

SCHEDULE KRA

TAX CREDIT COMPUTATION SCHEDULE

For taxable year ended

41A720-S35 (1-06)

(FOR A KRA PROJECT OF CORPORATIONS)

Mo. / Yr.

KRS 154.34-010 to 100

Commonwealth of Kentucky DEPARTMENT OF REVENUE

Attach to Form 720, Form 720S, Form 725 or Form 765.

Form with fields for Name of Corporation, Federal Identification Number, Kentucky Corporation Account Number, Location of Project, Date KRA Reinvestment Agreement was Executed, Economic Development Project Number, City, and County.

PART I—Tax Liability Method

Method in which greater tax liability was computed on Form 720, Form 720S, Form 725 or Form 765 (check applicable box).

- Checkboxes for: Taxable net income (go to Part II), Lesser of corporation's gross receipts or gross profits (go to Part III), \$175 minimum tax (Enter zero (-0-) on Form 720, Part IV, line 4; Form 720S, Form 725 or Form 765, Part V, line 1. Minimum tax required.)

PART II—Computation of Taxable Net Income Excluding Net Income from KRA Project and KRA Tax Credit

Table with 5 rows for tax computation. Includes columns for Taxable Net Income, Rate, and Tax. Rows include: 1. Enter taxable net income from Form 720, Part I, line 21; Form 720S, Part I, line 24; Form 725, Part I, line 13; or Form 765, Part I, line 26. 2. Less net income from KRA project. 3. Kentucky taxable net income excluding net income from KRA project. 4. Compute tax on amount on line 3. 5. Income tax liability attributable to KRA project.

PART III—Computation of Alternative Minimum (AMC) Excluding Corporations Gross Receipts or Gross Profits from KRA Project

Table for AMC calculation. Includes instructions: 'If alternative minimum calculation (AMC) is based on gross receipts, complete line 1. If based on gross profits, complete line 2.' Rows include: 1. KRA project gross receipts x 0.00095 =. 2. KRA project gross profits x 0.0075 =.

PART IV—Limitation

Table with 6 rows for limitation calculation. Rows include: 1. Enter tax liability from Form 720, Form 720S, Form 725 or Form 765, Part IV, line 3. 2. Subtract minimum required \$175 from line 1 above. 3. Enter tax liability attributable to KRA project from Part II, line 5 or Part III, line 1 or line 2. 4. Enter the lesser of line 2 or line 3. 5. Enter limitation from Schedule KRA-T, Column B. 6. Allowable KRA tax credit (lesser of line 4 or line 5).

If this project is the corporation's only economic development project, enter the amount from this line on Form 720, Part IV, line 4; Form 720S, Form 725 or Form 765, Part V, line 1; and in Column E of Schedule KRA-T. If the corporation has more than one economic development project see instructions.

Economic development project means a project authorized under the Kentucky Industrial Development Act (KIDA), the Kentucky Rural Economic Development Act (KREDA), the Kentucky Jobs Development Act (KJDA), the Kentucky Industrial Revitalization Act (KIRA), the Kentucky Economic Opportunity Zone (KEOZ), the Kentucky Reinvestment Act (KRA) or the Skills Training Investment Credit Act (STICA).

The Kentucky Corporation Income Tax Return (Form 720, Form 720S, Form 725 or Form 765), 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 KRA

PURPOSE OF SCHEDULE—This schedule is to be used by any corporation which has entered into a reinvestment agreement for a Kentucky Reinvestment Act (KRA) project to determine the KRA income tax credit allowed against the Kentucky corporation income tax liability in accordance with KRS 141.415 on the income from the project.

GENERAL INSTRUCTIONS

Due to legislation passed by the 2005 General Assembly, S corporations, limited liability partnerships (LLPs), limited liability companies (LLCs) or similar entities created with limited liability for the partners are now taxed as corporations. The economic development credits are taken at the entity level and are not passed through to the shareholders/partners.

A corporation approved for more than one economic development project and that has total allowable credits for the taxable year greater than the corporation's income tax liability must complete Schedule TCS.

Part I—Tax Liability Method

For tax years beginning on or after January 1, 2005, corporations are required to pay the greater of tax computed on taxable net income, an alternative minimum calculation of an amount equal to the lesser of 9.5 cents per \$100 of gross receipts or 75 cents per \$100 of Kentucky gross profits, or a minimum tax of \$175. Once the tax liability is computed on the Form 720, Form 720S, Form 725 or Form 765, the KRA credits are to be calculated using the same method. If the greatest tax liability is calculated on taxable net income, KRA tax credits are based on income from the project. If the greatest tax liability results from the alternative minimum calculation, then KRA tax credits are based on gross receipts or gross profits from the project. Tax credits cannot reduce the tax liability below the \$175 minimum.

Check the appropriate box for the method in which the tax liability was computed then continue to the corresponding part for the credit calculation.

Part II—Computation of Taxable Net Income Excluding Net Income from KRA Project and KRA Tax Credit

Line 1—Enter taxable income from Form 720, Form 720S, Form 725 or Form 765.

Line 2—If the corporation's only operation in Kentucky is the KRA project, the amount entered on line 1 must be entered on line 2. If the corporation has operations other than the KRA project, it must attach schedules reflecting the computation of the net income from the KRA project in accordance with KRS 141.415(6)(a)* or KRS 141.415(7)(a).***

Lines 3 through 4(d)—Compute tax liability on income excluding project income.

Line 5—The difference between Part II, line 1 and line 4(d) is the income tax liability attributable to the KRA project.

Part III—Computation of Alternative Minimum (AMC) Excluding Corporations Gross Receipts from KRA Project

Line 1—If alternative minimum calculation is based on gross receipts, multiply 0.00095 by KRA project gross receipts in accordance with KRS 141.415(6)(b)** or KRS 141.415(7)(b).****

Line 2—If alternative minimum calculation is based on Kentucky gross profits, multiply 0.0075 by KRA project gross profits in accordance with KRS 141.415(6)(b)** or KRS 141.415(7)(b).****

Part IV—Limitation

Calculate KRA tax credit based on corporation's tax liability, minimum required tax of \$175, tax liability attributable to KRA project, and credit limitation from Schedule KRA-T.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete an applicable tax computation schedule (Schedule KREDA, Schedule KIDA, Schedule KJDA, Schedule KIRA, Schedule KEOZ, or Schedule KRA) for each project. Approved companies for Skills Training Investment Credit (STICA) must attach a copy of the final resolutions received from the Bluegrass State Skills Corporation. Add the allowable credits from all projects. If the total allowable credits from all projects does not exceed the income tax liability reflected on Form 720, Form 720S, Form 725 or Form 765, Part IV, line 3, enter the total on Form 720, Part IV, line 4; or Form 720S, Form 725 or Form 765, Part V, line 1. The credit cannot reduce the tax liability on Part IV, line 3 below the minimum required tax of \$175.

If the total allowable credits from all projects exceed the income tax liability reflected on Form 720, Form 720S, Form 725 or Form 765, Part IV, line 3, the corporation must complete Schedule TCS, Tax Credit Summary Schedule, to reflect the amount of credit claimed from each project for the taxable year.

Alternative Methods—In accordance with KRS 141.415(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, gross receipts or Kentucky gross profits from the facility at which the project is located the approved company shall determine net income, gross receipts or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is

used, a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.

* In accordance with KRS 141.415(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.

** In accordance with KRS 141.415(6)(b), if the project is a totally separate facility, gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the gross receipts or Kentucky gross profits directly attributable to the facility.

*** In accordance with KRS 141.415(7)(a), if the KRA project is an expansion to a previously existing facility net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KRA project shall be determined by apportioning the separate accounting net income of the entire facility to the KRA project income using a formula approved by the Department of Revenue. A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.

**** In accordance with KRS 141.415(7)(b), if the KRA project is an expansion to a previously existing facility gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the gross receipts or Kentucky gross profits attributable to the KRA project shall be determined by apportioning the separate accounting gross receipts or Kentucky gross profits of the entire facility to the KRA project gross receipts or Kentucky gross profits. A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.