2025 Kentucky Income Tax Changes

University of Kentucky Income Tax Seminar

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

Introductions

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2025 Updates

TEAM KENTUCKY

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HB 775 (2025) IRC Conformity date

- For tax years beginning on or after January 1, 2025:
  - The IRC conformity date is December 31, 2024.
  - Previous conformity date was December 31, 2023.
  - As a result, the Internal Revenue Code in effect on December 31, 2024, is applicable for Kentucky Income Tax purposes, unless Kentucky has specific statutes that state otherwise.
- Statute Reference: KRS 141.010(21)

Overview of the 2024 Legislative Sessions

HB 8 (2024)

- **Broadband Tax Credit created**

Broadband Expansion Tax Credit

- The broadband expansion tax credit is available for tax years beginning on or after January 1, 2025, but before January 1, 2029.
- The total amount of the credit awarded is capped at $5 million for each taxable year.
- Companies must complete and file an application with the Department by December 31 of the calendar year in which the investment was made.
- The Department will review and approve the allowable credit amount by February 1.

Broadband Expansion Tax Credit

- This is a nonrefundable and nontransferable tax credit.

- The credit is limited to 50% of the amount of sales tax paid for purchases of eligible equipment and services, reduced by any seller reimbursement allowed under KRS 139.570.

- It requires that equipment and services are used to expand broadband.

- The credit can be used against:
  - Limited Liability Entity Tax and Corporation Tax or
  - Individual Income Tax

- Statute Reference: KRS 141.391

Broadband Expansion Tax Credit KRS 141.391

SCHEDULE **KQBI**

Commonwealth of Kentucky
Department of Revenue

2503310003

KENTUCKY QUALIFIED BROADBAND INVESTMENT TAX CREDIT APPLICATION AND SCHEDULE

2025

Application must be submitted to the Department of Revenue prior to December 31, 2025.

- **See instructions.**
- **Attach to Form 720, 720U, PTE, 725, 740, 740–NP, or 741.**

KRS 141.391

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable) *Must be 9 digits. If 6 digits, must lead with zeros.*
Mailing Address		
Location County	Amount of Sales Tax Remitted or Intend to Remit $	

Per KRS 141.391(4)(a)(2)(c), attach a statement of how approval of this tax credit will result in greater investment in this state by:

i. Expansion of broadband services;

ii. An upgrade to existing broadband infrastructure; or

iii. An increase of access to broadband for the residents in this state.

DEPARTMENT OF REVENUE USE ONLY

Kentucky Qualified Broadband Investment Approved Credit Certificate

1 (a) Requested credit for Kentucky Qualified Broadband Investment **(numerator)** .... (a)
(b) Total requested credit for all applicants **(denominator)** .... (b)

$$\left(\frac{(a)}{(b)}\right) \times \$5{,}000{,}000 =$$

Approved Credit

By: ______________ Date: ______________

By: ______________ Date: ______________

I, the undersigned, declare under the penalties of perjury, that I have examined this application, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature | Title | Date

Contact Name (if different from signer) | Email Address

Telephone Number | Fax Number

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Schedule TCS

SCHEDULE **TCS**
Commonwealth of Kentucky
Department of Revenue

2502180003

TAX CREDIT SUMMARY SCHEDULE

2025

➤ See instructions.
➤ Attach this schedule to Form 720, 720U, PTE, or 725.

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number *Must be 9 digits. If 6 digits, must lead with zeros.*

PART I—Economic Development Tax Credit Summary

	A Type of Project (See instructions)	B Location of Project	C Project Number	D Allowable Credit from Each Schedule	E LLET Credit Claimed	F Corporation Credit Claimed
1				00	00	00
2				00	00	00
3				00	00	00
4				00	00	00
5				00	00	00
6	Total of Economic Development Tax Credits (add lines 1 through 5)				00	00

PART II—Nonrefundable Tax Credits

☐ Check if received through K-1 and enter the FEIN of company issuing ____________

A	B Preapproval Required	C Credit Name	D Required Attachment	E LLET Credit Claimed	F Corporation Credit Claimed
1	Yes	Farming Operation Networking	Schedule FON	00	00
2	Yes	Certified Rehabilitation (see instructions)	Certification Copies	00	00
3	No	Unemployment	Schedule UTC	00	00
4	Yes	Recycling/Composting Equipment	Schedule RC	00	00
5	Yes	Kentucky Investment Fund	KEDFA notification	00	00
6	No	Qualified Research Facility	Schedule QR	00	00
7	No	GED Incentive	Form DAEL-31	00	00
8	Yes	Voluntary Environmental Remediation	Schedule VERB	00	00
9	Yes	Biodiesel	Schedule BIO	00	00
10	Yes	Clean Coal Incentive	Schedule CCI	00	00
11	Yes	Ethanol	Schedule ETH	00	00
12	Yes	Cellulosic Ethanol	Schedule CELL	00	00
13	No	Railroad Maintenance & Improvement	Schedule RR-I	00	00
14	Yes	Railroad Expansion	Schedule RR-E	00	00
15	Yes	Endow Kentucky	Schedule ENDOW	00	00
16	Yes	New Markets Development Program	Form 8874(K)-A	00	00
17	No	Distilled Spirits	Schedule DS	00	00
18		RESERVED			
19	No	Inventory (ad valorem)	Schedule INV	00	00
20	Yes	Renewable Chemical Production	Schedule CHEM	00	00
21	Yes	Kentucky Qualified Broadband Investment	Schedule KQBI	00	00
22	Total of Nonrefundable Tax Credits (add lines 1 through 21)			00	00

PART III—Total Nonrefundable Tax Credits

1 Total LLET credits claimed (Total of Part I, Column E, line 6 and Part II, Column E, line 22). **Enter this amount on Form 720; Form PTE; Form 725, Part II, line 5; or 720U, Schedule U9, Section A, line 5 in the respective column**	1	00	
2 Total corporation income tax credits claimed (Total of Part I, Column F, line 6 and Part II, Column F, line 22). **Enter this amount on Form 720, Part III, line 7 or 720U, Schedule U9, Section B, line 7 in the respective column**	2		00

The Kentucky Qualified Broadband Investment was added to the Schedule TCS Part II, Line 21.

TEAM KENTUCKY | KYDOR

Form 740-PTET Kentucky Pass-Through Entity Tax

FORM 740-PTET
Commonwealth of Kentucky
Department of Revenue

2502610003

KENTUCKY PASS-THROUGH ENTITY TAX
(To be completed by a Pass-through Entity Only)

2025

For calendar year 2025 or tax year beginning (MM-DD-YY) __ - __ - 20__, and ending (MM-DD-YY) __ - __ - 20__

A Federal Identification Number
__ - ________

B LLET Account Number (If available)
Must be 9 digits. If 6 digits, must lead with zeros.
____

C Name of Pass-Through Entity ☐ Change of Name

Number and Street

City | State | ZIP Code | Telephone Number

D *Check the applicable boxes*
☐ Change of accounting period
☐ Final return
☐ Amended
☐ Election to pay income tax at the entity level

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 tax (line 2 multiplied by line 3)	▸4	00
5	Tax liability (line 4 multiplied by 4.0% (.04))	▸5	00
6	Reserved for future use (see instructions)	▸6	
7	Kentucky income tax liability (enter amount from line 5)	▸7	00

FORM 740-PTET (2025)

2502620003

Page 2 of 2

8	Enter the tax credit received on a 740-PTET-CR	▸8	00
9	Estimated tax payments	▸9	00
10	Extension payment	▸10	00
11	Prior year's tax credit	▸11	00
12	Total tax paid on original return	▸12	00
13	Total payments (lines 8 through 12)	▸13	00
14	Tax overpayment on original return	▸14	00
15	Reserved for future use	▸15	
16	Estimated Tax Penalty (Form PTET-P)	▸16	00
17	**Income tax and Estimated Tax Penalty due** (line 7, 14 and 16 less line 13) TAX DUE	▸17	00
18	Income tax overpayment (line 13 less lines 7, 14, and 16)	▸18	00
19	Credited to 2025 interest	▸19	

Line 5 changed from "*Tax before credit*" to "*Tax Liability*".

Line 6 marked reserved for future use.

Line 15 marked reserved for future use.

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PTET-CR

PTET–CR
42A740-PTET-CR (10-25)

KENTUCKY PASS-THROUGH ENTITY TAX ON DISTRIBUTIVE SHARE INCOME

☐ Amended

Taxable Year Ending
__ __ / __ __
Mo. Yr.

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)
Must be 9 digits. If 6 digits, must lead with zeros.

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 entity-level income tax .... 6 .00

7 Tax liability (line 6 multiplied by 4.0% (.04)) .... 7 .00

8 Reserved for future use (see instructions) 8

9 Kentucky income tax paid by entity .... 9 .00

Line 7 changed from "*Tax before credit*" to "*Tax Liability*".

Line 8 marked reserved for future use

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PTET Estimated Payments Required

- For tax years beginning on or after January 1, 2024, an electing entity is required to make estimated payments.
- Form PTET-P has been created to allow an electing entity to calculate the penalty due on the underpayment of estimated taxes for PTET.
- Do you owe this penalty? This has been added to the 2025 Form PTET-P in Part I.
- Statute Reference: KRS 141.209

Form PTET-P Pass-Through Entity Underpayment Penalty

FORM PTET-P

Commonwealth of Kentucky
Department of Revenue

2502680003

Pass-Through Entity Tax Underpayment Penalty Calculations

2025

Partners, Members, or Shareholders Underpayment Penalty Calculation

Part I—Required Annual Payment

Do you owe this penalty?

(a) Enter the liability from the 2024 Form 740–PTET.

(b) Enter current year estimated PTET payments.

If (b) equals or exceeds, (a) **STOP HERE**

1 Current year estimated pass-through entity tax (PTET)

2 Nonrefundable Credits

3 Current year PTET after Credits. Subtract line 2 from line 1. This is the total of your required PTET Estimated Installments Due

Part II—Figuring the Underpayment

	A	B	C	D
4 **Installment Due Dates (see instructions)**				
5 **Required PTET Installments**—Enter 25% (.25) of line 3 in each column				
6 Estimated PTET tax paid or credited for each period. For column A only, enter the amount from line 6 on line 10				

Complete lines 7 through 13 of one column before going to next column.

	A	B	C	D
7 Enter amount, if any, from line 13 of the preceding column				
8 Add lines 6 and 7 in each column				
9 Enter the amounts from lines 11 and 12 of the preceding column				
10 Subtract line 9 from line 8. If zero or less, enter zero. For column A only, enter the amount from line 6				
11 If the amount on line 10 is zero, subtract line 8 from line 9. Otherwise, enter zero				
12 **PTET Underpayment.** If line 10 is less than or equal to line 5, subtract line 10 from line 5. Then, go to line 7 of the next column. Otherwise, go to line 13				
13 **PTET Overpayment.** If line 5 is less than line 10, subtract line 5 from line 10. Then, go to line 7 of the next column				

DRAFT
7-01-2025

PTET–P (2025)

2502690003

Pass-Through Entity Tax Underpayment Penalty Calculations

Part III—Figuring the PTET Underpayment Penalty

	A	B	C	D
14 Enter the date when the specific PTET installment is paid in full or the 15th day of the 4th month after the close of the tax year, whichever date is earlier, in each column				
15 Number of days from the due date of the installment on line 4 to the date shown on line 14 in each column				
16 Number of days on line 15 after 04/15/2025 and before 01/01/2026 in each column				
17 Line 12 X $\left(\frac{\text{Line 16}}{365}\right)$ X 10%				
18 Number of days on line 15 after 12/31/2025 and before the day after the due date of the return or 01/01/2027, whichever date is earlier, in each column				
19 Line 12 X $\left(\frac{\text{Line 18}}{365}\right)$ X ??%				
20 Number of days on line 15 after 12/31/2026 and before 03/16/2027 or the day after the due date of the return, whichever date is earlier, in each column				
21 Line 12 X $\left(\frac{\text{Line 20}}{365}\right)$ X *2027 Tax Due Penalty Rate*				
22 Add lines 17, 19, and 21 in each column				
23 **PTET Penalty.** Add columns A through D of line 22. Enter the total in column D and add to or enter on Form 740-PTET line as specified in the instructions				

DRAFT
7-01-2025

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Form 740-NP-WH

FORM **740NP-WH**
Commonwealth of Kentucky
Department of Revenue

2502910003

KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING
ON DISTRIBUTIVE SHARE INCOME REPORT
(To be completed by a Pass-through Entity Only)

2025

For calendar year 2025 or tax year beginning (MM-DD-YY) ___ - ___ - 20___ , and ending (MM-DD-YY) ___ - ___ - 20___

A Federal Identification Number
__ __ – __ __ __ __ __ __ __

B Kentucky NRWH Account Number
__ __ __ __ __ __ __ __ __ __

C Name of Pass-Through Entity ☐ Change of Name

Number and Street

City | State | ZIP Code | Telephone Number

D *Check the applicable boxes*
☐ Change of accounting period
☐ Final return
☐ Amended

1	Number of nonresident individuals, estates, and trusts included in this return	► 1	
2	Number of nonresident individuals, estates, and trusts exempt from this withholding	► 2	
3	Net distributive share income subject to withholding before apportionment	► 3	00
4	100% or the apportionment fraction from the pass-through entity's Schedule A (see instructions)	► 4	___ . _____ %
5	Kentucky distributive share income subject to withholding (line 3 multiplied by line 4)	► 5	00
6	Tax liability (line 5 multiplied by 4.0% (.04))	► 6	00
7	Reserved for future use (see instructions)	► 7	
8	Kentucky income tax liability (enter amount from line 6)	► 8	00

➤ Continue to next page to calculate tax due or overpayment

Line 6 was changed from "*Tax before credit*" to "*Tax Liability*".

Line 7 was marked as reserved for future use

Form PTE-WH

PTE–WH
40A200 (10-25)

KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME

Taxable Year Ending __ __ / __ __
Mo. Yr.

☐ Amended ☐ EXEMPT (see instructions)

1 **Pass-through entity's FEIN**

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

2 **Pass-through entity's** Kentucky NRWH Acct. No.

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 Kentucky distributive share income subject to withholding/income tax .... 6 .00

7 Tax liability (line 6 multiplied by 4.0% (.04)) .... 7 .00

8 Reserved for future use (see instructions) 8

9 Kentucky income tax withheld/paid .... 9 .00

Line 7 changed from "*Tax before credit*" to "*Tax Liability*".

Line 8 was marked reserved for future use

Form NRWH-P

FORM **NRWH-P**

Commonwealth of Kentucky
Department of Revenue

2502880003

Individual Nonresident Income Tax Withholding Underpayment Penalty Calculations

2025

Individual Partners, Members, or Shareholders Underpayment Penalty Calculation

Part I—Required Annual Payment

Do you owe this penalty?

(a) Enter the liability from the 2024 Form 740 NP-WH.

(b) Enter current year estimated NRWH payments.

If (b) equals or exceeds (a), **STOP HERE**

1 Current year estimated individual nonresident income tax withholding on distributive share income (INDNRWH) ....

2 Nonrefundable Credits ....

3 Current year INDNRWH after Credits. Subtract line 2 from line 1. This is the total of your required INDNRWH Estimated Installments Due ....

Part II—Figuring the Underpayment

Added (a) and (b) to Part I to determine if a penalty is owed based on the previous year tax liability compared to the estimated payments made for the current year

TEAM KENTUCKY

KYDOR

Form 8050-K Direct Deposit of Refunds

FORM **8050-K**

Commonwealth of Kentucky
Department of Revenue

2501990003

KENTUCKY DIRECT DEPOSIT OF CORPORATE INCOME, LIMITED LIABILITY ENTITY, OR NONRESIDENT WITHHOLDING TAX REFUND

2025

➤ Attach to Form 725, 720, 720U, PTE, or 740NP-WH.

Name of corporation or pass-through entity (as shown on tax return) | Kentucky Account Number

Contact Name | Telephone Number | Federal Identification Number

1. Routing transit number (RTN)
   The first two numbers of the RTN must be 01 through 12 or 21 through 32.

2. Account number:
   (include hyphens but omit spaces and special symbols)

3. Type of account (one box must be checked):
   ☐ Checking ☐ Savings

Purpose of Form

File Form 8050-K to request that Kentucky Department of Revenue deposit a corporate income, Limited Liability Entity, or Nonresident Withholding Income tax refund (including a refund of $1 million or more) directly into an account at any U.S. bank or other financial institution (such as a mutual fund or brokerage firm) that accepts direct deposits.

The benefits of a direct deposit include a faster refund, the added security of a paperless payment, and the savings of tax dollars associated with the reduced processing costs.

Conditions Resulting in a Refund by Check

If the Kentucky Department of Revenue is unable to process this request for a direct deposit, a refund by check will be generated instead. Reasons for not processing a direct deposit request include:

- The name of the corporation or pass-through entity on the tax return does not match the name on the account.
- The financial institution rejects the direct deposit because of an incorrect routing or account number.
- The corporation or pass-through entity fails to indicate if the deposit is to be made to a checking or savings account.

Who May File

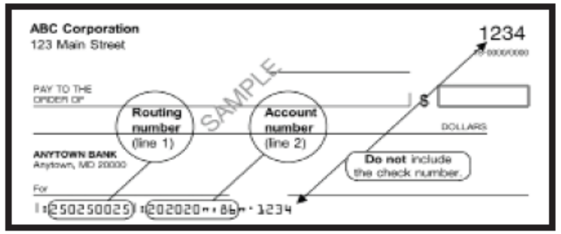
Only corporations and pass-through entities requesting a direct deposit of refund with its Form 725, 720, 720U, PTE, or 740NP-WH may file Form 8050-K.

The corporation is not eligible to request a direct deposit if the receiving financial institution is a foreign bank or a foreign branch of a U.S. bank.

How To File

Attach Form 8050-K to the corporation's or pass-through entity's Form 725, 720, 720U, PTE, or 740NP-WH, if applicable.

Sample Check:



Checking Savings Specific Instructions

Line 1. Enter the financial institution's routing number and verify that the institution will accept a direct deposit prior to completing this form. See the sample check below for an example of where the routing number may be shown.

For accounts payable through a financial institution other than the one at which the account is located, check with your financial institution for the correct routing number. Do not use a deposit slip to verify the routing number.

Line 2. Enter the corporation's or pass-through entity's checking or savings account number. Enter the number from left to right and leave any unused boxes blank. See the sample check below for an example of where the account number may be shown.

Line 3. Check the appropriate box.

250199 FORM 8050-K (10-25)

Page 1 of 1

- **Available for Corporation Tax Returns filed via e-file or paper**
- **Available for Nonresident Withholding Returns filed via e-file or paper**
- **Direct deposit of refunds is <u>not</u> available for Pass Through Entity Tax (PTET) returns**

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Pay Outstanding Tax Bills in One Place

- The MyTaxes Portal now displays your outstanding tax bills in one convenient location.

- Log into your MyTaxes account to view and pay your outstanding bills using the "Make Payment" button.

- Don't want to login? Use the Guest Payment option on the MyTaxes login page. You will need your Account number or Federal Employer Identification Number (FEIN) and you will need your Invoice Number or Collections Case Number to make a guest payment. You'll find this information on your bill or collection notification.

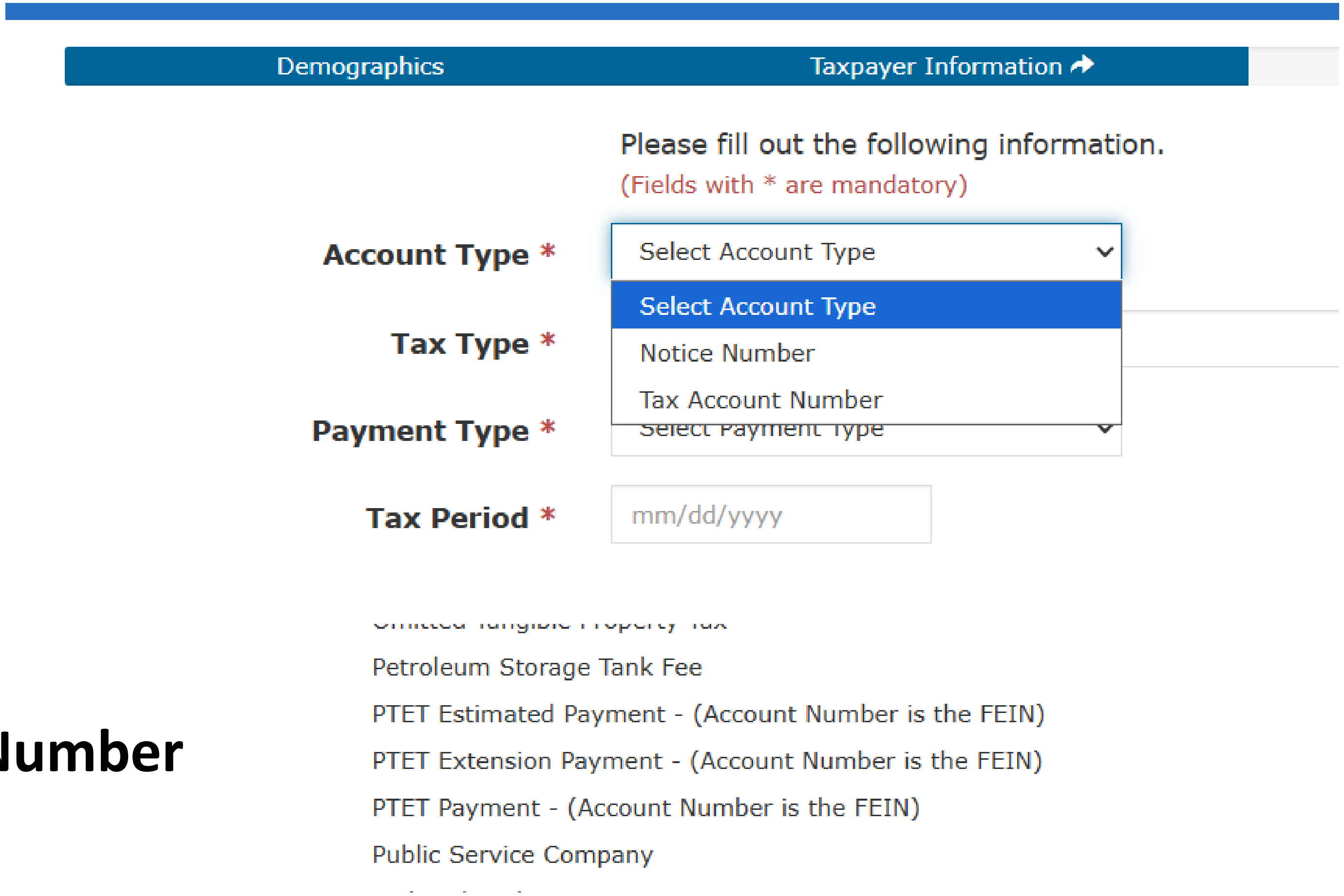
Making Payments in the MyTaxes Portal

For the following taxes, please use [MyTaxes Portal]

- Consumer's Use
- Motor Vehicle Tire Fee
- Sales and Use
- Telecommunication
- Commercial Mobile Radio Service (CMRS)
- Corporation Income/Limited Liability Entity Tax (LLET)
- Employer's Withholding
- KY Nonresident WH Tax
- Transient Room
- Utility Gross Receipts Tax (UGRLT)

Making Payments for PTET

https://epayment.ky.gov/epay



- **Estimated Payments**
- **Extension Payments**
- **Balance on Returns filed without payment**
- **Use the FEIN as the Tax Account Number**

One Big Beautiful Bill (OBBB) Act

Does Kentucky have any guidance regarding retroactive expensing of 174 research expenses under the One Big Beautiful Bill?
No, Kentucky does not have any guidance regarding retroactive expensing of 174 research expensing. Current Kentucky law defines "Internal Revenue Code" to mean the Internal Revenue Code in effect on December 31, 2024.

If or when does Kentucky plan to release guidance on conformity with the Bill?
Current Kentucky law defines "Internal Revenue Code" to mean the Internal Revenue Code in effect on December 31, 2024. We would not issue guidance on the OBBB until there is a Kentucky legislative change that adopts the new federal provisions.

Individual Income Tax

2025 Updates

TEAM KENTUCKY

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

Individual Income Tax: Form Changes

All forms have been updated with year changes and any legislative threshold changes.

- The Code in effect on December 31, 2024
- 2025 Standard Deduction: $3,270
- Individual Income Tax Rate for tax year 2025 is 4%
- Schedule ITC – added Qualified Broadband Investment Credit
- KW-2 – withholding account number is nine digits

Schedule ITC

SCHEDULE **ITC**
Commonwealth of Kentucky
Department of Revenue

2503490003

KENTUCKY INDIVIDUAL
TAX CREDIT SCHEDULE
➤ Enclose with Form 740, 740-NP, or 741

2025

Enter name(s) as shown on tax return.

Your Social Security Number

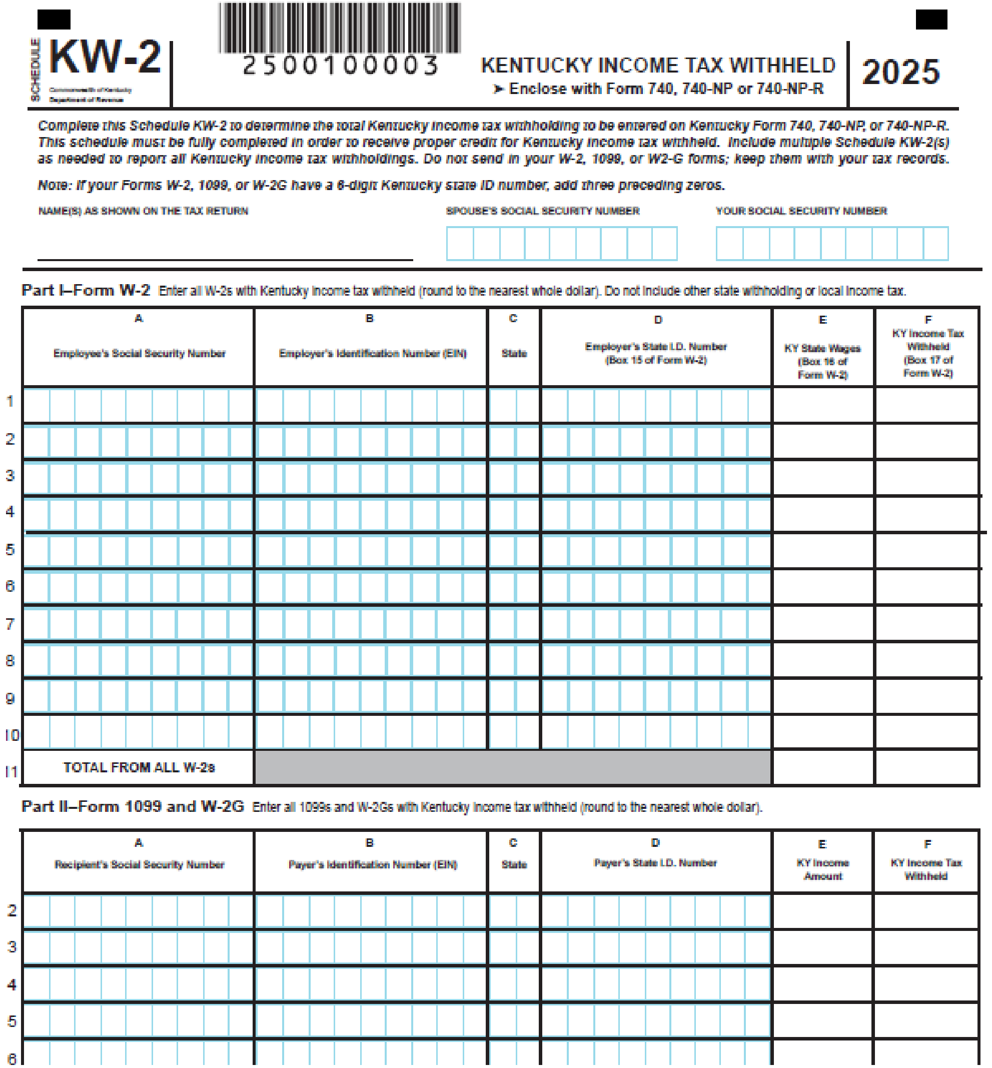
SECTION A—BUSINESS INCENTIVES AND OTHER TAX CREDITS

A	B Preapproval Required	C Credit Name	D Required Attachment	E Spouse	F Yourself
1	No	Nonrefundable Limited Liability Entity	Kentucky Limited Liability Entity Tax Credit Worksheet C/Schedule K-1	00	00
2	Yes	Kentucky Small Business	Schedule K-1	00	00
3	Yes	Kentucky Selling Farmers	Schedule K-1	00	00
4	Yes	Skills Training Investment	Schedule K-1	00	00
5	Yes	Certified Rehabilitation	Certification Copies	00	00
6	No	Tax Paid to Another State	Copy(ies) of Other State(s) return or Worksheet A	00	00
7	No	Unemployment	Schedule UTC	00	00
8	Yes	Recycling/Composting Equipment	Schedule RC	00	00
9	Yes	Kentucky Investment Fund	KEDFA notification	00	00
10	No	Qualified Research Facility	Schedule QR	00	00
11	No	GED Incentive	Form DAEL-31	00	00
12	Yes	Voluntary Environmental Remediation	Schedule VERB	00	00
13	Yes	Biodiesel	Schedule BIO	00	00
14	Yes	Clean Coal Incentive	Schedule CCI	00	00
15	Yes	Ethanol	Schedule ETH	00	00
16	Yes	Cellulosic Ethanol	Schedule CELL	00	00
17	No	Railroad Maintenance & Improvement	Schedule RR-I	00	00
18	Yes	Endow Kentucky	Schedule ENDOW	00	00
19	Yes	New Markets Development Program	Form 8874(K)-A	00	00
20	No	Distilled Spirits	Schedule DS	00	00
21	Yes	Angel Investor	Certification Letter	00	00
22	No	Inventory	Schedule INV and/or Worksheet INV	00	00
23	Yes	Renewable Chemical Production	Schedule CHEM	00	00
24	Yes	Qualified Broadband Investment	Schedule KQBI	00	00
25	Total of Other Tax Credits (add lines 1 through 24). Enter here and on Form 740, page 1, line 15, Columns A and B, or enter combined totals of Columns E and F on Form 740-NP, page 1, line 15, or Form 741, line 18			00	00

The Kentucky Qualified Broadband Investment was added to the Schedule ITC, Section A, Line 24.

TEAM KENTUCKY | KYDOR

Schedule KW-2



SCHEDULE **KW-2**

Commonwealth of Kentucky
Department of Revenue

2500100003

KENTUCKY INCOME TAX WITHHELD
➤ Enclose with Form 740, 740-NP or 740-NP-R

2025

Complete this Schedule KW-2 to determine the total Kentucky income tax withholding to be entered on Kentucky Form 740, 740-NP, or 740-NP-R. This schedule must be fully completed in order to receive proper credit for Kentucky income tax withheld. Include multiple Schedule KW-2(s) as needed to report all Kentucky income tax withholdings. Do not send in your W-2, 1099, or W2-G forms; keep them with your tax records.

Note: If your Forms W-2, 1099, or W-2G have a 6-digit Kentucky state ID number, add three preceding zeros.

NAME(S) AS SHOWN ON THE TAX RETURN

SPOUSE'S SOCIAL SECURITY NUMBER

YOUR SOCIAL SECURITY NUMBER

Part I–Form W-2 Enter all W-2s with Kentucky income tax withheld (round to the nearest whole dollar). Do not include other state withholding or local income tax.

	A Employee's Social Security Number	B Employer's Identification Number (EIN)	C State	D Employer's State I.D. Number (Box 15 of Form W-2)	E KY State Wages (Box 16 of Form W-2)	F KY Income Tax Withheld (Box 17 of Form W-2)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11	TOTAL FROM ALL W-2s					

Part II–Form 1099 and W-2G Enter all 1099s and W-2Gs with Kentucky income tax withheld (round to the nearest whole dollar).

	A Recipient's Social Security Number	B Payer's Identification Number (EIN)	C State	D Payer's State I.D. Number	E KY Income Amount	F KY Income Tax Withheld
2						
3						
4						
5						
6						

The KW-2 Employer State ID column now has 9 digits. If the Form W-2, 1099, or W-2G received by the taxpayer displays only six digits, add three preceding zeros.

TEAM KENTUCKY | KYDOR

Reduction of Individual Income Tax Rate

- **HB 775 (2025)**
  - Additional changes have been made to the rate reduction conditions.
  - The Budget Reserve Trust Fund will be reviewed each year and compared with the General Fund.
  - Individual Income Tax Rate can be reduced by 0.1% - 0.5% each tax year if fiscal requirements are met.
  - All future individual income tax rate reductions must be approved by the General Assembly.

The Individual Income Tax Rate for tax year 2026 is 3.5%.
The Standard Deduction for tax year 2026 is $3,360.

Looking Ahead - Reduction of Individual Income Tax Rate

HB 1 (2025)

For taxable years beginning on or after January 1, 2026, the Individual Income Tax Rate is 3.5%

Tax rate reductions depend on meeting specific fiscal conditions, including the balance in the Budget Reserve Trust Fund (BRTF) and General Fund (GF) appropriations

The department shall not implement an income tax rate reduction without an action by the General Assembly

One Big Beautiful Bill (OBBB) Act

Does Kentucky follow “same as federal” income tax position which allows qualified tips to be excluded from gross income?
Current Kentucky law defines “Internal Revenue Code” to mean the Internal Revenue Code in effect on December 31, 2024. Qualified tips are taxable to Kentucky. A deduction for qualified tips would not be allowed on the Kentucky return.

Does Kentucky follow “same as federal” income tax position which allows overtime income to be excluded from gross income?
Current Kentucky law defines “Internal Revenue Code” to mean the Internal Revenue Code in effect on December 31, 2024. Overtime income is taxable to Kentucky. A deduction for overtime income would not be allowed on the Kentucky return.

OBBB Q & A Continued

Does Kentucky follow “same as federal” income tax position which allows a deduction for car loan interest?

Current Kentucky law defines “Internal Revenue Code” to mean the Internal Revenue Code in effect on December 31, 2024. A deduction for car loan interest would not be allowed on the Kentucky return.

Does Kentucky follow “same as federal” income tax position which allows a deduction for social security benefits?

Kentucky does not tax social security income per KRS 141.019(1)(e). Kentucky does not follow “same as federal” rules regarding social security income, instead it is fully deductible. Social security income can be deducted from Kentucky taxable income on Schedule M, line 10.

OBBB Q & A Continued

Does Kentucky follow "same as federal" income tax position which allows an increase in the deduction for state and local taxes (SALT)?

Current Kentucky law defines "Internal Revenue Code" to mean the Internal Revenue Code in effect on December 31, 2024. Kentucky does not allow a deduction for state and local taxes, therefore; the increase in limitation would not apply on the Kentucky return.

Other Information and Reminders

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Electronic Payments to the Department of Revenue

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.

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KY DOR

Instructions on how to make an Individual Tax Payment for 2025

You can make a payment at this link https://epayment.ky.gov/EPAY. Make sure to choose the following:

Tax Type – Tax Account Number

Tax Account Number – this is your social security number

Tax Type – Individual Income Tax - (Account Number is the Social Security Number)

This should default the payment to the year we are currently taking payments for which would be tax year ending 12/31/2025.

You can also call our taxpayer assistance line at 502-564-4581, option 3 and make a payment over the phone.

Instructions on how to make an Individual Estimated Tax Payment - 2026

You can make a payment at this link https://epayment.ky.gov/EPAY. Make sure to choose the following:

Tax Type – Tax Account Number

Tax Account Number – this is your social security number

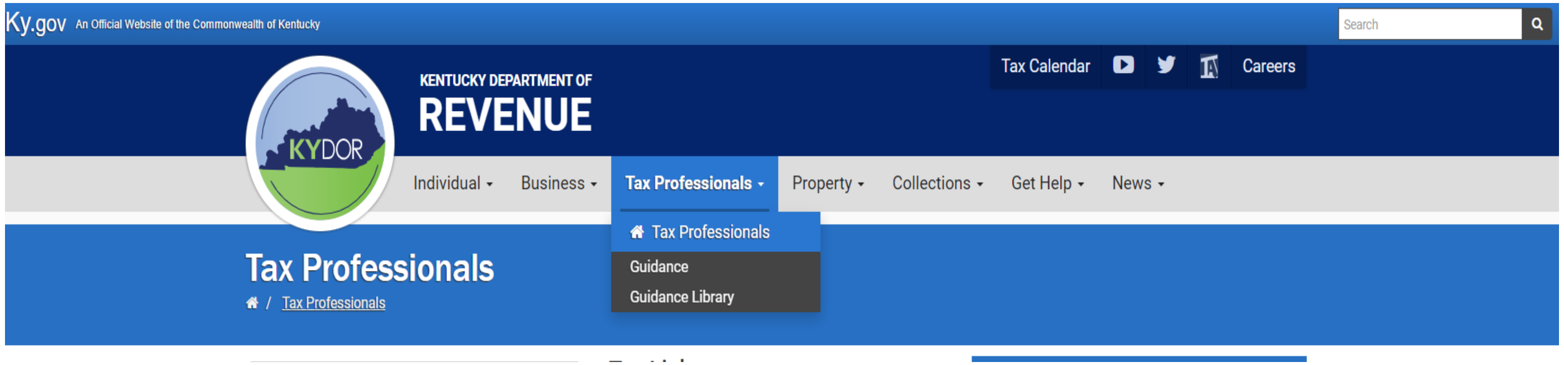
Tax Type – Individual Income Tax - Estimated Payment (Account Number is the Social Security Number)

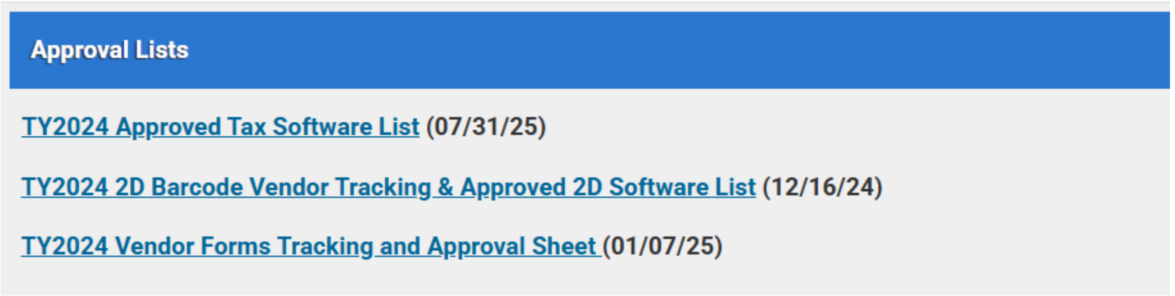
This should default the payment to the year we are currently taking estimated tax payments for which would be tax year ending 12/31/2026.

You can also call our taxpayer assistance line at 502-564-4581, option 3 and make a payment over the phone.

Electronic Filing

- Electronic filing is available through third-party vendors that support Kentucky.
- Visit the Department of Revenue website at Revenue.ky.gov for updates of approved Tax Software Vendors under the Tax Professionals Tab and click on Software Developers.





YTD 2025:

- 94% of tax year 2025 individual income tax returns were e-filed
- 72% of tax year 2025 corporate and pass-through entity tax returns were e-filed

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Tax Interest Rate

2026 Interest Rates

- Rate charged on unpaid taxes is 9%
    - (Base rate of 7% plus 2%)
- Rate paid when interest is due on a refund is 5%
    - (Base rate of 7% minus 2%)
- See KRS 131.183

Tax Rates

Kentucky Department of Revenue Office of Income Taxation Tax Rates

			2023	2024	2025	2026
Individual Income Tax	KRS 141.020		4.50%	4.00%	4.00%	3.50%
Payroll Withholding Tax	KRS 141.310		4.50%	4.00%	4.00%	3.50%
Nonresident Withholding Tax	KRS 141.206		4.50%	4.00%	4.00%	3.50%
Pass Through Entity Tax	KRS 141.209		4.50%	4.00%	4.00%	3.50%
Corporation Income Tax	KRS 141.040		5.00%	5.00%	5.00%	5.00%
Limited Liability Entity Tax	KRS 141.0401	*Gross Receipts	0.0950%	0.0950%	0.0950%	0.0950%
		*Gross Profits	0.75%	0.75%	0.75%	0.75%

***NOTE:** LLET is the lesser of the Gross Receipts or Gross Profit calculation. If the calcuation is less than $175, the minimum tax is $175.00. Refer to KRS 141.0401

Press Releases and Important Updates

- The Kentucky Department of Revenue (DOR) provides important updates to tax information on Revenue.ky.gov.
- Check the DOR website regularly for timely information on disaster relief provisions.
- DOR implemented a new Integrated Tax System in March 2025.
- Stay Connected: sign up for Revenue news and updates directly to your inbox.

Disaster Related Tax Relief for February 14, 2025 Storms

Late filing and payment penalties will be waived for affected taxpayers in all 120 counties seeking this relief, as long as taxes due are reported and paid on or before November 3, 2025

Kentucky's tax laws have no provision to waive interest accrued after the regularly required deadlines prescribed by law determined without regard to any extension of time for filing

Interest will accrue starting April 16, 2025, until the tax is paid

NOTE: A $2,000.00 tax liability deferred until November 3, 2025, will accrue $111.23 interest

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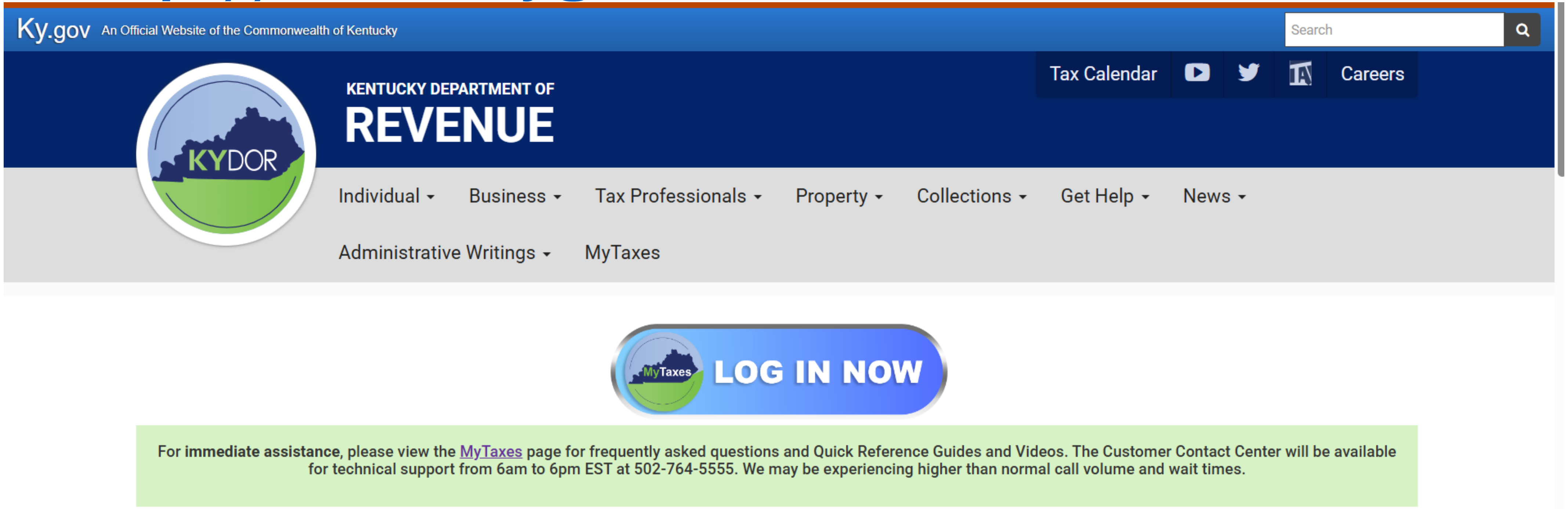
Stay in Touch

- **Department of Revenue Website**
  - https://revenue.ky.gov



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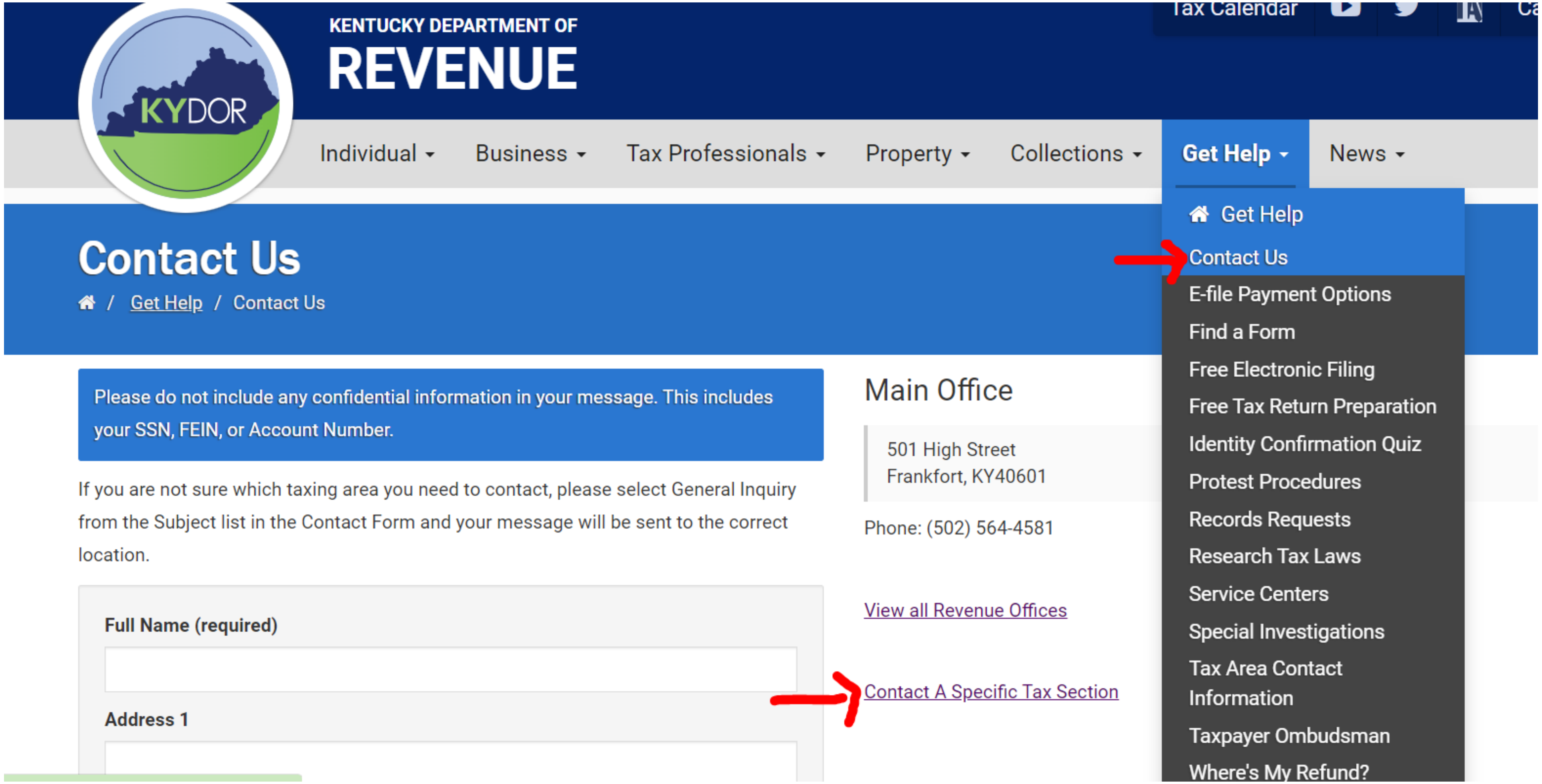
Reach out to DOR via Web Response



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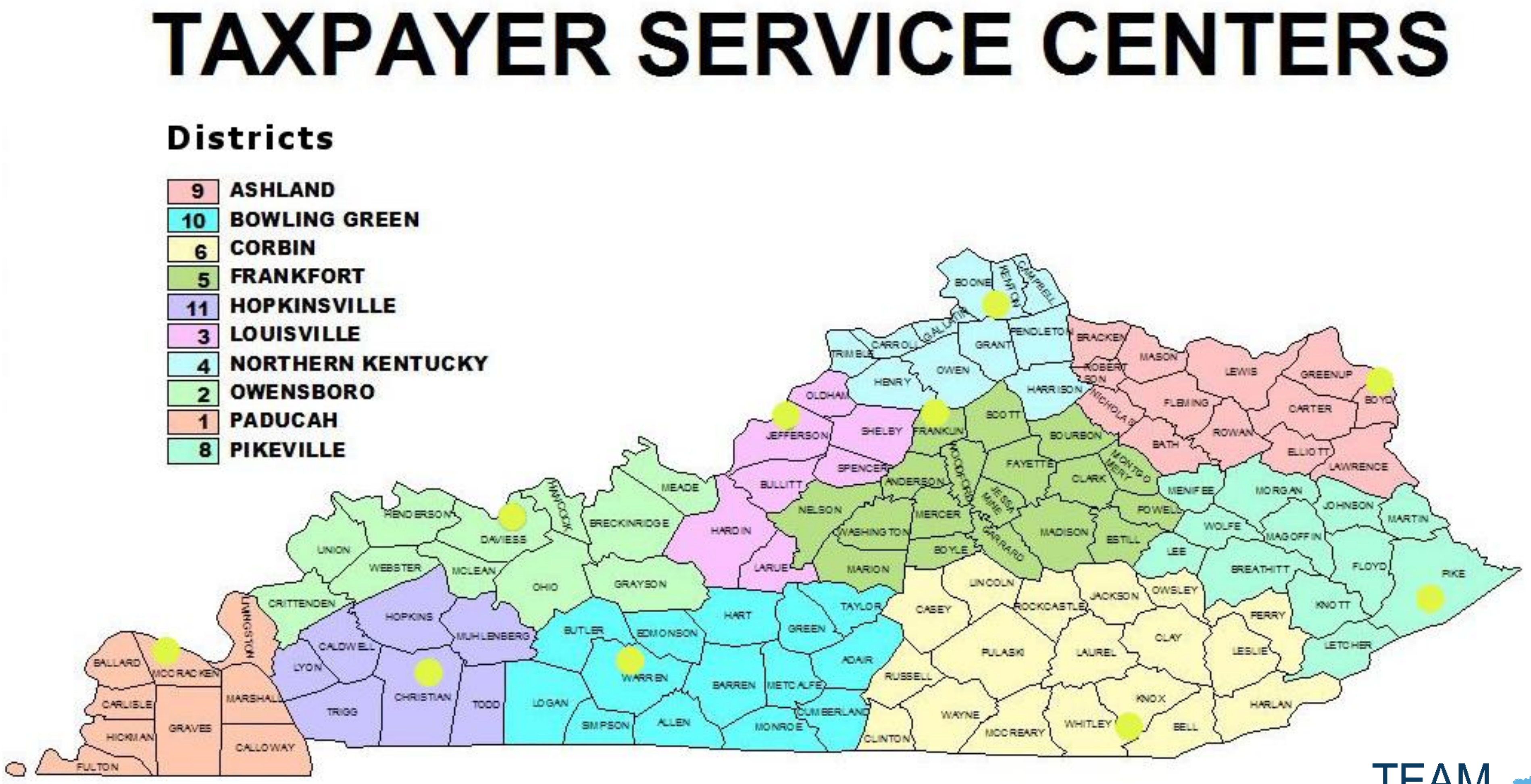
Taxpayer Service Center Map



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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)*
(502) 564-5930 *(Taxpayer Service Center)*

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	Motor Fuels	(502) 564-3853
Corporation Tax	(502) 564-8139	Motor Vehicle Usage	(502) 564-4455
DOR One Stop Help Line	(502) 564-5053	Ombudsman	(502) 564-7822
E-Filing Assistance (Business Forms)	(502) 564-7926	Property Tax	(502) 564-8338
E-Filing Assistance (Individual Forms)	(502) 564-7862	Protest Resolution	(502) 564-6734
Field Operations	(502) 564-2113	Registration	(502) 564-3306
Forms and Envelopes	(502) 564-3658	Sales & Use Tax	(502) 564-5170
Individual Income Tax	(502) 564-4581	Special Investigations	(502) 564-4470
Inheritance Tax	(502) 564-4810	State Operator	(502) 564-3130
Local Government & County Fees	(502) 564-8785	Withholding	(502) 564-7287
Miscellaneous Tax	(502) 564-2935		

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2025 Kentucky Income Tax Changes

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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 recent regular legislative sessions. 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 recent regular sessions in more detail, please refer to 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.

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