

Kentucky Tax Alert

ELECTRONIC FILING OF CORPORATE INCOME AND LIMITED LIABILITY INCOME TAX RETURNS



The Kentucky Department of Revenue (DOR) has expanded its electronic filing capabilities for tax year 2015. The following forms and their supporting schedules are available for e-file this filing season:

Form 720—Kentucky Corporation Income Tax and LLET Return (Separate entity returns only)

Form 720S—Kentucky S Corporation Income Tax and LLET Return

Form 765—Kentucky Partnership Income and LLET Return

Form 765-GP—Kentucky General Partnership Income Return

The DOR initially implemented business e-filing in May 2014 when it began accepting the Form 720 for separate entity filers via e-file for the first time. Since then, DOR has been continually increasing its business e-filing capabilities. The 2015 filing season introduced Form 720S to e-filing, with the Form 765 joining shortly thereafter in April 2015. For the 2016 filing season, Form 765-GP has been added, along with the ability to e-file Form 41A720SL to request an extension of time to file a Kentucky Corporation Income Tax and LLET return.

The DOR's commitment to actively expanding its e-file capabilities is ongoing. Currently, the form that is on the horizon for e-file is Form 725, Kentucky Single Member LLC Individually Owned Income and LLET Return.

In addition to determining whether a specific form may be e-filed, another issue practitioners may encounter during the filing season is the

need for payment vouchers. It is important to note that certain payment vouchers can only be accessed through software or by obtaining a hard copy from the DOR. These forms include: (1) Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET Return, and (2) Form 720-V, Electronic Filing Payment Voucher. Form 720-ES, 2016 Corporation Income/Limited Liability Entity Tax (Kentucky Estimated Tax Voucher), is now available on the DOR website; however, due to formatting differences, there may be processing delays if the form is printed from the website and submitted. In order to avoid potential processing delays, the best route is to print Form 720-ES from software, or in the alternative, request Form 720-ES from the DOR. Practitioners may request these payment vouchers by contacting the DOR at (502) 564-3658.

If an electronically filed return is rejected, it may be due to one of the following scenarios, which are the most frequent reasons for the rejection of a return:

- 1) The LLET account number is checked against The DOR's taxpayer registration database. The assigned number must agree with the taxpayer's name on the electronically filed return and the corresponding LLET account number. If there is a mismatch in the data, the return will be rejected.

TABLE OF CONTENTS

Electronic Filing of Corporate Income and Limited Liability Income Tax Returns	1-2
Kentucky Corporation Tax Reminders for 2015 Forms.....	2-3
Corporate Income/LLET Tax Return Submission Addresses	3
Individual Income Tax Filing Tips.....	3
Form 1099G	4
Tangible Personal Property Tax Filing Requirement Reminder.....	4

- 2) If the LLET account number matches, the return goes through a second validation verifying that the FEIN corresponds with the above criteria. If it does not agree, the return will be rejected.
- 3) If a parent company filing a return with subsidiaries does not supply the proper LLET number and FEIN (where required), the return will be rejected. *NOTE: Mandatory Nexus Consolidated Form 720 returns are not yet accepted via electronic filing.

If an electronically filed return is rejected for one of the above reasons, the taxpayer/preparer should call the DOR's Division of Registration and Data Integrity at (502) 564-3306 for assistance.

If you have any questions about whether your particular brand of tax software supports Kentucky business forms for electronic filing, please visit <http://revenue.ky.gov/sdi/mef.htm>. On the right side of that webpage is a link to a list of approved software vendors for filing both individual and business income tax returns. Software vendors can be approved at anytime during the year to support Kentucky forms. If your software vendor is not on the approved list, the vendor may send a "Letter of Intent for Software Development – BMF" found at the link above to AudreyJ.Terry@ky.gov or RichardJ.Hill@ky.gov.

The DOR began accepting electronically filed business returns on Thursday, February 4, 2016. If you need any assistance while e-filing, please contact our Help Desk at (502) 564-5370 or our Business E-filing Assistance area at (502) 564-7964.

KENTUCKY CORPORATION TAX REMINDERS FOR 2015 FORMS

The DOR would like to remind tax preparers to use the proper years' forms to ensure accurate processing of returns and avoid delinquencies for clients. Kentucky tax returns have unique bar codes imbedded to expedite returns. Line items may change from year to year due to changes in the Kentucky tax law and using forms not

specific to the year being filed may result in delays. Forms are available at www.revenue.ky.gov or by contacting the Department of Revenue at (502) 564-3658.

All corporate forms now have a fill-in version available at <http://revenue.ky.gov/forms/CurrentYrcitf.htm>.

The following schedules and forms are new for 2015 or have significant changes that may affect filing from prior years.

Schedule NOL—Schedule NOL was updated for 2015 to replace Part I, Section B with a simplified calculation of the Net Operating Loss (NOL) carryforward for Mandatory Nexus Consolidated filers. Additional instructions were added to clarify that any prior year NOL carryforward is utilized first in meeting the 50 percent limitation. Any current year NOL and/or carryforward NOL disallowed due to the 50 percent limitation may be carried forward to future taxable years.

SCHEDULE DS—Schedule DS, Distilled Spirits Tax Credit, is a new form for 2015 for filing and claiming the distilled spirits tax credit. The schedule shall be used to report the capital improvements for which the credit is claimed, up to the amount of distilled spirits ad valorem tax paid during the period the capital improvements were made. The credit must be claimed on the return filed for the year during which the credits were used, which is the year the capital improvements are completed.

SCHEDULE DS-R—Schedule DS-R, Distilled Spirits Tax Credit Recapture, is a new form for 2015 for computing the amount of distilled spirits tax credit that must be recaptured in a given year. A taxpayer required to recapture a distilled spirits tax credit shall attach this schedule to the applicable tax return for the taxable year. If the taxpayer is a pass-through entity, the taxpayer shall apply the recapture of the distilled spirits tax credit to the limited liability entity tax imposed by KRS 141.0401, and shall pass the tax credit recapture to its partners, members or shareholders. A copy of Schedule DS-R shall be attached to each partner's, member's or shareholder's Kentucky Schedule K-1. A partner, member or shareholder shall enter its pro rata share of the information

from the Schedule DS-R when completing the partner's, member's or shareholder's Schedule DS-R to be attached to the partner's, member's or shareholder's applicable tax return.

Form 851-K—Form 851-K, Kentucky Affiliations and Payment Schedule, was updated for 2015 to include space to record prior year credits, estimated payments and extension payments for both parents and subsidiaries.

Form 740NP-WH-P—Form 740NP-WH-P, Underpayment and Late Payment of Estimated Tax on Form 740NP-WH, was updated for 2015. The form was extended to provide a place to calculate the interest for Individual partners, members or shareholders separate from the corporate partners or members.

CORPORATE INCOME/LLLET TAX RETURN SUBMISSION ADDRESSES

The Department has set up two separate mailing addresses for corporate and pass-through entity returns (Form 720, 720-S, 725 and 765) for the 2016 filing year. One mailing address is for returns with no tax due or returns requesting a refund. The other mailing address is for returns that include a payment with the return. Please ensure that the correct address is used for the specific situation of the return filed. Failure to send returns to the correct address could cause a delay in processing.

REFUNDS OR NO TAX DUE

Kentucky Department of Revenue
Frankfort, KY 40618-0010

PAYMENTS

Kentucky Department of Revenue
Frankfort, KY 40620-0020

All corporate income or pass-through entity vouchers (Form 720-ES, Form 720-V or Form 41A720SL) must be sent to the following address:

Kentucky Department of Revenue
Frankfort, KY 40620-0021

Any nonresident withholding forms (Form 740NP-WH, Form 740NP-WH-ES, Form 740NP-WH-P or Form 40A201NP-WH-SL) must be sent to the following address:

Kentucky Department of Revenue
Frankfort, KY 40619-0006

INDIVIDUAL INCOME TAX FILING TIPS

Direct Deposit—If you are electronically filing and request that your refund be direct deposited, verify that all account and routing numbers are current.

Payments—When submitting payments for electronically filed returns, **do not** send a copy of your return. Use Form 740-V to remit your payment. Include your Social Security number and tax year on the check.

Wage and Tax Statements—Ensure that all necessary statements are attached to support the *Kentucky* withholding claimed on the return.

Social Security Numbers—Please enter them legibly and in the appropriate boxes on the return.

Addresses—Make sure the address entered on the return is the correct address. If you move after you have submitted your return, please contact the DOR to update your address.

Form 2210-K—When applicable, use Form 2210-K to calculate any underpayment of estimated tax penalties, underpayment of estimated tax interest or to claim an exception to the penalty. Check the appropriate box on Form 740 when Form 2210-K is attached.

2D Barcode Returns—Even though some W-2 information is included, wage statements need to be attached for verification of withholding claimed.

Credit for Tax Paid to Another State—Paper returns must include copies of other state(s) returns if claiming a credit. Electronically filed returns must have the Credit for Tax Paid to Another State worksheet completed and submitted with the electronic submission for proper processing.

Amended Returns—Use the proper form for the year you are amending and include a complete explanation of the changes. Please include corrected Kentucky and/or federal forms, schedules or W-2s. Processing of amended returns can take four to six months.

Attach Supporting Schedules—Ensure that all appropriate schedules and worksheets are attached to the return (i.e., K-1's, 8863-K, etc.).

FORM 1099G

If you received a Kentucky income tax refund last year, the DOR is required by federal law to send Form 1099G to you to remind you that the state refund must be reported as income on your federal tax return if you itemize deductions.

When you itemize deductions on your federal return, you are allowed to deduct state income taxes or sales taxes that you paid during the year. This deduction reduces your federal taxable income. If any part of the state income taxes you deducted on your federal return is later refunded to you, that amount must be reported as taxable income for the year in which the refund is issued.

Form 1099G reflects all Kentucky refunds that were credited to you for last year, including refunds from amended returns and prior year returns. The form will include any or all of your refund that was applied to:

- estimated tax account
- use tax
- child support debt
- delinquent tax liability or another bill

Even if your refund was applied to offset a bill or make a donation, federal law maintains that you received the benefit of the refund and you must report it as income.

You don't need to attach the 1099G form to your federal or state income tax returns. The 1099G should be kept for your records. If you use a professional tax preparer, please give the form to your preparer, along with your W-2s and other tax information. If your address on the form is incorrect or you have other questions, please contact the DOR at (502) 564-4581.

TANGIBLE PERSONAL PROPERTY TAX FILING REQUIREMENT REMINDER

In accordance with KRS 132.220 (b) 2:

Due Date:
Monday
May 16, 2016

May 2016						
S	M	T	W	T	F	S
	1	2	3	4	5	6
	7	8	9	10	11	12
	13	14	15	16	17	18
	19	20	21	22	23	24
	25	26	27	28	29	30
	31					

It shall be the duty of all persons owning any tangible personal property taxable in this state to list or have listed the property with the property valuation

administrator of the county of taxable situs or with the department between January 1 and May 15 in each year, except as otherwise prescribed by law.

Form 62A500 (P) for 2016 is located for download at <http://www.revenue.ky.gov/forms>.

Please visit <http://www.revenue.ky.gov/NR/rdonlyres/0F78CEE7-0978-414D-BF19-B2F6EB01896E/0/TangibleFAQPamphlet.pdf> for answers to frequently asked questions concerning the assessment of tangible personal property taxes.

Kentucky Tax Alert comments and suggestions should be addressed to the Office of Income Taxation/Training Branch, Finance Cabinet, Department of Revenue, Frankfort, Kentucky, (502) 564-0937.

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