

# Kentucky Tax Alert

A REVENUE PUBLICATION FOR THE TAX PROFESSIONAL

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## 2008 State Property Tax Rate set at 12.2 cents

The Kentucky Department of Revenue has set the 2008 State Real Property Tax Rate at 12.2 cents per \$100 of assessed value. KRS 132.020 requires the Department of Revenue to set the real property rate no later than July 1 of each year.

This rate is based on the revenue generated from the increase in taxable real property assessments from 2007 to 2008. If the increase in revenue is more than 4 percent after the exclusion of new property added to the tax roll during 2008, then the prior year rate must be reduced. Since the assessment increase for 2008 is estimated at 6.65 percent, the state rate will decrease from 12.4 to 12.2 cents per \$100 of assessed value to limit the increase in revenue to 4 percent.

All of the revenue generated from the state property tax rate will go into the state's General Fund.

## Digital Television Converter Box Program

The Digital Television Transition and Public Safety Act of 2005 authorized the National Telecommunications and Information Administration (NTIA) to administer a TV converter box coupon program beginning Jan. 1, 2008. This coupon program is in anticipation of the Feb. 17, 2009 conversion of all full power television stations to 100 percent digital broadcasting. All US households are eligible to request two coupons, worth \$40 each, to be used toward the purchase of up to two, digital-to-analog converter boxes. These coupons may only

be redeemed at retailers who are approved to participate in the program. Upon receipt of these coupons the retailer will discount the price of these boxes by the \$40 redemption value and will receive reimbursement from the federal government for the \$40. Since the \$40 redemption value of the coupon will be reimbursed directly by the federal government, this portion of the sales price will be exempt from Kentucky sales and use tax. Vendors will still be liable to collect sales tax on the remaining balance due after the coupon.



## Ethanol Credit and the Cellulosic Ethanol Credit

Two new tax credits will become available on the 2008 Kentucky income tax return. The passage of HB 1 of the 2007 Second Special Session amended sections KRS 141.422 to 141.425. This bill provided that an ethanol producer or cellulosic ethanol producer shall be eligible for a \$1 per gallon nonrefundable tax credit against taxes imposed by KRS 141.020 or 141.040 and 141.0401 for each ethanol gallon or cellulosic ethanol gallon produced.

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Ethanol means ethyl alcohol produced from corn, soybeans or wheat for use as a motor fuel that meets the current American Society for Testing and Materials specifications D4806 for ethanol. Cellulosic ethanol means ethyl alcohol for use as motor fuel that meets the current American Society for Testing and Materials specification D4806 for ethanol that is produced from cellulosic biomass materials of any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, including: (a)



plant wastes from industrial processes such as sawdust and paper pulp; (b) energy crops grown specifically for fuel production such as switchgrass; or (c) agriculture plant residues such as corn stover, rice hulls, sugarcane and cereal straws. The annual ethanol

tax credit cap is \$5 million and the annual cellulosic ethanol credit cap is \$5 million. However, if the annual cap for either ethanol or cellulosic ethanol is not used, then the unused cap may be transferred to the other program if the total approved applications for the other program exceeds the annual cap established for that program. The ethanol incentives created by HB 1 are effective for taxable years beginning after Dec. 31, 2007.

### Requirements Change for Reinstatement with the Secretary of State

Effective July 1, 2008 and pursuant to KRS 271B.14-220(1)(e), a letter of good standing from the Kentucky Division of Unemployment Insurance must be submitted to the Secretary of State to complete the reinstatement process. This brings the total documents needed to complete the reinstatement process to four.

(1) A letter of good standing from the Department of Revenue stating that the business entity has filed all Kentucky

tax returns presently due and that any outstanding due and owing tax liabilities have been paid. <http://revenue.ky.gov/>

- (2) A letter of good standing from the Kentucky Division of Unemployment Insurance. <http://oet.ky.gov>
- (3) The Application for Reinstatement. This application can be obtained from the Secretary of State Web site by clicking on the link to access the Online Business Database and then the reinstatement packet button at the top of the page. <http://sos.ky.gov/>
- (4) The Reinstatement Annual Report. The reinstatement annual report is created the same way as the application for reinstatement, by using the Online Business Database. A personalized annual report will be created for you upon entering your organization ID or company name in the space provided on the business database search. <http://sos.ky.gov/>

A letter of good standing may be obtained from the Department of Revenue by faxing or mailing the request to:

Kentucky Department of Revenue  
 Division of Corporation Income Tax  
 501 High Street  
 PO Box 181, Station 52  
 Frankfort, Ky. 40602-0181  
 Fax # 502-564-0058

The request must be signed by a responsible party of the business entity seeking the letter of good standing and state that the purpose of the request is for reinstatement with the Secretary of State. Include the business name of the entity as well as the federal identification number and the Kentucky Corporation or Limited Liability Entity Tax number, if applicable, with the request. Also include a return address or fax number, depending upon how the completed letter is to be returned to the business entity, in the request.

Requests for letters of good standing are given a high priority when received by the Division of Corporation Income Tax and are normally completed within five working days of receipt. The letter of good standing is valid for only 30 days; therefore it is very important that all documentation required by the Secretary of State be submitted before that expiration date.

The additional requirement of a letter of good standing from the Kentucky Division of Unemployment Insurance will be stated within any letters of good standing issued by the Department of Revenue after July 1, 2008. This reminder is being added in order to alert the business entity of the new requirement and to eliminate the need for additional letters of good standing due to the 30-day expiration being surpassed.

To avoid the need for these letters of good standing, file the Annual Report and pay the filing fees due the Secretary of State by June 20<sup>th</sup> of each year.

**Kentucky Tax Alert** comments and suggestions should be addressed to the Office of Public Information, Finance Secretary's Office, Frankfort, Kentucky, (502) 564-9165, ext. 4500.

**STEVEN L. BESHEAR, Governor**

**JONATHAN MILLER, Secretary  
Finance and Administration Cabinet**

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

**Editor ..... Jill Midkiff  
Production/Design..... Support Services  
Publications Coordinator.....Sarah Gilkison**

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