

What's New

STANDARD DEDUCTION—for 2019, the standard deduction is \$2,590.

INTERNAL REVENUE CODE UPDATE—HB 354 updated KRS 141.010(14) to change the Internal Revenue Code (IRC) reference date from December 31, 2017, to December 31, 2018, 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 and the expense deduction under IRC Section 179 according to provisions in effect on December 31, 2001.

INDIVIDUAL ESTIMATED TAX PAYMENTS

2019 estimated tax rules changed to generally follow federal guidelines for individuals:

- Four installments at 25% of the estimated tax due each
- April 15, June 15, September 15, and January 15 of the following tax year
- Allow Annualized Income Installments
- Declaration Penalty replaced with Estimated Tax Penalty

SCHEDULE A-ITEMIZED DEDUCTIONS

The following itemized deductions claimed on Schedule A have been restored for taxable years beginning on or after January 1, 2019:

- Investment Interest deduction under IRC Section 163
- Gambling loss deduction under IRC Section 165(d)

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 2019 threshold amount is \$12,490 for a family size of one, \$16,910 for a family of two, \$21,330 for a family of three, and \$25,750 for a family of four or more.

INCOME GAP TAX CREDIT- This credit is only available to taxpayers who are eligible to take the Family Size tax credit and have a family size of three or less. This credit was created for those taxpayers whose tax rate increased after HB 487 implemented a flat tax rate of 5%. This credit will be available for tax years 2019 and 2020.

Schedule KNOL- Net operating losses generated on or after January 1, 2018, are limited to 80% of the taxable income, but any unused amount are available for carryforward indefinitely. Schedule KNOL must be completed if you are claiming a Kentucky Net Operating Loss deduction on Kentucky Schedule M.

YMCA YOUTH ASSOCIATION FUND— KRS 141.4425 allows an individual to contribute all or part of their refund to the YMCA Youth Association Fund. Designated funds provide scholarships to Kentucky schools and students attending the Kentucky Youth Assembly (KYA),

NEW FILING OPTION-FREE FILLABLE FORMS- Kentucky is now offering Free Fillable Forms. If you are comfortable filling out forms and schedules without software help or assistance you may use the New KY Filing Portal to File your current year Kentucky return. This website is designed to be the simple electronic equivalent of paper form. It will provide basic mathematical checks and basic error checking but unlike most software, it does not ask about or explain tax situations. You will need to have your federal forms completed before accessing the new KY filing portal.

ADDRESS UPDATES-

For returns requesting a refund or returns with no payment mail to:

KENTUCKY DEPARTMENT OF REVENUE
FRANKFORT KY 40618-0006

For returns with a payment mail to:

KENTUCKY DEPARTMENT OF REVENUE
FRANKFORT KY 40619-0008

Reminders

TAX RATE—For tax years beginning on or after January 1, 2018, the individual income tax rate is a flat 5%.

KENTUCKY SCHEDULE M—Effective January 1, 2018, the following items can no longer be claimed as deductions.

- Deduction for premiums paid for health insurance coverage
- Deduction for premiums paid for long-term care insurance
- Master Tobacco Settlement payments
- Deduction for the value of property leasehold interests donated and used for homeless shelters

KENTUCKY SCHEDULE A—Effective January 1, 2018, the following items can no longer be claimed as deductions.

- Investment interest (IRC Sec 163) **(For tax year 2018 only)**
- Taxes (IRC Sec 164)
- Casualty or theft losses (IRC Sec 165)
- Medical care expenses (IRC Sec 213)
- Moving expenses (IRC Sec 217)
- Gambling losses (IRC Sec 165) **(For tax year 2018 only)**
- Other miscellaneous deductions subject to the 2% floor (IRC Sec 67)

The following items can still be claimed as deductions.

- 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)
- Unrecovered investment in an annuity (IRC Sec 72)
- Loss from other activities from Schedule K-1 (Form 1065-B, box 2)

The itemized deduction limitation schedule was repealed.

KENTUCKY SCHEDULE P—The pension exclusion decreased from \$41,110 to \$31,110. You are still entitled to exclude more than \$31,110 if you are retired from the federal government, the Commonwealth of Kentucky, or a Kentucky local government and a portion of your pension is attributable to federal or Kentucky government service performed prior to January 1, 1998.

PERSONAL TAX CREDITS—You are still allowed personal tax credits if you are 65 or over, blind, or in the Kentucky National Guard. All other personal tax credits were repealed.

INVENTORY TAX CREDIT—A nonrefundable and nontransferable income tax credit is allowed for ad valorem taxes timely paid on inventory described in KRS 132.020(1)(n) or 132.099 on or after January 1, 2018. The credit is phased-in as follows.

- 2018 – 25%
of tax paid

- 2019 –
50% of tax
paid
- 2020 –
75% of tax
paid
- 2021 –
100% of tax
paid