

Kentucky

revenue.kentucky.gov

Taxpayer Assistance: 1-502-564-4581

Refund Hotline: 1-502-564-1600

Reciprocal Agreements- Illinois, West Virginia, Indiana, Michigan, Wisconsin, Ohio, and Virginia (If Commuting to Work Daily).

*If you are a resident of Kentucky and work in one of the states listed above you will receive a refund of all of the State withholdings from your nonresident state and pay all taxes to Kentucky.

*If you are a resident of one of the states listed above and work in Kentucky use RET 740NPR to claim your refund from Kentucky to pay taxes in your state of Residence.

Common Forms and Schedules

Resident- RET 740

Nonresident- RET 740NP

Part-Year Resident- RET 740NP

Amended Return- Check the "Amended Return" box atop the RET-740 or RET-740NP.

Kentucky Schedule A- Itemized Deductions.

Schedule ITC- Individual Tax Credit Schedule (Family Size Tax Credit)

Schedule M- Federal AGI Modifications (Military Pay and Retirement Exclusion)

Common Credits & Deductions

- **Credit for Taxes paid to another State**- a State Tax Credit to reduce tax liability from the taxpayer's state of residence, by giving them a credit for taxes paid to a nonresident/Part-Year Resident State.
Add WKST A from the State Forms List -> Enter Nonresident state abbreviation in the top box -> Enter the type of income (Wages, Self Employment, Etc...)-> Allowable Credit will calculate on Line 8.
- **Itemized vs. Standard Deduction**- The Standard Deduction For 2019 is \$2,590. Itemized deductions that are allowable to Kentucky on the Schedule A are Home mortgage interest and points, Charitable contributions, Amortizable premium on taxable bonds (IRC Sec 171), Federal estate tax on income in respect of a decedent (IRC Sec 691), Repayments of more than \$3,000 under a claim of right (IRC Sec 1341), Unrecoverable investment in an annuity (IRC Sec 72), and Loss from other activities from Schedule K-1 (Form 1065-B, box 2)
- **Family Size Tax Credit (Low Income Tax Credit)**- The Family Size Tax Credit is a Nonrefundable tax credit for Taxpayers with Modified Adjusted Gross Income of \$33,383 or less based on the size of the Family. A family consists of the Taxpayer, Spouse (if living in the same household), and Qualifying Children.

The Family Size Tax Credit is automatically calculated in the Tax Software. The amount of Credit the taxpayer is eligible for based on household size and AGI will appear on the RET 740 line 21.

Return Mailing Addresses

Refund

Kentucky Department of Revenue
Frankfort, KY 40618-0006

Balance Due

Kentucky Department of Revenue
Frankfort, KY 40619-0008

Make checks payable to

Kentucky Department of Revenue

*Mail Amended Tax Returns to the same addresses above



Extensions

Automatic Six-Month Extension to File when taxpayers file a form 4868 with the Federal Tax Return.

Taxpayers who request a federal extension are not required to file a separate Kentucky extension. The requirements may be met by attaching federal Form 4868 (automatic extension) and/or Form 2688 (approved extension) to the Kentucky return.

Form 40A102

File this form if you are filing an extension to file for the Kentucky Income Tax Return only.

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Review State website for any updates to amounts

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- **Retirement-Pension income Exclusion.** The 2021 exclusion amount is 100% of taxable retirement benefits or \$31,110, whichever is less. All pension and retirement income paid under a written retirement plan is eligible for exclusion.

Schedule M will automatically populate after the 1099 R is added. The Exclusion will automatically flow to the Schedule M Line 9

- **Retirement Income that exceeds Schedule M Pension Exclusion-** If the taxpayer has Retirement/Pension income that exceeds \$31,110 and they receive a pension from the Federal Government, Commonwealth of Kentucky, or a local government, you may add Schedule P (Kentucky Pension Income Exclusion). Enter State Use Code M in the State Use Code box on the 1099R->Enter the Retirement date and the percent that should be excluded on line 1b of the Schedule P.

Common Tax Situations

- **Resident Military Pay-** Personnel who are residents of Kentucky when entering the Military remain residents of Kentucky until they establish a new domicile. Active Duty Military pay will be excluded from state income. Members of the Armed Forces of the United States, members of reserve components of the Armed Forces of the United States, and members of the National Guard may subtract the amount of pay they received from active duty military service, including pay received for active service in a combat zone to the extent the income was included in Federal AGI.

- *For Full-Year residents, add the Schedule M (Federal AGI Modifications)->Enter "Active Duty Military" on line 14a->Enter the Amount of income that needs to be subtracted on line 14a*
For Part-Year Residents make the adjustment on the RET 740NP in the adjustments to income section

- **Nonresident Military Pay-** Nonresident military personnel with a duty station in Kentucky are not taxed on Military Pay. However, they are taxed on income from other Kentucky Sources. Spouses accompanying nonresident military personnel are also nonresidents for tax purposes.