

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.

2001

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. Enter tax on amount from line 1 using the Tax Rate Schedule in Part III or <input type="checkbox"/> enter tax from Schedule J (Kentucky Farm Income Averaging) (<i>attached</i>)	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 (<i>attach copy(ies) of certification; see instructions</i>). (b)			
(c) Enter credit for tax paid to another state (<i>attach copy of return(s) filed with other state(s)</i>)	(c)		
(d) Enter credit for hiring qualified unemployed persons (<i>attach Schedule UTC</i>)	(d)		
(e) Enter credit for recycling and/or composting equipment (<i>attach approved Schedule RC</i>)	(e)		
(f) Enter credit for Kentucky Investment Fund (<i>attach copy(ies) of certification; see instructions</i>). (f)			
(g) Enter credit for purchases of Kentucky coal used for generating electricity (<i>attach copy(ies) of certification</i>)	(g)		
(h) Enter credit for employer GED Incentive Program (<i>attach copy of Form DAEL-31, Final Report</i>)	(h)		
6. Add amounts on lines 5(a) through (h). 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. (<i>If line 6 exceeds line 4, enter zero here and on Form 740, line 16.</i>)	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. You cannot use the optional tax table in the instructions. Deduct personal tax credits on Line 5(a).

OR

Enter tax from **Schedule J, Kentucky Farm Income Averaging**, Line 22 and check the box. If you elect Farm Income Averaging on your federal return, you may also use this method for Kentucky. Complete and attach Kentucky Schedule J.

Line 3, Form 4972-K, Kentucky Tax on Lump-sum Distribution—Enter tax from Form 4972-K, Line 32. Kentucky allows a special 10-year averaging method for determining tax on lump-sum distributions received from certain retirement plans that qualify for federal 10-year averaging. If this special method is used for federal purposes, complete and attach Form 4972-K, Kentucky Tax on Lump-Sum Distributions, and Schedule P, Pension Income Exclusion.

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. The excess credit over the income tax liability in the year approved may be carried forward for three successive taxable years.

Effective for taxable years beginning after December 31, 1999, S corporations and partnerships may pass through the skills training investment tax credit to shareholders and partners. For information regarding the application and approval process for this credit, contact the Cabinet for Economic Development, Bluegrass State Skills Corporation at (502) 564-2021.

Line 5(c), Credit for Tax Paid to Another State—Attach a copy of the other state's return or other documentation including a schedule of income sources to verify this credit. If you owe tax in more than one state, the credit for each state must be computed separately.

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 must file a return with the other state, and pay tax on income also taxed by Kentucky in order to claim the credit. **You may not claim credit for tax withheld by another state.**

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. You must file directly with the other state for a refund of taxes withheld by a reciprocal state.

Line 5(d), Employer's Unemployment Tax Credit—Enter credit from Schedule UTC, Line 31. Attach Schedule UTC, and maintain a copy of the certification by the Department for Employment Services in your files.

Line 5(e), Recycling and/or Composting Tax Credit—Enter credit from Schedule RC, Part III or Schedule RC K-1, Part III. Attach a copy of Schedule RC and/or Schedule RC (K-1) reflecting the amount of credit approved by the Revenue Cabinet.

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. 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.

Line 5(g), Coal Incentive Tax Credit—Effective for tax returns filed after July 15, 2001, enter the amount of credit certified by the Revenue Cabinet. A copy of the credit certificate issued by the Revenue Cabinet must be attached to the return. Taxpayers who are eligible for low income tax credit and child and dependent care credit should deduct these credits before the coal incentive tax credit. Contact the Revenue Cabinet for additional instructions.

Line 5(h), Employer GED Incentive Tax Credit—Enter the sum of the credits reflected on the attached Form(s) DAEL-31 or Schedule(s) K-1. Attach a copy of the GED-Incentive Program Final Report (Form DAEL-31), for each employee that completed a learning contract during the taxable year. Shareholders and partners should attach a copy of Schedule K-1 showing the amount of credit distributed.