



This Week in State Tax (TWIST)

8th April 2024



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Kentucky: Budget Agreement Includes Deferral of Deduction Related to Combined Reporting

The Kentucky legislature has delivered the appropriations bill, House Bill 8, to the Governor for signature. For corporate income tax purposes, there are a couple changes of note. First, the bill updates the state's conformity to the Internal Revenue Code by adopting the Code as of December 31, 2023. This update is effective for taxable years beginning on or after January 1, 2024. Thus, although it seems increasingly unlikely, if the Senate were to act on the Tax Relief for American Families and Workers Act, which was passed by the House of Representative in late- January, Kentucky would not conform to any of the federal updates. The other change affects publicly traded companies whose deferred tax positions were negatively affected as a direct result of the move to unitary combined reporting for tax years beginning on or after January 1, 2019. These companies were entitled to a deduction intended to offset the financial statement impact. To preserve the ability to claim the deduction, the company was required to file a statement with the Department of Revenue on or before July 1, 2019. Originally, combined groups could start claiming 1/10 of the overall deduction amount on returns filed for tax years beginning on or after January 1, 2024. House Bill 8 pushes this date out two years so that combined groups may start taking the deduction for tax years beginning on or after January 1, 2026. While not specific to corporate taxpayers, the bill mandates that the Office of Tax Policy and Regulation within the Department of Revenue publish administrative writings, including redacted private letter rulings, on its website no more than 120 days after they are finalized. Tax forms and instructions must also be published in a timely manner. Please stay tuned to TWIST for future corporate income tax updates.

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