

## **103 KAR 19:010. Computation of income; estates and trusts.**

RELATES TO: KRS 141.010, 141.019, 141.020, 141.030, 141.081, 141.190, 141.900

STATUTORY AUTHORITY: KRS 131.130

NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the Kentucky Department of Revenue to promulgate administrative regulations to prescribe tax return filing requirements for fiduciaries including estates and trusts. This administrative regulation outlines procedure for computing estate and trust income for Kentucky income tax purposes including instructions covering both resident and nonresident situations.

Section 1. Computation of Income. Taxable income of an estate or trust is net income as defined by KRS 141.019 except:

- (1) The standard deduction permitted individuals in KRS 141.081 is not allowed;
- (2) Federal estate tax paid on income accrued at the date of death of a decedent is deductible;
- (3) Deductions that have been allowed on the Kentucky inheritance tax return or the Kentucky individual income tax return may not be claimed on the fiduciary income tax return; and
- (4) Any deductions (or federal tax) related to nontaxable income are not allowed.

Section 2. Tax Credits. A trust is allowed a tax credit of two (2) dollars; an estate is allowed a tax credit of ten (10) dollars.

Section 3. Resident Estate or Trust. A resident estate or trust shall report and pay tax on all taxable income except that portion of net income distributable or distributed during the taxable year, and that portion of the net income from intangible personal property attributable to a nonresident beneficiary.

Section 4. Resident Beneficiary. A resident beneficiary shall report and pay tax on his share of the distributed or distributable income from a resident or nonresident estate or trust.

Section 5. Income from Kentucky Sources. Income from Kentucky sources shall include income arising from all:

- (1) Activities carried on in this state, including labor performed or business done in this state;
- (2) Services performed in this state;
- (3) Real or tangible property located in this state; or
- (4) Intangible property that has acquired a business situs in this state.

Section 6. Nonresident Estate or Trust. A nonresident estate with gross income for the taxable year from Kentucky sources of \$1,200 or more and a nonresident trust with gross income for the taxable year from Kentucky sources of \$100 or more shall pay tax on all taxable income from Kentucky sources, except that portion of net income distributable or distributed during the taxable year and that portion of the net income from intangible personal property attributable to a nonresident beneficiary.

Section 7. Nonresident Beneficiaries. Nonresident beneficiaries shall pay tax on income derived from Kentucky sources. (IF-1; 1 Ky.R. 332; eff. 2-5-1975; 45 Ky.R. 1077, 2066; eff. 2-1-2019.)