

**Commonwealth of Kentucky  
Kentucky Department of Revenue**

**Handbook for Electronic Filers of Income  
Tax Returns and Payments**

*KY PUBLICATION 1345*



**Tax Year 2020  
Processing Year 2021**

**Version 1.0  
August 01, 2020**

## REVISION LOG

<b>Version</b>	<b>Date</b>	<b>Nature of Change</b>
<b>1.0</b>	07/02/2020	Created new version for 2020, Updated Standard deduction, Updated Tax year and Estimated payment dates in all highlighted locations, Updated Testing, Updated Estimated payment dates Added 2020 FSTC/IGC chart, Added information about the team KY contribution (pending Approval), Added 740-NP-R e-file filing status changes, Updated Important dates
<b>1.0</b>	7/20/2020	Added new corp forms and removed old
<b>1.1</b>	8/21/2020	720V is now the KBR-V; Added new Kentucky Selling Farmers Tax Credit

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The Kentucky Department of Revenue (KDOR) joined with the Internal Revenue Service (IRS) in 1994 to offer electronic filing of federal and state individual income tax returns. The Federal/State Electronic Filing Program allows taxpayers to file both their federal and state returns electronically. This program is an effort to provide “one-stop shopping” for all tax preparation and filing. Taxpayers, tax practitioners and KDOR benefit from electronic filing.

The Kentucky Handbook for Electronic Filers of Income Tax Returns (KY Publication 1345) is used in conjunction with IRS Publication 1345. Because most functions in the Federal/State Electronic Filing Program are the same, this handbook highlights the special features unique to Kentucky. The information contained herein explains the program.

Safeguarding taxpayers and IRS e-file from identity-theft refund fraud requires that providers be diligent in detecting and preventing identity-theft fraud patterns and schemes. Early detection of these patterns and schemes is critical to stopping them and their adverse impacts, and to protecting taxpayers and IRS/Kentucky e-file.

A “fraudulent return” is a return in which the individual is attempting to file using someone else’s name or SSN on the return or where the taxpayer is presenting documents or information that have no basis in fact.

Providers who collectively transmit more than 2,000 individual income tax returns per year are required to perform analysis to identify potential identity-theft fraud patterns and schemes. They must provide the results relative to any indicators of such fraud to the IRS/Kentucky on a weekly basis, in accordance with requirements distributed to providers.

## **Section 1 - New for Tax Year 2020**

### **Federal Conformity**

Kentucky updated its federal conformity date to December 31, 2018.

### **Tax Returns Accepted for E-File in Processing Year 2021**

Filing federal individual income tax returns using IRS e-file is limited to tax returns with prescribed due dates in the current year and two previous years per IRS Pub 1345. Kentucky will follow the same limitation of current year plus two previous years. Tax years 2018, 2019 and 2020 are accepted tax years for e-file in processing year 2021.

### **Filing Deadline for TY2020**

The filing deadline for tax year 2020 is April 15, 2021.

### **C-Corporation Extensions**

C-Corp extensions are allowed for 7 months for tax years ended on or after June 27, 2020.

### **Elective Consolidated Filing**

The election period is now 4 years instead of 8 years.

## **Form 720U-Kentucky Unitary Combined Corporation Income Tax & LLET Return**

The Form 720-U, Kentucky Unitary Combined Corporation Income and LLET Return and its supporting forms and schedules were created for use in tax year 2020. The return is accepted for e-file in tax year 2020.

### **Unitary Filing Changes**

- 50% voting stock ownership requirement
- “Tax haven” definition excludes countries with a comprehensive income tax treaty with the U. S.
- Waters-edge clarified in statute
- Intercompany eliminations required for combined income and gross receipts
- NOLs may be shared in a unitary group but tax credits cannot be shared
- U.S. Domestic members with greater than 80% income from foreign sources are excluded from the group
- If a company has Kentucky nexus, it does not negate the filing requirement
- Non-U.S. members with greater than 20% intangible income from another group members are excluded if located in a treaty country

## **Form PTE**

For TY2020 the 720S, 765, and 765GP and their associated K and K-1 forms have been combined into one form series: Form PTE, Form PTE (K), and Schedule PTE K-1. In addition the Schedule O and O-PTE have been integrated into their corresponding forms.

## **Schedule DE**

For TY2020, the disregarded entities listing from the Schedule Q is now a standalone form.

## **Form 720-V is now Form KBR-V**

For TY2020, the 720-V has been redesigned and repurposed as the KBR

## **Tax Rate**

A flat 5% tax rate remains for tax year 2020 for individual and fiduciary income tax returns.

## **Form Appearance – Individual and Business Income Tax Forms**

The appearance has changed for individual and fiduciary income tax forms. The purpose is to increase the space given for entry lines for better scanner readability and faster processing.

This resulted in an increase in the number of pages for some forms.

- Form 740 increased to three pages
- Form 740-NP increased to four pages
- Form 741 increased to three pages
- Schedule 8863-K increased to three pages
- 720
- 725
- 720 Schedule A

### **Standard Deduction**

The standard deduction increased from \$2,590 to \$2,650 for tax year 2020.

### **Schedule A (42A740-A & 42A740-NP-A) – Itemized Deductions**

Schedule A Form 740 & Form 740-NP, Qualified Mortgage Insurance Premiums deduction was added back for tax year 2020

### **Food Donation Tax Credit**

The food donation credit on Schedule ITC, Section A, line 19 expired, but a carryover can occur for up to 4 years. Only the carryover applies for tax year 2020.

### **Inventory Tax Credit – KRS 141.408**

A nonrefundable and nontransferable credit against the tax imposed by KRS 141.020 or 141.040 and 141.0401 for any taxpayer that, on or after January 1, 2018, timely pays an ad valorem tax to the Commonwealth or any political subdivision thereof for property described in KRS 132.020(1)(n) or 132.099 was created effective April 27, 2018.

Heavy equipment rental is subject to ad valorem tax and thus eligible for the inventory tax credit.

Schedule INV has been revised for tax year 2020. The 75% allowable percentage has been added to Part II, line 10.

A taxpayer that is a pass-through entity (PTE) may apply the credit against the limited liability entity tax imposed by KRS 141.0401, and shall pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.

- The PTE that earns the credit should complete the Kentucky Schedule K-1 and Schedule INV, Part III to show the distribution of the total allowable inventory tax credit.
- A taxpayer that paid the tax on inventory and received the tax credit should provide with their return a Schedule INV plus a Schedule TCS or Schedule ITC which ever is applicable.
- A taxpayer that received the inventory tax credit via a K-1 from a PTE in which they invested is not required to provide a Schedule INV but should attach a Schedule TCS or Schedule ITC with their return.

### **Personal Tax Credits**

The following personal credits are available for tax year 2020, if on 12/31/2020:

- Taxpayer was age 65 or older - \$40
  - Taxpayer is required to provide date of birth
- Taxpayer was legally blind - \$40
- Taxpayer was a member of the Kentucky National Guard - \$20

The *Taxpayer* section, lines 1 through 4, should be completed if one of the above credits can be claimed for the taxpayer.

The *Spouse* section, lines 5 through 8, should only be completed if the filing status is Married, filing separately on a combined return or Married, filing a joint return and one of the above credits can be claimed for the spouse.

The *Assignment of Personal Tax Credits* section will assist in determining where to place the credit on the Form 740 and Form 740-NP-R. It is based on the filing status of the return. The total credit cannot exceed \$200 for a filing status of Married, filing a joint return, \$100 for all other filing statuses.

### **Family Size Tax Credit / Income Gap Credit**

The Family Size Tax Credit and Income Gap Credit are located in Section C of the Schedule ITC, page 2. The worksheet will be found in the form instructions for the Schedule ITC.

The Modified Gross Income amounts in the family size tax table changed for TY2020. This credit provides benefit to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2020 threshold amount is \$12,760 for a family size of one, \$17,240 for a family of two, \$21,720 for a family size of three and \$26,200 for a family size of four or more.

Children of divorced or separated parents can be claimed for the Family Size Tax Credit (FSTC) based on where they resided the majority of the year, not necessarily the parent that claimed the child as a deduction.

Determining the Size of Family Unit:

- 1 - An individual either single or married living apart from his or her spouse for the entire year
- 2 - An individual with one dependent child or a married couple
- 3 - An individual with two dependent children or a married couple with one dependent child
- 4 or more - An individual with three dependent children or a married couple with two dependent children

For purposes of computing the family size tax credit, the maximum family size is four.

The following table lists the percentage used in calculating the FSTC based on family size and modified gross income for tax year 2020.

For taxable years beginning on or after January 1, 2020, but before January 1, 2022, in addition to the family size tax credit, the income gap credit shall be allowed. The credit is only available to those taxpayers that are eligible for the Family Size Tax Credit. For purposes of computing, it is based on a maximum family size of three. Refer to the last three columns of the table below for the allowable amount.

The amount of the income gap tax credit shall be placed on line 25 of Form 740 or Form 740-NP.



Family Size	One		Two		Three		Four or More		Credit Percentage is	Income Gap Credit		
	is over	is not over	is over	is not over	is over	is not over	is over	is not over		One	Two	Three
TY 2 0 2 0		12,760		17,240		21,720		26,200	100%			
	12,760	13,270	17,240	17,930	21,720	22,589	26,200	27,248	90%	\$11	\$7	\$3
	13,270	13,781	17,930	18,619	22,589	23,458	27,248	28,296	80%	\$20	\$13	\$6
	13,781	14,291	18,619	19,309	23,458	24,326	28,296	29,344	70%	\$29	\$18	\$6
	14,291	14,802	19,309	19,998	24,326	25,195	29,344	30,392	60%	\$37	\$22	\$6
	14,802	15,312	19,998	20,688	25,195	26,064	30,392	31,440	50%	\$45	\$24	\$4
	15,312	15,822	20,688	21,378	26,064	26,933	31,440	32,488	40%	\$51	\$26	
	15,822	16,205	21,378	21,895	26,933	27,584	32,488	33,274	30%	\$58	\$27	
	16,205	16,588	21,895	22,412	27,584	28,236	33,274	34,060	20%	\$64	\$28	
	16,588	16,971	22,412	22,929	28,236	28,888	34,060	34,846	10%	\$69	\$28	
16,971	-	22,929	-	28,888	-	34,846	-	0%				

### **Kentucky Selling Farmers Credit**

A nonrefundable and nontransferable credit is allowed beginning after January 1, 2020 for qualified selling farmers. This credit must be approved by Kentucky Economic Development Finance Authority. The Kentucky Selling Farmers Credit must be claimed on the tax return in the first year that the credit was approved. You cannot claim more than the credit approved by the Kentucky Economic Development Finance Authority; the credit cannot exceed \$25,000 in any taxable year and the credit cannot exceed more than \$100,000 over the lifetime of the selling farmer credit. Any unused credit in a taxable year may be carried for up to five (5) years. If the credit is not utilized within the five (5) year period the credit is lost.

The approved Kentucky Selling Farmers Tax Credit is found on Schedule ITC, Section A – Business Incentives and Other Tax Credits, Line 3.

### **Form 461-K**

In accordance with Federal CARES Act, the IRS has suspended the excess business loss limitation and the 80% limitation on the NOL. Kentucky did not adopt this federal change. Kentucky Form 461-K was created as Federal Form 461 no longer exists.

Form 461-K is used to calculate excess business loss. Excess business loss is the amount which the total deductions from your trades or businesses are more than your total gross income or gains from your trades or businesses, plus the threshold amount. The threshold amount for 2019 is \$255,000 (\$510,000 for married taxpayers filing jointly or married filing separately on a combined return). Form 461-K should be used if you're a noncorporate taxpayer and your net losses from your trades or business are more than \$255,000 (\$510,000 for married taxpayers filing jointly or married filing separately on a combined return).

Your excess business loss from each year will be treated as a net operating loss carryover. This amount will be entered on the Schedule KNOL.

### **Schedule KNOL (42A740-KNOL)**

A net operating loss generated for the taxable year beginning before January 1, 2018 may be carried forward 20 years following the loss year; however, a net operating loss cannot be carried back for tax years beginning on or after January 1, 2005. Net operating losses generated on or after January 1, 2018 may be carried forward indefinitely.

Net operating losses generated on or after January 1, 2018 may only offset up to 80% of the taxable income, but any unused amounts are available for carryforward indefinitely.

Documentation to substantiate any loss must be available to the Department of Revenue upon request.

Schedule KNOL is used by an individual, estate or trust to compute a Kentucky net operating loss deduction. Schedule KNOL is to be used in the year the loss occurred.

Schedule KNOL was revised due to the change in the net operating loss deduction computation described above. Part II and Part III were added in tax year 2019. Part II is used to determine the net operating loss deduction for TY2020. The total net operating loss deduction amount from Part II, line 8 should be listed on Schedule M, line 16. Part III is used to calculate the net operating loss carryforward. Schedule KNOL is required if the amount on Schedule M, line 16 is greater than 0. One of the most common errors for tax year 2019 was the missing Schedule KNOL on individual/fiduciary with a Kentucky Net Operating Loss.

### **Electronic Payment of Estimate Tax Payments**

Kentucky elected to mirror the federal rules for estimated tax penalty for tax year 2019. This resulted in changes to the Form 2210-K and Form 2220-K, namely the addition of section for calculating the annualized income installment or required annual payment. The form and form instructions provide direction for completion.

Form 740 and Form 740-NP line 34(a) represents the estimated tax penalty as calculated on Form 2210-K.

Four installments of 25% of the estimated tax are due with the following due dates for 2021:

- April 15, 2021
- June 15, 2021
- September 15, 2021
- December 15, 2021 (business income tax), January 18, 2022 (individual and fiduciary income tax)

Reference: [KY-TAM-19-02](#), Form 720ES and Form 740ES

Due to the 2019 tax due date being pushed back the 1st and 2nd estimated tax payment was adjusted to 07/15/2020 and Form 2210-K, Underpayment of Estimated Tax by Individuals, was updated to account for the extension on the first 2 payments of estimated tax

### **Form 8863-K – Education Tuition Tax Credit**

Any unused credit carryforward remaining from the 2014 tax return is no longer eligible for a carryforward on Form 8863K.

Reminder: File the 8863-K to establish the credit for carryforward purposes, so the record will be there for verification when the carryforward is claimed in the future.

**Form 741**

The Form 741, Tax Computation Section was revised for tax year 2020. Refer to lines 21 through 28. Lines were added for penalty and interest in addition to a break out of separate lines for tax due, refund and credit forward.

**E-File Software**

Check the software prior to purchasing to determine if the forms and services supported meet your needs.

**Schedule KW-2 (42A740-KW2) – Kentucky Income Tax Withheld**

Schedule KW-2 – Kentucky Income Tax Withheld is used to report Kentucky income tax withheld for **paper filed** returns. Schedule KW-2 should be completed using the 2020 W-2 and 1099 forms that have Kentucky income tax withheld.

Schedule KW-2 should be included with mailed returns instead of the income and withholding tax statements (W-2, W-2G, 1099-R, etc.). The taxpayer must keep copies of the Kentucky income and withholding tax statements for the same retention period as the return and provide them to KDOR if requested.

**When the return is printed from the software package, the KW-2 should be included in the package if there is a possibility that the return will be filed by mail instead of e-filed.**

The Schedule KW-2 is **not** used for **e-filed** returns. All Kentucky withholding claimed on the e-file tax return must be supported by an income and withholding tax statement schema as required in past years.

**Schedule P - Pension Exclusion**

The pension exclusion for tax year 2020 remains at \$31,110. Kentucky taxpayer's who are retired from the federal government, the Commonwealth of Kentucky, or a Kentucky local government and a portion of the pension income is attributable to federal or Kentucky government service performed prior to January 1, 1998 are still entitled to exclude more than \$31,110. Any additional pension exclusion requires a Schedule P (42A740-P).

Instructions have been included on Schedule P to assist with determining whether a taxpayer needs to file a Schedule P.

## Section 2 - Kentucky Efile/EPay Important Dates

*Kentucky usually follows the IRS's lead with regard to the beginning and ending filing dates.*

For Taxable Period beginning January 1, 2020, and ending December 31, 2020  
(Processing Year 2021)

IRS Begin Federal/State Software Testing for TY2020	TBD
<i>Kentucky Testing start date per return type</i>	
Form 740	TBD
Form 740-NP	TBD
Form 740-NP-R	TBD
Form 40A102	TBD
Form EPAY	TBD
Form 741	TBD
Form 720	TBD
Form PTE	TBD
Form 720-U	TBD
Form 725	TBD
Amended Returns	TBD
Begin Transmitting TY2020 Returns to IRS/KDOR:	
Form 740	TBD
Form 740-NP	TBD
Form 740-NP-R	TBD
Form 40A102	TBD
Form EPAY	TBD
Form 741	TBD
Form 720	TBD
Form PTE	TBD
Form 720-U	TBD
Form 725	TBD
Amended Returns	TBD
TY2020 Filing Due Date	4/15/2021
Last Day to Transmit TY2020 Form 40A102/740EXT	4/15/2020
Last Day to Transmit Kentucky Returns Electronically for TY2019	TBD

**NOTE: These dates are subject to change at any time.**

## Section 3 - Electronic Filing/Payment Help Desk

The Electronic Filing/Payment Help Desk is for use by electronic transmitters and preparers experiencing problems with electronic filing of an individual income tax returns, business income tax return, withholding bulk filing and electronic payments. Taxpayer's needing assistance on all tax matters should contact the Taxpayer Assistance Help Desk at 502-564-4581.

### **E-file Help Desk Phone # 502-564-5370, option 2 for the E-Commerce Branch;**

- Option 1 – EFT Payments
- Option 2 – Individual/Fiduciary Income Tax E-file
- Option 3 – Business Income Tax E-File
- Option 4 – Withholding Tax – Bulk Filing
- Option 5 – Electronic Payments

**Fax # 502-564-0230**

**E-Payment Help Desk Toll Free # 800-839-4137**

**The help desk operating hours are Monday through Friday, 7:00 a.m. through 4:00 p.m. (EST). The help desk will observe all state holidays.**

### **Staffing:**

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## **Section 4 – Publications and Links**

### **Kentucky Links**

Kentucky Department of Revenue - <https://revenue.ky.gov>

Tax Pros - <https://revenue.ky.gov/TaxProfessionals/Pages/default.aspx>

Kentucky Tax Alerts - <http://revenue.ky.gov/News/Publications/Pages/Tax-Alerts.aspx>

Tax Answers - <https://taxanswers.ky.gov/>

Get Help - <https://revenue.ky.gov/Get-Help/Pages/default.aspx>

Income Tax Refund Status - <https://refund.ky.gov/>

Kentucky E-file and Payment Options - <https://revenue.ky.gov/Collections/Pages/E-file-Payment-Options.aspx>

Kentucky E-Payments – Credit Card and ACH Debits - Kentucky Department of Revenue’s Electronic Payment Application for making payments by credit card or electronic check:

<https://epayment.ky.gov/EPAY>

Kentucky EFT Debit Payments - Tax Payment Solution application to make payments by Electronic Funds Transfer (EFT):

<https://secure.kentucky.gov/dor/payment/web/login.aspx>

### **IRS Links**

Publication 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns - <https://www.irs.gov/pub/irs-pdf/p1345.pdf>

Internal Revenue Service - <https://www.irs.gov/>

Tax Pros - <https://www.irs.gov/tax-professionals>

Income Tax Refund Status - <https://www.irs.gov/refunds>

Forms and Instructions - <https://www.irs.gov/forms-instructions>

IRS filing - <https://www.irs.gov/filing>

IRS Payments - <https://www.irs.gov/payments>



## Section 5 - Federal/State Electronic Filing

### General Information

Tax preparers and transmitters accepted in the IRS Electronic Filing Program will be able to participate in the Federal/State Electronic Filing Program and be able to file both the federal return and the state return in one transmission to the IRS through MeF. **The software used to transmit the data must be certified by both the IRS and Kentucky Department of Revenue (KDOR).** KDOR will provide a certification letter to all approved software developers. This certification should accompany the final version of the software. The IRS will acknowledge acceptance of the federal data and receipt of the state data packet. The IRS acts as a conduit through which KDOR will retrieve the state data packet for processing.

### Who May Participate

Federal/state electronic filing for Kentucky returns is available to all interested parties who have been accepted in the federal electronic filing program. There is no additional application for Kentucky. Contact your software provider directly if you have questions regarding availability of state software packages.

### State-Only/Unlinked Return Filing

Kentucky continues to accept state-only/unlinked returns for the 2020 tax year. State-only filing is a method to file a state return through the current Fed/State system. The type returns that will be eligible for state-only filing are: 1) Previously rejected state e-filed returns and, 2) State returns input separately from a previously filed federal return. 3) State returns where a federal return was not required. **In all transmissions, the federal data must be attached.**

**Consult your software provider to determine the availability of state-only filing.**

## **Section 6 - Acceptance Process**

In order to participate in the Federal/State Electronic Filing Program, participants must apply to the IRS Electronic Filing Program. Federal Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns, specifies the application process and requirements for federal participation. The IRS definition of the various categories of electronic filers (electronic return originator, transmitter or software developer) will apply for Kentucky electronic filing purposes under the federal/state program. KDOR will use the same EFIN and ETIN assigned by the IRS for the Federal/State Electronic Filing Program.

KDOR will recognize the federal acceptance process for the 2020 tax period. Acceptance into the federal program is automatic acceptance into the Kentucky electronic filing program. No separate application form is necessary for the Kentucky program. KDOR will conduct a suitability check on the applicants into the Federal/State Electronic Filing Program. An additional application is not required for the Kentucky Department of Revenue but a completed Letter of Intent (LOI) is required.

The 2020 Letter of Intent is required. The National and Kentucky LOI are maintained on the FTA secure State Exchange System (SES) with states having access for suitability determination. Authorized tax software industry (Industry) users will have access to the Kentucky LOI on SES for authorized industry members to access. The Kentucky LOI and Attachment A must be completed and provided to KDOR prior to testing.

Authorized tax software industry personnel will provide a contact list to the National Association of Computerized Tax Processors (NACTP). The names of the authorized Industry users will be provided to the states. KDOR will check the authorized list and grant access to the Kentucky (KYST) folders in SES upon request. Kentucky's LOI, draft and final forms, and e-file specifications will be posted to the KYST folder in SES.

Industry is required to test with KDOR prior to distribution of software. Use of untested software will cause the returns to be rejected.

In addition to industry tax software developers, transmitters will be allowed to test with KDOR to ensure they have the ability to retrieve the Kentucky acknowledgment records. Tax preparers and EROs also have the option to test with KDOR but this is not required.

Kentucky participates in ATS testing. Testing information will be posted on SES or can be obtained by contacting the Kentucky Department of Revenue. Kentucky will accept criteria based tests for tax year 2020. Testing instructions will be outlined in the KY MeF Guide for Tax Software Developers and Transmitters posted to SES prior to the ATS start date.

## **Section 7 - Filing an Electronic Return**

### **Composition of an Electronic Return**

An electronic return consists of data transmitted electronically to KDOR, using the IRS as a conduit. Linked and Unlinked returns are accepted.

### **Electronic Portion of Return / What is Accepted for E-file?**

The following forms and schedules can be transmitted electronically and are considered the electronic portion of the tax return:

#### Current Year Forms/Schedules/Worksheets Accepted for E-file

- All federal individual income tax forms and schedules allowed by IRS Publication 1345, Section 18

#### Main Forms

- Form 740, Kentucky Individual Income Tax Return
- Form 740-NP, Kentucky Individual Income Tax Return – Nonresident and Part-Year Resident Return
- Form 740-NP-R, Kentucky Individual Income Tax Return – Nonresident – Reciprocal
- Form 741 – Kentucky Fiduciary Income Tax Return
- Form EPAY, Kentucky Electronic Payment Request Form
- Form 720 - Kentucky Corporation Income Tax and LLET Return
- Form PTE - Kentucky Pass-through Entity Income Tax and LLET Return
- Form 720U – Kentucky Unitary Combined Corporation Income Tax and LLET Return
- Form 720-SL/720-EXT – Extension of Time to File Kentucky Corporation/LLET Return
- Form 725 - Kentucky Single Member LLC Individually Owned LLET Return
- Form 740EXT/40A102 – Application for Extension of Time to File Individual, General Partnership, and Fiduciary Income Tax Returns for Kentucky

#### Supporting Forms and Schedules

- Form 2210-K, Underpayment of Estimated Tax by Individuals
- Form 2220-K, Underpayment and Late Payment of Estimated Income Tax and LLET
- Form 4562-K, Kentucky Depreciation & Amortization
- Form 4797-K, Kentucky Sales of Business Property
- Form 4972-K, Kentucky Tax on Lump-Sum Distributions
- Form 722 – Election to File Consolidated Kentucky Corporation Income and Limited Liability Entity Tax Return
- Form PTE(K), Schedule K for Pass-through Entities with Economic Development Projects
- Form 851(K), Kentucky Affiliations and Payment Schedule
- Form 8582K, Kentucky Passive Activity Loss Limitations

- Form 8810K, Corporate Passive Activity Loss and Credit Limitation
- Form 8863K, Kentucky Education Tuition Tax Credit
- Form 8874K(A), Notice of Kentucky New Markets Development Program Tax Credit and Certification
- Form 8874K(B), Notice of Kentucky New Markets Development Program Tax Credit Recapture
- Schedule 720SDK, Capital Gains and Losses
- Schedule PTE K1, Shareholder's Share Of Income, Credits, Deductions, etc
- Schedule 725DK, Capital Gains and Losses
- Schedule 765DK, Capital Gains and Losses
- Schedule A (Form 74 0), Kentucky Itemized Deductions
- Schedule A (Form 740-NP), Kentucky Itemized Deductions
- Schedule A (Form 720), Apportionment and Allocation for corporations and pass-through entities taxable both within and without Kentucky
- Schedule BIO, Application and Credit Certificate of Income Tax/LLET Credit Biodiesel
- Schedule CC, Coal Conversion Tax Credit
- Schedule CCI, Application and Credit Certificate of Clean Coal Incentive Tax Credit
- Schedule CELL, Application and Credit Certificate of Income Tax/LLET Credit Cellulosic Ethanol
- Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold
- Schedule CR, Pro Forma Federal Consolidated Return Schedule
- Schedule D, Kentucky Capital Gains and Losses
- Schedule DE, Kentucky Disregarded Entities
- Schedule DK, Kentucky Capital Gains and Losses
- Schedule DS, Distilled Spirits Tax Credit
- Schedule KCR, Kentucky Consolidated Return Schedule
- Schedule ENDOW, Notice of ENDOW Kentucky Tax Credit and Certification KRS 141.438
- Schedule ETH, Application and Credit Certificate of Income Tax/LLET Credit Ethanol
- Schedule FON, Tax Credit Computation Schedule for a FON Project of a Corporation
- Schedule FONSP, Tax Computation Schedule (For A FON Project Of A Pass-Through Entity)
- Schedule FONT, Tracking Schedule for a FON Project
- Schedule IEIA, Tax Credit Computation Schedule for an IEIA Project of a Corporation
- Schedule IEIASP, Tax Computation Schedule for a IEIA Project of a Pass-Through Entity
- Schedule IEIAT, Tracking Schedule For An IEIA Project
- Schedule INV, Kentucky Inventory Tax Credit
- Schedule ITC, Kentucky Individual Tax Credit Schedule
- Schedule J, Kentucky Farm Income Averaging

- Schedule K1, Kentucky Beneficiary's Share of Income, Deductions, Credits, Etc.
- Schedule KBI, Tax Credit Computation Schedule for a KBI Project of a Corporation
- Schedule KBISP, Tax Computation Schedule for a KBI Project of a Pass-Through Entity
- Schedule KBIT, Tracking Schedule For A KBI Project
- Schedule KCR, Consolidated Return Schedule
- Schedule KIDA, Tax Credit Computation Schedule for a KIDA Project of a Corporation
- Schedule K1 DASP, Tax Computation Schedule for a KIDA Project of a Pass-Through Entity
- Schedule K1 DAT, Tracking Schedule For A KIDA Project
- Schedule KIRA, Tax Credit Computation Schedule for a KIRA Project of a Corporation
- Schedule KIRA SP, Tax Computation Schedule for a KIRA Project of a Pass-Through Entity
- Schedule KIRAT, Tracking Schedule for a KIRA Project
- Schedule KJDA, Tax Credit Computation Schedule for a KJDA Project of a Corporation
- Schedule KJDASP, Tax Computation Schedule for a KJDA Project of a Pass-Through Entity
- Schedule KJDAT, Tracking Schedule for a KJDA Project
- Schedule KJRA, Tax Credit Computation Schedule for a KJRA Project of a Corporation
- Schedule KJRASP, Tax Computation Schedule for a KJRA Project of a Pass-Through Entity
- Schedule KJRAT, Tracking Schedule for a KJRA Project
- Schedule KNOL, Kentucky Net Operating Loss
- Schedule KRA, Tax Credit computation Schedule for a KRA Project of a Corporation
- Schedule KRASP, Tax Computation Schedule for a KRA Project of a Pass-Through Entity
- Schedule KRAT, Tracking Schedule for a KRA Project
- Schedule KREDA, Tax Credit Computation Schedule (For a KREDA Project of a Corporation)
- Schedule KREDASP, Tax Computation Schedule for a KREDA Project of a Pass-Through Entity
- Schedule KREDAT, Tracking Schedule for a KREDA Project
- Schedule LC, Limited Liability Entity Tax - Continuation Sheet
- Schedule M, Kentucky Federal Adjusted Gross Income Modifications
- Schedule NOL, Net Operating Loss Schedule
- Schedule P, Kentucky Pension Income Exclusion
- Schedule QR, Qualified Research Facility Tax Credit
- Schedule RC, Application for Income Tax/LLET Credit for Recycling and/or Composting Equipment or Major Recycling Project

- Schedule RCR, Recycling or Composting Equipment Tax Credit Recapture
- Schedule RPC, Related Party Costs Disclosure Statement
- Schedule RRE, Application and Credit Certificate of Income Tax / LLET Credit Railroad Expansion
- Schedule RRI, Railroad Maintenance and Improvement Tax Credit
- Schedule TCS, Tax Credit Summary Schedule
- Schedule UTC, Unemployment Tax Credit
- Schedule VERB, Voluntary Environmental Remediation Tax Credit (Brownfield)
- Worksheet A, Tax Paid to Other State
- Worksheet C, Limited Liability Entity Tax Credit
- Worksheet E, Federal Estate Tax Deduction
- Worksheet NRC, Nonrefundable Credit Worksheet

Wage and Tax Statements Accepted for E-file:

- W2
- W2-G
- 1099-B
- 1099-DIV
- 1099-G
- 1099-INT
- 1099-MISC
- 1099-OID
- 1099-R
- Form PTE-WH

Prior Year Returns Accepted for E-file:

- TY2019 and TY2018 Individual income tax returns (740, 740-NP, 740-NP-R, Amended 740, Amended 740-NP)
- TY2019 and TY2018 Fiduciary income tax returns (741, Amended 741)
- TY2019 and TY2018 Business income tax returns (720, 720S, 725, 725-EZ, 765, 765-GP, Amended 720, 720S, 725, 725-EZ, 765, 765-GP)

Software packages may or may not support all forms available for Kentucky electronic filing. **Check your software package for forms availability.** Any electronic tax returns submitted without all required forms will be rejected. The tax software will provide the taxpayer with the rejection reason. A list of rejection codes can be found on the SES.

### **Filing Amended Returns**

#### *Individual Income Tax Returns*

If you discover that you omitted deductions or otherwise improperly prepared your return, you may obtain a refund by filing an amended return within four years of the due date of the original return. You are required to file an amended return if you omitted income.

For e-file, wait for the receipt of the acknowledgement of the original return before submitting an amended return. The original return may be rejected. In that situation, you can correct the original and resubmit it, eliminating the need to file an amended return. If the original return is accepted, then the amended return should be filed.

Two lines are included on the Form 740 and Form 740-NP for use when amending the TY2020 return. These lines should **not** be used on the original return. Complete the entire return including the two lines listed below to arrive at the new refund or liability amount. Refunds on amended returns will be issued by paper check.

Form 740:

- Line 29 was added to list the amount of overpayment shown on the original return
- Line 31(d) was added to list the amount paid with the original return plus any additional payments made after the original return was filed.

Form 740-NP:

- Line 29 was added to list the amount of overpayment shown on the original return
- Line 31(e) was added to list the amount paid with the original return plus any additional payments made after the original return was filed.

An additional field exists for the taxpayer to enter the reason for amending the original return when e-filing the return.

Use the correct form for the tax year you are amending. For tax year 2017, 2018, 2019 & 2020 use Form 740 and check the box for amended. To amend the Form 740-NP for any tax year, use Form 740-NP and check the box for amended.

Kentucky accepts the e-file of Form 740-NP with the amended box checked for tax years 2020, 2019, and 2018; Form 740 with the amended box checked for tax years 2020, 2019 and 2018. All other tax years must be mailed to the Kentucky Department of Revenue.

### **Income and Withholding Tax Statements**

All Kentucky withholding claimed on the tax return **must** be supported by an income and withholding tax statement. The following income and withholding tax statements are available as schemas: W-2, W-2G, 1099-R, 1099-B, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-DIV and Form PTE-WH when the return is e-filed. If the software does not support the income and withholding tax statement, a PDF attached to the electronic submission will be accepted. The submission of a PDF document will delay the processing of the tax return as it will have to be manually reviewed by KDOR staff. Check with your software provider to determine what is supported by the software.

The software should include a Schedule KW-2 for tax year 2019 and 2020 returns if the return is printed and not e-filed. The Schedule KW-2 should be included with the mailed

return instead of the income and withholding tax statements. The income and withholding statements should be retained with the file copy of the return.

### **Driver's License/State Issued Identification Number**

The individual income tax return forms 740, 740-NP and 740-NP-R allows taxpayers to provide their driver's license or state issued ID number if they choose. While providing a driver's license or state issued ID number is **optional**, doing so may expedite return processing. The Kentucky Department of Revenue uses the driver's license or state issued ID number to screen returns for tax fraud and identity theft problems. Returns that do not include a driver's license or state issued ID number will not be scrutinized more than returns that do include a driver's license or state issued ID number.

Kentucky has implemented many internal measures along with collaborating with outside sources to prevent tax fraud and identity theft. Safeguarding tax information is very important to the Kentucky Department of Revenue.

### **Non-electronic Portion of Return**

The non-electronic portion of the return consists of the following:

- Form 8879-K, Kentucky Individual Income Tax Declaration for Electronic Filing
- Form 8879-F, Kentucky Fiduciary Income Tax Declaration for Electronic Filing
- Form 8879(C)-K, Kentucky Corporation's, Partnership's or LLC's Tax Return Declaration for Electronic Filing
- Form EPAY- The hardcopy of the Form EPAY (42A740-EPAY) with the applicable signatures.
- Supporting schedules and documents requiring signatures such as the 8879's mentioned above.
- Any other informational documents that the taxpayer voluntarily includes with the return as supporting material.

### **Guidelines for Form 8879-K / Form 8879-F / Form 8879C-K / Form 40A102 / Form EPAY**

**Note:** These forms contain direct deposit and/or direct debit information and should be printed for any taxpayer that selects these options.

#### ***Form 8879-K / Form 8879-F / Form 8879C-K***

- Fed/State E-filed returns with a federal PIN – For returns filed via this method, the Kentucky 8879 (8879-K/8879-F/8879C-K) is **not** required. The use of the federal PIN meets signature requirements for the Kentucky return.
- Fed/State E-filed returns without a federal PIN – For returns filed via this method, the Kentucky 8879 is required. **This document does not need to be mailed to KDOR at the time of the filing.** It may be requested at a later date. EROs must retain them for a period of three years. State copies of the wage statements, supporting schedules, documents requiring signatures and other informational documents should be attached to the Kentucky 8879 and be retained by the ERO for a period of three years.



- Online Filing – For returns filed via this method, the Kentucky 8879 is required. This document does **not** need to be mailed to KDOR. Taxpayers must retain the form for a period of three years.
- The Kentucky 8879 may be signed using any electronic signature method authorized by the Internal Revenue Service (IRS) for signing federal Form 8879 as outlined in IRS Publication 1345.

***Form 740EXT/40A102 and 720EXT/720-SL***

- A copy of the form should be signed and retained by the taxpayer and/or tax preparer if the state extension is being filed electronically. It may be requested at a later date. The retention period is the same as the tax return retention period.

***Form EPAY***

The purpose of this form is to authorize the Kentucky Department of Revenue and its designated Financial Agent to initiate an ACH electronic funds withdrawal to the financial institution account indicated by the taxpayer for payment of taxes and estimate tax other than at the time of filing the individual income tax return. This e-file option allows the taxpayer to request a direct debit before or after the return has been filed.

**If the request to make the withdrawal is being made at the time of filing the individual income tax return, Form 8879-K, Kentucky Individual Income Tax Declaration For Electronic Filing must be completed instead of Form EPAY.**

The following is the sequence of events in the handling of Form EPAY:

- An ERO prepares the Form EPAY and computes the taxes based on the information the taxpayer provides or accepts an already prepared Form EPAY for the purpose of transmitting it electronically.
- Use the same name on Form EPAY and the income tax return. This will aid in matching the payment to the correct account.
- After the Form EPAY has been prepared and before it is transmitted, the taxpayer must verify the information and sign Form EPAY.
- A copy of the Form EPAY must be provided to the taxpayer.
- Retain the signed form for a period of 3 years.

Form EPAY authorizing the electronic tax payment is completed for the purposes of taxpayer verification and signature. Practitioners are prohibited from allowing taxpayers to sign a blank Form EPAY. It is permissible to have the taxpayer review the completed form on the display terminal. The taxpayer should always review the completed Form EPAY before signing it.

A Submission Identification Number (Submission ID) should be assigned to Form EPAY. This Submission ID should be entered on the form and the copy provided to the taxpayer. If the form is rejected and resubmitted, a new Submission ID must be assigned. If multiple payments are made throughout the year, a new Form EPAY should be used each time.

Additional Requirements:

- The signed copy of the form must be retained for a period of 3 years from the date the form is accepted for processing by Kentucky. An acknowledgement record will be provided for every submission.
- Do not mail the form to the Department unless requested to do so. If requested, a copy of the form must be provided to KDOR within 5 days of the request.
- If the taxpayer is using an ERO, it is the responsibility of the ERO to retain the form and provide the taxpayer with a copy of the signed document.
- If the taxpayer is paying on an existing bill, the notice number of the bill should be provided with the payment.
- If the ERO is the paid preparer, the ERO may check the “Also paid preparer” check box and complete only the ERO section. However, the PTIN number should also be provided in the ID # field.
- Use only the official Form EPAY or an approved substitute form that duplicates the official form in format, language, content and size. Photocopies are acceptable.
- A copy of the individual income tax form or bill should **not** be attached to the electronic filed Form EPAY.

**NOTE:** Due to federal electronic banking regulations, question 10 must be answered on Form EPAY if the taxpayer elects to pay via direct debit.

- If a taxpayer elects to pay via direct debit and answers yes for question 10, direct debit is not an option. The taxpayer must submit payment via check or money order or pay the amount due via credit card by visiting our website.

**Exclusions from Electronic Filing of Individual Income Tax Return**

In addition to the returns excluded from federal electronic filing listed in IRS Publication 1345 for tax year 2020 (2021 filing season), the following are specific Kentucky forms which are also excluded:

*Individual Income Tax*

- Individual Income Tax Returns prior to TY2018
- Injured Spouse Declaration

*Business Income Tax*

- Prior Year Returns – Business Income Tax Returns prior to TY2018

*Fiduciary Income Tax*

- Prior Year Returns – Fiduciary Income Tax Returns prior to TY2018

## Section 8 - Transmitting the Kentucky Electronic Return

Kentucky returns included in the Federal/State Electronic Filing Program are transmitted to the IRS, along with the federal return. Transmissions shall be accomplished according to IRS procedures.

Kentucky will accept state-only/unlinked returns for the 2020 tax year. Consult your tax software to determine the availability of state-only/unlinked filing.

Once the IRS has provided an acknowledgment to the ERO, the state data segment is available to KDOR for retrieval within 24 business hours. **KDOR will not receive any state data associated with a rejected federal return.**

The IRS acknowledges only that it received the state data for both Fed/State and state-only transmissions. The IRS acknowledgment is not an indication that the KDOR has “accepted” your state return. You must receive the Kentucky acknowledgment to be assured your state return has been accepted. Contact KDOR if you receive a federal acknowledgment but no state acknowledgment within three business days from the time acknowledgment is received from the IRS.

### **Acknowledgment of Receipt and Acceptance/Rejection of the Kentucky Return**

The Kentucky receipt and acknowledgment system is designed to inform transmitters that the Kentucky return has been received and either accepted or rejected by the KDOR. Kentucky’s acknowledgement system is handled through the IRS. We will be using the same format that is described by the IRS for all acknowledgements.

Transmitters are encouraged to retrieve their acknowledgment records regularly. Transmitters should notify their EROs of the return’s acceptance within two business days after obtaining the acknowledgment. EROs are instructed to wait until they receive the acknowledgment record before the corresponding Kentucky Form 8879 is held for the retention period. (See Section 9).

Upon receipt of the Kentucky submission from the IRS, KDOR will generate an acknowledgment record to the IRS for retrieval by transmitters. Two acknowledgment records will be provided for each submission. The first is the acknowledgement of the receipt of the submission and is completed immediately upon the retrieval of the submission or shortly thereafter depending on the intake volume.

The second is the acceptance/rejection acknowledgement. The acknowledgement record should be processed within two business days from the time the submission is receipted or shortly thereafter depending on the intake volume.

The system will provide codes of “A” for accepted, “R” for rejected. The records with acknowledgement codes of rejected will not be accepted for processing and a reason for the rejection will be provided. The acknowledgement code of “A” means that the return has been accepted for processing by KDOR but not necessarily that the return is error free.

NOTE: All transmitters will be allowed to perform state testing to ensure they can access and retrieve the state acknowledgment record.

### **Non-receipt of Kentucky Acknowledgment Record**

If any of the following error conditions occur, follow the resolution process indicated below.

- Kentucky acknowledgment records are received for some, but not all returns filed on a given date. Note that Kentucky has a manual review process for some edit failures that will delay the acknowledgement during peak filing periods.
- IRS acknowledgment records were received more than four business days ago and no Kentucky acknowledgment records have been received.
- A transmission day is skipped (i.e., received acknowledgment records for a Monday and a Wednesday but none for a Tuesday transmission).

In all instances, the IRS acknowledgment record should be received before you contact the Kentucky Department of Revenue.

### **Resolution Process**

To check the status of a Kentucky acknowledgment record, contact the Electronic Filing Help Desk after the 2 business day timeframe has expired. Provide the submission id and date of transmission to the help desk when inquiring about a missing acknowledgement.

### **Paper Returns to Replace Rejected Returns**

If it is determined the return is not eligible for state-only filing, you may be required to file a paper return. The paper return should include a printout of the return (including a copy of the federal return and all supporting schedules) and Schedule KW-2 or copies of all income/withholding tax statements (Forms W-2, W-2G, 1099-R, etc.). Include a note on the return explaining that it was electronically filed on (date) and rejected. The date the return was originally e-filed will be used as the filing date.

Mail paper returns to replace the rejected electronic returns to the following address based on the type of return:

*Individual Income Tax Returns:*

#### **Refund/Other Returns**

Kentucky Department of Revenue  
Frankfort, KY 40618-0006

#### **Pay Returns**

Kentucky Department of Revenue  
Frankfort, KY 40619-0008

#### **Reciprocal State Return (Form 740-NP-R)**

Kentucky Department of Revenue  
Frankfort, KY 40620-0012

*Business Income Tax:*

**Refund/Other Returns**

Kentucky Department of Revenue  
P.O. Box 856905  
Louisville, KY 40285-6905

**Pay Returns**

Kentucky Department of Revenue  
P.O. Box 856910  
Louisville, KY 40285-6910

*Fiduciary Income Tax:*

**All Returns**

Kentucky Department of Revenue  
Frankfort, KY 40620-0016

**Changes to Electronic Filed Returns**

After electronic filed returns are transmitted, they cannot be recalled or intercepted in process. If the electronic filer or taxpayer wishes to change any entries after a return has been accepted, an amended return must be filed. No action should be taken to change the computation between the date transmitted and the date the KDOR acknowledges the return.

## **Section 9 – Kentucky Form 8879 (8879-K, 8879-F, 8879(C)-K) - Kentucky Income Tax Declaration for Electronic Filing**

**NOTE:** Due to federal electronic banking regulations, questions 10a or 10b (5a and 5b on Form 8879(C)-K) must be answered on Kentucky Form 8879 if the taxpayer elects to receive a refund via direct deposit (Question 5a/10a) or pay via direct debit (Question 5b/10b).

- If the taxpayer elects a direct deposit of their refund and answers yes on question 10a, a paper check will be issued.
- If a taxpayer elects to pay via direct debit and answers yes on question 5b/10b, KDOR will notify the taxpayer that they must submit payment via check or money order, or pay the amount due via credit card by visiting our website.

Kentucky Form 8879 is the signature portion of the return. If required, it must be completed and signed by all appropriate parties before the return is transmitted electronically. It also serves to transmit the taxpayer's banking information for direct deposits and direct debits.

Kentucky Form 8879:

- Authenticates the return;
- Authorizes the ERO to file the return electronically on behalf of the taxpayer; and
- Authorizes KDOR to inform the ERO whether a taxpayer's return has been accepted.

Returns requiring forms or schedules excluded in Section 7 must be filed in paper format. Electronic filers must not use Kentucky Form 8879 to submit forms or schedules which are excluded from electronic filing.

KY Form 8879 authorizes the KDOR to discuss tax return information with the ERO.

Use only the official Kentucky Form 8879 or an approved substitute form that duplicates the official form in format, language, content and size. Photocopies are acceptable.

The following is the sequence of events in the handling of the Kentucky Form 8879:

- An ERO prepares the return and computes the taxes based on the information the taxpayer provides or accepts an already prepared tax return for the purpose of transmitting it electronically.
- After the return has been prepared and before it is transmitted, the taxpayer must verify the information on the return and sign the Kentucky Form 8879.
- For individual income tax returns, the signature of both taxpayers is required on returns filed "Married, filing joint return" or "Married, filing separately on a combined return."

- For Form 8879(C)-K, the Authorized Business Representative's signature is required.
- For Form 8879-F, the Fiduciary or Agent's signature is required.
- A copy of the prepared return must be provided to the taxpayer.

The Kentucky Form 8879 is completed for the electronic tax return for the purposes of taxpayer verification and signature. See Section 7 for details on when to use the Kentucky Form 8879. A blank Kentucky Form 8879 is the same as a blank tax return. Practitioners are prohibited from allowing taxpayers to sign a blank tax return. However, it is permissible to have the taxpayer review the completed tax return on the display terminal. The taxpayer should also review the completed Kentucky Form 8879 before signing it.

The Submission Identification Number (Submission ID) assigned to the taxpayer's federal return will also be used for the Kentucky return. This Submission ID should be entered on Form 8879-K. If the electronic return is rejected by the IRS and a new Submission ID is assigned, you must use the Submission ID accepted by the IRS on the Kentucky electronic return and Form 8879-K.

Following the guidelines for Kentucky Form 8879 (see Section 7), the ERO is required to retain this form for a period of three years.

If requested by the KDOR, the ERO must provide the department with a copy of the Kentucky Form 8879 or a new Kentucky Form 8879 within five days of the department's request for the form.

## Section 10 - Refund Options

### *Individual Income Tax*

Taxpayers may elect to receive their overpayments refunded in various methods:

- Applied to their next tax year's estimated tax
- Mailed to them in the form of a refund check
- Deposited directly into a bank account
- Loaded to a state issued debit card

### *Business Income Tax and Fiduciary Income Tax*

- Applied to their next tax year's estimated tax
- Mailed to them in the form of a refund check

### **Direct Deposit**

The same verification procedures outlined in IRS Publication 1345 must be followed. Taxpayers' Kentucky refunds do not have to be direct deposited in the same bank account as their federal refunds.

KDOR's acknowledgment of the electronic return will not indicate whether the refund will be direct deposited.

Direct deposit is only available for e-file.

Some items which could cause KDOR to deny a direct deposit request:

- Direct deposit is not an option for the Form 740-NP, Form 740-NP-R, Form 741 or amended returns.
- KDOR reserves the right to deny direct deposit requests at our discretion.
- An invalid account number or bank routing number was provided.
- The amount of the refund is adjusted by the tax processing system.
- All or part of the overpayment is applied to the taxpayer's delinquent Kentucky taxes or the taxpayer's debts to other state agencies and/or the IRS.
- A Kentucky individual income tax return was not filed for the previous tax year.

The taxpayer may determine the reason for the conversion by calling the Department of Revenue's Taxpayer Assistance Section at (502) 564-4581 between 8:00 a.m. and 5:00 p.m., Monday through Friday, Eastern Standard Time.

**Verify all banking information before transmitting returns.**

### **State Issued Debit Card**

Taxpayers may choose to receive their refund on a state issued debit card issued by Bank of America by checking the appropriate box under refund options. The Debit Card Option boxes are found on line 41 of the Forms 740 and Form 740-NP.



- Taxpayers have the option of receiving the debit card material in Spanish.
- KDOR reserves the right to deny debit card requests at our discretion.
- The debit card is not an option for Form 740-NP-R.
- The debit card is not an option if the amount of the refund is adjusted by the tax processing system.
- The debit card is not an option if all or part of the overpayment is applied to the taxpayer's delinquent Kentucky taxes or the taxpayer's debts to other state agencies and/or the IRS.
- The debit card is not an option for amended returns.

## Section 11 – Refund Information

### Refund Delays

It is anticipated that refunds from Kentucky returns filed in the Federal/State Electronic Filing Program will be issued within 2 – 3 weeks for direct deposits and 4 weeks for paper checks from the time the return is received. However, the following conditions may delay refunds and/or change refund amounts on electronically filed returns:

- The taxpayer owes delinquent Kentucky taxes.
- The taxpayer owes a debt to another state agency or to the IRS.
- The estimated tax payments claimed on the return do not match the estimated tax payments recorded on KDOR's estimated tax file.
- The refund amount is adjusted when the electronic return is processed.
- Common problems are addresses containing a rural route. While the KDOR recognizes that some rural routes still exist in Kentucky, most rural routes have been eliminated and assigned a street name with a house number. Preparers should verify that the rural route is still a valid address before utilizing this address on the taxpayer's return. Another common problem is an address that contains both a post office box number and a street address. Enter the street name and house number on the first address line and enter the post office box number on the second address line.

### Refund Inquiries

Check the status of your refund for a current year return by accessing "Where's My Refund?" at the following link <https://refund.ky.gov/>

The following information from your return will be required:

- Your Social Security number shown on the return.
- The **exact** whole-dollar amount to be refunded to you.

To check the status of a previous year return, call 502-564-4581 and speak to an examiner.

## Section 12 – Payment Information

### **Payment of Balance Due Amounts**

The taxpayer is responsible for paying the amount due the KDOR on or before April 15, 2021 to avoid penalties and interest. Details of each payment option are listed below.

A 'tax due notice' will **not** be sent to the taxpayer prior to the April 15th filing deadline. The taxpayer should submit payment using one of the payment options listed below prior to April 15, 2021, to avoid penalties and interest.

***Failure to abide by these requirements may delay the processing of the income tax return and/or payment.***

### **Direct Debit of Your Financial Institution Account**

Taxpayers may elect to have the payment debited directly from their financial institution.

- **At the time of electronically filing the income tax return**
  - The payment **must** be the amount due as indicated on the return. No partial payments.
  - Allow up to two weeks for your debit payment to be withdrawn from your account.
  - A debit request on an individual or fiduciary income tax return received prior to April 15, 2021 can be warehoused through the April 15<sup>th</sup> due date. Warehoused payments are not accepted for business income tax returns. The debit will be processed when the return is processed. Payments with a requested debit date prior to the due date that are received prior to April 15, 2021 will be considered timely even if they are processed at a later date.
  - Debit requests received after April 15, 2021 will not be warehoused. The debit will occur once the return processing is complete. Use the current date or transmitting date as the direct debit date so the return will not be rejected for an invalid requested debit date.
  - The direct debit is authorized on the Kentucky Form 8879. The completed/signed form must be retained for 3 years.
- **At times other than when electronically filing the income tax return**
  - Taxpayers may file a Form EPAY to request a payment be debited from their financial institution account at other times throughout the year other than with the electronic filing of the individual income tax return.
  - The direct debit is authorized on the Form EPAY. The completed/signed form must be retained for 3 years.

Refer to Section 7 for additional information on the Kentucky Form 8879 and Form EPAY.

## **Payment by Check/Money Order**

Form 720-V, 740-V and 741-V are payment coupons that should be made available for printing through the ERO's software package when an e-file return is generated with a tax due. Taxpayers may elect to pay by check or money order.

- **Taxpayers who file their individual income tax return electronically but elect to pay by check/money order**
  - Make check/money order payable to Kentucky State Treasurer
  - Write "KY Income Tax-2020" on the check/money order
  - Include your social security number on the check/money order
  - Use the same name on the Kentucky tax return and the Form 740-V
  - Do not staple or clip the check and the Form 740-V to each other.
  - Do not include a copy of the electronically filed return with the payment. This delays processing of the electronic voucher and payment.
  - Taxpayers should mail the check or money order with the Form 740-V to the following address
    - Kentucky Department of Revenue
    - Frankfort, KY 40620-0011
  
- **Taxpayers who file their fiduciary income tax return electronically but elect to pay by check/money order**
  - Make check/money order payable to Kentucky State Treasurer
  - Write "2020 Form 741" on the check/money order
  - Include your name, address and FEIN on the check/money order
  - Use the same name on the Kentucky Form 741 tax return and the Form 740-V
  - Do not staple or clip the check and the Form 741-V to each other.
  - Do not include a copy of the electronically filed return with the payment. This delays processing of the electronic voucher and payment.
  - Taxpayers should mail the check or money order with the Form 741-V to the following address
    - Kentucky Department of Revenue
    - Frankfort, KY 40620-0015
  
- **Taxpayers who file their business income tax return electronically but elect to pay by check/money order**
  - Make check/money order payable to Kentucky State Treasurer
  - Include your name, address and FEIN on the check/money order
  - Use the same name on the Kentucky Form 720 tax return and the Form 720-V
  - Do not staple or clip the check and the Form 720-V to each other.
  - Do not include a copy of the electronically filed return with the payment. This delays processing of the electronic voucher and payment.
  - Taxpayers should mail the check or money order with the Form 720-V to the following address

**Payment by Credit Card or ACH Debit**

Taxpayers may pay their individual income tax by MasterCard, Visa, Discover or American Express credit card or by ACH Debit through April 15, 2021. Access the Department of Revenue's secure Web site ([www.revenue.ky.gov](http://www.revenue.ky.gov)) to make credit card payments and electronic check payments over the Internet. Click on the *KY E-Tax* logo then select E-Payments-Credit Cards and ACH Debits link. If the taxpayer does not have access to the Internet, they may call the Taxpayer Assistance Branch (502) 564-4581 for assistance with payments.

To make a credit card payment, the following information is required: credit card type credit card number, expiration date, and the cardholder's address as it appears on the credit card billing statement. To make an ACH Debit payment, the following information is needed: bank account number and bank routing number.

**Electronic Estimate Tax Payments**

The Form 740-ES-Kentucky Estimated Tax Voucher is used when making installment payments for estimated tax for both individual income tax and fiduciary income tax. A common error in past years was the failure to include the Form 740-ES with the check when making estimated payments for fiduciary income tax.

Taxpayers may schedule up to four equal direct debit of estimate tax at the time their state individual income tax return is electronically filed. Direct debit of estimate tax can be scheduled in addition to a direct debit of the tax amount due or direct deposit of refund, but the financial institution information (routing number, account number and type of account) must be the same in all the requested transactions. Direct debit of estimate tax may also be scheduled in the absence of a direct deposit of refund or direct debit of tax amount due transaction.

To revoke (cancel) a payment, the taxpayer must contact the Kentucky Department of Revenue at (502) 564-4581 no later than 2 business days prior to the payment (debit) date.

The scheduled payment dates for the 2021 estimate tax payment period are

- April 15, 2021
- June 15, 2021
- September 15, 2021
- December 15, 2020 for business income tax and January 17, 2022 for individual income tax

## Section 13 – ERO Information

### What Electronic Return Originators Must Provide to the Taxpayer

The ERO must furnish the taxpayer with documentation of all completed Kentucky forms and schedules filed for the taxpayer. This material should be provided to taxpayers at the time they sign the Kentucky Form 8879 or use one of the electronic pin signature methods made available by the IRS.

The ERO must also provide the taxpayer with a copy of the following material filed with KDOR:

- The applicable completed Form 8879-K, 8879-F or 8879(C)-K, if required
- Other documents containing required signatures.
- Any other documents which are not Kentucky forms or schedules.

In addition, the ERO should advise the taxpayer to retain copies of the following material:

- Income/Tax statements (Form W-2, W-2G, 1099-R, etc).
- Any other documents, not required by KDOR, which the taxpayer voluntarily includes as supporting material.
- The signed Kentucky Form 8879, if required.

Immediately upon learning that a return was not accepted by KDOR, the ERO must advise the taxpayer that their return was not accepted, **(if the return is not eligible for state-only filing)** and that a paper return must be filed. The taxpayer should allow up to twelve weeks for any Kentucky refund to be issued on a paper return.

If an electronically filed return was acknowledged as accepted by the KDOR, the ERO should advise the taxpayer to wait three weeks from the acknowledgment date before making an inquiry about his/her refund.

**It is the responsibility of the electronic return originator to follow all guidelines in IRS Publication 1345.**

## **Section 14 – Penalties/Fees**

### **Penalties for Disclosure or Use of Information**

Guidelines outlined in IRS Revenue Procedure 94-63 and 94-63A should be followed as well as Kentucky Revised Statute 131.190.

### **Penalties for Late Filing, Late Payment and Fraudulent Returns**

This provision provides due notice that all additions to tax, penalties, and criminal provisions applicable to paper filers are also applicable to electronic filers. Specifically, penalties and interest for late filing, late payment and underpayment of estimate tax will be assessed.

Penalties will be assessed against any person filing an incomplete or misleading return. Additionally, any person who willfully subscribes or presents a fraudulent return will be subject to prosecution and penalties. Other criminal provisions will be applicable to the extent that a person attempts to commit forgery and falsify signatures on any electronic filing form, check or direct deposit form.

### **Electronic Filing Mandate - Form 8948-K - Preparer Explanation for Not Filing Electronically**

Tax preparers that file more than ten individual income tax returns are required to file their client's returns electronically. A preparer who fails or refuses to comply with the mandate shall pay a return processing fee of \$10 for each return not filed as required, unless it is shown that failure is due to reasonable cause.

The Form 8948-K should be completed to explain why a particular return is being filed by paper. The form must be attached and mailed with the paper return. A common error found in previous years is the omission of the reason. A reason for not filing by e-file is required.

If you feel you have a valid reason to be exempted from this mandate, complete a letter of explanation and a request for waiver by contacting Audrey Terry at [AudreyJ.Terry@ky.gov](mailto:AudreyJ.Terry@ky.gov)

## **Section 15 – Inquiries**

### **Taxpayer Assistance**

Taxpayers may confirm acknowledgment of their Kentucky returns with their practitioner or transmitter and are advised to wait three weeks from the transmission date before calling or writing KDOR to inquire about their refund status.

If a taxpayer and/or spouse owes money to KDOR, other state agency, IRS, etc., the amount may be deducted from the refund. This debt will delay processing of the taxpayer's refund because all claims against the refund must be resolved before a refund check can be processed. Electronically filed returns experiencing errors in KDOR income tax system will be given first priority for resolution.

### **Refund Inquiries**

Refer to Section 11 – Refund Information



# APPENDIX A

## MeF Rejection Codes

A list of the Reject Codes and Reject Reasons is posted to SES.

# APPENDIX B

## Sample Addresses

Prefix Names:

EXAMPLE:	O'Brien Van Winkle Mc Donald	KEY:	Obrien Vanwinkle McDonald
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Street:

EXAMPLE:	120 South Fourth Street
KEY:	120 S Fourth Street

EXAMPLE:	23 East 4th Street
KEY:	23 E 4th St

EXAMPLE:	2466 1/2 West Highway North
KEY:	2466 West Hwy N

EXAMPLE:	C/O George Smith
KEY:	CO George Smith

EXAMPLE:	C/O Jones Mfg Co
KEY:	Jones Mfg Co

EXAMPLE:	C/O 123 Main St
KEY:	123 Main St

EXAMPLE:	12 North St Apt #4
KEY:	12 North St Apt 4

EXAMPLE:	34 Hopewell-Bohon Rd
KEY:	34 Hopewell Bohon Rd

EXAMPLE:	543 Lovelace-Florence Station Rd
KEY:	543 Lovelace Florence Sta Rd