

SCHEDULE KEOZ

41A720-S40 (10-14)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



For taxable year ended

____/____
Mo. Yr.

**TAX CREDIT COMPUTATION SCHEDULE
(FOR A KEOZ PROJECT OF A CORPORATION)
KRS 154.23-005 to 080**

- See instructions.
- Attach to Form 720.

| | | |
|---------------------|---|--|
| Name of Corporation | Federal Identification Number _____ | Kentucky Corporation/LLET Account Number _____ |
| Location of Project | Activation Date of KEOZ Incentive Agreement ____/____/____ Mo. Day Yr. | Economic Development Project Number |
| City | County | |

PART I—Computation of LLET Excluding KEOZ Project

| | | | |
|---|---|--|----|
| 1. LLET from Form 720, Part I, line 1 | 1 | | 00 |
| 2. LLET on KEOZ project (see instructions) | 2 | | 00 |
| 3. LLET excluding LLET on KEOZ project (line 1 less line 2) | 3 | | 00 |

PART II—Computation of Taxable Net Income Excluding Net Income from KEOZ Project and KEOZ Tax Credit

Section A—Computation of Corporation Tax

| | | | |
|--|---|--|----|
| 1. Enter income tax from Form 720, Part II, line 1 | 1 | | 00 |
| 2. LLET of corporation (Part I, line 1) | 2 | | 00 |
| 3. LLET credit allowed (line 2 less \$175, but not more than line 1) | 3 | | 00 |
| 4. Total corporation tax (lines 1 and 2 less line 3) | 4 | | 00 |

Section B—Computation of Tax Excluding KEOZ Project

| | | | |
|--|---------------------------|-------------|------------|
| 1. Enter taxable net income from Form 720, Part III, line 25 | 1 | | 00 |
| 2. Enter net income from KEOZ project; if loss, enter -0- | 2 | | 00 |
| 3. Taxable net income excluding net income from KEOZ project (line 1 less line 2). If line 2 is greater than line 1, enter -0- | 3 | | 00 |
| 4. Corporation income tax on amount from line 3: | | | |
| | Taxable Net Income | Rate | Tax |
| (a) First \$50,000 | | X 4% | 00 |
| (b) Next \$50,000 | | X 5% | 00 |
| (c) All income over \$100,000 | | X 6% | 00 |
| (d) Total income tax liability excluding KEOZ project (add lines 4(a) through 4(c)) | 4(d) | | 00 |
| 5. LLET excluding LLET on KEOZ project (Part I, line 3) | 5 | | 00 |
| 6. Enter LLET from line 5 less \$175, but not more than line 4(d) | 6 | | 00 |
| 7. Total tax excluding KEOZ project (lines 4(d) and 5 less line 6) | 7 | | 00 |
| 8. Total tax attributable to KEOZ project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1 | 8 | | 00 |

PART III—Limitation

| | | | |
|---|---|--|----|
| 1. Enter tax liability attributable to KEOZ project from Part II, Section B, line 8 | 1 | | 00 |
| 2. Enter limitation from Schedule KEOZ-T, Column G | 2 | | 00 |
| 3. Allowable KEOZ tax credit (lesser of line 1 or line 2) | 3 | | 00 |

Enter allowable credit on Schedule TCS, Part I, Column E and Column F

➤ *Economic development project* means a project authorized under the Kentucky Rural Economic Development Act (KREDA), Metropolitan College Consortium Tax Credit (MCC), Kentucky Small Business Investment Credit Program (KSIBIC), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA), Skills Training Investment Credit Act (STICA) and Incentives for Energy Independence Act (IEIA).

INSTRUCTIONS – SCHEDULE KEOZ

The KEOZ tax credit is applied against the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation which has entered into a tax incentive agreement for a Kentucky Economic Opportunity Zone Act (KEOZ) project that received preliminary or final approval by KRS Chapter 154.23 on or before June 26, 2009, to determine the credit allowed against the Kentucky corporation income tax and LLET attributable to the project in accordance with KRS 141.401.

GENERAL INSTRUCTIONS**Part I—Computation of LLET Excluding KEOZ Project**

Line 2—Using Schedule LLET, create a new Schedule LLET to compute the LLET of the KEOZ project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “**KEOZ**” at the top center of the Schedule LLET and attach it to the tax return.

If the corporation has operations other than the KEOZ project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KEOZ project in accordance with KRS 141.401(6)(b)** or KRS 141.401(7)(b).***

Part II—Computation of Taxable Net Income Excluding Net Income from KEOZ Project and KEOZ Tax Credit**Section B**

Line 2—Enter net income for KEOZ project. If the corporation’s only operation in Kentucky is the KEOZ project, the amount entered on Line 1 must be entered on Line 2. If the corporation has operations other than the KEOZ project, it must attach schedules reflecting the computation of the net income from the KEOZ project in accordance with KRS 141.401(6)(a)* or KRS 141.401(7)(a).***

See form for computation.

Part III—Limitation

Calculate KEOZ tax credit based on the corporation’s tax liability, tax liability attributable to KEOZ project, and credit limitation from Schedule KEOZ-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete an applicable tax computation schedule (Schedule KREDA, Schedule KIDA, Schedule KEOZ, Schedule KJRA, Schedule KIRA, Schedule KJDA, Schedule KBI, Schedule KRA or Schedule IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College

Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Investment Credit Program (KSBIC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods—In accordance with KRS 141.401(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts or Kentucky gross profits from the facility at which the project is located, the approved company shall determine net income, Kentucky gross receipts or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

* In accordance with KRS 141.401(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.

** In accordance with KRS 141.401(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

*** In accordance with KRS 141.401(7)(a), if the KEOZ project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KEOZ project shall be determined by apportioning the separate accounting net income of the entire facility to the KEOZ project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**

**** In accordance with KRS 141.401(7)(b), if the KEOZ project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KEOZ project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KEOZ project Kentucky gross receipts or Kentucky gross profits. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**