

**INSTRUCTIONS—NOTICE OF KENTUCKY NEW MARKETS
DEVELOPMENT PROGRAM TAX CREDIT AND CERTIFICATION**

As provided by KRS 141.433(4), cash in the amount of the certified purchase price of the qualified equity investment must be received by the qualified community development entity (CDE) from each taxpayer in exchange for the taxpayer's qualified equity investment within ninety (90) days after receipt of the approved application (Form 8874(K)) by the CDE. The CDE shall provide the department with evidence of the receipt of the cash in exchange for the qualified equity investment within ten (10) business days after receipt of the cash. If the CDE does not receive cash in the amount of certified purchase price of the qualified equity investment within ninety (90) days following receipt of the application approved by the department, the certification of the taxpayer shall lapse and the CDE may not issue a qualified equity investment without filing a new application with the department.

A CDE shall file this form (Form 8874(K)-A) with the department for each taxpayer as evidence of the receipt of the cash for the taxpayer's qualified equity investment.

If the department is satisfied that the cash amount of the qualified equity investment was received by the CDE, a copy of Form 8874(K)-A will be returned to the taxpayer and CDE with the department's approval of the tax credit available to the taxpayer for each of the next seven years.

A taxpayer shall attach a copy of the approved Form 8874(K)-A to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 136.370, 136.390 or 304.3-270. For the tax credit against taxes imposed by KRS 141.020, 141.040 or 141.0401, the ordering of the credits shall be as provided by KRS 141.0205. An insurance company claiming a tax credit against the insurance premium tax is not required to pay additional retaliatory tax levied pursuant to KRS 304.3-270.

A partner, member or shareholder claiming the tax credit shall attach a copy of Schedule K-1, Form 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP to the tax return each year to claim the tax credit.

If there is an event as provided by KRS 141.433(6) which would result in the recapture of any portion of the tax credit previously approved: (i) the CDE shall notify the department upon discovery of such event; or (ii) the department upon discovery of such event or after receiving notice from the CDE of such event shall provide written notice (via certified mail) of the proposed recapture to the CDE as provided by KRS 141.433(6)(b).

If the CDE fails or is unable to cure the deficiency as provided by KRS 141.433(6)(b), the department shall notify the CDE and each taxpayer of the amount of the recapture or the balance of the tax credit on Form 8874(K)-B.