

UK Retirement Plan State Income Tax Considerations

UK retirees and former employees may exclude certain distributions from their retirement accounts from Kentucky state income tax if the retirement funds remain in the UK retirement accounts held with UK retirement carriers (Fidelity, TIAA-CREF). Retirement funds must stay in and be distributed directly from the “retirement accounts” (403(b), 401(a) or 457(b)) to receive the potential tax exclusion provided on Kentucky Pension Income Exclusion “Schedule P”, which is for public pensions. Funds transferred to an IRA account and then subsequently distributed are not eligible for the exclusions provided under Schedule P.

Schedule P provides tax filers with public pensions the ability to exclude a percentage of the current year retirement income based on years of service before and after January 1, 1998 (see the instructions on Schedule P for more detail). In addition to this exclusion, all retirees who keep retirement funds within the aforementioned retirement accounts are eligible to receive the overall exclusion (\$41,110 for 2008) which is indexed for inflation each year.