Summary of 2017 Enacted Legislation that Impacts the Department of Revenue

Several bills passed during the 2017 Regular Session of the General Assembly impact the Department of Revenue’s (DOR) administration of taxes.

Changes to the Publication of Tax Guidance by DOR

House Bill 245 permits DOR to publish more guidance on various complex tax issues. The passage of this new law is the result of a joint effort between DOR and the Kentucky Society of CPAs (KyCPA) to improve transparency in tax guidance. The additional guidance will be published on DOR’s website and via other methods of communication. This change will enable DOR to respond more quickly to requests for guidance on specific complicated Kentucky tax issues. More accurate tax filings will result. (Continues on page 5.)

DOR Direct to Distributor Cigarette Tax Stamp Ordering System

The Department of Revenue Direct to Distributor (DtD) Cigarette Tax Stamp Ordering System went live at the end of April 2017. The current stamp provider, Meyercord, is operating this online stamp ordering and fulfillment system. Registered wholesalers can order and pay for cigarette tax stamps using a convenient web-based application. The new system should make ordering tax stamps easier, faster and more efficient for everyone. Several other states have experienced similar results with successful DtD program implementations.

Wholesalers no longer need to mail in orders or come to the State Office Building in Frankfort to submit and pick up orders. With the new system, Meyercord directly ships all orders from its fulfillment center to the licensed stamping facilities. Free two-day shipping is included with each order. For wholesalers who in some circumstances need faster delivery, shipping charges are billed directly to their FedEx or UPS account. Advanced enrollment is required for this expedited shipment option.

DOR staff is available to provide assistance. If you have any questions or concerns, please contact the Tobacco Tax Section at KRC.WebResponseTobaccoTax@ky.gov or at (502) 564-6823, Option 2.
Requesting Business Account Numbers

Taxpayers and/or their representatives often contact the Department of Revenue to request their business account numbers and other types of taxpayer information. While DOR is happy to provide this information, certain procedures must be followed to ensure the information is properly safeguarded. Callers must identify themselves as either the business owner, the business representative or the preparer on file. They should have the following information ready when they call:

- the business’ name, address and phone number (this information must match DOR records);
- the FEIN (Federal Identification Number), at least one Kentucky business account number or the social security number for the responsible party on file; and
- a calculation from a recent return (e.g. recent sales tax return total, gross receipts from a business return, taxable income reported, etc.) The amount of LLET paid will not meet this requirement since many businesses only pay $175.

If the taxpayer or the taxpayer’s representative is unable to provide all of the information above, DOR has created Form 10A110, “Authorization to Release Confidential Business Tax Information”, which can be completed by the taxpayer, then mailed, faxed or emailed. This form, signed by the taxpayer, allows DOR to release tax information to a named individual. The form will soon be available on the DOR website.

Sales and Use Tax Educational Seminars

DOR is offering free seminars about Kentucky sales and use tax to individuals, businesses, CPAs and tax practitioners in the coming months. On May 2, a seminar was held at the Owensboro Technical and Community College. On October 9, the Division of Sales and Use Tax will conduct classes in Frankfort. The number of sessions and final schedule are still pending, depending on the number of registrations. Each seminar will be a two-hour class providing a basic overview of Kentucky sales and use tax issues.

If you, your business, or group is interested in attending this event, please contact the Division of Sales and Use Tax at (502) 564-5170, or via email at DORWebResponseSalesTax@ky.gov, to reserve your spot in the class. CPE credits are available.

Help DOR Improve Communications

In the March issue we wrote about improving communication within and without DOR. Our goal is to make it easier to do business with YOU, the Commonwealth of Kentucky taxpayer! To make these improvements in communication, we need YOUR help.

Please take the time to participate in our brief survey, which can be accessed at https://www.surveymonkey.com/r/6RZZZC3. This survey looks at how you get DOR information, what you like and, just as importantly, what you do not like about DOR’s Tax Alert, website, social media and other forms of communication. Thank you in advance for your assistance in helping us improve communication.
## June 2017 Tax Calendar

**June 1**  
Minerals and Gas Severance Tax Returns (April Payment)  
Estimated Insurance Premiums (1st Installment)  

**June 12**  
Legal Process  
Twice-Monthly Income Tax Withholding Returns (May 16 - May 31 Payment/EFT Payment)  

**June 15**  
Bank Franchise Tax Return (If filed for 90-day extension)  
Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 12/31)  
Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 6/30)  
Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 9/30)  
Corporation Income Tax/LLET and Pass-through Entity Return and Payment Due (FY ending 2/28)  
Estimated Tax/Individuals/One Fourth Est.  
Monthly Income Tax Withholding Returns (May Payment)  

**June 20**  
Alcohol Returns (May payment)  
Cigarette Wholesaler Return (May payment)  
Tobacco Products, Snuff, and Chewing Tobacco Return (May payment)  
Motor Vehicle Tire Fee Return (May payment)  
Transient Room Return (May payment)  
Utility Gross Receipts License Tax Return (May payment)  
Insurance Premium Surcharge Return (May payment)  
Monthly Sales and Use Tax Returns (May Payment)  
Telecommunications Return (May payment)  
Commercial Mobile Radio Service 911 Fee Return (May Payment)  
Coal Severance Tax Returns (May Payment)  
Oil Production Tax Returns (May Payment)  
Health Care Provider Tax Returns (May Payment)  

**June 26**  
Twice-Monthly Income Tax Withholding Returns (June 1 - June 15 Payment/EFT Payment)  
Monthly Motor Fuels Tax Returns (May Payment)  
Monthly Sales and Use Tax Returns (Accelerated Payment)  

**NOTE:** If a return due date falls on a scheduled holiday or weekend, returns will be due the next working day.
July 2017
Tax Calendar

July 1  Minerals and Gas Severance Tax Returns (May Payment)
        Cigarette License Annual Renewal Applications and License Fee

July 10 Affordable Housing
        Legal Process
        Twice-Monthly Income Tax Withholding Returns (June 16 - June 30 Payment/EFT Payment)

July 17 Estimated Corporation Income Tax/Limited Liability Entity Tax/One Half Est. (FY ending 1/31)
        Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 7/31)
        Estimated Corporation Income Tax/Limited Liability Entity Tax/One Fourth Est. (FY ending 10/31)
        Corporation Income Tax/LLET and Pass-through Entity Return and Payment Due (FY ending 3/31)
        Monthly Income Tax Withholding Returns (June Payment)

July 20 Alcohol Returns (June payment)
        Cigarette Wholesaler Return (June payment)
        Tobacco Products, Snuff, and Chewing Tobacco Return (June payment)
        Motor Vehicle Tire Fee Return (June payment)
        Transient Room Return (June payment)
        Utility Gross Receipts License Tax Return (June payment)
        Insurance Premium Surcharge Return (June payment)
        Coal Severance Tax Returns (June Payment)
        Oil Production Tax Returns (June Payment)
        Monthly Sales and Use Tax Returns (June Payment)
        Telecommunications Return (June payment)
        Commercial Mobile Radio Service 911 Fee Return (June Payment)
        Quarterly Sales and Use Tax Returns
        Health Care Provider Tax Returns (June Payment)

July 25 Twice-Monthly Income Tax Withholding Returns (July 1 - July 15 Payment/EFT Payment)
        Monthly Motor Fuels Tax Returns (June Payment)
        Monthly Sales and Use Tax Returns (Accelerated Payment)

July 31 Quarterly Income Tax Withholding Returns
        Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/2nd Quarter Reconciliation
        Environmental Remediation Fee

NOTE: If a return due date falls on a scheduled holiday or weekend, returns will be due the next working day.
Summary of 2017 Enacted Legislation that Impacts the Department of Revenue (Continued)

House Bill 245 (continued) DOR will continue to issue some guidance via the administrative regulation process that requires approval by the General Assembly. DOR has received input from KyCPA on topics for possible new guidance. This legislation amended Kentucky Revised Statute (KRS) 131.130 and becomes effective on June 29, 2017.

House Bill 50 enacted changes to the statutes that govern the ability of Executive Branch agencies and taxpayers to continue to rely on the guidance provided in administrative regulations. The new law requires that an ordinary administrative regulation will expire seven years after its last effective date. An administrative regulation that has a last effective date prior to July 1, 2012 shall expire on July 1, 2019. The bill provides a process for Executive Branch agencies to certify to the legislature the reasons for not letting a regulation expire. DOR will evaluate its existing regulations to determine how many we will certify to the legislature and keep in existence. DOR recognizes that these regulations provide valuable guidance for taxpayers and their representatives.

Organizational and Administrative Changes

House Bill 395 confirmed the reorganization of DOR established by the Governor’s Executive Order 2016-602. The new law confirmed the establishment of the Office of Tax Policy and Regulation and the Division of Protest Resolution reporting directly to the commissioner of DOR. The bill also made some organizational changes to the Finance and Administration Cabinet, including the establishment of the Division of Special Investigations within the Office of Inspector General.

House Bill 453 confirmed Executive Order 2016-576 that reorganized the Kentucky Board of Tax Appeals and created the Kentucky Claims Commission. If a taxpayer cannot resolve a protest of DOR’s tax position, the taxpayer may appeal to the Kentucky Claims Commission.

House Bill 284 made two changes to assist Property Valuation Administrators (PVAs) in the administration of property taxes:

1. House Bill 284 extended the filing deadline for real property tax appeals when needed. Previous law required a property tax appeal to be filed within one (1) day of the end of the inspection period. If a large volume of taxpayers contact the PVA on the final day of the inspection period, or if a major reassessment was completed, the PVA may not have time to adequately review all assessments. Extending the deadline allows the PVA to complete the review and still give the taxpayer time to file an appeal if no agreement can be reached on the assessment.

2. House Bill 284 also amended the requirement that the PVA must always perform an on-site examination when property is reviewed. An on-site examination will be required when property is first placed on the tax roll, but subsequent examinations may be completed using current DOR-approved technology, such as digital aerial photography. This change accomplishes the legal requirement of an inspection of the property without inconveniencing the property owner. It will also conserve PVA resources. House Bill 284 became effective on March 21, 2017. (Continues on page 6)
Summary of 2017 Enacted Legislation that Impacts the Department of Revenue (Continued)

House Bill 262 was enacted to provide the authority necessary to allow criminal background checks and fingerprinting of DOR employees. DOR has an exchange of information agreement with the Internal Revenue Service (IRS) that allows us to receive federal tax information for use in DOR compliance programs. As part of the exchange agreement, DOR must follow the security requirements established by the IRS for the use of federal tax information. Due to a recent IRS security requirement, a state revenue agency must perform criminal background checks and fingerprint employees that have access to federal tax information. The bill became effective on March 21, 2017.

Tax Incentive Changes

House Bill 368 allows persons who contract with one or more certificated air carriers for the transportation by air of persons, property, or mail to qualify for a sales and use tax credit on their purchases of aircraft fuel equal to the amount of sales tax due exceeding $1,000,000 each fiscal year. This bill becomes effective on June 29, 2017.

House Bill 330 amended the Tax Increment Financing (TIF) statutes to increase the life of pilot programs from 20 to 45 years. DOR’s TIF revenue verification process could extend for up to 25 additional years. DOR is responsible for verifying the tax revenues refunded to a TIF project. The bill became effective on April 11, 2017.

House Bill 388 amended the TIF statutes regarding mixed-use development projects to include a mixed-use development with a technology park, which could result in additional TIF projects being approved. If more TIF projects are approved, DOR will have increased responsibility for verification of TIF revenues for mixed-use development projects. The bill became effective on April 10, 2017.

Public Benefit Corporations

House Bill 35 created a new form of corporation, the Public Benefit Corporation. Public Benefit Corporations will be legal business entities in the Commonwealth. For Kentucky tax purposes, this new corporation type will be treated like other corporations. Public Benefit Corporations doing business in Kentucky will file corporation income tax returns on Form 720 or Form 720S, depending on how the corporation is taxed for federal income tax purposes.

An existing corporation that reorganizes as a Public Benefit Corporation will see no change in its Kentucky income tax liability calculations or the forms required. House Bill 35 becomes effective on June 29, 2017.