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Amy Dunnell
REGULATIONS COMPILER

FINANCE AND ADMINSTRATION CABINET

Department of Revenue

(Amendment)

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

CERTIFICATION STATEMENT:

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.

103 KAR 19:010

APPROVED BY AGENCY:

Thomas B. Miller

THOMAS B. MILLER, COMMISSIONER
Department of Revenue
Finance and Administration Cabinet

01/08/2026
Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public comment on this administrative regulation shall be held on March 25, 2026, at 10:00 a.m. in Room 11A, State Office Building, 501 High Street, Frankfort, Kentucky 40601. Individuals interested in being heard at this hearing shall notify this agency in writing at least five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through March 31, 2026. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Gary Morris, Executive Director, Office of Tax Policy and Regulation, Department of Revenue, 501 High Street, Station 1, Frankfort, Kentucky 40601, (502) 564-0424 (telephone), (502) 564-3875 (fax), DORTAXPOLICY@ky.gov (email).

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

103 KAR 19:010

Contact Person: Gary Morris
Phone: (502) 564-0424
Email: DORTAXPOLICY@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation outlines the procedure for computing estate and trust income for Kentucky income tax purposes.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to provide guidance for computing income for estates and trusts for income tax purposes.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 131.130 allows the Department of Revenue to promulgate regulations to administer tax laws.

(d) How this administrative regulation currently assists or will assist in effective administration of the statutes: See the answer to (1)(a).

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change the existing administrative regulation: This amendment will remove the language regarding tax credits for trusts and estates.

(b) The necessity of the amendment to this administrative regulation: 2022 Ky. Acts ch. 212, sec. 1 removes this tax credit from statute. This amendment will align the regulation with the statute.

(c) How the amendment conforms to the content of the authorizing statutes: See the answers to (2)(a) and (b).

(d) How the amendment will assist in the effective administration of the statutes: This amendment will ensure accurate guidance is provided to trusts and estates.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Trusts and estates are affected by this regulation. However, the amendment will remove language that was stricken from the statute, and the tax credit is not being allowed on returns.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The tax credit has already been removed from tax forms; therefore, the Department of Revenue does not anticipate any impact.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): No costs should be incurred to comply with the amendment to this administrative regulation.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): No benefits will accrue to the entities identified.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: There will be no additional costs associated with implementing the amendment to this administrative regulation.

(b) On a continuing basis: See answer (5)(a).

(6) What is the source of funding to be used for the implementation and enforcement of this administrative regulation: No additional funding will be required to implement the amendment to this administrative regulation.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No increase in fees or funding will be necessary to implement this administrative regulation.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: No fees are established or increased by this administrative regulation.

(9) TIERING: Is tiering applied? Tiering is not applied.

FISCAL IMPACT STATEMENT

103 KAR 19:010
Contact Person: Gary Morris
Phone: (502) 564-0424
Email: DORTAXPOLICY@ky.gov

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation: KRS 131.130 allows the Department of Revenue to promulgate administrative regulations to administer and enforce all tax laws in this state.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: KRS 131.130 authorizes the Department of Revenue to promulgate administrative regulations.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: The Department of Revenue is the promulgating agency and the only agency impacted by this administrative regulation.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):
1. Expenditures: There is no anticipated impact on expenditures.
For the first year:
For subsequent years:
2. Revenues: There is no anticipated impact on revenues.
For the first year:
For subsequent years:
3. Cost Savings: There is no cost savings anticipated.
For the first year:
For subsequent years:

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): The amendment to this administrative regulation will not impact local entities.

(b) Estimate the following for each affected local entity identified in (4)(a):
1. Expenditures: No impact to local entities.
For the first year:
For subsequent years:
2. Revenues: No impact to local entities.
For the first year:
For subsequent years:
3. Cost Savings: No impact to local entities.
For the first year:
For subsequent years:

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): The amendment to this administrative regulation is not anticipated to impact regulated entities.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures: No impact to regulated entities.
   For the first year:
   For subsequent years:
2. Revenues: No impact to regulated entities.
   For the first year:
   For subsequent years:
3. Cost Savings: No impact to regulated entities.
   For the first year:
   For subsequent years:

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: The Department does not anticipate that the amendment to this regulation will have a fiscal impact.

(b) Methodology and resources used to reach this conclusion: This amendment removes the language permitting tax credits for trusts and estates due to a statutory change.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(13): The amendment to this administrative regulation will not have a major economic impact.

(b) The methodology and resources used to reach this conclusion: This amendment updates language to comply with a statutory change.