax paid to other state. Carry this total to Schedule ITC, Section A, line 6 _____

Line 7, Employer's Unemployment Tax Credit—If you hired unemployed Kentucky residents to work for you during the last six months of 2024 or during 2025, 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 8, 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 K-1 reflecting the amount of credit approved by the Department of Revenue must be enclosed with the return.

Line 9, 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 10, 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 11, 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 12, 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 13, 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 14, 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 15, 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 16, 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 17, 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-1 must be enclosed with your return.

Line 18, 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. You may need to reduce your Schedule A contribution by the amount of the ENDOW credit. See instructions for Schedule A.

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 PTE 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 19, 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 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 taxable years beginning on or after January 1, 2019, the distilled spirits credit is equal to one hundred percent (100%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis. 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, 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% in 2021 and thereafter. KRS 141.408

Complete a separate Kentucky Inventory Tax Credit Worksheet (Worksheet INV) for each entity that is passing through the inventory tax credit via a Schedule K-1. A Worksheet INV is not required when a Schedule INV is attached. NOTE: A Schedule INV and Worksheet INV should not be submitted for the same entity.

Kentucky Inventory Tax Credit Worksheet

Worksheet INV

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

Name of Entity _____
FEIN _____
Percentage of Ownership _____ %
Distributive Share of Allowable Inventory
Tax Credit..... _____

Line 23, Renewable Chemical Production Tax Credit— For taxable years beginning on or after January 1, 2021, and ending on or before December 31, 2024, a nonrefundable and nontransferable credit allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers that produce renewable chemicals. Preliminary approval is obtained through the Department of Agriculture. Schedule CHEM is due to the Department of Revenue by March 1 each year. The Department of Revenue will issue the credit certificate (Schedule CHEM) by April 15 each year. The annual biodiesel, renewable diesel, and renewable chemical production tax credit cap is \$10,000,000 annually. There is a carryforward of three (3) years for any unused credit. The credit certificate must be attached to the tax return claiming the credit per KRS 141.4231 and KRS 246.700(8).

Line 24, Qualified Broadband Investment Tax Credit—For taxable years beginning on or after January 1, 2025, but before January 1, 2029, a nonrefundable and nontransferable credit allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for the expansion of broadband services in Kentucky. The credit application must be submitted to the Department of Revenue by December 31 of the current calendar year. The Department will review and approve the allowable credit amount by February 1. The total amount of Qualified Broadband Investment Tax Credit is capped at \$5 million dollars annually.

SECTION B—PERSONAL TAX CREDITS

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

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 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 Credit Table.

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) _____

FAMILY SIZE TAX CREDIT TABLE

Once you have determined your family size and your Modified Gross Income, you will use the Family Size Tax Credit Table located on the Schedule ITC to determine your family size credit percentage.

Example 1: A taxpayer is filing single, has one qualifying dependent child and their Modified Gross Income is \$22,650. This taxpayer has a family size of two and would be entitled to a family size tax credit of 80% (.80).

Example 2: A taxpayer and spouse are filing married, filing a joint return and they have two qualifying dependent children and their modified gross income is \$33,000. They would have a family size of four and would be entitled to a family size tax credit of 90% (.90).

**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 \$3,270 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 \$3,270.

Lines 1 through 6—Interest Expense

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 2025. 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, RESERVED

Line 5, Interest on Investment Property—Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to a passive activity or to securities that generate tax-exempt income.

Complete and enclose federal Form 4952, Investment Interest Expense Deduction, to figure your deduction.

Exception. You do not have to file federal Form 4952 if all three of the following apply

- (a) Your investment interest is not more than your investment income from interest and ordinary dividends
- (b) You have no other deductible investment expenses and
- (c) You have no disallowed investment expense from 2024

Lines 7 through 10—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.

Examples of qualifying organizations are:

Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.

Fraternal orders if the gifts will be used for the purposes listed above.

Veterans' and certain cultural groups.

Nonprofit schools, nonprofit hospitals and medical research organizations.

Federal, state and local governments if the gifts are solely for public purposes.

If you contributed to a qualifying charitable organization and also received a benefit from it, you may deduct only the amount that is more than the value of the benefit you received.

Contributions You MAY Deduct

Contributions may be in cash, property or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 14 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (Do not deduct any amounts that were repaid to you.)

Note: 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.**

See federal Publication 526 for special rules that apply if:

your total contributions exceed 60 percent of Kentucky Adjusted Gross Income,

If a Kentucky Net Operating Loss Deduction (KNOLD) is present, you must figure your Kentucky Adjusted Gross Income without the KNOLD before applying the 60% limitation. 740, line 7 less Schedule M, line 15 equals your Kentucky Adjusted Gross Income without KNOLD.

your total deduction for gifts of property is over \$500,

you gave less than your entire interest in the property,

your cash contributions or contributions of ordinary income property are more than 30 percent of your Kentucky Adjusted Gross Income,

your gifts of capital gain property to certain organizations are more than 20 percent of your Kentucky Adjusted Gross Income, or

you gave gifts of property that increased in value, made bargain sales to charity, or gave gifts of the use of property,

you expect to receive any state or local tax credit for a contribution made.

You MAY NOT Deduct as Contributions

Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation or vacation in the travel.

Political contributions.

Dues, fees or bills paid to country clubs, lodges, fraternal orders or similar groups.

Value of any benefit, such as food, entertainment or merchandise that you received in connection with a contribution to a charitable organization.

Cost of raffle, bingo or lottery tickets.

Cost of tuition.

Value of your time or service.

Value of blood given to a blood bank.

The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

Gifts to:

Individuals.

Foreign organizations.

Groups that are run for personal profit.

Groups whose purpose is to lobby for changes in the laws.

Civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Contributions for which you receive any state or local tax credit of more than 15% of the contribution.

Line 7—Enter all of your contributions paid by cash or check (including out-of-pocket expenses).

Line 8—Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. If your total deduction for gifts of property is more than \$500, you must complete and enclose federal Form 8283, Noncash Charitable Contributions. If your total deduction is over \$5,000, you may also have to obtain appraisals of the values of the donated property. See federal Form 8283 and its instructions for details.

Also include the value of a leasehold interest property contributed to a charitable organization to provide temporary housing for the homeless. Enclose Schedule HH.

Recordkeeping—If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name

and address, the date and location of the gift and a description of the property. You should also keep reliable written records for each gift of property that include the following information:

- (a) How you figured the property's value at the time you gave it. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)
- (b) The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- (c) How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- (d) Any conditions attached to the gift.
- (e) If the gift was a "qualified conservation contribution" under IRC Section 170(h), the fair market value of the underlying property before and after the gift, the type of legal interest donated and the conservation purpose furthered by the gift.

Line 9—Enter any carryover of contributions that you were not able to deduct in an earlier year because they exceeded your adjusted gross income limit. See federal Publication 526 for details on how to figure your carryover.

Line 11—Gambling Losses—You may deduct gambling losses to the extent of your winnings reported on Form 1040 or 1040–SR, Schedule 1, line 8(b).

Line 12—Other Miscellaneous Deductions

Use this line to report miscellaneous deductions. Only the expenses listed below can be deducted on line 12.

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 12. For more information on these expenses, see federal Publication 529.

Line 14—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 15 through 18, Schedule A.

Instructions for Form 2210-K

General Instructions

Purpose of Form—To determine if you owe an underpayment of estimated tax penalty.

Who Must File Form 2210-K—In general, you may owe a penalty for 2025 if you owe more than \$500 and if the total of your withholding and timely estimated tax payments didn't equal at least the smaller of:

1. 90% of your 2025 tax, or
2. 100% of your 2024 tax. Your 2024 tax return must cover a 12-month period.

Special rules for certain individuals—Different percentages are used for farmers and fishermen, and certain higher income taxpayers.

Farmers and fishermen—If at least two-thirds of your Kentucky gross income for 2024 or 2025 is from farming and fishing, substitute 66 2/3% for 90% in (1) above. See federal Form 2210 instructions.

Higher income taxpayers—If your Kentucky adjusted gross income for 2024 was more than \$150,000 (\$75,000 if your Kentucky 2024 filing status was married filing separately on a combined return or separate returns), substitute 110% for 100% in (2) above.

Part I—Exceptions to the Penalty—You may not owe a penalty if one of the exceptions below are 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 34(a) (Form 740-NP, line 34(a)). If none of the exceptions apply, go to Part II.

Exceptions:

- You had no liability for 2024, you were a U.S. Citizen or resident alien for the entire year (or an estate of a domestic decedent or a domestic trust), and your 2024 tax return (or would have been required to file) was for a full 12 months.
- The tax shown on the 2025 return minus the amount of tax you paid through withholding, estimated payments, and refundable credits is less than \$500.
- Your gross income from farming or fishing is at least two-thirds of your annual gross income from all sources for 2024 or 2025 and you paid the entire tax due by March 2, 2026.
- You're filing a decedent's estate return for any tax year ending before the date that is two years after the decedent's death.
- You're filing a trust return for a trust that was owned by a decedent for any tax year ending before the date that is two years after the decedent's death.

Part II—Required Annual Payment

Lines 1–8—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. The required annual payment is the lesser of: (1) 90% of your income tax liability after refundable credits are applied or (2) 100% of the tax shown on your 2024 tax return (2024 Form 740 or Form 740-NP, page 2, line 26 or Form 741, line 19). Higher income taxpayers see instructions above.

Line 9—Multiply line 8 by 25 percent (.25) and enter in columns A through D, or if you used the annualized income installment method in Part III, enter the amount from Part III, line 20 into the appropriate columns. To use the annualized income installment method complete Part III.

Line 10—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 11 through 18 for column A before going to column B, etc.

Line 11—Enter amount from line 18 of the previous column. This amount should be the overpayment if any from the previous column.

Line 13—Enter amount from line 17 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 17—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 Penalty—The penalty will be calculated on each underpayment in each column from the payment due date written above line 9 to the date on line 19 or the date the payment was made, whichever is earlier. The underpayments will carryover to the next column and be added to that column's underpayment to calculate the penalty on that balance.

Line 19—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 20—This is the number of days from the payment due date shown above line 9 to the date the amount on line 17 was paid or the date shown on line 19 for the column in which you are calculating penalty.

For example, if your underpayment on line 17 for column A is \$1,000, you would calculate the penalty from 4-15-25 to 6-15-25 and enter 61 days on line 20. If this \$1,000 remains unpaid, it will be added to any underpayment in column B and you would calculate interest from 6-15-25 until 9-15-25 which would be 92 days for that period, etc.

Line 21—The annual percentage rate is established by the Department of Revenue for each calendar year. The percentage rate for calendar years 2025 is 10 percent and 2026 is ? percent. The penalty calculation for the required third installment payment may be calculated using two different rates.

Part III—Annualized Income Installment Method

If your income varied during the year you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. For example, you operated your business on a seasonal basis or you had a large capital gain late in the year. Note: If you use Part III for any payment due dates, you must use it for all payment due dates.

Line 1—For each period (column), figure your total income minus your adjustments to income. Include your share of partnership or S corporation income or loss items for the period.

Line 2—Estates and trusts do not use the amounts shown in columns (a) through (d). See Federal instructions.

Line 6—If you itemized deductions, multiply line 4 of each column by line 5 and enter the result on line 6.

Line 7—Enter the standard deduction amount of \$3,270.

Line 10—Form 740 or 740-NP filers, enter -0- in each column. Estates and trusts see federal instructions.

Instructions for Form 8863-K

Purpose of Form—Use Form 8863-K to calculate and claim your 2025 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, line 22.

Line 14—Enter the amount from page 3, 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 2025 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 2025 to 2026. 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.



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 Board of Tax Appeals, pursuant to KRS 131.110(4) 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". **Note that interest is not waivable for "reasonable cause" as described in this paragraph;**
- ✓ 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 Board of Tax Appeals 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 Board of Tax Appeals. If you do not agree with the decision of the Kentucky Board of Tax Appeals, 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, 501 High Street, Station 1, Frankfort, Kentucky 40601.

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
1212 Bath Ave, Suite 201, 41101
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
502-564-5930

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

Louisville Taxpayer Service Center
320 Whittington Parkway, Suite 304, 40222
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

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The DOR has an online taxpayer service center where you can download forms, publications, and obtain general information about the department. The address is 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.

Printing costs paid from state funds.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE
10F100 (2025)





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 90% of Kentucky taxpayers chose *e-file* in 2025.