



2023 KENTUCKY INCOME TAX CHANGES

University of Kentucky Income Tax Seminar

TEAM
KENTUCKY

Kentucky Department of Revenue • 501 High Street • Frankfort, KY 40601 • (502) 564-3226

Introductions

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CORPORATE INCOME TAX/LLET

2023 Updates

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Overview of the 2023 Legislative Session

- **HB 360**

- Updated IRC reference date
- Treatment of Restaurant Revitalization Grants
- Decontamination Tax Credit

- **HB 303**

- KEI Tax Credit Changes
- Wage Assessments

- **HB 5**

- Pass-Through Entity Tax and Tax Credit
- Distilled Spirits Tax Credit

Updated IRC Reference date

- **For tax years beginning on or after January 1, 2023:**
 - **The IRC reference date is December 31, 2022**
 - **Previous reference date was December 31, 2021**
 - **As a result, changes to the Internal Revenue Code made through December 31, 2022, are applicable for Kentucky Income Tax purposes to the extent Kentucky has adopted the application of the federal income tax law.**
- **Statute Reference: KRS 141.010(21)**

Updated IRC Reference date

- **Treatment of Research and Experimental (R&E) Expenses**
 - The updated IRC date means that Kentucky does conform to the IRC Section 174 changes requiring taxpayers to capitalize and amortize R&E expenses for taxable years beginning on or after January 1, 2023
 - Because those changes had an effective date of January 1, 2022, they were not in effect as of the previous conformity date.
 - So for tax year 2022, R&E expenses could be deducted for KY purposes

Restaurant Revitalization Grants

- **For tax years beginning on or after January 1, 2020, but before March 11, 2023, Restaurant Revitalization Grants will be treated the same as the IRS treats them**
 - **The grants are not includible in gross income**
 - **Expenses paid with the grants are fully deductible**
- **Statute Reference: KRS 141.039(1)(i)**

Tax Credit Changes

- **HB 360 modified the Decontamination Tax Credit**
 - Reduced the amount of anticipated qualifying expenditures per property to \$6 million from \$10 million
 - Total credit award cap: \$30 million for fiscal year 2022-2023 and 2023-2024
 - Statute References: KRS 141.419 and KRS 224.1-420
- **HB 5 modified the Distilled Spirits Tax Credit**
 - None of the modifications affect the 2023 tax year
 - Substantial changes in the DS credit in 2024
 - Statute reference: KRS 141.389

Tax Credit Changes

- **HB 303 made various changes to the Kentucky Entertainment Incentive Credit (Formerly Known As: Kentucky Film Credit)**
- **Allocated \$25 million for approved continuous production film companies**
- **Allowed payroll expenditures of loan-out entities to be included in the credit calculation**
 - **Statute references: KRS 141.383 and KRS 154.61**
- **HB 303 also modified the wage assessment language in the various tax credit provisions that utilize wage assessments**
 - **Modified in accordance with the reduction in the individual income tax rate**

Pass-Through Entity Tax

- **HB 5 created a new section under KRS 141 allowing a pass-through entity to pay Kentucky's income tax imposed under KRS 141.020**
- **For taxable years beginning on or after January 1, 2022, an authorized person may elect annually, on behalf of the electing pass-through entity, to have the tax under KRS 141.020 paid at the entity level**
- **The amount of tax is based on the entity's ordinary income and separately stated items of income calculated in accordance with KRS 141.206**
- **An electing pass-through entity may make the election to pay the income tax due using Form 740-PTET**
- **Statute reference: KRS 141.209**

Pass-Through Entity Tax

- **For the taxable year beginning on or after January 1, 2022, but before January 1, 2023:**
 - The election must be made after March 31, 2023, but before August 31, 2024
- **For taxable years beginning on or after January 1, 2023, the election may be made at any time during the taxable year, but must not be later than:**
 - The 15th day of the fourth month after the close of the taxable year; or
 - The 15th day of the tenth month if the return is filed with a timely extension per KRS 141.170
- **Once the election is made for a taxable year, it is irrevocable and binding upon all entity owners**

Forms Changes

- **New Form:**

- **Form 740-PTET:** Created to allow a pass-through entity to elect to pay income tax imposed under KRS 141.020 and to report its income and tax due

FORM 740-PTET		KENTUCKY PASS-THROUGH ENTITY TAX (To be completed by a Pass-through Entity Only)		2023
For calendar year 2023 or tax years beginning (MM-DD-YY) ____ - ____ - 20____, and ending (MM-DD-YY) ____ - ____ - 20____				
A Federal Identification Number _____		B LLET Account Number (if available) _____		D Check the applicable boxes ☐ Change of accounting period ☐ Final return ☐ Amended ☐ Election to pay income tax at the entity level
C Name of Pass-Through Entity _____ ☐ Change of Name		Number and Street _____		
City _____		State _____		
ZIP Code _____		Telephone Number _____		
1 Number of partners, members, or shareholders included in this return (Do not include C-Corporations) ▶ 1				
2 Net distributive share income before apportionment ▶ 2 00				
3 100% or the apportionment fraction from the pass-through entity's Schedule A (see instructions) ▶ 3 %				
4 Kentucky distributive share income subject to withholding (line 2 multiplied by line 3) ▶ 4 00				
5 Tax before tax credits (line 4 multiplied by 4.5% (.045)) ▶ 5 00				
6 Enter the partners', members', or shareholders' nonrefundable tax credits ▶ 6 00				
7 Kentucky income tax liability (line 5 less line 6) ▶ 7 00				
▶ Continue to next page to calculate tax due or overpayment				
TAX PAYMENT SUMMARY (FOR ADDITIONAL TAX DUE)				
1 Tax, line 17 \$ _____				
2 Interest \$ _____				
3 Penalty \$ _____				
4 Total Payment \$ _____				
OFFICIAL USE ONLY				
PW 2024		VAL #		
230261 42A740-PTET (10-23)				

Forms Changes

- **New Form:**

- **Form PTET-CR:** Created to allow an electing pass-through entity to report to each of its partners, members, or shareholders their proportionate share of the income tax paid by the entity. The PTET-CR must be filed with the partner's, member's, or shareholder's return to claim the PTET credit

FORM PTET-CR  **KENTUCKY PASS-THROUGH ENTITY TAX ON DISTRIBUTIVE SHARE INCOME** **2023**
Commonwealth of Kentucky
Department of Revenue

2302630003

Submit Entire Page
(Attach to Form 740-PTET)

PTET-CR
42A740-PTET-CR (10-23)

KENTUCKY PASS-THROUGH ENTITY TAX ON DISTRIBUTIVE SHARE INCOME

Taxable Year Ending
Mo. / Yr.

☐ Amended

1 Pass-through entity's FEIN

4 Partner, member, or shareholder
Social Security Number or FEIN

2 Pass-through entity's
LLET Acct. No. (if available)

3 Name of pass-through entity
Number and Street
City State ZIP Code

5 Name of partner, member, or shareholder
Number and Street
City State ZIP Code

6 Partner's, member's or shareholder's Kentucky distributive share income subject to income tax 600

7 Tax before credit (line 6 multiplied by 4.5% (.045)) 700

8 Enter partner's, member's, or shareholder's credits (see instructions) 800

9 Kentucky income tax paid by entity (line 7 less line 8) 900

230263 42A740-PTET-CR (10-23) Page 1 of 1

Forms Changes

- **New Form:**

- **Form 740-PTET-ES:** Created to allow an electing pass-through entity to report estimated PTE tax payments
 - **NOTE:** Estimated payments are not required for tax years beginning on or after January 1, 2022, but before January 1, 2024.

✂ ★ Please cut on the dotted line. ★

2024 PASS-THROUGH ENTITY TAX ESTIMATED VOUCHER		Taxable Year Ending (MMYY)
KENTUCKY ESTIMATED TAX VOUCHER	Form 740-PTET-ES	
LLET Account No (if available)		Federal Identification Number (FEIN)
Entity Name		
Total Paid		
(Round to the nearest dollar)		
OFFICIAL USE ONLY		
V A L #		
Number and Street City State ZIP Code Contact Name and Telephone Number		
Kentucky Department of Revenue, Frankfort, Kentucky 40619-0006		42A740-PTET-ES0003

Forms Changes

- **New Form:**
 - **Form 740-PTET-EXT: Created** to allow an electing pass-through entity to request a six-month extension and make a payment.

✂ *★ Please cut along the dotted line. ★*

740-PTET-EXT **EXTENSION OF TIME TO FILE KENTUCKY FORM 740-PTET** **2023**

Federal Identification Number (FEIN) Taxable Year Ending (MMYY) Kentucky LLET Account No (if applicable)

Entity Name

Pass-Through Entity Tax .00

Total Paid .00
(Round to the nearest dollar)

Number and Street

City State ZIP Code

Contact Name and Telephone Number

Kentucky Department of Revenue,
Frankfort, Kentucky 40620-0021

42A740-PTET-EXT0003

OFFICIAL USE ONLY

V
A
L
#

Signature of Principal Officer or Chief Accounting Officer OR
Preparer Other than Taxpayer

Date

Forms Changes

- **New Form:**

- **Form KPTE-V: 2022** payment voucher created for the electing pass-through entities that choose to pay the PTE Tax with a paper check
- **Form KPTET-V: 2023** payment voucher created for the electing pass-through entities that choose to pay the PTE Tax with a paper check

KPTE-V KENTUCKY PASS THROUGH ENTITY PAYMENT VOUCHER **2022**

Clear Form Display Barcode

LLET Account (Optional) Taxable Year Ending (MMYY)

FEIN

Name of Entity (Print or Type)

Number and Street

City State ZIP Code

Contact Name Contact Phone

Income Tax Dollars Cents

Interest and Penalty

Total

740KPTEV0004

Kentucky Department of Revenue,
Frankfort, Kentucky 40619-0006

KPTET-V KENTUCKY PASS THROUGH ENTITY TAX PAYMENT VOUCHER **2023**

Clear Form Display Barcode

LLET Account (Optional) Taxable Year Ending (MMYY)

FEIN

Name of Entity (Print or Type)

Number and Street

City State ZIP Code

Contact Name Contact Phone

Income Tax Dollars Cents

Interest and Penalty

Total

740KPTETV0004

Kentucky Department of Revenue,
Frankfort, Kentucky 40619-0006

Forms Changes

FORM 740-PTET ELECT Kentucky Department of Revenue	 2300110003	KENTUCKY PASS-THROUGH ENTITY TAX Election to Pay Income Tax at the Entity Level (To be completed by a Pass-through Entity Only)	2023
For calendar year 2023 or tax years beginning (MM-DD-YY) ____ - ____ - 20____, and ending (MM-DD-YY) ____ - ____ - 20____			
A Federal Identification Number _____		B LLET Account Number (if available) _____	
C Name of Pass-Through Entity ☐ Change of Name _____ Number and Street _____ City State ZIP Code Telephone Number _____-_____-_____-_____			

☐ Election to Pay Income Tax at the Entity Level—Please check this box to make the election for the pass-through entity to pay tax at the entity level.

MAKING THE ELECTION

The election may be made at any time during the taxable year or after the end of the taxable year. If the election is made after the end of the taxable year, it must be made by:

- The 15th day of the fourth month after the close of the taxable year, or
- The extended due date if an extension is filed.

Once the election has been made for a taxable year, it is irrevocable and binding upon all entity owners.

Under the election, the income tax will be calculated at the pass-through entity level. This election imposes the tax under KRS 141.020 upon the electing entity and is based upon the ordinary income and separately stated items of income calculated under KRS 141.206. The Pass-Through Entity Tax shall be due on the same date as the entity's annual return for the taxable year, without regard to extensions.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Sign Here	Signature of Member _____	Date _____-_____-_____-	
	Name of Member (Please print) _____	Title _____	
Paid Preparer Use	Signature of Preparer _____	Date _____-_____-_____-	
	Name of Preparer or Firm (Please print) _____	ID Number _____	
	Email and/or telephone no. _____	May the DOR discuss this return with this preparer? ☐ YES ☐ NO	
Mail To:	Kentucky Department of Revenue Frankfort, KY 40619-0006		

FORM 740-PTET ELECT Kentucky Department of Revenue	 2300110003	KENTUCKY PASS-THROUGH ENTITY TAX Election to Pay Income Tax at the Entity Level (To be completed by a Pass-through Entity Only)	2024
For calendar year 2023 or tax years beginning (MM-DD-YY) ____ - ____ - 20____, and ending (MM-DD-YY) ____ - ____ - 20____			
A Federal Identification Number _____		B LLET Account Number (if available) _____	
C Name of Pass-Through Entity ☐ Change of Name _____ Number and Street _____ City State ZIP Code Telephone Number _____-_____-_____-_____			

☐ Election to Pay Income Tax at the Entity Level—Please check this box to make the election for the pass-through entity to pay tax at the entity level.

MAKING THE ELECTION

The election may be made at any time during the taxable year or after the end of the taxable year. If the election is made after the end of the taxable year, it must be made by:

- The 15th day of the fourth month after the close of the taxable year, or
- The extended due date if an extension is filed.

Once the election has been made for a taxable year, it is irrevocable and binding upon all entity owners.

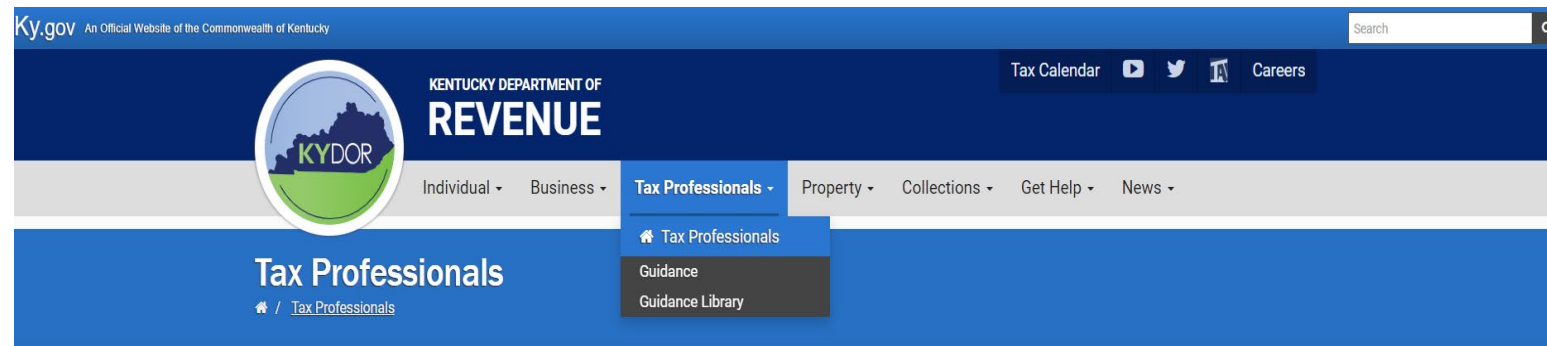
Under the election, the income tax will be calculated at the pass-through entity level. This election imposes the tax under KRS 141.020 upon the electing entity and is based upon the ordinary income and separately stated items of income calculated under KRS 141.206. The Pass-Through Entity Tax shall be due on the same date as the entity's annual return for the taxable year, without regard to extensions.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Sign Here	Signature of Member _____	Date _____-_____-_____-	
	Name of Member (Please print) _____	Title _____	
Paid Preparer Use	Signature of Preparer _____	Date _____-_____-_____-	
	Name of Preparer or Firm (Please print) _____	ID Number _____	
	Email and/or telephone no. _____	May the DOR discuss this return with this preparer? ☐ YES ☐ NO	
Mail To:	Kentucky Department of Revenue Frankfort, KY 40619-0006		

E-File for Form 740-PTET

Electronic filing is available through third-party vendors that support Kentucky Form 740-PTET and Form PTET-CR

Visit the Department of Revenue website at [Revenue.ky.gov](https://revenue.ky.gov) for updates of approved Tax Software Vendors under the Tax Professionals Tab and click on Software Developers



Approval Lists

[TY2022 Approved Tax Software List \(8/15/23\)](#)

Mailing Address

- **Mailing Addresses for PTET returns:**

Kentucky Department of Revenue
Frankfort, KY 40619-0006



INDIVIDUAL INCOME TAX

2023 Updates

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Individual Income Tax: Form Changes

- **Updated all forms with year changes and any legislative threshold changes**
 - **Standard Deduction: \$2,980**
 - **Schedule A – mortgage insurance premiums marked reserved**
 - **Form 740 and 740-NP – updated to include refundable pass-through entity tax credit and tax rate change to 4.5%**

Individual Income Tax: Family Size Tax Credit

Use this **Family Size Tax Credit Table** to determine the percentage of family size credit. You will need to know your family size and your modified gross income (a worksheet is located within the instructions). You will enter the percentage for the family size tax credit on Form 740 or 740-NP, line 21.

Family Size	One		Two		Three		Four or More		Credit Percentage is
	is over	is not over	is over	is not over	is over	is not over	is over	is not over	
Tax Year 2023	\$ —	\$ 14,580	\$ —	\$19,720	\$ —	\$24,860	\$ —	\$30,000	100
	14,580	15,163	19,720	20,509	24,860	25,854	30,000	31,200	90
	15,163	15,746	20,509	21,298	25,854	26,849	31,200	32,400	80
	15,746	16,330	21,298	22,086	26,849	27,843	32,400	33,600	70
	16,330	16,913	22,086	22,875	27,843	28,838	33,600	34,800	60
	16,913	17,496	22,875	23,664	28,838	29,832	34,800	36,000	50
	17,496	18,079	23,664	24,453	29,832	30,826	36,000	37,200	40
	18,079	18,517	24,453	25,044	30,826	31,572	37,200	38,100	30
	18,517	18,954	25,044	25,636	31,572	32,318	38,100	39,000	20
	18,954	19,391	25,636	26,228	32,318	33,064	39,000	39,900	10
	19,391	—	26,228	—	33,064	—	39,900	—	0

Looking Ahead – Reduction of Individual Income Tax Rate

- **HB 8 amended by HB 659**
 - **Budget Reserve Trust Fund will be reviewed each year**
 - **Compared with the general fund**
 - **Individual income tax rate can be reduced by .5% each tax year**
 - **Individual income tax rate reductions after 2023 are contingent upon future action by the General Assembly**

Individual income tax rate for tax year 2024 is 4%

Standard Deduction for tax year 2024: \$3,160

Employer Payroll Withholding

- **All filing types are now mandated by e-file requirements**
- **For tax year 2024, the tax rate has been reduced to 4%**

Withholding on Gambling Winnings

- **Regulation 103 KAR 18:070 establishes the withholding rate on gambling winnings at the maximum income tax rate. 4.5% for tax year 2023**
- **Payments of gambling winnings subject to federal tax withholding must also deduct and withhold Kentucky income tax**
- **Tax withheld from gambling winnings must be reported and paid on the payer's withholding account on Form K-1 or K-3**
- **Gambling winnings subject to withholding: gambling winnings of more than \$5,000 from the following sources:**
 - **Any sweepstake, wagering pool, or lottery**
 - **Any other wager, if the proceeds are at least 300 times the amount of the bet**



PASS-THROUGH ENTITY TAX: FAQs

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Frequently Asked Questions

- **Q: Who is authorized to make the election on behalf of the pass-through entity?**
 - **A: An authorized person is any individual with the authority from the electing entity to bind the electing entity or sign returns on its behalf.**
- **Q: Is the entity required to make an election to pay pass-through entity tax each year?**
 - **A: Yes, an election must be made each year.**

Frequently Asked Questions

- **Q: If a pass-through entity makes an election to pay income tax at the entity level, does that election extend the filing date for the 2022 Form PTE for the limited liability entity tax (LLET)?**
 - **A: No, the election does not extend the due date of the 2022 Form PTE.**
- **Q: If the pass-through entity does not make an election, can a partner, member, or shareholder of that entity make an election to pay the pass-through entity tax?**
 - **A: No; an unauthorized individual partner, member, or shareholder of a pass-through entity that does not make the election must report and pay income tax on his or her distributive share when reporting his or her income tax.**
- **Q: May a partner, member, or shareholder of a pass-through entity opt out of the election and not be included in the pass-through entity tax if the pass-through entity makes the election?**
 - **A: No, once made, the election is binding upon all entity owners.**

Frequently Asked Questions

- **Q: Is electronic filing available for the pass-through entity tax?**
 - **A: Yes, electronic filing is available through third-party vendors that support Kentucky Form 740-PTET and Form PTET-CR.**
- **Q: Can an electing entity make an electronic payment for the pass-through entity tax?**
 - **A: Yes, electronic payments may be made on the Department of Revenue's website.**
- **Q: What is the tax rate that applies to the pass-through entity tax for income tax imposed by KRS 141.020?**
 - **A: 2022– 5%**
2023– 4.5%
2024– 4%

Frequently Asked Questions

- **Q: What entities may elect to pay the pass-through entity tax?**
 - **A: Pass-through entities doing business in this state that would be subject to the reporting and tax withholding and payment requirements under KRS 141.206 may elect to pay the tax authorized under KRS 141.209.**
 - **Pass-through entities that qualify for the election include any partnership, S-corporation, limited liability company, limited liability partnership, limited partnership, or similar entity recognized by the laws of the Commonwealth of Kentucky that is not taxed for federal income tax purposes at the entity level, but instead passes to each partner, member, shareholder, or owner their proportionate share of income, deductions, gains, losses, credits, and any other similar attributes.**

Frequently Asked Questions

- **Q: Can a C-corporation be included in the payment of the pass-through entity tax?**
 - **A: No, the refundable credit is solely authorized for claims against the tax imposed on individuals under KRS 141.020. The Department of Revenue believes the General Assembly did not intend for the distributive shares of corporate partners, members and shareholders to be subject to the tax imposed on electing entities under KRS 141.209 and the tax imposed under KRS 141.040.**
- **Q: Can a C-corporation claim the refundable pass-through entity tax credit?**
 - **A: No, the refundable pass-through entity tax credit may only be claimed against the tax imposed under KRS 141.020 on individuals.**
- **Q: How do individual owners claim the refundable tax credit received on Form PTET-CR?**
 - **A: Individual owners filing Kentucky individual income tax returns reporting the tax imposed under KRS 141.020 may claim the refundable pass-through entity tax credit on Kentucky Form 740 or Form 740NP, Line 31(g).**

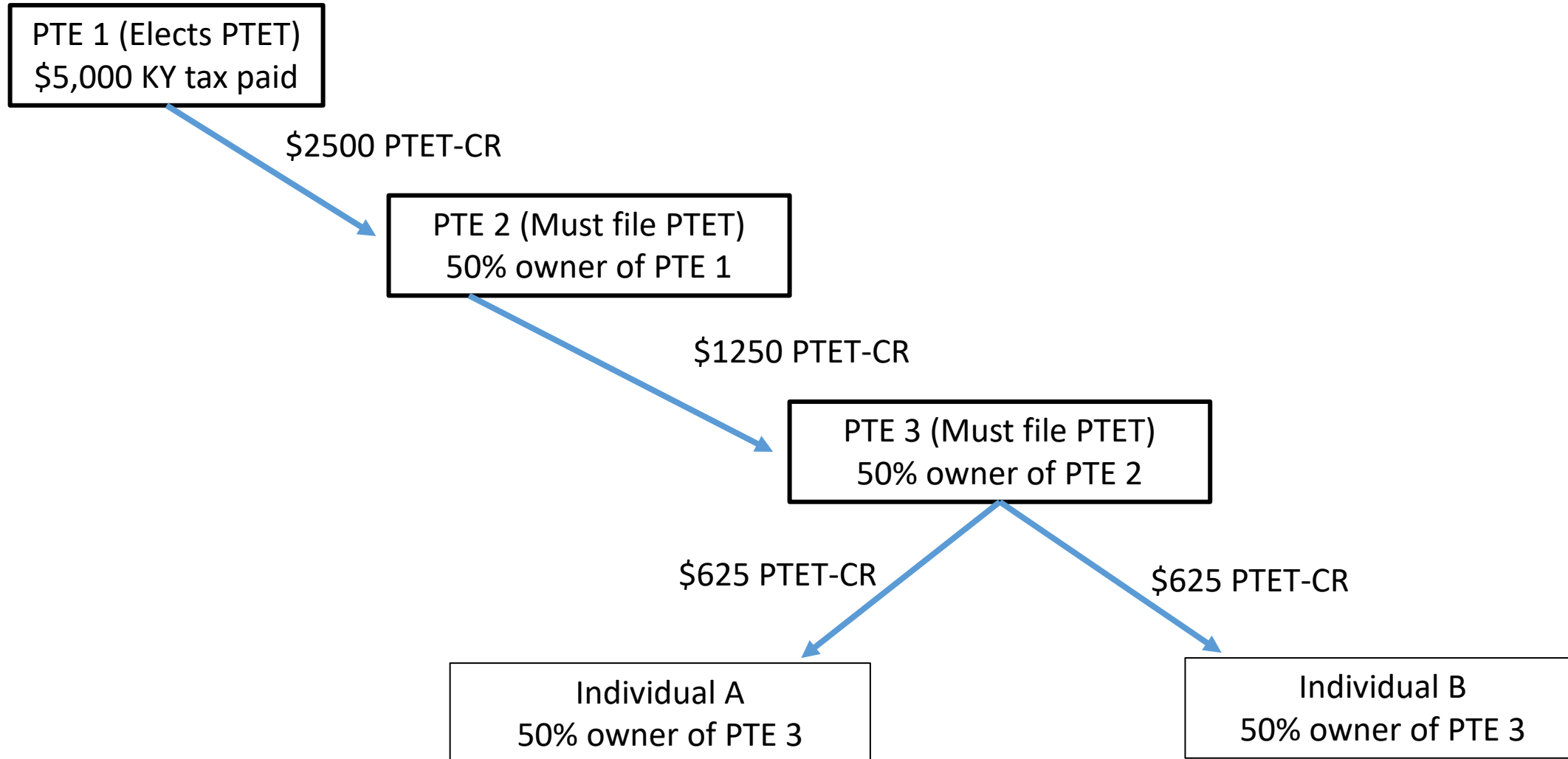
Frequently Asked Questions

- **Q: Is a nonresident withholding income tax return (Form 740NP-WH) still required if an entity elects to be taxed under the pass-through entity tax?**
 - **A: No, Form 740NP-WH will not be required if the entity elects, files, and pays the pass-through entity tax imposed under KRS 141.209.**
- **Q: Can an electing entity request for the transfer of estimated payments from another tax to the pass-through entity tax account?**
 - **A: No. Estimated tax payments made by an entity owner prior to a pass-through entity's election cannot be transferred to the electing entity's pass-through entity (PTE) tax account**
 - **Estimated payments made for 2022 on a nonresident withholding account cannot be transferred to a PTET account. The Department of Revenue has found no statutory authority under the new enactment that would allow it to credit or transfer to the PTE any overpayment that may be due to the nonresident partner, member, or shareholder.**

Frequently Asked Questions

- **Q: How does a multi-tiered pass-through entity claim the pass-through entity tax credit?**
 - **A: A pass-through entity that is a partner, member, or shareholder of another pass-through entity (lower-tier pass-through entity) shall also complete Form PTET-CR to reflect each of the lower-tier pass-through entity's partner's, member's, or shareholder's pro rata shares of the lower-tier pass-through entity's income. The electing upper-tier pass-through entity must also file a Form 740-PTET and report the proportionate share of the tax paid attributable to the lower-tier pass-through entity's proportionate share. The lower tier pass-through entity will claim the PTET-CR from the upper-tier pass-through entity on Form 740-PTET, line 8.**

Multi-Tiered Structure



Frequently Asked Questions

- **Q: Does the new pass-through entity tax allow SMLLCs to elect to pay tax at the entity level? Does the pass-through entity tax election apply to SMLLCs that are disregarded for federal tax purposes?**
 - **A: Yes.**
- **Q: Will the pass-through entity tax be due on 100% of a KY resident's distributable income or the apportioned amount of that income?**
 - **A: KRS 141.206 governs the apportionment of income for pass-through entities doing business both within and without Kentucky. The pass-through entity tax is due on the apportioned amount of the pass-through entities income distributed to the partner, member or shareholder.**

Frequently Asked Questions

- **Q: How does a 2022 pass-through entity tax election impact cash basis taxpayers? If the pass-through entity is cash basis, how will the pass-through entity benefit since the cash is not paid until 2023? What will the U.S. IRS do if the pass-through entity is cash basis but the pass-through entity accrued the pass-through entity tax? Will there be relief from the U.S. IRS?**
 - **A: The Department of Revenue defers to the Internal Revenue Service on questions regarding the effect an election made by a pass-through entity to have Kentucky income tax imposed at the entity level may have for federal income tax purposes.**

Frequently Asked Questions

- **Q: Are individual owners of trusts able to make the pass-through entity tax election?**
 - **A: No.**
- **Q: If a 2022 return is amended prior to 8/31/2024, is that tax due at the time the election is made, or will they still have until 8/31/2024 to pay the tax?**
 - **A: The Department of Revenue prefers the election, filing of the return, and payment be made at the same time. No late payment, late filing, or other similar penalty shall be imposed on an electing entity if payment is made before August 31, 2024.**
- **Q: Will the KY DOR reclassify 2022 KY non-resident withholding already paid, with estimates, an extension, or a filed return, to the pass-through entity tax owed if elected?**
 - **A: No, the entity should file a Form 740NP-WH return for the estimated taxes withheld and remitted as required under KRS 141.206(4) and (5).**

Frequently Asked Questions

- **Q: Item D at the top of page 1 of the form – Should the box “Election to pay income tax at the entity level” always be checked? In what situation(s) would an entity file Form 740-PTET but not check this box?**
 - **A: No, an entity may file a return and not make the pass-through entity tax election if the entity is requesting a refund of payment or prior year credit.**
- **Q: Is Form 740-PTET required to be filed as an attachment to KY Form PTE? Or is it a standalone form that is filed separately from KY Form PTE?**
 - **A: No. This is a standalone return which is to be filed separate from Form PTE or Form 725.**

Frequently Asked Questions

- **Q: If a pass-through entity has already filed a 2022 Form PTE but desires to make the election for 2022, is an amended 2022 Form PTE required to be filed? Or can the entity file a standalone 2022 Form 740-PTET and pay the tax, without amending the 2022 Form PTE?**
 - **A: No.** If the entity has already filed the 2022 Form PTE, the entity has already computed the ordinary income/distributive share, so no amended return would be required. The entity may still make the pass-through entity tax election by filing a separate Form 740-PTET.
- **Q: Which income and deduction items from KY Form PTE are included as part of “Net distributive share income” on Form 740-PTET line 3?**
 - **A: KRS 141.209(2)(a)** imposes the tax “based upon the ordinary income and separately stated items of income calculated under KRS 141.206.” These items include all items listed on the Schedule K reporting distributable share income including, but not limited to, interest income, dividend income, capital gains, guaranteed payments, and rents.

Frequently Asked Questions

- **Q: For a pass-through entity that is a trust with income passed through to beneficiaries and has business income and/or rental income, is this pass-through entity eligible to elect into the pass-through entity tax?**
 - **A: No. A trust is not included as an eligible “electing entity” under KRS 141.209(1)(c).**
- **Q: How does an entity claim prior year overpayment credits and estimates toward pass-through entity tax if the entity decides not to elect the pass-through entity tax for a tax year?**
 - **A: File Form 740-PTET for a refund and do not check the box making the pass-through entity tax election.**

Frequently Asked Questions

- **Q: For partnerships with tax-exempt partners, is their share of the pass-through entity income subject to the pass-through entity tax? If so, is there a way for the non-profit to claim the pass-through entity tax credit and get that refunded?**
 - **A: No.** The refundable tax credit is solely authorized for claims against the tax imposed on individuals under KRS 141.020. Therefore, electing entities should not include the distributive shares of corporate partners, members, or shareholders when computing the pass-through entity tax.
- **Q: Can a pass-through entity elect to file Form 740-PTET if one of the owners is a trust?**
 - **A: Yes.**



OTHER INFORMATION AND REMINDERS

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KENTUCKY

Kentucky Department of Revenue • 501 High Street • Frankfort, KY 40601 • (502) 564-4581

Electronic Payments

Actual withdrawal of electronic payments may be later than the requested date. Please allow up to two weeks for processing.

Please do not submit duplicate payments.

Electronic Filing

Forms Filed Electronically

Filing Years	Form	Payment/Refund
2016-current	Form 740	E-Pay & Direct Deposit of Refund
2016-current	Form 740-NP	E-Pay
2016-current	Form 740-NP-R (cannot e-file amended)	E-Pay
2017-current	Form 741	E-Pay
2016-current	Form 720	E-Pay
2019-current	Form 720U	E-Pay
2016-current	Form 720S/PTE (2020)	E-Pay
2017-current	Form 725 / 725-EZ	E-Pay
2016-current	Form 765/ PTE (2020)	E-Pay
2016-current	Form 765-GP/PTE (2020)	E-Pay
2022-	Form 740NP-WH	E-Pay

YTD 2023: 94% of tax year 2022 individual income tax returns were e-filed

53% of tax year 2022 corporate and pass-through entity tax returns were e-filed

Tax Interest Rate

2023 Interest Rates

- **Rate charged on unpaid taxes is 11%**
 - (Base rate of 9% plus 2%)
- **Rate paid when interest is due on a refund is 7%**
 - (Base rate of 9% minus 2%)
- **See KRS 131.183**

Stay in Touch

- **Department of Revenue Website**

- <https://revenue.ky.gov>



- **Kentucky Business One Stop Portal**

- <https://onestop.ky.gov>

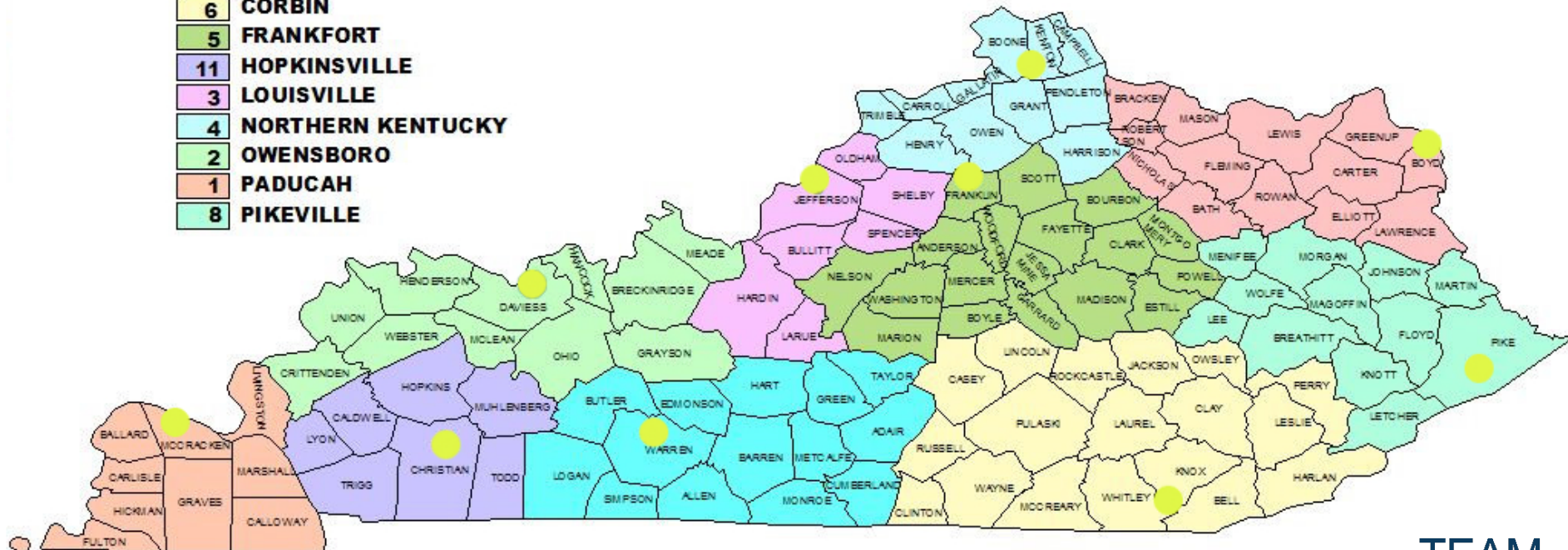


Taxpayer Service Center Map

TAXPAYER SERVICE CENTERS

Districts

- 9 ASHLAND
- 10 BOWLING GREEN
- 6 CORBIN
- 5 FRANKFORT
- 11 HOPKINSVILLE
- 3 LOUISVILLE
- 4 NORTHERN KENTUCKY
- 2 OWENSBORO
- 1 PADUCAH
- 8 PIKEVILLE



Taxpayer Service Centers

Ashland Taxpayer Service Center

1539 Greenup Avenue, Suite 501 41101-7695
(606) 920-2037

Bowling Green Taxpayer Service Center

201 West Professional Park Court, 42104-3278
(270) 746-7470

Corbin Taxpayer Service Center

15100 North US25E, Suite 2, 40701-6188
(606) 528-3322

Frankfort Taxpayer Service Center

501 High Street, 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)

Hopkinsville Taxpayer Service Center

181 Hammond Drive, 42240-7926
(270) 889-6521

Louisville Taxpayer Service Center

600 West Cedar Street, 2nd Floor West, 40202-2310
(502) 595-4512

Northern Kentucky Taxpayer Service Center

Turfway Ridge Office Park
7310 Turfway Road, Suite 190, Florence, 41042-4871
(859) 371-9049

Owensboro Taxpayer Service Center

401 Frederica Street, Building C, Suite 201, 42301-6295
(270) 687-7301

Paducah Taxpayer Service Center

Clark Business Complex, Suite G
2928 Park Avenue, 42001-4024
(270) 575-7148

Pikeville Taxpayer Service Center

Uniplex Center, 126 Trivette Drive, Suite 203, 41501-1275
(606) 433-7675

Revenue Contact Phone Numbers

Collections	(502) 564-4921
Corporation Tax	(502) 564-8139
DOR One Stop Help Line	(502) 564-5053
E-Filing Assistance (Business Forms)	(502) 564-7926
E-Filing Assistance (Individual Forms)	(502) 564-7862
Field Operations	(502) 564-2113
Forms and Envelopes	(502) 564-3658
Individual Income Tax	(502) 564-4581
Inheritance Tax	(502) 564-4810
Local Government & County Fees	(502) 564-8785
Miscellaneous Tax	(502) 564-2935

Motor Fuels	(502) 564-3853
Motor Vehicle Usage	(502) 564-4455
Ombudsman	(502) 564-7822
Property Tax	(502) 564-8338
Protest Resolution	(502) 564-6734
Registration	(502) 564-3306
Sales & Use Tax	(502) 564-5170
Special Investigations	(502) 564-4470
State Operator	(502) 564-3130
Withholding (also use for WRAPS)	(502) 564-7287

2023 Kentucky Income Tax Changes

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**TEAM
KENTUCKY**



Disclaimer

The Department has developed this presentation to enhance taxpayer understanding of and compliance with the new tax legislation enacted by the Kentucky General Assembly during the 2023 regular legislative session. The information in this presentation is for educational and informational purposes only and does not constitute legal advice. Information is presented as an overall review that is subject to law changes. To review the amendments to Kentucky tax laws enacted during the 2023 regular session in more detail, please refer to House Bill 5, House Bill 303, House Bill 360 and House Bill 659 and the relevant statutory provisions of the Kentucky Revised Statutes.

Information in this presentation is believed to be accurate as of the date of publication. However, any statement in error that may occur during presentations made by the Department of Revenue as part of its tax education program shall not expressly or implied supersede the Department of Revenue's official interpretation of the law or its policies utilized in administering state revenue and tax laws.

