

Kentucky Nonresident Income Tax Withholding Instructions

2017

NRWH

- ◆ **Only use this instruction packet to prepare Form 740NP-WH.**
- ◆ **Worksheets Included:**
 - **Underpayment Penalty, Part I, Page 5**
 - **Individual Estimated Interest, Part II, Page 6**
 - **Corporate Estimated Interest, Part III, Page 9**

Purpose of this Form—Form 740NP-WH is used by every pass-through entity required to file a return per KRS 141.206(2), except publicly traded partnerships per KRS 141.0401(6)(r), to withhold Kentucky income tax on the distributive share, whether distributed or undistributed, of each nonresident individual partner, member, or shareholder; or each C corporation partner or member that is doing business in Kentucky only through its ownership interest in a pass-through entity. Withholding must be at the maximum rate provided in KRS 141.020 or 141.040.

A pass-through entity must complete this form and mail with payment to the Kentucky Department of Revenue by the 15th day of the fourth month following the close of the taxable year. Copy(ies) A of Form PTE-WH, or approved substitute, must be attached.

“Individual” means an individual, estate, or trust. The tax imposed by KRS 141.020 upon individuals shall apply to estates and trusts and to all fiduciaries. **KRS 141.030(1)**

A **“Partnership or S corporation partner, member, or shareholder”** is not subject to withholding. A partnership or S corporation is classified as a pass-through entity per KRS 141.010(26) and is not classified as a corporation or an individual.

For Kentucky purposes, a single member LLC is treated as a pass-through entity not subject to nonresident withholding.

NOTE: Filing Form 740NP-WH on behalf of a nonresident will satisfy the individual nonresident filing requirement if the only Kentucky source income is through an ownership interest in a pass-through entity.

SPECIFIC INSTRUCTIONS FOR FORM 740NP-WH

Item A—Enter the pass-through entity’s Federal Employer Identification Number.

Item B—Enter the pass-through entity’s Kentucky Nonresident Income Tax Withholding (NRWH) Account Number. **If the account number is not known, please complete Form 20A100, “Declaration of Representative,” and contact Registration at (502) 564-3306 for instructions on how to obtain an account number.**

Item C—Enter the pass-through entity’s name, address, and ZIP Code. Check the box to indicate a change of name.

Item D—Enter taxable year ending at the top right of Form 740NP-WH. The taxable year ending is the same as the pass-through entity’s taxable year.

Item E—Check the applicable box(es) to indicate a change of accounting period and/or final return.

Item F—Check the box to indicate the type of return the pass-through entity is filing.

LINE-BY-LINE-INSTRUCTIONS

Line 1 – If filing a nonresident distributive share income withholding report, enter the number of nonresident individuals, estates, trusts, and corporations included in this withholding on distributive share income report that are not exempt.

Line 2 – If filing a nonresident distributive share income withholding report, enter the number of nonresident individuals, estates, trusts, and corporations exempt from withholding on distributive share income per KRS 141.206.

Line 3 – If filing a composite income tax return, enter the number of nonresident individuals included in this composite income tax return.

Line 4 – Enter the distributive share income of the nonresident individuals, estates, trusts, and corporations included on Line 1, and/or the distributive share income of nonresident individuals included on Line 3.

Line 5 – Enter the apportionment fraction from the pass-through entity’s Schedule A, Part I, Line 12 or 100%.

Line 6 – Enter the amount of Line 4 multiplied by Line 5.

Line 7 – Enter the amount of Line 6 multiplied by .06 (6%).

Line 8 – Enter the partners’, members’, or shareholders’ nonrefundable tax credits from Schedules K-1. **Note: Allowable tax credits are allowed only if the credits are reasonably expected to be claimed in the current taxable year. Carryforward tax credits not included on the current Schedule(s) K-1 will not be allowed.**

Line 9 – Enter the amount of Line 7 less Line 8.

Note: The total income tax withheld on enclosed PTE-WH forms must equal Line 9.

Line 10 – Enter the total estimated tax payments (Form 740NP-WH-ES Vouchers) made for the taxable year. Do not include the amount credited from the prior year.

Line 11 – Enter extension payment (Form 740-NP-WH-EXT).

Line 12 – Enter the amount credited to 2017 from Form 740NP-WH, Line 20 of the 2016 return.

Line 13 – Enter the amount of tax paid on the original return. **This line is only used when filing an amended return.**

Line 14 – Enter the total payments listed on Lines 10 through 13.

Line 15 – Enter the tax overpayment on the original return. **This line is used only when filing an amended return.**

Line 16 – If the total of Lines 9 and 15 is greater than Line 14, enter the difference on this line and enter the amount in the Tax Payment Summary.

Line 17 – If the total of Lines 9 and 15 is less than Line 14, enter the difference on this line.

Line 18 – Enter the portion of Line 17 to be credited to 2017 Interest.

Line 19 – Enter the portion of Line 17 to be credited to 2017 Penalty.

Line 20 – Enter the portion of Line 17 to be credited to 2018 NRWH.

Line 21 – Enter the portion of Line 17 to be refunded (Line 17 less Lines 18 through 20).

INSTRUCTIONS FOR PTE-WH

A pass-through entity must complete a PTE-WH, or approved substitute form, for each nonresident individual, estate, or trust partner, member, or shareholder; or each C corporation partner or member doing business in Kentucky only through its ownership interest in the pass-through entity.

Copy A of PTE-WH must be attached to Form 740NP-WH filed with the Kentucky Department of Revenue. Copies B and C of Form PTE-WH must be furnished to each partner, member, or shareholder by the 15th day of the fourth month following the close of the taxable year.

SPECIFIC INSTRUCTIONS FOR THE PTE-WH

Check the applicable box if an amended or composite return, and enter the taxable year ending.

1. Enter the pass-through entity's Federal Employer Identification Number (FEIN).
2. Enter the pass-through entity's Kentucky Nonresident Income Tax Withholding (NRWH) Acct. No. **If the account number is not known, please complete Form 20A100, "Declaration of Representative," and contact Registration at 502-564-3306 for instructions on how to obtain an account number.**
3. Enter the pass-through entity's name, address, and ZIP Code.
4. Enter the partner, member, or shareholder's Social Security Number or FEIN. Check the box if a corporation.

5. Enter the partner, member, or shareholder's name, address, and ZIP Code.
6. Enter the partner, member, or shareholder's distributive share income (Kentucky Schedule K-1, combine income and loss items and multiply by the apportionment factor). If the partner, member, or shareholder is exempt from withholding, check the Exempt box and skip Lines 7 through 9.
7. Enter the amount on Line 6 multiplied by six percent (6%).
8. Enter the partner, member, or shareholder's allowable nonrefundable tax credits from Schedule K-1.
9. Enter the amount on Line 7 less Line 8.

INSTRUCTIONS TO MEMBER, PARTNER, OR SHAREHOLDER

ATTACH Copy B of Form PTE-WH to your nonresident Kentucky individual, estate, trust, or C corporation income tax return to claim the income tax withheld. A nonresident individual partner, member, or shareholder of a pass-through entity doing business in Kentucky can file a Form 740-NP, Kentucky Individual Income Tax Return Nonresident, or Part-Year Resident, and pay income tax on all Kentucky source income. An estate or trust partner, member, or shareholder may file a Form 741, Kentucky Fiduciary Income Tax Return, and pay income tax on all Kentucky source income. A C corporation partner or member must file Form 720, Kentucky Corporation Income Tax and LLET Return, and pay income tax on all of

its income allocated and apportioned to Kentucky per KRS 141.120.

If a nonresident individual's, estate's, or trust's only Kentucky source income is distributive share income from pass-through entities, the withholding on PTE-WH and the payment of tax by the pass-through entities will satisfy the nonresident individual's, estate's, or trust's Kentucky filing requirement per KRS 141.020 and 141.180. A nonresident individual, estate, or trust may be able to claim a credit for tax paid on distributive share income to Kentucky on their resident state return. Check with the resident state for allowable credits.

SPECIFIC INSTRUCTIONS FOR ESTIMATED PAYMENTS

Estimated Payments—Every pass-through entity required to withhold Kentucky income tax per KRS 141.206(5) or that files a composite income tax return per KRS 141.206(16)(a) should make a declaration and payments of estimated tax per KRS 141.206(6) if: (i) a nonresident individual partner's, member's, or shareholder's estimated tax liability can reasonably be expected to exceed \$500; or (ii) a corporate partner's or member's estimated tax liability can reasonably be expected to exceed \$5,000. Estimated payments should be made at the maximum tax rate per KRS 141.020 or 141.040.

INTEREST RATE

Pursuant to KRS 131.183, the 2018 tax interest rate has been set at four percent (4%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is six percent (6%) and when interest is due on a refund, the rate is two percent (2%).

INDIVIDUAL PARTNER, MEMBER, OR SHAREHOLDER

If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member, or shareholder before April 2, the following payment dates are applicable:

First installment	April 15	25% of Estimated Tax due
Second installment	June 15	25% of Estimated Tax due
Third installment	September 15	25% of Estimated Tax due
Fourth installment	January 15	25% of Estimated Tax due

If Income Changes—If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member, or shareholder after April 1 and before June 2, the following payment dates are applicable:

First installment	June 15	34% of Estimated Tax due
Second installment	September 15	33% of Estimated Tax due
Third installment	January 15	33% of Estimated Tax due

If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member, or shareholder after June 1 and before September 2, the following payment dates are applicable:

First installment	September 15	50% of Estimated Tax due
Second installment	January 15	50% of Estimated Tax due

If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member, or shareholder after September 1 and before January 1, 100% of the estimated tax is due on January 15.

Fiscal Year Filers—For pass-through entities filing on a fiscal year basis, the payment dates are the 15th day of the fourth month, 15th day of the sixth month, 15th day of the ninth month, and 15th day of the first month after the close of the fiscal year.

CORPORATE PARTNER OR MEMBER

If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$5,000 for a corporate partner or member before June 2, the following payment dates are applicable:

First installment	June 15	50% of Estimated Tax due
Second installment	September 15	25% of Estimated Tax due
Third installment	December 15	25% of Estimated Tax due

If Income Changes—If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$5,000 for a corporate partner or member after June 1 and before September 2, the following payment dates are applicable:

First installment	September 15	75% of Estimated Tax due
Second installment	December 15	25% of Estimated Tax due

If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$5,000 for a corporate partner or member after September 1 and before December 2, 100% of the estimated tax is due on December 15.

Fiscal Year Filers—For pass-through entities filing on a fiscal year basis, the payment dates are the 15th day of the sixth month, 15th day of the ninth month, and 15th day of the 12th month.

NOTE: If a payment date falls on a holiday or weekend, the applicable payment date is the next working day.

WORKSHEET TO CALCULATE UNDERPAYMENT OF ESTIMATED TAX

PART I – FIGURING THE UNDERPAYMENT PENALTY

Per KRS 141.207(4), a pass-through entity required to make a declaration and payment of estimated tax will be subject to the penalty per KRS 131.180 and 141.990.

Line 1—Enter the number of individual partners, members, or shareholders whose income tax liability on Form 740NP-WH, Line 9 exceeds \$500.

Line 2—Enter the number of corporate partners or members whose income tax liability on Form 740NP-WH, Line 9 exceeds \$5,000.

Line 3—Enter the total tax liability of the Individual (Line 1) and Corporate (Line 2) partners, members, and/or shareholders from Line 9, Form 740NP-WH.

Line 4—Percentage required to be prepaid is 70%.

Line 5—Multiply Line 3 by the percentage on Line 4.

Line 6—Multiply \$5,000 by the number of corporate partners or members on Line 2.

Line 7—Enter the total estimated tax payments from Form 740NP-WH, Lines 10 and 12.

Line 8—Enter the amount from Line 5 less the amounts on Lines 6 and 7.

Line 9—Penalty percentage is 10%.

Line 10—Multiply the amount on Line 8 by the percentage on Line 9. Enter the amount on this line and on Form 740NP-WH. If there is an income tax overpayment on Line 17 of Form 740NP-WH, enter this amount on Form 740NP-WH, Line 19. If there is an income tax due on Line 16 of Form 740NP-WH, enter this amount on the Tax Payment Summary, Line 3.

PART I—FIGURING THE UNDERPAYMENT AND PENALTY	Taxable Year Ending	
	M M	Y Y
(1) Enter the number of individual partners, members, or shareholders whose income tax liability on Form 740NP-WH, Line 9 exceeds \$500	1	
(2) Enter the number of corporate partners or members whose income tax liability on Form 740NP-WH, Line 9 exceeds \$5,000	2	
(3) Enter the income tax liability from Form 740NP-WH, Line 9.....	3	00
(4) Percentage of liability required to be prepaid is 70%	4	x.70
(5) Multiply Line 3 by Line 4	5	00
(6) Statutory exemption (number of corporate partners or members on Line 2 multiplied by \$5,000).....	6	00
(7) Enter the total tax payments from Form 740NP-WH, Lines 10 and 12.....	7	00
(8) Line 5 less Lines 6 and 7.....	8	00
(9) Penalty percentage is 10%.....	9	x.10
(10) Multiply Line 8 by Line 9. This is the amount of the penalty for underpayment of estimated tax (minimum penalty \$25). Enter on this line and on the Form 740NP-WH (see instructions)	10	00

WORKSHEET TO CALCULATE INTEREST FOR INDIVIDUAL PARTNERS, MEMBERS, OR SHAREHOLDERS

PART II – LATE PAYMENT INTEREST FOR INDIVIDUAL PARTNERS, MEMBERS, OR SHAREHOLDERS

KRS 141.985 provides that if the tax imposed by this chapter or any installment or portion of the tax is not paid on or before the date prescribed for its payment, there shall be collected, as part of the tax, interest upon the unpaid amount at the tax interest rate as defined in KRS 131.010(6) from the date prescribed for its payment until payment is actually made to the department.

Line 1—Enter from Form 740NP-WH, Line 9 the total tax liability of individual partners, members, or

shareholders whose liability exceeds \$500. “Individual” means an individual, estate, or trust.

Line 2—Enter 25% of the amount on Part II, Line 1 in Columns A, B, C, and D or refer to page 4 for applicable percentages if income changes.

Line 3—Enter calculated installment interest in each applicable column.

Line 4—Enter total amounts from Line 3, for Columns A, B, C, and D.

PART II—LATE PAYMENT INTEREST FOR INDIVIDUAL PARTNERS, MEMBERS, OR SHAREHOLDERS										
(1)	Enter from Form 740NP-WH, Line 9, the total tax liability of individual partners, members, or shareholders whose liability exceeds \$500							1		
PAYMENT DUE DATES			A		B		C		D	
			4/15/2016*		6/15/2016*		9/15/2016*		1/15/2017*	
(2)	Required individual installments: If 4 installments are due, enter 25% of Line 1, Columns A, B, C, and D..		2							
(3)	Accrued interest calculated for each installment: Enter calculated amounts in applicable columns.....		3							
(4)	Total accrued installment interest: Total calculated amounts from Line 3, Columns A, B, C, and D.....							4		

Prior year credits being used as current year installment payments are received prior to the due date of the installments due in the current year. Therefore, reduce the interest base by any prior year credits. Proceed with following steps:

- Step 1:** Take the installment amount remaining due as of due date of specified installment.
- Step 2:** Accrue interest on that amount from the due date of installment through the date a payment is received or until due date of return. See page 3 for the current interest rate.
- Step 3:** When a payment is received, reduce interest base by payment received.
- Step 4:** If an amount remains due, calculate the interest on the new base from the date this payment is received until an additional payment is made, the installment is paid in full, or until the due date of the return. If there is an overpayment, apply it to the next installment due.

NOTE: Even if there is an overpayment, interest may need to accrue from the due date of the next installment until the payment that caused the overpayment was made.

- Step 5:** Repeat steps 3 and 4 above until specified installment is paid in full or the due date of the return.
- Step 6:** Repeat steps 1-5 above for each installment as needed.

INDIVIDUAL INSTALLMENT EXAMPLE

PART II—LATE PAYMENT INTEREST FOR INDIVIDUAL PARTNERS, MEMBERS, OR SHAREHOLDERS										
(1)	Enter from Form 740NP-WH, Line 9, the total tax liability of individual partners, members, or shareholders whose liability exceeds \$500.	1	\$100,000		00					
		A		B		C		D		
Payment Due Dates		04/15/2016		06/15/2016		09/15/2016		01/15/2017		
(2)	Required Individual Installments: If 4 installments are due, enter 25% of Line 1 in Columns A, B, C, and D	2	\$25,000	00	\$25,000	00	\$25,000	00	\$25,000	00
(3)	Accrued Interest calculated for each installment: Enter calculated amounts in applicable columns	3	\$124	59	\$512	30	\$654	28	\$308	22
(4)	Total Accrued Installment Interest: Total calculated amounts from Line 3, Columns A, B, C, and D.	4					\$1,599		38	

There is a prior year credit of \$15,000.00
Payments were received as follows:

\$15,000.00 on 06/30/2016
\$15,000.00 on 10/30/2016
\$15,000.00 on 12/31/2016

Formulas Needed:

Daily Interest Rate = Annual Interest Rate ÷ No. of Days in the Year
(This will be either 365 or 366, depending on whether it is a leap year or not)

No. of Days for Interest Accrual = Newest Date – Oldest Date + One Day

Installment A:

Step 1: \$25,000.00 - \$15,000.00 Prior Year Credit = \$10,000.00 Interest Base
Step 2: Accrue interest on \$10,000.00 until 06/30/2016 payment is received.

Interest Base	X	2016 Daily Interest Rate	X	No. of Days for Interest Accrual
\$10,000.00	X	$\frac{.06}{366}$	X	(06/30/2016 – 04/16/2016 + 1 day)

\$10,000.00	X	0.00016393	X	76	=	\$124.59
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Step 3: \$10,000.00 - \$15,000.00 = (\$5,000.00) overpayment remains
Step 4: Apply \$5,000.00 overpayment to next Installment as of 06/30/2016.

Total accrued interest for Installment A is \$124.59.

Installment B:

Step 1: \$25,000.00 is due as of 06/15/2016. Overpayment is not available until 06/30/2016.

Step 2: Accrue interest on \$25,000.00 until 06/30/2016 payment is received.

Interest Base	X	2016 Daily Interest Rate	X	No. of Days for Interest Accrual	
\$25,000.00	X	0.00016393	X	15	= \$61.48

Step 3: \$25,000.00 - \$5,000.00 overpayment = \$20,000.00

Step 4: Accrue interest on \$20,000.00 from 07/01/2016 until 10/30/2016 payment is received.

Interest Base	X	2016 Daily Interest Rate	X	No. of Days for Interest Accrual	
\$20,000.00	X	0.00016393	X	122	= \$400.00

Step 5: Repeat Steps 3 and 4 until specified installment is paid in full or the due date of the return.

Step 3: \$20,000.00 - \$15,000.00 payment received 12/31/2016 = \$5,000.00

Step 4: Accrue interest on \$5,000.00 from 10/31/2016 until 12/31/2016 payment is received and specified installment is paid in full.

Interest Base	X	2016 Daily Interest Rate	X	No. of Days for Interest Accrual	
\$5,000.00	X	0.00016393	X	62	= \$50.82

\$15,000.00 payment received 12/30/2016 – \$5,000.00 applied to this installment = \$10,000.00 overpayment remaining for next Installment as of 12/31/2016

Total accrued interest for Installment B is \$512.30 (\$61.48 + \$400.00 + \$50.82).

Installment C:

Step 1: \$25,000.00 is due as of 09/15/2016. Overpayment is not available until 12/31/2016.

Step 2: Accrue interest on \$25,000.00 from 09/16/2016 until 12/31/2016 payment is received.

Interest Base	X	2016 Daily Interest Rate	X	No. of Days for Interest Accrual	
\$25,000.00	X	0.00016393	X	107	= \$438.52

Step 3: \$25,000.00 - \$10,000.00 overpayment = \$15,000.00

Step 4: Accrue interest on \$15,000.00 from 01/01/2017 until 04/15/2017, the due date of the return.

Interest Base	X	2017 Daily Interest Rate	X	No. of Days for Interest Accrual	
\$15,000.00	X	$\frac{.05}{365}$	X	(04/15/2017 – 01/01/2017 + 1 day)	

\$15,000.00	X	0.00013699	X	105	= \$215.75
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Total accrued interest for Installment C is \$654.28 (\$438.52 + \$215.75).

Installment D:

Step 1: \$25,000.00 is due as of 01/15/2017.

Step 2: Accrue interest on \$25,000.00 from 01/16/2017 until 04/15/2017, the due date of the return.

Interest Base	X	2017 Daily Interest Rate	X	No. of Days for Interest Accrual	
\$25,000.00	X	0.00013699	X	90	= \$308.22

Total accrued interest for Installment D is \$308.22.

Total accrued installment interest for all installments is: \$1,599.38 (\$124.59 + \$512.30 + \$654.28 + \$308.22)

WORKSHEET TO CALCULATE INTEREST FOR CORPORATE PARTNERS OR MEMBERS

PART III – LATE PAYMENT INTEREST FOR CORPORATE PARTNERS OR MEMBERS

Line 1—Enter from Form 740NP-WH, Line 9 the total tax liability of corporate partners or members whose liability exceeds \$5,000.

Line 2—Multiply the number of corporate partners or members included on Part III, Line 1 by \$5,000.

Line 3—Enter Line 1 less Line 2.

Line 4—Enter 50% of the amount on Line 3 in Column A and 25% of the amount on Line 1 in Columns B and C or refer to page 4 for applicable percentages if income changes.

Line 5—Enter calculated installment interest in each applicable column.

Line 6—Enter the total amounts from line 5, Columns A, B, and C.

PART III—LATE PAYMENT INTEREST FOR CORPORATE PARTNERS OR MEMBERS					
(1)	Enter from Form 740NP-WH, Line 9 the total tax liability of corporate partners and members whose liability exceeds \$500.....	1			
(2)	Multiply the number of corporate partners and members listed on Part I, Line 2 by \$5,000	2			
(3)	Enter Line 1 less Line 2	3			
PAYMENT DUE DATES		A	B	C	
		6/15/2016	9/15/2016	12/15/2016	
(4)	Required corporate installments: If 3 installments are due, enter 50% of Line 3 in Column A and 25% of Line 3 in Columns B and C	4			
(5)	Accrued interest calculated for each installment: Enter calculated amounts in applicable columns...	5			
(6)	Total accrued installment interest: Total calculated amounts from Line 5, Columns A, B, and C	6			

Prior year credits being used as current year installment payments are received prior to the due date of the installments due in the current year. Therefore, reduce the interest base by any prior year credits. Proceed with following steps:

- Step 1:** Take the installment amount remaining due as of due date of specified installment.
- Step 2:** Accrue interest on that amount from the due date of installment through the date a payment is received or until due date of return. See page 3 for the current interest rate.
- Step 3:** When a payment is received, reduce interest base by payment received.
- Step 4:** If an amount remains due, calculate the interest on the new base from the date this payment is received until an additional payment is made, the installment is paid in full, or until the due date of the return. If there is an overpayment, apply it to the next installment due.

NOTE: Even if there is an overpayment, interest may need to accrue from the due date of the next installment until the payment that caused the overpayment was made.

- Step 5:** Repeat steps 3 and 4 above until specified installment is paid in full or the due date of the return.
- Step 6:** Repeat steps 1-5 above for each installment as needed.

CORPORATE INSTALLMENT EXAMPLE

PART III – LATE PAYMENT INTEREST FOR CORPORATE PARTNERS OR MEMBERS										
(1)	Enter from Form 740NP-WH, Line 9 the total tax liability of corporate partners and members whose liability exceeds \$500.....	1							\$100,000	00
(2)	Multiply the number of corporate partners and members listed on Part I, Line 2 by \$5,000	2								00
(3)	Enter Line 1 less Line 2	3							\$100,000	00
PAYMENT DUE DATES		A		B		C				
		6/15/2016		9/15/2016		12/15/2016				
(4)	Required corporate installments: If 3 installments are due, enter 50% of Line 3 in Column A and 25% of Line 3 in Columns B and C	4								
			\$50,000	00	\$25,000	00	\$25,000	00		
(5)	Accrued interest calculated for each installment: Enter calculated amounts in applicable columns.....	5								
			\$24	59	\$198	36	\$281	33		
(6)	Total accrued installment interest: Total calculated amounts from Line 5, Columns A, B, and C.....	6							\$504.28	

There is a prior year credit of \$40,000.00
Payments were received as follows:

\$15,000.00 on 06/30/2016
\$15,000.00 on 10/30/2016
\$15,000.00 on 12/31/2016

Formulas Needed:

Daily Interest Rate = Annual Interest Rate ÷ No. of Days in the Year
(This will be either 365 or 366, depending on whether it is a leap year or not)

No. of Days for Interest Accrual = Newest Date – Oldest Date + One Day

Installment A:

Step 1: \$50,000.00 - \$40,000.00 Prior Year Credit = \$10,000.00 Interest Base due as of 06/15/2016.
Step 2: Accrue interest on \$10,000.00 until 06/30/2016 payment is received.

Interest Base	X	2016 Daily Interest Rate	X	# of Days for Interest Accrual
\$10,000.00	X	$\frac{.06}{366}$	X	(06/30/2016 – 06/16/2016 + 1 day)

\$10,000.00	X	0.00016393	X	15	=	\$24.59
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Step 3: \$10,000.00 - \$15,000.00 = (\$5,000.00) overpayment remains
Step 4: Apply \$5,000.00 overpayment to next Installment as of 06/30/2016.

Total accrued interest for Installment A is \$24.59.

Installment B:

Step 1: \$25,000.00 - \$5,000= \$20,000 is due as of 09/15/2016. Overpayment was available prior to due date of installment.

Step 2: Accrue interest on \$20,000.00 until 10/30/2016 payment is received.

Interest Base	X	2016 Daily Interest Rate	X	# of Days for Interest Accrual	
				(10/30/2016 - 09/16/2016 + 1 day)	
\$20,000.00	X	0.00016393	X	45 =	\$147.54

Step 3: \$20,000.00 - \$15,000.00= \$5,000.00

Step 4: Accrue interest on \$5,000.00 from 10/31/2016 until 12/31/2016 payment is received.

Interest Base	X	2016 Daily Interest Rate	X	# of Days for Interest Accrual	
				(12/31/2016 - 10/31/2016 + 1 day)	
\$5,000.00	X	0.00016393	X	62 =	\$50.42

Step 5: Repeat Steps 3 and 4 until specified installment is paid in full or the due date of the return.

Step 3: \$5,000.00 - \$15,000.00 payment received 12/31/2016 = (\$10,000.00) overpayment

Step 4: Apply \$10,000.00 overpayment to next Installment as of 12/31/2016.

Total accrued interest for Installment B is \$198.36 (\$147.54 + \$50.82).

Installment C:

Step 1: \$25,000.00 is due as of 12/15/2016. Overpayment is not available until 12/31/2016.

Step 2: Accrue interest on \$25,000.00 from 12/16/2016 until 12/31/2016 payment is received.

Interest Base	X	2016 Daily Interest Rate	X	# of Days for Interest Accrual	
				(12/31/2016 - 12/15/2016 + 1 day)	
\$25,000.00	X	0.00016393	X	16 =	\$65.57

Step 3: \$25,000.00 - \$10,000.00 overpayment= \$15,000.00 remains due.

Step 4: Accrue interest on \$15,000.00 from 01/01/2017 until 04/15/2017, the due date of the return.

Interest Base	X	2017 Daily Interest Rate	X	# of Days for Interest Accrual	
				(04/15/2017 - 01/01/2017 + 1 day)	
\$15,000.00	X	<u>.05</u> 365	X		
\$15,000.00	X	0.00013699	X	105 =	\$215.75

Total accrued interest for Installment C is \$281.33 (65.57 + \$215.75).

Total accrued Installment Interest for all installments is \$504.28 (\$24.59 + \$198.36 + \$281.33).

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YOUR RIGHTS AS A KENTUCKY TAXPAYER

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

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

Some Kentucky taxpayer rights are very specific, such as when and how to protest an assessment or the denial of a refund or credit. 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 determination of the DOR; and
- ✓ tax laws and changes in tax laws so that you can comply with the law.

Protest and Appeal

You have the right to protest and appeal a determination of the DOR if you disagree with an assessment of tax or penalty, reduction or a denial of a refund, or other determination made by the DOR. If you file a timely protest, you have a right to a conference to discuss the matter. (See reverse for procedure to file a protest.)

Representation

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

Recordings

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

Consideration

You have the right to consideration of:

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

Guarantee

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

Damages

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

Interest

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

DEPARTMENT OF REVENUE RESPONSIBILITIES

The DOR has the responsibility to:

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

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

PROTEST AND APPEAL PROCEDURE

Protest

If you receive a notice of assessment, a Notice of Tax Due for tax or penalty, or if the DOR notifies you that a tax refund or credit has been reduced or denied, or other determination made by the DOR, you have the right to protest. To do so:

- ✓ submit a written protest within 45 days of the original Notice of Tax Due, notice of refund reduction or denial, or other DOR determination;
- ✓ 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 determination to support that your protest is timely;
- ✓ explain why you disagree;
- ✓ attach any proof or documentation available to support your protest or request additional time to support your protest;
- ✓ sign your statement, include your daytime telephone number and mailing address; and
- ✓ mail to the Kentucky Department of Revenue, Frankfort, Kentucky 40620.

Conference

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

Final Ruling

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

Appeal

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

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

TAXPAYER OMBUDSMAN

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

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

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

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

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

WHERE TO GET ASSISTANCE

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

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

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

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

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

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

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

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

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

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

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

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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 www.revenue.ky.gov.

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

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

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Commonwealth of Kentucky
DEPARTMENT OF REVENUE

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