

Kentucky Tax Alert

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TAX RELIEF FOR VICTIMS OF SEVERE STORMS, TORNADOES, STRAIGHT-LINE WINDS AND FLOODING IN KENTUCKY

The Kentucky Department of Revenue (DOR) will honor recently announced IRS special tax relief for taxpayers in the Presidential Disaster Areas who were victims of severe storms, tornadoes, straight-line winds and flooding that started on Feb. 29, 2012.

As of March 13, 2012, the President has declared Bath, Campbell, Carroll, Grant, Grayson, Johnson, Kenton, Larue, Laurel, Lawrence, Magoffin, Martin, Menifee, Montgomery, Morgan, Ohio, Pendleton, Rowan, Russell, Trimble and Wolfe counties a federal disaster area. Individuals who reside or have a business in these counties may qualify for tax relief.

As a result, the IRS is postponing certain tax deadlines for those taxpayers who reside or have a business in the disaster area. For instance, certain deadlines falling on or after Feb. 29, and on or before May 31, have been postponed to May 31, 2012.

This includes an extension of the April 17 deadline for filing 2011 individual income tax returns, making income tax payments and making 2011 contributions to an individual retirement account (IRA).

In addition, the IRS is waiving the failure-to-deposit penalties for employment and excise tax deposits due on or after Feb. 29, and on or before March 15, as long as the deposits are made by March 15, 2012.

Additional information regarding this special tax relief may be found at www.irs.gov

Under the provisions of KRS 131.081 (11), Kentucky honors federal extensions related to disaster relief for filing of income tax returns, including payment of tax due.

Late filing and payment penalties will be waived for those affected taxpayers who have an original or

extended income tax filing, payment or deposit due date, including an extended filing or payment due date, that falls within the postponement period. Kentucky's tax laws have no provision for the waiver of interest.

Taxpayers are advised to label the top margin of the tax forms filed under this relief provision in large, red letters with the words "February 2012 Storms." Taxpayers requiring assistance with penalty waivers or additional tax information may contact the Department of Revenue at (502) 564-4581.

This extension to file and pay taxes does not apply to sales and other tax types. However, taxpayers who lost their sales tax return and need a replacement may contact the DOR Division of Sales and Use Tax at 502-564-5170 for assistance. Taxpayers who are having difficulty meeting filing deadlines for their sales tax returns may also contact the Division of Sales and Use Tax which will work with them on a case-by-case basis.



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GOV. BESHEAR AUTHORIZES TAX REFORM COMMISSION

Directs 23 members, led by Lt. Gov. Abramson, to develop recommendations to revitalize state's tax code, bring in more revenue for critical services

On Feb. 9, 2012, Gov. Steve Beshear announced a 23-member panel of Kentuckians, representing a broad spectrum of public and private sector experience and all corners of the state, to serve on the new Blue Ribbon Commission on Tax Reform.

The Commission, led by Lt. Gov. Jerry Abramson, will work over the coming months to develop recommendations to make the state's tax code more responsive to the ups and downs of the economy, as well as to make taxes more equitable for Kentuckians. The revisions should allow for tax revenues that are adequate to address the needs of the state's citizens and businesses.

"In order to better prepare our state for the future, we must study how we can better align our tax code with the principles of fairness, business competitiveness and a 21st Century economy," said Gov. Beshear. "An improved tax code will not only create a more welcoming business environment, but will also allow the state to invest in the services and priorities that best position our citizens for success."

The Blue Ribbon Commission will be assisted by an outside consultant, as well as advisers from both inside and outside of state government. This includes the State Budget Director and Secretaries of the Executive Cabinet, Finance and Administration and Economic Development, the Commissioner of the Department of Revenue, the Taxation Committee of the Kentucky Society of CPAs and the Taxation Section of the Kentucky Bar Association. Legislators from both the House and the Senate will serve as ex officio nonvoting members. The Commission will receive testimony from outside experts, interested groups and the general public.

Gov. Beshear outlined five goals for the Commission's work, including fairness, competitiveness, simplicity and compliance, elasticity, and adequacy.

Commission members are Jerry Abramson, Chairman; Roszaly Akins, Lexington; Jason Bailey, Berea; Jim Booth, Inez; Junior Bridgeman, Louisville; Rocky

Comito, Shepherdsville; Luther Deaton, Nicholasville; Marion Forcht, Corbin; Ricky Jordan, Walton; Pat Mulloy, Louisville; Dr. Sheila Schuster, Louisville; Dr. Lee Todd, Lexington; Leslie Weigel, Bowling Green; John Williams, Paducah; Joe Wright, Harned; and Cathy Zion, Louisville.

Six nonvoting, ex officio members will represent the General Assembly:

House Majority: Rep. Rick Rand, Rep. Jim Wayne

House Minority: Rep. Bill Farmer

Senate Majority: Sen. Bob Leeper, Sen. Paul Hornback

Senate Minority: Sen. Gerald Neal

The Commission held its first meeting on March 6, 2012 in Frankfort. An overview of state taxes and the budget process was presented and Lt. Governor Abramson announced that the Commission's website may be found at www.ltgovernor.ky.gov/taxreform/.

The Commission will work over the next several months and its recommendations are due to the Governor by Nov. 15, 2012.

NEW 1099/W2G REPORTING INFORMATION

The Kentucky DOR is now electronically accepting Forms 1099G, 1099M, 1099R and W2G. Electronic submissions may only be made via CD and are required to be in the federal format found in Pub. 1220 Rev. Proc. 2010-26. See Kentucky DOR's website at www.revenue.ky.gov for the detailed specifications on the state defined fields. **1099 Forms are required to be submitted to Kentucky DOR only when Kentucky tax is withheld.**

METHODS OF SUBMITTING WAGE AND TAX STATEMENTS TO DOR

In accordance with KRS 141.335 (2), Employee Wage and Tax Statements are required to be submitted in the form prescribed by Kentucky DOR regulation.



Regulation 103 KAR 18:050(6)(b) indicates that the Kentucky DOR will accept methods that can be supported by the Department's equipment.

The methods listed below are acceptable and listed in order of preference:

1. Web filing:
<https://kyegxzeus01.ky.gov/w2ftp/wfLogon.aspx> ;
2. CD; and
3. Paper (for employers with fewer than 100 Form W-2s).

EFW2 IS THE ONLY ACCEPTABLE FILE LAYOUT FOR WEB FILING AND CD SUBMISSIONS. FOR SPECIFICATIONS REFER TO

<http://revenue.ky.gov/business/whtax.htm>

Retain a copy of the electronic file. DOR will not accept computer listings or hard copies of the W-2 forms when backup copies are needed.

Do not send computer listings or hard copies to DOR when web filing or when making a submission on CD.

*****Electronic Forms 1099 and W2G cannot be filed via Kentucky DOR's website*****

PASS-THROUGH NEWS

The first payment of estimated distributive share withholding tax is due April 17, 2012. This is if the pass-through entity has nonresident individual partners, members, or shareholders.

The next payment will be due as follows:

- June 15th for Individuals
- June 15th for Corporations

These payments are due for those entities that have either nonresident individuals and/or corporations doing business in Kentucky only through their ownership interest in a pass-through entity. For vouchers and instructions, please visit www.revenue.ky.gov.

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
Cindy Lanham, Editor
Sarah Gilkison, Publications Coordinator
Production/Design: Support Services

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