

SCHEDULE O-720

41A720-O (12-13)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____ / ____
Mo. Yr.

- See instructions.
- Attach to Form 720.

**OTHER ADDITIONS AND SUBTRACTIONS
TO/FROM FEDERAL TAXABLE INCOME**

Name of Corporation	Federal Identification Number	Kentucky Corporation/LLET Account Number
_____	____-____	_____

PART I—ADDITIONS TO FEDERAL TAXABLE INCOME (FORM 720, PART III, LINE 9)

1. Kentucky capital gain from Kentucky Schedule D, line 18	1	00
2. Loss from Form 4797 found on federal Form 1120, line 9.....	2	00
3. Gain from Kentucky Form 4797, line 17	3	00
4. Safe harbor lease adjustments	4	00
5. Federal allowable depletion from Form 1120, line 21.....	5	00
6. Federal contribution deductions from Form 1120, line 19	6	00
7. Terminal Railroad Corporation adjustments	7	00
8. Federal allowable passive activity loss	8	00
9. Federal taxable loss of all exempt corporations	9	00
10. Adjustments for qualified construction allowance(s) for short-term lease(s)	10	00
11. Enter additions to federal taxable income from Kentucky Schedule(s) K-1.....	11	00
12. Internal Revenue Code amendments made after December 31, 2006	12	00
13. Other additions (attach explanation).....	13	00
14. Total of lines 1 through 13 (enter on Form 720, Part III, line 9).....	14	00

PART II—SUBTRACTIONS FROM FEDERAL TAXABLE INCOME (FORM 720, PART III, LINE 16)

1. Capital gain from Form 1120, line 8	1	00
2. Gain from Form 4797 found on federal Form 1120, line 9	2	00
3. Loss from Kentucky Form 4797, line 17	3	00
4. Safe harbor lease adjustments	4	00
5. 50% of the gross royalty income derived from any disposal of coal with a retained economic interest defined by IRC Section 631(c) and all IRC Section 272 expenses if the corporation elects not to use percentage depletion.....	5	00
6. Kentucky special deduction from Schedule HH	6	00
7. Terminal Railroad Corporation adjustments	7	00
8. Kentucky allowable passive activity loss	8	00
9. Kentucky allowable depletion	9	00
10. Kentucky contribution deductions.....	10	00
11. Adjustments for qualified construction allowance(s) for short-term lease(s)	11	00
12. Federal taxable income of all exempt corporations.....	12	00
13. Amounts received from Tobacco Master Settlement Agreement, Phase II Settlement	13	00
14. Amounts received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program	14	00
15. Amounts received as a result of a tobacco quota buydown program	15	00
16. State Phase II payments received by a producer of tobacco or a tobacco quota owner	16	00
17. Enter subtractions from federal taxable income from Kentucky Schedule(s) K-1.....	17	00
18. Internal Revenue Code amendments made after December 31, 2006	18	00
19. Other subtractions (attach explanation).....	19	00
20. Total of lines 1 through 19 (enter on Form 720, Part III, line 16).....	20	00

INSTRUCTIONS for SCHEDULE O-720
OTHER ADDITIONS AND SUBTRACTIONS TO/FROM FEDERAL TAXABLE INCOME

Schedule O-720 is used by a corporation filing Kentucky Form 720 to show other additions to and other subtractions from federal taxable income.

PART I—ADDITIONS TO FEDERAL TAXABLE INCOME

Line 1—Enter the Kentucky capital gain from Kentucky Schedule D, Line 18. If the capital gain from federal Schedule D, Line 18 is the same for both federal and Kentucky, do not make an entry on this line.

Line 2—Enter the federal loss from federal Form 1120, Line 9. If the loss from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 3—Enter the Kentucky gain from Kentucky Form 4797, Line 17. If the gain from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 4—Enter the safe harbor lease adjustments equal to the excess of Kentucky income over federal income from all “finance lease property” as defined in the 1983 IRC Section 168(f)(8). **Attach a schedule. KRS 141.010(12)(h) and 103 KAR 16:380.**

Line 5—Enter federal allowable depletion from federal Form 1120, Line 21. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income and deductions.**

Line 6—Enter the federal contribution deductions from federal Form 1120, Line 19. If the contribution deduction is the same for both federal and Kentucky, do not make an entry on this line. **To determine the contribution deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income.**

Line 7—Enter the terminal railroad corporation adjustments equal to the excess of Kentucky income over federal income of a “terminal railroad corporation” by ignoring the provisions of IRC Section 281 for Kentucky purposes. **Attach a schedule. KRS 141.010(12)(g)**

Line 8—Enter the federal allowable passive activity loss. The limitations of IRC Section 469 as they apply to personal service corporations and closely held C corporations are applicable for Kentucky income tax purposes. Attach federal Form 8810 and applicable worksheets.

Line 9—Enter the federal taxable loss of all exempt corporations as provided by KRS 141.040(1)(a) to (i).

Line 10—Enter the qualified lessee construction allowance adjustments equal to the excess of Kentucky income over federal income from “qualified lessee construction allowances for short-term leases” by ignoring the provisions of IRC Section 110 for Kentucky purposes. **Attach a schedule. KRS 141.010(12)(e)**

Line 11—Enter the difference of the Kentucky distributive share income amounts from Kentucky Schedule(s) K-1 in

excess of federal distributive share amounts from federal Schedule(s) K-1.

Line 12—Kentucky’s Internal Revenue Code reference date is December 31, 2006. Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the Internal Revenue Code (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to December 31, 2006. Attach a schedule to the tax return showing the detail of the addition, including the related Internal Revenue Code section(s).

Line 13—Enter any other additions to federal income not reported on Lines 1 through 12, and attach an explanation.

Line 14—Enter the total of Lines 1 through 13 (enter on Form 720, Part III, Line 9).

PART II—SUBTRACTIONS FROM FEDERAL TAXABLE INCOME

Line 1—Enter the federal capital gain from federal Form 1120, Line 8. If the capital gain is the same for both federal and Kentucky, do not make an entry on this line.

Line 2—Enter the federal gain from federal Form 1120, Line 9. If the gain from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 3—Enter the Kentucky loss from Kentucky Form 4797, Line 17. If the loss from Form 4797, line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 4—Enter the safe harbor lease adjustments equal to the excess of federal income over Kentucky income from all “finance lease property” as defined in the 1983 IRC Section 168(f)(8). **Attach a schedule. KRS 141.010(12)(h) and 103 KAR 16:380.**

Line 5—Enter fifty percent (50%) of gross income derived from any disposal of coal covered by IRC Section 631(c) if the corporation does not claim any deduction for percentage depletion, or for expenditures attributable to the making and administering of the contract under which such disposition occurs or to the preservation of the economic interests retained under such contract. **KRS 141.010(12)(d)**

Line 6—Enter the value of leasehold interest of property donated to a charitable organization which is to be used to provide living quarters for a homeless family. This deduction is a special deduction in addition to the ordinary charitable contribution deduction allowed by Chapter 1 of the IRC. However, in accordance with KRS 141.010(13)(d), the same item may not be deducted more than once. **To claim this deduction, Schedule HH must be attached. KRS 141.020**

Line 7—Enter the terminal railroad corporation adjustments equal to the excess of federal income over Kentucky income of a “terminal railroad corporation” by ignoring the provisions

of IRC Section 281 for Kentucky purposes. **Attach a schedule. KRS 141.010(12)(g)**

Line 8—Enter the Kentucky allowable passive activity loss. The limitations of IRC Section 469 as they apply to personal service corporations and closely held C corporations are applicable for Kentucky income tax purposes. Attach Kentucky Form 8810 and applicable worksheets.

Line 9—Enter the Kentucky allowable depletion. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income and deductions.**

Line 10—Enter the Kentucky contribution deduction. If the contribution deduction is the same for both federal and Kentucky, do not make an entry on this line. **To determine the contribution deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income.**

Line 11—Enter the qualified lessee construction allowance adjustments equal to the excess of federal income over Kentucky income from “qualified lessee construction allowances for short-term leases” by ignoring the provisions of IRC Section 110 for Kentucky purposes. **Attach a schedule. KRS 141.010(12)(e)**

Line 12—Enter the federal taxable income of all exempt corporations as provided by KRS 141.040(1)(a) to (i).

Line 13—Enter the amounts received by a producer or a tobacco quota owner from the Tobacco Master Settlement Agreement.

Line 14—Enter the amounts received from the Commodity Credit Corporation for the Tobacco Loss Assistance Program.

Line 15—Enter the amounts received by a producer or a tobacco quota owner from the tobacco quota buydown program.

Line 16—Enter the amounts received by a producer or a tobacco quota owner from state Phase II.

Line 17—Enter the difference of the federal distributive share income amounts from federal Schedule(s) K-1 in excess of Kentucky distributive share amounts from Kentucky Schedule(s) K-1.

Line 18—Kentucky’s Internal Revenue Code reference date is December 31, 2006. Enter the subtraction from federal taxable income equal to the excess of federal taxable income over Kentucky taxable income resulting from amendments to the Internal Revenue Code (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to December 31, 2006. Attach a schedule to the tax return showing the detail of the subtraction, including the related Internal Revenue Code section(s).

Line 19—Enter any other subtractions from federal income not reported on Lines 1 through 18, and attach an explanation to the tax return.

Line 20—Enter the total of Lines 1 through 19 (enter on Form 720, Part III, Line 16).