

**Commonwealth of Kentucky
Kentucky Department of Revenue**

2D BARCODE PROGRAM

Software Developer's Guide



**Tax Year 2019
Processing Year 2020**

Version 1.0

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Document Log

Version	Date	Action/Description
1.0	01/07/2019	Added 1D/2D submission requirement when submitting 1D and 2D at the same time.
	7/10/2019	Sikitia – updated for TY2019
	10/9/2019	Sikitia – updated to add Schedule INV and posted to SES

Section 1: Introduction to Kentucky 2-D Barcoding Program

The Kentucky Department of Revenue will be accepting 2-D barcodes on the Form 740, Form 740-NP and Form 740-NP-R Individual Income Tax Returns for tax year 2019. This is a great opportunity to improve the service provided to the taxpayers of Kentucky.

The benefits include:

- Reduction in processing time; saving Kentucky taxpayer dollars.
- Fewer data entry errors, since all data listed on the return is included in the barcode.
- Fast access to taxpayer information; better assistance to the taxpayer.

We would like to thank the software community that support the development of the 2D barcode for Kentucky and welcome your comments or suggestions for improving the 2D barcode process.

For tax year 2019, the Kentucky Department of Revenue (KDOR) will develop one version of the primary individual income tax forms, to be used for the software developers for computer-generated returns. The computer-generated forms are designed for the 2-D barcode format. If the 2-D barcode is not printed on the form, the space allotted for the barcode should be left blank.

Additional information regarding 2-D barcodes used for tax forms is available on the Federation of Tax Administrators (FTA) web site at www.taxadmin.org.

The Form 740, Form 740-NP and Form 740-NP-R forms are accessible through the State Exchange System (SES) supported by the Federation of Tax Administration (FTA).

If you need copies forms sent via email or postal mail, send a request to the contacts listed in the contact section of this document.

New for Tax Year 2019

Form 740NP-R

The Department of Revenue has implemented a new form to be submitted via 2D barcode. A separate 740NPR 2D Vendor Testing template was created for the Form 740NPR. Data reported for this tax form should be reflected within barcode fields 1-45. In addition Kentucky withholding/ Kentucky W-2's should be reflected in barcode fields 46-140.

Schedule ITC

The Department of Revenue implemented a new form, Schedule ITC, to be used for claiming Kentucky tax credits for tax year 2018. Schedule ITC includes sections previously reported on Forms 740 and 740-NP: Section A – Business incentives and other tax credits, Section B – Personal tax credits and Section C – Family size tax credit qualified dependents. This Schedule must be completed and enclosed with the Individual income tax return for taxpayers claiming nonrefundable business incentive tax credits, personal tax credits (only for taxpayers age 65 or over, blind, or in the Kentucky National Guard) and dependent children that qualify for the Family Size Tax credit.

All data reported on this schedule, is reflected in Barcode fields 124-187 for Form 740 and Barcode fields 176-239 for Form 740-NP.

New for tax year 2019, barcode fields have been added for Taxpayer Date of Birth and Spouse Date of Birth within Section B, personal tax credits. Barcode field 172 for Form 740 and barcode field 224 for Form 740-NP should report the taxpayer date of birth and barcode field 177 for Form 740 and barcode field 229 for Form 740-NP should report the spouse date of birth.

Income Gap Tax Credit

In addition to the family size tax credit, Kentucky has implemented a new Income Gap tax credit. The Income Gap tax credit is a nonrefundable credit allowed for taxpayer with family sizes 1, 2 and 3.

The income gap tax credit is reported on Form 740, line 25 and is reflected in barcode field 81. For Form 740-NP, line 25 reports the credit and is reflected on barcode field 66.

YMCA Youth Association Fund

KRS141.449 allows an individual to direct a refund to contribute to the YMCA Youth Association Fund. The YMCA Youth Association serves as the home of Kentucky's YMCA Youth and Government programs, providing middle school, high school and college students across the Commonwealth with opportunities for service learning, civic engagement and personal development.

This contribution is found on Form 740 and Form 740-NP, line 38k and reflected in Barcode 111 for Form 740 and barcode 97 for Form 740-NP.

Form 740 and 740-NP Schedule A Line Additions

For tax year 2019, lines have been added for Investment Interest, Gambling Losses and Total Other Miscellaneous Deductions.

- **Investment Interest** – Investment interest should be reported on Form 740 Schedule A, Line 4 and is reflected in barcode field 229. For Form 740-NP Schedule A, it is reported on line 4 and reflected in barcode field 243.
- **Gambling Losses** – Gambling losses should be reported on Form 740 Schedule A, Line 11 and is reflected in barcode field 236. For Form 740-NP Schedule A, it is reported on line 10 and reflected in barcode field 249.
- **Total Other Miscellaneous Deductions** – Other total miscellaneous deductions should be reported on Form 740 Schedule A, Line 13 and is reflected in barcode field 238. For Form 740-NP Schedule A, it is reported on line 12 and reflected in barcode field 251.

Form 2210-K

Form 2210-K has been redesigned to mirror the IRS rules regarding estimated tax payments. Estimated tax interest is no longer assessed and the estimated tax penalty has been replaced with an addition to tax penalty.

New exceptions to the penalty have been created for estate and trust returns.

Exception 3: You're filing a decedent's estate return for any tax year ending before the date that is two years after the decedent's death is reflected in barcode field 258.

Exception 4: You're filing a trust return for a trust that was owned by the decedent for any tax year ending before the date that is two years after the decedent's death is reflected in barcode field 259.

Schedule INV

Schedule INV was been redesigned and additional lines added for taxpayers claiming of the Inventory Tax credit. Schedule INV is reflected within barcode fields 407-434 for Form 740 and barcode fields 357-384 for Form 740-NP.

Form 42A805 (K-5) Kentucky Employer's Report of Withholding Tax Statements

The Department of Revenue has implemented a new form to be submitted by employers in lieu of paper copies of Form(s) W-2, 1099 and W2-G, and Transmitter Report Form 42A806. W-2s, 1099s, W-2Gs must be retained with the employer's records, and provided to the Department upon request only. A maximum of 25 like tax statements may be filed on this form.

Please note: If submitting both 1D and 2D barcodes at the same time specify in the submission email.

Section 2: Contact Personnel- Kentucky Department of Revenue

Technical Specifications/Assistance and Acceptance Testing

Help Desk Phone # 502-564-5370 (Option 2 – Individual Income Tax); Fax # 502-564-0230

Primary Contact:

Sikitia Snow

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Withholding Tax Contact:

Laura Congleton

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Additional Information:

KYST folder on SES

Kentucky's Software Developer web page:

<https://revenue.ky.gov/Software-Developer/Pages/default.aspx>

Kentucky Publication 1345 – Handbook for Electronic Filers of Individual Income Tax Returns (This publication is posted on the SES.)

Section 3: Barcode Content

The Form 740, Form 740-NP and 740NP-R are developed in separate barcode layouts for those vendors that wish to support the 2D barcode of one but not the other form.

The 2-D barcode for the Form 740 will include the following forms if they are a part of the taxpayer's return:

- 740 – Kentucky Individual Income Tax Return for Full Year Resident
- Schedule ITC – Kentucky Individual Tax Credit Schedule
- Schedule M – Federal Adjusted Gross Income Modifications
- Schedule A – Kentucky Itemized Deductions
- Schedule P – Kentucky Pension Income Exclusion
- Form 2210-K – Underpayment of Estimated Tax by Individuals
- Form 8863-K – Education Tuition Tax Credit
- Schedule KW-2 – Kentucky Income Tax Withheld Reporting
- Schedule INV – Kentucky Inventory Tax Credit

The 2-D barcode for the Form 740-NP will include the following forms if they are a part of the taxpayer's return:

- 740-NP – Kentucky Individual Income Tax Return for Nonresident or Part-Year Resident
- Schedule ITC – Kentucky Individual Tax Credit Schedule
- Schedule A (Form 740-NP) – Kentucky Itemized Deductions
- Form 8863-K – Education Tuition Tax Credit
- Schedule KW-2 – Kentucky Income Tax Withheld Reporting
- Schedule INV – Kentucky Inventory Tax Credit

The 2-D barcode for the Form 740NP-R will include the following forms if they are a part of the taxpayer's return:

- 740NP-R – Kentucky Nonresident Individual Income Tax Return for Reciprocal State Residents
- Schedule KW-2 – Kentucky Income Tax Withheld Reporting

Note: The Forms W-2 and 1099-R have been removed and is longer valid for tax year 2018/2019. These forms have been replaced with Schedule KW-2.

Section 4: Kentucky Testing Procedures

A contact name and email address must also be provided for test result notification. **After your software is accepted, an acceptance letter will be issued which must be provided to all software users upon request.**

Kentucky accepts criteria based testing.

Test Requirements:

- Letter of Intent for 2D Barcode Development should be provided to KDOR
- A test for each type of return (740, 740-NP) or form (42A805) that you support will be required.
- Testing of all 2019 new fields that you support should be included in your testing.
- A test for each filing status/residency status should be included.
- A PDF of the entire Kentucky income tax return (forms supporting the fields found in the 2D barcode) must be provided with the test submission.
- Maximum limit on the number of tests is 10.
- The 2-D barcode test scenarios may differ from the scenarios used for ATS.

Please see Section 5 for list of required fields that must be completed by the taxpayer. If the software community could alert the taxpayer that these fields are required to process the return, and if not completed, will result in the delay of the return being processed, it would be appreciated. Alerting the taxpayer within the software when a required field is not completed would be beneficial to all.

Please send an e-mail prior to testing to advise what is supported/not supported. The Letter of Intent for 2D Barcode Development should be used for this purpose. Check the individual income tax forms supported and then in the Comments or Limitations section list any limitation(s).

Section 5 – Mandatory Barcode Fields

- **Primary Social Security Number** – Required on all returns. Must be 9 digits.
- **Spouse Social Security Number** – Required on Married Filing Joint and Married Filing Separately on a Combined Return filing statuses. Must be 9 digits.
- **Primary Last and First Name** – Required on all returns.
- **Spouse Last and First Name** - Required on Married Filing Joint and Married Filing Separately on a Combined Return filing statuses.
- **Address, City, State Abb., Zip Code** – Required on all returns. This field should contain numbers 0-9 and letters A-Z. The only special characters permitted in the address are the “-” dash and the “&” ampersand.
- **Filing Status** – One of the four (4) filing statuses is required.
- **Spouse Full Name** – Required if Married Filing Separate filing status is selected.
- **Political Party Fund** – One of the three (3) taxpayer political party fund options must be selected for all filing statuses. If married filing joint or married filing separate on a combined return filing status is selected, one of the taxpayer and spouse political party fund options must be selected.
- **Credit Total Fields** – Must be two (2) characters. (1 = 01, 5 = 05, etc.)
- **Taxpayer Tax Credits** – Required entry for all returns. If single, married filing joint or married filing separate return filing status is selected, this field must equal Total Tax Credits Field.
- **Spouse Tax Credits** – Required on Married Filing Separately on a Combined Return filing status. The Total Tax Credits must be split between the taxpayer and spouse and must equal the Total Tax Credits Field. Taxpayers may determine how to split the credits.
- **All Money Fields** – All money fields must be rounded to the nearest dollar. The barcode field must contain **whole dollars** only with no special characters. Special characters are defined as any character other than numbers 0 through 9. No “\$” or “.” should be included in the barcode. The only exception to this would be the “-“in front of a negative dollar amount.

- **One of the following must be checked:**
 - **May the DOR discuss this return with this preparer? – Yes** - Required value “X” or blank on all returns. Value “X” should be checked if the taxpayer authorizes DOR to discuss their return with the paid preparer.
 - **May the DOR discuss this return with this preparer? – No** - Required value “X” or blank on all returns. Value “X” should be checked if the taxpayer does not authorize DOR to discuss their return with the paid preparer.

Form 42A805 (K-5) Mandatory Fields

- **Timestamp**
 - Does not correlate to a fillable part of the form itself.
 - The time that the 2-D barcode was generated.
- **Data Version**
 - Does not correlate to a fillable part of the form itself.
 - The data version is always “1” unless otherwise specified in this document.
- **KY Withholding Account Number (State EIN)**
 - Six-digit account number. If the number appears to be fewer than six digits, add leading zeroes.
- **Federal Employer Identification Number**
- **Business Name** – Limited to thirty-four characters.
- **Statement Code**
 - One statement code per K-5. Codes are:
 - **1** – W-2
 - **2** – W-2G
 - **3** – 1099-R
 - **4** – 1099-MISC
 - **5** – All other 1099
- **Total Statements**
 - Must equal the count of all employee / payee statement lines.
- **Total Payments**
 - Must equal the sum of all employee / payee wages or payments.
- **Total Tax**
 - Must equal the sum of all employee / payee state income tax withheld.
- **At least one line of employee or payee data, which includes:**
 - **Social Security Number**
 - **Surname**
 - Limited to the first nine digits.
 - **Kentucky state wages or payments**
 - **Kentucky state income tax withheld**
 - **NOTE:** 1099 data showing -0- KY tax withheld should not be filed.

Section 6 – 2D Barcode Layouts

The 2D barcode layouts for the Form 740, Form 740-NP, Form 740-NPR and Form 42A805 can be found on the State Exchange System.

See highlighted fields on barcode layouts for additions and changes for tax year 2019. Also, refer to Section 3 of this document.

All data formats follow the criteria published in the “Tax Forms Processing 2-D Barcoding Standards Guidance” issued by the Federation of Tax Administrators (FTA).

Note: Hyphens and separators should not be used in dates, social security numbers, telephone numbers, etc.

The name field on the return should be broken down by field as described in the tax form layout specifications.

For check boxes return “X” if checked and NULL if blank.

If Form 2210-K is completed, field 93 (740) /field 79 (740-NP) must be marked “X”.