**Kentucky Payroll Taxes**

**KY State Income Tax Withholding**

<https://revenue.ky.gov/Business/Pages/Employer-Payroll-Withholding.aspx>

**Who Must Withhold KY State Income Taxes**

An employer that pays wages or other compensation to employees for services performed within KY State is required to withhold income tax for both resident and nonresident employees (unless exempted by law). Employers must withhold the income tax from employees receiving wages as defined in Section 3401(a) of the Internal Revenue Code.

The Withholding Return and Payment System (WRAPS) provides employers with the ability to file their Withholding K-1 and K-3 returns online. Employers may file returns, view previously filed online returns, amend returns, request refunds and credit forwards as well as the ability to access the Enterprise Electronic Payment System (EEPS) for paying Withholding tax due. ​All employer filing frequencies are required to electronically file and pay the income tax withheld for periods beginning on or after January 1, 2022. To register and file online, please visit [wraps.ky.gov](https://wraps.ky.gov/).

Employers report and pay Kentucky withholding tax annually, quarterly, monthly, or twice monthly, as detailed below. Regardless of the assigned reporting and payment frequency, returns must be filed even when no Kentucky income tax was withheld during the period.

* **Annually** - Employers withholding less than $400 Kentucky income tax in a year will be required to file a return and remit the tax annually.
* **Quarterly** - Employers withholding $400-$1,999 Kentucky income tax in a year must file and pay on a quarterly basis.
* **Monthly** - Employers withholding $2,000-$49,999 Kentucky income tax in a year must file and pay on a monthly basis.
* **Twice-Monthly** - Employers withholding $50,000 or more Kentucky income tax in a year must file and pay on a twice-monthly basis.
* **One-Day Deposit** - Employers who accumulate $100,000 or more Kentucky income tax withheld during any reporting period must remit payment within one banking day.

Employers must furnish the designated copies of the Wage and Tax Statement (Form W-2) to their employees by January 31 of the following year. The withholding statement information (Forms W-2, W-2G, and 1099 Series) must be reported to the Kentucky Department of Revenue (DOR) on or before January 31, as well.

Withholding Statement Filing Options

* EFW2 electronic file – by web filing or on CD
* Publication 1220 electronic file – on CD only
* Form K-5 – online filing (complete and submit online)
* Form K-5 – online fill-in form (complete, print, and mail to DOR) (cannot exceed 25 withholding statements)

Form K-5 is used to report withholding statement information from Forms W-2, W-2G, and 1099 and is completed online with two filing methods to choose from. It may be filed electronically by clicking the submit button or the completed form may be printed and mailed to the address on the form. However, the print and mail option is only for those reporting fewer than 26 withholding statements.

*Note:* When printing the form to mail to DOR, a barcode will print at the bottom of the form. DOR uses this barcode to process the form more accurately and efficiently.

Many Kentucky municipalities and counties require a tax on compensation to be withheld from the wages of employees working within their jurisdiction. Questions concerning payments and employer responsibilities should be addressed to the taxing jurisdiction where the employee performs services.

Visit the Kentucky Secretary of State Occupational Tax website at <https://web.sos.ky.gov/occupationaltax/> to find information for most of the localities.

**KY W-4 Requirements**

All Kentucky wage earners are taxed at a flat 4% tax rate with an allowance for the standard deduction. Form K-4, *Kentucky’s Withholding Certificate*, is only required to document that an employee has requested an exemption from withholding or to document that an employee has requested additional withholding in excess of the amounts calculated using the formula or tables. If neither situation applies, then an employer is not required to maintain Form K-4. Please visit <https://revenue.ky.gov/Business/Pages/Employer-Payroll-Withholding.aspx> to download copies of current withholding tax forms.

**KY State Unemployment Insurance**

In general, workers are covered by the unemployment law of the state in which the work is performed. A State Government Employer is liable for any employment excluding elected officials and certain other exclusions. When you become liable, you will be required to file a report for each calendar quarter for which you list your employees and their wages, and compute and pay tax based on your payroll. Reports and payments are due and should reach the Office of Unemployment Insurance (OUI) by the last day of the month following the end of each quarter. Reports must be filed every quarter even if there are no wages paid and no taxes due.

At [Kentucky’s Unemployment Insurance Self-Service site](https://kewes.ky.gov/), any liable employer can:

* ​​Apply for an Employer Reserve Account, including successorship;
* Apply for a Letter of Good Standing for the Secretary of State;
* Request a change to their mailing address;
* File their quarterly reports and payments;
* Request their Employer Reserve Account be inactivated;
* Request a refund for overpayment of taxes;
* Register for a TPA (Third Party Administrator) account; and
* Report Misclassification or Fraud.

Governmental employers and 501(c)(3) nonprofit organizations are eligible to report as Reimbursing accounts. Reimbursing employers do not pay quarterly unemployment tax. Instead, they reimburse the Office of Unemployment Insurance (OUI) for the cost of any benefits that are chargeable to them. Reimbursing employers must still file quarterly reports for wage information purposes. Please be advised that all Washington State Community and Technical Colleges have selected the Reimbursable method for Washington unemployment insurance. Whenever possible, it is recommended as a best practice for colleges to adopt the same approach for their non-Washington state unemployment insurance method.

KY does not participate in interstate reciprocal coverage agreements.

**KY State Workers’ Compensation**

Every Kentucky employer with one or more employees is required to maintain workers’ compensation insurance. (KRS 342.630) There are no special exceptions for family members or part-time employees. Out-of-state employers performing any work in Kentucky are required to have Kentucky workers’ compensation insurance.

Washington State Department of Enterprise Services (DES) administers a [Workers' Compensation Insurance program](https://des.wa.gov/sites/default/files/2023-08/Out-Of-State-Workers-Compensation-FAQs.pdf) for state workers. If your employee works outside of Washington in a single other state for more than 30 days (240 hours) per year, **your agency must work with DES** to insure your out-of-state employee. For more information, contact Kimberly Haggard kimberly.haggard@des.wa.gov at DES Risk Management.

**KY State Paid Family / Medical Leave**

Kentucky does not have a mandatory paid family and medical leave program as of 01/30/2025, however any Kentucky employer may voluntarily purchase paid leave and disability income insurance for their employees.

Washington Paid Family & Medical Leave (PFML) and Washington Cares benefits are not available to employees who are physically working in Kentucky. Agencies with WA PFML or WA Cares policy questions may email Washington Employment Security Department at esddlpfmlpolicy@esd.wa.gov.

**Helpful resources for Kentucky**

KY Department of Revenue (DOR) Employer Payroll Withholding contact information:

Phone (502) 564-7287

Fax (502) 564-3685

Email <https://revenue.ky.gov/Get-Help/Pages/Contact-Us.aspx?subject=Employer%27s%20Payroll%20Withholding%20Tax>

To sign up for KY DOR Withholding Tax News and Updates, please visit <https://public.govdelivery.com/accounts/KYFAC/subscriber/new?topic_id=KYFAC_23>

The KY Income Tax Withholding Instructions for Employers is available for download from the Current Withholding Tax Forms section of the Employer Payroll Withholding website at <https://revenue.ky.gov/Business/Pages/Employer-Payroll-Withholding.aspx>

KY Withholding Return and Payment System (WRAPS) Public User Guide is available by visiting <https://revenue.ky.gov/Business/PublishingImages/Pages/Employer-Payroll-Withholding/WRAPSPublicUserGuide2019.pdf>

KY Office of Unemployment Insurance Electronic Workplace for Employment Services (KEWES) website is available by visiting <http://www.kewes.ky.gov/>

The KY Unemployment Insurance Employer Guide is available by visiting <https://kewes.ky.gov/Documents/EMPLOYER_GUIDE.pdf>

KY Department of Workers’ Claims Enforcement Branch (Workers’ Compensation) web site: [www.labor.ky.gov/comp](http://www.labor.ky.gov/comp)

Phone (502) 564-5550 or (800) 731-5241

For ctcLink vendor setup, the KY employer withholding tax mailing address is:

Kentucky State Treasurer

Kentucky Department of Revenue

Frankfort, KY 40620-0004

*\*Note:* KY Withholding tax is required to be paid electronically

For ctcLink vendor setup, the KY unemployment insurance tax mailing address is:

Office of Unemployment Insurance

PO Box 2003

Frankfort, KY 40602-2003

Vouchers should be made payable to “Treasurer, Kentucky Unemployment Insurance Fund”