

**Kentucky Department of Revenue
Division of Individual Income Tax**



**KY Publication 1346
Electronic Return File Specifications for
Individual Income Tax Returns**

**Tax Year 2011
Processing Year 2012**

Software Developer's Guide

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Section 1: INTRODUCTION

The Kentucky Department of Revenue (KDOR) has successfully completed another season of electronic filing through the Fed/State Electronic Filing Program. We would like to express our appreciation to the software developers that participated during the 2011 filing season and encourage any new software developers to consider Kentucky for the 2012 filing season.

File specifications, file layouts and testing procedures follow the standards defined by the NACTP (National Association of Computerized Tax Processors). If you are not a member of the NACTP, you are encouraged to review the standards. You can visit their web-site at www.nactp.org.

We always welcome your suggestions and comments. Feel free to contact the Department of Revenue at any time. See page 8 for list of contacts.

Section 2: OVERVIEW OF 2011TY / 2012PY CHANGES

For the 2012 processing season, Form 740 is the only form to contain field changes. Section A contains 2 new credit lines creating 4 additional fields added to the layouts to incorporate changes to these forms. Also, the New Home Tax Credit has been removed from Page 1 of Form 740 (Generic record fields 0870 & 0875 will no longer be used).

Form 740, Section A has two new non-refundable credits. Line 2 is the new Kentucky Small Business Investment Credit (Generic record fields 0850 & 0855). Line 20 is the new ENDOW Kentucky Credit (Generic record fields 0860 & 0865). Section A is now continued on page 3 of the 740.

Small Business Development Credit - For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401. The Small Business Development Credit Program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010. The definition of *base year* for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan.1, 2009 and before Jan. 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year, and the amount of credit for which the small business is eligible.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars (\$3,000,000). The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars (\$25,000). Unused credits may be carried forward for up to five (5) years.

ENDOW KENTUCKY TAX CREDIT - Effective for taxable years beginning on or after Jan. 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the Department of Revenue in each fiscal year is \$500,000. An application for preliminary authorization for the credit must be submitted to the Department of Revenue

If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. The taxpayer has ten days after making the gift to provide the department with proof of the gift. The department will issue a final tax credit letter to the taxpayer if the gift is approved after receipt of the proof.

Schedule A has the limitation schedule fields removed from the layout. These fields will be incorporated back into the layout next season.

Form 5695-K has two new fields added to accommodate the one year carryforward of any unused credit from the previous year. Please note that the credit carryforward can only come from the 2010 return approved credit. If the taxpayer still had a credit carryforward from the 2009 return it is no longer eligible for carryforward on the 2011 return. There is a one year limitation on this amount.

Form 8863-K, Kentucky Education Tuition Tax Credit. Any unused credit carryforward remaining from the 2006 tax return is no longer eligible for a carryforward on Form 8863K.

Worksheet A, Credit for tax paid to other states worksheet, has a new field added for the taxpayer to identify the type of income being reported to the other state. See field 0022 in the WKSHTA layout.

Form 2210-K note of interest, the layout for page 2 contains two interest calculation fields for Column C due to the overlap in tax years and the possible interest rate change from one year to the next. If the interest rate for 2012 remains the same as the rate for 2011, only one calculation for that payment will be necessary. If there is a rate change, the last 15 days must be calculated using the new rate.

Form 8453-K has changed to Form 8879-K

If a taxpayer has a refund due and is requesting a direct deposit, they must answer question 10a (Will these funds be going to an account outside of the United States?). If the taxpayer answers yes, you must mark the International Payment Indicator with an X. The Department will automatically change the requested direct deposit to a paper check.

If a taxpayer has a balance due and is requesting the amount be paid via direct debit, they must answer questions 10b (Will these funds come from an account located outside of the United States?). If the taxpayer answers yes, you must mark the International Payment Indicator with an X. The Department will not process the direct debit request and send a letter to the taxpayer advising them to pay the balance due via check, money order or by credit card by visiting our website. If we send a letter to the taxpayer around the April 17th deadline, we will allow a 10 day grace period for payment of the tax due before penalty and interest are assessed.

Form 8948-K (Preparer Explanation For Not Filing Electronically) has been created due to the Kentucky e-file mandate passed in 2010.

For 2011TY / 2012PY, Kentucky will not allow taxpayers to split their refund into different accounts.

Family Size Tax Credit

Size of Family Unit / Description	Amount
1 - An individual either single or married living apart from his or her spouse for the entire year	\$10,890
2 - An individual with one dependent child or a married couple	\$14,710
3 - An individual with two dependent children or a married couple with one dependent child	\$18,530
4 or more - An individual with three dependent children or a married couple with two dependent children	\$22,350

Note: For purposes of computing the family size tax credit the maximum family size is 4.

Children of divorced or separated parents can be claimed for the FSTC based on where they resided the majority of the year, not necessarily the parent that claimed the child as a deduction. The following table lists the percentage used in calculating the FSTC based on family size and modified gross income.

	Family Size	Poverty Level	FSTC %	
MGI	1	\$10,890	100%	
	2	\$14,710	100%	
	3	\$18,530	100%	
	4	\$22,350	100%	
MGI		Over	But not over	
	1	\$10,890	\$11,326	90%
	2	\$14,710	\$15,298	90%
	3	\$18,530	\$19,271	90%
	4	\$22,350	\$23,244	90%
MGI		Over	But not over	
	1	\$11,326	\$11,761	80%
	2	\$15,298	\$15,887	80%
	3	\$19,271	\$20,012	80%
	4	\$23,244	\$24,138	80%
MGI		Over	But not over	
	1	\$11,761	\$12,197	70%
	2	\$15,887	\$16,475	70%
	3	\$20,012	\$20,754	70%
	4	\$24,138	\$25,032	70%

		Over	But not over	
MGI	1	\$12,197	\$12,632	60%
	2	\$16,475	\$17,064	60%
	3	\$20,754	\$21,495	60%
	4	\$25,032	\$25,926	60%

		Over	But not over	
MGI	1	\$12,632	\$13,068	50%
	2	\$17,064	\$17,652	50%
	3	\$21,495	\$22,236	50%
	4	\$25,926	\$26,820	50%

		Over	But not over	
MGI	1	\$13,068	\$13,504	40%
	2	\$17,652	\$18,240	40%
	3	\$22,236	\$22,977	40%
	4	\$26,820	\$27,714	40%

		Over	But not over	
MGI	1	\$13,504	\$13,830	30%
	2	\$18,240	\$18,682	30%
	3	\$22,977	\$23,533	30%
	4	\$27,714	\$28,385	30%

		Over	But not over	
MGI	1	\$13,830	\$14,157	20%
	2	\$18,682	\$19,123	20%
	3	\$23,533	\$24,809	20%
	4	\$28,385	\$29,055	20%

		Over	But not over	
MGI	1	\$14,157	\$14,484	10%
	2	\$19,123	\$19,564	10%
	3	\$24,809	\$24,645	10%
	4	\$29,055	\$29,726	10%

Standard Deduction

The Standard Deduction for 2011 tax year has been increased to \$2,240.00.

Schedule A Limitation

There is no income limitation for itemized deductions for 2011 tax year. The itemized deduction limitation on Schedule A was removed in 2010 and remains removed for the 2011 tax year. It may return on the 2012 Schedule A.

Reject Codes

Reject Codes have been updated due to line number changes. See listing below in Section 4.

Reminder For Direct Debit Payments

Kentucky will accept direct debit payments on tax due returns. The payment on any return filed prior to April 17th can be warehoused until that date. After that date there will be no warehousing of the payment. The account will be debited when the return has completed processing. **Field 0027 (Direct Debit Date) is the date the taxpayer wishes to have the payment withdrawn from their account. The amount of the debit payment, Field 0028 (Direct Debit Payment), must match the amount owed on the return, Field 0635. Partial payments will not be accepted.**

NOTE: The State Depositor Account Number (Field 0035) must be numeric only for direct debit payments. No spaces or dashes should be allowed. Any debit payment that is not numeric only is not processed as our Epay System requires numeric values only for debit payments.

Note: The processing of a debit payment can take up to 7 days. Payments warehoused until April 17th may not be withdrawn from the taxpayer's account on the 17th but are treated as timely payments when they are withdrawn. Please make sure your customers are aware of this condition if they elect to warehouse their debit payment.

Section 3: CONTACT INFORMATION

**Technical Specifications
State Record Layouts
PATS Testing**

Primary Contact:

Audrey J. Terry

Phone: 502-564-7862

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Secondary Contact:

**Electronic Filing Coordinator
Electronic Filing Helpdesk**

Primary Contact:

Judy Ritchie

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Secondary Contact:

Barbara Backer

Phone: 502-564-7951

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Section 4: ACKNOWLEDGEMENT SYSTEM

Kentucky will continue sending acknowledgments through the IRS. We will use the same format that is prescribed by the IRS for all acknowledgements.

Section 4.1: ACKNOWLEDGMENT CODES

ACC = Acceptance Codes

A = Accepted Return
R = Rejected Return
D = Duplicate Return
E = Exception Processing

EFT = Deposit Codes*

D = Direct Deposit Requested
C = Refund Check Requested
B = Balance Due Return
G = Direct Debit Requested – On any tax due return filed prior to the April 17th deadline, a taxpayer requesting a direct debit payment of tax due may warehouse the payment up until that date. After April 17th, all direct debit withdrawals will be made on the date the return is accepted.

*These codes will only reflect what the taxpayer has requested. Any errors identified during mainframe processing or offset situations will result in **NO** direct deposit being issued. Any residual refunds will be issued with a paper check.

Error = Rejection Codes

2011 Tax Year Reject Codes for ELF System

Form 740 Errors

- 0001 Kentucky return must begin with Federal Adjusted Gross Income.
- 0002 Invalid Software developer code.
- 0003 Invalid EFIN.
- 0004 Duplicate Return. Electronic Return already received.
- 0005 Error in Federal AGI on married filing separate return.
- 0006 Federal Return required for State Only returns.
- 0007 Nonresidents and part-year residents are not eligible for electronic filing.
- 0008 Unformatted header records incomplete. Software format issue.
- 0009 Unformatted record byte count incorrect.

- 0010 Invalid debit routing number.
- 0011 Invalid debit account number. Must be numeric only. No spaces/dashes allowed.
- 0012 Invalid indicator. Indicator should be "1" for Direct Deposit option.
- 0013 Invalid debit indicator. Indicator should be "2" for Direct Debit option.
- 0014 Invalid debit amount. Debit payment amount must equal amount due on return.
- 0015 Invalid debit date. Debit payment cannot be warehoused after April 15th.
- 0016 Invalid debit date. Invalid date format in file.
- 0017 Incomplete debit/deposit account type. (Checking / Savings account indicator blank)
- 0018 Primary and/or Spouse social security number missing.
- 0019 Name/Address Fields incomplete.
- 0020 City / State / ZIP code fields incomplete.
- 0021 Filing status incorrect.
- 0022 Filing Status 4 error - Income reported does not belong to Primary Taxpayer.
- 0023 Invalid Filing Status. Must equal 1, 2, 3 or 4.
- 0024 Taxpayer political party fund code invalid. Must equal 4, 5 or 6.
- 0025 Spouse political party fund code invalid. Must equal 1, 2 or 3 if filing status 2 or 3 is used.
- 0026 Additions on Form 740, line 6, does not match additions from Schedule M.
- 0027 Error in calculation on Form 740 Line 7.
- 0028 Subtractions on Form 740, line 8, does not match subtractions from Schedule M.
- 0029 Error in computing KY AGI, Form 740, line 9.
- 0030 Error in standard deduction amount claimed.
- 0031 Itemized deductions claimed does not match the Spouse total on Schedule A.
- 0032 Itemized deductions claimed does not match the Taxpayer total on Schedule A.
- 0033 Error in computing taxable income.
- 0034 Line 13 amount claimed does not match value on Form 4972-K.
- 0035 Error in tax amount from tax table or computation.
- 0036** Total Business Incentive Credits does not match total from Section A, **Line 21A or 21B.**
- 0037 Total Personal Tax Credits claimed does not match total from Section B, Line 4A or 4B.
- 0038 Error in computing subtotal tax after business incentive and personal credits, line 18.
- 0039 Error in computing Total Family Size.
- 0040 Error in computing Family Size Tax Credit.
- 0041 Error in computing Education Tuition Tax Credit.
- 0042 Error in computing Child and Dependent Care Credit.
- 0043** Error in computing Income Tax Liability, line **26.**
- 0044** Error in computing Total Tax Liability, **page 1, line 28 / page 2, line 29.**
- 0045 Error in amount claimed as Kentucky Income Tax Withheld.
- 0046 Error in amount claimed as Kentucky Estimated Tax Payments.

0047 **BLANK**

0048 Error in computing line 31, total refundable credits.

0049 Error in computing amount overpaid.

0050 Error in computing additional tax due.

0051 If additional tax due is greater than \$500, you are required to file Form 2210K.

0052 Error in computing amount you owe.

0053 Error in computing total Business Incentive Credits, Section A.

0054 Credit for Tax Paid to Other State not eligible for electronic filing without documentation.

0055 Limited Liability Entity Credit not eligible for electronic filing without supporting documentation.

0056 **BLANK**

0057 Worksheet required when claiming tax paid to another state.

0058 Check boxes for personal credits must be checked if applicable.

0059 Error in totaling personal credits.

0060 Incomplete dependent information.

0061 Dependents claimed on lines 3A and 3B, Section B, credits don't equal total.

0062 Calculation error in Section B, Personal Tax Credits, lines 4A and/or 4B.

SCHEDULE M Errors

0063 Schedule M required but not submitted with return.

0064 Spouse total additions is mathematically incorrect.

0065 Taxpayer total additions is mathematically incorrect.

0066 Spouse total subtractions is mathematically incorrect.

0067 Taxpayer total subtractions is mathematically incorrect.

0068 Negative values are not allowed on Schedule M.

0069 Pension exclusion amount claimed does not match federal return data.

0070 Social security amount claimed as deduction does not match federal return data.

SCHEDULE A Errors

0071 Schedule A required but not submitted with return.

0072 Percentage field format error.

0073 Error in computing KY AGI on Schedule A.

0074 Total contributions are limited to 50% of KY AGI.

0075 Filing status 2 requires page 2, Schedule A to be completed.

0076 Error in total itemized deduction calculation.

SCHEDULE P Errors

0077 Invalid date format on Schedule P.

0078 Schedule P required but not submitted with return.

0079 Invalid Percentage field format on Schedule P.

0080 Error in Schedule P flow to Schedule M.

Form 2210K Errors

0081 Part I calculation error on Form 2210K.

0082 Part I data incomplete on Form 2210K

0083 Part II calculation error on Form 2210K.

0084 2210K required but not filed.

Form 8863K Errors

0085 8863K required but not filed.

0086 Error in calculating education credit.

0087 Incomplete data on 8863K.

0088 Only undergraduate studies Kentucky institutions qualify for education credit.

Form 4972K Errors

0089 4972K required but not filed.

0090 Calculation error on Form 4972K.

0091 Incomplete data on Form 4972K.

Credit for Tax Paid to Other State Worksheet

0092 Tax Paid on Other State worksheet required but not filed.

0093 Incorrect computation on TPOS Worksheet.

0094 Reciprocal state. Other state income appears to be wages.

Credit for Nonrefundable Limited Liability Entity Credit

0095 Limited Liability Entity Credit worksheet required but not filed.

0096 Incorrect computation on Limited Liability Entity Worksheet.

0097 Total on Limited Liability Entity Worksheet does not match credit claimed on return.

SCHEDULE J Errors

0098 Schedule J required but not filed.

0099 Calculation error on Schedule J.

0100 Incomplete data on Schedule J.

0101 Education Credit Carry-forward claimed but no 8863K filed in prior years.

0102 Error in calculating tentative Hope Credit.

0103 Hope Credit claimed exceeds allowable amount.

0104 Lifetime Credit claimed exceeds allowable amount of \$2000.

0105 BLANK

0106 BLANK.

0107 BLANK

0108 Energy Efficiency Credit Form 5695-K required but not filed.

0109 Error in computing energy efficiency credit allowed.

- 0110 Amount of 8863K credit does not match amount claimed on Form 740, Page 1, Line 23.
- 0111 Total on Schedule A does not match amount claimed on Form 740, Page 1, Line 10.
- 0112 State not identified on Tax Paid to Other States Worksheet.
- 0113 'KY' is not a valid entry on the Tax Paid to Other States Worksheet.
- 0114 Energy Efficiency Credit carryforward claimed but no Form 5695K filed in prior year.
- 0115 Energy Efficiency Credit carryforward amount incorrect.
- 0116 Film Industry Refundable Credit claimed in error.
- 0117 Certified Rehabilitation Refundable Credit claimed in error.

Section 5: Kentucky Testing Procedures

Software developers that meet the current testing requirements set forth by the IRS are invited to test for Kentucky Department of Revenue acceptance. No formal application is necessary, although, a secondary check against our records will be performed prior to acceptance. The **Kentucky Test Package** will be available after the federal package is released to software developers. All transmissions must contain the software developer's identification. This identification must be provided before the first test file is transmitted. A contact name and email address must also be provided for test result notification. **After your software is accepted, an acceptance letter will be issued which must be provided to all software users with the final version of the software.**

Developers planning to provide on-line filing must submit a set of test records for their on-line program. This set of returns should be submitted after approval of the practitioner software and should contain the on-line filing indicator [(alpha) O] in field 0049 of the generic record.

Developers planning on submitting State Only Returns must also provide a set of test records setting the State Only indicator to "SO". (Field 0019) State Only Indicator. These tests should be submitted after your software has been approved for E-file or On-line file by the Department of Revenue.

Developers may submit their own PATS tests for the 2012 processing season as long as they meet the required form criteria. Kentucky will also devise PATS tests based on the federal PATS tests. Whichever method is used by the developer for testing purposes will need to be identified via email to AudreyJ.Terry@ky.gov.

Section 6: EXCLUSIONS FROM KY ELECTRONIC FILING

See forms below that are not accepted electronically for the 2011 tax year.

The following forms/line items will **not** be acceptable for electronic filing:

1. Form 740-X & Form 740-XP, Amended Kentucky Individual Income Tax Returns
2. Form 740-NP, Nonresident or Part-Year Resident Income Tax Return
3. Form 740-NP-R, Nonresident - Reciprocal State
4. Fiscal year filers
5. Prior year returns
6. Any partnership, corporate or fiduciary tax return

*****In addition to the above exclusions from Kentucky electronic filing, any income tax return reflected in the list of exclusions from federal electronic filing cannot be filed through the Federal/State Electronic Filing Program.**

Section 7: SOFTWARE EDITS & CROSS-CHECKS

Software edits must be included in all programs to minimize the number of returns in error due to controllable conditions. The following is a list of the edit guidelines that should be included in the software to properly complete the Kentucky return.

1. Line 5 of Form 740 or Line 1 of Form 740-EZ **must** match the federal adjusted gross income on Line 37 of Form 1040, Line 21 of Form 1040A or Line 4 of Form 1040EZ. **(Exception: If Kentucky filing status is Married Filing Separate Returns and the federal filing status is Married Filing Joint).**
2. Name fields must contain no spaces or punctuation marks. Name suffixes must be contained in the appropriate field. Address fields should contain no punctuation.
3. Taxpayers over 65 or legally blind are entitled to additional tax credits. If fields 0305.50 (Over 65 Credit – Taxpayer), 0305.70 (Blind Credit – Taxpayer), 0305.10 (Over 65 Credit – Spouse) or 0305.12 (Blind Credit – Spouse) are “1”, then the corresponding fields 0305.60, 0305.80, 0305.11 or 0305.13 must equal “1”.
4. Taxpayers in the National Guard are allowed an extra tax credit. “NG” must be placed in the space for Other First Name 4 (0320) and the credit should be added to the Credits – Other Dependents total (Field 0305).
5. The Family Size Tax Credit may be applicable to taxpayers whose Kentucky modified gross income (See instruction #30) is less than or equal to **\$29,726**. Taxpayers filing “Married Filing Separate Returns” will not be allowed a family size tax credit unless the spouse’s Kentucky adjusted gross income is included in generic record field 0795 to determine the correct calculation. This credit is based on Family Size (See instruction 31) and KY modified gross income.
6. If a taxpayer’s Kentucky modified gross income is negative, the Kentucky modified gross income is zero (\$0) for family size tax credit calculation.
7. If one taxpayer uses itemized deductions then the spouse must also itemize deductions. Returns filed with 2 Schedule A forms are accepted. The standard deduction is only available to non-itemizers. Married Filing Joint Returns are only entitled to one standard deduction.
8. **All additions and subtractions to federal adjusted gross income on Schedule M must be positive numbers.** Negative numbers will cause the return to be rejected.
9. If Kentucky Schedule A, Schedule M, Schedule P, Schedule J, Form 2210-K, Form 4972-K, Form 5695-K, Form 8863-K, Form 8582-K, Worksheet A or Worksheet C are utilized or required and the software does not support these schedules or forms, the taxpayer will not be allowed to file electronically. Any return requiring and missing these schedules will be rejected.
10. If the Kentucky adjusted gross income has a negative value, it is treated as such on the Kentucky Schedule A for the adjusted gross income fields.
11. Fields 0050 and 0052 are required if someone other than the taxpayer prepares the return.

12. Software Developer Code is required for testing and for live transactions. If the code is different from testing to live transactions or changes from the previous year, the Systems Development Branch must be notified. Returns containing invalid software codes will be rejected and deleted. **If this is the first year of testing or your code has changed, your Software Developers Code must be provided before test records are sent.** Every attempt will be made to identify the vendor that submitted the file with the unidentified vendor code.
13. All “other additions (Schedule M, line 7)” and “other subtractions (Schedule M, **line 19**)” require comments to be entered. If data is present in Schedule M fields 0100, 0175, 0220 or 0280, then corresponding data must be contained in Other Additions or Other Subtractions verbiage fields (Additions fields 0085, 0090 & 0095 / Subtractions fields 0160, 0165 & 0170).
14. Underpayment of Estimated Tax Penalty--Form 2210-K is required if Form 740, line 42 (field 0605), exceeds \$500. If required, field 0610 must equal the state unformatted record field 0110 of Record ID 2210Kb.
15. Late Filing Penalty--If field 0320.55 is “N” and the filing date is after **April 17, 2012**, a late filing penalty must be calculated. The penalty is 2 percent of the additional tax due (Field 0605) for each 30 days or fraction thereof that a return is not filed. The penalty does not exceed 20 percent and the minimum penalty is \$10.
16. Late Payment Penalty--For returns filed after **April 17, 2012**, if the amount timely paid (field 0560) is greater than 75 percent of the tax determined due (field 0540), no late payment penalty is due. If the amount prepaid (field 0560) is less than 75 percent of the tax determine due (field 0540), then a penalty of 2 percent of the tax computed due (field 0605) 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.
17. Interest--For returns filed after **April 17, 2012**, interest is assessed at the “tax interest rate” from **April 18, 2012**, until the date of payment. For **2010** tax returns (calendar year **2011**), the interest rate is **5 percent** or .000137 daily. Interest is calculated at the current interest rate + 2%. The interest rate for **2011** tax returns (calendar year **2012**) has been set at **__ percent**.
18. Spouse data is required for Kentucky filing status “Married, filing separately on a combined return.”
19. In the Consistency Section, fields 0150 through 0205 are required fields if data in the comparable fields on the federal return are significant. They must agree with the federal data contained in the unformatted record.
20. Childcare is only allowable if federal Form 2441 is submitted. It should be included in the unformatted record with the federal data, even if it is not required for federal purposes. Line 9 of Form 2441 is the amount used to calculate the Kentucky credit for child-care expenses.
21. The format for percentage fields should be as follows: 100% = “10000”; 89.95% = “08955”; 3.45% = “00345”; 70% = “07000”. **One exception to the aforementioned percentage format exists within Worksheet C, Non-refundable Limited Liability Entity Tax Credit. The format for Worksheet C, field 0050, should be as follows: 100% = “10000000”; 89.9% = “08990000”; 2.123% = “00212300”; .00001% = “00000001”.**
22. On the Schedule P the following pairs of fields are mutually exclusive (if one contains an amount, the other must be zero): fields 0060 & 0065, fields 0080 &

- 0085, fields 0100 & 0105, fields 0140 & 0145, fields 0170 & 0175 and fields 0200 & 0205.
23. Foreign Address - The foreign address will be printed in the same fields allocated for domestic address on the form.
 24. Political Party Fund – One of the three (3) taxpayer political party fund options must be selected for all filing statuses. If “Single” or “Married Filing Separate Returns” the spouse political party fund should be NULL. If married filing joint or married filing separate on a combined return filing status is selected, one of the taxpayer and spouse political party fund options must be selected.
 25. Computation for 2210-K penalty. If Income Tax Liability is > \$500, add Income Tax Liability (Generic Record Field 0530) plus Spouse Tax Paid to Other State Credit (Field 0675) + Taxpayer Tax Paid to Other State Credit (Field 0680). If Total Payments (Field 0560) is =>70% of the above calculation, no penalty is due.
 26. If the Schedule A is present in the file layout, the KY AGI fields can be populated even if that section of the Schedule A is not utilized.
 27. The Fields in the Consistency section are required fields. If not present in the federal return, zeroes are required.
 28. **Do not cross forms between two unformatted records. This will cause a rejection of the return.**
 29. Field 0074 (C/O Address). C/O info, if entered, should be placed in Address line 1, followed by street address in Address line 2. Field 0074 will not be used for KY purposes.
 30. Kentucky Modified Gross Income – The Family Size Tax Credit must be computed using the modified gross income for KY. This would be the greater of Federal adjusted gross income plus bond interest from sister states excluded on federal return plus tax on lump-sum distributions calculated on Schedule 4972K or Kentucky Adjusted Gross Income plus any lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K).
 31. Family Size – This must also be computed along with the KY modified gross income to determine the correct percentage for the Family Size Tax Credit.

Size of Family Unit

Family Size 1: An individual either single or married living apart from his or her spouse for the entire year.

Family Size 2: An individual with one qualifying dependent child or a married couple.

Family Size 3: An individual with two qualifying dependent children or a married couple with one qualifying dependent child.

Family Size 4: An individual with three or more qualifying dependent children or a married couple with two or more qualifying dependent children.
 32. Direct deposit account numbers and direct debit payment account numbers are housed in the same field (field 0035). If direct debit is indicated in field 0024 then State depositor number (field 0035) should be numeric only. If direct deposit is indicated in field 0024 then State depositor number should be alpha-numeric. In short, direct deposits can be alpha-numeric and direct debit payments must be numeric.

Section 8: Kentucky Record Layout & File Specifications

Federal Data – A complete copy of the federal return is required on all electronically filed returns including state only returns.

The federal data should be identical to the IRS data with the exception of four (4) characters. For these characters, a state character should be substituted for the corresponding IRS value. The characters are as follows:

IRS Character	Substitution Character	ASCII Hex	EBCDIC Hex
****	!!!!	21212121	5A5A5A5A
[{	7B	C0
]	}	7D	D0
#	\$	24	5B

The federal data may be formatted using the IRS formatting requirements for variable length records or the IRS formatting requirements for fixed length records. A flag in alphanumeric field 0320.10 will indicate the format utilized. The values are as follows:

“V” = Variable Format
“F” = Fixed Format

The IRS Summary Record should not be placed in the unformatted state record. If it is included, it will not be edited or processed by the Department.

Refer to Publication 1346, Part I, Section 12 “Federal/State Electronic Filing Specifications” for a discussion of the unformatted state record.

Generic Record Layout – The Kentucky tax returns are reviewed yearly to reflect legislative changes as well as any IRS changes that Kentucky adopts. The generic record has been designed to reflect these changes as well as to adopt the standards and guidelines agreed on by the states and development community. Please examine each field in the generic carefully to insure you are meeting our requirements. The Generic record includes the Form 740, pages 1, 2 and 3 only. If the 740-EZ is filed it should be formatted in the 740 format.

Unformatted Record Layout – (Federal) The unformatted federal record should follow the generic record. It should be a separate unformatted record from the state unformatted record ended with a “#” sign.

Unformatted Record Layout – (State) The unformatted state record is used for all forms and schedules that are attachments to the Form 740. This would include Schedule M, Schedule A, Schedule P, Schedule J, Schedule KNOL, Form 2210-K, Form 4972-K, Form 5695-K, Form 8582, Form 8863-K, Form 4562-K and 2 supporting worksheets. The 4562-K is the federal 4562 recalculated using Internal Revenue Code as of [12/31/2001](#), which excludes bonus depreciation and uses different limitations. If state unformatted data exists, it should always follow the federal unformatted record.

TY11 Filing Period – Kentucky’s filing period for electronic returns will be identical to the IRS filing period. Our last date to accept returns is **October 15, 2012**.

On-line Filing – The Kentucky Department of Revenue accepts return filed on-line. The layout for these returns is identical to other electronically filed returns. A value of “O” should appear in field 0049 to identify on-line returns.

State Only Filing – The Kentucky Department of Revenue accepts state only filed returns. Field 0019 in the generic record should be set to “SO” to identify these returns. The federal return is required before we will accept state only filed returns. If the federal return is not present, the return will be rejected with a reject code of **0006**.

Please note the following items:

- Only whole dollar amounts should be entered on the federal and state returns.
- The record consists of the generic record and separate unformatted records. The generic record should always be followed by the federal unformatted record then the state unformatted record, if it exists.

SAMPLE ADDRESSES

Prefix Names:

EXAMPLE:	O’Brien	KEY:	Obrien
	Van Winkle		Vanwinkle
	Mc Donald		McDonald

Street:

EXAMPLE:	120 South Fourth Street
KEY:	120 South Fourth Street
EXAMPLE:	23 East 4th Street
KEY:	23 East 4th Street
EXAMPLE:	2466 1/2 West Highway North
KEY:	2466 West Highway North
EXAMPLE:	C/O George Smith
KEY:	CO George Smith
EXAMPLE:	C/O Jones Mfg Co
KEY:	Jones Mfg Co
EXAMPLE:	C/O 123 Main St
KEY:	123 Main St
EXAMPLE:	12 North St Apt #4
KEY:	12 North St Apt 4
EXAMPLE:	34 Hopewell-Bohon Rd
KEY:	34 Hopewell Bohon Rd
EXAMPLE:	543 Lovelace-Florence Station Rd
KEY:	543 Lovelace Florence Stat Rd

Section 9: Generic Record Layout

See **2011** Electronic File Layout Document on our website

Section 10: State Unformatted Record Layout

After the generic record, the unformatted federal record is required followed by the record terminus character “#”. The federal unformatted record is required on all returns, including state only returns.

The next section is the state unformatted record. If any of the following forms are used by the taxpayer, the data should be included in this record followed by the record terminus character “#”.

Schedule A
Schedule J
Schedule KNOL
Schedule M
Schedule P
Form 2210K
Form 4562K
Form 4972K
Form 5695K
Form 8582K
Form 8863K
Worksheet A
Worksheet C

Section 11: Acknowledgement Record Layout

The IRS will be handling the state acknowledgements. See the format below.

TRANA Outer

Field #	Position	Data	Description	Field Info	Length
	1	0120	Byte Count		4
	5	****	Record Sentinel		4
0000	9	TRANAb	Tran A Identifier (All Caps)		6
0010	15	610600439	EIN of Transmitter	On Form 8633	9
0020	24	KENTUCKY DEPT OF REVENUE	Transmitter Name		35
0030	59	PREPARER'S AGENT	Transmitter Type		16
0040	75	"G" = Philadelphia	Processing Site		1
0050	76		Transmission Date	Date file is built - YYYYMMDD	8
0060	84		ETIN of State + Use Code	On Form 8633	7
0070	91		Julian Date	Blank	3
0080	94	01 - ?	Transmission Seq.	Files Per Day	2
0090	96	A	Transmission Format	A = ASCII	1
0100	97	F	Record Type	F = Fixed / V = Variable	1
0110	98		EFIN Of Transmitter	Blank	6
0120	104		Filler	Blank	5
0130	109		Reserved	Blank	1
0140	110		Reserved	Blank	1
0150	111		Reserved	Blank	6
0160	117	T or P	Production - Test	T = Test / P = Production	1
0170	118	Z	Transmission Type Code	Z = State Acknowledgement	1
0180	119		Reserved	Blank	1
	120	#	Terminus		1

TRANB Outer

Field #	Position	Data	Description	Field Info	Length
	1	0120	Byte Count		4
	5	****	Record Sentinel		4
0000	9	TRANBb	Tran B Identifier (All Caps)		6
0010	15	610600439	EIN of Transmitter (Must match TRANA Record)		9
0020	24	501 HIGH STREET	Transmitter Address		35
0030	59	FRANKFORT KY 40620	Transmitter Type		35
0040	94	5025645370	Transmitter Phone		10
0050	104		Filler	Blank	16
	120	#	Terminus		1

TRANA Inner

Field #	Position	Data	Description	Field info	Length
	1	0120	Byte Count		4
	5	****	Record Sentinel		4
0000	9	TRANAb	Tran A Identifier (All Caps)		6
0010	15		EIN of Transmitter		9
0020	24		Transmitter Name (Mailbox ID)		35
0030	59	PREPARER'S AGENT	Transmitter Type		16
0040	75	"G" = Philadelphia	Processing Site		1
0050	76		Transmission Date	Date file is built - YYYYMMDD	8
0060	84		ETIN of Transmitter	ETIN plus Transmitter's Use Code (Must match Field 0030 of ACK Key Record)	7
0070	91		Julian Date		3
0080	94		Transmission Seq.		2
0090	96	A	Transmission Format	A = ASCII	1
0100	97	F	Record Type	F = Fixed / V = Variable	1
0110	98		EFIN Of Transmitter		6
0120	104		Filler	Blank	5
0130	109		Reserved	Blank	1
0140	110		Reserved	Blank	1
0150	111		Reserved	Blank	6
0160	117	T or P	Production - Test	T = Test / P = Production	1
0170	118	Z	Transmission Type Code	Z = State Acknowledgement	1
0180	119		Reserved	Blank	1
	120	#	Terminus		1

TRANB Inner

Field #	Position	Data	Description	Field Info	Length
	1	0120	Byte Count		4
	5	****	Record Sentinel		4
0000	9	TRANBb	Tran A Identifier (All Caps)		6
0010	15		EIN of Transmitter		9
0020	24		Transmitter Address		35
0030	59		Transmitter City State ZIP		35
0040	94		Transmitter Phone	Blank	10
0050	104		Filler	Blank	16
	120	#	Terminus		1

ACK Key Record

Field #	Position	Data	Description	Field Info	Length
	1	0120	Byte Count		4
	5	****	Record Sentinel		4
0000	9	ACKbbb	ACK Record ID		6
0005	15		Reserved IP Addr Code	Blank	1
0010	16		EIC Indicator	Blank	1
0020	17		Primary SSN		9
0030	26		RSN: Numeric ETIN (5) Transmitter Use Code (2) Julian Date (3) Trans Seq Number (2) Seq Num for Return (4)	Numeric ETIN (5) ETIN must equal Field 0060 of Inner TRANA Transmitter's Use Code (2) Julian Day (3) Trans Seq Num (2) Seq Num for Return (4) State must use RSN from Field 0023 of Generic Record	16
0040	42		Refund or Balance Due field from return	Blank	12
0050	54		"A" = Accepted "R" = Rejected "D" = Duplicate "E" = Exception Processing		1
0060	55		Duplicate Code	Blank	3
0065	58		PIN Presence Indicator	Blank	1
0070	59		EFT Code	Blank	1
0080	60		Date Accepted	YYYYMMDD	8
0090	68		Return DCN	NNNNNNNNNNNNNNNN - State must use DCN in Field 0020 of Generic Record - First two digits must be zeros	14
0100	82		Number of Error Records	Numeric 00-96	2
0110	84		FOUO RET SEQ NUM	Blank	13
0112	97		State DD Ind	Blank	1
0115	98		Payment Acknowledgment	Blank	15
0117	113		Date of Birth Validation	Blank	1
0118	114		Filler	Blank	1
0119	115		State Only Code	Blank	2
0120	117		Debt Code	Blank	1
0130	118	KY	State Packet Code		2
	120	#	Record Terminus Character		1

ACK Error Record

Field #	Position	Data	Description	Field Info	Length
	1	0120	Byte Count		4
	5	****	Start of Record Sentinel		4
0000	9	ACKRbb	Record ID		6
0010	15	Numeric (Must match ACK Key Record)	Primary Taxpayer SSN		9
0020	24		Reserved	Blank	7
0030	31		Error Record Sequence Number	Blank	2
0040	33		Error Form Record ID	Blank	6
0050	39		Error Form Record Type	Blank	6
0060	45	PG00b	Error Form Page Number		5
0070	50	0000001	Error Form Occurrence Number		7
0080	57		Error Field Sequence Number	Blank	4
0090	61	Numeric, Refer to KY Reject Codes	Error Code		4
0100	65		Filler	Blank	55
	120	#	Record Terminus Character		1

ACK Recap Record Inner

Field #	Position	Data	Description	Field Info	Length
	1	"0120"	Byte Count		4
	5	"****"	Start of Record Sentinel		4
0000	9	"RECAPb"	Record ID		6
0010	15		Filler	Blank	8
0015	23		Total Exception Processing	NNNNNN	6
0020	29		Total EFT Count	Blank	6
0030	35		Total Return Count	Return count for ETIN (Total ACK Key count)	6
0040	41		ETIN + Use Code (Transmitter)		7
0050	48		Julian Date of Transmission		3
0060	51		Transmission Sequence Number for Julian Date		2
0070	53		Total Accepted Returns	Accepted for ETIN	6
0080	59		Total Duplicated Returns	Blank	6
0090	65		Total Rejected Returns	Rejected for ETIN	6
0100	71		Total Duplicated EFT	Blank	6
0110	77		Computed EFT Count	Blank	6
0120	83		Computed Return Count	Blank	6
0130	89		Total State Only Return Count	Blank	6
0135	95		Total Accepted State Only	Blank	6
0137	101		Filler	Blank	5
0140	106		Acknowledgement file name	IRS Determined	20
	126	#	Record Terminus Character	Sort by ETIN	1

ACK Recap Record Outer

Field #	Position	Data	Description	Field Info	Length
	1	"0120"	Byte Count		4
	5	"*****"	Start of Record Sentinel		4
0000	9	"RECAPb"	Record ID		6
0010	15		Filler	Blank	8
0020	23		Total EFT Count	Blank	6
0030	29		Total Return Count	Total of Inner envelopes	6
0040	35		ETIN + Use Code (State ETIN)	Must Match TRANA Outer record	7
0050	42		Julian Date of Transmission	Blank	3
0060	45		Transmission Sequence Number for Julian Date	Blank	2
0070	47		Total Accepted Returns		6
0080	53		Total Duplicated Returns		6
0090	59		Total Rejected Returns		6
0100	65		Total Duplicated EFT	Blank	6
0110	71		Computed EFT Count	Blank	6
0120	77		Computed Return Count	Blank	6
0130	83		Total State Only Return Count	Blank	6
0135	89		Total Accepted State Only	Blank	6
0137	95		Filler	Blank	5
0140	100		Acknowledgement file name	Must be blank	20
	120	#	Record Terminus Character		1