

SCHEDULE KIDA-SP

TAX COMPUTATION SCHEDULE

For taxable year ended

41A720-S22 (12-04)

(FOR A KIDA PROJECT OF S CORPORATIONS OR PARTNERSHIPS)

Mo. / Yr.

Commonwealth of Kentucky DEPARTMENT OF REVENUE

KRS 154.28-010 to 130



Name of S Corporation or Partnership, Federal Identification Number, Kentucky Account Number, Location of Project, Date KIDA Financing/Tax Incentive Agreement was Executed or Activation Date, Economic Development Project Number, City, County, Mo., Day, Yr.

PART I. Computation of KIDA Tax Credit and Tax Due

Table with 2 main columns: Description and Line Number. Includes rows for Kentucky taxable net income, tax computation breakdown (a-f), limitation, and net income tax liability.

PART II. Estimated Tax Election

In accordance with KRS 141.400(4)(b), Name of S Corporation or Partnership elects for the taxable year ended, in lieu of the KIDA tax credit, to have an amount equal to the lesser of line 2(f) or line 3 above applied as an estimated tax payment.

Signature of Corporate Officer or General Partner, Title, Date

TAX PAYMENT SUMMARY (Make check payable to Kentucky State Treasurer.)

Tax Interest Penalty TOTAL



Form 720S, Kentucky S Corporation Income and License Tax Return, or Form 765, Kentucky Partnership Income Return, including this schedule must be mailed to Economic Development Tax Credits, Corporation Income and License Tax Branch, Kentucky Department of Revenue, P.O. Box 181, Frankfort, Kentucky 40602-0181.

INSTRUCTIONS—SCHEDULE KIDA-SP

PURPOSE OF SCHEDULE—This schedule is to be used by any S corporation or partnership which has entered into a financing agreement or a tax incentive agreement for a Kentucky Industrial Development Act (KIDA) project to determine the credit allowed against the Kentucky income tax liability in accordance with KRS 141.400 on the income from the project.

GENERAL INSTRUCTIONS

S corporations and partnerships generally are not subject to Kentucky income tax at the entity level; rather, the shareholders or partners of such entities are subject to Kentucky income tax in their individual or corporate capacity on their distributive share of the entity's net income. However, for purposes of determining the KIDA income tax credit, S corporations and partnerships are subject to tax on net income from the project, and the credit is applied against the entity's tax liability. The net income subject to tax at the entity level and the credit are excluded from the shareholders' or partners' distributive share of income or credits. Use Kentucky Schedule K for S Corporations With Economic Development Projects (Form 720S) or Kentucky Schedule K for Partnerships With Economic Development Projects (Form 765).

The S corporation or partnership should first complete Form 720S, Kentucky S Corporation Income and License Tax Return, or Form 765, Kentucky Partnership Income Return, to determine net income (loss), deductions, etc., from the entire operations of the S corporation or partnership. The S corporation or partnership should then complete Schedule KIDA-SP to determine the KIDA tax credit and the tax due, if any, by the S corporation or partnership after application of the credit.

License Tax—This credit applies only to income tax and cannot be applied against the corporation license tax.

Date Financing Agreement was Executed or Activation Date—For projects which received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 1996, enter the date the financing agreement was executed. For projects which received preliminary approval from KEDFA after July 15, 1996, enter the date established by the approved company as the activation date for implementation of the inducements authorized by the financing agreement.

Multiple Projects—An S corporation or partnership with multiple economic development projects must complete an applicable schedule (Schedule KREDA-SP, Schedule KIDA-SP, Schedule KJDA-SP, Schedule KIRA-SP or Schedule KEOZ-SP) to determine the credit and net tax liability, if any, for each project.

PART I INSTRUCTIONS

Line 1—If the S corporation's or partnership's only operation is the KIDA project, the amount entered on line 1 is the net of both separately stated and nonseparately stated income and deduction items from Form 720S or Form 765, respectively. If the corporation has operations other than the KIDA project, schedules must be attached reflecting the computation of the net income from the KIDA project in accordance with the following instructions, and such amount entered on line 1.

Separate Facility—In accordance with KRS 141.400(6), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.

Expansion of Existing Facility—In accordance with KRS 141.400(7), if the KIDA project is an expansion to an existing facility, the net income of the entire facility shall be determined by the separate accounting method and multiplied by a percentage approved by the Kentucky Department of Revenue to determine net income attributable to the project. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**

Alternative Methods—In accordance with KRS 141.400(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income from the facility at which the project is located, the approved company shall determine net income attributable to the project using an alternative method approved by the Department of Revenue. **Thus, if any method other than separate accounting is used to determine the net income from the project, a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Computing Net Income by Separate Accounting—To compute net income from the facility by separate accounting, gross income directly attributable to the facility shall be reduced by expenses directly attributable to the facility and overhead expenses apportioned to the facility. The amounts of gross receipts and expenses to be included in this separate accounting computation should be determined in accordance with KRS 141.010 in effect for the year.

All gross receipts generated by the sale of product(s) produced by the facility as well as any miscellaneous income generated by the facility shall be included as gross income directly attributable to the facility.

Expenses directly attributable to the facility include, but are not limited to: cost of goods sold, labor, rent, depreciation, interest, supplies, maintenance, legal fees and selling expenses.

Overhead expenses apportioned to the facility are general corporate expenses that are not directly attributable to a specific facility. Overhead expenses shall be reduced by income items such as interest, royalties, etc., that are not directly attributable to a specific facility before being apportioned to the facility. The net expenses shall be apportioned to the facility by a ratio of total receipts of the facility over total receipts of the corporation.

Line 4—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Enter an amount on either (a) or (b); in no case should there be an entry on both (a) and (b). In accordance with KRS 141.347 (5) this estimated payment is excluded in determining each shareholder's distributive share of net income and credits. Thus, the shareholders of the S corporation or partners in a partnership are not entitled to claim any portion of this estimated payment against their Kentucky individual income tax liability.