



**INSTRUCTIONS—SCHEDULE FON-T**

**PURPOSE OF SCHEDULE**—This schedule is used by an entity which has a farming operation networking project (FON) approved by the Cabinet for Economic Development as provided by KRS 141.410 to 141.414, to maintain a record of approved costs and the tax credits taken for the duration of the project. This information is necessary for the company to determine the limitation of the tax credit for each taxable year of the agreement and to allow the Kentucky Department of Revenue to verify that the tax credit carryover has been properly determined.

KRS 141.412 provides that any tax credit not used in the taxable year in which it becomes available may be carried forward to the next succeeding five (5) taxable years until the tax credit has been fully used. The aggregate tax credit used in any taxable year shall not exceed the income, Kentucky gross profits or Kentucky gross receipts, as the case may be, of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project in that taxable year.

**GENERAL INSTRUCTIONS**

"Approved costs" means costs incurred during the taxable year by a qualified farming operation for training and improving skills of managers and employees involved in a networking project as provided by KRS 141.410(1).

"Qualified farming operation" means an individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, or institution, engaged in farming in Kentucky that provides raw materials for food-producing facilities in Kentucky, and that purchases new buildings or equipment, or that incurs training expenses, to support its participation in a networking project.

KRS 141.414(3) provides that the net income subject to tax and the tax credit determined under KRS 141.414(2) shall be excluded in determining each partner's, member's, shareholder's or beneficiary's distributive share of net income or credit of the pass-through entity or trust.

A single Schedule FON-T, Tracking Schedule for a FON Project, shall be maintained for the duration

of each FON project. Beginning with the first taxable year of the FON incentive agreement, complete Columns A through E using a separate line for each year of the agreement. The company shall attach a copy of this schedule updated with current year information to the Schedule FON or Schedule FON-SP which is filed with the Kentucky tax return for the year.

For Form 720, all tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum. Total credits claimed cannot reduce the income tax liability below zero.

**SPECIFIC INSTRUCTIONS**

**Column A**—Enter on each line the ending date (month, day and year) of the taxable year for which the information in Columns B through E is entered.

**Column B**—This column will be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column D for the prior year exceeds the amount entered in Column E for the prior year, enter the difference. If the amount entered in Column E for the prior year equals the amount entered in Column D for the prior year, enter zero (-0-).

**Column C**—Enter the total amount of approved costs for the taxable year.

**Column D**—Enter the result of adding the amounts entered in Columns B and C. Also, enter this amount on Schedule FON, Part III, Line 2 or Schedule FON-SP, Part I, Line 8, whichever is applicable.

**Column E**—The FON tax credit is applied against the corporation income tax imposed under KRS 141.040 and/or the limited liability entity tax imposed under KRS 141.0401. The tax credit calculated for each tax can be different; however, for tracking purposes, the maximum amount used against either tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.