SCHEDULE KIRA-SP

41A720-S26 (10-06)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

For taxable year ended

___ ___ / ___ ___
Mo. Yr.

TAX COMPUTATION SCHEDULE

(FOR A KIRA PROJECT OF A GENERAL PARTNERSHIP)

➤ **Attach to Form 765-GP.**

KRS 154.26-010 to 120

Name of General Partnership	Federal Identification Number _ _ – _ _ _ _ _ _ _	
Location of Project City County	Date KIRA Revitalization Agreement was Executed or Activation Date _ _ / _ _ / _ _ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of KIRA Tax Credit and Tax Due

1. Kentucky taxable net income from KIRA project (see instructions)	1	
2. Net operating loss deduction from KIRA project	2	( )
3. Kentucky taxable net income from KIRA project after net operating loss deduction (subtract line 2 from line 1)	3	
4. Compute tax on amount from line 3:		

	Taxable Net Income		Rate	Tax
(a) First $3,000		x	2%	
(b) Next $1,000		x	3%	
(c) Next $1,000		x	4%	
(d) Next $3,000		x	5%	
(e) Over $8,000 up to $75,000		x	5.8%	
(f) Over $75,000		x	6%	

(g) Total income tax liability of KIRA project (add lines 4(a) through 4(f))	4(g)	
5. Limitation (Column D from Schedule KIRA-T)	5	
6. Enter lesser of line 4(g) or line 5 as either:		
(a) KIRA tax credit	6(a)	
or		
(b) Estimated tax payment and complete election in Part II	6(b)	
7. If line 4(g) is larger than line 6(a) or 6(b), enter difference here as the **net income tax liability** of the general partnership. (Any general partnership reflecting a tax liability complete Tax Payment Summary below and remit payment.)	7	

PART II—Estimated Tax Election

In accordance with KRS 141.403(4)(b), ______________________________
Name of General Partnership

elects for the taxable year ended ____________________ , in lieu of the KIRA tax credit, to have an amount equal

to the lesser of line 4(g) or line 5 above applied as an estimated tax payment.

➤ ______________________________
Signature of General Partner Date

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

Tax ____________ Interest ____________ Penalty ____________ **TOTAL** ____________

Form 765-GP, 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 KIRA-SP
(Form 765-GP)

PURPOSE OF SCHEDULE—This schedule is to be used by any general partnership which has entered into a revitalization agreement for a Kentucky Industrial Revitalization Act (KIRA) project to determine the credit allowed against the Kentucky income tax liability in accordance with KRS 141.403 on the income from the project.

GENERAL INSTRUCTIONS

General partnerships generally are not subject to Kentucky income tax at the entity level; rather, the partners of such entities are subject to Kentucky income tax in their individual capacity on their distributive share of the entity's net income. However, for purposes of determining the KIRA income tax credit, general 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 partners' distributive share of income or credits. Use Kentucky Schedule K for Partnerships With Economic Development Projects (Form 765-GP).

The general partnership completes Form 765-GP, Kentucky Partnership Income Return, to determine net income (loss), deductions, etc., from the operations of the general partnership. Next, the general partnership completes Schedule KIRA-SP to determine the KIRA tax credit and the tax due, if any, by the general partnership after application of the credit.

Multiple Projects—A general 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 general partnership's only operation is the KIRA project, the amount entered on line 1 is the net of both separately stated and nonseparately stated income and deduction items from Form 765-GP. If the general partnership has operations other than the KIRA project, schedules must be attached reflecting the computation of the net income from the KIRA project in accordance with the following instructions, and such amount entered on line 1.

Separate Facility—In accordance with KRS 141.403(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 141.403(7), if the KIRA 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 141.403(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 are 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 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 general partnership.

Line 2—Enter the net operating loss from the KIRA project being carried forward from previous years.

Note: Just as the income from the KIRA project does not flow through to general partners, neither do the losses. The project's prior years' losses must be subtracted from project income before calculating the KIRA credit.

Line 6—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 141.403(5) this estimated payment is excluded in determining each shareholder's distributive share of net income and credits. Thus, the partners in a general partnership are not entitled to claim any portion of this estimated payment against their Kentucky individual income tax liability.