

# Kentucky Tax Alert

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## 2014 INDIVIDUAL INCOME TAX UPDATES & TIPS

### 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 2014 threshold amount is \$11,670 for a family size of one, \$15,730 for a family of two, \$19,790 for a family of three and \$23,850 for a family of four or more.

**Standard Deduction**—For 2014, the standard deduction is \$2,400.

**Personal Tax Credits**—Beginning in tax year 2014, each taxpayer, spouse and dependent is allowed a personal tax credit in the amount of \$10. Those persons who are either age 65 or over or blind are allowed an additional \$40 personal tax credit. Persons who are both age 65 or over and blind are allowed an additional \$80 personal credit. Persons who were members of the Kentucky National Guard on Dec. 31, 2014, are allowed an additional \$20 personal tax credit.

**Internal Revenue Code Update**—HB 445 updates the definition of “Internal Revenue Code” to mean the Internal Revenue Code (IRC) in effect on Dec. 31, 2013, exclusive of any amendments made to the IRC subsequent to that date, other than amendments that extend provisions in effect on Dec. 31, 2013, that would otherwise terminate, and as modified by KRS 141.0101.

- **Itemized Deductions Limitation**—The itemized deductions limitation established in 26 U.S.C. Sec. 68 shall be determined using the applicable amount from 26 U.S.C. Sec. 68 as it existed on Dec. 31, 2006. This means the method used to calculate the limitation on itemized deductions used in 2013 applies equally to tax years 2014 and beyond. The applicable amount (as adjusted for inflation) for taxable years beginning in calendar year 2014 is \$181,150 (\$90,575 in the case of a separate return by a married individual).
- **Depreciation**—Depreciation calculations for Kentucky did not change. HB 445 provides, “For property placed in service after Sept. 10, 2001, only the depreciation and expenses deductions allowed under Sections 168 and 179 of the Internal Revenue Code in effect on Dec. 31, 2001, exclusive of any amendments made subsequent to that date, shall be allowed.” Therefore the taxpayer will continue to make adjustments on Kentucky Schedule M, Kentucky Federal Adjusted Gross Income Modifications, for the differences in depreciation allowed for federal tax purposes and Kentucky tax purposes.

- **Education Credits**—Kentucky education tuition tax credits have been updated to the American Opportunity Credit and the Lifetime Learning Credit. These credits are subject to the limitations of the federal education tuition tax credits and can only be used for postsecondary expenses paid to a Kentucky institution. Both credits are calculated on Form 8863-K.
- **Mortgage Forgiveness Debt Relief Act And Debt Cancellation**—The Mortgage Debt Relief Act of 2007 applied to debt forgiven in calendar years 2007 through 2013. This is no longer an add-back on Kentucky Schedule M.
- **Film Production Incentives**—HB 445 eliminated the Jan. 1, 2015, expiration date for the film industry tax credit. All other requirements remain the same.

**Certified Rehabilitation Tax Credit**—Effective for taxable years beginning on or after Jan. 1, 2014, HB 445 allows a taxpayer to claim an income tax or LLET credit for completing a certified rehabilitation to a certified historic structure that is located (1) within the jurisdiction of a consolidated local government or urban-county government; and (2) within one-half mile of a tax increment financing development area that has received at least preliminary approval. The minimum investment is \$15 million and rehabilitation of the structure must begin before July 1, 2015. The total approved credit is available over a four-year period. The refundable and transferable historic structure rehabilitation credit, which is limited to the first \$30 million of qualified rehabilitation expenses, is equal to either (1) 30 percent of the qualified

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rehabilitation expenses in the case of owner-occupied residential property; or (2) 20 percent of the qualified rehabilitation expenses in the case of all other property. The maximum credit that may be claimed in a taxable year is 25 percent of the total approved credit; however, the total statewide credit is not subject to an annual cap.

**Angel Investor Tax Credit**—Effective for taxable years beginning on or after Jan. 1, 2015, HB 445 makes available a nonrefundable personal income tax credit under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies. The amount of Kentucky angel investor tax credit is equal to either (1) 40 percent of the investment, if the principal place of business of the qualified small business is outside a designated enhanced county; or (2) 50 percent of the amount of the investment, if the principal place of business of the qualified small business is in an enhanced incentive county (i.e., certain counties that are designated as economically depressed). The maximum annual credit that may be awarded to each angel investor is \$200,000. The credit is subject to an annual cap of \$3 million that is available to all angel investors.

**Food Donation Tax Credit—Schedule FD**—The Food Donation Tax Credit applies to taxable years beginning on or after Jan. 1, 2014, but before Jan. 1, 2018. During that time, a qualified taxpayer will be allowed a nonrefundable credit against their Individual Income Tax in an amount equal to 10 percent of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky. This organization must be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. A qualified taxpayer means a person responsible for and deriving income from: growing fruits, vegetables or other edible agriculture products; or raising beef, poultry, pork, fish or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed four (4) years. For more information, refer to KRS 141.0205.

**Moving Expense And Reimbursement—Schedule ME**—This schedule for nonresidents and part-year residents is now its own form. It was previously at the end of Schedule A for Form 740-NP.

#### FILING TIPS:

**File Electronically**—Filing electronically is the fastest way to receive your refund. Electronically filed returns generally process within seven to ten days, and 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 (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**—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 DOR at (502) 564-4581.

**DOR SETS 2015-2016 HOMESTEAD EXEMPTION**

The maximum homestead exemption on real estate owned by qualified persons has been set at \$36,900 for the 2015 and 2016 tax periods. The 2015–2016 exemption reflects a \$900 increase over the 2013–2014 exemption of \$36,000.

The amount of the homestead exemption is adjusted every two years in accordance with KRS 132.810 to compensate for changes in the purchasing power of the dollar. The exemption provided state and local property tax savings of approximately \$178 million for more than 449,000 elderly or disabled Kentuckians during the 2014 tax year.

To qualify for the homestead exemption, a person must be at least 65 years old during the tax period or have been classified as totally disabled by any public or private retirement system. The property must also be owned, occupied and maintained by the taxpayer as a personal residence on the January 1 assessment date.

Applications for the homestead exemption should be filed in the local Property Valuation Administrator's office.

**ONLINE FILING - WITHHOLDING TAX RETURNS**

The DOR now offers online filing of Withholding Tax returns. WRAPS, the Withholding Return and Payment System, provides the ability to file Withholding Tax K-1 and K-3 returns online.

Taxpayers may file returns, view and/or amend previously filed online returns, request refunds and credit forwards, as well as the ability to pay Withholding Tax using the Enterprise Electronic Payment System.

WRAPS is available at <http://wraps.ky.gov>

**PROVIDERS OF MULTICHANNEL VIDEO SERVICES AND COMMUNICATIONS SERVICE REMAIN LIABLE FOR THE TELECOMMUNICATIONS TAX**

A recent decision by the Kentucky Court of Appeals has caused some confusion among taxpayers regarding the Excise and Gross Revenues Taxes (Telecommunications Tax) administered by the DOR under the provisions of KRS 136.600 to 136.660. In Nov. 2014, the Court issued a decision in the case styled as *City of Florence, et al. v. Lori Hudson Flanery (in her official capacity as Secretary of the Finance and Administration Cabinet) et al.*, (case no. 2013-CA-001112-MR). The Court held unconstitutional the Telecommunications Tax insofar as it prohibits political subdivisions from assessing and collecting franchise fees or taxes in order to participate in the Telecommunications Tax fund and receive monthly distributions. However, this case is not yet final and the DOR believes the provisions of the law in question are valid under the Kentucky Constitution. The Department is likely to seek discretionary review by the Kentucky Supreme Court of any adverse determination of its pending petition for rehearing before the Court of Appeals, and therefore does not anticipate a resolution of the case until the year 2016. When disposition of the case finally occurs, the Department will provide further guidance as necessary.

Accordingly, the DOR reminds multichannel video programming and communications service providers to continue reporting and remitting their monthly Telecommunications Taxes. Failure to do so will result in imposition of the appropriate penalties and interest. Providers may contact the Department's Division of Sales and Use Tax at (502) 564-5170, Option 2, for questions regarding Telecommunications Tax registration and reporting requirements.

## **FILING TIPS AND CHECKPOINTS FOR CORPORATION/ PASS-THROUGH ENTITY INCOME AND LIMITED LIABILITY ENTITY TAX RETURNS**

The following list of filing tips is provided for your convenience to help ensure that returns and payments are processed accurately and promptly. To avoid processing problems, please note the following:

- Once an account is established, a return is required to be filed for Kentucky Corporations/Pass-Through Entities and Foreign Corporations/Pass-Through Entities that have Kentucky nexus.
- When ceasing operations and closing an account, there are different requirements for Secretary of State and the Department of Revenue.
- Always ensure the correct Kentucky Corporation/LLET account number is used on the return being filed.
- Place payments on the front of the return so they are clearly visible when the return is processed.
- Note that Schedule LLET is always used as an attachment to a tax return and should never be submitted in lieu of a return.
- Make estimated payments on a timely basis to avoid penalty and interest.
- Extensions are for filing purposes only; late payment penalties and interest apply to payments made after the original due date.
- If the company is computing its LLET based on gross profits, the Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to Form 720, 720S, 765 or 725. Failure to include this schedule may result in a tax adjustment and assessment.
- Adjustments to LLET or distributive share require that corrected Kentucky K-1's are sent to all partners, members or shareholders for proper compliance by taxpayers.
- Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the corporation has not received written approval from the DOR. If written approval has been received, a copy of the letter from the DOR must be attached to the return when filed.

**Additional errors which may result in a delay of processing the return/ payment or create an adjustment to the tax return include:**

### **Forms & Schedules:**

- Submitting a Schedule CP without the Form 725;
- Submitting a Schedule LLET without the Form 720, 720S, 765 or 725;
- Submitting a return on the wrong year's form;

- Submitting an amended return on the wrong form;
- Attaching the nonresident income tax withholding tax return (Forms 740NP-WH and PTE-WH) to an income and limited liability entity tax return when it is a separate return;
- Missing forms or schedules.

### **Payments:**

- Failure to include payment of tax due with the return;
- Submitting payment with a return which doesn't match the amount due on the return;
- Submitting a payment without documentation or anything written on the check indicating the tax, year or account for which it is intended. The FEIN should be written on the check.
- Submitting payments with the incorrect account number;
- Submitting one payment for multiple liabilities, tax types or different period ends;
- Omitting Form 41A720SL when paying on extension;
- Omitting Form 41A720ES when paying an estimated payment;
- Indicating the estimate payment due date instead of the tax year end on EFT payments.

### **Information on Returns:**

- Omitting beginning and ending dates from the return;
- Fiscal year-end filers omitting their taxable year ending date;
- Omitting contact information including a phone number and/or responsible party information;
- Omitting the business name from the Form 725;
- Incorrect tax exemption code;
- Incomplete information;
- Incorrect taxable year end;
- More than one box checked for receipts method;
- Tax Payment Summary Section of return blank or incorrect.

### **Faxing Information to DOR:**

- Include a coversheet reflecting the contact name, phone number, name of the entity, account number and case number, if applicable, when faxing information to the DOR.

### **Forms Not Available For Download On DOR Website:**

The following forms are not available for download from the DOR website due to compatibility constraints within our processing software. Please obtain these forms from your tax preparation software, a Taxpayer Service Center, or the Forms area (502-564-3658).

- Form 720-ES, Estimated Tax Voucher
- Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET Return
- Form 720-V, Electronic Filing Payment Voucher

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

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<b>May</b>	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)	
	11	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)	
	26	Twice-Monthly Income Tax Withholding Returns (May 1 - May 15 Payment/EFT Payment)	
	26	Monthly Motor Fuels Tax Returns (April Payment)	
	26	Monthly Sales and Use Tax Returns (Accelerated Payment)	
	<b>June</b>	1	Minerals and Gas Severance Tax Returns (April Payment)
		10	Twice-Monthly Income Tax Withholding Returns (May 16 - May 31 Payment/EFT Payment)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 12/31)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 6/30)
		15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 9/30)
		15	Estimated Tax/Individuals/One Fourth Est.
		15	Monthly Income Tax Withholding Returns (May Payment)
		22	Monthly Sales and Use Tax Returns (May Payment)
		22	Coal Severance Tax Returns (May Payment)
		22	Oil Production Tax Returns (May Payment)
		22	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)	
20		Coal Severance Tax Returns (June Payment)	
20		Oil Production Tax Returns (June Payment)	
20		Monthly Sales and Use Tax Returns (June Payment)	
20		Quarterly Sales and Use Tax Returns	
20		Health Care Provider Tax Returns (June Payment)	
27		Twice-Monthly Income Tax Withholding Returns (July 1 - July 15 Payment/EFT Payment)	
27		Monthly Motor Fuels Tax Returns (June Payment)	
27		Monthly Sales and Use Tax Returns (Accelerated Payment)	
31	Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Second Quarter Reconciliation		
31	Quarterly Income Tax Withholding Returns		
<b>August</b>	3	Minerals and Gas Severance Tax Returns (June Payment)	
	10	Twice-Monthly Income Tax Withholding Returns (July 16 - July 31 Payment/EFT Payment)	
	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 2/28)	
	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 8/31)	
	17	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 11/30)	
	17	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)	
	25	Twice-Monthly Income Tax Withholding Returns (August 1 - August 15 Payment/EFT Payment)	
	25	Monthly Motor Fuels Tax Returns (July Payment)	
	25	Monthly Sales and Use Tax Returns (Accelerated Payment)	

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<b>September</b>	1	Minerals and Gas Severance Tax Returns (July Payment)	
	10	Twice-Monthly Income Tax Withholding Returns (August 16 - August 31 Payment/EFT Payment)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 3/31)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 9/30)	
	15	Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 12/31)	
	15	Estimated Tax/Individuals/One Fourth Est.	
	15	Monthly Income Tax Withholding Returns (August Payment)	
	21	Coal Severance Tax Returns (August Payment)	
	21	Oil Production Tax Returns (August Payment)	
	21	Monthly Sales and Use Tax Returns (August Payment)	
	21	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)
		12	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)
		20	Coal Severance Tax Returns (September Payment)
		20	Oil Production Tax Returns (September Payment)
		20	Monthly Sales and Use Tax Returns (September Payment)
		20	Quarterly Sales and Use Tax Returns
		20	Health Care Provider Tax Returns (September Payment)
		26	Twice-Monthly Income Tax Withholding Returns (October 1 - October 15 Payment/EFT Payment)
		26	Monthly Motor Fuels Tax Returns (September Payment)
		26	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>	2	Minerals and Gas Severance Tax Returns (September Payment)
10		Twice-Monthly Income Tax Withholding Returns (October 16 - October 31 Payment/EFT Payment)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 5/31)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 2/28)	
16		Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 11/30)	
16		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)	
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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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**2014 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES**

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2013. The Department of Revenue generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists.

The chart below provides a quick reference guide to the major federal/Kentucky differences. It is not intended to be all inclusive. Items not listed may be referred to the Department of Revenue to determine Kentucky tax treatment.

PROVISION	FEDERAL TAX TREATMENT	KENTUCKY TAX TREATMENT
1. Interest from Federal Obligations	Taxable	Exempt
2. Retirement Income from: Commonwealth of Kentucky Retirement Systems Kentucky Local Government Retirement Systems Federal and Military Retirement Systems	Taxable Taxable Taxable	Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
3. Pensions and Annuities Starting After 7/1/86 and Before 1/1/90	3-year recovery rule eliminated	3-year recovery rule retained
4. Other Pension and Annuity Income	Taxable	100% excludable up to \$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. Domestic Production Activities Deduction	Deductible	Deductible; may be limited
27. Active Duty Military Pay	Taxable	Exempt
28. Certain Business Expenses of Reservists	Deductible	Nondeductible