

# What's New

**STANDARD DEDUCTION**—For 2023, the standard deduction is \$2,980.

**FAMILY SIZE TAX CREDIT**—This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2023 threshold amount is \$14,580 for a family size of one, \$19,720 for a family of two, \$24,860 for a family of three, and \$30,000 for a family of four or more.

**INTERNAL REVENUE CODE DATE**—HB 360 updated KRS 141.010(21) to change the Internal Revenue Code (IRC) reference date from December 31, 2021, to December 31, 2022, for purposes of computing corporation and individual income taxes. However, taxpayers who placed property into service after September 10, 2001 are required to compute Kentucky depreciation under IRC Section 168 according to the provisions in effect on December 31, 2001. Taxpayers who placed property into service after September 10, 2001 but before January 1, 2020 are required to compute the expense deduction under IRC Section 179 according to provisions in effect on December 31, 2001. Taxpayers who placed property into service on or after January 1, 2020 are required to compute the expense deduction under IRC Section 179 according to provisions in effect on December 31, 2003, except that the phase-out provisions of IRC Section 179, limiting the qualifying investment in property, shall not apply.

**REFUNDABLE PASS-THROUGH ENTITY TAX CREDIT**—The Kentucky General Assembly passed HB 5 during the 2023 Regular Session that established a new Section of KRS Chapter 141 allowing an authorized person to make an annual election to file and pay income tax at the entity level on behalf of the pass-through entity effective for tax years beginning January 1, 2022. Individual owners filing Kentucky individual income tax returns with tax imposed by KRS 141.020 are allowed the refundable pass-through entity tax credit passed through on Form PTET-CR. The credit may be claimed on Kentucky Form 740 or Form 740NP, line 31(g), Refundable Pass-Through Entity Tax Credit.

**TREATMENT OF RESTAURANT REVITALIZATION GRANTS**—For taxable years beginning on or after January 1, 2020, but before March 11, 2023, HB 360 provides that Kentucky will treat Restaurant Revitalization Grants in the same manner as the IRS. This means that the grants are not included in gross income and expenses paid for by funds from the grants are fully deductible.

**KENTUCKY ENTERTAINMENT INCENTIVE (KEI) TAX CREDIT**—House Bill 303 made various changes to the KEI tax credit, allocating \$25 million for approved continuous production film companies and clarifying that payroll expenditures of loan-out entities can be included in the credit calculation.

## Reminders

**REFUNDABLE DEVELOPMENT AREA TAX CREDIT**—If you owned “residential property” on January 1, 2021 that was located in the West End Development area in Louisville, Kentucky you may be entitled to a refundable development area tax credit. To qualify for the credit, it must be your principal place of residence, located within the West End development area and owned as of January 1, 2021. Your credit will be equal to the amount in which the property tax timely paid on the residential property exceeds the amount of property tax assessed on that residential property on January 1, 2021. KRS 141.398.

**REFUNDABLE DECONTAMINATION CREDIT**—For taxable years on or after January 1, 2022, but before January 1, 2032, a taxpayer making a qualifying expenditure at a qualifying decontamination property shall be allowed a refundable credit against the taxes imposed by KRS 141.020 or 141.040. The taxpayer must be approved by the Energy and Environment Cabinet per KRS 224.1-420. Maximum tax credit allowed to be claimed per taxable year is 25 percent of the approved credit. For more information regarding credit for decontamination, contact the Energy and Environment Cabinet at 502-564-6716. A copy of the approved application must be attached to the tax return claiming this credit. KRS 141.419.