## 131.240 Taxpayer's records in electronic format -- Requirements -- Satisfaction of requirements.

- (1) If a taxpayer's required records are maintained as both electronic records and hard copies, the taxpayer shall make the records available to the department in electronic record format upon the department's request and in accordance with the following:
  - (a) Electronic records used to establish tax compliance shall contain sufficient information so that the details underlying the electronic record can be identified and made available to the department upon request;
  - (b) Taxpayers shall not be required to construct electronic records for tax purposes other than those created in the course of business;
  - (c) If a taxpayer uses codes to identify some element in an electronic record or hard copy, the taxpayer shall provide the department with a method to interpret the coded information; and
  - (d) The taxpayer's computer hardware or software shall accommodate the extraction and conversion of retained electronic records.
- (2) A taxpayer may create electronic records solely for the department's use if the taxpayer documents the process that created the record and the relationship between the electronic record and the original record.
- (3) Nothing in this section shall relieve taxpayers of the responsibility to retain hard-copy records that are created or received in the ordinary course of business as required by existing law.
- (4) Nothing in this section shall prevent the department from requesting, in lieu of electronic records, any hard-copy printouts that the taxpayer possesses at the time of examination.
- (5) The department's access to electronic records as required in subsection (1) of this section may be satisfied by:
  - (a) The taxpayer providing the department with the hardware, software, and personnel resources to access the electronic records;
  - (b) The taxpayer arranging for a third party to provide the hardware, software, and personnel resources necessary to access the electronic records. Contracting with a third party does not relieve the taxpayer of its responsibilities under this section; or
  - (c) The taxpayer converting the electronic records to a standard record format specified by the department, including copies of files, on a medium to which the department agrees.

Effective: June 20, 2005

History: Created 2005 Ky. Acts ch. 184, sec. 3, effective June 20, 2005.

**Legislative Research Commission Note** (6/20/2005). 2005 Ky. Acts chs. 11, 85, 95, 97, 98, 99, 123, and 181 instruct the Reviser of Statutes to correct statutory references to agencies and officers whose names have been changed in 2005 legislation confirming the reorganization of the executive branch. Such a correction has been made in this section.