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Emily B Caudill
REGULATIONS COMPILER

1 FINANCE AND ADMINISTRATION CABINET

2 Department of Revenue

3 Office of Income Taxation

4 (Amendment)

5 103 KAR 18:110. Voluntary withholding. [~~Withholding methods.~~]

6 RELATES TO: KRS 141.310, 141.370

7 STATUTORY AUTHORITY: KRS 131.130[~~(4)~~], 141.310, 141.370

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the

9 ~~Department of Revenue[department] to promulgate administrative regulations necessary to~~
10 ~~administer and enforce Kentucky's tax laws. This administrative regulation authorizes employers~~
11 ~~and employees to voluntarily agree to additional withholding as set forth in KRS 141.310(8).[KRS~~
12 ~~141.370 requires the department to establish the individual income tax withholding tables. This~~
13 ~~administrative regulation establishes withholding tables and describes the procedure for~~
14 ~~supplemental and mechanical withholding.]~~

15 Section 1. Additional withholding. In addition to tax required to be withheld by the tables
16 required by KRS 141.370 or by any withholding computer formula published by the department,
17 an employee may authorize his employer to withhold additional Kentucky income tax using Form
18 K-4 "Kentucky Withholding Certificate," Revenue Form 42A804. [~~Withholding Tables. An~~
19 ~~employer shall withhold Kentucky individual income tax from wages and salaries in accordance~~
20 ~~with Kentucky Form 42A003(T), Withholding Kentucky Income Tax, as incorporated by reference~~

1 in 103 KAR 3:040. This material may also be obtained on the Department of Revenue's Web site
2 at <http://revenue.ky.gov>.

3 ~~Section 2. Supplemental Withholding. (1) In addition to tax required to be withheld by the~~
4 ~~tables in Section 1 of this administrative regulation, an employee may authorize his employer to~~
5 ~~withhold additional Kentucky income tax.~~

6 ~~—(2) An employee may authorize additional withholding by filing with the employer an amended~~
7 ~~Form K-4, Kentucky Department of Revenue Employee's Withholding Exemption Certificate~~
8 ~~(Revenue Form 42A804), incorporated by reference in 103 KAR 3:040.~~

9 ~~—(3) Withholding Exemption Certificate (Revenue Form K-4) with his employer. The amended~~
10 ~~certificate may claim fewer personal exemptions than are allowed, authorize the employer to with-~~
11 ~~hold a specific amount of additional tax, or both.~~

12 ~~—Section 3. Mechanical Withholding. An employer may use the Computer Formula (Optional~~
13 ~~Withholding Method) contained in Kentucky Form 42A003(T), Withholding Kentucky Income~~
14 ~~Tax, as incorporated by reference in 103 KAR 3:040 instead of the tables required by Section 1 of~~
15 ~~this administrative regulation for the determination of the amount to withhold from an employee's~~
16 ~~wage or salary.]~~

103 KAR 18:110

APPROVED:

Daniel Bork/lcs
DANIEL BORK, COMMISSIONER
Department of Revenue
Finance and Administration Cabinet

Sept 14, 2018
DATE APPROVED BY AGENCY

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held on October 24, 2018 at 10:00 a.m. in Room 8A, State Office Building, 501 High Street, Frankfort KY 40601. Individuals interested in being heard at this hearing shall notify this agency in writing by 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 cancelled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. 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 October 31, 2018. 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: Lisa Swiger, Revenue Tax Policy Research/Consultant II, Department of Revenue, 501 High Street, Station 1, Frankfort, Kentucky, 40601, (502) 564-9526 (telephone), (502) 564-3875(fax), Lisa.Swiger@ky.gov(email).

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation Number: 103 KAR 18:110

Contact Person: Lisa Swiger
Phone Number: (502)564-9526
Email: Lisa.Swiger@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This regulation authorizes additional employee voluntary withholding as set forth by KRS 141.310(8).

(b) The necessity of this administrative regulation: KRS 141.310(8) authorizes the department to issue regulations allowing for additional voluntary withholding.

(c) How this administrative regulation conforms to the content of the authorizing statutes: The authorizing statute addresses additional voluntary withholding and authorizes the department to promulgate regulations in this regard.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

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

(a) How the amendment will change this existing administrative regulation:

(b) The necessity of the amendment to this administrative regulation: This amendment removes references to withholding tables and "mechanical withholding" as those requirements are clearly set forth in KRS 141.370. It also authorizes additional voluntary withholding using Form K-4.

(c) How the amendment conforms to the content of the authorizing statutes: See (1)(c).

(d) How the amendment will assist in the effective administration of the statutes: See (1)(d).

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: All those employees who may request additional voluntary withholding are affected by this regulation.

(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 the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: No additional actions are necessary. They will continue to use Form K-4 to request additional voluntary withholding.

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

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): Employees will not be under-withheld when filing an annual income tax return.

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

(a) Initially: There will be no additional expenses incurred outside the current department funding and staff to implement this administrative regulation.

(b) On a continuing basis: None.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Current budgetary funding.

(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.

(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 regulation.

(9) TIERING: Is tiering applied? Tiering is not applied since all employees and employers under this regulation will follow the same requirements and be treated equally.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation Number: 103 KAR 18:110

Contact Person: Lisa Swiger
Phone Number: (502)564-9526
Email: Lisa.Swiger@ky.gov

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? Only the Finance and Administration Cabinet, Department of Revenue will be impacted.

2. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 131.130(1)

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. There will be no effect on expenditures and revenues for the department or any other government agency.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? No new revenue will be generated by this amendment.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? None.

(c) How much will it cost to administer this program for the first year? None.

(d) How much will it cost to administer this program for subsequent years? None.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-): \$0

Expenditures (+/-): \$0

Other Explanation:
