



**INSTRUCTIONS FOR SCHEDULE DS**

The distilled spirits credit is a nonrefundable and nontransferable credit that may be claimed against income taxes imposed by KRS 141.020 or KRS 141.040 and the limited liability entity tax imposed by KRS 141.0401 by taxpayers that pay Kentucky property tax on distilled spirits pursuant to KRS 132.160. If the taxpayer is a pass-through entity, such as a partnership, S-corporation or limited liability company classified as a pass-through entity for Kentucky income tax purposes, the taxpayer may apply the credit against the LLET, and pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.

**Purpose of Schedule**—The schedule shall be used to report the capital improvements for which the credit is claimed, up to the amount of distilled spirits ad valorem tax paid during the period the capital improvements were made. The credit must be claimed on the return filed for the year during which the credits were used, which is the year the capital improvements are completed.

**How to File**—Schedule DS must be attached to the tax return.

**Maintaining Records**—The taxpayer must maintain records reflecting the verification of the capital improvements made that are associated with the credit for a period of five years.

**SPECIFIC INSTRUCTIONS**

**General Information**—KRS 141.389(3) provides that the distilled spirits credit may be accumulated for multiple taxable years, and shall be claimed on the return of the taxpayer filed for the taxable year during which the credits were used for capital improvements as provided by KRS 141.389(2). If the distilled spirits ad valorem tax is for multiple taxable years, attach a schedule providing the information on Part II of this Schedule for each taxable year.

**Part I—Capital Improvements**

**Lines 1 to 5**—Enter the capital improvement amounts at the premises of the distiller licensed pursuant to KRS Chapter 243 for each of the categories provided on Lines 1 through 5 that were completed and specifically associated with the ad valorem tax on Part II, Line 3.

**Line 6**—Enter the total of Lines 1 through 5.

**Part II—Computation of the Credit**

**Line 1**—Enter the ad valorem taxable year ending. Enter the 2-digit month and 2-digit year. Begin with the earliest taxable year ending date.

**Line 2**—Enter the date the ad valorem tax was assessed pursuant to KRS 132.160.

**Line 3**—Enter the date the ad valorem tax was paid pursuant to KRS 132.180.

**Line 4**—Enter the amount of the ad valorem tax that was assessed and paid on the dates entered on Lines 2 and 3, respectively.

**Line 5**—Enter the applicable percentage for the taxable year as follows:

- For taxable years beginning on or after January 1, 2015, and before December 31, 2015, the credit shall be equal to twenty percent (20%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2016, and before December 31, 2016, the credit shall be equal to forty percent (40%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2017, and before December 31, 2017, the credit shall be equal to sixty percent (60%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2018, and before December 31, 2018, the credit shall be equal to eighty percent (80%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2019, the credit shall be equal to one hundred percent (100%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.

**Line 6**—Enter the amount on Line 4 multiplied by the percentage on Line 5. Enter the total of line 6 in the Total column.

**Line 7**—Enter the lesser of Part I, line 6 or Part II, line 6; this is the allowable distilled spirits tax credit.