



REVENUE

The Kentucky Department of Revenue presented the following information at the Kentucky Chapter of the National Association of Tax Professionals (NATP) annual meeting on January 27, 2019. This meeting covered recent administrative changes at the Department of Revenue as well as a summary of legislation passed during the 2018 General Assembly.

The information in this presentation was prepared from information the Department of Revenue possessed and believed to be accurate and relevant on the date of the meeting. This information does not constitute a final ruling, order, or determination of the Department of Revenue and cannot be appealed.



2018 KENTUCKY STATE TAX UPDATE

National Association of Tax Professionals

Kentucky Department of Revenue • 501 High Street • Frankfort, KY 40601 • (502) 564-8139

Agenda

- **Department of Revenue (DOR) Guidance**
- **House Bill 487**
- **IRC and TCJA Conformity**
- **Individual Income Tax**
- **Withholding Tax**
- **Corporate Income Tax**
- **Tax Credits**
- **Inventory Tax Credit Worksheet**
- **Property Tax**
- **TaxAnswers.ky.gov**
- **Miscellaneous**



Types of DOR Guidance

- **Revenue Procedures (“RP”)**
 - Provide procedural guidance to assist in the administration of laws and regulations by providing direction that may be followed in order to comply with the law.
- **Technical Advice Memorandums (“TAM”)**
 - Guidance which applies principles of law to a set of facts or general category of taxpayer.
 - Format: Issue/Question; Facts and Discussion; Law; and Answer/Conclusion.
- **Private Letter Rulings (“PLR”)**
 - Issued to taxpayers at the taxpayer’s request and are based upon specific factual situations provided by the taxpayer.
- **General Information Letters (“GIL”)**
 - Anonymous PLR requests that are nonbinding upon the department.
- **Future Training Material**
- **Links to: KRS, KAR, Chapter 26 of the U.S. Code**



KDOR Guidance

The screenshot shows the website header with the Kentucky Department of Revenue logo and navigation tabs for Individual, Business, Tax Professionals, Property, Collections, Get Help, and News. A search bar is present, and social media icons for calendar, Twitter, YouTube, and Facebook are visible. The main content area is titled 'Guidance' and includes a breadcrumb trail: Home / Tax Professionals / Guidance. A paragraph explains that the DOR issues various forms of guidance to provide reliable information. Below this, there are two columns of bullet points: General Information Letter, Private Letter Ruling, Revenue Procedure, and Technical Advice Memorandum. A note states that full definitions are provided in KY-RP-17-01. The page is organized into three sections: General Information Letters (with a link to KY-GIL-18-01), Revenue Procedures (with a link to KY-RP-17-01), and Technical Advice Memorandums (TAMs) (with links to TAM 18-01 through TAM 18-06). A 'Stay Connected!' sidebar offers to receive updates and has a 'Sign me up!' button. Another sidebar titled 'Other Laws & Regulations' provides information about the Legislative Research Commission (LRC) search engine and lists links for LRC Search, DOR Pending Regulations, Statutes & Regulations, Contact a Specific Tax Section, Current Year Legislation, and Taxpayer Service Center Locations.

KENTUCKY DEPARTMENT OF REVENUE

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Guidance

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The Kentucky Department of Revenue ("DOR") issues various forms of guidance in order to provide the public with reliable information regarding the position DOR may take when confronted with a question concerning the applicability of a tax law or regulation. This guidance is issued in order to help taxpayers understand DOR's opinions concerning tax liability matters and to help ensure consistent application of the tax laws and regulations by all DOR employees. The DOR issues guidance referred to as:

- General Information Letter
- Private Letter Ruling
- Revenue Procedure
- Technical Advice Memorandum

*Full definitions and descriptions of the above types of guidance are provided in KY-RP-17-01 posted below.

General Information Letters

[KY-GIL-18-01](#) Corporation Income Tax Nexus for Leased Airplanes

Revenue Procedures

[KY-RP-17-01](#) Administration of Guidance

Technical Advice Memorandums (TAMs)

- [TAM 18-01](#) Conversion Factors for Communication and Video Programming Service Providers
- [TAM 18-02](#) Kentucky's Treatment of Global Intangible Low-Taxed Income
- [TAM-18-03](#) Credit for Income Tax Paid to Another State
- [TAM-18-04](#) Credit for Ad Valorem Tax Paid on Inventory
- [TAM-18-05](#) Application of Sales Tax to Vegetation Management Performed on Behalf of Utilities
- [TAM-18-06](#) Deductibility of State Taxes

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Get the latest Revenue Policy and Regulation updates directly in your inbox.

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Other Laws & Regulations

The Legislative Research Commission (LRC) provides a search engine that allows users to research all Kentucky laws, regulations, revised statutes, records and bills.

[LRC Search](#)

[DOR Pending Regulations](#)

[Statutes & Regulations](#)
[Contact a Specific Tax Section](#)
[Current Year Legislation](#)
[Taxpayer Service Center Locations](#)

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KDOR Guidance – Published TAMs

TAM 18-01	Conversion Factors for Communication and Video Programming Service Providers
TAM 18-02	Kentucky's Treatment of Global Intangible Low-Taxed Income (GILTI)
TAM 18-03	Credit for Income Tax Paid to Another State
TAM 18-07	Credit for Ad Valorem Tax Paid on Inventory (updated)
TAM 18-05	Application of Sales Tax to Vegetation Management Performed on Behalf of Utilities
TAM 18-06	Deductibility of State Taxes

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KDOR Guidance

The screenshot shows the website header with the following elements:

- Top left: **Ky.gov** An Official Website of the Commonwealth of Kentucky
- Top right: Search bar with the text "Search" and a magnifying glass icon.
- Logo: **KENTUCKY DEPARTMENT OF REVENUE** with a circular icon of the state capitol dome.
- Navigation menu: **Individual** | **Business** | **Tax Professionals** | **Property** | **Collections** | **Get Help** | **News**. The "Tax Professionals" link is highlighted in a blue box.
- Secondary search bar: "Search Department of Revenue" with a magnifying glass icon.
- Social media icons: Calendar, Twitter, YouTube, and a red icon with a white symbol.

The main content area has a blue header with the text **Training Materials** and a breadcrumb trail: [Home](#) / [Tax Professionals](#) / [Training Materials](#).

Under "Training Materials", there are two sections:

- 2018**
 - [2018 UK Tax School Slide Deck \(Final Draft\)](#)
 - [2018 Council on State Taxation \(COST\) Presentation \(6/13/18\)](#)
 - [2018 TEI Presentation](#)
- 2017**
 - [2017 UK Income Tax Seminar Presentation](#)
 - [2017 KYCPA Kentucky State Tax Conference](#)
 - [2017 KYCPA Tax Liaison Meeting](#)
 - [2017 KY Chapter NATP Presentation](#)

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House Bill 487

Became Law on April 27, 2018

- Most substantial Kentucky tax law changes since 2005-2006
- Sales and Excise taxes changes not covered here
- Effective Dates:
 - January 1, 2018
 - Flat 5% income tax rate for individuals and corporations
 - Elimination of many individual income tax deductions
 - IRC conformity for income tax updated to December 31, 2017 including the TCJA (Pub. L. 115-97)
 - Single sales factor
 - Market-based sourcing
 - January 1, 2019
 - Unitary combined reporting and elective consolidated group filing



IRC and TCJA Conformity

- IRC conformity date now December 31, 2017
- Tax Cuts and Jobs Act (TCJA) provisions adopted with IRC conformity
- Kentucky Adopted from TCJA:
 - Net Operating Loss changes (IRC §172)
 - Net Interest Expense limitation (IRC §163(j))
 - Domestic Production Activity Deduction repeal (IRC §199)
 - Foreign Derived Intangible Income-FDII (IRC §250)
 - Moving Expense Deduction repeal (IRC §132)
 - Moving Expense Reimbursement Exclusion repeal (IRC §217)
 - Alimony Payment Deduction repeal (IRC §215)
 - Alimony Received Inclusion repeal (IRC §61)
- Kentucky Decoupled from TCJA:
 - Full Depreciation Expensing (IRC §168(k))
 - Pass-Through Entity Qualified Business Income (QBI) deduction (IRC §199A)
 - Global Intangible Low-Taxed Income (IRC § 951A) [see KY-TAM-18-02](#)



Individual Income Tax

Effective January 1, 2018

- Flat tax rate of 5% for all individuals
- Pension exclusion decreased to \$31,110 from \$41,110
- \$10 personal tax credit for taxpayers and dependents eliminated
- Retained personal tax credits for ages 65+, blind, and National Guard
- Adjustments Eliminated:
 - Deduction for health insurance premiums
 - Deduction for long-term care insurance premiums
 - Master Tobacco Settlement Payments
 - Deduction for homeless shelter leasehold interest donation
- STABLE investment income now tax exempt



Individual Income Tax

- Dollar limit cap on itemized deductions (Pease Limitation) eliminated
- Itemized Deductions Maintained:
 - Home mortgage interest, points, and qualified MIP
 - Charitable contributions
 - Several miscellaneous deductions:
 - Amortizable premium on taxable bonds (IRC §171)
 - Federal estate tax on Income in Respect of a Decedent (IRC § 691)
 - Repayments >\$3,000 under a claim of right (IRC §1341)
 - Unrecovered investment in an annuity (IRC §72)
 - Other activities loss from Schedule K-1 (Form 1065-B), box 2



Individual Income Tax

- Itemized Deductions Eliminated:
 - Investment interest (IRC §163)
 - Taxes (IRC §164)
 - Casualty/theft and gambling losses (IRC §165)
 - Medical and dental expenses (IRC §213)
 - Moving expenses (IRC §217)
 - 2% AGI miscellaneous deductions (IRC §67)




Individual Income Tax

- Form Changes
 - Eliminated Form 740-EZ
 - Eliminated Schedule ME
 - 740 and 740-NP were shortened and rearranged
 - Simplified Schedules A (itemized) and M (federal modifications)
 - **New** Schedule ITC for individual tax credits
 - Nonrefundable business incentive credits
 - Personal tax credits (65 or over, blind, National Guard)
 - Qualifying dependent children and claiming family size tax credit



Form 740

FORM 740  **KENTUCKY INDIVIDUAL INCOME TAX RETURN Residents Only 2018**

Check if deceased: Spouse Taxpayer For calendar year or other taxable year beginning _____, 2018, and ending _____, 20____.

A. Spouse's Social Security Number _____ **B. Your Social Security Number** _____

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.) _____

Mailing Address (Number and Street including Apartment Number or PO Box) _____

City, Town or Post Office _____ State _____ ZIP Code _____

FILING STATUS (see instructions)

1 Single
 2 Married, filing separately on this combined return. (If both had income.)
 3 Married, filing joint return.
 4 Married, filing separate returns. Enter spouse's Social Security number above and full name here.

Check if applicable: Amended (Enclose copy of 1040X, if applicable.)

POLITICAL PARTY FUND Designating S2 will not change your refund or tax due.


A. Spouse **B. Yourself**

Democratic (1) (4)
 Republican (2) (5)
 No Designation (3) (6)

INCOME/TAX

	A. Spouse (Use if Filing Status 2 is checked.)	B. Yourself (or Joint)
5 Enter amount from federal Form 1040, line 7 (If total of Columns A and B is \$33,383 or less, you may qualify for the Family Size Tax Credit. See instructions.)	00	00
6 Additions from Schedule M, line 6	00	00
7 Add lines 5 and 6	00	00
8 Subtractions from Schedule M, line 15	00	00
9 Subtract line 8 from line 7. This is your Kentucky Adjusted Gross Income	00	00
10 Itemizers: Enter itemized deductions from Kentucky Schedule A. Nonitemizers: Enter \$2,530 in Columns A and/or B	00	00
11 Subtract line 10 from line 9. This is your Taxable Income	00	00
12 Tax Computation: Multiply line 11 by 5% (.05) or from Schedule J <input type="checkbox"/>	00	00
13 Enter tax from Form 4972-K <input type="checkbox"/> ; Schedule RC-R <input type="checkbox"/> ; Schedule DS-R <input type="checkbox"/> ; Angel Investor Recapture <input type="checkbox"/>	00	00
14 Add lines 12 and 13 and enter total here	00	00
15 Enter amounts from Schedule ITC, Section A, lines 24E and 24F	00	00
16 Subtract line 15 from line 14. If line 15 is larger than line 14, enter zero	00	00
17 Enter personal tax credit amounts from Schedule ITC, Section B, lines 3A and 3B. Note: Use only if 65 or over, blind, or in Kentucky National Guard.	00	00
18 Subtract line 17 from line 16. If line 17 is larger than line 16, enter zero	00	00
19 Add tax amounts in Columns A and B, line 18 and enter here	00	00
20 Check the box that represents your total family size (see instructions before completing lines 20 and 21)	1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/>	00
21 Multiply line 19 by Family Size Tax Credit decimal amount _____ (_____%) from Schedule ITC	00	00
22 Subtract line 21 from line 19	00	00
23 Enter the Education Tuition Tax Credit from Form 8863-K	00	00
24 Subtract line 23 from line 22	00	00
25 Enter Child and Dependent Care Credit from federal Form 2441, line 9 <input type="checkbox"/> x 20% (.20)	00	00
26 Income Tax Liability. Subtract line 25 from line 24. If line 25 is larger than line 24, enter zero	00	00
27 Enter KENTUCKY USETAX due on Internet, mail order, or other out-of-state purchases (see instructions)	00	00
28 Add lines 26 and 27. Enter here and on page 2, line 29	00	00

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FORM 740 (2018)  Page 2 of 2

REFUND/TAX PAYMENT SUMMARY

29 Enter amount from page 1, line 28. This is your Total Tax Liability	29	00
30 For amended return; overpayment, if any, shown on original return	30	00
31 Add lines 29 and 30, enter here	31	00
32 a Enter Kentucky income tax withheld as shown on enclosed Schedule KW-2	32a	00
b Enter 2018 Kentucky estimated tax payments	32b	00
c Enter 2018 refundable certified rehabilitation credit	32c	00
d For amended return; enter amount paid with original return plus additional payment(s) made after it was filed	32d	00
33 Add lines 32(a) through 32(d)	33	00
34 If line 31 is larger than line 33, subtract line 33 from line 31, enter ADDITIONAL TAX DUE	34	00
35 a Estimated tax penalty <input type="checkbox"/> Check if Form 2210-K attached	35a	00
b Estimated tax interest	35b	00
c Interest	35c	00
d Late payment penalty	35d	00
e Late filing penalty	35e	00
36 Add lines 35(a) through 35(e). Enter here	36	00
37 If the total of lines 31 and 36 are more than line 33, subtract line 33 from the total of lines 31 and 36. This is the AMOUNT YOU OWE	37	00
38 If line 33 is more than line 31, subtract lines 31 and 36 from line 33. This is the AMOUNT YOU OVERPAID	38	00
39 Fund Contributions; see instructions.		
a Nature and Wildlife Fund	00	00
b Child Victims' Trust Fund	00	00
c Veterans' Program Trust Fund	00	00
d Breast Cancer Research/Education Trust Fund	00	00
e Farms to Food Banks Trust Fund	00	00
f Local History Trust Fund	00	00
g Special Olympics Kentucky	00	00
h Pediatric Cancer Research Trust Fund	00	00
i Rape Crisis Center Trust Fund	00	00
j Court Appointed Special Advocate Trust Fund	00	00
40 Add lines 39(a) through 39(j)	40	00
41 Amount of line 38 to be CREDITED TO YOUR 2019 ESTIMATED TAX (Credit forwards not available for amended returns)	41	00
42 Subtract lines 40 and 41 from line 38. Amount to be REFUNDED TO YOU	42	00

Check here if you would like your refund issued on a Bank of America Prepaid Debit Card
 Check here if you would like to receive your Debit Card material in Spanish

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17.020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes occurring under this return.

Sign Here	Signature of Taxpayer	Driver's License/State Issued ID No.	Date	Telephone Number (daytime)
	Signature of Spouse	Driver's License/State Issued ID No.	Date	
Paid Preparer Use	Signature of Preparer	Name of Preparer or Firm	Date	ID Number
	Email	Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Enclose	Include a complete copy of federal Form 1040, if you received farm, business, or rental income or loss. If not required, check here. <input type="checkbox"/>	Refund or No Payment	Kentucky Department of Revenue P. O. Box 856970 Louisville, KY 40285-6970
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov Include: Your Social Security number and "KY Income Tax—2018"	With Payment	Kentucky Department of Revenue P. O. Box 856980 Louisville, KY 40285-6980

42A740 (10-8-18 DRAFT)



Form 740 - Schedule A – Kentucky Itemized Deductions


FORM 740 SCHEDULE A <small>Commonwealth of Kentucky Department of Revenue</small>		KENTUCKY ITEMIZED DEDUCTIONS FULL-YEAR RESIDENTS ONLY ➤ Enclose with Form 740.		2018	
Enter name(s) as shown on Form 740, page 1.			Your Social Security Number		
Interest Expense	1 Home mortgage interest and points reported to you on federal Form 1098.....	1		00	
	2 Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name, identifying number and address).....	2		00	
	<i>See instructions for lines 3 and 4.</i>				
	3 Points not reported to you on federal Form 1098.....	3		00	
	4 RESERVED	4		00	
5 Total interest. Add lines 1 through 4. Enter here.....			➤ 5		00
Contributions <i>Note:</i> <i>For any contribution of \$250 or more, see instructions.</i>	6 Contributions by cash or check.....	6		00	
	7 Other than cash or check (attach federal Form 8283 if over \$500).....	7		00	
	8 Artistic charitable contributions deduction (attach copy of appraisal)	8		00	
	9 Carryover from prior year.....	9		00	
10 Total contributions. Add lines 6 through 9. Enter here.....			➤ 10		00
Other Miscellaneous Deductions	11 Other (see instructions)	➤ 11			00
Total Itemized Deductions	12 Add lines 5, 10, and 11. Enter here	➤ 12			00

PART I— DIVIDING DEDUCTIONS BETWEEN SPOUSES
Use this schedule if married filing separately on a combined return.

1	Total itemized deductions, line 12.....	.00
2	Percent of income (Form 740, line 9, Column A) to total income (Form 740, total of line 9, Columns A and B).....	%
3	Percent of income (Form 740, line 9, Column B) to total income (Form 740, total of line 9, Columns A and B).....	%
4	Percent on line 2 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column A)00
5	Percent on line 3 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column B)00



Form 740 - Schedule M – Kentucky Federal Adjusted Gross Income Modifications

SCHEDULE M <small>Commonwealth of Kentucky Department of Revenue</small>		KENTUCKY FEDERAL ADJUSTED GROSS INCOME MODIFICATIONS Enclose with Form 740	2018
Enter name(s) as shown on tax return.		Your Social Security Number	
<hr/>			
PART I	ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME		
	A. Spouse <small>(Use if Filing Status 2 is checked.)</small>	B. Yourself <small>(or Joint)</small>	
1 Enter interest income from bonds issued by other states and their political subdivisions.....	1	1	00
2 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1.....	2	2	00
3 Enter federal depreciation from Form 4562.....	3	3	00
4 Enter federal Net Operating Loss.....	4	4	00
5 Other additions (list and enter total): a _____ b _____ c _____	5	5	00
6 Total Additions. Enter here and on Form 740, page 1, line 6.....	6	6	00
<hr/>			
PART II	SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME		
7 Enter state income tax refund or credit reported as income on federal Form 1040.....	7	7	00
8 Enter interest income from U.S. government bonds and securities.....	8	8	00
9 Enter excludable amount of retirement income (attach Schedule P if more than \$31,110 per taxpayer).....	9	9	00
10 Enter taxable amount of Social Security and Railroad Retirement Board benefits from federal Form 1040, line 5(b).....	10	10	00
11 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1.....	11	11	00
12 Enter Kentucky depreciation from revised Form 4562.....	12	12	00
13 Enter Kentucky Net Operating Loss.....	13	13	00
14 Other subtractions (list and enter total): a _____ b _____ c _____	14	14	00
15 Total Subtractions. Enter here and on Form 740, page 1, line 8.....	15	15	00



Individual Income Tax-Updated Figures

Family Size Tax Credit	2018 Threshold for 100% Credit
Family size of 1	\$12,140
Family size of 2	\$16,460
Family size of 3	\$20,780
Family size of 4 or more	\$25,100

2018 Standard Deduction	\$2,530
2019 Standard Deduction	\$2,590



Personal Tax Credits

Type of Entity	2018 Credit Amount	2017 Credit Amount
Taxpayer	\$0	\$10
Dependent	\$0	\$10
Estate	\$10	\$10
65 or over	\$40	\$40
Blind	\$40	\$40
National Guard member	\$20	\$20
Trust	\$2	\$2



Individual Income Tax

Fraud Deterrence Measures

- Identity Quiz Reminder
 - Participants get **two** chances to pass
 - Even if the quiz is failed, a legible photo ID and a copy of wage statements can be used to confirm identity
 - For joint returns both spouses must provide information
- Statistics on Quiz Letters
 - Less than 3% of Kentucky filers have received identity quiz letters in calendar year 2018



Withholding Tax

- The electronic filing threshold for withholding statements (W-2, W-2G, and 1099 Series) has been lowered from 100 to 26 forms
- **DOR will no longer provide blank Forms W-2**
- ***New* Form K-5**
 - Replaces mailing individual withholding statements (W-2, W-2G, and 1099 series)
 - Beginning in early 2019, the Form K-5 can be completed online and electronically submitted at <https://revenue.ky.gov>



Withholding Tax

- **New** Form K-4 introduced in 2018 after HB 487
- Consolidated: Certificate of Nonresident, Fort Campbell, Military Spouse, and Additional Withholding
- All wage earners taxed at 5% rate with an allowance for the standard deduction
- Should only be completed if declaring for one of the exemptions or requesting additional withholding



Form K-4 – Kentucky’s Withholding Certificate

FORM K-4 <small>Commonwealth of Kentucky Department of Revenue</small>	KENTUCKY’S WITHHOLDING CERTIFICATE	2018
Social Security Number _____		
Name—Last, First, Middle Initial _____		
Mailing Address (if Member and Street including Apartment Number or P.O. Box) _____		
City, Town or Post Office _____ State _____ ZIP Code _____		

All Kentucky wage earners are taxed at a flat 5% rate with a standard deduction allowance of \$2,530. The Department of Revenue annually adjust the standard deduction in accordance with KRS 141.081(2)(a).

Check if exempt:

1. Kentucky income tax liability is not expected this year (see instructions)

2. You qualify for the Fort Campbell Exemption Certificate. I am a resident of _____ State _____

3. You qualify for the nonresident military spouse exemption

4. You work in Kentucky and reside in a reciprocal state

Additional withholding per pay period under agreement with employer \$ _____

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Signature

Date

Instructions to Employees

Kentucky recently enacted a new 5% flat tax rate. Due to this change all Kentucky wage earners will be taxed at this rate with an allowance for the standard deduction.

You may be exempt from withholding if any of the four conditions below are met:

1. You may be exempt from withholding for 2018 if both the following apply:

- For 2017, you had a right to a refund of all Kentucky income tax withheld because you had no Kentucky income tax liability, and
- For 2018, you expect a refund of all your Kentucky income tax withheld.

If both the above statements apply you are exempt, check box 1. Your exemption for 2018 expires February 15, 2019.

2. Under the provisions of Public Law 105–261, pay and compensation earned at the Fort Campbell, Kentucky, military base is exempt from Kentucky income tax if you are not a resident of Kentucky. KRS 141.010(17) defines “resident” as an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate more than one hundred eighty-three (183) days of the taxable year in this state.

Check box 2 if you certify that you are not a resident of Kentucky and only earn wages as an employee at Fort Campbell, Kentucky. This exemption must be revoked within 10 days of a move or change of address to Kentucky.

42AB04 (K-4)(2018)

3. You may be exempt from withholding, if you meet the conditions set for under the Servicemember Civil Relief Act as amended by the Military Spouses Residence Relief Act. You must complete the worksheet below to determine if you are eligible.

In order to qualify you must complete this form in full, certify that the you are not subject to Kentucky withholding tax because you met the conditions set forth below, and provide a copy of your spouse’s military picture ID issued to the employee by the U.S. Department of Defense.

1.	My spouse is a military servicemember.....	(check one)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
2.	I am NOT a military servicemember.....	(check one)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
3.	My military servicemember spouse has a current military order assigning him or her to a military location in Kentucky.....	(check one)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
4.	I and my military servicemember spouse live at the same address.....	(check one)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
5.	My domicile is a state other than Kentucky.....	(check one)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
	If yes, enter the 2-letter state code of your state			
6.	My military servicemember spouse’s domicile is the same as mine.....	(check one)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
7.	I am present in Kentucky solely to be with my military servicemember spouse.....	(check one)	<input type="checkbox"/> YES	<input type="checkbox"/> NO

If you checked “YES” to all the statements above, your earned income is exempt from Kentucky withholding tax.

Check box 3 if you checked “YES” to all the statements listed in the worksheet. You are exempt from Kentucky income tax withholding. This exemption will terminate if any of the answers to the questions changes to “NO”. In general, the exemption termination date will be the earlier of:

- The day the military servicemember is no longer in the military;
- The day the employee enlists in the military;
- The day the employee and the military servicemember no longer live at the same address; or
- The day the military servicemember’s permanent duty station changes to a location outside of Kentucky.

4. You may be exempt from withholding if you work in Kentucky but reside in one of the following reciprocal states: Illinois, Indiana, Michigan, West Virginia, Wisconsin, Virginia and you commute daily or Ohio and you are not a shareholder-employee who is a “twenty (20) percent or greater” direct or indirect equity investor in a S corporation.

In order to qualify you must complete the worksheet below:

I have not been a resident of Kentucky during the year. (Check block in front of applicable statement.) I work and reside in:

Illinois, Indiana, Michigan, West Virginia, Wisconsin

Virginia and commute daily to my place of employment in Kentucky. (Must commute daily to apply.)

Ohio and I am not a shareholder-employee who is a “twenty (20) percent or greater” direct or indirect equity investor in an S corporation.

Check box 4 if you certify you work in Kentucky and reside in a reciprocal state.

If you meet any of the four exemptions you are exempted from Kentucky withholding. However, you must complete this form and file it with your employer before withholding can be stopped. You will need to maintain a copy of the K-4 for your permanent records.

Instructions to Employers

Upon receipt of this form, properly completed, you are authorized to discontinue withholding for an employee who qualifies for one of the four exemptions. Retain a copy of all K-4’s received from employees.

42AB04 (K-4)(2018)



Corporate Income Tax

Effective January 1, 2018

- Flat tax rate of 5% for all corporations
- Single sales factor apportionment
- Market-Based Sourcing:
 - Receipts from **tangible personal property** are in Kentucky if it is shipped or delivered to a purchaser, other than the U.S. Government, in Kentucky
 - Receipts from **services** and the **sale of intangibles** are in Kentucky if the market is in Kentucky:
 - Sale, rental, lease, or license of real property in Kentucky
 - Rental, lease, or license of tangible personal property in Kentucky
 - Service delivered or intangible property used in Kentucky (throw-out rule for intangible receipts if not taxable or indeterminable)
 - Kentucky Administrative Regulation amendment filed 11-14-18




Corporate Income Tax

- 3-Factor Apportionment Retained for “Providers” (KRS 141.121(1)(e):
 - Communication services per KRS 136.602
 - Cable services per KRS 136.602
 - Internet access per 47 USC §51

Note: A 2-digit code is required on the face of the return to indicate provider qualification
- Special Apportionment Definitions:
 - Passenger airlines
 - Qualified freight forwarders
- Alternative Apportionment:
 - Taxpayer must prove by clear and convincing evidence that statutory apportionment requirements unfairly represent activity in Kentucky



Provider Business Reason Codes – 3-Factor Apportionment

FORM 720 <small>Commonwealth of Kentucky Department of Revenue</small>		KENTUCKY CORPORATION INCOME TAX AND LLET RETURN	2018
▶ See instructions. Taxable period beginning _____, 201 ____, and ending _____, 201 ____ .			
A LLET Exemption Code Enter Code _____	D Federal Identification Number _____	E Kentucky Corporation/LLET Account Number (Required) _____	
B Income Tax Exemption Code Enter Code _____ <input type="checkbox"/> Mandatory NEXUS	Name of Corporation _____ <input type="checkbox"/> Change of Name Number and Street _____ City _____ State _____ ZIP Code _____ Telephone Number _____		Taxable Year Ending ____ / ____ M M Y Y State and Date of Incorporation _____
C Check if applicable: <input type="checkbox"/> Amended return <input type="checkbox"/> Amended return—RAR Provide explanation of changes in Part V— Explanation of Amended Return Changes.	F Name of Common Parent _____ Kentucky Corporation/LLET Account Number _____		Principal Business Activity in KY _____
	G Check if applicable: <input type="checkbox"/> Initial return <input type="checkbox"/> Short-period return (Complete Part IV) <input type="checkbox"/> Change of accounting period <input type="checkbox"/> Final return (Complete Part IV)		H Provider 3-Factor Apportionment Code _____ NAICS Code Number in KY (See www.census.gov)

REASON CODE	PROVIDER BUSINESS
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)



Schedule A – Kentucky Apportionment

SCHEDULE A | **APPORTIONMENT AND ALLOCATION** | **2018**
 (For corporations and pass-through entities taxable both within and without Kentucky.)

▶ See instructions.
 ▶ Attach to Form 720, 720S, 725, 765, or 765-GP.

Name of Corporation or Pass-through Entity: _____ Federal Identification Number: _____ Kentucky Corporation/LEET Account Number: _____

Check this box and complete page 2, Apportionment and Allocation – Continuation Sheet: (i) if the corporation filing this tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky; or (ii) if the pass-through entity filing this tax return is a partner or member of a pass-through entity doing business in Kentucky; or (iii) if the corporation is filing a mandatory nexus consolidated tax return per KRS 141.200(11).

If apportionment method other than statutory formula is used:

Check this box: (i) if the Department has granted written approval to use an alternative allocation and apportionment method per KRS 141.120(12)(a), and attach a copy of the approval letter to the tax return; or (ii) if the company has made an irrevocable five year election to use an allocation and apportionment method per KRS 141.121(4)(a), and attach a copy of the election to the tax return.

PART I—COMPUTATION OF APPORTIONMENT FRACTION				PART II—APPORTIONMENT AND ALLOCATION OF INCOME (FORM 720 ONLY)			
Required for All Companies—Sales Factor Computation				Required for All Companies—Sales Factor Computation			
Convert line 3 to a percentage carried to four decimal places.				Convert line 3 to a percentage carried to four decimal places.			
1	Kentucky sales	1	00	1	Net income (from Form 720, Part III, line 18)	1	00
2	Total sales	2	00	2	Deduct non-apportionable income (if applicable):		
3	Sales factor (line 1 divided by line 2)	3	%	2(a)	(a) Interest	2(a)	00
Required for PROVIDERS (KRS 141.121—see instructions) (For informational purposes for all other companies.)				Required for PROVIDERS (KRS 141.121—see instructions) (For informational purposes for all other companies.)			
Convert lines 4, 7, 10, 11, and 12 to a percentage carried to four decimal places.				Convert lines 4, 7, 10, 11, and 12 to a percentage carried to four decimal places.			
4	Double-weighted Sales factor (line 3 multiplied by 2)	4	%	3	Net non-apportionable income	3	00
5	Average value of Kentucky real/tangible property (Part III)	5	00	4	Apportionable income (line 1 less line 3)	4	00
6	Average value of total real/tangible property (Part IV)	6	00	5	Apportionable income apportioned to Kentucky (line 4 multiplied by Part I, line 3) (providers see instructions)	5	00
7	Property factor (line 5 divided by line 6)	7	%	6	Add Kentucky non-apportionable income (if applicable):		
8	Kentucky payrolls	8	00	6(a)	(a) Interest	6(a)	00
9	Total payrolls	9	00	6(b)	(b) Rents	6(b)	00
10	Payroll factor (line 8 divided by line 9)	10	%	6(c)	(c) Royalties	6(c)	00
11	Total (add lines 4, 7, and 10)	11	%	6(d)	(d) Net gain or loss on sale or exchange of capital assets	6(d)	00
12	Apportionment fraction—line 11 divided by 4 or number of factors present (sales representing 2 factors)	12	%	6(e)	(e) Total (lines (a) through (d))	6(e)	00
				6(f)	(f) Less Kentucky related expenses (attach schedule)	6(f)	00
				7	Kentucky net non-apportionable income	7	00
				8	Taxable net income (line 5 plus line 7) (enter here and on Form 720, Part III, line 20)	8	00

PART III—KENTUCKY REAL/TANGIBLE PROPERTY				PART IV—TOTAL REAL/TANGIBLE PROPERTY			
PROPERTY	A. Beginning of Year	B. End of Year		PROPERTY	A. Beginning of Year	B. End of Year	
1 Inventories	1	00	00	1 Inventories	1	00	00
2 Buildings	2	00	00	2 Buildings	2	00	00
3 Machinery and equipment	3	00	00	3 Machinery and equipment	3	00	00
4 Land	4	00	00	4 Land	4	00	00
5 Other tangible assets	5	00	00	5 Other tangible assets	5	00	00
6 Total (lines 1 through 5)	6	00	00	6 Total (lines 1 through 5)	6	00	00
7 Average value of real/tangible property owned in Kentucky, total of line 6, columns A and B divided by 2	7	00	00	7 Average value of real/tangible property owned everywhere, total of line 6, columns A and B divided by 2	7	00	00
8 Leased property (Eight times the annual rental rate less subrentals)	8	00	00	8 Leased property (Eight times the annual rental rate less subrentals)	8	00	00
9 Total (lines 7 and 8) (enter on Part I, line 5)	9	00	00	9 Total (lines 7 and 8) (enter on Part I, line 6)	9	00	00

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PART I—COMPUTATION OF APPORTIONMENT FRACTION			
Required for All Companies—Sales Factor Computation			
Convert line 3 to a percentage carried to four decimal places.			
1	Kentucky sales	1	ALL 00
2	Total sales	2	ALL 00
3	Sales factor (line 1 divided by line 2)	3	ALL %
Required for PROVIDERS (KRS 141.121—see instructions) (For informational purposes for all other companies.)			
Convert lines 4, 7, 10, 11, and 12 to a percentage carried to four decimal places.			
4	Double-weighted Sales factor (line 3 multiplied by 2)	4	Providers %
5	Average value of Kentucky real/tangible property (Part III)	5	ALL 00
6	Average value of total real/tangible property (Part IV)	6	ALL 00
7	Property factor (line 5 divided by line 6)	7	Providers %
8	Kentucky payrolls	8	ALL 00
9	Total payrolls	9	ALL 00
10	Payroll factor (line 8 divided by line 9)	10	Providers %
11	Total (add lines 4, 7, and 10)	11	Providers %
12	Apportionment fraction—line 11 divided by 4 or number of factors present (sales representing 2 factors)	12	Providers %



Corporate Income Tax

Net Operating Losses

- 50% NOL limitation for mandatory nexus consolidated group filers until December 31, 2018
- 80% NOL limitation on NOL generated on or after January 1, 2018 per IRC §172(a)
- Unlimited unused NOL carryforward per TCJA for NOL generated on or after January 1, 2018
- Kentucky disallows NOL carryback since January 1, 2005
- Guidance coming soon



Corporate Income Tax

Filing Requirements

- Mandatory Nexus Consolidated otherwise Separate Entity still **required until December 31, 2018** for corporations

Effective for tax years beginning on or after January 1, 2019

- Tax years beginning on or after **January 1, 2019** for corporations:
 - Unitary combined group; *unless*
 - Same-as-federal consolidated group election; *otherwise*
 - Separate entity filing if not part of a unitary or consolidated group
- E-filing required if federal gross receipts >\$1,000,000
 - Applies to corporations and pass-through entities



Corporate Income Tax

- Regulations Filed by the Finance and Administration Cabinet
 - <https://finance.ky.gov/services/legalsvcs/Pages/FACfiledRegs.aspx>
- Regulation drafting in progress
 - **Market Based Sourcing** (filed 11-14-18)
 - **Unitary Combined**
(Working with the KyCPA and the Kentucky Chamber of Commerce)
- Sales Tax regulation drafting to begin early 2019
- Regulation changes due to HB 487 and the Red Tape Initiative for Income Tax
 - 5 Technical Changes
 - 32 Amend
 - 20 Repeal
 - 4 No Change



Tax Credits

- **Film Tax Credit:**

- Nonrefundable and nontransferable for applications approved after April 27, 2018
- Annual approval cap of \$100 million for 2018 and after
- Commercials no longer qualify

- **Credits Eliminated:**

- Kentucky Environmental Stewardship Act (KESA)
- Kentucky Economic Opportunity Zone Tax Credit (KEOZ)
- Incentives for Energy Independence Act (IEIA)
- Coal Incentive Tax Credit
- Food Donation Tax Credit (2018 is final year to use any 2017 carryover)
- Kentucky Housing for Homeless Families




Tax Credits

- **Inventory Tax Credit:**

- Credit allowed for ad valorem (property) tax *timely* paid on inventory
- Credit against individual income tax or corporation income tax and limited liability entity tax (LLET)
 - May be claimed by a sole proprietorship filing on a Schedule C (Form 1040)
- Phased-in 25% per year from 2018 through 2021
 - 2018: 25% of timely paid ad valorem taxes
 - 2019: 50% of timely paid ad valorem taxes
 - 2020: 75% of timely paid ad valorem taxes
 - 2021+: 100% of timely paid ad valorem taxes
- Calculator will be posted at <https://revenue.ky.gov/>



Schedule INV – Inventory Tax Credit

SCHEDULE INV <small>Department of Revenue</small>		KENTUCKY INVENTORY TAX CREDIT <small>(Ad Valorem)</small>	2018
<small>See instructions.</small>			
<small>Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765, or 765-GP</small> <small>KRS 141.408</small>			
Name of Taxpayer	Federal Identification Number or Social Security Number	Kentucky Corporation/LLLET Account Number (if applicable)	
Mailing Address	Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Individual <input type="checkbox"/> Other		
PART I – Qualifications			
<ul style="list-style-type: none"> • Did you pay ad valorem (inventory) tax to a taxing jurisdiction within Kentucky? <input type="checkbox"/> Yes <input type="checkbox"/> No • Was part or all of the inventory tax timely paid to the taxing jurisdiction on or before December 31? Note: The credit can only be claimed on timely paid tax <input type="checkbox"/> Yes <input type="checkbox"/> No 			
<small>If you answered "No" to either question above, STOP! You do not qualify for the credit. If you answered "Yes" to both questions above, go to Part II.</small>			
PART II – Amount of Credit <small>Visit revenue.ky.gov for a worksheet to calculate the amount of allowable inventory tax credit.</small>			
Enter the total amount reported on all Forms 62A500 (Lines 1-6).	Taxpayer's Valuation of Inventory	Tax Timely Paid on Inventory	
1 Line 31, Merchants Inventory.....	1 00	1 00	00
2 Line 32, Manufacturing Finished Goods	2 00	2 00	00
3 Line 33, Manufacturers Raw Materials/Goods in Process	3 00	3 00	00
4 Line 34, Motor Vehicles Held for Sale (dealers only), New Farm Machinery Held Under a Floor Plan, New Boats and Marine Equipment Held Under a Floor Plan, Salvage Titled Vehicles (insurance companies only), Recreational Vehicles Held in Retailer's Inventory, Biotechnology Products Held in a Warehouse (manufacturers and affiliates only), and Nonferrous Metal Located in a Commodity Warehouse and Held on Warranty.....	4 00	4 00	00
5 Line 35, Goods Stored in Warehouse/Distribution Center	5 00	5 00	00
6 Line 36, Inventory - In Transit.....	6 00	6 00	00
7 Total (add lines 1 through 6).....	7 00	7 00	00
8 Allowable percentage.....		8 25%	
9 Allowable Inventory Tax Credit (Line 7 multiplied by Line 8).....		9 00	
<small>41A720INV (8-27-18 DRAFT) Page 1 of 1</small>			



Schedule INV – Inventory Tax Credit

PART I – Qualifications

- Did you pay ad valorem (inventory) tax to a taxing jurisdiction within Kentucky? Yes No
- Was part or all of the inventory tax timely paid to the taxing jurisdiction on or before December 31? **Note:** The credit can only be claimed on timely paid tax Yes No

If you answered “No” to either question above, **STOP!** You do not qualify for the credit.

If you answered “Yes” to both questions above, go to Part II.



Schedule INV – Inventory Tax Credit

Schedule INV

62A500

See pages 3 through 5 for instructions with PDF form.

	Taxpayer's Valuation
31 Merchants Inventory	
32 Manufacturers Finished Goods	
33 Manufacturers Raw Materials / Goods in Process	
Motor Vehicles Held for Sale (dealers only) New Farm Machinery Held Under a Floor Plan New Boats and Marine Equipment Held Under a Floor Plan Salvage Titled Vehicles (insurance companies only) Recreational Vehicles Held in a Retailer's Inventory Biotechnology Products Held in a Warehouse (manufacturers and affiliates only)	
34 Nonferrous Metal Located in a Commodity Warehouse and Held on Warrant	
35 Goods Stored in Warehouse / Distribution Center (see instructions)	
36 Inventory - In Transit (see instructions)	

PART II—Amount of Credit



Visit revenue.ky.gov for a worksheet to calculate the amount of allowable inventory tax credit.

Enter the total amount reported on all Forms 62A500 (Lines 1-6).

	Taxpayer's Valuation of Inventory	Tax Timely Paid on Inventory
1 Line 31, Merchants Inventory.....	1 00	1 00
2 Line 32, Manufacturing Finished Goods	2 00	2 00
3 Line 33, Manufacturers Raw Materials/Goods in Process	3 00	3 00
4 Line 34, Motor Vehicles Held for Sale (dealers only), New Farm Machinery Held Under a Floor Plan, New Boats and Marine Equipment Held Under a Floor Plan, Salvage Titled Vehicles (insurance companies only), Recreational Vehicles Held in Retailer's Inventory, Biotechnology Products Held in a Warehouse (manufacturers and affiliates only), and Nonferrous Metal Located in a Commodity Warehouse and Held on Warrant	4 00	4 00
5 Line 35, Goods Stored in Warehouse/Distribution Center	5 00	5 00
6 Line 36, Inventory - In Transit.....	6 00	6 00
7 Total (add lines 1 through 6).....	7 00	7 00
8 Allowable percentage.....		8 25%
9 Allowable Inventory Tax Credit (Line 7 multiplied by Line 8)		9 00



Inventory Tax Credit Worksheet

- Visit www.revenue.ky.gov for a downloadable Excel worksheet to calculate the amount of allowable inventory tax credit.
- The worksheet calculator will allow you to input unlimited locations, enter timely paid taxes, and provides a total for all taxing jurisdictions. The worksheet automatically computes the tax on each category of inventory for each taxing jurisdiction.
- **Note:** Calculation of the tax credit without the worksheet is not advised unless the company only files an inventory tax return (62A500) and knows the rates & tax on the inventory for one location.



Inventory Tax Credit Worksheet

Commonwealth of Kentucky
DEPARTMENT OF REVENUE
2018 Computation of Inventory

1 Need some basic INFO below

TAXPAYER INFO

Taxed as: Corporation

Name of Business: Business Name Here

Number & Street: Address Here

Number & Street: Address Here

City, State, Zip: Address Here

FEIN Number: 000000000

KY Corp/LLET Account: 000000

6 -- CLICK below when you are done!

SAVE as PDF

5 If necessary, CLICK below to DELETE a location.

DELETE A LOCATION

4 If necessary, CLICK below to ADD another location. Then repeat STEP #3

ADD ANOTHER LOCATION

2 Read this part carefully!

RED AREAS - ALL red areas should be completed!

PINK AREAS only need to be completed when necessary.

GREEN NUMBERS are your LOCATION #'s within this program!

LOCATION #	1	2	3
COUNTY / DISTRICT		Scott (DIST 02)	Franklin (DIST 01)
PVA PHONE NUMBER	#N/A	(502) 863-7885	(502) 875-8780
Tax Paid Timely?		YES	YES
Paid within discount period?		NO	YES

3 -- input LOCATION 1's Inventory Data based upon the FILED TPT RETURNS

Complete all the LOCATION's RED areas. Complete PINK areas of relevance.

31 Merchants Inventory			
32 Manufacturers Finished Goods			
33 Manufacturers Raw Materials/Goods in Process			
34 Motor Vehicles/New Farm Machinery Under Floor Plan			
34 New Marine Inventory Under Floor Plan/Salvage Title Veh.			
35 Goods Stored in Warehouse/Distribution Center			
36 Inventory in Transit			
Grand Totals			
\$ 9,000,000		\$ 8,000,000	\$ 1,000,000
\$ 11,000,000		\$ 9,000,000	\$ 2,000,000
\$ 13,000,000		\$ 10,000,000	\$ 3,000,000
\$ 15,000,000		\$ 11,000,000	\$ 4,000,000
\$ 17,000,000		\$ 12,000,000	\$ 5,000,000
\$ 19,000,000		\$ 13,000,000	\$ 6,000,000
\$ 21,000,000		\$ 14,000,000	\$ 7,000,000
\$ 105,000,000	\$ -	\$ 77,000,000	\$ 28,000,000
Estimated total TIMELY Tangible Personal Property Tax Paid on Inventory (APPLY to FORM xxxx, Line 7)	\$ 405,808 (rounded)	\$ 294,880.00	\$ 110,928.16

Total Inventory Value (per Taxpayer) \$ 105,000,000

1. Enter Taxpayer Info

- Taxed as
- Name
- Address
- FEIN
- KY Corp/LLET Account Number

2. Fill-in Inventory Tax Information

- Select: County/District
- Timely paid: Yes/No
- Paid within discount period: Yes/No
- Enter value of inventory property for each category (follows lines from 62A500)

3. Input Each Location in a Separate Column

- Keep adding columns until all locations entered
- Tax automatically computes

4. Click to save worksheet work paper as a PDF and retain for your records

5. Click to generate a mock-up Sch INV

- Save as a PDF



Inventory Tax Credit Worksheet

- Once all data is entered, select the option to save as a PDF. The detailed worksheet will generate a PDF. Once the worksheet is saved as a PDF, the calculations will automatically generate a Schedule INV with all lines and columns filled with the necessary information.



The detailed worksheet must be attached as a supporting statement to the return.



Electronic Filing Statistics

- Individual
 - 88% of the 1.96 million returns received through September were e-filed
- Corporate
 - 42% of the Corporate returns received through September were e-filed
- Kentucky follows the IRS for when e-file returns may begin to be electronically submitted & accepted



Forms Filed Electronically

Filing Year	Form	Payment/Refund
2018, 2017, & 2016	Form 740 *	E-Pay & Direct Deposit of Refund
2018, 2017, & 2016	Form 740-NP *	E-Pay
2018, 2017, & 2016	Form 740-NP-R (cannot e-file amended)	E-Pay
2018, 2017	Form 741 *	E-Pay
2018, 2017, & 2016	Form 720 *	E-Pay
2018, 2017, & 2016	Form 720 (consolidated) *	E-Pay
2018, 2017, & 2016	Form 720S *	E-Pay
2018, 2017	Form 725 / 725-EZ *	E-Pay
2018, 2017, & 2016	Form 765 *	E-Pay
2018, 2017, & 2016	Form 765-GP *	E-Pay

*including amended



Property Tax

- Pre-written computer software is subject to state and local property tax
- Reminders:
 - Form 62A500 returns are due for all businesses each year on May 15 for property held on January 1
 - Returns must be filed with the Property Valuation Administrator in each county per Form 62A500 instructions, **not** the DOR
 - Returns mailed to the DOR are forwarded via mail at the state's expense to the PVA offices
 - **Late or amended returns** must be filed with the Office of Property Valuation at DOR
 - No *de minimus* value standard
 - All personal property must be reported and depreciated per the instructions



Sales & Excise Taxes – TaxAnswers.ky.gov

- Information on tax changes can be found at:
 - <https://TaxAnswers.ky.gov>
- Including:
 - Listing of new services subject to sales tax
 - Industry specific FAQs (12 currently)
 - Video tutorials
 - Links to Register for a Sales and Use Tax Account

Sales and Use Taxes	(502) 564-5170
Telecommunications Tax	(502) 564-5170
911 Prepaid Service Charge	(502) 564-5170
Financial Tax	(502) 564-4810
Motor Vehicle Tax	(502) 564-3853
Motor Vehicle Usage Tax	(502) 564-4455
Excise Tax	(502) 564-6823
Tobacco Tax	(502) 564-6823



TaxAnswers.ky.gov

Ky.gov An Official Website of the Commonwealth of Kentucky

Search

Tax Answers

Income Taxes ▾ Sales and Excise Taxes ▾ Other Changes Contact Us



TaxAnswers.ky.gov

The Kentucky Department of Revenue is committed to answering your questions and keeping you updated on recent tax law changes made during the 2018 session of the General Assembly.

Do you need to register for a Sales and Use Tax account? [Find out here](#)



Income Taxes

Important changes have been made to state and federal taxes. More information is available here.



Sales and Excise Taxes

Multiple changes have been made to sales and excise taxes. Visit this page for more information.



Other Changes

A summary of 2018 law changes that impact tax administration, property taxes, and smaller taxes.



TaxAnswers.ky.gov



Kentucky Sales Tax Facts Newsletter

The May issue is the first in a series highlighting various legislative changes affecting retailers.

[Read it here.](#)

Sales and Use Tax

Do You Need to Register?

Effective July 1, 2018, businesses that provide many types of services are required to collect the Kentucky sales tax from their customers for providing these services.

[Click here for a listing of new services subject to sales tax](#) for transactions on or after July 1, 2018 to determine if you need to register your business for a Sales and Use Tax account.

[View this video tutorial for new Sales and Use Tax information.](#)

Remote Retailer Sales and Use Tax Collections in KY

The United States Supreme Court ruled in [South Dakota v. Wayfair](#) on June 21, 2018, that states can require sellers to collect and remit sales or use tax on sales delivered to locations within their state regardless of physical presence. The nexus standards that Kentucky adopted in HB 487, effective July 1, 2018, are the same thresholds at issue in the Wayfair case. This legislation in conjunction with the Supreme Court decision positions Kentucky to move forward with implementation of these provisions for remote sellers with sales into the state.

[Remote Retailers Frequently Asked Questions](#)

Excise Taxes

Alcoholic Beverage Statutes

An amendment to the alcoholic beverage statutes requires microbrewers to report and pay state excise taxes directly to the Department of Revenue.

Register for a Sales and Use Tax Account

[Do I Need to Register for a Sales and Use Tax Account](#)

[Cigarette Floor Stock FAQs](#)

[Dry Cleaning Services FAQs](#)

[Extended Warranty Services FAQs](#)

[Facility and Event Admission Fees FAQs](#)

[Janitorial Services FAQs](#)

[Labor Charges for Installation FAQs](#)

[Landscape Services FAQs](#)

[Limousine Services FAQs](#)

[Pet Care Services FAQs](#)


[Remote Retailers FAQs](#)

[Sales and Excise Tax FAQs](#)

[Small Animal Veterinarians FAQs](#)



Miscellaneous

- Kentucky Court Appointed Special Advocates (CASA) new refund designation checkoff 
- Final federal audit determination due in 180 days
 - Previously 30 days
- Assessment and refund denial protests due in 60 days
 - Previously 45 days
- Bonds no longer required to suspend collection activity when appealing an order sustaining a tax assessment to the Kentucky Claims Commission



Interest Rates

The adjusted prime rate charged by banks is used to set the tax interest rate that the Kentucky Department of Revenue charges on unpaid taxes and pays on refunds that are subject to interest due.

- **Increased 1% from last year**
- **Interest rates for 2019:**
 - Rate charged on unpaid taxes is 7%
 - Base rate of 5% plus 2%
 - Rate paid when interest is due on a refund is 3%
 - Base rate of 5% minus 2%
- **KRS 131.183**



Procedural Reminders

- No staples, check stubs, hole punches
- Review the DOR website for the newest version of forms
- Use the mailing address shown on the tax form you are sending
- Non-Revenue mail is not processed by DOR
- Do not use DOR envelopes for other personal or business mailings
- Mail each return separately – every single return and/or voucher should be mailed in its own envelope
- No envelopes (sealed or unsealed) inside another envelope
- Do not mail anything to 100 or 200 Fair Oaks Lane, Frankfort, KY
- Cut forms to size when instructed (vouchers, etc.)



Stay in Touch

- **Twitter**

- @RevenueKY



- **Kentucky Business One Stop Portal**

- <https://onestop.ky.gov>



- **Tax Alert**

- <https://revenue.ky.gov>

- News Tab → Publications Section → Tax Alerts

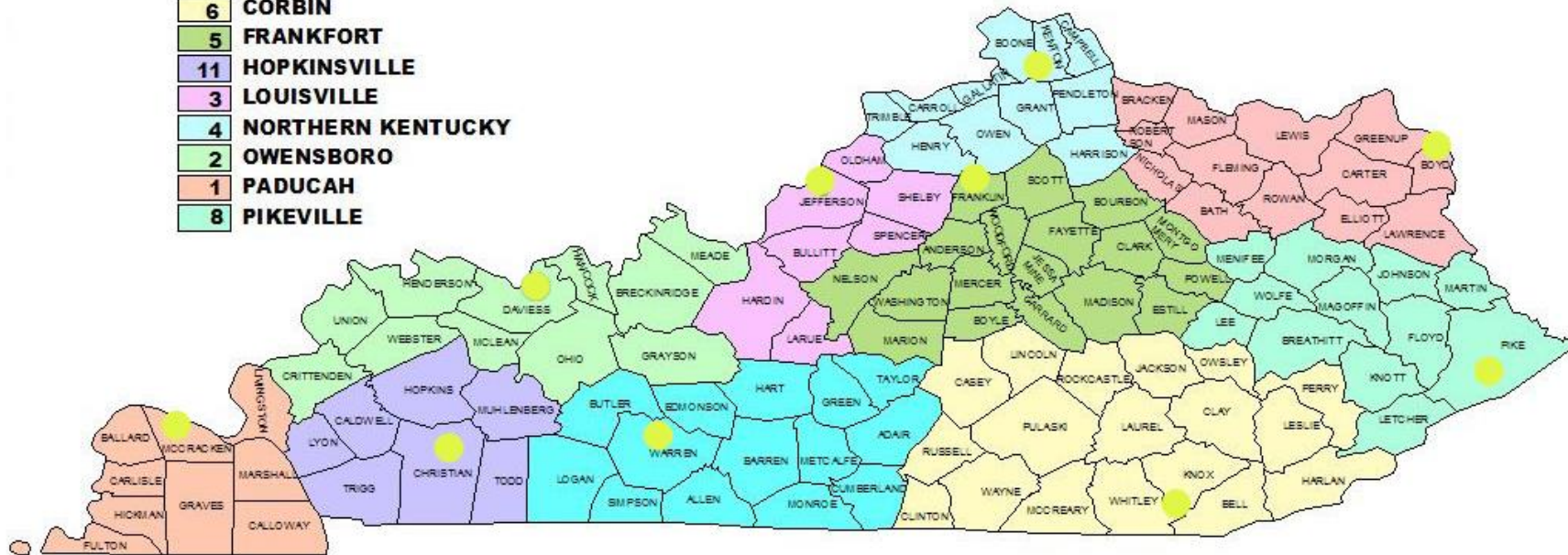


Taxpayer Service Center Map

TAXPAYER SERVICE CENTERS

Districts

- 9 ASHLAND
- 10 BOWLING GREEN
- 6 CORBIN
- 5 FRANKFORT
- 11 HOPKINSVILLE
- 3 LOUISVILLE
- 4 NORTHERN KENTUCKY
- 2 OWENSBORO
- 1 PADUCAH
- 8 PIKEVILLE



Taxpayer Service Centers

Ashland Taxpayer Service Center

1539 Greenup Avenue, 41101-7695
(606) 920-2037

Bowling Green Taxpayer Service Center

201 West Professional Park Court, 42104-3278
(270) 746-7470

Corbin Taxpayer Service Center

15100 North US25E, Suite 2, 40701-6188
(606) 528-3322

Frankfort Taxpayer Service Center

501 High Street, 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)

Hopkinsville Taxpayer Service Center

181 Hammond Drive, 42240-7926
(270) 889-6521

Louisville Taxpayer Service Center

600 West Cedar Street, 2nd Floor West, 40202-2310
(502) 595-4512

Northern Kentucky Taxpayer Service Center

Turfway Ridge Office Park
7310 Turfway Road, Suite 190, Florence, 41042-4871
(859) 371-9049

Owensboro Taxpayer Service Center

401 Frederica Street, Building C, Suite 201, 42301-6295
(270) 687-7301

Paducah Taxpayer Service Center

Clark Business Complex, Suite G
2928 Park Avenue, 42001-4024
(270) 575-7148

Pikeville Taxpayer Service Center

Uniplex Center, 126 Trivette Drive, Suite 203, 41501-1275
(606) 433-7675



Revenue Contact Phone Numbers

Collections	(502) 564-4921	Motor Fuels	(502) 564-3853
Corporation Tax	(502) 564-8139	Motor Vehicle Usage	(502) 564-4455
DOR One Stop Help Line	(502) 564-5053	Ombudsman	(502) 564-7822
E-Filing Assistance (Business Forms)	(502) 564-7926	Property Tax	(502) 564-8338
E-Filing Assistance (Individual Forms)	(502) 564-7862	Protest Resolution	(502) 564-6734
Field Operations	(502) 564-2113	Registration	(502) 564-3306
Forms and Envelopes	(502) 564-3658	Sales & Use Tax	(502) 564-5170
Individual Income Tax	(502) 564-4581	Special Investigations	(502) 564-4470
Inheritance Tax	(502) 564-4810	State Operator	(502) 564-3130
Local Government & County Fees	(502) 564-8785	Withholding (also use for WRAPS)	(502) 564-7287
Miscellaneous Tax	(502) 564-2935		



Questions, Comments, or Concerns



Thank You!



2018 Kentucky State Tax Update

Jessica S. Honican, CPA

Director, Corporation Tax

✉ JessicaS.Honican@ky.gov

☎ (502) 564-7268

**Kentucky Department of Revenue
Office of Income Taxation
501 High Street • Station 52 • Frankfort, KY 40601
(502) 564-8139**

