

FINANCE AND ADMINISTRATION CABINET
Department of Revenue
(Amended at ARRS Committee)

103 KAR 16:352. Corporation income taxes policies and circulars.

RELATES TO: KRS 131.130(1), (8), 141.010, 141.0101, 141.012, 141.039, 141.040, 141.044, 141.050, 141.120, 141.140, 141.160, 141.170, 141.210, 141.206, 141.990

STATUTORY AUTHORITY: KRS 131.130(1)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the department to promulgate administrative regulations to administer and enforce Kentucky's tax laws. Prior to the enactment of KRS Chapter 13A, the department issued policies and circulars as guidance for the administration of Kentucky's tax laws. Since that time, changes to corporation income tax law have created conflict with these policies and circulars. This administrative regulation rescinds corporation income tax policies and circulars.

Section 1. The following corporation income and license tax policies of the department are rescinded and shall be void:

- (1) Revenue Policy 41P010 - Cooperatives. This policy shall be rescinded because it conflicts with KRS 141.160 and 141.170.
- (2) Revenue Policy 41P020 - Short period return or change in tax period resulting from change in ownership. This policy shall be rescinded because it restates KRS 141.140(1).
- (3) Revenue Policy 41P030 - Six-year statute of limitations. This policy shall be rescinded because it restates KRS 141.210(2).
- (4) Revenue Policy 41P040 - Declaration of estimated tax penalty. This policy shall be rescinded because it is made obsolete by KRS 141.044(2)(c).
- (5) Revenue Policy 41P070 - Income and deductions. This policy shall be rescinded because it is obsolete and restates KRS 141.010, 141.039, and 141.050.
- (6) Revenue Policy 41P071 - Claim of right. This policy shall be rescinded because it was incorporated into 103 KAR 16:320.
- (7) Revenue Policy 41P080 - Coal royalty income. This policy shall be rescinded because it restates KRS 141.039(1)(d).
- (8) Revenue Policy 41P090 – Jobs Tax Credit. This policy shall be rescinded because it conflicts with KRS Chapter 13A.
- (9) Revenue Policy 41P100 - Deductibility of state taxes. This policy shall be rescinded because it is obsolete due to the repeal of the New York Subsidiary Capital tax. The department issued guidance pursuant to KRS 131.130(8) on the deductibility of state taxes.
- (10) Revenue Policy 41P110 - Deductibility of state taxes. This policy shall be rescinded because it restates KRS 141.039(2)(c)1. and guidance has been issued by the department pursuant to KRS 131.130(8).
- (11) Revenue Policy 41P120 - Deductibility of state taxes. This policy shall be rescinded because the Indiana gross receipts tax was repealed effective January 1, 2003, making this policy obsolete.
- (12) Revenue Policy 41P121 - Deductibility of state taxes. This policy shall be rescinded because it restates KRS 141.039(2)(c)1. and guidance has been issued by the department pursuant to KRS 131.130(8).
- (13) Revenue Policy 41P125 - Windfall profit tax. This policy shall be rescinded because it restates KRS 141.039(2)(c) and the provision of the Internal Revenue Code referred to in the policy has been repealed.
- (14) Revenue Policy 41P130 - Taxation of income from activities on the outer continental shelf. This policy shall be rescinded because it restates provisions in KRS 141.010,

141.039, and 141.120 and the holding of a court decision.

(15) Revenue Policy 41P140 - Subpart F Income. This policy shall be rescinded because it conflicts with KRS 141.039(1)(b).

(16) Revenue Policy 41P150 - Expenses Related to Nonbusiness or Nontaxable Income. This policy shall be rescinded because it was incorporated into 103 KAR 16:060.

(17) Revenue Policy 41P160 - First-Year Net Operating Loss. This policy shall be rescinded because it restates KRS 141.012, which was repealed effective for taxable years beginning on or after January 1, 2006.

(18) Revenue Policy 41P170 - Sales Factor. This policy shall be rescinded because it is obsolete. Guidance on the receipts factor is provided by 103 KAR 16:270.

(19) Revenue Policy 41P180 - Property Factor. This policy shall be rescinded because it is obsolete. Guidance on the property factor is provided by 103 KAR 16:290.

(20) Revenue Policy 41P190 - Net Rental Income. This policy shall be rescinded because guidance on the treatment of net rental income in the property factor is provided by 103 KAR 16:290, Apportionment; Property Factor.

(21) Revenue Policy 41P200 - Partnership and Joint Venture Income Classified Business Income. This policy shall be rescinded because it conflicts with KRS 141.206.

(22) Revenue Policy 41P210 - Business Apportionment Factor for Corporations Reporting Income on Completed Contract Method. This policy shall be rescinded because it was incorporated into 103 KAR 16:340.

(23) Revenue Policy 41P220 - Separate Accounting. This policy shall be rescinded because it restates KRS 141.120(12) and was incorporated into 103 KAR 16:330.

(24) Revenue Policy 41P230 - Financial Organizations. This policy shall be rescinded because it is obsolete.

(25) Revenue Policy 41P240 - Homeowners Associations. This policy shall be rescinded because it restates KRS 141.010, 141.039, and 141.040.

(26) Revenue Policy 41P250 - Taxation of Foreign Sales Corporations and Domestic International Sales Corporations. This policy shall be rescinded because it is obsolete. Updated guidance is provided in 103 KAR 16:370, Corporation Income Tax Treatment of Foreign Sales Corporations and Domestic International Sales Corporations.

(27) Revenue Policy 41P260 - Corporate Distributions, Liquidations and Reorganizations. This policy shall be rescinded because it restates KRS 141.0101(10).

(28) Revenue Policy 41P500 – Agreement to extend statute of limitations. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(29) Revenue Policy 41P520 – Capital. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(30) Revenue Policy 41P530 – Borrowed moneys. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(31) Revenue Policy 41P540 – Unearned leasehold income. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(32) Revenue Policy 41P550 – Borrowed moneys. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(33) Revenue Policy 41P560 – Outer continental shelf. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(34) Revenue Policy 41P570 – Corporation license tax apportionment factor. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(35) Revenue Policy 41P580 – Sales factor. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(36) Revenue Policy 41P590 – Homeowners associations. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

(37) Revenue Policy 41P600 – Real estate investment trust. This policy shall be rescinded because it is obsolete. Corporation license tax was repealed in 2005.

Section 2. The following corporation income tax circulars of the department are rescinded and shall be void:

(1) Revenue Circular 40C005 – Kentucky depreciation system. This circular shall be rescinded because it restates provisions in KRS 141.0101.

(2) Revenue Circular 40C010 – Reporting requirements for nonresident partners' of S-corporation shareholders' combined Kentucky income tax return. This circular shall be rescinded because it was superseded by KRS 141.206.

(3) Revenue Circular 40C030 – Corporation and individual income tax-special reporting procedures. This circular shall be rescinded because it is obsolete.

(4) Revenue Circular 41C020 - Safe harbor or finance leases. This circular shall be rescinded because it is obsolete.

(33 Ky.R. 1192; Am. 1603; 1791; eff. 2-2-2007; 48 Ky.R. 486, 1507; eff. 2-1-2022.)

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