

**Commonwealth of Kentucky  
Kentucky Department of Revenue**

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

*KY PUBLICATION 1345-F*



**Tax Year 2017**

**Processing Year 2018**

**Version 1.2**

**March 16, 2018**

## REVISION LOG

<b>Version</b>	<b>Date</b>	<b>Nature of Change</b>
<b>1.0</b>	12/17/2018	Posted document
<b>1.1</b>	1/25/2018	Added Testing information
<b>1.2</b>	3/16/2018	<ol style="list-style-type: none"><li>1) Worksheet E is not applicable for TY2017. If Form 741, line 12 (FedEstTaxDed) is not equal to 0, the computation must be provided as a pdf with the name FedEstateTaxDedComp.pdf</li><li>2) ATS date change/Production date set</li><li>3) Revised testing scenario to remove Worksheet E and include pdf attachment</li><li>4) Added statement in Section 7 and 8: The category for the KYForm741 is ESTRST.</li><li>5) Updated Appendix A</li><li>6) Updated Appendix C</li></ol>

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 Fiduciary Income Tax Returns (KY Publication 1345-F) 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, including changes from last year.

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.

## **Section 1 - What's New for Tax Year 2017?**

### **Filing Deadline will be April 17, 2018 for TY2017**

The filing deadline for Tax Year 2017 will be April 17, 2018.

### **Form Appearance**

The Forms Committees have made an effort to make the individual, fiduciary and business income tax forms more consistent in appearance and format. Headers have a more streamlined and common in appearance.

### **Form 741 – Kentucky Fiduciary Income Tax Return**

Kentucky will accept the Form 741 and its supporting forms and schedules through MeF for tax year 2017. The tax year 2017 original and amended returns will be accepted. The amended return should be a complete corrected copy with AmendedReturnIndicator checked. Prior year returns will be added in tax year 2018.

A Form 8879-F similar to the Form 8879-K should be used when electronically filing the Form 741 and payment of tax via state payment financial transactions. See Section 7 for additional details for Form 8879-F.

### **Electronic Payment of Estimate Tax Payment Dates**

Taxpayers may schedule up to four equal payments via a direct debit of their financial institution account. The scheduled payment dates for the 2018 estimated tax payment period are April 17, 2018, June 15, 2018, September 17, 2018, and January 15, 2019. The Form 8879-F includes authorization of the direct debit of estimate tax payments.

Refer to Section 12 for additional information.

### **Kentucky Payment Voucher for Payments by Check/Money Order**

For tax due returns filed electronically where the taxpayer elects to pay by check or money order, taxpayers should mail the Form 741-V with the check or money order to the

Kentucky Department of Revenue, Frankfort, KY 40620-0015. A copy of the electronically filed return should **not** be included with the payment. Do not staple the check/money order to the Form 741-V.

<b>FORM 741 - V(9-17)</b>	<b>Kentucky Electronic Payment Voucher</b>	<b>2017</b>		
FEDERAL EMPLOYER IDENTIFICATION NUMBER				
NAME OF ESTATE OR TRUST				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="height: 20px;"> </td> </tr> <tr> <td style="text-align: center; font-size: small;">NUMBER AND STREET OR P.O. BOX</td> </tr> <tr> <td style="font-size: x-small;">CITY, TOWN OR POST OFFICE      STATE      ZIP CODE</td> </tr> </table>		NUMBER AND STREET OR P.O. BOX	CITY, TOWN OR POST OFFICE      STATE      ZIP CODE	<p style="margin: 0;">Additional Tax Due</p> <p style="margin: 0;">Interest and/or Penalties</p> <p style="margin: 0;">Total Payment</p>
NUMBER AND STREET OR P.O. BOX				
CITY, TOWN OR POST OFFICE      STATE      ZIP CODE				
<p style="margin: 0;">Make check payable to: Kentucky State Treasurer</p> <p style="margin: 0;">Mail to: Kentucky Department of Revenue</p> <p style="margin: 0;">Frankfort, KY 40620-0015</p>		<p style="margin: 0;">42A741V0002</p> <div style="border-left: 1px solid black; border-bottom: 1px solid black; width: 20px; height: 20px; margin: 0 auto;"></div>		
DO NOT ATTACH CHECK TO VOUCHER				

Refer to Section 12 for additional information.

### Worksheets

Worksheet A, Worksheet C, and Worksheet NRC ~~and Worksheet E~~ are part of the Kentucky Estate Trust Schema.

**NOTE:** Worksheet E is not applicable for TY2017. If the amount listed on Form 741, line 12 is not equal to 0, then the computation must be provided as a pdf attachment. The computation **must be named FedEstateTaxDedComp.pdf or the submission will be rejected.**

~~Worksheet E is provided to show the calculation used to determine the federal estate tax deduction amount listed on Form 741, line 12.~~

<del>Worksheet E – Federal Estate Tax Deduction</del>		
1	<del>Enter KY AGI from Form 741, Line 9</del>	\$
2	<del>Enter Income Distribution reported on Form 741, Line 10</del>	\$
3	<del>Enter Pension Income Exclusion reported on Form 741, Line 11</del>	\$
4	<del>Add Lines 2 and 3. Enter total here.</del>	\$
5	<del>Subtract line 4 from Line 1</del>	\$
6	<del>List income reported in amount on line 5 that is also reported on Federal Form 706, Federal Estate Tax Return.</del>	\$
7	<del>Subtract Line 6 from Line 5</del>	\$
8	<del>Enter Kentucky Tax on amount on line 7.</del>	\$
9	<del>Enter KY Tax on amount from Line 5</del>	\$
10	<del>Subtract Line 8 from Line 9.</del>	\$
11	<del>Enter federal estate tax paid on amount reported on Line 6</del>	\$

12	<del>Enter the lesser of Line 10 or Line 11. This is your credit for Federal Estate Tax Deduction to be reported on Line 12 of Form 741.</del>	\$
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The Worksheet NRC schema was created to specify the nonrefundable credits amount listed on Form 741, line 18. Worksheet A and C are the same worksheets found in the individual income tax schema and are used to show the calculation of nonrefundable limited liability entity credit and the tax paid to another state taken on Worksheet NRC.

Worksheet NRC - Nonrefundable Credits		
1	Enter nonrefundable limited liability entity credit and include Worksheet C	\$
2	Enter Kentucky small business tax credit	\$
3	Enter skills training investment credit	\$
4	Enter nonrefundable certified rehabilitation credit	\$
5	Enter credit for tax paid to another state and include Worksheet A	\$
6	Enter unemployment credit	\$
7	Enter recycling and/or composting equipment credit	\$
8	Enter Kentucky investment fund credit	\$
9	Enter coal incentive credit	\$
10	Enter qualified research facility credit	\$
11	Enter GED incentive credit	\$
12	Enter voluntary environmental remediation credit	\$
13	Enter biodiesel and renewable diesel credit	\$
14	Enter environmental stewardship credit	\$
15	Enter clean coal incentive credit	\$
16	Enter ethanol credit	\$
17	Enter cellulosic ethanol credit	\$
18	Enter railroad maintenance and improvement credit	\$
19	Enter Endow Kentucky credit	\$
20	Enter New Markets Development Program Credit	\$
21	Enter food donation credit	\$
22	Enter distilled spirits credit	\$
23	Enter angel investor credit	\$
24	Total Nonrefundable Credits - Add lines 1 through 23 and place on Form 741, line 18.	\$

Worksheet A - Credit for Taxes Paid to Another State Worksheet		
Estate/Trust FEIN		
Estate/Trust name		
Name of other state		
Type of income reported to other state		
1	List Kentucky taxable income	\$
2	List any gambling losses deducted elsewhere on return	\$
3	Add Line 1 and Line 2	\$

4	List income reported to the other state included on the Kentucky return	\$
5	Subtract Line 4 from Line 3	\$
6	Adjusted gambling losses. Compute gambling losses allowed on Kentucky return if income from other state is ignored.	\$
7	Subtract Line 6 from Line 5	\$
8	Enter the Kentucky tax on the amount listed on Line 7	\$
9	Enter the Kentucky tax on the amount listed on Line 1	\$
10	Subtract Line 8 from Line 9. This is your tax savings if other state's income is ignored.	\$
11	Enter tax paid to other state on income claimed on the Kentucky return	\$
12	Tax Paid to Other State Credit. Enter the lesser of Line 10 or Line 11. This amount should be carried over to Worksheet NRC, line 5.	\$

Worksheet C - Kentucky Limited Liability Entity Tax Credit		
Name		
Address		
FEIN		
Percentage of Ownership		%
1	Enter Kentucky taxable income from Form 741, Line 16	\$
2	Enter LLE income as shown on Kentucky Schedule K-1 or Form 725	\$
3	Subtract Line 2 from Line 1	\$
4	Enter Kentucky tax on income amount listed on Line 1	\$
5	Enter Kentucky tax on income amount listed on Line 3	\$
6	Subtract Line 5 from Line 4. If Line 5 is larger than Line 4, enter 0. This is your tax savings if income is ignored.	\$
7	Enter nonrefundable limited liability entity tax credit from Kentucky Schedule K-1 or Form 725	\$
8	Enter the lesser of Line 6 or Line 7. This is your credit. Enter on Worksheet NRC, line 1.	\$

## 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, 2017, and ending December 31, 2017  
(Processing Year 2018)

Begin Federal/State Software Testing for TY2017 Form 741 3/20/2018

Begin Transmitting TY2017 Returns to IRS/KDOR:  
Form 741 3/30/2018

TY2017 Filing Due Date 4/17/2018

Last Day to Transmit TY2017 Form 40A102/741EXT 4/17/2018

Last Day to Transmit Kentucky 741 Electronically for TY2017 TBD

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

## **Section 3 - Electronic Filing/Payment Help Desk**

The help desk is for use by electronic transmitters and preparers experiencing problems with electronic filing. Taxpayer's needing assistance on all tax matters should contact the Taxpayer Assistance Branch at 502-564-4581 for assistance.

**E-file Help Desk Phone # 502-564-5370, option 2 for the E-Commerce Branch;**  
Option 2 – Individual/Fiduciary Income Tax E-file

**Fax # 502-564-0230**

### **Staffing:**

#### **Sikitia Snow (Individual/Fiduciary Income Tax)**

Department of Revenue

Division of Operations

E-Commerce Branch

501 High Street, Station 22

Frankfort, KY 40601-2103

Phone: 502-564-5370; Option 2

E-Mail: [Sikitia.Snow@ky.gov](mailto:Sikitia.Snow@ky.gov)

#### **Audrey Terry (E-file Exemption Requests)**

Department of Revenue

Division of Operations

E-Commerce Branch

501 High Street, Station 22

Frankfort, KY 40601-2103

Phone: 502-564-7862

E-Mail: [AudreyJ.Terry@ky.gov](mailto:AudreyJ.Terry@ky.gov)



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

### **Kentucky Tax Alerts**

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

The following publications describe the process of electronic filing and federal/state electronic filing:

### **Internal Revenue Service Publications**

Publication 4163, Modernized e-File (MeF) Information for Authorized IRS e-File Providers for Business Returns - <https://www.irs.gov/pub/irs-pdf/p4163.pdf>

Modernized e-File (MeF) User Guides & Publications - <https://www.irs.gov/e-file-providers/modernized-e-file-mef-user-guides-and-publications>

TY2017 1041 MeF ATS Information - <https://www.irs.gov/e-file-providers/tax-year-2017-1041mef-ats-information>

### **Kentucky Department of Revenue Publications**

Publication KY-1345, Kentucky Handbook for Electronic Filers of Income Tax Returns

Publication 4163, Information for Fed/State Development of Modernized E-file for Business Income Tax – Software Developer’s Guide

Publication 4164, Information for Fed/State Development of Modernized E-file for Individual Income Tax – Software Developer’s Guide

Additional publications and Kentucky forms are available on the KDOR website: [www.revenue.ky.gov](http://www.revenue.ky.gov)

## 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 Filing

Kentucky is accepting state-only returns for the 2017 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. **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. An additional application is not required for the Kentucky Department of Revenue but a 2017 Kentucky Tax Software Provider Letter of Intent (LOI) is required.

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 2017 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 and will notify any applicant who is ineligible to participate.

A 2017 Kentucky Tax Software Provider Letter of Intent is required. The LOI is maintained on the FTA State Exchange System (SES). The names of the authorized SES tax industry users will be provided to the states by the National Association of Computerized Tax Processors (NACTP). Contact the NACTP with requests to be added to the industry list. Advise KDOR that you have made the request and we will check the authorized user list and grant access to the Kentucky folders in SES.

Software developers are required to test with KDOR prior to distribution of software. Use of untested software will cause the Kentucky returns to be rejected.

In addition to 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 the SES or can be obtained by contacting the Kentucky Department of Revenue. Kentucky will accept criteria based tests for tax year 2017. Testing instructions will be posted to SES prior to the ATS start date.

Refer to the Software Developer web page (<https://revenue.ky.gov/Software-Developer/Pages/default.aspx>) for statuses and important dates throughout the tax season.

### UPDATE:

Testing Instructions –You are free to create your own tests based on the following criteria. We ask that you limit your tests to 15 tests for review/approval but you are welcome to

submit as many tests as you like for additional testing. Provide a PDF copy of your test when submitting for approval.

**Suggested Criteria:**

- Test with different Estate/Trust types – Decedent's Estate, Simple Trust, Complex Trust, Grantor Trust, Pooled Income Fund, Other
- Test with different return types – Initial, Amended, Final
- Provide tests with information in Schedule A, Schedule B, Schedule M on Form 741
- Provide tests with various supporting Forms and Schedules
- Provide tests with various supporting worksheets/pdfs
- Provide tests using tax rate schedule and other tax computations
- Provide tests with different end results – tax due, refund, credit forward
- Provide test with direct debit of tax due, estimate tax

These are some sample scenarios:

*Test 1*

Decedent's Estate  
Final Return  
Multiple K-1's  
Schedule P  
Form 2210-K  
Tax due

*Test 2*

Complex Trust  
Multiple # of K-1's  
Schedule B  
Schedule D  
Schedule M additions and/or subtractions  
Refund

*Test 3*

Simple Trust  
Initial Return  
Nonrefundable Credits – Worksheet NRC, Worksheet A, Worksheet C  
Credit Forward

*Test 4*

Simple Trust  
Worksheet E  
FedEstateTaxDedComp.pdf  
Form 8863-K  
Tax due

Direct debit to pay tax due and estimated tax

Test 5

Amended Return

Test 6

Form 40A102

## Section 7 - Filing an Electronic Return

### Electronic Portion of Return

The following forms and schedules are acceptable for electronic transmission and are considered the electronic portion of the return. **The category for filing the KYForm741 is ESTRST. Unlinked returns are accepted.**

Current Year – Tax Year 2017 Returns:

- All federal individual income tax forms and schedules allowed by IRS Publication 1345, Section 18
- Form 741 – Kentucky Fiduciary Income Tax Return
- Amended Form 741
- Initial Form 741
- Final Form 741
- Wage and Tax Statements and Form PTE-WH is supported in the schema
- Form 740EXT/40A102 – Application for Extension of Time to File Individual, General Partnership, and **Fiduciary** Income Tax Returns for Kentucky (File the electronic 40A102 for the Fiduciary Income Tax through ESTRST types.)

Software packages may or may not support all forms available for Kentucky electronic filing. Any electronic tax returns submitted without all required forms will be rejected. A list of rejection codes can be found on the SES **and also in Appendix A.**

### Income and Withholding Tax Statements

All Kentucky withholding claimed on the tax return **must** be supported by an income and withholding tax statement. The Form PTE-WH and all the income and withholding statements are supported in schemas and are required, if applicable, when the return is e-filed. If the software does not support the income and withholding tax statement, a paper return will need to be filed or another software product that supports the forms needed should be used.

### Non-electronic Portion of Return

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

- Form 8879-F, Kentucky Fiduciary Income Tax Declaration for Electronic Filing
- Supporting schedules and documents requiring signatures
- Any other informational documents that the taxpayer voluntarily includes with the return as supporting material.

### Guidelines for Form 8879-F

**Note:** This form contains direct debit information and should be printed for any taxpayer that selects these options.

### ***Form 8879-F***

- Fed/State E-filed returns with a federal PIN – For returns filed via this method, the Kentucky Form 8879-F 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-F 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 Form 8879-F and be retained by the ERO for a period of three years.
- Online Filing – For returns filed via this method, the Kentucky Form 8879-F 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 Form 8879-F 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***

- 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.

### **Exclusions from Electronic Filing**

In addition to the returns excluded from federal electronic filing listed in IRS Publication 1345 for tax year 2017 (2018 filing season), the following are specific Kentucky forms which are also excluded:

- Returns prior to TY2017

## Section 8 - Transmitting the Kentucky Electronic Return

Kentucky returns included in the Federal/State Electronic Filing Program will be transmitted to the IRS, along with the federal return. Transmissions shall be accomplished according to IRS procedures. **The category for the KYForm741 is ESTRST.**

Kentucky will accept state-only/unlinked returns for the 2017 tax year. Consult your software vendor to determine the availability of state-only filing.

Once the IRS has provided an acknowledgment to the ERO, the state data segment will be 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 working days after obtaining the acknowledgment. EROs are instructed to wait until they receive the acknowledgment record before the corresponding Form 8879-F 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 generated 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 working days from the time the submission is received 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 working 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 Helpdesk after the 2 working day timeframe has expired. Provide the submission id and date of transmission to the help desk when inquiring about a missing acknowledgement. If there are a significant number of transactions, please send a spreadsheet with the submission id and date by email.

### **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 when applicable). 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 for the paper return.

Mail paper returns to replace the rejected electronic returns to the following address:

Kentucky Department of Revenue  
Frankfort, KY 40620-0016

### **Changes to Electronic Returns**

After electronic 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. Current year amended returns can be e-filed.

## **Section 9 - Form 8879-F - Kentucky Fiduciary Income Tax Declaration for Electronic Filing**

**NOTE:** Due to federal electronic banking regulations, questions 10a or 10b must be answered on Kentucky Form 8879-F if the taxpayer elects to pay via direct debit (Question 10b).

- If a taxpayer elects to pay via direct debit and answers yes on question 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-F 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 debits.

Kentucky Form 8879-F:

- 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-F to submit forms or schedules which are excluded from electronic filing.

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

Use only the official Kentucky Form 8879-F 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-F:

- 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-F.
- 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-F 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-F. A blank Kentucky Form 8879-F 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-F 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-F. 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.

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

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

### **Direct Deposit**

Direct deposit is **not** available at this time.

## 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 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.

## Section 12 – Payment Information

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

The taxpayer is responsible for paying the amount due the KDOR on or before April 17, 2018 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 17 filing deadline. The taxpayer should submit payment using one of the payment options listed below prior to April 17, 2018, 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 received prior to April 17, 2018 can be warehoused through the April 17<sup>th</sup> due date. Payments with a requested debit date prior to the due date that are received prior to April 17, 2018 will be considered timely even if they are processed at a later date.
- Debit requests received after April 17, 2018 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 Form 8879-F. The completed/signed form must be retained for 3 years.

Refer to Section 7 for additional information on Form 8879-F.

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

Form 741-V is a payment coupon must be available for printing through the ERO’s software package. Taxpayers may elect to pay by check or money order. The 741-V should be enclosed with payments made by check or money order for e-filed returns. A paper copy of the electronic filed income tax return should **not** be included with the 741-V.

#### **Instructions for taxpayers who file their fiduciary income tax return electronically but elect to pay by check/moneyorder**

- Make check/money order payable to Kentucky State Treasurer
- Write “2017 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

### **Payment by Credit Card or ACH Debit**

The taxpayer may call the Taxpayer Assistance Branch (502) 564-4581 for assistance with payments.

### **Electronic Estimate Tax Payments**

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 due, 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 debit of tax 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 2018 estimated tax payment period are April 17, 2018, June 15, 2018, September 17, 2018 and January 15, 2019.

## 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-F 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-F, 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 PTE-WH, etc).
- Any other documents, not required by KDOR, which the taxpayer voluntarily includes as supporting material.
- The signed Kentucky Form 8879-F, 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.

## **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, another 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.

Taxpayer Assistance  
502-564-4581

# APPENDIX A

## MeF Rejection Codes

MeF Rejection Codes and Explanations for Tax Year 2017 can be found on SES and have also been listed here for your convenience.

<b>Form 741</b>			
<b>Form Name</b>	<b>Category</b>	<b>Code</b>	<b>Description</b>
KYForm741	Missing Data	F741-0001	The type of estate or trust must be specified on the return.
KYForm741	Incorrect Data	F741-0002	<b>E-file is not an option for ESBT or bankruptcy estates. Mail a copy of the return to the Kentucky Department of Revenue.</b>
KYForm741	Missing Data	F741-0003	The FEIN is required and not provided.
KYForm741	Missing Form	F741-0004	There is a mismatch in the number of Schedules K-1 included and the number stated as included.
KYForm741	<b>Missing Data</b>	<b>F741-0005</b>	<b><del>Worksheet E is required when Form 741, line 12 is greater than 0. Changed rule for reject code - Worksheet E will not be used for TY2017. Instead, a pdf must be provided showing the federal estate tax deduction computation, if the amount on line 12 is not equal to 0. The pdf attachment name must be FedEstateTaxDedComp.pdf</del></b>
KYForm741	Missing Data	F741-0006	An indication of Form 4972-K, Schedule RC-R, Schedule DS-R, or Angel Investor Recapture must be made if the amount on Form 741, line 17b is greater than 0.
KYForm741	Missing Data	F741-0007	Form 741, Schedule A is required if you made additions to or subtractions from total income on Form 741, page 1, lines 2 or 6 and claimed a charitable deduction (Schedule A) on the federal Form 1041.
KYForm741	Missing Data	F741-0008	If Form 741, page 2, Additional Information Required, line 2 is Yes, the computation must be provided as a PDF attachment. The attachment name must be ComputationLine2.pdf
KYForm741	Missing Form	F741-0009	Form 8582-K is required to determine allowable loss.
KYForm741	Incorrect Data	F741-0073	Invalid direct debit routing number. Routing number must be numeric only and first 2 digits must begin with 01 through 12 or 21 through 32.
KYForm741	Incorrect Data	F741-0074	Invalid direct debit account number. Account number must be numeric only. Cannot contain spaces and /or dashes.
KYForm741	Incorrect Data	F741-0075	Invalid direct debit amount. Debit amount for the amount you owe must equal Form 741, line 22.

KYForm741	Incorrect Data	F741-0076	Invalid direct debit date. Debit payments for tax due amounts cannot be warehoused after the April 17th filing deadline. Direct debit will not be processed.
KYForm741	Incorrect Data	F741-0077	Direct deposit is an invalid request on Form 741. The return will be processed but a check will be issued.
KYForm741	Incorrect Data	F741-0078	Invalid direct debit date. Valid dates for debit payments of estimated tax for tax year 2017 are: April 17, 2018, June 15, 2018, September 17, 2018, January 15, 2019. Please select valid dates and resubmit the return.
KYForm741	Incorrect Data	F741-0081	Divide multiple payments for estimate tax into equal whole dollar amounts.
KYForm741	Validation Error	KYSUB-0063	Duplicate Return. An electronic return was already received and processed.
KYForm741	Missing Data	KYSUB-0064	A copy of the federal return is required for all electronically filed Kentucky returns.
KYForm741	Incorrect Data	KYSUB-0068	The Software Identification Code has not been approved for electronic filing by the Kentucky Department of Revenue.
KYForm741	Validation Error	KYSUB-0100	Schema Failed Validation. See details.
KYForm741	Validation Error	KYSUB-0101	Manifest Data Missing
KYForm741	Validation Error	KYSUB-0102	State Return Data Missing
KYForm741	Validation Error	KYSUB-0103	Invalid Processing Year
KYForm741	Validation Error	KYSUB-0105	We are unable to process your submission due to technical difficulties. Please file a paper return.
KYForm741	Validation Error	KYSUB-0106	Packaging of data and transmission payload must be in the proper format.
KYForm741	Validation Error	KYSUB-0107	Mismatch of data (SSN or FEIN) between manifest and state xml.
KYForm741	Validation Error	KYSUB-0109	Return Type/Form not accepted for electronic filing. Please submit paper return.
KYForm741	Validation Error	KYSUB-0110	The Return Type and/or StateSubmissionType are mismatched with the type of return or form submitted.

## 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

## APPENDIX C

### MeF Attachment Names

The required attachment names for the Form 741 return are listed below.

Note: Additional items may be added throughout the year as we determine what type of attachments are being included and what we feel are necessary for processing purposes.

PDF file name	Situation
ComputationLine2.pdf	The computation is required as a pdf attachment if Form 741, page 2, Additional Information Required, line 2 question is answered Yes.
FedEstateTaxDedComp.pdf	The computation is required as a pdf attachment if Form 741, line 12 is not equal to 0.