

INSTRUCTIONS FOR 2018 KENTUCKY FORM 740-NP NONRESIDENT OR PART-YEAR RESIDENT INCOME TAX RETURN

WHO MUST FILE FORM 740-NP—Form 740-NP must be used by full-year nonresidents who had income from Kentucky sources and by part-year residents who had income while a Kentucky resident or from Kentucky sources while a nonresident. These persons must file Form 740-NP if (1) they had **any gross income** from Kentucky sources **and gross income from all sources** in excess of modified gross income for their family size, or (2) Kentucky gross receipts from self-employment in excess of modified gross income for their family size. See Chart A on page 5.

Individuals who are residents of Kentucky for the entire tax year must use Form 740. Persons who maintain a permanent residence in Kentucky (i.e., are domiciled in Kentucky) are considered residents. Persons not domiciled in Kentucky but who live in Kentucky for more than 183 days during the tax year are also considered residents.

Full-year nonresidents must report all income from Kentucky sources (including distributive share income, Schedule K-1), from activities carried on in Kentucky or from the performance of services in Kentucky, and from property located in Kentucky.

Persons moving into Kentucky must report income received from Kentucky sources prior to becoming residents and income received from all sources after becoming Kentucky residents.

Residents moving out of Kentucky during the year must report income from all sources while a resident and from Kentucky sources while a nonresident.

Reciprocal States—Kentucky has reciprocal agreements with specific states. These agreements provide for taxpayers to be taxed by their state of residence, and not the state where income is earned. **Reciprocity does not apply to persons who live in Kentucky for more than 183 days during the tax year.** The states and types of exemptions are as follows:

Illinois, West Virginia—wages and salaries

Indiana—wages, salaries and commissions

Michigan, Wisconsin—income from personal services (including salaries and wages)

Ohio—wages and salaries. **Note:** Wages which an S corporation pays to a shareholder-employee if the shareholder-employee is a “twenty (20) percent or greater” direct or indirect equity investor in the S corporation shall not be exempt under the reciprocity agreement.

Virginia—commuting daily, salaries and wages

Taxpayers who qualify for this exemption and have no other Kentucky taxable income should file Form 740-NP-R, Kentucky Income Tax Return, Nonresident-Reciprocal State, to obtain a refund. Also, nonresidents who qualify for the exemption should file Form 42A809, Certificate of Nonresidence, with their employer to exempt their future wages from Kentucky withholding.

Gambling income and distributive share income (Schedule K-1) are not exempt under reciprocal agreements. This income is fully taxable. A complete return must be filed if filing requirements are met.

Military Personnel—Nonresident military personnel with civilian jobs in Kentucky are required to report this income on Form 740-NP except residents of reciprocal states (see reciprocal states above). Any income from nonmilitary Kentucky sources is also taxable.

Military Pay Exclusion—Effective for taxable years beginning on or after January 1, 2010, all military pay received by active duty 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 will be exempt from Kentucky income tax. (KRS 141.019(1))

Soldiers will claim the exemption by excluding military pay when filing a Kentucky individual income tax return starting with the 2010 return. Provided the military member has no income other than military pay, he or she would not be required to file a Kentucky income tax return. The military pay exemption applies to all Kentucky military members regardless of where the member is stationed. Kentucky income tax should no longer be withheld from checks received for military pay, beginning January 1, 2010. If Kentucky income tax is incorrectly withheld from a soldier’s military pay in 2010 and after, the Department of Revenue will refund the tax withheld.

Military Spouse—The Military Spouses Residency Relief Act (MSRRA) (Public Law 111-97) was signed into law on November 11, 2009. This new law is effective for taxable year 2009. The MSRRA allows the same residency benefits permitted to military personnel under the Servicemembers Civil Relief Act (SCRA) to also apply to a military spouse’s nonmilitary service income, under certain circumstances.

The MSRRA prohibits a spouse’s income from being considered income earned in a tax jurisdiction if the spouse is not a resident or domiciliary of such jurisdiction when the spouse is in that jurisdiction solely to be with a servicemember serving under military orders.

Those military spouses who fall under this law should file Form 740-NP Kentucky Individual Income Tax Nonresident or Part-Year Resident Return to request a refund of the Kentucky income tax withheld from his or her pay. The income would not be reported as taxable on the Kentucky income tax return. To assist the department in identifying those returns, please check the MILITARY SPOUSE box on the top of the return. Please address any further questions to the Taxpayer Assistance Section at (502) 564-4581.

Military Personnel Eligible for Combat Zone Extension—Members of the Army, Navy, Marines, Air Force, or Public Health Service of the United States government who serve in an area designated as a combat zone by presidential proclamation shall not be required to file an income tax return and pay the taxes, which would otherwise become due during the period of service, until 12 months after the service is completed. Members of the National Guard or any branch of the Reserves called to active duty to serve in a combat zone are granted the same extension.

MODIFIED GROSS INCOME AND FAMILY SIZE (Use With Chart A)

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children. Family size is limited to four.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer’s qualifying child, a person must satisfy four tests:

- **Relationship**—The taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.
- **Residence**—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents. Other federal exceptions apply.
- **Age**—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.
- **Support**—Did not provide more than one-half of his/her own support for the year.

Modified Gross Income—Modified gross income is the greater of federal adjusted gross income adjusted to include interest income derived from municipal bonds (non-Kentucky) and lump-sum pension distributions not included in federal adjusted gross income; *or* Kentucky adjusted gross income adjusted to include lump-sum pension distributions not included in federal adjusted gross income.

Chart A	
If Your Family Size is:	Your <i>Modified Gross Income</i> is greater than:
One.....	<i>and</i> \$ 12,140
Two	<i>and</i> \$ 16,460
Three.....	<i>and</i> \$20,780
Four or More	<i>and</i> \$ 25,100

WHEN TO FILE—April 15, 2019, is the filing deadline for persons reporting income for calendar year 2018. To avoid penalties and interest, returns must be postmarked no later than April 15, 2019.

Social Security Number—You are required to provide your Social Security number per Section 405, Title 42, of the United States Code. This information will be used to establish your identity for tax purposes only.

AMENDED RETURNS—If you discover that you omitted deductions or otherwise improperly prepared your return, you may obtain a refund by filing an amended return within four years of the due date of the original return. You are required to file an amended return to report omitted income.

When filing an amended return, check the box on Form 740-NP and enclose a detailed explanation of the changes to income, deductions and tax. Submit a completed Kentucky return and corrected federal schedules, if applicable. If you do not enclose the required information, processing of your amended return may be delayed.

CONFIDENTIALITY—Kentucky Revised Statute 131.190 requires the Department of Revenue to maintain strict confidentiality of all taxpayer records. No employee of the Department of Revenue may divulge any information regarding the tax returns, schedules or reports required to be filed. However, the Department of Revenue is not prohibited from providing evidence to or testifying in any court of law concerning official tax records.

The department may provide official information on a confidential basis to the Internal Revenue Service or to any other governmental agency with which it has an exchange of information agreement whereby the department receives similar or useful information in return.

REPORTING PERIODS AND ACCOUNTING PROCEDURES—Kentucky law requires taxpayers to report income on the same calendar or fiscal year and to use the same methods of accounting as required for federal income tax purposes. Any federally approved change in accounting period or methods must be reported to the Kentucky Department of Revenue. Enclose a copy of the federal approval.

Changes to federal income tax law made after the Internal Revenue Code reference date contained in KRS 141.010(14) shall not apply for purposes of Chapter 141 unless adopted by the General Assembly.

POLITICAL PARTY FUND DESIGNATION—You may designate that a portion of your taxes will be paid to either the Democratic or Republican parties if you have a tax liability of at least \$2 (\$4 for married persons filing joint returns). *This designation will not increase your tax or decrease your refund.* You may make this designation by checking the applicable box. A taxpayer and spouse may each make a designation. Persons making no designation should check the "No Designation" box.

FILING STATUS—*Legal liabilities are affected by the choice of filing methods.* Married persons who file joint returns are jointly and severally liable for all income taxes due for the period covered by the return. If married, you may file separate or joint returns. **Most married persons pay less tax if they file separate returns.**

Filing Status 1, Single—Use this filing status if you are unmarried, divorced, widowed, legally separated by court decree, or if you filed as "Head of Household" or "Qualifying Widow(er)" on your federal return.

Filing Status 2, Married Filing Joint Return—Use this filing status if you and your spouse choose to file a joint return even if one spouse had no income. Jointly means that you and your spouse add your incomes together and report the total on page 3, Column B, Lines 1 through 33.

Filing Status 3, Married Filing Separate Returns—If using this filing status, you and your spouse must file two, separate tax forms. The taxpayer's income is reported on one tax form, the spouse's on the other. When filing separate returns, the name and Social Security number of each spouse must be entered on both returns. Enter the spouse's Social Security number in the block provided, and enter the name on page 1, line 3.

DETERMINING YOUR INCOME

INCOME/ADJUSTMENTS TO INCOME

A copy of your federal income tax return and all supporting schedules must be filed with Kentucky Form 740-NP. Please clearly identify as "Copy."

INSTRUCTIONS FOR COLUMN A

All entries in Column A should be amounts reported for federal income tax purposes.

Depreciation—Assets Purchased After September 10, 2001

Effective for taxable years ending after September 10, 2001, an individual that for federal income tax purposes elects to utilize

the 30 percent or the 50 percent special depreciation allowance or the increased 179 deduction will have a different depreciation and Section 179 deduction for Kentucky purposes than for federal purposes. The differences will continue through the life of the assets. There will be recapture and basis differences for Kentucky and federal income tax purposes until the assets are sold or fully depreciated.

INSTRUCTIONS FOR COLUMN B

Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets—*Important: Follow the instructions for Reporting Depreciation and Section 179 Deduction Differences if you have elected for federal income tax purposes to take the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction for property placed in service after September 10, 2001. A copy of the federal Form 4562 if filed for federal income tax purposes must be submitted with Form 740-NP to verify that no adjustments are required.*

Reporting Depreciation and Section 179 Deduction Differences for property placed in service after September 10, 2001—**Create a Kentucky Form 4562** by entering **Kentucky** at the top center of a federal Form 4562 above Depreciation and Amortization. In Part I, Line 1 enter the Kentucky limit of \$25,000 and in Part I, Line 3 enter the Kentucky phase-out amount of \$200,000. In Part II, strike through and ignore Line 14, Special depreciation allowance for qualified property placed in service during the tax year. Use the **created Kentucky Form 4562** to compute Kentucky depreciation and Section 179 deduction in accordance with the IRC in effect on December 31, 2001.

Note: In determining the Section 179 deduction for Kentucky, the income limitation on line 11 is Kentucky net income before the Section 179 deduction, instead of federal taxable income. Adjust federal Schedules C, E and F for the difference in allowable depreciation and report in Column B the Kentucky income (loss) from business, farming or rental property. **Enclose Kentucky Form 4562 and, if filed, federal Form 4562.**

Line 1, Wages, Salaries, Tips, etc.—Enter all wages, salaries, tips, bonuses, commissions or other compensation received for personal services from Kentucky sources while a nonresident and from all sources while a resident of Kentucky. Do not include in this amount any reimbursement for moving expenses included in Kentucky wages on your wage and tax statement.

Line 2, Moving Expense Reimbursement—Any payments made to you or on your behalf by any employer for moving expenses are considered income. These payments may be included in box 1 as wages or shown separately on the wage and tax statements. Persons who were residents of Kentucky for only part of the year are required to report as income only part of the total reimbursement they received. The amount which must be reported to Kentucky as income is based on the percentage of Kentucky earned income to total earned income. Earned income is income you received for services you provided. It includes wages, salaries, tips, etc. It also includes income earned from self-employment (Schedules C, C-EZ and F and partnerships). Use the worksheet below to calculate the taxable percentage of your reimbursement.

Moving Expense Reimbursement Worksheet

1. Enter total Kentucky earned income (do not include moving expense reimbursement) _____
2. Enter total earned income from federal return (do not include moving expense reimbursement) _____
3. Divide line 1 by line 2. Enter result. If amount is equal to or greater than 100%, enter 100% _____%

Multiply your total federal reimbursement in Column A by the percentage on line 3 of the worksheet and enter in Column B. This is your Kentucky taxable portion of your moving expense reimbursement.

Moving expense reimbursement is not taxable for nonresidents.

Line 3, Interest—Interest income received while a Kentucky resident must be reported, except for the following: (a) income from bonds issued by the Commonwealth of Kentucky and its political subdivisions; and (b) income from U.S. government bonds or securities. Interest income from bonds issued by other states and their political subdivisions is taxable to Kentucky and must be included on line 3.

Line 4, Dividends—Report dividends received while a resident of Kentucky and the distributive share of the dividend income reflected on the Schedule K-1.

Line 5, Taxable Refunds, Credits or Offsets of State or Local Income Taxes—Enter the amount of taxable local income tax refund or credit reported on your federal return only if you received a tax benefit in a prior year. Do not include state income tax refunds.

Line 6, Alimony Received—Enter alimony payments received while a Kentucky resident.

Lines 7 and 12, Profit or (Loss) from Business or Farming—*For income taxable to Kentucky, complete and enclose federal Schedule C or C-EZ for business income or federal Schedule F for farming and Form 4562, Depreciation and Amortization. Do not adjust wages by the federal work opportunity credit from federal Form 5884. For passive activities, see Form 8582-K. Do not include income from the national tobacco settlement agreement. Adjust income for the difference in allowable depreciation and report in Column B.*

Note: Individual owners of disregarded single member LLCs (SMLLCs) that file on Schedules C, E, or F for federal income tax shall file Form 725, Kentucky Single Member LLC Individually Owned Income and LLET Return, to compute and pay the limited liability entity tax. The individual member shall report income or loss from the entity and determine credit in the same manner as other pass-through entities (PTEs).

Lines 8 and 9, Gain or (Loss) from Sale or Exchange of Assets—Gains (losses) on sales of assets (including installment sales) while a Kentucky resident must be reported on the Kentucky return. Gains (losses) on sales of tangible assets located in Kentucky must be reported regardless of state of residence. Generally, gains (losses) on sales of intangible assets are reported to the state of residence.

Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year you dispose of assets placed in service after September 10, 2001, on which the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction was taken for federal income tax purposes, you will need to determine and report the difference in the amount of gain or loss on the assets as follows:

Create a Kentucky form by entering **Kentucky** at the top center of a federal Schedule D, federal Form 4797 and other applicable federal forms. Compute Kentucky gain or loss from the disposed assets using the Kentucky basis. Enter the Kentucky gain or loss on the appropriate line. **Enclose the created Kentucky Schedule D, Kentucky Form 4797 and other forms or schedules to support the deduction.**

Line 10(a), Federally Taxable IRA Distributions, Pensions and Annuities—Enter on Line 10(a), Column A, the total of IRA distributions, pensions and annuities received for the entire year. Enter on Line 10(a), Column B, the total of IRA distributions, pensions and annuities received while a resident of Kentucky.

Line 10(b), Pension Income Exclusion—You may exclude up to \$31,110 of pension income per taxpayer **reported on line 10(a), Column B**. If Line 10(a), Column B, is more than \$31,110 and is from the federal government, Commonwealth of Kentucky or Kentucky local governments, complete Schedule P.

Line 11, Income from Schedule E—Enter income from rents, royalties, partnerships, estates, trusts, limited liability companies (LLC), S corporations and REMICs. Nonresident individuals receiving a Kentucky Schedule K-1 from a partnership, estate, trust, LLC or S corporation must report their distributive share of the income, gains or losses, etc., as reflected on the Schedule K-1. Shareholders and partners should multiply their distributive share items by the taxable percentage from Schedule K-1; Form 720S, Line B(2); Form 765, Line D(2) and Form 765-GP, Line C(2).

Part-year residents not receiving a Kentucky Schedule K-1, but receiving a federal K-1 from a partnership, estate, trust or S corporation, must report the same amount of distributive income, gains or losses, etc., as reported for federal income tax purposes from entities whose taxable years end during their period of residence.

Do not include in Column B the net income from an S corporation subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

Report income from real estate mortgage investment conduits (REMICs) as follows: (1) if the REMIC is a corporation, include only distributions of cash or property during the taxable year; or (2) if other than a corporation, report the same amount as reported for federal income tax purposes for the taxable year.

Note: Individual owners of disregarded single member LLCs (SMLLCs) that file on Schedules C, E, or F for federal income tax shall file Form 725, Kentucky Single Member LLC Individually Owned Income and LLET Return, to compute and pay the limited liability entity tax. The individual member shall report income or loss from the entity and determine credit in the same manner as other pass-through entities (PTEs).

Line 13, Unemployment Compensation—Report unemployment compensation received while a resident of Kentucky.

Line 14, Taxable Social Security Benefits—Social Security benefits are not taxable for Kentucky.

Line 15, Gambling Winnings—Report income from lottery winnings and gambling received while a Kentucky resident or from Kentucky sources while a nonresident.

Line 16, Other Income—Report income from prizes, awards, or any sources not listed above while a Kentucky resident or from Kentucky sources while a nonresident.

Retirement Income (For persons moving out of Kentucky)—Include differences in pension (3-year recovery rule) and IRA bases received while a resident of Kentucky (also include differences on Schedule P, Line 2).

Net Operating Loss Deduction—A Kentucky net operating loss deduction (KNOLD) must be computed using Kentucky income and deduction amounts. The federal net operating loss deduction is not allowed. The KNOLD should be included as a negative amount on line 16. If the loss is from a business outside Kentucky, none of the loss may be used. Kentucky returns must be filed for the year of the loss and for all years for which the loss is utilized. Enclose schedule showing computation.

Note: For 2005 and future years, the carryback of net operating losses to prior years is no longer allowed. Net operating losses may be carried forward for up to 20 years. Documentation to substantiate any loss must be available to the Department of Revenue upon request.

Artistic Charitable Contributions—A deduction is allowed for "qualified artistic charitable contributions" of any literary, musical, artistic or scholarly composition, letter or memorandum, or similar property.

An amount equal to the fair market value of the property on the date contributed is allowable as a deduction. However, the deduction is limited to the amount of the taxpayer's Kentucky artistic adjusted gross income for the taxable year. This amount should be included as a negative amount on line 16.

The following requirements for a deduction must be met:

- (a) The property must have been created by the personal efforts of the taxpayer at least one year prior to the date contributed. The creation of this property cannot be related to the performance of duties while an officer or employee of the United States, any state or political subdivision thereof.
- (b) A written appraisal of the fair market value of the contributed property must be made by a qualified independent appraiser within one year of the date of the contribution. A copy of the appraisal must be enclosed with the tax return.
- (c) The contribution must be made to a qualified tax-exempt organization.

ADJUSTMENTS TO INCOME

KRS 141.019(1) and (2) provide that deductions are limited to amounts allocable to income subject to taxation. If a deduction or an adjustment to gross income is allowable based upon the receipt of certain types of income or is limited to a maximum amount deductible for federal income tax purposes, the Kentucky income used to determine the amount allowable for Kentucky shall be the same type of income used to allow the deduction on the federal return. Persons who move into or out of Kentucky during the year are limited to either the adjustments to gross income paid during the period of residence or that portion of adjustments to gross income that Kentucky income bears to total income. Nonresidents are limited to that portion of adjustments to gross income that Kentucky income bears to total income.

Line 18, Educator Expenses—Deduct up to \$250 for teachers and other educators for their out-of-pocket expenses incurred while a Kentucky resident or expenses for use in an educational classroom.

Line 19, Certain Business Expenses of Reservists, Performing Artists and Fee-Basis Government Officials—Do not include out-of-pocket expenses for members of the National Guard or Reserves.

Line 20, Health Savings Account (HSA) Deduction—Federal limitations apply. Contributions deducted by full-year nonresidents are limited to the percentage of their Kentucky total income (Line 17, Column B) to their federal total income (Line 17, Column A). Do not claim amounts as an itemized deduction.

Line 21, Moving Expenses for Members of the Armed Forces—Moving expenses are not deductible.

Line 22, Deduction for One-Half of Self-Employment Tax—You may deduct one-half of the self-employment tax based upon the self-employment income reported in Column B as Kentucky income for the taxable year.

Line 23, Self-Employed SEP, SIMPLE and Qualified Plans Deduction—Self-employed persons may deduct qualified payments to a Keogh retirement plan, a Simplified Employee Pension (SEP) or a SIMPLE plan based upon Kentucky self-employment earnings.

Line 24, Self-Employed Health Insurance Deduction—Self-employed persons may deduct self-employed health insurance based upon Kentucky self-employment earnings.

Line 25, Penalty on Early Withdrawal of Savings—You may deduct the interest penalty only if the interest income has been reported to Kentucky.

Line 26, Alimony Paid—The alimony deduction cannot exceed Kentucky income. Alimony paid by full-year nonresidents is limited to the percentage of their Kentucky total income to their federal total income. Enter the recipient's name and Social Security number.

Line 27, Individual Retirement Arrangements (IRAs)—The deduction cannot exceed income earned in Kentucky. Contributions made by full-year nonresidents are limited to the percentage of their Kentucky earned income to their federal earned income. Use federal worksheets and instructions with the above limitations.

Line 28, Student Loan Interest Deduction—Federal limitations apply. Student loan interest deduction is limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). Enter in Column A, the total of student loan interest from your federal return. Enter in Column B, the allowable deduction with the above limitation.

Line 29, RESERVED—

Line 30, RESERVED—

Line 31, Other Deductions—List any other adjustments to total income not listed above on lines 18 through 30. List the type of deduction in the space provided. Other deductions, with the exception of military and qualifying military spouse income, are limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). Enter in Column A, the total of any other adjustments to the total income listed on your federal return. Enter in Column B, the allowable deduction with the above limitation.

Nonresident military members filing to report nonmilitary income to Kentucky must subtract their military income on line 31, Column A with a notation "nonresident military income." The qualifying spouse of a military member who

has nonmilitary income should subtract their income on line 31, Column A with a notation "military spouse income." Nonresident military and qualifying military spouse income is not limited to the percentage of Kentucky total income to federal total income.

INCOME/TAX

Note: These items are reported on page 1, Form 740-NP.

Line 7—Enter the percentage from page 3, line 34.

Line 8—Enter federal Adjusted Gross Income from page 3, Column A, Line 33.

Line 9—Enter Kentucky Adjusted Gross Income from page 3, Column B, Line 33.

Line 10—Nonitemizers, enter the standard deduction of \$2,530. If filing a joint return, only one \$2,530 standard deduction is allowed.

Line 11—Itemizers, complete Schedule A and enter itemized deductions on line 11. If one spouse itemizes deductions, the other must itemize. See specific instructions for Schedule A.

Line 12—Multiply line 11 by the percentage on line 7. If line 12 does not exceed \$2,530 and your filing status is 1 or 2, you should elect to take the standard deduction. Married couples filing separate returns, see special rules under instructions for Schedule A.

Line 13—Subtract either line 10 or 12 from line 9. This is your Taxable Income.

Line 14—Tax Computation: Multiply line 13 by 5% (.05). This is your tax.

Schedule J, Farm Income Averaging—If you elect Farm Income Averaging on your federal return, you may also use this method for Kentucky. Complete and enclose Kentucky Schedule J and include tax in the amount on this line.

If you had a **lump-sum distribution** from a qualified retirement plan, complete Schedule P and Form 4972-K and enclose copies to Form 740-NP. The amount of tax computed on Form 4972-K should be included in the amount on this line.

Also enter on this line any recycling composting income tax credit recapture (enclose Schedule RC-R), distilled spirits income tax credit recapture (enclose Schedule DS-R), and/or angel investor income tax credit recapture.

Line 15—Enter amount from Schedule ITC, Section A, Line 24. See instructions for Schedule ITC.

Line 17—Enter amount from Schedule ITC, Section B, Line 3. See instructions for Schedule ITC.

NOTE: Use only if 65 or over, blind, or in Kentucky National Guard.

Line 18—Multiply the amount on line 17 by the percentage on line 7 and enter result here.

Line 20 and Line 21, Family Size Tax Credit—The Family Size Tax Credit is based on modified gross income (MGI) and the size of the family. If your total MGI is \$33,383 or less, you may qualify for Kentucky Family Size Tax Credit.

Enter family size. See Schedule ITC for instructions.

Enter family size tax credit decimal amount determined from family size tax credit.

Line 23, Education Tuition Tax Credit—Complete Form 8863-K to claim this credit. See Forms and instructions.

Line 25, Child and Dependent Care Credit—Full-year nonresidents are not entitled to this credit. Part-year residents may be entitled to a credit for child and dependent care expenses paid while a resident of Kentucky. To determine this credit, complete the following worksheet.

- (a) Enter total credit calculated on federal Form 2441, line 9
- (b) Enter total child and dependent care expenses entered on Form 2441, line 3.....
- (c) Enter the amount included on line (b) paid while a Kentucky resident.....
- (d) Divide line (c) by line (b). Enter result.....
- (e) Multiply the amount on line (a) by the decimal amount on line (d)....
- (f) Percent of allowable credit for Kentucky..... x .20
- (g) Multiply the amount on line (e) by the decimal amount on line (f). This is your Child and Dependent Care Credit. Enter on line 25.....

Note: If you and your spouse are filing separate Kentucky returns, the child and dependent care credit calculated for Kentucky must be divided based on the percentage of each spouse's adjusted gross income to total Kentucky adjusted gross income (line 9).

Line 27, Kentucky Use Tax—If, while a Kentucky resident, you made any out-of-state purchases of tangible personal property, digital property and extended warranties for use in Kentucky on which sales tax was not charged, you must report Kentucky use tax on those purchases, pursuant to KRS 139.330. **For example, if you order from catalogs, make purchases through the Internet, or shop outside Kentucky** for items such as clothing, shoes, jewelry, cleaning supplies, furniture, computer equipment, pre-written computer software, office supplies, books, souvenirs, exercise equipment or subscribe to magazines, you may owe use tax to Kentucky.

For your convenience, the Use Tax Calculation Worksheet and Optional Use Tax Table are provided in these instructions. The Optional Use Tax Table is designed for those purchases of less than \$1,000. If you made **untaxed** out-of-state purchases in amounts under \$1,000, but do not have records readily available that show the amount of those purchases, you may use the Optional Use Tax Table below to estimate the compensating use tax based on your Kentucky Adjusted Gross Income (KYAGI). All **untaxed** purchases in the amount of \$1,000 or greater must be accounted for on an actual basis using the Use Tax Calculation Worksheet. Failure to timely report may result in assessment of penalty and interest in addition to the tax amount due.

Optional Use Tax Table	
KY AGI* Tax	
\$0 - \$10,000	\$4
\$10,001 - \$20,000	\$12
\$20,001 - \$30,000	\$20
\$30,001 - \$40,000	\$28
\$40,001 - \$50,000	\$36
\$50,001 - \$75,000	\$50
\$75,001 - \$100,000	\$70
Above \$100,000	Multiply AGI by 0.08% (0.0008)
* AGI from line 9 on KY Form 740 or KY Form 740-NP.	

Use Tax Calculation Worksheet	
Call 502-564-5170 for assistance.	
1. Purchases of \$0 to \$1,000 x 6 percent (.06) OR Use Tax Table Amount	\$
2. Purchases of \$1,000 or more x 6 percent (.06)	\$
3. Total Use Tax Due (add lines 1 and 2)	\$
Report this amount on Form 740 or 740-NP, line 27.	

Note: The items reported for use tax on Form 740-NP should be those purchased strictly for personal use. Any use tax liabilities accruing to a business such as mail-order office supplies must be reported on the sales and use tax return or the consumer's use tax return. The Department of Revenue routinely conducts compliance programs with other states regarding out-of-state purchases. Persons not reporting applicable use tax will be liable for the tax plus interest and penalties.

Credit Against the Kentucky Use Tax Due

You may reduce or eliminate the amount of Kentucky use tax due by the amount of state sales tax paid to the out-of-state seller on the same transaction. The reduction may not exceed the amount of Kentucky use tax due on the purchase. For example, if Georgia state sales tax of 4 percent is paid, only the additional 2 percent is due to Kentucky, or if Illinois state sales tax of 6.25 percent is paid, no additional Kentucky use tax is due. Sales tax paid to a city, county or another country cannot be used as a credit against Kentucky use tax due.

Line 30, Amended returns only—Enter any overpayment received from your original return.

Line 32(a), Tax Withheld—Enter the amount of Kentucky income tax withheld as shown on your Schedule KW-2. This schedule must be enclosed with your return. It is no longer necessary to submit W-2s, 1099s, and W2Gs with your return. Please retain these forms with your records and provide upon request.

You will not be given credit for Kentucky income tax withheld unless you enclose the Schedule KW-2.

Employers are required to give these statements to employees no later than January 31, 2019. If by March 1 you are unable to obtain a wage and tax statement from an employer, contact the Department of Revenue for instructions.

You may not claim credit for tax **withheld** by another state. Within certain limitations, Kentucky part-year residents may claim a credit for nonrefundable individual income tax **paid** to other states. See Schedule ITC, Section A, Line 5.

Local government occupational, license or income tax must not be included on line 32(a).

Line 32(b), Estimated Tax Paid—Enter Kentucky estimated tax payments made for 2018 and amounts credited from the 2017 return.

Also, include on line 32(b) payments prepaid with extension requests. Identify as "prepaid with extension."

Line 32(c), Refundable Certified Rehabilitation Credit—Enter 2018 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

Line 32(d), Nonresident Withholding—Enter the amount of Kentucky income tax withheld from form PTE-WH, line 9.

Line 32(e), Amended Returns—Enter amount paid with original return plus additional payment(s) made after it was filed.

Line 33—Total of amounts on lines 32(a) through 32(e).

Line 34, Additional Tax Due—Compare the amounts on lines 31 and 33. If line 31 is larger than line 33, subtract line 33 from line 31, enter additional tax due. This is your additional tax due before penalties and interest.

Penalties and Interest

Line 35(a), Underpayment of Estimated Tax—If the amount owed is more than \$500 and more than 30 percent of the income tax liability on line 26, you may be subject to a penalty of 10 percent of the underpayment of estimated tax.

The amount of the penalty may be calculated on Form 2210-K. Form 2210-K may also be used by qualifying farmers and others to claim exception to the penalty. If paying the penalty or claiming an exemption, complete Form 2210-K, enclose it with your return and check the block beside line 35(a). Enter the amount of the penalty on line 35(a). The minimum penalty is \$25.

If your return is filed after April 15, 2019, or any tax due on the return is paid after April 15, 2019; you may be subject to additional penalties and interest.

Line 35(b), Estimated tax interest—Failure to make four equal installments timely may result in estimated tax interest due. See Form 2210-K and instructions.

Line 35(c), Interest—Interest will be assessed at the "tax interest rate" from the original due date of the return until the date of payment.

Line 35(d), Late Payment Penalty—If the amount of tax due as shown on line 34 is not paid by the original due date of the return, a penalty of 2 percent of the tax computed due may be assessed for each 30 days or fraction thereof that the tax is past due, not to exceed 20 percent. The minimum penalty is \$10. However, if the amount timely paid is 75 percent of the tax determined due by the Department of Revenue, no late payment penalty will be assessed.

Line 35(e), Late Filing Penalty—If a return is not filed by the due date or the extended due date, a penalty of 2 percent of the total tax due for each 30 days or fraction thereof that a return is not filed may be assessed, not to exceed 20 percent. The minimum penalty is \$10.

Note: Penalties but not interest may be reduced or waived if reasonable cause for reduction or waiver can be shown.

Line 36—Total of amounts on lines 35(a) through 35(e).

Line 37, Amount You Owe—If the total of lines 31 and 36 are more than line 33, subtract line 33 from the total of lines 31 and 36. When filing the return, you must pay any tax due shown on line 37.

Your 2018 individual income tax liability may be paid using any of the following options:

- Form EPAY (42A740), if supported by your software vendor, may be used to make an electronic payment of tax due separately from filing your tax return. Refer to the Form EPAY (42A740) instructions for additional information.
- Form 8879-K, for use when simultaneously making an electronic payment and filing your return.
- Pay by Credit Card or ACH Debit through April 15, 2019. Kentucky accepts MasterCard, VISA, Discover or American Express. Access the Department of Revenue's secure Web site (www.revenue.ky.gov) to make electronic payments.
- Pay by check using Form 740-V if you filed your return electronically. Make check payable to Kentucky State Treasurer, write "KY Income Tax-2018" and your Social Security number on the face of the check. Enclose the check and Form 740-V in the same envelope.

If you need assistance with payment options, you may call the Department of Revenue at (502) 564-4581.

Note: If you cannot pay your tax in full, file your return and pay as much as possible by April 15. Contact the Department of Revenue for additional payment information.

Line 38, Amount Overpaid—If you have an overpayment on line 38, you may have all of this amount refunded to you on line 42, and/or you may credit all or part of it toward your 2019 Kentucky estimated income tax on line 41.

Line 39, Fund Contributions—You may also contribute all or a portion of your overpayment to the following funds on line 39: (a) **Nature and Wildlife Fund** for the purpose of acquiring land to preserve habitat for wildlife and natural areas of historic or scenic value; (b) **Child Victims' Trust Fund** to support local programs designed to prevent sexual abuse and exploitation of children; (c) **Veterans' Program Trust Fund** which was created solely for the benefit of veterans' programs; (d) **Breast Cancer Research and Education Trust Fund** which was created to fund breast cancer research and provide public education about breast cancer; (e) **Farms to Food Banks Trust Fund** which was created to offset farmers' cost for providing surplus Kentucky grown fruits and vegetables to food banks; (f) **Local History Trust Fund** which was created to support grants for local history organizations that help preserve their communities' heritage; (g) **Special Olympics Kentucky** to help provide confidence and self-esteem building sports programs for athletes with intellectual disabilities in Kentucky; (h) **Pediatric Cancer Research Trust Fund** to support pediatric cancer research and treatment for Kentucky patients; (i) **Rape Crisis Center Trust Fund** to help provide direct services to Kentucky citizens who have experienced sexual violence, sexual assault, or rape

at any time in their lifetime, or (j) **Court Appointed Special Advocate Trust Fund** to support and strengthen the local Court Appointed Special Advocate (CASA) programs in Kentucky.

Amounts contributed on line 40 and/or credited on line 41 must be subtracted from the overpayment and cannot exceed it.

Line 40, Total of amounts on lines 39(a) through 39(j).

Line 41, Estimated Tax—You may credit all or part of the overpayment toward your estimated tax liability for 2019. Enter the amount you want credited on line 41. Credit forwards are not available on amended returns.

Line 42, Refund—Subtract amounts entered on lines 40 and 41 from line 38. Enter the difference, if any, on line 42. This amount will be refunded to you. If the total of lines 40 and 41 equals the amount on line 38, enter a zero on line 42.

Taxpayers may elect to receive their refund on a Bank of America Prepaid Debit Card (not available for amended returns).

WHEN AND WHERE TO FILE—The income tax return for calendar year 2018 must be postmarked no later than April 15, 2019, to avoid penalties and interest. Mail to:

Refund/Other Returns
Kentucky Department of Revenue
P. O. Box 856970
Louisville, KY 40285-6970

Pay Returns
Kentucky Department of Revenue
P. O. Box 856980
Louisville, KY 40285-6980

ESTIMATED TAX— Persons who reasonably expect to have income in excess of \$5,000 from which no Kentucky income tax will be withheld may be required to make estimated tax payments on Form 740-ES. However, if the amount of estimated tax is \$500 or less, no estimated payments are required. Persons who do not prepay at least 70 percent of the tax liability may be subject to a 10 percent penalty for underpayment of estimated tax. If you are required to make estimated tax payments you may also be subject to interest if the payments are not made timely. Prepayments for 2019 may be made through withholding, a credit forward of a 2018 overpayment or estimated tax installment payments.

Estimated tax installments may now be made electronically using Form EPAY, or when electronically filing your return using Form 8879-K, or through mailing a 740-ES with payment.

The instructions for Form 740-ES include a worksheet for calculating the amount of estimated tax due and for making installment payments. These forms may be obtained from the Kentucky Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or any Kentucky Taxpayer Service Center, or by calling (502) 564-3658.

EXTENSION OF TIME TO FILE

Taxpayers who are unable to file a return by April 15, 2019, may request an extension. Taxpayers may elect to file this request electronically or by mailing the extension to the Department of Revenue on or before the due date of the return. Inability to pay is not an acceptable reason. Acceptable reasons include, but are not limited to, destruction of records by fire or flood and serious illness of the taxpayer. The request for the extension must be submitted in writing to the Department of Revenue on or before the due date of the return. The request must state a

reasonable cause for the inability to file. Extensions are limited to six months. **A copy of the Kentucky extension request must be enclosed with the return.**

Individuals who receive a federal extension are not required to obtain a separate Kentucky extension. They can meet the requirements by enclosing a copy of the application for automatic federal extension or the **approved** federal extension to the Kentucky return.

Kentucky residents who are in the military are often granted extensions for tax filings when serving outside the United States. Any extension granted for federal income tax purposes will be honored for Kentucky income tax purposes.

Interest at the "tax interest rate" applies to any income tax paid after the original due date of the return. If the amount of tax paid by the original due date is less than 75 percent of the tax due, a late payment penalty may be assessed (minimum penalty is \$10). Interest and late payment penalty charges can be avoided by remitting payment with the Extension Payment Voucher by the due date.

If you wish to make a payment prior to the due date of your tax return, complete Section II of the Application for Extension of Time to File, Form 740-EXT, and remit with payment. Write "KY Income Tax—2018" and your Social Security number on the face of the check.

Personal Property—Kentucky taxpayers are reminded to report all taxable personal property, except motor vehicles, owned on January 1 to either the property valuation administrator in the county of residence (or location of business) or the Office of Property Valuation in Frankfort. Tangible personal property is to be reported on the Tangible Personal Property Tax Return, Form 62A500. The due date for these returns is May 15.

SIGN RETURN—Be sure to sign on page 2 after completion of pages 1, 2, and 3 of your return. Each return must be signed by the taxpayer. Joint returns must be signed by both taxpayer and spouse. Returns that are not signed may be returned to you for signature.

Enter Driver's License/State Issued ID number.

Please enter a telephone number where you can be reached during regular working hours. You may be contacted for additional information needed to complete processing of your tax return.



REFUND/TAX PAYMENT SUMMARY

29 Enter amount from page 1, line 28. This is your Total Tax Liability	29		00	
30 For amended return: overpayment, if any, shown on original return	30		00	
31 Add lines 29 and 30, enter here	31		00	
32 a Enter Kentucky income tax withheld as shown on enclosed Schedule KW-2	32a	00		
b Enter 2018 Kentucky estimated tax payments	32b	00		
c Enter 2018 refundable certified rehabilitation credit	32c	00		
d Enter Nonresident Withholding from Form PTE-WH, line 9	32d	00		
e For amended return; enter amount paid with original return plus additional payment(s) made after it was filed	32e	00		
33 Add lines 32(a) through 32(e)	33		00	
34 If line 31 is larger than line 33, subtract line 33 from line 31, enter ADDITIONAL TAX DUE	34		00	
35 a Estimated tax penalty <input type="checkbox"/> Check if Form 2210-K attached	35a	00		
b Estimated tax interest	35b	00		
c Interest	35c	00		
d Late payment penalty	35d	00		
e Late filing penalty.....	35e	00		
36 Add lines 35(a) through 35(e). Enter here	36		00	
37 If the total of lines 31 and 36 are more than line 33, subtract line 33 from the total of lines 31 and 36. OWE This is the AMOUNT YOU OWE.	37		00	
38 If line 33 is more than line 31, subtract lines 31 and 36 from line 33. This is the AMOUNT YOU OVERPAID	38		00	
39 Fund Contributions; see instructions.				
a Nature and Wildlife Fund	00	e Farms to Food Banks Trust Fund		00
b Child Victims' Trust Fund	00	f Local History Trust Fund		00
c Veterans' Program Trust Fund ..	00	g Special Olympics Kentucky		00
d Breast Cancer Research/ Education Trust Fund	00	h Pediatric Cancer Research Trust Fund ..		00
		i Rape Crisis Center Trust Fund		00
		j Court Appointed Special Advocate Trust Fund		00
40 Add lines 39(a) through 39(j)	40			00
41 Amount of line 38 to be CREDITED TO YOUR 2019 ESTIMATED TAX	41	CREDIT FORWARD		00
42 Subtract lines 40 and 41 from line 38. Amount to be REFUNDED TO YOU	42	REFUND		00

Check here if you would like your refund issued on a Bank of America Prepaid Debit Card

Check here if you would like to receive your Debit Card material in Spanish

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Sign Here	Signature of Taxpayer	Driver's License/State Issued ID No.	Date	Telephone Number (daytime)
	Signature of Spouse	Driver's License/State Issued ID No.	Date	
Paid Preparer Use	Signature of Preparer		Date	
	Name of Preparer or Firm		ID Number	
	Email	Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Enclose	Include a complete copy of federal Form 1040 if you received farm, business, or rental income or loss. If not required, check here. <input type="checkbox"/>	Refund or No Payment	Kentucky Department of Revenue P. O. Box 856970 Louisville, KY 40285-6970
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov Include: Your Social Security number and "KY Income Tax—2018"	With Payment	Kentucky Department of Revenue P. O. Box 856980 Louisville, KY 40285-6980



		A. Total from Enclosed Federal Return	B. Kentucky	
INCOME				
1	Enter all wages, salaries, tips, etc. (<i>enclose Kentucky Schedule KW-2</i>) Do not include moving expense reimbursements	1	00	00
2	Moving expense reimbursement	2	00	00
3	Interest	3	00	00
4	Dividends.....	4	00	00
5	Taxable refunds, credits or offsets of state and local income taxes	5	00	00
6	Alimony received	6	00	00
7	Business income or loss (<i>enclose federal Schedule C or C-EZ</i>).....	7	00	00
8	Capital gain or loss (<i>enclose federal Schedule D</i>).....	8	00	00
9	Other gains or losses (<i>enclose federal Form 4797</i>).....	9	00	00
10	a Federally taxable IRA distributions, pensions and annuities	10a	00	00
	b Pension income exclusion (<i>enclose Schedule P if more than \$31,110 per taxpayer</i>)	10b		(00)
11	Rents, royalties, partnerships, estates, trusts, etc. (<i>enclose federal Schedule E</i>).	11	00	00
12	Farm income or loss (<i>enclose federal Schedule F</i>)	12	00	00
13	Unemployment compensation (see instructions).....	13	00	00
14	Taxable Social Security benefits	14	00	
15	Gambling winnings	15	00	00
16	Other income (list type and amount) _____	16	00	00
17	Combine lines 1 through 16. This is your Total Income	17	00	00
ADJUSTMENTS TO INCOME				
18	Educator expenses.....	18	00	00
19	Certain business expenses of reservists, performing artists and fee-basis government officials (<i>enclose federal Form 2106 or 2106-EZ</i>).....	19	00	00
20	Health savings account deduction (<i>enclose federal Form 8889</i>)	20	00	00
21	Moving expenses for members of the armed forces.....	21	00	
22	Deductible part of self-employment tax.....	22	00	00
23	Self-employed SEP, SIMPLE, and qualified plans deduction	23	00	00
24	Self-employed health insurance deduction	24	00	00
25	Penalty on early withdrawal of savings	25	00	00
26	Alimony paid (enter recipient's name and Social Security number) _____	26	00	00
27	IRA deduction	27	00	00
28	Student loan interest deduction	28	00	00
29	RESERVED	29	00	00
30	RESERVED	30	00	00
31	Other deductions (list type and amount) _____	31	00	00
32	Add lines 18 through 31. Total Adjustments to Income	32	00	00
33	Subtract line 32 from line 17. This is your Adjusted Gross Income	33	00	00
34	Divide line 33, Column B, by line 33, Column A. If amount is equal to or greater than 100%, enter 100%. This is your Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income	34	— — — ▪ — %	