

# What's New

**STANDARD DEDUCTION**—For 2020, the standard deduction is \$2,650.

**INTERNAL REVENUE CODE UPDATE**—HB 354 updated KRS 141.010(15) 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

\* Due July 15, 2020

At the direction of Governor Beshear and SB 150, the Kentucky Department of Revenue adopted the income tax relief set forth in Internal Revenue Service (IRS) Notice 2020-18, Relief for Taxpayers Affected by Ongoing Coronavirus Disease 2019 Pandemic, as well as the additional relief provided in IRS Notice 2020-20 and Notice 2020-23. This income tax relief was applicable to individual, corporate, limited liability, fiduciary and pass-through filers with filing and payment deadlines of on or after April 15, 2020 and before July 15, 2020. This relief includes:

- Kentucky income tax return filings currently due on April 15, 2020, May 15, 2020, and June 15, 2020 for individual, corporate, limited liability, fiduciary and pass-through filers, shall now be due July 15, 2020;
- Kentucky income tax payments currently due on April 15, 2020, May 15, 2020, and June 15, 2020 for individual, corporate, limited liability, fiduciary and pass-through filers, shall now be due July 15, 2020. Estimated payments due on these dates are included in the deferral; and
- The calculation and application of penalties, fees and interest corresponding to Kentucky income tax filings and payments now due on July 15, 2020 for individual, corporate and limited liability filers shall begin on July 16, 2020.

**REFUNDS**—HB 351 updated KRS Chapter 141 to require that no refund shall be made of any estimated tax paid unless a return is filed.

**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 2020 threshold amount is \$12,760 for a family size of one, \$17,240 for a family of two, \$21,720 for a family of three, and \$26,200 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. Kentucky did not adopt the CARES Act amendment for the suspension of the 80% net operating loss limitation.

**EXCESS BUSINESS LOSS LIMITATION**—Kentucky did not adopt the CARES Act amendment for the suspension of the excess business loss limitation. If you are an individual taxpayer and your net losses from your trades or businesses are more than \$255,000 (\$510,000 for married taxpayers filing jointly or married filing separately on a combined return) you will need to complete Kentucky Form 461-K. For 740 filers you will enter the amount calculated from Form 461-K, line 16 on Form 740, Schedule M, line 5 and 740-NP Filers will enter the calculated amount from Form 461-K, line 16 on Form 740-NP, page 4, line 16, Column B. The Kentucky excess business loss will be added to your net operating loss (NOL) carryforward.

**KENTUCKY SELLING FARMERSTAX 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. This 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 forward up to five (5) years. If the credit is not utilized within the five (5) year period, the credit is lost.

**NEW WAY TO FILE**—Kentucky is now offering a new way of filing your return free of charge. If you would like to fill out your Kentucky forms and schedules without software help or assistance you may use the new KY File website at [filetaxes.ky.gov](http://filetaxes.ky.gov). This website is designed to be the simple electronic equivalent of a paper form. It will provide basic mathematical and error checks but unlike most software it does not ask about or explain tax situations. Your federal forms should be completed before accessing the new KY File website, you will have the option to submit the completed return electronically or print the return and mail it in.

#### **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



Do not use the following addresses, which are no longer valid.

PO Box 856970  
Louisville, KY 40285-6970

PO Box 856980  
Louisville, KY 40285-6980

---

## **Reminders**

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

**KENTUCKY SCHEDULE A**—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)

**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).

**CHARITABLE CONTRIBUTIONS**—If you receive or expect to receive a state or local tax credit for making a charitable contribution, you must deduct the amount of the credit from the amount of the charitable contribution you claim on your tax return. You do not have to deduct the state or local credits if dollar-for-dollar the credit or fair market value of the property transferred is less than 15% of the charitable contribution (see Federal Publication 526 for additional information).

**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