

Kentucky Tax Alert

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KENTUCKY CORPORATION TAX FORM CHANGES AND NEW FORMS

All corporate forms will have a fill-in version available for 2015 at:

<http://revenue.ky.gov/forms/CurrentYrcitf.htm>.

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.

IMPORTANCE OF USING CORRECT CORPORATION ACCOUNT NUMBERS

Using the correct **Kentucky corporation income/limited liability entity tax (LLET) account number**, along with the correct federal identification number, enables the Department of Revenue (DOR) to operate efficiently and minimizes unnecessary contacts with the taxpayer. Without the correct account number, document processing is delayed, payments are posted incorrectly, and/or delinquency notices are generated. Also, during initial document processing, if the corporation cannot be properly identified, a new and separate **Kentucky corporation income/LLET account number** may be issued to the corporation, resulting in duplicate account numbers.

Upon registering with DOR, corporations receive correspondence notifying them of the specific tax account numbers (corporate, sales, withholding, etc.) issued to the corporation. The **Kentucky corporation income/LLET account number** should always be included on all documents related to corporation income and limited liability entity taxes that are submitted to DOR to ensure proper handling.

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KENTUCKY'S PENSION EXCLUSION, STANDARD DEDUCTION INCREASE FOR 2016 TAX YEAR

Kentucky's individual income tax pension exclusion for the 2015 tax year is \$41,110. This exclusion applies to tax returns due April 18, 2016.

Retirees who make quarterly estimated Kentucky individual income tax payments should take this amount into account when calculating quarterly tax payments for 2016. The first payment is due on April 18, 2016.

Additionally, Kentucky's standard deduction for individual income tax increases from \$2,440 for the 2015 year to \$2,460 for the 2016 tax year as authorized by KRS 141.081 (2). Taxpayers who do not itemize deductions on their individual income tax return are entitled to claim the standard deduction.

The online withholding tax tables effective for pay periods ending on or after Jan. 1, 2016, may be viewed at <http://revenue.ky.gov/wht>.

EMPLOYERS ENCOURAGED TO RELEASE FORMS W-2/K-2 EARLY

In an effort to speed the issuance of individual income tax refunds, employers are encouraged to release Employee's Wage and Tax Statements, Forms W-2/K-2, at the earliest possible date. This allows taxpayers to file their income tax returns earlier, thereby avoiding backlogs and delay of refunds. Fewer returns are filed at the beginning of the tax season than near the April 15 deadline. By increasing the number of tax returns filed early, refunds can be processed more efficiently.

ESTIMATED TAX PAYMENT DEADLINES

Individual income taxpayers are reminded that final 2015 quarterly estimated tax payments are due on Jan. 15, 2016. Final 2015 estimated corporation income tax payments of 25 percent are due on Dec.15, 2015.

Taxpayers who have not yet made their April 15, June 15, or Sept. 15, 2015, estimated payments should submit those payments on or before Jan. 15, 2016, to minimize underestimation penalties.

TAX INTEREST RATE SET FOR 2016

Pursuant to KRS 131.183, the 2016 tax interest rate has been set at 4 percent. The rate charged by the Kentucky Department of Revenue on unpaid taxes shall be 6 percent and when interest is due on a refund, the rate shall be 2 percent. The rate remains unchanged from 2015.

This rate, effective Jan. 1, 2016, is based on the adjusted prime rate charged by Kentucky banks during the month of September 2015. A recent survey of Kentucky banks revealed that the average prime interest rate in September 2015 was 4 percent.

DOR OFFICES CLOSED FOR HOLIDAYS

Pursuant to KRS 18A.190, all DOR offices will be closed Thursday and Friday, Nov. 26 and 27, in observance of Thanksgiving; Tuesday, Dec. 8 for the Governor's Inauguration; Thursday and Friday, Dec. 24 and 25, in observance of Christmas; and Thursday and Friday, Dec. 31 and Jan. 1, in observance of New Year's Day. Normal business hours will resume on Monday, Jan. 4, 2016.



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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The Department of Revenue may be found at...

www.revenue.ky.gov



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**KENTUCKY INCOME TAX
FORMS REQUISITION**



The label at right will be used to mail your forms. **Do not detach.**
Please prepare a duplicate address below for our files.

Name _____

Street _____

City, State
and ZIP _____

Phone () _____

Date Ordered _____

TO:

Name _____

Street _____

City, State
& ZIP Code _____

Check one: Individual Attorney CPA Tax Practitioner Other _____

FORMS	ISSUANCE NO.	QUANTITY
740/740-EZ—Kentucky Individual Income Tax Packet (Maximum 10)	42A740	
740-NP—Nonresident or Part-Year Resident Income Tax Packet (Maximum 10)	42A740-NP	
740-ES—2016 Estimated Tax Voucher	42A740-ES	
740-ES—Instructions	42A740-S4	
740-V—Kentucky Payment Voucher	42A740-S23	
Kentucky Individual Income Tax Installment Agreement Request	12A200	
Kentucky Extension Payment Voucher	40A102	
765-GP—Kentucky General Partnership Income Return	42A765-GP	
765-GP(I)—Instructions	42A765-GP(I)	
Schedule K-1 (765-GP)—Partner’s Share of Income, Credits, Deductions, etc.	42A765-GP (K-1)	
720—Kentucky Corporation Income Tax and LLET Return	41A720	
720(I)—Instructions	41A720(I)	
720S—Kentucky S Corporation Income Tax and LLET Return	41A720S	
720S(I)—Instructions	41A720S(I)	
Schedule K-1 (720S)—Shareholder’s Share of Income, Credits, Deductions, etc.	41A720S (K-1)	
725—Kentucky Single Member LLC Individually Owned Income and LLET Return	41A725	
725(I)—Instructions	41A725(I)	
725CP—Kentucky Single Member LLC Individually Owned Composite Return Schedule	41A725CP	
765—Kentucky Partnership Income and LLET Return	41A765	
765(I)—Instructions	41A765(I)	
Schedule K-1 (765)—Partner’s Share of Income, Credits, Deductions, etc.	41A765 (K-1)	
720-ES—2016 Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher	41A720ES	
720-ES—Instructions	41A720ES(I)	
720SL—Extension of Time to File Kentucky Corporation/LLET Return	41A720SL	
720-V—Electronic Filing Payment Voucher	41A720-S12	
Total Forms	➤	

ENVELOPES (Available in groups of 100 only)	QUANTITY
Refund 6" x 9" Blue—Enter number of groups here..... ➤	
Payment 6" x 9" Yellow—Enter number of groups here..... ➤	
740-V—Individual Income Tax return payments—Enter number of groups here..... ➤	
720-V—Electronic Corporate/LLET return payments—Enter number of groups here..... ➤	
720-ES or 720SL—Corporate/LLET estimate or extension payment—Enter number of groups here..... ➤	
Total number of groups of envelopes	➤

Mail order form to: Kentucky Department of Revenue
FORMS
P.O. Box 518
Frankfort, Kentucky 40602-0518

All income tax and limited liability entity tax (LLET) forms are available at www.revenue.ky.gov (click on Tax Forms) or by calling (502) 564-3658.