

**SCHEDULE J**



**2014**

**Form 740**

42A740-J (10-14)

**KENTUCKY  
FARM INCOME AVERAGING**

Department of Revenue

➤ See federal instructions for Schedule J.

➤ Attach to Form 740.

Enter name(s) as shown on tax return.	Your Social Security Number
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**Note:** Compute tax using the Tax Table or the Tax Rate Schedule appropriate to each year. This is tax before credits.

1. Enter your taxable income from Form 740, line 11.....	1			
2. Enter your <b>elected farm income</b> . <b>Do not exceed amount on federal Schedule J, line 2a*</b> .....	2			
3. Subtract line 2 from line 1. If zero or less, enter -0-.....	3			
4. Compute the tax on the amount on line 3 using the 2014 tax rate or tax rate schedule.....	4			
5. If you used Schedule J to figure your tax for:				
• 2013, enter the amount from your 2013 Schedule J, line 11.				
• 2012 but not 2013, enter the amount from your 2012 Schedule J, line 15.				
• 2011 but not 2012 or 2013, enter the amount from your 2011 Schedule J, line 3.....	5			
Otherwise, enter the taxable income from your <b>2011</b> Form 740, line 11 or Form 740-EZ, line 3. If zero or less, see instructions.				
6. Divide the amount on line 2 by 3.0.....	6			
7. Add lines 5 and 6. If zero or less, enter -0-.....	7			
8. Compute the tax on the amount on line 7 using the <b>2011</b> tax rate or tax rate schedule.....	8			
9. If you used Schedule J to figure your tax for:				
• 2013, enter the amount from your 2013 Schedule J, line 15.				
• 2012 but not 2013, enter the amount from your 2012 Schedule J, line 3 .....	9			
Otherwise, enter the taxable income from your <b>2012</b> Form 740, line 11 or Form 740-EZ, line 3. If zero or less, see instructions.				
10. Enter the amount from line 6.....	10			
11. Add lines 9 and 10. If less than zero, enter as a negative amount.....	11			
12. Compute the tax on the amount on line 11 using the <b>2012</b> tax rate or tax rate schedule.....	12			
13. If you used Schedule J to figure your tax for 2013, enter the amount from your 2013 Schedule J, line 3. Otherwise, enter the taxable income from your 2013 Form 740, line 11 or Form 740-EZ, line 3. If zero or less, see instructions.....	13			
14. Enter the amount from line 6.....	14			
15. Add lines 13 and 14. If less than zero, enter as a negative amount.....	15			
16. Compute the tax on the amount on line 15 using the <b>2013</b> tax rate or tax rate schedule .....	16			
17. Add lines 4, 8, 12 and 16.....	17			
18. If you used Schedule J to figure your tax for:				
• 2013, enter the amount from your 2013 Schedule J, line 12.				
• 2012 but not 2013, enter the amount from your 2012 Schedule J, line 16.				
• 2011 but not 2012 or 2013, enter the amount from your 2011 Schedule J, line 4. Otherwise, enter the tax from your <b>2011</b> Form 740, line 12 or Form 740-EZ, line 4 .....	18			
19. If you used Schedule J to figure your tax for:				
• 2013, enter the amount from your 2013 Schedule J, line 16.				
• 2012 but not 2013, enter the amount from your 2012 Schedule J, line 4. Otherwise, enter the tax from your <b>2012</b> Form 740, line 12 or Form 740-EZ, line 4 .....	19			
20. If you used Schedule J to figure your tax for 2013, enter the amount from your 2013 Schedule J, line 4. Otherwise, enter the tax from your <b>2013</b> Form 740, line 12 or Form 740-EZ, line 4.....	20			
21. Add lines 18 through 20 .....	21			
22. Subtract line 21 from line 17. If the result is less than the tax on the taxable income on line 1, enter the tax on Form 740, line 12 and check the box .....	22			

\* **Caution:** If income from another state is included in the elected farm income on line 2, you must also compute the tax without the other state's income to determine the state tax limitation for credit for taxes paid to other states.

## Instructions for Schedule J

**Purpose of Form**—Use Form Schedule J to elect to figure your 2014 Kentucky income tax by averaging, over the previous 3 years, all or part of your 2014 Kentucky taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2014 Kentucky income from farming or fishing is high and your taxable income for one or more of the 3 prior years was low.

### Important Reminders when completing Kentucky Schedule J:

- You must file a federal Schedule J in order to complete a Kentucky Schedule J.
- Use Kentucky figures when completing Kentucky Schedule J.
- If income from another state is included in the elected farm income on line 2, you must also compute the tax without the other state's income to determine the state tax limitation for credit for tax paid to other states.
- You may need copies of your original or amended income tax returns for 2011, 2012 and 2013 to figure your tax on Kentucky Schedule J.
- Keep a copy of your 2014 income tax returns to use for your income averaging in 2015, 2016 or 2017.
- For definitions of farming business, fishing business and elected farm income, see federal instructions.
- Compute your tax using the Tax Table for the appropriate year or use the following tax rate schedule.

<i>If taxable income is:</i>	<i>Tax before credit is:</i>
\$ 0 – \$ 3,000	2% of taxable income
\$ 3,001 – \$ 4,000	3% of taxable income minus \$30
\$ 4,001 – \$ 5,000	4% of taxable income minus \$70
\$ 5,001 – \$ 8,000	5% of taxable income minus \$120
\$ 8,001 – \$75,000	5.8% of taxable income minus \$184
\$75,001 and up	6% of taxable income minus \$334

### General Instructions

**Line 2, Elected Farm Income**—See federal instructions.

**Line 4**—Compute the tax using the 2014 tax table or by using the tax rate schedule above.

**Line 5**—If you used Schedule J to figure your tax for:

- 2013 (that is, you entered the amount from the 2013 Schedule J, line 22 on line 12 of your 2013 Form 740), enter on line 5 the amount from your 2013 Schedule J, line 11.
- 2012 but not 2013, enter on line 5 the amount from your 2012 Schedule J, line 15.
- 2011 but not 2012 or 2013, enter on line 5 the amount from your 2010 Schedule J, line 3.

Otherwise, enter the taxable income from your **2011** Form 740, line 11 or Form 740-EZ, line 3. If the amount entered is zero or less, see federal instructions.

**Line 8**—Compute the tax on line 7 using the 2011 tax table or by using the tax rate schedule above.

**Line 9**—If you used Schedule J to figure your tax for:

- 2013 (that is, you entered the amount from the 2013 Schedule J, line 22 on line 12 of your 2013 Form 740), enter on line 9 the amount from your 2013 Schedule J, line 15.
- 2012 but not 2013, enter on line 9 the amount from your 2012 Schedule J, line 3.

Otherwise, enter the taxable income from your **2012** Form 740, line 11 or Form 740-EZ, line 3. If the amount entered is zero or less, see federal instructions.

**Line 12**—Compute the tax on line 11 using the 2012 tax table or by using the tax rate schedule above.

**Line 13**—If you used Schedule J to figure your tax for:

- 2013 (that is, you entered the amount from the 2013 Schedule J, line 22 on line 12 of your 2013 Form 740), enter on line 13 the amount from your 2013 Schedule J, line 3.

Otherwise, enter the taxable income from your **2013** Form 740, line 11 or Form 740-EZ, line 3. If the amount entered is zero or less, see federal instructions.

**Line 16**—Compute the tax on line 11 using the 2013 tax table or by using the tax rate schedule above.

**Line 18**—If you used Schedule J to figure your tax for:

- 2013, enter the amount from your 2013 Schedule J, line 12.
- 2012 but not 2013, enter the amount from your 2012 Schedule J, line 16.
- 2011 but not 2012 or 2013, enter the amount from your 2011 Schedule J, line 4.

Otherwise, enter the tax from your **2011** Form 740, line 12 or Form 740-EZ, line 4.

**Line 19**—If you used Schedule J to figure your tax for:

- 2013, enter the amount from your 2013 Schedule J, line 16.
- 2012 but not 2013, enter the amount from your 2012 Schedule J, line 4.

Otherwise, enter the tax from your **2012** Form 740, line 12 or Form 740-EZ, line 4.

**Line 20**—If you used Schedule J to figure your tax for:

- 2013, enter the amount from your 2013 Schedule J, line 4.

Otherwise, enter the tax from your **2013** Form 740, line 12 or Form 740-EZ, line 4.