

Finance and Administration Cabinet STANDARD PROCEDURE		ISSUED BY: Department of Revenue; Tax Administration
PROCEDURE # 6.11.9	SUBJECT: Manual Processing of Refunds	
EFFECTIVE DATE: 6/25/2010		
CONTACT: Division of Operations		LOCATION: State Office Bldg PHONE: 502-564-9329

STATEMENT OF AUTHORITY

1. The Finance and Administration Cabinet's Standard Procedures Manual establishes standard mandatory internal procedures cabinet-wide. These procedures are established in accordance with the Secretary's statutory authority under KRS 42.014 and KRS 12.270 to establish the internal organization and functions of the Cabinet as necessary to perform the duties effectively.
2. The Standard Procedures Manual may only be revised in accordance with the process outlined in Standard Procedure #1.1 entitled: "Finance Standard Procedures and Manual".

I. POLICY

In order to maintain consistency throughout the Department of Revenue (DOR), employees shall process all manual refunds in a uniform manner.

II. PROCEDURE

DOR employees shall use the following procedure when processing manual refunds:

- A. The employee initiating the refund request shall complete a Refund Memo ([Form SP7.611090](#)) (Revenue Form 21A218), making sure to include the following:
 1. The name of the Cabinet and the Department.
 2. The appropriate division name (i.e. Division of Operations, Division of Collections, etc.).
 3. Indicate if the refund is for multiple payees. If there are multiple payees, a separate Refund Memo is required for each refund request.
 4. Indicate the fund name, from which the refund will be issued (i.e. General Fund, Road Fund, Special Deposit Fund, etc.).
 5. The payee's name and mailing address.
 6. The Receipt Account Number, which is comprised of assigned numbers representing fund, agency, organization, appropriation units department, program/project, and function. The resulting number is dependant upon the work performed in a particular taxing area.

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7. Record in the Description section of the Refund Memo a brief, but thorough, explanation of why the refund is being issued. Use the appropriate "reason" blocks, whenever possible. Selecting the appropriate "reason" should reduce the amount of information required for the description.
8. Complete the appropriate columns comprised of tax type, account number, county code, business code (as appropriate), validating number, type return (as appropriate), tax period, and the amount of refund authorized. Always issue refunds from payments made on a Last In/First Out (LIFO) basis.
 - a. The validating number, which is seven (7) digits, corresponds to the most recent payment for the tax period. The amount refunded cannot be more than the amount originally processed to a particular validating number. Additional validating numbers may be added, as appropriate, to generate the total amount to be refunded.
 - b. The tax period (month/year) is the date to which the tax, penalty, and/or interest was originally credited.
 - c. Individual shall match the "Total Refund Authorized" amount. The amounts listed as part of the Receipt Account Number shall also match this amount.
9. To determine the amount of interest to be refunded, refer to the Interest Computation section of the Refund Memo and enter the current interest rate, the amount of tax for interest calculation, and the dates covered by the interest (from/to).
10. The DOR employee initiating the refund request shall then sign and date the Refund Memo and submit along with any returns upon which the refund is based to the appropriate Revenue Section Supervisor.

B. Refund Approval

1. The appropriate Revenue Section Supervisor shall approve the refund after determining that the taxpayer is properly registered in the Cross Reference Index System (CRIS) and that the taxpayer has paid the necessary amounts from which a refund can be made by reviewing the appropriate tax database(s). If the supervisor determines that the taxpayer has not properly registered or has not remitted the necessary tax dollars, the Refund Memo shall be returned to the employee initiating the request for additional information.

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2. The Revenue Section Supervisor shall forward the approved Refund Memo to the appropriate Revenue Branch Manager, Assistant Director, or Division Director for review and approval.
3. After review and approval, the Assistant Director or Division Director shall then forward the Refund Memo to the Executive Director for approval. After approval, the appropriate Executive Director shall forward the Refund Memo back to the initiating taxing section for processing.
4. The initiating taxing section shall forward the approved Refund Memo to the Miscellaneous Processing Section of the Division of Operations for processing and validation. The initiating taxing section then shall forward any attached returns to the Central Files Section for storage.
5. After the refund information is processed and validated, the Miscellaneous Processing Section shall forward the Refund Memo to the Information Capture Section for data entry. The Refund Memo is sent to the Scanning/Imaging & Encoding Section after data entry.
6. The Scanning/Imaging & Encoding Section shall create a General Account Revenue Refund (GAX2) document ([Form SP7.611091](#)) in the enhanced Management Administrative and Reporting System (eMARS).
7. The next business day after processing the GAX2 document, the Scanning/Imaging & Encoding Section shall access eMARS and print the Disbursement Query, containing the refund check information from the related Automatic Disbursement (AD) document. .
8. If a taxpayer requests to pick up his/her refund check, the Scanning/Imaging & Encoding Section shall instruct the Kentucky State Treasury to send the check to the designated employee in the Division of Operations to retain for pick up by the taxpayer.

C. Records Retention

1. The Scanning/Imaging & Encoding Section shall retain copies of the GAX2 and Disbursement Queries containing information from the AD documents. This section shall also record information from the GAX2 and AD documents into a file, which is maintained.

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2. The Scanning/Imaging & Encoding Section shall send a copy of the Refund Memo to the Central Files Section to be placed in the appropriate taxpayer's folder or imaged to the appropriate electronic file.

III. FORMS

[Form SP7.611090](#): Refund Memo (21A218)

[Form SP7.611091](#): General Account Revenue Refund (GAX2) document