

# Kentucky Tax Alert

A REVENUE PUBLICATION FOR THE TAX PROFESSIONAL

January 2013, Vol. 32, No. 1

## WHAT'S NEW FOR KENTUCKY:

**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 2012 threshold amount is \$11,170 for a family size of one, \$15,130 for a family of two, \$19,090 for a family of three and \$23,050 for a family of four or more.

**Standard Deduction**—For 2012, the standard deduction is \$2,290.

**Endow Kentucky Tax Credit**—Effective for taxable years beginning on or after Jan. 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. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the Department of Revenue in each fiscal year is \$500,000. An application for preliminary authorization for the credit must be submitted to the Department of Revenue.

If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. The taxpayer has ten days after making the gift to provide the department with proof of the gift. The department will issue a final tax credit letter to the taxpayer if the gift is approved after receipt of the proof.

## FILING TIPS:

**File Electronically**—Filing electronically is the fastest way to receive your refund. Electronically filed returns generally process within seven to ten days. Also, it's the only way to have your refund check direct deposited into your bank account.

**Direct Deposit**—If you are electronically filing and request that your refund be direct deposited, be sure to 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**—Be sure 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 Department of Revenue 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.

## TABLE OF CONTENTS

What's New for Kentucky .....	1
Filing Tips .....	1-2
Form 1099G .....	2
Kentucky Continues Use Tax Look-Up Table to Simplify Reporting.....	2
Louis A. Grief Tax Planning Institute....	2-3
What's New for Corporations and Pass- Through Entities .....	3
For Pass-Through Entities .....	3
2013 Tax Calendar .....	4-6
2012 Kentucky Tax Alert Index—Volume 31.....	7
2012 Federal/Kentucky Individual Income Tax Differences .....	8

**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 is from four to six months.

**Attach Supporting Schedules**—Make sure 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, we're 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.

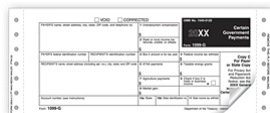
When you itemize deductions on your federal return, you are allowed to deduct state income taxes or sales taxes that you paid during the year. This deduction reduces your federal taxable income. If any part of the state income taxes you deducted on your federal return is later refunded to you, that amount 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. Just keep it 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 Kentucky Department of Revenue at (502) 564-4581.



## KENTUCKY CONTINUES USE TAX LOOK-UP TABLE TO SIMPLIFY REPORTING

Spending by holiday e-commerce shoppers in 2012 is projected to have increased by 15 percent or more over 2011 numbers. Consumers turned Cyber Monday 2012 into the biggest spending day ever with online sales growing 30.3 percent over last year to \$1.465 billion. The popularity of online retail activity for consumers in Kentucky and around the country continues to grow at a remarkable rate. In fact, there was a record 12 days during the holiday season with online sales of more than \$1 billion compared to 10 days in 2011. The Department of Revenue reminds Kentuckians that when a purchase is made from an out-of-state retailer that does not collect Kentucky tax, consumers remain responsible for payment of the 6 percent use tax on taxable items delivered in the Commonwealth per KRS 139.310 and 139.330. During the individual income tax filing season, tax professionals need to be aware of and account for this liability for themselves and their clients. As a reporting convenience, instructions for the 2012 Kentucky state income tax return will again include a Use Tax Look-Up Table, which allows individuals to estimate use tax owed on nonbusiness purchases of less than \$1,000.

The Use Tax Look-Up Table is intended as an alternative to provide taxpayers and practitioners a convenient method to report use tax obligations with a calculated amount of use tax owed on qualifying purchases where detailed records of annual purchases are not readily available. The Use Tax Look-Up Table is designed for calculating use tax due on items with a purchase price of less than \$1,000. Any purchases made in the amount of \$1,000 or greater must be accounted for on an actual basis and added to the calculated taxable amount. Direct any questions regarding the Kentucky use tax to the Division of Sales and Use Tax at (502) 564-5170.

## LOUIS A. GRIEF TAX PLANNING INSTITUTE

A Kentucky income tax update was presented by the Department of Revenue as part of the University of Louisville's School of Accountancy Louis A. Grief Tax Planning Institute. Major topics covered were:

- HB 246—Metropolitan College Credit
- HB 276—Taxpayer Ombudsman
- HB 341—Statutory Trusts
- HB 400—Kentucky Jobs Retention Agreements

- HB 441–Limited Cooperative Associations
- HB 444–Qualified Air Freight Forwarders
- 2012 individual tax forms
- 2012 individual tax threshold amounts
- 2012 corporation tax forms
- 2012 pass-through entity tax forms
- 2013 interest rates

### WHAT'S NEW FOR CORPORATIONS AND PASS-THROUGH ENTITIES

For taxable years beginning on or after Jan. 1, 2012, Schedule RPC, Related Party Disclosure Statement, must be attached to Form 720, 720S, 765 or 765-GP by an entity that paid, accrued or incurred intangible expenses, intangible interest expenses or management fees paid to a related member as defined in KRS 141.205.

KRS 141.205(1) provides that intangible expenses, intangible interest expenses and management fees paid by to a related member shall be disallowed unless the intangible expenses or intangible interest expenses meet an exception provided by KRS 141.205(3) or the management fees meet an exception provided by KRS 141.205(5).

Part I of Schedule RPC requires the disclosure of all intangible expenses, intangible interest expenses and management fees subject to disallowance;

Part II of Schedule RPC shows the amount of intangible expenses, intangible interest expenses and management fees that meet an exception to disallowance as provided by KRS 141.205(3) or 141.205(5); and

Part III of Schedule RPC shows the details of the exceptions included on Part II of Schedule RPC.

### FOR PASS-THROUGH ENTITIES

For taxable years beginning on or after Jan. 1, 2012, pass-through entities required to withhold Kentucky income tax as provided by subsection (5) of KRS 141.206 are required to make declarations and pay estimated tax installments. The following new forms were added for 2012:

Form 740NP-WH-P, Underpayment and Late Payment of Estimated Tax on Form 740NP-WH, is used by a pass-through entity to compute the underpayment penalty as provided by KRS 141.990, and to compute the interest on any late payment or underpayment of an estimated tax installment as provided by KRS 141.985.

Form 40A201NP-WH-SL, Application for Six-Month Extension of Time to File Form 740NP-WH, is used by a pass-through entity if submitting a payment with its extension to file Form 740NP-WH. An extension of time to file Form 740NP-WH does not extend the due date prescribed for payment of any tax due.

**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.

**STEVEN L. BESHEAR, Governor**

**LORI FLANERY, Secretary  
Finance and Administration Cabinet**

**THOMAS B. MILLER, Commissioner  
Department of Revenue**

**Pamela Trautner, Editor  
Sarah Gilkison, Publications Coordinator  
Production/Design: Support Services**

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.

The Department of Revenue may be found at...

[www.revenue.ky.gov](http://www.revenue.ky.gov)



**T  
A  
X  
  
C  
A  
L  
E  
N  
D  
A  
R  
  
2  
0  
1  
3**

NOTE: If a return due date falls on a scheduled holiday or weekend, returns will be due the next working day.

<b>January</b>	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 7/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 1/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 4/30)	
	15	Estimated Tax/Individuals/One Fourth Est.	
	22	Coal Severance Tax Returns (December Payment)	
	22	Oil Production Tax Returns (December Payment)	
	22	Monthly Sales and Use Tax Returns (December Payment)	
	22	Quarterly Sales and Use Tax Returns	
	22	Annual Sales and Use Tax Returns	
	22	Health Care Provider Tax Returns (December Payment)	
	25	Monthly Motor Fuels Tax Returns (December Payment)	
	25	Monthly Sales and Use Tax Returns (Accelerated Payment)	
	31	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Annual Reconciliation	
	31	Monthly Income Tax Withholding Returns (December Payment and K-2s)	
	31	Quarterly Income Tax Withholding Returns (Quarterly Payment and K-2s)	
	31	Annual Income Tax Withholding Returns (Annual Payment and K-2s)	
	<b>February</b>	1	Minerals and Gas Severance Tax Returns (December Payment)
		1	Annual Report of Distilled Spirits in Bonded Warehouses (as of 1/1/07)
		11	Twice-Monthly Income Tax Withholding Returns (January 1 - January 31 Payment/EFT Payment)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 8/31)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 2/29)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 5/31)
		15	Monthly Income Tax Withholding Returns (January Payment)
		20	Coal Severance Tax Returns (January Payment)
		20	Oil Production Tax Returns (January Payment)
		20	Monthly Sales and Use Tax Returns (January Payment)
		20	Health Care Provider Tax Returns (January Payment)
		25	Twice-Monthly Income Tax Withholding Returns (February 1 - February 15 Payment/EFT Payment)
		25	Monthly Motor Fuels Tax Returns (January Payment)
	25	Monthly Sales and Use Tax Returns (Accelerated Payment)	
	<b>March</b>	1	Minerals and Gas Severance Tax Returns (January Payment)
1		Watercraft Property Tax Return (as of 1/1/07)	
11		Twice-Monthly Income Tax Withholding Returns (February 16 - February 28 Payment/EFT Payment)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 9/30)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 3/31)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 6/30)	
15		Monthly Income Tax Withholding Returns (February Payment)	
15		Bank Franchise Tax Returns	
20		Coal Severance Tax Returns (February Payment)	
20		Oil Production Tax Returns (February Payment)	
20		Monthly Sales and Use Tax Returns (February Payment)	
20		Health Care Provider Tax Returns (February Payment)	
25		Twice-Monthly Income Tax Withholding Returns (March 1 - March 15 Payment/EFT Payment)	
25		Monthly Motor Fuels Tax Returns (February Payment)	
25	Monthly Sales and Use Tax Returns (Accelerated Payment)		
<b>April</b>	1	Minerals and Gas Severance Tax Returns (February Payment)	
	1	Electric Plant Board Property Tax Returns (as of 1/1/07)	
	10	Twice-Monthly Income Tax Withholding Returns (March 16 - March 31 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 10/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 4/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 7/31)	
	15	Monthly Income Tax Withholding Returns (March Payment)	
	15	Quarterly Estimated Tax Returns/Individuals (One Fourth Payment)	
	15	Annual Individual Income Tax Returns	
	22	Monthly Sales and Use Tax Returns (March Payment)	
	22	Quarterly Sales and Use Tax Returns	
	22	Coal Severance Tax Returns (March Payment)	
	22	Oil Production Tax Returns (March Payment)	
	22	Health Care Provider Tax Returns (March Payment)	
	25	Twice-Monthly Income Tax Withholding Returns (April 1 - April 15 Payment/EFT Payment)	
25	Monthly Motor Fuels Tax Returns (March Payment)		
25	Monthly Sales and Use Tax Returns (Accelerated Payment)		

**J  
A  
N  
U  
A  
R  
Y  
  
\*  
\*  
\*  
  
A  
P  
R  
I  
L**

**T  
A  
X  
  
C  
A  
L  
E  
N  
D  
A  
R  
  
2  
0  
1  
3**

<b>May</b>	1	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/First Quarter Reconciliation	
	1	Quarterly Income Tax Withholding Returns	
	1	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/First Quarter Reconciliation	
	1	Quarterly Income Tax Withholding Returns	
	1	Minerals and Gas Severance Tax Returns (March Payment)	
	1	Public Service Company Property Tax Returns (as of 12/31/06)	
	1	Railroad Car Line Property Tax Returns (as of 12/31/06)	
	10	Twice-Monthly Income Tax Withholding Returns (April 16 - April 30 Payment/EFT Payment)	
	15	Intangible Personal Property Tax Return (Taxpayer will be billed later)	
	15	Tangible Personal Property Tax Return (Taxpayer will be billed later)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 11/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 5/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 8/31)	
	15	Monthly Income Tax Withholding Returns (April Payment)	
	20	Monthly Sales and Use Tax Returns (April Payment)	
	20	Coal Severance Tax Returns (April Payment)	
	20	Oil Production Tax Returns (April Payment)	
	20	Health Care Provider Tax Returns (April Payment)	
	28	Twice-Monthly Income Tax Withholding Returns (May 1 - May 15 Payment/EFT Payment)	
	28	Monthly Motor Fuels Tax Returns (April Payment)	
	28	Monthly Sales and Use Tax Returns (Accelerated Payment)	
	<b>June</b>	3	Minerals and Gas Severance Tax Returns (April Payment)
		10	Twice-Monthly Income Tax Withholding Returns (May 16 - May 31 Payment/EFT Payment)
		17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 12/31)
		17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 6/30)
		17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 9/30)
		17	Estimated Tax/Individuals/One Fourth Est.
		17	Monthly Income Tax Withholding Returns (May Payment)
		20	Monthly Sales and Use Tax Returns (May Payment)
		20	Coal Severance Tax Returns (May Payment)
		20	Oil Production Tax Returns (May Payment)
		20	Health Care Provider Tax Returns (May Payment)
		25	Twice-Monthly Income Tax Withholding Returns (June 1 - June 15 Payment/EFT Payment)
		25	Monthly Motor Fuels Tax Returns (May Payment)
		25	Monthly Sales and Use Tax Returns (Accelerated Payment)
	<b>July</b>	1	Minerals and Gas Severance Tax Returns (May Payment)
		1	Cigarette License Annual Renewal Applications and License Fee
10		Twice-Monthly Income Tax Withholding Returns (June 16 - June 30 Payment/EFT Payment)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 1/31)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 7/31)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 10/31)	
15		Monthly Income Tax Withholding Returns (June Payment)	
22		Coal Severance Tax Returns (June Payment)	
22		Oil Production Tax Returns (June Payment)	
22		Monthly Sales and Use Tax Returns (June Payment)	
22		Quarterly Sales and Use Tax Returns	
22		Health Care Provider Tax Returns (June Payment)	
25		Twice-Monthly Income Tax Withholding Returns (July 1 - July 15 Payment/EFT Payment)	
25		Monthly Motor Fuels Tax Returns (June Payment)	
25		Monthly Sales and Use Tax Returns (Accelerated Payment)	
<b>August</b>		1	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Second Quarter Reconciliation
	1	Quarterly Income Tax Withholding Returns	
	1	Minerals and Gas Severance Tax Returns (June Payment)	
	12	Twice-Monthly Income Tax Withholding Returns (July 16 - July 31 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 2/29)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 8/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 11/30)	
	15	Monthly Income Tax Withholding Returns (July Payment)	
	20	Coal Severance Tax Returns (July Payment)	
	20	Oil Production Tax Returns (July Payment)	
	20	Monthly Sales and Use Tax Returns (July Payment)	
	20	Health Care Provider Tax Returns (July Payment)	
	26	Twice-Monthly Income Tax Withholding Returns (August 1 - August 15 Payment/EFT Payment)	
	26	Monthly Motor Fuels Tax Returns (July Payment)	
	26	Monthly Sales and Use Tax Returns (Accelerated Payment)	

**M  
A  
Y  
  
\*  
\*  
\*  
  
A  
U  
G  
U  
S  
T**

**T  
A  
X  
  
C  
A  
L  
E  
N  
D  
A  
R  
  
2  
0  
1  
3**

<b>September</b>	3	Minerals and Gas Severance Tax Returns (July Payment)	
	10	Twice-Monthly Income Tax Withholding Returns (August 16 - August 31 Payment/EFT Payment)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 3/31)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 9/30)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 12/31)	
	16	Estimated Tax/Individuals/One Fourth Est.	
	16	Monthly Income Tax Withholding Returns (August Payment)	
	20	Coal Severance Tax Returns (August Payment)	
	20	Oil Production Tax Returns (August Payment)	
	20	Monthly Sales and Use Tax Returns (August Payment)	
	20	Health Care Provider Tax Returns (August Payment)	
	25	Twice-Monthly Income Tax Withholding Returns (September 1 - September 15 Payment/EFT Payment)	
	25	Monthly Motor Fuels Tax Returns (August Payment)	
	25	Monthly Sales and Use Tax Returns (Accelerated Payment)	
	<b>October</b>	1	Minerals and Gas Severance Tax Returns (August Payment)
		10	Twice-Monthly Income Tax Withholding Returns (September 16 - September 30 Payment/EFT Payment)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 4/30)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 1/31)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 10/31)
		15	Monthly Income Tax Withholding Returns (September Payment)
		21	Coal Severance Tax Returns (September Payment)
		21	Oil Production Tax Returns (September Payment)
		21	Monthly Sales and Use Tax Returns (September Payment)
		21	Quarterly Sales and Use Tax Returns
		21	Health Care Provider Tax Returns (September Payment)
		25	Twice-Monthly Income Tax Withholding Returns (October 1 - October 15 Payment/EFT Payment)
		25	Monthly Motor Fuels Tax Returns (September Payment)
		25	Monthly Sales and Use Tax Returns (Accelerated Payment)
	31	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Third Quarter Reconciliation	
	31	Quarterly Income Tax Withholding Returns	
	<b>November</b>	1	Minerals and Gas Severance Tax Returns (September Payment)
12		Twice-Monthly Income Tax Withholding Returns (October 16 - October 31 Payment/EFT Payment)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 5/31)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 2/29)	
15		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 11/30)	
15		Monthly Income Tax Withholding Returns (October Payment)	
20		Coal Severance Tax Returns (October Payment)	
20		Oil Production Tax Returns (October Payment)	
20		Monthly Sales and Use Tax Returns (October Payment)	
20		Health Care Provider Tax Returns (October Payment)	
25		Twice-Monthly Income Tax Withholding Returns (November 1 - November 15 Payment/EFT Payment)	
25		Monthly Motor Fuels Tax Returns (October Payment)	
25		Monthly Sales and Use Tax Returns (Accelerated Payment)	
<b>December</b>	2	Minerals and Gas Severance Tax Returns (October Payment)	
	10	Twice-Monthly Income Tax Withholding Returns (November 15 - November 30 Payment/EFT Payment)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 6/30)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 3/31)	
	16	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 12/31)	
	16	Monthly Income Tax Withholding Returns (November Payment)	
	20	Coal Severance Tax Returns (November Payment)	
	20	Oil Production Tax Returns (November Payment)	
	20	Monthly Sales and Use Tax Returns (November Payment)	
	20	Health Care Provider Tax Returns (November Payment)	
	26	Twice-Monthly Income Tax Withholding Returns (December 1 - December 15 Payment/EFT Payment)	
26	Monthly Sales and Use Tax Returns (Accelerated Payment)		

**S  
E  
P  
T  
E  
M  
B  
E  
R  
  
\*  
\*  
\*  
  
D  
E  
C  
E  
M  
B  
E  
R**

**2012 Kentucky Tax Alert Index—Volume 31**

**Corporation Income and License Tax**

What’s New in Pass-Through..... January  
 Pass-Through News..... March  
 Applications for Recycling and Composting  
 Equipment Tax Credit ..... November

**Educational Programs**

University of Kentucky 46th Annual 2012  
 Income Tax Seminars..... July  
 School of Accountancy-60th Annual Louis  
 A. Grief Tax Planning Institute ..... November

**Individual Income Tax**

2011 Federal/Kentucky Individual Income Tax  
 Differences ..... January  
 Standard Deduction for 2013..... September  
 Preview 2012 Individual and Corporate  
 Income Tax Draft Forms ..... September  
 Estimated Tax Payment Deadlines..... November  
 Employers Encouraged to Release Forms  
 W-2/K-2 Early ..... November  
 2012 Kentucky Income Tax Forms Requisition ... November

**Legislative Issues**

2012 Legislation Affecting Kentucky Department  
 of Revenue..... May

**Property Tax**

State Property Tax Rate Remains Set at 12.2 Cents  
 for 2012..... July

**Revenue**

What’s New for 2011 ..... January  
 2012 Tax Calendar ..... January  
 2011 Kentucky Tax Alert Index..... January  
 Tax Relief for Victims of Severe Storms, Tornadoes,  
 Straight-Line Winds and Flooding in Kentucky ..... March  
 Gov. Beshear Authorizes Tax Reform Commission .... March  
 Blue Ribbon Commission on Tax Reform Meetings ..... July  
 Kentucky Announces Tax Amnesty Program..... September  
 Department of Revenue Commissioner Elected  
 to Serve on Federation of Tax Administrators  
 Board ..... September  
 DOR Offices Closed for Holidays ..... September  
 Tax Amnesty Ends November 30th; DOR Extends  
 Office Hours ..... November  
 DOR Offices Closed for Holidays ..... November

**Sales and Use Tax**

Kentucky Introduces Use Tax Look-Up Table to  
 Simplify Report ..... January

**Tax Rates**

Department of Revenue Sets 2013 Tax  
 Interest Rate ..... November

**Withholding**

New 1099/W2G Reporting Information ..... March  
 Methods of Submitting Wage and Tax Statements  
 to DOR ..... March  
 1099/W2G Reporting Information ..... July  
 W-2 Processing ..... November



2012 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2006. 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:		Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
Commonwealth of Kentucky Retirement Systems	Taxable	
Kentucky Local Government Retirement Systems	Taxable	
Federal and Military Retirement Systems	Taxable	
3. Pensions and Annuities Starting After 7/1/86 and Before 1/1/90	3-year recovery rule eliminated	3-year recovery rule retained
4. Other Pension and Annuity Income	Taxable	100% excludable up to \$41,110; 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. Long-Term Care Insurance Premiums Paid With After-Tax Dollars	Limited deduction as self-employed health insurance	100% adjustment to gross income
11. Medical and Dental Insurance Premiums Paid With After-Tax Dollars	Limited deduction as self-employed health insurance	100% adjustment to gross income
12. Capital Gains on Property Taken by Eminent Domain	Taxable	Exempt
13. Election Workers—Income for Training or Working at Election Booths	Taxable	Exempt
14. Artistic Contributions	Noncash contribution allowed as itemized deduction	Appraised value allowed as itemized deduction or adjustment to income
15. State Income Taxes	Deductible	Nondeductible
16. Leasehold Interest—Charitable Contribution	May be deductible	Deductible; Schedule HH required
17. Kentucky Unemployment Tax Credit	No credit allowed	\$100 per certified employee; Schedule UTC required
18. Work Opportunity Credit (federal Form 5884)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; entire wage expense is deductible
19. Welfare to Work Credit (federal Form 8861)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; wage expense reduced by amount of federal credit
20. Child and Dependent Care Credit	Tax credit based on expenses	20% of federal credit
21. Family Size Tax Credit	No credit allowed	Decreasing tax credit allowed
22. Education Tuition Tax Credit	Tax credit based on expenses	Credit allowed Form 8863-K required
23. Taxpayer Who May be Claimed as Dependent on Another's Return (i.e., full-time student)	May not claim self	May claim self
24. Child's Income Reported by Parent	Permitted; taxed at parent's rate	Not permitted
25. National Tobacco Settlement TLAP Income Quota Buyout (including imputed interest)	Taxable	Exempt
26. Bonus Depreciation/Additional Section 179 Expense	Deductible	Nondeductible
27. Mortgage Debt Forgiveness	Exempt	Taxable
28. Domestic Production Activities Deduction	Deductible	Deductible; may be limited
29. Active Duty Military Pay	Taxable	Exempt
30. Certain Business Expenses of Reservists	Deductible	Nondeductible