



KENTUCKY 2018 TAX LAW CHANGES FOR INDIVIDUALS

For tax years beginning on or after January 1, 2018:

- 1. Flat tax rate of 5% for individuals**
 - a. Previous rates: 2%, 3%, 4%, 5%, 5.8%, and 6% (see examples on back)
- 2. Elimination of many Individual Income Tax Itemized Deductions**
 - a. Medical and dental care expenses
 - b. Moving expenses
 - c. Casualty or theft losses and gambling losses
 - d. Investment interest
 - e. Local Taxes
 - f. Real Estate Taxes
 - g. Car Taxes
- 3. Deductions Eliminated and can no longer be used to reduce Kentucky Income**
 - a. Premiums paid for health insurance coverage
 - b. Premiums paid for long-term care insurance
- 4. Pension exclusion dropped to \$31,110 (previously \$41,110).** You are still entitled to exclude more if you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government and a portion of your pension income is attributable to federal or Kentucky government service performed prior to January 1, 1998.
- 5. Maintain deductions for:**
 - a. Home mortgage interest
 - b. Charitable contributions
 - c. Some miscellaneous deductions
- 6. \$10 personal tax credit for taxpayer and dependents eliminated, retained credits for over 65, blind, and Kentucky National Guard Members (\$40)**
- 7. Other changes include:**
 - a. The itemized deduction dollar limit cap was eliminated

Example 1: Single with one child

2017 - Taxpayer earned \$18,838, took standard deduction (\$2,480), Kentucky taxable income = \$16,358. Tax rate 5.8% = \$818 in tax due. Taxpayer qualified for Family Size Tax Credit (50%) based on income. Reduced tax due to \$409.

2018 - Taxpayer earned \$18,838, took standard deduction (\$2,530), Kentucky taxable income = \$16,308. Tax rate 5% = \$815 in tax due. Taxpayer qualified for Family Size Tax Credit (50%) based on income. Reduced tax due to \$408.

No major change for taxpayer.

Example 2: Married with 2 children

2017 – Taxpayer earned \$22,000, spouse earned \$21,500, filed married filing separate for Kentucky and each took standard deduction (\$2,480). Kentucky taxable income for taxpayer (\$19,520) and spouse (\$19,020). Tax rate 5.8%. Taxpayer tax amount = \$1,132, spouse = \$1,103, total tax due = \$2,235. Taxpayers qualified for personal exemptions of \$10 each (\$40) which reduces tax due to \$2,195.

2018 – Taxpayer earned \$22,000, spouse earned \$21,500, filed married filing separate for Kentucky and each took standard deduction (\$2,530). Kentucky taxable income for taxpayer (\$19,470) and spouse (\$18,970). Tax rate 5%. Taxpayer tax amount = \$973 and spouse = \$949, total tax due = \$1,921. No personal exemptions.

Savings for taxpayer is \$274.

Example 3: Married, no children, one over 65 and one not, both had pension income.

2017 – Taxpayer had pension income of \$48,938, spouse had pension income of \$35,707, filed married filing separate for Kentucky and they itemized (\$6,059 deduction). Kentucky taxable income for taxpayer (pension subtraction of \$41,110) \$1,769 and spouse (pension subtraction of \$35,707) \$0. Tax rate 5.8%. Taxpayer tax amount = \$35, spouse = \$0, total tax due = \$35. Taxpayer qualified for personal exemption of \$10 and spouse \$50. Tax due for both after deduction = \$25.

2018 – Taxpayer had pension income of \$48,938, spouse had pension income of \$35,707, filed married filing separate for Kentucky and they took standard deduction \$2,530 each). Kentucky taxable income for taxpayer (pension subtraction of \$31,110) \$17,828 and spouse (pension subtraction of \$31,110) \$4,597. Tax rate 5%. Taxpayer taxable income = \$15,298 and tax amount due = \$765. Spouse taxable income = \$2,067 and tax amount due = \$103. Taxpayer does not qualify for personal exemption, spouse = \$40, tax due \$63. Tax due for both = \$25. Tax due for taxpayers is \$828.

Additional tax due for Kentucky = \$803 more than 2017.

Prepared by the Center for Great Neighborhoods Low Income Taxpayer Clinic. For more information, contact Mary or Monica at 859.547.5543.