

SCHEDULE TC

Form 740

42A740-TC

Commonwealth of Kentucky
REVENUE CABINET

TAX COMPUTATION SCHEDULE

➤ Attach to Form 740 or 740-X.

➤ See Instructions on Reverse.

1999

Enter name(s) as shown on Form 740, page 1.

Your Social Security Number

Complete this schedule and file with Form 740 if you and/or your spouse are:

- Receiving a lump-sum distribution and compute your tax on Form 4972-K.
- A farmer and are electing to income average.
- Claiming any of the nonrefundable tax credits listed below.

PART I—TAX COMPUTATION

		A. Spouse	B. Yourself (or Joint)
1. Enter Taxable Income from Form 740, line 15	1		
2. Compute tax on amount from line 1 using the Tax Rate Schedule in Part III . Enter tax ..	2		
3. Enter tax from Form 4972-K (Kentucky Tax on Lump-Sum Distributions)	3		
4. Add lines 2 and 3	4		

PART II—TAX CREDIT SUMMARY

		A. Spouse	B. Yourself (or Joint)
5. (a) Tax credits. Multiply \$20 by credits from Form 740, line 8, and enter result	5(a)		
(b) Enter credit for skills training investment (attach copy(ies) of certification; see instructions). (b)			
(c) Enter credit for tax paid to another state (attach copy of return(s) filed with other state(s))	(c)		
(d) Enter credit for hiring qualified unemployed persons (attach Schedule UTC)	(d)		
(e) Enter credit for recycling and/or composting equipment (attach approved Schedule RC)	(e)		
(f) Enter credit for Kentucky Investment Fund (attach copy(ies) of certification; see instructions). (f)			
6. Add amounts on lines 5(a) through (f). Enter total	6		
7. Subtract amount on line 6 from line 4. Enter result here and on Form 740, line 16, and check Schedule TC block. (If line 6 exceeds line 4, enter zero here and on Form 740, line 16.)	7		

PART III—TAX RATE SCHEDULE

This tax rate schedule is to be used for amounts shown on line 1.

If taxable income is:

Tax is:

\$3,000 or less	2% of taxable amount
over \$3,000 but not over \$4,000	\$60 plus 3% of amount over \$3,000
over \$4,000 but not over \$5,000	\$90 plus 4% of amount over \$4,000
over \$5,000 but not over \$8,000	\$130 plus 5% of amount over \$5,000
over \$8,000	\$280 plus 6% of amount over \$8,000

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INSTRUCTIONS—SCHEDULE TC

You must file Schedule TC if:

- ✓ you received a lump-sum distribution and compute your tax on Form 4972-K;
- ✓ you are a farmer and elect to income average; or
- ✓ you claim any of the nonrefundable tax credits listed below.

Line 2—Use the Tax Rate Schedule in Part III to compute your tax.

Personal tax credits will be deducted on line 5(a). You cannot use the optional tax table in the instructions.

Farmers—If you elect Farm Income Averaging on your federal return, you may also use this method for Kentucky. Complete federal Schedule J, using Kentucky income and tax rates. Enter tax before deducting personal tax credits on Line 2, and write “SCH. J” between Lines 1 and 2 of Schedule TC. Attach completed Schedule J.

Line 3, Lump-sum Distribution—Special Five- or 10-Year Averaging—Kentucky allows a special five- or 10-year averaging method for determining tax on lump-sum distributions received from certain retirement plans that qualify for federal five- or 10-year averaging. If this special method is used for federal purposes, Form 4972-K, Kentucky Tax on Lump-Sum Distributions, and Schedule P, Pension Income Exclusion, must be filed with Form 740 and tax must be determined on Schedule TC.

Line 5(a), Tax Credits—You may deduct \$20 for each tax credit claimed.

Line 5(b), Skills Training Investment Tax Credit—Enter the amount of credit certified by the Bluegrass State Skills Corporation. Attach a copy of the certification in the first year claimed. A taxpayer (corporation or individual) who has received a final authorizing resolution from the Bluegrass State Skills Corporation is entitled to a nonrefundable credit against Kentucky individual or corporation income tax. The credit is equal to 50 percent of the approved cost incurred in connection with the company’s occupational or skills upgrade training program. The credit shall not exceed \$500 per employee and \$100,000 per approved company per biennium. The excess credit over the company’s income tax liability in the year approved may be carried forward for three successive taxable years. Partners and shareholders should contact the Revenue Cabinet for instructions.

Line 5(c), Credit for Tax Paid to Another State—Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, a credit for income tax paid to another state may be claimed on Schedule TC. The credit is **limited** to the amount of Kentucky tax savings had the income reported to the other state been omitted, **or** the amount of tax paid to the other state, **whichever is less**.

You may not claim credit for tax withheld by another state. You must file a return with the other state, and pay tax on income also taxed by Kentucky in order to claim the credit. A copy of the other state’s return including a schedule of income

sources must be attached to verify this credit. **If you owe tax in more than one state, the credit for each state must be computed separately.**

Reciprocal States—Kentucky has reciprocal agreements with specific states. These agreements provide that taxpayers be taxed by their state of residence, and not the state where income is earned. Persons who live in Kentucky for more than 183 days during the tax year are considered residents and reciprocity does not apply. The states and types of exemptions are as follows:

Illinois, Ohio, West Virginia—wages and salaries

Indiana—wages, salaries and commissions

Michigan, Wisconsin—income from personal services (including salaries and wages)

Virginia—commuting daily, salaries and wages

Kentucky does not allow a credit for tax paid to a reciprocal state **on the above income**. If tax was withheld by a reciprocal state, you must file directly with the other state for a refund of those taxes.

Line 5(d), Employer’s Unemployment Tax Credit—If you hired unemployed Kentucky residents to work for you during the last six months of 1998 or during 1999, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of \$100. The period of unemployment must be certified by the Department for Employment Services, Cabinet for Workforce Development, Second Floor West, 275 East Main Street, Frankfort, KY 40621-0001, and you must maintain a copy of the certification in your files. To claim this credit you must file Schedule UTC, and use Schedule TC to calculate your tax.

Line 5(e), Recycling and/or Composting Tax Credit—Individuals who purchase recycling or composting equipment to be used exclusively in Kentucky for recycling or composting postconsumer waste materials, are entitled to a credit against the tax equal to 50 percent of the installed cost of the equipment. Application for this credit must be made on Schedule RC, which may be obtained from the Revenue Cabinet. **A copy of Schedule RC and/or Schedule RC (K-1) reflecting the amount of credit approved by the Revenue Cabinet and Schedule TC must be attached to the return.** (See Schedules RC and TC.)

Line 5(f), Kentucky Investment Fund Tax Credit—Enter 25 percent of the total amount certified by the Kentucky Economic Development Finance Authority (KEDFA). Attach a copy of the certification by KEDFA in the first year claimed. Effective for taxable years beginning after December 31, 1998, an investor (corporation or individual) whose cash contribution to an investment fund has been certified by KEDFA is entitled to a nonrefundable credit against Kentucky individual income tax, corporation income tax or corporation license tax equal to 40 percent of the cash contribution. The amount of credit an investor may claim in any taxable year is limited to 25 percent of the total amount of credit certified by the authority as available to the investor. Any excess credit that may be claimed in any given year over the investor’s combined income and license tax liabilities for the year may be carried forward. No credit may extend beyond 15 years of the initial certification.