

SCHEDULE K-1

FORM 741

Commonwealth of Kentucky
REVENUE CABINET

**Kentucky Beneficiary's Share
of Income, Deductions, Credits, etc.**

(Complete a separate Schedule K-1 for each beneficiary.)

2002

For calendar year or fiscal year

beginning _____, 2002, and ending _____, 2003.

- Amended K-1
- Final K-1

Name of estate or trust ➤

Beneficiary's identifying number ➤

Estate or trust's federal
employer identification number ➤

Beneficiary's name, address and ZIP code

Fiduciary's name, address and ZIP code

| (a) Allocable Share Item | (b) Federal Amount | (c) Difference | (d) Kentucky Amount |
|--|--------------------|----------------|---------------------|
| 1. Interest | | | |
| 2. Dividends | | | |
| 3. a Net short-term capital gain | | | |
| b Net long-term capital gain | | | |
| 4. a Annuities, royalties and other nonpassive income before directly apportioned deductions (see federal instructions) | | | |
| b Depreciation | | | |
| c Depletion | | | |
| d Amortization | | | |
| 5. a Trade or business, rental real estate and other rental income before directly apportioned deductions (see federal instructions) | | | |
| b Depreciation | | | |
| c Depletion | | | |
| d Amortization | | | |
| 6. Federal estate tax deduction (attach computation) | | | |
| 7. Foreign taxes (attach schedule) | | | |
| 8. Deductions in the final year of estate or trust: | | | |
| a Excess deductions on termination (attach computation) | | | |
| b Short-term capital loss carryover | | | |
| c Long-term capital loss carryover | | | |
| d Net operating loss (NOL) carryover | | | |
| e _____ | | | |
| f _____ | | | |
| 9. Other: (itemize) | | | |
| a _____ | | | |
| b _____ | | | |
| c _____ | | | |
| Resident Adjustment | | | |
| 10. Add lines 1 through 5, 9 and portions of line 8 in column (c). Add income amounts and subtract (loss) and deduction amounts (see instructions). Enter on Form 740, Schedule M, line 3, if difference is positive, or line 14, if difference is negative (see instructions) | | | |

INSTRUCTIONS TO BENEFICIARY

SCHEDULE K-1 (FORM 741)

Who Must File—If you were a Kentucky resident for the entire year, your filing requirement depends upon the amount of adjusted gross income, age and whether you or your spouse are considered to be blind. You must file a return if:

| YOUR FILING STATUS IS | AND | ADJUSTED GROSS INCOME EXCEEDS |
|--|-----|-------------------------------|
| Single Person—Under age 65 | | \$5,000 |
| Single Person—Age 65 or over or blind | | \$5,000 |
| Single Person—Age 65 or over and blind | | \$5,000 |
| Husband and Wife—Both under age 65 | | \$5,000 |
| Husband and Wife—One 65 or over | | \$5,000 |
| Husband and Wife—Both age 65 or over | | \$5,400 |

Any person with gross receipts of \$5,000 or more from self-employment must file a Form 740 regardless of the amount of adjusted gross income or the number of tax credits claimed.

Generally, all income of Kentucky residents, regardless of where it was earned, is subject to Kentucky income tax.

Nonresidents with income from Kentucky sources and part-year residents receiving income while a Kentucky resident or from Kentucky sources while a nonresident must file a Kentucky return. A Form 740-NP must be filed by an individual with income from Kentucky sources and a combined gross income from all sources of \$5,000 or more. Full-year nonresidents must report all income from Kentucky sources and from property located in Kentucky.

Persons moving into Kentucky must report income received from Kentucky sources prior to becoming residents and income received from all sources after becoming Kentucky residents. Residents moving out

of Kentucky during the year must report income from all sources while a resident and from Kentucky sources while a nonresident.

When to Report—Include your share of the estate or trust's income, deductions, credit, etc., as shown by your Schedule K-1 (Form 741) on your Kentucky income tax return for the year in which the tax year of the estate or trust ends. For example, if you, the beneficiary, are on a calendar year, and the estate or trust's tax year ends January 31, 2002, you must take the items listed on Schedule K-1 (Form 741) into account on your tax return for calendar year 2002.

Passive Activity Limitations—Form 740 filers see Form 8582-K and instructions for passive activity loss adjustments. Nonresident beneficiaries (740-NP filers) must complete Form 8582-K and federal Schedule E with Kentucky amounts.

Kentucky Resident Beneficiaries (Form 740 Filers)—If **Line 10**, column (c) is a positive amount, enter the difference as an addition to federal adjusted gross income on Form 740, Schedule M, Line 3. If **Line 10**, column (c) is a negative amount, enter the difference as a subtraction on Form 740, Schedule M, Line 14.

Nonresident Beneficiaries (Form 740-NP Filers)—This Schedule K-1 should reflect *all* income that has been claimed as part of the income distribution deduction. However, nonresident beneficiaries are only subject to tax on the following types of income:

- from Kentucky sources;
- from activities carried on in Kentucky;
- from the performance of services in Kentucky;
- from real or tangible property located in Kentucky; and
- from a partnership or S corporation doing business in Kentucky.