

INSTRUCTIONS—SCHEDULE FON

The FON 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 a farm operation networking project (FON) approved by the Cabinet for Economic Development as provided by KRS 141.410 to 141.414, to determine the credit allowed against the Kentucky corporation income tax and LLET attributable to the project in accordance with KRS 141.412. The annual tax credit shall be available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit shall be equal to the approved costs incurred by the qualified farming operation during the tax year and 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

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

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

If the corporation has operations other than the FON project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the FON project in accordance with KRS 141.414(4)(b)** or KRS 141.414(5)(b).****

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

Line 2—Enter net income for the FON project. If the corporation's only operation in Kentucky is the FON project, the amount entered on Line 1 must be entered on Line 2. If the corporation has operations other than the FON project, it must attach schedules reflecting the computation of the net income from the FON project in accordance with KRS 141.414(4)(a)* or KRS 141.414(5)(a).***

See form for computation.

Part III—Limitation

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

A corporation with more than one farming operation networking project must separately compute the tax credit derived from each project. Complete an applicable schedule for each project and attach a copy

of the certification(s) from the Cabinet for Economic Development.

Alternative Methods—In accordance with KRS 141.414(6), 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 operation 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 141.414(4)(a), if the project is a separate operation, net income attributable to the project shall be determined by the separate accounting method.

** In accordance with KRS 141.414(4)(b), if the project is a separate operation, 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 operation.

*** In accordance with KRS 141.414(5)(a), if the FON project is an expansion to a previously existing operation, net income attributable to the entire operation shall be determined under the separate accounting method and the net income attributable to the FON project shall be determined by apportioning the separate accounting net income of the entire operation to the FON 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 141.414(5)(b), if the FON project is an expansion to a previously existing operation, Kentucky gross receipts or Kentucky gross profits attributable to the entire operation shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the FON project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire operation to the FON 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.**