

# United We Thrive

VITA Training – State Returns

Presenter: Charles Lewis

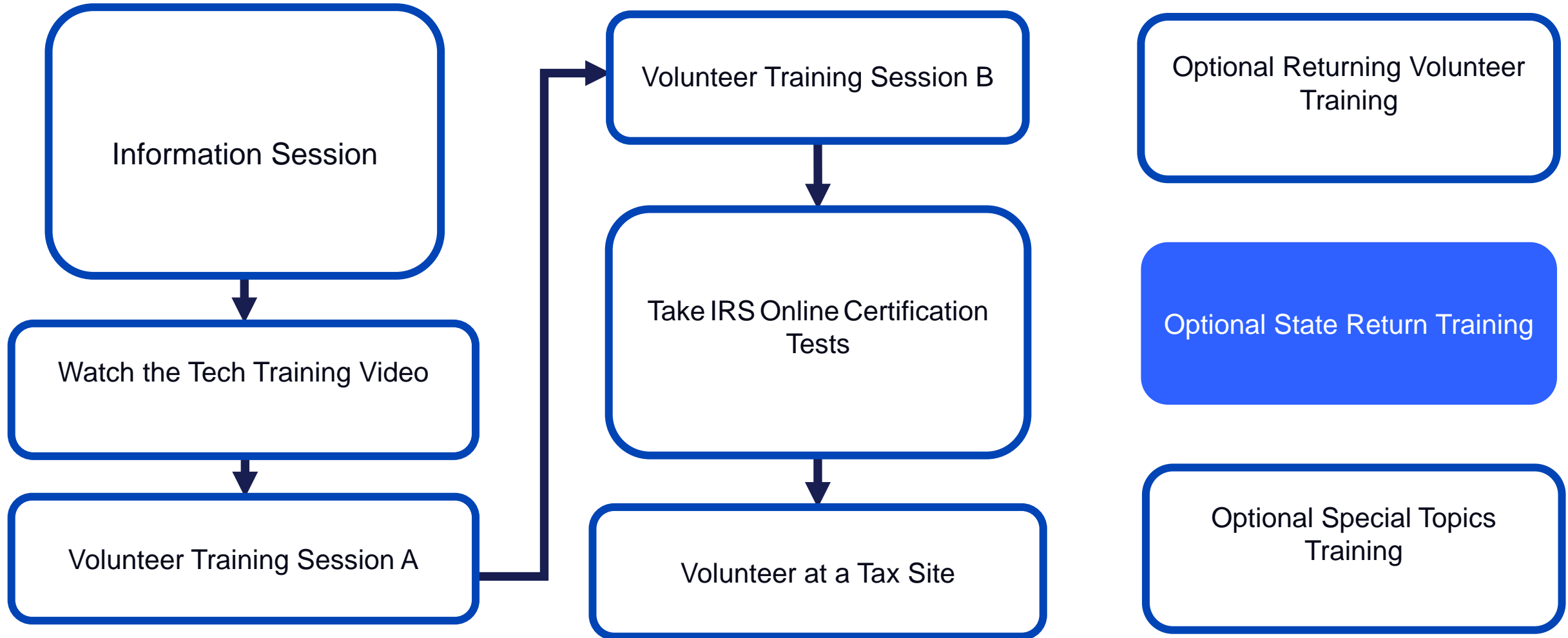
*January 17, 2026*



# Welcome

- Presenter: Charles Lewis
  - Site Coordinator for Ohio Means Jobs – Cincinnati/Hamilton County & AmeriCorps
- Iris Kelsen, Mary Lepper, Jim Yuhas, Keith Gehring, and Kathy Lavieri will monitor Zoom Chat
- Our United Way of Greater Cincinnati Support Team
  - Adrienne Brandicourt, Program Manager, Free Tax Prep
  - Emily Rose, Sr. Project Manager Volunteer Connection
  - Jackson Hare, Associate, Free Tax Prep
  - Here to deliver a few words

# Your Volunteer Pathway: From today through Tax Season



# Agenda

## I. Ohio Tax Law Review

- Reciprocal State
- Part Year-Resident
- Non-Resident Reciprocal State

## II. Kentucky Tax Law Review

## III. Indiana Tax Law Review

# Ohio Tax Law Review



Do not staple or paper clip.



2025 Ohio IT 1040  
Individual Income Tax Return



25000126

Sequence No. 1

01 17 26

Use only black ink/UPPERCASE letters. Use whole dollars only.

AMENDED RETURN - Check here and include Ohio IT RE.

NOL CARRYBACK - Check here and include Schedule IT NOL.

Primary taxpayer's SSN (required) 793 00 0091  
Check if deceased  
Spouse's SSN (if filing jointly)  
Check if deceased  
School district # 3101

First name OHIO MEDICAL  
M.I. Last name DEDUCTION

Spouse's first name (if filing jointly)  
M.I. Last name

Address line 1 (number and street) or P.O. Box  
550 VINE ST

Address line 2 (apartment number, suite number, etc.)

City CINCINNATI  
State OH ZIP code 45202 Ohio county (first four letters) HAMI

Foreign country (if the mailing address is outside the U.S.)  
Foreign postal code

Residency Status - Check only one for primary \*Indicate state

X Resident Part-year resident\* Nonresident\*

Check only one for spouse (if filing jointly) \*Indicate state

Resident Part-year resident\* Nonresident\*

Ohio Nonresident Statement - See instructions for required criteria

Primary meets the five criteria for irrebuttable presumption as nonresident.

Spouse meets the five criteria for irrebuttable presumption as nonresident.

Filing Status - Check one (as reported on federal income tax return)

X Single, head of household or qualifying surviving spouse

Married filing jointly

Married filing separately

Spouse's SSN

Federal extension filers - check here.

If someone can claim you (or your spouse if filing jointly) as a dependent, check here.

1. Federal adjusted gross income (federal 1040 or 1040-SR, line 11a). Place a "-" in the box if negative.....1. 37900  
2a. Additions - Ohio Schedule of Adjustments, line 12 (include schedule).....2a.  
2b. Deductions - Ohio Schedule of Adjustments, line 47 (include schedule).....2b. 9001  
3. Ohio adjusted gross income (line 1 plus line 2a minus line 2b). Place a "-" in the box if negative .. ....3. 28899  
4. Exemption amount (include Schedule of Dependents if applicable) .....4. 2400  
Number of exemptions including you and your spouse/dependents, if applicable: 1  
5. Ohio income tax base (line 3 minus line 4; if negative, enter zero).....5. 26499  
6. Taxable business income - Ohio Schedule of Business Income, line 15 (include schedule).....6.  
7. Taxable nonbusiness income (line 5 minus line 6; if negative, enter zero) .....7. 26499



MM-DD-YY

2025 Ohio IT 1040  
Individual Income Tax Return



25000226 Sequence No. 2

SSN: 793 00 0091

7a. Amount from line 7 on page 1 .....7a. 26499  
8a. Nonbusiness income tax liability on line 7a (see tax.ohio.gov/taxcalculator or see the instructions for the tax brackets).....8a. 354  
8b. Business income tax liability - Ohio Schedule of Business Income, line 16 (include schedule) .....8b.  
8c. Income tax liability before credits (line 8a plus line 8b) .....8c. 354  
9. Ohio nonrefundable credits - Ohio Schedule of Credits, line 40 (include schedule).....9. 70  
10. Tax liability after nonrefundable credits (line 8c minus line 9; if negative, enter zero) .....10. 284  
11. Interest penalty on underpayment of estimated tax (include Ohio IT/SD 2210).....11.  
12. Unpaid use tax (see instructions).....12.  
13. Total Ohio tax liability before withholding or estimated payments (add lines 10, 11, and 12).....13. 284  
14. Ohio income tax withheld - Schedule of Ohio Withholding, part A, line 1 (include schedule and income statements) .....14.  
15. Estimated and extension payments, credit carryforward from the 2024 return, and amounts previously paid with an original and/or amended 2025 return.....15.  
16. Refundable credits - Ohio Schedule of Credits, line 47 (include schedule).....16.  
17. Total Ohio tax payments (add lines 14, 15, and 16).....17.  
18. Amended return only - overpayment previously requested on original and/or amended 2025 return.....18.  
19. Line 17 minus line 18. Place a "-" in the box if negative.....19.  
If line 19 is MORE THAN line 13, skip to line 23. OTHERWISE, continue to line 20.  
20. Tax due (line 13 minus line 19). If line 19 is negative, ignore the "-" and add line 19 to line 13.....20. 284  
21. Interest due on late payment of tax (see instructions) .....21.  
22. TOTAL AMOUNT DUE (line 20 plus line 21). Pay electronically at tax.ohio.gov/pay or include the Ohio Universal Payment Coupon (OUPC) with your check .....AMOUNT DUE ▶ 22. 284  
23. Overpayment (line 19 minus line 13) .....23.  
24. Original return only - portion of line 23 carried forward to next year's tax liability .....24.  
25. Original return only - portion of line 23 you wish to donate:  
a. Nature Preserves/Scenic Rivers b. Breast/Cervical Cancer c. Wishes for Sick Children  
d. Wildlife Species e. Military Injury Relief f. Ohio History Fund  
Total....25g.  
26. REFUND (line 23 minus lines 24 and 25g).....YOUR REFUND ▶ 26.

Sign Here (required): I declare under penalties of perjury that this return or claim (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return and report.

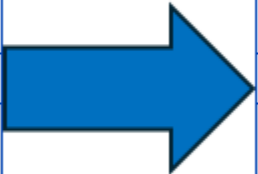
Primary signature Phone number 513-123-4567  
Spouse's signature Date 01/17/2026  
Preparer's printed name Phone number 202-202-2022

Authorize your preparer to discuss this return X Non-paid preparer PTIN: P 43010091

If your refund is \$1.00 or less, no refund will be issued. If you owe \$1.00 or less, no payment is necessary.

NO Payment Included - Mail to:  
Ohio Department of Taxation  
P.O. Box 2679  
Columbus, OH 43270-2679  
Payment Included - Mail to:  
Ohio Department of Taxation  
P.O. Box 2057  
Columbus, OH 43270-2057

## Automatic Calculations from Federal to Ohio (OH)

Federal Return Entry		Flows Directly to OH return
Federal AGI		Starting point for OH
Taxable state refund		Deductions
Taxable Social Security		Deductions
Interest and dividends from U.S. government obligations		Deductions (Excludable interest amount and related state must be entered on Form 1099-DIV/INT)
Personal and dependent exemptions		Exemption amount (\$1,850, \$2,150 or \$2,400) per exemption based on MAGI
Age 65 or older		Nonrefundable Credits – Senior citizen credit (\$50)
Child and dependent care expenses		Nonrefundable Credits – Child and dependent care credit (MAGI < \$40,000)
Personal exemptions		Nonrefundable Credits – Exemption credit (MAGI < \$30,000; \$20 for each exemption)
Married filing jointly		Nonrefundable Credits – Joint filing credit (% of tax of tax liability [5%, 10, 15, or 20 based on MAGI less exemptions] with a max of \$650)
Earned income credit		Nonrefundable Credits – 30% of federal EIC
OH Income Tax Withholdings (e.g., Form W-2)		OH income tax withheld
OH Estimated Tax Payments (Entered in Federal section)		OH Estimated Payments



# Changes in OH Tax Law

<b>Tax rate</b>	<b>Taxable Nonbusiness Income</b>	<b>Tax Liability (before tax credits)</b>
0%	\$0 - \$26,050	None
2.75%	\$26,051 - \$100,000	\$342 plus 2.75% of the amount over \$26,050
3.125%	> \$100,000	\$2,394.32 plus 3.125% of the amount over \$100,000

Ohio Educator Expense Deduction has been increased to \$300 (previously \$250).



## Manual Entries for OH Tax Return – Schedule of Adjustments

### Business Income Deduction

- First \$250,000 of Business Income from a sole proprietorship or a pass-through entity is a 100% Deduction from Income
- Subtractions from Income -> Form OH IT-BUS (Business Income Schedule)

### Portion of Certain College Grants Used to Pay Room and Board

- Deduct any portion of a federal Pell grant and/or Ohio College Opportunity Grant included in your federal AGI that was:
  - Received by you or your spouse; AND
  - Used to pay qualifying room and board expenses, including meal plans.
- Subtractions from Income -> Pell/Ohio College Opportunity taxable grant amounts used to pay room and board

### Ohio Educator Expenses

- Deduct up to \$300 of education expenses in excess of the amount previously deducted on the federal tax return.
- Only applies to Ohio residents employed by Ohio public or private school.
- The same federal criteria applies (e.g., kindergarten through grade 12 and worked  $\geq$  900 hours).
- Subtractions from Income -> OH Educator expenses in excess of Federal Deduction

## Manual Entries for OH Tax Return – Schedule of Adjustments (Cont'd)

### Disability Benefits

- Deduct disability benefits to the extent included in federal AGI.
- You may not deduct:
  - Retirement benefits that converted from disability benefits upon reaching their minimum retirement age;
  - Temporary wage continuation payments; OR
  - Payments for temporary (i.e., expected to last one year or less) illnesses or injuries such as sick pay provided by an employer or third-party.
- Subtractions from Income -> Enter Disability Benefits

### Survivor Benefits

- Deduct survivor benefits to the extent included in federal AGI.
- Any amounts payable without the **death** of a covered individual as a precondition are **not** survivor benefits.
- Please consult with the UWGC Free Tax Prep Manager as we are seeking additional guidance from OH Department of Taxation.
- Subtractions from Income -> Enter Survivor Benefits

### Unreimbursed Medical and Health Care Expenses

- An in-depth demonstration of this deduction will be provided later in this presentation.
- Subtractions from Income -> Unreimbursed Long-Term Care Insurance Premiums, Unsubsidized Health Care Insurance Premiums and Excess Health Care Expenses

## **Manual Entries for OH Tax Return – Schedule of Adjustments/Deductions (Cont'd)**

Just be aware of the following deductions that may apply:

- Individual Development Accounts
- STABLE (Ohio ABLE) Contributions
- Ohio Adoption Grant Payments
- Contributions to and Interest Earned on Ohio Homebuyer Plus Accounts
- Contributions to a Pregnancy Resource Center (between October 1, 2025, and December 31, 2025)
- Uniformed Services Retirement Income
- Contributions to a 529 Plan
- Grant Payments for Students Who Are Adopted
- Qualified Organ Donor Expenses



## Manual Entries for OH Tax Return – Schedule of Credits

### Retirement Income Credit

- A maximum of \$200 tax credit for taxpayer and spouse (if filing jointly) with modified adjusted gross income, less exemptions, of less than \$100,000
- Income received – on account of retirement indicated by Form 1099-R distribution codes 2, 3 (after reaching MRA) or 7 – from a pension, profit-sharing, or retirement plan (such as traditional IRAs or 401(k) plan)
- **Cannot** be taken if the Ohio Lump Sum Retirement Credit was previously used
- Credits -> Nonrefundable Credits -> Retirement income credit

### Campaign Contribution Credit

- Campaign contributions to OH candidates for offices such as house of representatives, senate, supreme court and governor
- Maximum credit up to \$50 (\$100 if filing jointly)
- Credits – Non-Refundable Credits -> Enter State Political Contributions Credit

### Residency Credits

- Includes Nonresident, Part-Year Residents and Residents credits
- An in-depth demonstration of this deduction will be provided later in this presentation

Just be aware of the following deductions that may apply:

- Home School Expenses Credit
- Non-chartered, Nonpublic School Tuition Credit

## Unreimbursed Medical Care Expenses Worksheet

Ohio offers a standalone medical deduction that sometimes allows taxpayers to deduct these expenses at the state level even though they are not itemizing at the Federal. Like the Federal, after-tax insurance premiums and unreimbursed qualified medical care expenses are deductible:

- ➔ • **FULL** amount paid for unsubsidized health insurance premiums (e.g., **net\*** Marketplace [ACA] and COBRA) covering the month(s) in which the taxpayer is **NOT** eligible for subsidized insurance.
  - OH considers Marketplace insurance unsubsidized even though the taxpayer received a subsidy for purchasing it.
  - Examples of subsidized health insurance premiums: employer-provided (after-tax) and Medicare.
- ➔ • **FULL** amount paid for long-term care (LTC) insurance premiums\*\*; and
- Amount paid in excess of 7.5% of the Federal AGI for:
  - insurance premiums covering the period in which the taxpayer **IS** eligible for subsidized health insurance
  - other medical expenses (e.g., prescriptions, doctor visits, eyeglasses, mileage, etc.)

➔ Note: Unlike Federal, first two types of insurance premiums are not reduced by 7.5% of AGI.

\* ACA net cost formula using Form 8962 = Premiums (Column A [-] Advance payment of Premium Tax Credit (PTC)(Line 25) [-] Net PTC (Line 26) [+] Excess advance PTC Repayment (Line 29)

\*\* If LTC was capped on Schedule A, then enter the disallowed amount in the Ohio return on Long-Term Care Insurance Premiums input screen



# Practice Calculation of Net ACA Premiums

Annual Calculation	(a) Annual enrollment premiums (Form(s) 1095-A, line 33A)	(b) Annual applicable SLCSP premium (Form(s) 1095-A, line 33B)	(c) Annual contribution amount (line 8a)	(d) Annual maximum premium assistance (subtract (c) from (b); if zero or less, enter -0-)	(e) Annual PTC allowed (smaller of (a) or (d))	(f) Annual advance payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals						
Monthly Calculation	(a) Monthly enrollment premiums (Form(s) 1095-A, lines 21–32, column A)	(b) Monthly applicable SLCSP premium (Form(s) 1095-A, lines 21–32, column B)	(c) Monthly contribution amount (amount from line 8b or alternative marriage monthly calculation)	(d) Monthly maximum premium assistance (subtract (c) from (b); if zero or less, enter -0-)	(e) Monthly PTC allowed (smaller of (a) or (d))	(f) Monthly advance payment of PTC (Form(s) 1095-A, lines 21–32, column C)
12 January	605	676	248	428	428	605
13 February	605	676	248	428	428	605
14 March	605	676	248	428	428	605
15 April	668	676	248	428	428	668
16 May	708	708	248	460	460	708
17 June	708	708	248	460	460	708
18 July	708	708	248	460	460	708
19 August	708	708	248	460	460	708
20 September	708	708	248	460	460	708
21 October	708	708	248	460	460	708
22 November	708	708	248	460	460	708
23 December	708	708	248	460	460	708
24 Total PTC. Enter the amount from line 11(e) or add lines 12(e) through 23(e) and enter the total here . . . . .						24 5392
25 Advance payment of PTC. Enter the amount from line 11(f) or add lines 12(f) through 23(f) and enter the total here						25 8147
26 Net PTC. If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Schedule 3 (Form 1040), line 9. If line 24 equals line 25, enter -0-. Stop here. If line 25 is greater than line 24, leave this line blank and continue to line 27 . . . . .						26
<b>Part III Repayment of Excess Advance Payment of the Premium Tax Credit</b>						
27 Excess advance payment of PTC. If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here						27 2755
28 Repayment limitation (see instructions) . . . . .						28 1575
29 Excess advance PTC repayment. Enter the smaller of line 27 or line 28 here and on Schedule 2 (Form 1040), line 1a						29 1575

For Paperwork Reduction Act Notice, see your tax return instructions.

Form 8962 (2024)



## **Unreimbursed Medical Care Expenses Worksheet (Cont'd)**

- Both subsidized and unsubsidized health insurance premiums can occur in the same tax year and need to be recorded separately on the Ohio worksheet (e.g., taxpayer transitioning from ACA to Medicare).
- Often employer-provided health insurance is offered under Section 125 of the IRC that allows employees to pay premiums on a pre-tax basis; this lowers the taxpayer's Federal AGI and, therefore, such premiums are not deductible either on the Federal or Ohio tax returns.
- Except for insurance premiums, record the medical expenses on the appropriate lines in the Federal section, Schedule A.
- The following slides will demonstrate how to record the insurance premiums on Form 1040/Schedule A so the figures flow to the Ohio worksheet correctly.





# Steps to Recording Unreimbursed Medical Expenses

- 1) Record **unsubsidized** insurance premiums [i.e., ACA (net) and COBRA]. These and LTC premiums not subject to 7.5% floor.
- 2) Record **subsidized** insurance premiums as Other Medical Expenses (e.g., Medicare Supplement after-tax employer-provided).
- 3) Record remaining expenses on the appropriate lines.

ITEMIZED DEDUCTIONS

## Medical, Dental, and Vision Expenses

Complete the form below to add medical, dental, and vision expenses to your return. Do not include premiums deducted from your pay through a cafeteria plan (pre-taxed).

BACK

CONTINUE

We automatically pull over the following:

- Medicare premiums paid on your SSA-1099 (Social Security) and RRB-1099 is \$2,096.00.
- Self-employed health insurance you've already entered is \$0.00.

## Out-of-Pocket Expenses

1 Insurance premiums you paid (medical, dental, vision)

\$927

3 Amount paid to providers (doctors, dentists, etc.)

\$100

Prescriptions

\$300

X-rays, lab work, etc.

\$50

Nursing services (in-home or at a care facility)

\$

3

Hospital care (including meals and lodging)

\$

Alcohol and drug rehabilitation

\$

Medical aids (hearing aids, crutches, wheelchairs, etc.)

\$

## Medical Travel Expenses

Miles driven to get medical care

100

2

## Other Medical Expenses

Amount

\$450

## Long-Term Care Premiums

The amount of qualified long-term care premiums you can include is limited based on your age.

Long-Term Care Premiums

Total premiums paid

+ Add a premium








## To activate the OH Unreimbursed Health Care worksheet

1. Open OH Return
2. Select [Subtractions from Income](#)
3. Select [Unreimbursed Long-Term Care...](#) (located at bottom of screen)
4. Select [Yes](#) and [Continue](#)

[+ Add Another State Return](#)

State	Return Type	
Ohio	Resident	<a href="#">Localities</a>   

[CONTINUE](#)

Unreimbursed Long-Term Care Insurance Premiums, Unsubsidized Health Care Insurance Premiums and Excess Health Care Expenses

[BEGIN](#)

Form OH IT-BUS (Business Income Schedule)

[BEGIN](#)

[BACK](#)

[CONTINUE](#)

## Ohio Return

### Introduction

Need-to-know OH tax info

[BEGIN](#)

### Basic Information

Personal info needed for OH return

[EDIT](#)

### Additions to Income

Adjustments for income taxed by OH but not the federal government

[BEGIN](#)

### Subtractions from Income

Adjustments for income taxed by the federal government but not OH and other OH deductions

[BEGIN](#)

## Ohio Return

Unreimbursed Long Term Care Insurance Premiums Unsubsidized Health Care Insurance Premiums And Excess Health Care Expenses

[BACK](#)

[CONTINUE](#)

Do you want to complete the Unreimbursed Health Care Expenses Worksheet?


☒ Yes

☐ No

The [Refund Summary](#) for OH will update when you return to the [State Return](#) home screen (i.e., select [Exit Ohio Return](#)).

It is suggested to print to screen the OH return to verify the worksheet.

# State Return

 If you need to change your state residency status just delete the current return and start again. State forms differ by the type of residency you select.

 Add Another State Return

State		Return Type	
Ohio		Resident	 Localities



CONTINUE

RETURN SUMMARY	
AGI	\$37,900
Federal	-\$76
State - OH	-\$108

We found this to be the simplest method of entering the subsidized health insurance premiums even though it does not appear on exactly the correct worksheet line; line 3 would be the correct reporting line. However, based on our experience, this has not been a problem with the OH Department of Taxation.

**Unreimbursed Medical Care Expenses Worksheet (Ohio Schedule of Adjustments, Line 44)**

**Only include amounts you paid for yourself, your spouse, and your dependents.**

1. Enter amounts paid for unreimbursed dental, vision, and health insurance premiums during any portion of the year in which you were <b>not</b> eligible for Medicare or an employer-paid health care plan through your or your spouse's employer .....	1.	927
2. Enter amounts paid for unreimbursed long-term care insurance premiums .....	2.	
3. Enter amounts paid for unreimbursed dental, vision, and health insurance premiums during any portion of the year in which you <b>were</b> eligible for Medicare or an employer-paid health care plan through your or your spouse's employer .....	3.	2096
4. Enter amounts paid for medical care during the year (exclude insurance premiums) .....	4.	921
5. Add lines 3 and 4.....	5.	3017
6. Enter your federal AGI (Ohio IT 1040, line 1). If less than zero, enter zero .....	6.	37900
7. Line 6 times 7.5% (0.075) .....	7.	2843
8. Line 5 minus line 7. If less than zero, enter zero .....	8.	174
9. Add lines 1, 2, and 8. Enter on Ohio Schedule of Adjustments, line 44.....	9.	1101

**Note:** Reduce amounts reported on lines 1-3 by any related premium refunds, reimbursements, or dividends received during the year.

Medicare Premium  
(automatically transferred  
from SSA-1099)

\$100 Doctor visits  
\$300 Prescriptions  
\$50 X-rays  
\$21 Mileage (100 miles)  
\$450 Medicare Supplement

The Unreimbursed medical and health care expense is aggregated with the other OH deductions (e.g., taxable Social Security benefits, Federal interest and dividends exempt from state taxation, educator expense, etc.)

Excerpt from Schedule of Adjustments/Deductions

Medical

42. Disability benefits .....	42.	
43. Survivor benefits .....	43.	
44. Unreimbursed medical and health care expenses (see instructions for worksheet; <b>include a copy</b> ) .....	44.	1101
45. Medical savings account contributions/earnings (see instructions for worksheet; <b>include a copy</b> ) .....	45.	
46. Qualified organ donor expenses .....	46.	
47. <b>Total deductions</b> (add lines 13 through 46 ONLY). Enter here and on Ohio IT 1040, line 2b.....	47.	9001

Excerpt of OH IT 1040

1. <b>Federal adjusted gross income</b> (federal 1040 or 1040-SR, line 11a). Place a "-" in the box if negative.....	1.	37900
2a. Additions – Ohio Schedule of Adjustments, line 12 ( <b>include schedule</b> ) .....	2a.	
2b. Deductions – Ohio Schedule of Adjustments, line 47 ( <b>include schedule</b> ) .....	2b.	9001

## Reciprocal States

OH, KY, and IN have reciprocal agreements with each other that provide for taxpayers to be taxed by their state of residence, and not the state where income is earned.

- This reciprocity only applies to wages and salaries.
  - Other sources of income (e.g., gambling winnings) are exempt from this agreement and would be subject to state tax at the origin.
  - Local taxes (i.e., county and municipality) are owed to the location of employment.
- If state income taxes are incorrectly withheld for the non-resident state, two state returns will need to be prepared: Resident and Non-resident.





# Example of OH Resident with KY Withheld State Income Taxes on Wages

1. Select [Add Another State Return](#)

## State Return

 If you need to change your state residency status just delete the current return and start again. State forms differ by the type of residency you select.

 Add Another State Return

State	Return Type		
Ohio	Resident	 Localities	  

CONTINUE



## Example of OH Resident with KY Withheld State Income Taxes on Wages (Cont'd)

2. Select desired state and [Continue](#)

### Select your State Return

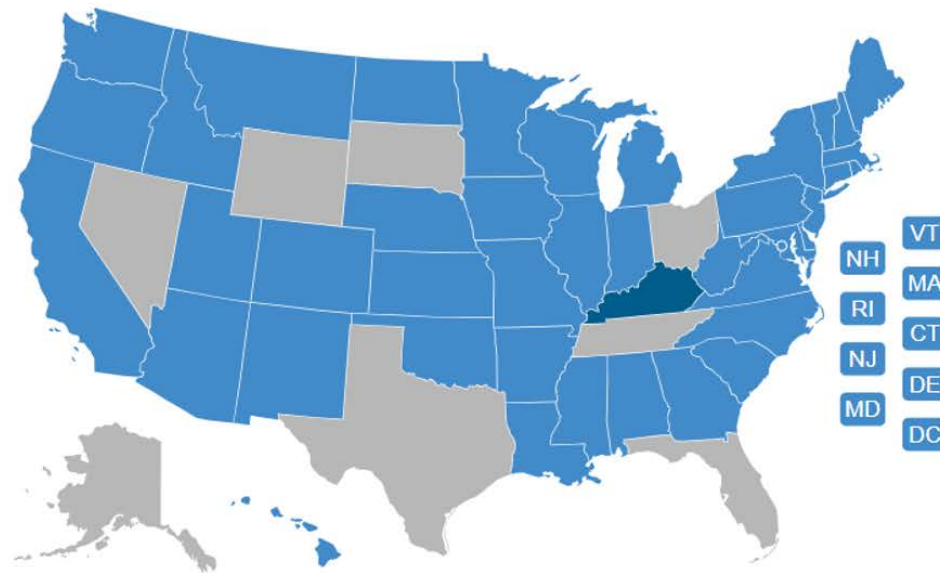
CANCEL

CONTINUE

Please select the state that you would like to complete below.

Only states that accept tax returns for which you have not already created a state tax return are listed here. The following states **do not** have individual income tax returns:

**Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming**



Choose State \*

Kentucky

## Example of OH Resident with KY Withheld State Income Taxes on Wages (Cont'd)

3. Select [Non-Resident](#) and [Continue](#)

### Select your Kentucky Return Residency

CANCEL

CONTINUE

### Please choose a return type

- ☐ **Resident:** You are a Resident of Kentucky if you have a permanent place to live in Kentucky for the entire tax year regardless of brief, infrequent absences.
- ☐ **Part Year:** You are a part year resident of Kentucky if you moved in or out of Kentucky during the tax year.
- ☒ **Non-Resident:** You are a Nonresident of Kentucky if you do not maintain a permanent place to live in Kentucky during the tax year.

CANCEL

CONTINUE



# Example of OH Resident with KY Withheld State Income Taxes on Wages (Cont'd)

## 4. Select Basic Information

### Kentucky Return

<b>Basic Information</b> Personal info needed for KY return	EDIT
<b>Income Subject to Tax</b> Federal income/losses to or deductible from KY taxes	BEGIN
<b>Adjustments to Income</b> Adjustments from your federal return if attributable to KY	BEGIN
<b>Credits</b> State-specific tax credits	BEGIN
<b>Tax</b> Use tax and other applicable KY taxes	BEGIN
<b>Payments</b> Apply refund to next year's taxes and option to contribute to various KY funds	BEGIN
<b>Miscellaneous Forms</b> Estimated payment vouchers, application for extension, etc.	BEGIN
EXIT KENTUCKY RETURN	

## Example of OH Resident with KY Withheld State Income Taxes on Wages (Cont'd)

5. Select [Reciprocal State Resident](#) and the applicable [Reciprocal State](#)
6. Select to [Begin Form 740-NP-R](#)

### Residency Information

Select your Residency Status

Reciprocal State Resident ▼

If a resident of Reciprocal State, select the state

OH ▼

If not a resident of a reciprocal state, select your state of residency

--Select-- ▼

Select your Country of residency if not in the United States

--Select-- ▼

Form 740-NP-R - Nonresident Reciprocal State Return

BEGIN

## Example of OH Resident with KY Withheld State Income Taxes on Wages (Cont'd)

7. Select [Yes](#) to the first two questions and [Continue](#)

### Kentucky Return

Form 740NP-R Nonresident Reciprocal State Return

BACK

CONTINUE

Were you a Nonresident of KY for all of 2025?

☒ Yes

☐ No

Was your Only KY Income for 2025 from Salaries or Wages Earned While a Resident of a Reciprocal State?

☒ Yes

☐ No







Example of OH Resident with KY Withheld State Income Taxes on Wages (Cont'd)

- 8. Select EXIT KENTUCKY RETURN
- 9. Suggest printing state returns to screen to verify correct forms are included and full refund from the nonresident reciprocal state

State Return

⚠ If you need to change your state residency status just delete the current return and start again. State forms differ by the type of residency you select.

+ Add Another State Return

State	Return Type	
Kentucky	Non-Resident	  
Ohio	Resident	  

+ Localities

CONTINUE


RETURN SUMMARY

AGI	\$44,000
Federal	\$3,099
State - KY	\$1,000
State - OH	-\$795

- # Example of OH Resident with KY Withheld State Income Taxes on Wages (Cont'd)
- KY Form 740-NP-R is the return needed for a full-time OH resident who had KY state income taxes withheld only on wages or salaries.
  - Confirm the full amount of state tax withholding is being refunded.
  - Inform taxpayer to update their residency with their payroll office if permitted by their employer.

FORM 740-NP-R

Commonwealth of Kentucky  
Department of Revenue



2 5 0 0 0 7 1 0 3 8

KENTUCKY  
INCOME TAX RETURN  
Nonresident—Reciprocal State

2025

Your Social Security Number

7 0 0 0 0 0 0 9 1

Name—Last, First, Middle Initial

OH RESIDENT NONRESIDENTKY

Mailing Address (Number and Street including Apartment Number or P.O. Box)

550 VINE ST

City, Town or Post Office

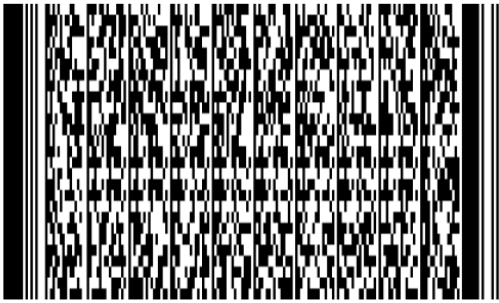
CINCINNATI

State

OH

ZIP Code

45202



**INSTRUCTIONS** This form may be used by qualifying full-year nonresidents to claim a refund of Kentucky income taxes withheld during 2025. To determine if you qualify, you must check "Yes" or "No" for the applicable statements below. *If eligible, complete lines 1–4.* Enter only the taxpayer's name for which the Kentucky wages and salaries were earned in the name box above. Do not include your spouse's name. If both spouses earned only Kentucky wages and salaries as a resident of a reciprocal state, **each spouse must file a separate Form 740-NP-R.** Enclose Schedule KW-2 and a copy of the 2025 return filed with your state of residence.

A I was a **nonresident** of Kentucky during all of 2025.

☒ Yes ☐ No

B My only 2025 Kentucky income was from salaries or wages earned while a resident of any of the following states:

(check state(s) box) 1—Illinois 2—Indiana 3—Michigan 4—Ohio 5—Virginia 6—West Virginia 7—Wisconsin

☐ ☐ ☐ ☒ ☐ ☐ ☐

Note: Race track, lottery and other gambling winnings are not salaries or wages.

C For Virginia residents only: I commuted **daily** to a place of employment in Kentucky.

☐ Yes ☐ No

Nonresidents who answered "No" to any of the statements above must file Form 740-NP to report Kentucky income.

1 Enter total **Kentucky income tax withheld** as shown on Schedule KW-2. Do not include local tax withheld

1

1800 00

2 **FUND CONTRIBUTIONS; see instructions.**

a Nature and Wildlife Fund.....	2a		00	f Local History Trust Fund.....	2f		00
b Child Victims' Trust Fund.....	2b		00	g Special Olympics Kentucky .....	2g		00
c Veterans' Program Trust Fund.....	2c		00	h Pediatric Cancer Research Trust Fund....	2h		00
d Breast Cancer Research/ Education Trust Fund .....	2d		00	i Rape Crisis Center Trust Fund .....	2i		00
e Farms to Food Banks Trust Fund .....	2e		00	j Court Appointed Special Advocate Trust Fund.....	2j		00
				k YMCA Youth Association Fund .....	2k		00

3 **Total Fund Contributions.** Add lines 2(a) through 2(k).....

3

00

4 Subtract the total of line 3 from line 1. Amount to be **REFUNDED** .....

4

1800 00

I declare under the penalties of perjury that I have examined this return and to the best of my knowledge and belief, it is a true, correct and complete return.

Your Signature

PRACTICE LAB

Typed or Printed Name of Preparer Other than Taxpayer

Driver's License/State Issued ID No.

S43010091

I.D. Number of Preparer

Date Signed

01/07/26

Date Signed

Telephone Number (daytime)

01/07/26

May the DOR discuss this return with this preparer? ☐ Yes ☒ No

## Part Year-Resident

If a taxpayer lived in more than one state during the tax year, state tax returns will need to be prepared to report income received while a resident of the respective states.

### Example of Taxpayer Moving from KY to OH (Part-Year Resident Returns)

Scenario: Taxpayer moved from KY to OH on June 30, 2025, and earned wages evenly throughout the tax year. Taxpayer presents the following Form W-2.

		<b>a</b> Employee's social security number 699-00-0091		OMB No. 1545-0008		
<b>b</b> Employer identification number (EIN) 37-5000091		<b>1</b> Wages, tips, other compensation 35000		<b>2</b> Federal income tax withheld 3500		
<b>c</b> Employer's name, address, and ZIP code US TREASURY 550 MAIN ST CINCINNATI OH 45202		<b>3</b> Social security wages 35000		<b>4</b> Social security tax withheld 2170		
		<b>5</b> Medicare wages and tips 35000		<b>6</b> Medicare tax withheld 508		
		<b>7</b> Social security tips		<b>8</b> Allocated tips		
<b>d</b> Control number		<b>9</b>		<b>10</b> Dependent care benefits		
<b>e</b> Employee's first name and initial PARTYR 550 VINE ST CINCINNATI OH 45202  <b>f</b> Employee's address and ZIP code		Last name KYTOOH		Suff.		
		<b>11</b> Nonqualified plans		<b>12a</b>		
		<b>13</b> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		<b>12b</b>		
		<b>14</b> Other		<b>12c</b> <b>12d</b>		
<b>15</b> State	Employer's state ID number	<b>16</b> State wages, tips, etc.	<b>17</b> State income tax	<b>18</b> Local wages, tips, etc.	<b>19</b> Local income tax	<b>20</b> Locality name
KY	375000091	35000	350			
OH	375000091	16000	600			

## Example of Taxpayer Moving from KY to OH (Part-Year Resident Returns) Cont'd

1. Complete the federal return.
2. Delete the OH Resident state return that was automatically generated.
3. Add OH and select Part Year.
4. Complete the Nonresident Credit Calculation

### Ohio Return

#### Credits

[BACK](#)

Certain credits are automatically calculated and carried from your Federal return to your Ohio return. Below are additional credits that are available through the state of Ohio. Please review each section and complete the necessary information as it is applicable to your tax situation.

Refundable Credits

[BEGIN](#)

Nonrefundable Credits

[BEGIN](#)

Resident Credit Calculation

[BEGIN](#)

NonResident Credit Calculation

[BEGIN](#)

## Example of Taxpayer Moving from KY to OH (Part-Year Resident Returns) Cont'd

5. Fill in the income allocation to OH.

### Ohio Return

Form IT NRC - Ohio Nonresident Credit Calculation

BACK

CONTINUE

IT NRC Part A

Wages, Salaries, Tip, Guaranteed Payments

\$ 17500

Nonbusiness Capital Gain Income

\$

Nonbusiness Rent and Royalty Income

\$


Lottery and Casino Winnings

\$



# Example of Taxpayer Moving from KY to OH (Part-Year Resident Returns) Cont'd

\$17,500 allocated to OH resulted in a \$261  
Nonresident credit.



Department of  
Taxation


2025 IT NRC

Ohio Nonresident Credit Calculation

Use black ink only. Use whole dollars only.

Primary taxpayer's SSN

699 00 0091



25400126

01 11 26

This form is for individuals who were either full-year nonresidents or part-year residents of Ohio during the tax year above. Generally, full-year residents of Ohio should not complete this form. However, full-year Ohio residents filing a joint return with a nonresident or part-year resident spouse should include all their income in Column B. Part-year residents should enter their dates of residency below.

Primary taxpayer's dates of Ohio residency  
07 01 25 to 12 31 25

Spouse's dates of Ohio residency (if filing jointly)  
to

## Section I – Nonresident Credit Calculation

For each line in this section, enter in Column A the total income included on your federal return. Enter in Column B income earned or received in Ohio from each of the corresponding sources.

**Part A** - Complete for taxpayers who are either part-year or full-year nonresidents of Ohio.

	(A) Federal Amount	(B) Ohio Amount
1. Wages, salaries, tips, and guaranteed payments (Do not include amounts paid by a pass-through entity in which the taxpayer has a 20% or greater direct or indirect ownership interest. See instructions).....1.	35000	17500
2. Nonbusiness capital gain income.....2.		
3. Nonbusiness rent and royalty income.....3.		
4. Lottery, casino, and sports gaming winnings .....4.		
5. Business income (from Section II) .....5.		
6. Net Apportioned Ohio Depreciation Adjustment (from Section II, Line 22, Column B) .....6.		
7. Net additions from Ohio Schedule of Adjustments (excluding the IRC 168(k) & 179 depreciation add-back) List the additions here:.....7.		
8. Net deductions from Ohio Schedule of Adjustments (excluding the business income deduction and the deduction of prior year 168(k) and 179 depreciation add-backs) List the deductions here:.....8.		
9. Total (Sum of lines 1 through 7, minus line 8, Column B only).....9.		17500

**Part B** - Complete only for taxpayers who are part-year residents of Ohio.

10. Nonbusiness interest and dividend income.....10.		
11. Pensions, annuities, and IRA distributions .....11.		
12. Unemployment compensation.....12.		
13. Other nonbusiness income .....13.		
14. Deductions from your federal return included in federal adjusted gross income. List the deductions here: .....14.		
15. Total (Sum of lines 10 through 13, minus line 14, Column B only).....15.		

**Part C** - Calculation of the Nonresident Portion of Ohio Adjusted Gross Income.

16. Ohio Adjusted Gross Income (from Ohio IT 1040, line 3) .....16.	35000
17. Total Income Allocated or Apportioned to Ohio (line 9 plus line 15; if negative, enter zero).....17.	17500
18. Nonresident Portion of Ohio Adjusted Gross Income (line 16 minus line 17; if negative enter zero) .....18.	17500
19. Divide line 18 by line 16. Carry to 4 digits without rounding. If greater than 1, enter 1.....19.	0.5000
20. <b>Ohio Nonresident Credit.</b> Multiply line 19 by Ohio Schedule of Credits, line 37. Enter here and on the Ohio Schedule of Credits, line 38.....20.	261

## Example of Taxpayer Moving from KY to OH (Part-Year Resident Returns) Cont'd

6. Exit OH return and add KY Part-Year state return.
7. Adjust Form W-2 to allocate KY wages.
  - KY return does not have a Nonresident Credit Calculation like OH and IN to allocate income.

### Excerpt of KY Return – Before Allocating Income on Form W-2

SECTION A			
7	Enter percentage from Section B, line 34.....	7	1 0 0 . 0 %
8	Enter amount from Section B, line 33, Column A. This is your <b>Federal Adjusted Gross Income</b> .....	8	35000 00
9	Enter amount from Section B, line 33, Column B. This is your <b>Kentucky Adjusted Gross Income</b> .....	9	35000 00
10	<b>Nonitemizers:</b> Enter \$3,270 (do not prorate). Skip lines 11 and 12 .....	10	3270 00
11	<b>Itemizers:</b> Enter itemized deductions from Kentucky Schedule A, Form 740-NP .....	11	00
12	Multiply line 11 by the percentage on line 7 .....	12	00
13	Subtract line 10 or 12 from line 9. This is your <b>Taxable Income</b> .....	13	31730 00
14	<b>Tax Computation:</b> Multiply line 13 by 4% (.04) enter tax.....	14	1269 00

### Excerpt of KY Return – After Allocating Income on Form W-2

SECTION A			
7	Enter percentage from Section B, line 34.....	7	0 5 0 . 0 %
8	Enter amount from Section B, line 33, Column A. This is your <b>Federal Adjusted Gross Income</b> .....	8	35000 00
9	Enter amount from Section B, line 33, Column B. This is your <b>Kentucky Adjusted Gross Income</b> .....	9	17500 00
10	<b>Nonitemizers:</b> Enter \$3,270 (do not prorate). Skip lines 11 and 12 .....	10	3270 00
11	<b>Itemizers:</b> Enter itemized deductions from Kentucky Schedule A, Form 740-NP .....	11	00
12	Multiply line 11 by the percentage on line 7 .....	12	00
13	Subtract line 10 or 12 from line 9. This is your <b>Taxable Income</b> .....	13	14230 00
14	<b>Tax Computation:</b> Multiply line 13 by 4% (.04) enter tax.....	14	569 00
15	Enter amount from Schedule ITC, Section A, line 25.....	15	00
16	Subtract line 15 from line 14.....	16	569 00

## Non-Resident Return for State Gambling Income

As previously mentioned, the reciprocity agreement (OH, KY, and IN) does not cover gambling. As a result, gambling income is subject to state tax at the origin.

### Example of OH Resident with KY Gambling Winnings

3232 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED			
PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code  KYCASINO 777 HOLLYWOOD BLVD COVINGTON KY 41011		1 Reportable winnings \$5500	2 Date won 06/01/2025
		3 Type of wager SLOTS	4 Federal income tax withheld \$550
		5 Transaction	6 Race
PAYER'S federal identification number 37-6000091	PAYER'S telephone number	7 Winnings from identical wagers \$0	8 Cashier
WINNER'S name GAMBLINGINKY OH RESIDENT		9 Winner's taxpayer identification no. 701-00-0091	10 Window
		11 First identification	12 Second identification
Street address (including apt. no.) 550 VINE ST		13 State/Payer's state identification no. KY 137137	14 State winnings \$5500
City or town, province or state, country, and ZIP or foreign postal code CINCINNATI OH 45202		15 State income tax withheld \$250	16 Local winnings \$0
		17 Local income tax withheld \$0	18 Name of locality
Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.			
Signature ►		Date ►	

OMB No. 1545-0238

### Form W-2G Certain Gambling Winnings

(Rev. November 2020)

For calendar year  
20 \_\_\_\_\_

For Privacy Act  
and Paperwork  
Reduction Act  
Notice, see the  
current **General  
Instructions for  
Certain Information  
Returns.**

File with Form 1096

**Copy A**  
For Internal Revenue  
Service Center

## Example of OH Resident with KY Gambling Winnings (Cont'd)

1. Complete the federal return.
2. Add KY and select Non-Resident.
3. Go to [Basic Information](#).

Residency Information

Select your Residency Status

Nonreciprocal State Resident ▾

If a resident of Reciprocal State, select the state

--Select-- ▾

If not a resident of a reciprocal state, select your state of residency

OHIO ▾

Select your Country of residency if not in the United States

--Select-- ▾

Form 740-NP-R - Nonresident Reciprocal State Return

BEGIN

## Example of OH Resident with KY Gambling Winnings (Cont'd)

4. Go to [Income Subject to Tax](#) and input KY source income

### Kentucky Return

#### Income Subject To Tax

BACK

CONTINUE

Kentucky W-2 income is automatically carried to your Nonresident Kentucky return. All income from Kentucky source income during your period of nonresidency is taxable to Kentucky. Enter the portion of Kentucky taxable income below. The amount entered on your federal return is available for reference purposes.

1 Federal return has taxable pension income in the amount of \$35,000.00. If this is taxable to this state please enter the appropriate amount above.

Enter the Kentucky portion of Rent, Royalties, Part., Estates, etc.

\$

Enter the Kentucky portion of Farm Income/(Loss)

\$

Enter the Kentucky portion of Unemployment Compensation

\$

Enter the Kentucky portion of Gambling Winnings

\$ 5500

1 Federal has gambling winnings in the amount of \$5,500.00. If this is taxable to this state please enter the appropriate amount above.



## Example of OH Resident with KY Gambling Winnings (Cont'd)

The OH Resident Credit was automatically generated after completing the KY Nonresident Return.

### Excerpt of KY Nonresident Return

➡ **COMPLETE SECTION B ON PAGE 4 BEFORE COMPLETING SECTION A.**

SECTION A	
7 Enter percentage from Section B, line 34.....	7 0 1 0 3 %
8 Enter amount from Section B, line 33, Column A. This is your <b>Federal Adjusted Gross Income</b> .....	8 53250 00
9 Enter amount from Section B, line 33, Column B. This is your <b>Kentucky Adjusted Gross Income</b> .....	9 5500 00
10 <b>Nonitemizers:</b> Enter \$3,270 (do not prorate). Skip lines 11 and 12 .....	10 3270 00
11 <b>Itemizers:</b> Enter itemized deductions from Kentucky Schedule A, Form 740-NP .....	11 00
12 Multiply line 11 by the percentage on line 7 .....	12 00
13 Subtract line 10 or 12 from line 9. This is your <b>Taxable Income</b> .....	13 2230 00
14 <b>Tax Computation:</b> Multiply line 13 by 4% (.04) enter tax.....	14 89 00
15 Enter amount from Schedule ITC, Section A, line 25 .....	15 00
16 Subtract line 15 from line 14.....	16 89 00
17 Enter personal tax credit amounts from Schedule ITC, Section B .....	17 40 00
18 Multiply line 17 by the percentage on line 7 .....	18 4 00
19 Subtract line 18 from line 16 and enter here, continue to page 2.....	19 85 00

20 Check the box that represents your total family size (see instructions for lines 20 and 21).....	20 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/>
21 Multiply line 19 by <b>Family Size Tax Credit</b> decimal amount 0.00 (.000 %) from Schedule ITC.....	21 00
22 Subtract line 21 from line 19 .....	22 85 00
23 Enter the <b>Education Tuition Tax Credit</b> from Form 8863-K, line 17 .....	23 00
24 Enter <b>Child and Dependent Care Credit</b> from worksheet (see instructions).....	24 00
25 RESERVED .....	25 00
26 <b>Income Tax Liability.</b> Subtract lines 23 through 25 from line 22. If zero or less, enter zero .....	26 85 00
27 Enter <b>KENTUCKY USE TAX</b> due on Internet, mail order, or other out-of-state purchases (see instructions)...	27 00
28 Add lines 26 and 27. This is your <b>TOTAL TAX LIABILITY</b> .....	28 85 00

### Excerpts of OH Resident Return (OH Resident Credit Calculation & Schedule of Credits)

Ohio Department of Taxation		2025 IT RC Ohio Resident Credit Calculation Use black ink only. Use whole dollars only. Primary taxpayer's SSN		25380126	
01 12 26		701 00 0091			
This form is for individuals who were subjected to individual income tax by another state or the District of Columbia while a resident of Ohio. Full-year nonresidents are not entitled to this credit and should not use this form. Include a copy when filing your Ohio IT 1040.					
List any income taxed and any taxes paid to each state and/or the District of Columbia. Do not include income earned or received in states without an income tax. Only income included in your Ohio adjusted gross income is eligible for this credit. <b>Important:</b> Do not list any income in Column A if you do not have tax paid in Column B. Do not list a tax paid in Column B if you do not have income taxed in Column A.					
(A) Income Taxed	(B) Tax Paid	(A) Income Taxed	(B) Tax Paid	(A) Income Taxed	(B) Tax Paid
AL		KS		NJ	
AR		KY	5500 85	NM	
AZ		LA		NY	

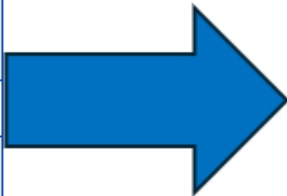
  

**Residency Credits**

38. Nonresident credit – Ohio IT NRC, line 20 (include a copy) .....	38.
39. Resident credit – Ohio IT RC, line 7 (include a copy) .....	85
40. <b>Total nonrefundable credits</b> (add lines 10, 36, 38, and 39; enter here and on Ohio IT 1040, line 9) .....	135

# Kentucky Tax Law Review

## Automatic Calculations from Federal to Kentucky (KY)

Federal Return Entry		Flows Directly to Kentucky return
Federal AGI		Starting point for Kentucky
Taxable state refund		Schedule M deduction
Interest and dividends from U.S. government obligations		Schedule M deduction (Excludable interest and related state must be entered on Form 1099-DIV/INT)
Pension and retirement income (incl., death and disability benefits)		Schedule M deduction for Pension Income Exclusion up to \$31,110 (additional exclusion may apply for higher pensions – to be covered later)
Taxable Social Security		Schedule M deduction
Schedule A/itemized deductions		KY Schedule A (limited to mortgage interest, charitable contributions and gambling losses)
Age 65 or older and/or legally blind		Personal Tax Credit (\$40 per criteria for primary and secondary taxpayer)
Personal exemptions		Family Size Tax Credit – Includes taxpayer, spouse and qualifying children, as defined by the IRS (see next slide)
Child and Dependent Care Credit		20% of federal Form 2441
KY Income Tax Withholdings (e.g., Form W-2)		Kentucky Income Tax Withheld
KY Estimated Tax Payments (Entered in Federal section)		Kentucky Estimated Payments





Changes in KY Tax Law		
	2024 Tax Year	2025 Tax Year
Standard Deduction	\$3,160	\$3,270
Tax Rate	4.0%	4.0%

**Family Size Tax Credit** – Credit to benefit individuals at incomes up to 133% of the Federal Poverty Level – Automatically calculated based on family size and modified gross income – Schedule ITC

Family Size	One		Two		Three		Four or More		Credit Percentage is
If MGI . . .	is over	is not over	is over	is not over	is over	is not over	is over	is not over	
Tax Year 2025	\$ --	\$ 15,650	\$ --	\$21,150	\$ --	\$26,650	\$ --	\$32,150	100
	15,650	16,276	21,150	21,996	26,650	27,716	32,150	33,436	90
	16,276	16,902	21,996	22,842	27,716	28,782	33,436	34,722	80
	16,902	17,528	22,842	23,688	28,782	29,848	34,722	36,008	70
	17,528	18,154	23,688	24,534	29,848	30,914	36,008	37,294	60
	18,154	18,780	24,534	25,380	30,914	31,980	37,294	38,580	50
	18,780	19,406	25,380	26,226	31,980	33,046	38,580	39,866	40
	19,406	19,876	26,226	26,861	33,046	33,846	39,866	40,831	30
	19,876	20,345	26,861	27,495	33,846	34,645	40,831	41,795	20
	20,345	20,815	27,495	28,130	34,645	35,445	41,795	42,760	10
	20,815	---	28,130	---	35,445	---	42,760	---	0

# Home Screen for KY Tax Return

## Kentucky Return

<b>Introduction</b> Need-to-know KY tax info	BEGIN
<b>Basic Information</b> Personal info needed for KY return	EDIT
<b>Taxpayer Allocation</b> Allocate income and adjustments to the taxpayer	EDIT
<b>Additions to Federal Adjusted Gross Income</b> Adjustments for income taxed by KY but not the federal government	BEGIN
<b>Subtractions from Income</b> Adjustments for income taxed by the federal government but not KY and other KY deductions	BEGIN
<b>Retirement Income (Schedule P)</b> Retirement income subtraction allowed against KY taxes	BEGIN
<b>Itemized Deductions</b> State-specific adjustments allowed for KY taxes	BEGIN
<b>Credits</b> State-specific tax credits	BEGIN
<b>Tax</b> Use tax and other applicable KY taxes	BEGIN
<b>Payments</b> Apply refund to next year's taxes and option to contribute to various KY funds	BEGIN
<b>Miscellaneous Forms</b> Estimated payment vouchers, application for extension, etc.	BEGIN

EXIT KENTUCKY RETURN

## Manual Entries for KY Return – MFJ vs MFS

- **MFJ vs MFS** – Unlike OH and IN, married taxpayers can independently choose the most advantageous filing status on their KY tax return (i.e., does not have to match federal filing status).
  - **Married Filing Separately on a Combined Return**
    - Requires both spouses to have income
    - This is the default selection in TaxSlayer if no other filing status is selected
    - Per Form 740 instructions, this filing status usually results in a lower tax
  - **Married Filing Joint Return**
  - **Married Filing Separate Returns**
    - If this selection is made in TaxSlayer, only the primary taxpayer can e-file and the secondary taxpayer will have to file by paper.
    - If one of the spouses is filing a federal Form 8379 (Injured Spouse Allocation), Kentucky does not recognize this form and will offset the entire refund if a joint return is filed. Taxpayers will need to file separately in Kentucky to achieve the same Injured Spouse Allocation protection at the state level.

# Manual Entries for KY Return – MFJ vs MFS (Cont'd)

Go to [Basic Information](#) to change filing status and [Exit Kentucky Return](#) after each selection to determine the effect.

Select Filing Status of Married Filing Combined or Married Filing Joint

--Select--

--Select--

Married Filing a Combined Return

Married Filing on a Joint Return

Combined Return

BEGIN

Were you a member of the Kentucky National Guard as of December 31, 2025?

Taxpayer:

☐ Yes

☐ No

Spouse:

☐ Yes

☐ No

Do You Have an Approved Federal Extension?

☐ Yes

☐ No

Change Filing Status from MFJ to MFS for State purposes only

BEGIN

## Manual Entries for KY Return – Education Credit

- **Education Credit** – Form 8863-K must be added to return – not an automatic process. Student must qualify for Federal American Opportunity Credit (25% of federal credit up to \$625 per return) or Lifetime Learning Credit (25% of federal credit up to \$500 per return). Nonrefundable credit.
  - Must be for undergraduate studies
  - Must be for attending an Accredited Kentucky Postsecondary Institution and must be located in Kentucky. Institution must be eligible to participate in Department of Education Student Aid Program
  - Credits -> Education Credit

## Manual Entries for KY Return – Pension Income Exclusion

**Pension Income Exclusion** – All taxpayers with pension/retirement income paid under a written retirement plan (qualified or unqualified) can exclude it up to \$31,110. An additional amount may be excludable if they meet the following criteria:

- Are you retired from the federal government, Commonwealth of Kentucky, or a Kentucky local government (incl., police or firefighter)? and,
- Do you have service credit earned before January 1, 1998?

If so, open the Retirement Income (Schedule P) to exclude a predetermined percentage of retirement income if pension income is above \$31,110

- If the tax-exempt percentage is not known or shown on 1099-R, you will need the taxpayer's employment **start and retirement dates** to determine excludible percentage.
  - Download the pension calculator from the KY Department of Revenue and input the above two dates to calculate the tax-exempt percentage: [KY Schedule P Exclusion Calculator \(Excel\)](#)

## Manual Entries for KY Return – Pension Income Exclusion (Cont'd)

Enter the employment start date and retirement date. Transcribe the calculated tax-exempt percentage to Schedule P.

**Note:** If your start date is on or after 1/1/1998 you do not qualify for an additional exempt percentage; your additional tax exempt percentage will be 0.00%.

Complete the three (3) BLUE areas below.

Enter your employment start date, then enter your date of retirement.

**\* Remember each pension will need to be calculated separately**

Start Date:

6/4/1985

MM/DD/YYYY

Retirement Date:

9/30/2016

MM/DD/YYYY

Total months of service credit including purchased service

376

Total months of service credit earned after 12/31/97

225

In the blue box to the right, enter sick leave credited at date of retirement and service credit from purchase of military and other service earned after 12/31/97. Do not include purchased credit unrelated to prior work history (air-time).

225

This is your total months of service before January 1, 1998

151

**This is the tax exempt percentage you will use when completing the Schedule P**

40.16%

# Manual Entries for KY Return – Pension Income Exclusion (Cont’d)

## Retirement Income - Schedule P

BACK

Only enter retirement income from Federal, Kentucky state and Kentucky local government pension income attributable to service credit earned before January 1, 1998, and supplemental (Tier 2) U.S. Railroad Retirement Board benefits included on federal Form 1040, line 16b (Form 1040A, line 12b). Also include Federal or Kentucky *disability* retirement income attributable to service credit earned before January 1, 1998.

(1) Complete if date of Retirement is before January 1, 1998

BEGIN

(2) Complete if date of Retirement is before January 1, 1998

BEGIN

(3) Complete if date of Retirement is before January 1, 1998

BEGIN

A partial exclusion is available for retirement dates after December 31, 1997

(1) Complete if date of Retirement is After December 31, 1997

BEGIN

(2) Complete if date of Retirement is After December 31, 1997

BEGIN

(3) Complete if date of Retirement is After December 31, 1997

BEGIN

(4) Complete if date of Retirement is After December 31, 1997

BEGIN

Other Retirement Income

BEGIN



## Manual Entries for KY Return – Pension Income Exclusion (Cont'd)

Complete If Date Of Retirement Is After December 31, 1997 (1)

BACK

CONTINUE

Enter the name of Payer

UNITED STATES TREASURY

Enter the date of retirement

02/01/2015 


Enter the taxable pension

\$ 57500

Enter the Exempt Percentage (example: enter 100% as 100. Only enter 2 decimal places.)

40.16

Select for whom is the retirement income for?

Taxpayer 

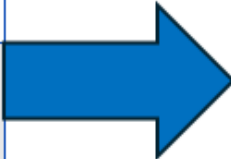
BACK

CONTINUE



# Indiana Tax Law Review

## Automatic Calculations from Federal to Indiana (IN)

Federal Return Entry		Flows Directly to IN return
Federal AGI		Starting point for IN
Taxable state refund		Schedule 2 deduction
Interest and dividends from U.S. government obligations		Schedule 2 deduction (Excludable interest and related state must be entered on Form 1099-DIV/INT)
Taxable Social Security and Railroad Retirement benefits		Schedule 2 deduction – 100% deductible
Unemployment Compensation		Schedule 2 deduction – Nontaxable amount is automatically computed
Personal exemptions		Schedule 3: Exemptions (\$1,000 each) – Includes taxpayer, spouse, qualifying children and qualifying relatives as defined by the IRS, and additional amount for taxpayer/spouse of age 65 or older and/or blind
IN and county income tax withholdings and IN estimated tax payments		Schedule 5: Credits
Age and income		Schedule 5: Credits – Unified Tax Credit for the Elderly (maximum <b>refundable</b> credit \$140 [MFJ] and \$100 [Single]) for federal AGI < \$10,000.
Earned income tax credit		Schedule IN-EIC/Schedule 5: Indiana's Earned Income Credit – 10% of federal EITC (non-refundable)

## Changes in IN Tax Law

	2024 Tax Year	2025 Tax Year
Tax Rate	3.05%	3.0%

## Indiana has three different individual tax forms:

- **IT-40** for full year Indiana residents
- **IT-40 RNR** – Full year residents of reciprocal states (OH, KY, MI, PA, WI) who:
  - work in Indiana and have wages or other compensation that has IN withholding,
  - AND the only IN source income was from wages, tips, self-employment, or other compensation.
- **IT-40 PNR** – Part year or full year non-residents who do NOT qualify to use the IT-40 RNR.
  - Use this form to claim excess tax withheld on gambling winnings.

# Home Screen for IN Tax Return

## Indiana Return

### Introduction

Need-to-know IN tax info

BEGIN

### Basic Information

Personal info needed for IN return

EDIT

### County Information

State-specific county info needed for IN return

EDIT

### Out of State Income

Report wages or commission income earned from KY, MI, OH, PA, or WI

BEGIN

### Additions to Income

Adjustments for income taxed by IN but not the federal government

BEGIN

### Subtractions from Income

Adjustments for income taxed by the federal government but not IN and other IN deductions

BEGIN

### Credits

State-specific tax credits

BEGIN

### Tax

Household employment tax and other applicable IN taxes

BEGIN

### Payments

Apply refund to next year's state taxes and option to contribute to various IN funds

BEGIN

### Miscellaneous Forms

Estimated payment vouchers, application for extension, etc.

BEGIN

EXIT INDIANA RETURN

## Manual Entries for Indiana IT-40 Tax Return

- **County Tax Credit**– TaxSlayer will prompt for each taxpayer’s county of residence and work as of January 1<sup>st</sup>.
  - IN allows an offset credit against the county tax for taxes paid to other localities outside of IN. For example, a taxpayer living in Dearborn County, IN, but working in KY where Boone County tax is withheld, can use the Boone County tax withholding to reduce the IN County tax on their state return. This is a non-refundable credit.
  - If Indiana resident worked out of state, choose “State of OH” or ”State of KY,” etc. as the county of work when entering Basic Information.
  - The credit is calculated BY THE PREPARER for entry on IN Schedule 6 as “Credit for Local Taxes Paid Outside of Indiana.” The IN IT-40 instructions provides a worksheet showing how to calculate the credit. Ask your coordinator for help with this.
- **Renters' Deduction** – Enter the total amount of rent paid, the system will apply the limitation of \$3,000 (\$1,500 for MFS). Need name and address of landlord.
  - Enter under Subtractions from Income
- **Homeowner Residential Property tax Deduction** – Indiana allows a deduction for property tax paid on your residence. Enter the total for the year and the number of months lived there. The system will automatically limit the deduction to \$2,500 (\$1,250 for MFS).
  - Enter under Subtractions from Income



## Manual Entries for IN Tax Return (Cont'd)

- **Military retirement income and survivor benefits deduction 632** – For 2022 and later, the deduction is equal to the entire amount of military retirement income and/or survivor's benefits.
  - Enter under Subtractions from Income
- **National Guard and Reserve Component Members Deduction 621** – Beginning in 2023, regular military income for National Guard members and armed force reserve members is eligible for a full deduction for their military income under this code. Do not deduct this income using any other line or three-digit code. Unlike the Military Service Deduction on line 7, this deduction does not have a dollar limit.
  - Enter under Subtractions from Income
- **Disability Retirement Deduction 602** – To take this deduction you must have been:
  - Permanently and totally disabled at the time of retirement,
  - Retired on disability before the end of the tax year, and
  - Received disability retirement income during the tax year.
  - This deduction is limited to a maximum of \$5,200 per qualifying individual.
  - Enter under Subtractions from Income

## Manual Entries for IN Tax Return (Cont'd)

### Public School Educator Expense Credit 861

- If you are an eligible educator working for an Indiana public school, you may be entitled to a credit for qualified expenses paid for certain classroom supplies.
  - Public school includes charters schools and excludes.
- The credit can be as much as \$100 (\$200 if married filing joint and both spouses meet the requirements, but not more than \$100 each).
- [Credits -> Other Credits -> Other Credit \(Down-menu\)](#)

Just be aware of the following deductions/credits that may apply:

- Private School/Homeschool Deduction
- Civil Service Annuity Deduction 601
- Indiana Lottery Winnings Annuity Deduction 629
- Indiana 529 Education Savings Plan Credit 837
- School Scholarship Credit 849

**Thank you!**

***Thank you for taking this training!***

***Thanks for being a VITA volunteer with the United Way of  
Greater Cincinnati's Free Tax Prep initiative!***



**UNITED WAY**  
Greater Cincinnati