FORM **740**
SCHEDULE A
Commonwealth of Kentucky
Department of Revenue

KENTUCKY ITEMIZED DEDUCTIONS
FULL-YEAR RESIDENTS ONLY
➤ **Enclose with Form 740.**

2018

Enter name(s) as shown on Form 740, page 1.	Your Social Security Number

Interest Expense	1	Home mortgage interest and points reported to you on federal Form 1098	1	00		
	2	Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name, identifying number and address)__________	2	00		
		See instructions for lines 3 and 4.				
	3	Points not reported to you on federal Form 1098	3	00		
	4	RESERVED	4	00		
	5	**Total interest.** Add lines 1 through 4. Enter here ➤			5	00
Contributions *Note: For any contribution of $250 or more, see instructions.*	6	Contributions by cash or check	6	00		
	7	Other than cash or check (attach federal Form 8283 if over $500)	7	00		
	8	Artistic charitable contributions deduction (attach copy of appraisal)	8	00		
	9	Carryover from prior year	9	00		
	10	**Total contributions.** Add lines 6 through 9. Enter here ➤			10	00
Other Miscellaneous Deductions	11	Other (see instructions) __________ ➤			11	00
Total Itemized Deductions	12	Add lines 5, 10, and 11. Enter here ➤			12	00

PART I—DIVIDING DEDUCTIONS BETWEEN SPOUSES

Use this schedule if married filing separately on a combined return.

1	Total itemized deductions, line 12	.00
2	Percent of income (Form 740, line 9, Column A) to total income (Form 740, total of line 9, Columns A and B)	%
3	Percent of income (Form 740, line 9, Column B) to total income (Form 740, total of line 9, Columns A and B)	%
4	Percent on line 2 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column A)	.00
5	Percent on line 3 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column B)	.00

***Do not** include on Schedule A items deducted elsewhere, such as on Schedule C, C-EZ, E, F or Kentucky Schedule M.*

You may itemize your deductions for Kentucky even if you do not itemize for federal purposes. Generally, if your deductions exceed $2,530, it will benefit you to itemize. If you do not itemize, you may elect to take the standard deduction of $2,530.

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

Lines 1 through 5—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 of individual to whom interest was paid.

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

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

Seller-Paid Points—If you are the buyer, you may be able to deduct points the seller paid in 2018. You can do this if the loan was used to buy your main home and the points meet item 2 above. You must reduce your basis in the home by those points, even if you do not deduct them.

If you are the seller, you **cannot** deduct the points as interest. Instead, include them as an expense of the sale.

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

Limit on amount you can deduct. You cannot deduct your mortgage insurance premiums if the amount on Form 740, line 9, is more than $109,000 ($54,500 if married filing separately on a combined return or separate returns). If the amount on Form 740, line 9, is more than $100,000 ($50,000 if married filing separately on a combined return or separate returns), your deduction is limited and you must use the worksheet below to figure your deduction.

Qualified Mortgage Insurance Premiums Deduction Worksheet

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

RESERVED

	A. Spouse	B. Yourself (or Joint)
1. Enter the total premiums you paid in 2018 for qualified mortgage insurance for a contract **entered into on or after January 1, 2007**	1. ______	1. ______
2. Enter the amount from Form 740, line 9	2. ______	2. ______
3. Enter $100,000 ($50,000 if married filing separately on a combined return or separate returns)	3. ______	3. ______
4. Is the amount on line 2 more than the amount on line 3? ☐ No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 4. ☐ Yes. Subtract line 3 from line 2. If the result is not a multiple of $1,000 ($500 if married filing separately on a combined return or separate returns), increase it to the next multiple of $1,000 ($500 if married filing separately on a combined return or separate returns). For example, increase $425 to $1,000, increase $2,025 to $3,000; or if married filing separately on a combined return or separate returns, increase $425 to $500, increase $2,025 to $2,500, etc.	4. ______	4. ______
5. Divide line 4 by $10,000 ($5,000 if married filing separately on a combined return or separate returns). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0	5. ______	5. ______
6. Multiply line 1 by line 5	6. ______	6. ______
7. Qualified mortgage insurance premiums deduction. Subtract line 6 from line 1	7. ______	7. ______
8. Add line 7, Columns A and B. Enter here and on Schedule A, line 4		8. ______

Lines 6 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, hospitals and organizations whose purpose is to find a cure for, or help people who have arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.

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 line 9, Form 740,

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 line 9, Form 740,

your gifts of capital gain property to certain organizations are more than 20 percent of line 9, Form 740, or

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

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.

Line 6—Enter all of your contributions paid by cash or check (including out-of-pocket expenses).

Line 7—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 8—Enter 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 artistic adjusted gross income for the taxable year.

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 organization as described in this section.

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—Other Miscellaneous Deductions

Use this line to report miscellaneous deductions. Only the expenses listed below can be deducted on line 11.

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

Line 12—Total Itemized Deductions

Dividing Deductions Between Spouses—Married taxpayers who are filing separate returns or a combined return but using only one Schedule A must divide the itemized deductions. Complete Part I, lines 1 through 5. If one spouse is not required to file a Kentucky return, total deductions may be divided between them based on the percentage of each spouse's income to total income or separate Schedules A may be filed.