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Commonwealth of Kentucky
DEPARTMENT OF REVENUE

765

INSTRUCTIONS

2006
KENTUCKY PARTNERSHIP INCOME TAX RETURN
(LLC, LLP and LP TAXED AS A CORPORATION)

PURPOSE OF THE FORMS

These instructions have been designed for Kentucky partnerships (taxed as a corporation), both domestic and foreign, limited liability partnerships (LLPs), limited liability companies (LLCs) or limited partnerships (LPs), which are required by law to file a Kentucky partnership income tax return (Form 765). It contains the forms and schedules needed by most partnerships. Refer to the chart on page 3 to determine what corporation income tax form your business needs to file. Other schedules are available from the Department of Revenue or Kentucky Taxpayer Service Centers (see page 16).

HOW TO OBTAIN ADDITIONAL FORMS

Forms and instructions are available at some libraries, post offices, courthouses, banks and all Kentucky Taxpayer Service Centers (see page 16). They may also be obtained by writing FORMS, Department of Revenue, Frankfort, KY 40620, or by calling (502) 564-3658. Forms can be downloaded from **www.revenue.ky.gov**. Refer to the instructions on scannable forms for information on the use of faxed copies.

KENTUCKY TAX LAW CHANGES

CORPORATION INCOME TAX

Disregarded Entity Clarification ***(Effective July 12, 2006)***—Clarifies that the owner of a disregarded entity for federal income tax purposes that is doing business in Kentucky shall be considered to have nexus in Kentucky for Kentucky income tax purposes. **KRS 141.010(25)**

HB 403 corrected drafting errors in the Tax Modernization bill (HB 272) enacted in the 2005 session and clarified implementation issues that were unforeseen at the time of the bill's passage. The following are technical corrections to HB 272:

Corporation Estimated Taxes—Safe Harbor ***(Effective for taxable years beginning on or after January 1, 2006)***—Amends KRS 141.042 and KRS 141.990 to provide that a corporation with a prior year tax liability of $25,000 or less will not be subject to underestimation penalties if the corporation income tax declaration payments equal or exceed the prior year's liability. **KRS 141.042 and KRS 141.990**

Includible Corporations ***(Effective retroactively for taxable years beginning on or after January 1, 2006)***—Amends KRS 141.200(9)(d) to allow S corporations to be includible corporations filing a nexus consolidated return. **KRS 141.200**

Intangible Expense ***(Effective retroactively for taxable years beginning on or after January 1, 2005)***—Corrects a drafting error that omitted the term *intangible expense* from KRS 141.205(2), which is the statute that grants authority to disallow deductions taken for payments made to related parties for the expenses related to the acquisition, use, maintenance, management, ownership, sale, exchange or other disposition of intangible property. The term *intangible expense* is already defined in KRS 141.205. **KRS 141.205**

Related Member ***(Effective retroactively for taxable years beginning on or after January 1, 2005)***—Changes the confusing term *related members of an affiliated group* to *related member* in KRS 141.205. *Related member* is a defined term in KRS 141.205 and *related members of an affiliated group* is not defined. Confusion has occurred when reading the term *related members of an affiliated group* because the term *affiliated group* is also defined separately in KRS 141.205 and that definition is in conflict with the definition of *related member*. **KRS 141.205**

Pass-Through Corporation Income Tax Credits ***(Effective retroactively for taxable years beginning on or after January 1, 2006)***—Amends KRS 141.420 to clarify that the nonrefundable and refundable pass-through corporation income tax credits do pass through to individual owners of multitiered ownership structures. **KRS 141.420**

Denial of Pass-Through Credit ***(Effective retroactively for taxable years beginning on or after January 1, 2006)***—Amends KRS 141.420 to clarify that the nonrefundable and refundable pass-through corporation income tax credits are denied to the individual if the corporation fails to pay the corporation income tax liability due. **KRS 141.420**

Repeal of NOL Incurred in First Year of Operations ***(Effective retroactively for taxable years beginning on or after January 1, 2006)***—Repeals KRS 141.012, which provides corporation income taxpayers the option of carrying forward the net operating loss incurred for its first year of operations in Kentucky. KRS 141.011 was amended by HB 272 to require all net operating losses to be carried forward, making KRS 141.012 unnecessary. **KRS 141.012**

Corporation Income Tax Returns for Disregarded Entities ***(Effective retroactively for taxable years beginning on or after January 1, 2006)***—Amends KRS 141.200(10) to clarify that a disregarded single member limited liability company shall be included in the corporation income tax return of its single member. **KRS 141.200**

Tax Relief for Small Business ***(Effective for tax years beginning on or after January 1, 2006)***—Amends KRS 141.040 to provide for exemption, except for the $175 minimum tax, from the alternative minimum computation (AMC) a corporation whose gross receipts or gross profits from all sources are $3 million or less. Also provides for partial relief from the AMC to a corporation whose gross receipts or gross profits from all sources are greater than $3 million but less than $6 million. The bill also preserves the reduction of the maximum corporate income tax rate from 7 percent to 6 percent for years beginning on or after January 1, 2007. **KRS 141.040**

Economic Development Incentives and Credits

Environmental Stewardship Tax Credit—For tax years beginning on or after January 1, 2006, an approved company may be permitted a credit against the Kentucky income tax imposed by KRS 141.020 or KRS 141.040 on the income of the approved company generated by or arising out of a project as determined under KRS 154.48-020. An "environmental stewardship product" means any new manufactured product or substantially improved existing manufactured product that has a lesser or reduced adverse effect on human health and the environment or provides for improvement to human health and the environment when compared with existing products or competing products that serve the same purpose. A company must have eligible cost of at least $5 million and within six months after the activation date, the approved company compensates a minimum of 90 percent of its full-time employees whose jobs were created or retained with base salary wages equal to either: (1) 75 percent of the average hourly wage for the commonwealth; or (2) 75 percent of the average hourly wage for the county in which the project is to be undertaken. The maximum amount of negotiated inducement that can be claimed by a company for any single tax year may be up to 25 percent of the authorized inducement. The agreement shall expire on the earlier of the date the approved company has received inducements equal to the approved costs of its project, or 10 years from the activation date. **KRS 154.48**

Clean Coal Incentive Tax Credit—Effective for tax years ending on or after December 31, 2006, a nonrefundable, nontransferable credit against taxes imposed by KRS 136.120, KRS 141.020 or KRS 141.040 shall be allowed for a clean coal facility. As provided by KRS 141.428, a clean coal facility means an electric generation facility beginning commercial operation on or after January 1, 2005, at a cost greater than $150 million that is located in the Commonwealth of Kentucky and is certified by the Environmental and Public Protection Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies. The amount of the credit shall be $2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit shall be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent or a subsidiary. **KRS 141.428**

CHANGES TO LOOK FOR IN 2007

- KRS 141.010(24) defines "corporation" to mean a "corporation" as defined in Section 7701(a)(3) of the Internal Revenue Code.
- The AMC is repealed and an annual limited liability entity (LLE) tax is imposed on all corporations and limited liability pass-through entities, except for entities specifically exempted.
- The LLE tax is the lesser of a corporation's or limited liability pass-through entity's tax on Kentucky gross receipts or Kentucky gross profits or a minimum of $175.
- An exemption from the LLE tax, except for the $175 minimum, is provided a corporation or a limited liability pass-through entity whose gross receipts or gross profits from all sources are $3 million or less. In addition, partial relief from the LLE tax is granted to a corporation or limited liability pass-through entity whose gross receipts or gross profits from all sources are greater than $3 million but less than $6 million.
- A credit is allowed against the LLE tax of a corporation or limited liability pass-through entity that owns an interest in a limited liability pass-through entity.
- A nonrefundable credit based on the LLE tax calculated above shall be allowed against the tax imposed by KRS 141.020 or KRS 141.040. This nonrefundable credit received from a pass-through entity can be used only against income of the pass-through entity.

FILING FORM GUIDE	
Ownership Scenario	**Form Required**
1. C corporation	720
2. Nexus consolidated group of affiliated corporations (corporations as defined by KRS 141.010(24)) with a C corporation common parent	720
3. Nexus consolidated group of affiliated corporations (corporations as defined by KRS 141.010(24)) with a multi-member LLC common parent	**765** if the LLC common parent is taxed as a partnership for federal tax purposes **720** if the LLC common parent elects to be taxed as a corporation for federal income tax purposes **720S** if the LLC common parent elects to be taxed as an S corporation for federal income tax purposes
4. Nexus consolidated group of affiliated corporations (corporations as defined by KRS 141.010(24)) with S corporation common parent	720S
5. Nexus consolidated group of affiliated corporations (corporations as defined by KRS 141.010(24)) with a single member LLC common parent whose single member is an individual	**725** if the single member LLC common parent is disregarded for federal income tax purposes **720** if the single member LLC elects to be taxed as a corporation for federal income tax purposes **720S** if the single member LLC elects to be taxed as an S corporation for federal income tax purposes
6. S corporation	720S
7. Multi-member LLC	765
8 Single member LLC whose single member is an individual	725
9. Limited liability partnership with 50/50 partners that are corporations or individuals	765
10. Limited partnership	765
11. Nexus consolidated group of affiliated corporations (corporations as defined by KRS 141.010(24)) with an LLP common parent	765
12. General partnership	765-GP
13. Publicly traded partnership (treated as a partnership for federal income tax purposes)	765-GP
14. Qualified investment partnership	765-GP
15. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720
16. Real estate investment trusts	720
17. Financial asset securitization investment trusts	720
18. Regulated investment companies	720
19. Real estate mortgage investment conduits	765

IMPORTANT

Partnerships must create a Kentucky Form 4562 and Schedule D by converting federal forms.

2003 Federal Changes to Section 179 Election to Expense Deduction and Depreciation Not Adopted by Kentucky—The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) which was signed by President Bush on May 28, 2003, has been adopted for Kentucky income tax purposes except for the provisions of the JGTRRA which allow a 50 percent special depreciation allowance and an increase in the Section 179 election to expense deduction from $25,000 to $108,000.

2002 Federal Changes to Section 179 Election to Expense Deduction and Depreciation Still Not Adopted by Kentucky—The Job Creation and Worker Assistance Act of 2002 (JCWAA) which was signed by President Bush on March 9, 2002, has been adopted for Kentucky income tax purposes except for the provisions of the JCWAA which allow a 30 percent special depreciation allowance and an additional Section 179 election to expense deduction for New York Liberty Zone property which are retroactive to September 10, 2001.

Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets—For taxable years beginning before January 1, 2002, Kentucky depreciation and Section 179 deduction are determined in accordance with the Internal Revenue Code (IRC) in effect on December 31, 1999, and for taxable years beginning after December 31, 2001, Kentucky depreciation and Section 179 deduction are determined in accordance with the IRC in effect on December 31, 2001. For calendar year 2006 returns and fiscal year returns that begin in 2006, any partnership income taxpayer that elects any of the following will have a different depreciation or Section 179 expense deduction for Kentucky purposes than for federal purposes:

- 30 percent bonus depreciation allowance;
- 50 percent bonus depreciation allowance;
- additional Section 179 deduction for New York Liberty Zone Property;
- additional depreciation and Section 179 deduction for Gulf Opportunity Zone Property; or
- increased Section 179 deduction from $25,000 to $108,000.

If any of the above federal/Kentucky differences exist, the differences will continue through the life of the assets. There will be recapture and basis differences between Kentucky and federal income tax purposes until the assets are sold or fully depreciated.

Important: If the partnership has not taken the 30 percent special depreciation allowance, the 50 percent special depreciation allowance, the additional Section 179 deduction for New York Liberty Zone Property, or the increased Section 179 deduction for federal income tax purposes on any assets for which a depreciation deduction is being claimed for the taxable year, then no adjustment will be needed for Kentucky income tax purposes. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be submitted with Form 765 to verify that no adjustments are required.**

Determining and Reporting Depreciation and Section 179 Deduction Differences—Federal/Kentucky depreciation or Section 179 deduction differences shall be reported as follows:

1. The amount from Line 16a of the federal Form 1065 must be included on page 4, Schedule OI, Line 3, Form 765. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached to Form 765.**
2. Convert federal Form 4562 to a Kentucky form by entering **Kentucky** at the top center of the form above Depreciation and Amortization. Compute Kentucky depreciation and Section 179 deduction in accordance with the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance and the additional Section 179 deduction. **NOTE:** For Kentucky purposes, the maximum Section 179 deduction amount on Line 1 is $25,000 and the threshold cost of Section 179 property on Line 3 is $200,000. The $25,000 maximum allowable Section 179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying Section 179 property placed in service during the year exceeds $200,000. In determining the Section 179 deduction for Kentucky, the income limitation on Line 11 should be determined by using Kentucky net income before the Section 179 deduction instead of federal taxable income.
3. The corporation **must attach the Kentucky Form 4562** to Form 765, and the amount from Line 22 of the Kentucky Form 4562 must be included on page 4, Schedule OI, Line 7, Form 765 and the amount from Line 12 of the Kentucky Form 4562 must be included on Schedule K, Section I, Line 9. A Kentucky Form 4562 must be filed for each year even though a federal Form 4562 may not be required.

Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year the partnership disposes of assets on which it has taken the special depreciation allowance or the additional Section 179 deduction for federal income tax purposes, the corporation will need to determine and report the difference in the amount of gain or loss on such assets as follows:

1. Convert **federal Schedule D (Form 1065)** and other applicable federal forms to Kentucky forms by entering **Kentucky** at the top center of the form, and compute the Kentucky capital gain net income from the disposed assets using Kentucky basis. Include the amount from Line 5 of the Kentucky Schedule D (Form 1065) on Line 4(d) or 7, Section I of Schedule K, Form 765. Include the amount from Line 11 of the Kentucky Schedule D (Form 1065) on Line 4(e) or 7, Section I of Schedule K, Form 765. **Federal Schedule D (Form 1065) filed with the federal return and the Kentucky Schedule D must be attached to Form 765.**
2. If the amount reported on Line 6 of federal Form 1065, Net Gain or (Loss) Form 4797, is a gain, include this amount on page 4, Schedule OI, Line 8, Form 765. If the amount reported on Line 4 of federal Form 1065, Net Gain or (Loss) Form 4797, is a loss, include this amount on page 4, Schedule OI, Line 4, Form 765. Convert **federal Form 4797** and other applicable federal forms to Kentucky forms by entering **Kentucky** at the top center of the form, and compute the Kentucky gain or (loss) from the sale of business property using Kentucky basis. If the amount on Line 17 of Kentucky Form 4797 is a gain, include this amount on page 4, Schedule OI, Line 4, Form 765. If the amount on Line 17 of Kentucky Form 4797 is a loss, include this amount on page 4, Schedule OI, Line 8, Form 765. **Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached to Form 765.**

Tax Treatment of Kentucky Partnership (Taxed as a Corporation) and Partner(s)

For taxable years beginning on or after January 1, 2005, partnerships (except general partnerships) are taxed as corporations and shall pay for each taxable year a tax to be computed by the taxpayer (partnership) on taxable net income as defined in KRS 141.010(14) or the alternative minimum calculation computed under KRS 141.040. In addition, the partner's distributive share of net income, gain, loss, or deduction shall be computed as nearly as practicable in a manner identical to that required for federal income tax purposes except for the differences required by KRS 141.010. **KRS 141.420**

Resident partners of a partnership shall report and pay tax on the distributive share of net income, gain, loss, or deduction. Nonresident partners of a partnership shall report and pay tax on the distributive share of net income, gain, loss, or deduction multiplied by the apportionment fraction in KRS 141.120(8). **KRS 141.420(2)**

Resident and nonresident individual partners shall be entitled to a nonrefundable credit against tax imposed under KRS 141.020 (Kentucky individual income tax). The credit shall be the partners' proportionate share of the tax due from the corporation as determined under KRS 141.040, before the application of any credit identified in KRS 141.0205(4) and reduced by the required minimum imposed by KRS 141.040(6). **KRS 141.420(3)**

For taxable years beginning after December 31, 2004, and before January 1, 2007, the portion of the credit computed as provided above that exceeds the credit that would have been utilized if the corporation's income were taxed at the rates in KRS 141.020 shall be refundable. The refundable portion of the credit shall be the partners' proportionate share of the amount computed by multiplying the amount the corporation's income exceeds $216,600 by 1 percent. **KRS 141.420(3)**

The nonrefundable credit determined above shall not operate to reduce the partners' tax due to an amount that is less than what would have been payable were the income attributable to doing business in this state by the corporation ignored.

A nonresident individual shareholder, partner or member receiving distributive share income from an S corporation or a partnership (LLC, LLP and LP taxed as a corporation) whose only Kentucky source income is net distributive share income from an S corporation or partnership (LLC, LLP and LP taxed as a corporation) is not required to file a Kentucky Individual Income Tax Return (Form 740-NP), provided that the net distributive share does not included dividends, guaranteed payments, income derived from disposal of coal, or any other distributive share income not taxed at the corporate entity level exceeding the threshold amount determined under KRS 141.066.

A Kentucky Individual Income Tax Return (Form 740-NP) must be filed if the nonresident individual shareholder, partner or member has other Kentucky source income including distributive share income from dividends, guaranteed payments, income derived from disposal of coal, or any other distributive share income not taxed at the corporate level exceeding the threshold amount determined under KRS 141.066. KRS 141.180(2)(c)

GENERAL INFORMATION

Internal Revenue Code Reference Date—Effective for taxable years beginning after December 31, 2004, Kentucky Revised Statute (KRS) 141.010(3) was amended to define "Internal Revenue Code" (IRC) for Kentucky income tax purposes to mean the IRC in effect on December 31, 2004, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2004, that would otherwise terminate and as modified by KRS 141.0101, except that for property placed in service after September 10, 2001, only the depreciation and expense deductions allowed under Sections 168 and 179 of the Internal Revenue Code in effect on December 31, 2001, exclusive of any amendments made subsequent to that date. **KRS 141.010(3)**

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each partnership should complete a Kentucky Tax Registration Application, Revenue Form 10A100. The application is available at Kentucky Taxpayer Service Centers (see page 16) or from the Taxpayer Registration Section, Department of Revenue, Frankfort, KY 40620. The application may be faxed to (502) 227-0772.

Who Must File—A Kentucky Partnership Income Tax Return, Form 765, must be filed by every partnership: (a) being organized under the laws of this state; (b) having a commercial domicile in this state; (c) owning or leasing property in this state; (d) having one or more individuals performing services in this state; (e) maintaining an interest in a general partnership doing business in this state; (f) deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purpose; or (g) directing activities at Kentucky customers for the purpose of selling them goods or services. **KRS 141.010(25), KRS 141.040, KRS 141.200 and KRS 141.206**

Disregarded Entities—A limited liability company (LLC) is treated for Kentucky income tax purposes in the same manner as it is treated for federal income tax purposes. Therefore, a single member LLC that is disregarded for federal income tax purposes **and is doing business in this state** shall be included in the return filed by its single member (parent entity). Any LLC that is not doing business in this state would not be included in this filing of the single member (parent entity). A single member filing Form 1065 for federal purposes must file Form 765. Therefore, only an LLC with nexus in Kentucky is to be included in the parent return. **KRS 141.010(25), KRS 141.200(10) and Regulation 103 KAR 16:300**

General Partnerships—Partnerships filing as a corporation and doing business in Kentucky solely as a partner in a general partnership will file Form 765 pursuant to the provisions of KRS 141.010, 141.120 and 141.206. (See Schedule A—Apportionment and Allocation Instructions, Sales Factor.)

Required Forms and Information—Each partnership must enter all applicable information on Form 765, attach a schedule for each line item or line item instruction which states "attach schedule," and the following forms or schedules, if applicable:

Kentucky Forms and Schedules

1. Partnership Income Tax Return (Form 765)
2. Alternative Minimum Calculation (Schedule AMC)
3. Partner's Share of Income, Credits, Deductions, Etc.—Schedule K-1 (Form 765)
4. Apportionment and Allocation (Schedule A)
5. Application for Filing Extension (Form 41A720SL)
6. Net Operating Loss Schedule (Schedule NOL)
7. Kentucky Affiliations and Payment Schedule (Form 851-N)
8. Kentucky Nexus Consolidated Return Schedule (Schedule KCR)
9. Kentucky Nexus Consolidated Return Schedule—Continuation Sheet (Schedule KCR-C)
10. Tax Credit Summary Schedule (Schedule TCS)

Required Federal Forms and Schedules

All partnerships **must** provide a copy of the following federal forms submitted to the Internal Revenue Service:

1. Form 1065, Pages 1 through 4
2. Form 4797—Sales of Business Property
3. Schedule D—Capital Gains and Losses
4. Form 5884—Work Opportunity Credit
5. Schedules for items on Form 1065, Schedule L, which state, "attach schedule."
6. Form 4562—Depreciation and Amortization
7. Form 8825—Rental Real Estate Income and Expenses of a Partnership or an S Corporation

Electronic Funds Transfer (EFT)

The Department of Revenue is accepting electronically filed corporation income tax estimated tax voucher payments. Before filing by EFT, the corporation must have a valid Kentucky corporation account number which is a six-digit number and have registered with the Department of Revenue to file EFT. Using an incorrect account number such as withholding or sales and use tax **will** result in the payment being credited to another corporation's account. For more information contact the Department of Revenue at 1-800-839-4137 or (502) 564-6020. The EFT registration form is on our Web site at **www.revenue.ky.gov**. See E-Filing and Payment Options **(click on KY *E-Tax*)** located in the upper right-hand corner of the Web site. The direct link is **www.revenue.ky.gov/etax.htm**.

EFT is **not** available for either a corporation's return payment or extension payment. Corporations will be notified when it is available.

SCANNABLE FORMS

Application for Six-month Extension of Time to File, Form 41A720SL, and Kentucky Estimated Tax Voucher, Form 720ES, are scannable forms. There are boxes on these forms where scannable data is to be entered. Use **black ink** to enter data. Either handwritten data or machine print is acceptable. Numbers should be written like this:

0 1 2 3 4 5 6 7 8 9

When entering data in these boxes, the numbers should be right justified (blank spaces should be on the left). **No dollar signs, commas, decimals or other symbols should be used.** If there is no information to be entered in a box, leave it blank. All amounts should be rounded to the nearest dollar and no cents entered. For example, $11,949.50 or $11,950.49 would be entered:

, 1 1 , 9 5 0

Reference Mark—There is a reference mark and form number near the bottom corner of each form. **Please do not write in this area.**

41A720SL0513

Important: Use only an **original printed** Form 41A720SL or Form 720ES or an approved computer-generated version of these forms since data must be placed in specific areas on the form to be read correctly. Use of photocopies or faxed copies may cause delays in the processing of these forms.

Substitute Forms—Any form to be used in lieu of an official Department of Revenue form must be submitted to the department for prior approval.

Accounting Procedures—Kentucky income tax law requires a partnership to report income on the same calendar or fiscal year and to use the same methods of accounting required for federal income tax purposes. Any federally approved change in accounting periods or methods must be reported to the Department of Revenue. Attach a copy of the federal approval to the return when filed. **KRS 141.140**

Mailing/Payment—Mail the return with payment to Kentucky Department of Revenue, Frankfort, KY 40620. Make the check payable to Kentucky State Treasurer.

Filing/Payment Date—A partnership return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year. Mail the return with payment to Kentucky Department of Revenue, Frankfort, KY 40620. Make the check payable to **Kentucky State Treasurer. KRS 141.160, KRS 141.220 and Regulation 103 KAR 15:050**

If the filing/payment date falls on a Saturday, Sunday or a legal holiday, the filing/payment date is deemed to be on the next business day. **KRS 446.030(1)(a)**

Extensions—An extension of time to file a partnership income tax return may be obtained by either making a specific request to the Department of Revenue or attaching a copy of the federal extension to the return when filed. **A copy of the federal extension submitted after the return is filed does not constitute a valid extension, and late filing penalties will be assessed.** If the partnership is making a payment with its extension, Kentucky Form 41A720SL must be used. For further information, see the instructions for Form 41A720SL. **Regulation 103 KAR 15:050**

NOTE: An extension of time to file a return does not extend the date for payment of tax.

Corporation Estimated Tax Payments—Estimated tax payments must be made by each partnership whose income tax liability for the taxable year can reasonably be expected to exceed $5,000. In general, the first estimated tax payment must be made by the 15th day of the sixth month of the taxable year. To determine the amount of the first payment, subtract $5,000 from the estimated full-year tax liability, and divide the result by two. The remaining one-half is due in equal installments on the 15th day of the ninth and 12th month, respectively.

Corporation Estimated Tax—Safe Harbor—Every corporation subject to taxation under KRS 141.040 shall make a declaration of estimated tax and must pay installments if the tax imposed by KRS 141.040 for the taxable year can reasonably be expected to exceed $5,000. A corporation that has a prior year tax liability less than or equal to $25,000 and fails to make estimated payments equal to its prior year tax liability ***or*** has a prior year tax liability of greater than $25,000 and fails to pay at least 70 percent of the tax liability less $5,000 will be subject to a penalty of 10 percent of any underpayment of any installment. **KRS 141.042, KRS 141.044(1) and KRS 141.990**

NOTE: KRS 141.040 provides that tax is the greater of regular income tax or the Alternative Minimum Computation (AMC).

Failure to pay estimated tax installments equal to the amount determined by subtracting $5,000 from 70 percent of the total income tax liability shown on the return for the taxable year will result in the assessment of an underpayment penalty. The amount of the penalty is 10 percent of the amount of the underpayment, but not less than $25. ***Form 2220-K, Underpayment of Estimated Tax by Corporations, must be attached.* KRS 131.180(3), KRS 141.990(3) and Regulation 103 KAR 15:050**

The Corporation Estimated Income Tax Voucher, Form 720ES, is used to submit estimated tax payments. Electronic funds transfer is available. See **Electronic Funds Transfer (EFT)** on this page for more details. If the corporation is required to make estimated tax payments but did not receive Form 720ES, contact the Department of Revenue at (502) 564-3658 or visit our Web site at **www.revenue.ky.gov**.

Amended Return—To correct Form 765 as originally filed, file an amended Form 765 and check the appropriate box on page 1. If the amended return results in a change in income or a change in the distribution of any income or other information provided to partners, an amended Schedule K-1 (Form 765) must also be filed with the amended Form 765 and given to each partner. Check the Amended K-1 box on each Schedule K-1 to indicate that it is an amended Schedule K-1.

Records Retention—The Department of Revenue deems acceptable virtually any records retention system which results in an essentially unalterable method of records storage and retrieval, provided: (a) authorized Department of Revenue personnel are granted access, including any specialized equipment; (b) taxpayer maintains adequate back-up; and (c) taxpayer maintains documentation to verify the retention system is accurate and complete.

Internal Revenue Service Audit Adjustments—A partnership which has received final adjustments resulting from Internal Revenue Service audits must submit a copy of the "final determination of the federal audit" within 30 days of the conclusion of the federal audit. Use Form 765 for reporting federal audit adjustments and check the Amended Return box.

Interest—Interest at the tax interest rate is applied to corporation income tax liability not paid by the date prescribed by law for filing the return (determined without regard to extensions thereof). The tax interest rate for 2007 is published in the January 2007 ***Kentucky Tax Alert*** or you may contact the Department of Revenue at (502) 564-8139 to obtain the tax interest rate.

Penalties

Failure to file an income tax return by the filing date including extensions—2 percent of the tax due for each 30 days or fraction thereof that the return is late (maximum 20 percent). The minimum penalty is $10. **KRS 131.180(1)**

Jeopardy Fee—A $100 minimum penalty on all nonfiled returns, when the taxpayer fails to file a return or provide information after being requested to do so by the Department of Revenue. **KRS 131.150(2)**

Failure to pay income tax by the payment date—2 percent of the tax due for each 30 days or fraction thereof that the payment is overdue (maximum 20 percent). The minimum penalty is $10. **KRS 131.180(2)**

Late payment or underpayment of estimated tax—10 percent of the late payment or underpayment. The minimum penalty is $25. **KRS 131.180(3)**

Failure or refusal to file an income tax return or furnish information requested in writing—5 percent of the tax assessed for each 30 days or fraction thereof that the return is not filed or the information is not submitted (maximum 50 percent). The minimum penalty is $100. **KRS 131.180(4)**

Negligence—10 percent of the tax assessed. **KRS 131.180(7)**

Fraud—50 percent of the tax assessed. **KRS 131.180(8)**

Cost of Collection Fees

(a) 25 percent on all taxes which become due and owing for any reporting period, regardless of when due. These collection fees are in addition to all other penalties provided by law. **KRS 131.440(1)(a)**

(b) 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before December 1, 2001. **KRS 131.440(1)(b)**

(c) 50 percent of any tax deficiency assessed after the amnesty period for nonfiled returns eligible for amnesty. **KRS 131.440(1)(c)**

FORM 765—SPECIFIC INSTRUCTIONS

Period Covered

File the 2006 return for calendar year 2006 and fiscal years that begin in 2006. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 765.

All partnerships must enter Taxable Year Ending at the top right of Form 765 and supporting forms and schedules to indicate the ending month and year for which the return is filed.

- A calendar year is a period from January 1 through December 31 each year. This would be entered as:

1 2 / 0 6
Mo. Yr.

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2007, would be entered as:

0 1 / 0 7
Mo. Yr.

- A 52/53-week year is a fiscal year that varies between 52 and 53 weeks. Example: A 52/53-week year ending the first week of January 2007, would be entered as:

1 2 / 0 6
Mo. Yr.

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

Item A—Number of partners (Attach K-1s).

Name and Address—Print or type the partnership's name as set forth in the Articles of Organization. For the address, include the suite, room or other unit number after the street address. If the U.S. Postal Service does not deliver mail to the street address and the partnership has a P.O. Box, show the box number instead of the street address (see **Item E** if a change in name or address has occurred).

Telephone Number—Enter the business telephone number of the partner or member signing this return.

North American Industrial Classification System (NAICS)—Enter your six-digit NAICS code. To view a complete listing of NAICS codes, visit the United States Census Bureau Web site at **www.census.gov**.

Item B—Enter the partnership's Federal Identification Number. See federal Publication 583 if the partnership has not obtained this number.

Item C—Enter the six-digit **Kentucky Income Account Number** in the appropriate box at the top of each form and schedule and on all checks and correspondence. This number is located in correspondence received from the Department of Revenue as a result of registration.

If the account number is not known, telephone (502) 564-8139.

Item D—Check the box to indicate separate return or nexus consolidation. A nexus consolidated return as provided by KRS 141.200(10) is required if the partnership (LLC, LLP or LP taxed as a corporation) owns an includible corporation as provided by KRS 141.200(9). A single member LLC that is disregarded for federal income tax purposes is not an includible corporation as provided by KRS 141.209(9), but a disregarded entity to be included with its single member.

Item E—Check the applicable boxes:

(a) *LLC*—This return is for a limited liability company, *LP* for a limited partnership, and *LLP* for a limited liability partnership.

(b) *Initial Return*—This return is the partnership's initial return. Complete questions 1, 2 and 3 on Form 765, page 3, Schedule Q, Kentucky Partnership Questionnaire.

(c) *Final Return*—This is the partnership's final return. The partnership has dissolved or withdrawn. Submit an explanation.

(d) *Amended Return*—Submit an explanation for the amended return.

(e) *Short-period Return*—This return is a short-period return. Submit an explanation for the short-period return.

(f) *Change of Name/Address*—A change in name or address has occurred. Submit a copy of the amendment of the Articles of Organization for a name change.

(g) *No Packet Required*—The corporation does not require a forms packet in future years since the forms will be obtained from an alternative source, e.g., software.

INSTRUCTIONS FOR PREPARING THE FORM 765

NOTE: The starting point for computation of Kentucky ordinary income (loss) is on page 4 of this return. This computation is necessary in order to comply with the corporate statute KRS 141.420(1)(b) which states:

> "For a corporation filing a return under paragraph (a) of this subsection, the individual partner's, member's, or shareholder's distributive share of net income, gain, loss, or deduction shall be computed as nearly as practicable in a manner identical to that required for federal income tax purposes except to the extent required by differences between this chapter and the federal income tax law and regulations."

The next step is to determine whether a separate return or a nexus consolidated return needs to be filed. The provisions of KRS 141.200(9) provide that an "affiliated group" means one or more chains of includible corporations connected through stock ownership, membership interest or partnership interest with a common parent if the ownership interest encompasses at least 80 percent of the voting power of all classes of ownership interests and has a value equal to at least 80 percent of the total value of all ownership interest. KRS 141.200(10) provides that every corporation doing business in Kentucky except those exempt from taxation under KRS 141.040(1)(a) to (h) shall, for each taxable year, file a separate return unless the corporation is an includible corporation in an affiliated group. KRS 141.200(11)(a) provides that an affiliated group, whether or not filing a federal consolidated return shall file a consolidated return which includes all includible corporations.

Therefore, a partnership (taxed as a corporation) that owns at least 80 percent of an LLC, LLP, LP or a C corporation doing business in Kentucky, must file a nexus consolidated income tax return and complete Schedule KCR (Form 720S and 765), and if needed, KCR-C (Form 720S and 765). A single member LLC that is disregarded for federal income tax purposes is not an includible corporation as provided by KRS 141.200(9), but a disregarded entity to be included with its single member.

Include each LLC that has nexus in Kentucky as provided by KRS 141.200.

SCHEDULE OI (FORM 765)

PAGE 4—ORDINARY INCOME (LOSS) COMPUTATION

Line 1—Enter the amount from Form 1065, Line 22, ordinary income (loss) from trade or business activities. **Attach Form 1065, pages 1, 2, 3 and 4.** Partnerships filing nexus consolidated returns must complete and attach to the income tax return Schedule KCR (Form 765) and if needed, Schedule KCR-C (Form 765), Kentucky Consolidated Return Schedule Continuation Sheet.

Additions to Federal Ordinary Income—Lines 2, 3 and 4 itemize items of additional income or unallowed deductions which are differences between federal ordinary income and Kentucky ordinary income.

Line 2—Enter state taxes measured in whole or in part by gross or net income. "State" means any state of the United States, the District of Columbia, the commonwealth of Puerto Rico, any territory or possession of the United States or any foreign country or political subdivision thereof. Attach a schedule reflecting the total taxes deducted on Form 1065. **KRS 141.010(13)(a)**

Line 3—Enter federal depreciation (do not include Section 179 deduction). See instructions on page 4 regarding depreciation and Section 179 deduction. If a federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached.

Line 4—Enter other differences which result in additions to federal ordinary income in computing Kentucky ordinary income:

(a) See instructions on page 4 regarding **differences in gain or loss from disposition of assets**. If applicable, include the amount of loss reported on Line 6 of federal Form 1065 and the amount of gain from Line 17 of Kentucky Form 4797. **Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached.**

(b) To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied to Kentucky gross/net income rather than federal gross/net income. **KRS 141.050**

(c) Any difference in the gain (loss) upon disposition of intangible assets resulting from a difference between the accumulated federal amortization deduction and the accumulated Kentucky amortization deduction. **Regulation 103 KAR 15:090**

Line 5—Enter the total of Lines 1, 2, 3 and 4.

Subtractions from Federal Ordinary Income—Lines 6 through 8 itemize items of additional deductions allowed which are differences between federal ordinary income and Kentucky ordinary income.

Line 6—Enter the amount of the work opportunity credit reflected on federal Form 5884. For Kentucky purposes, the partnership may deduct the total amount of salaries and wages paid or incurred for the taxable year. **This adjustment does not apply for other federal tax credits.**

Line 7—Enter Kentucky depreciation (do not include Section 179 deduction). See instructions on page 4 regarding depreciation and Section 179 deduction differences, and if applicable, Kentucky Form 4562 must be attached.

Line 8—Enter other differences which result in subtractions to federal ordinary income in computing Kentucky ordinary income:

(a) See instructions on page 4 regarding **differences in gain or loss from disposition of assets.** If applicable, include the amount of gain reported on Line 6 of federal Form 1065 and the amount of loss from Line 17 of Kentucky Form 4797. ***Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached.***

(b) To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied to Kentucky gross/net income rather than federal gross/net income. **KRS 141.050**

(c) Any difference in the gain (loss) upon disposition of intangible assets resulting from a difference between the accumulated federal amortization deduction and the accumulated Kentucky amortization deduction. **Regulation 103 KAR 15:090**

Line 9—Subtract Lines 6, 7 and 8 from Line 5.

SCHEDULE K (FORM 765)

General Instructions—Complete all applicable lines entering the total pro rata share amount for each item listed. Federal instructions for Form 1065 and federal Schedule K provide additional information which will assist the partnership in completing Schedule K, Form 765.

Special Note for Multiple-Tier Pass-Through Entities

If a corporation identified in subparagraphs 2 to 8 of KRS 141.010(24)(b) is a partner, shareholder, or member of another corporation identified in subparagraphs 2 to 8 of KRS 141.010(24)(b), the amount of income, gain, loss, deduction, refundable credit, or nonrefundable credit that the entity receives from the entity in which it is a partner, shareholder, or member shall proportionately pass through to the corporation's individual partners, members, or shareholders based upon the distributive share ratio. The phrase "a corporation identified in subparagraphs 2 to 8 of KRS 141.010(24)(b) is a partner, shareholder, or member of another corporation identified in subparagraphs 2 to 8 of KRS 141.010(24)(b)" shall extend through each level of multitiered ownership.

The nonrefundable and refundable credits provided by this section shall be allowed only to the extent that the tax is paid by the corporation. If after the credits are disallowed the corporation subsequently pays the tax due, the nonrefundable and refundable credits shall then be allowed.

Section I—Income (Loss) and Deductions

Line 1—Enter Kentucky ordinary income (loss) from trade or business activities reported on Form 765, Schedule OI, Ordinary Income (Loss) Computation, Line 9.

Line 2—Enter net income (loss) from rental real estate activities reported on federal Schedule K, Form 1065, adjusted to reflect any differences in Kentucky and federal income tax laws.

Line 3(a)—Enter the gross income from other rental activities reported on federal Schedule K, Form 1065.

Line 3(b)—Enter the expenses from other rental activities reported on federal Schedule K, Form 1065, adjusted to reflect any differences in Kentucky and federal income tax laws.

Line 3(c)—Enter the difference of Line 3(a) and Line 3(b).

Line 4(a)—Enter interest income from federal Schedule K, Form 1065, adjusted to exclude tax-exempt U.S. government interest, if any, and to include interest income from obligations of states other than Kentucky and their political subdivisions.

Lines 4(b) and 4(c)—Enter the amount of dividend and royalty income reported on federal Schedule K, Form 1065.

Line 4(d)—See instructions on page 4 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 5 of the Kentucky Schedule D that is portfolio income. Report any gain or loss that is not portfolio income on Line 7, Schedule K, Form 765. **Kentucky Schedule D must be attached to Form 765.** Otherwise, enter the amount from Line 5 of the federal Schedule D (Form 1065) that is portfolio income.

Line 4(e)—See instructions on page 4 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 11 of the Kentucky Schedule D that is portfolio income. Report any gain or loss that is not portfolio income on Line 7, Schedule K, Form 765. **Kentucky Schedule D must be attached to Form 765.** Otherwise, enter the amount from Line 11 of the federal Schedule D (Form 1065) that is portfolio income.

Line 4(f)—Enter any other portfolio income not reported on Lines 4(a) through 4(e), Schedule K, Form 765.

Line 5—Enter guaranteed payments to partners from federal Schedule K, Form 1065.

Line 6—See instructions on page 4 regarding **differences in gain or loss from disposition of assets**. If applicable, enter the amount from Line 7 of the Kentucky Form 4797, and **Kentucky Form 4797 must be attached to Form 765**. Otherwise, enter net gain (loss) under Section 1231 from federal Form 4797. Do not include net gains (losses) from involuntary conversions due to casualties or thefts on this line. Instead, report them on Line 7.

Line 7—Enter all other items of income (loss) of the partnership not included on Lines 1 through 6. See federal instructions for Schedule K, Form 1065.

Line 8—Enter total contributions paid by the partnership during its taxable year and attach a schedule showing separately the contributions subject to the 50 percent, 30 percent and 20 percent limitations. These percentage limitations must be applied to the Kentucky amounts rather than the federal amounts.

Also, enter amount of deduction allowable from Schedule HH for the value of leasehold interest of property donated for living quarters for a homeless family. The ordinary charitable contribution deduction must be reduced by any amount attributable to property on which this deduction is taken.

Line 9—See instructions on page 4 regarding **depreciation and Section 179 deduction differences**, and if applicable, include the amount from Line 12 of the Kentucky Form 4562. ***Kentucky Form 4562 must be attached***. Otherwise, enter Section 179 deduction from federal Form 4562.

Line 10—Enter the expenses related to portfolio income reported on federal Schedule K, Form 1065, adjusted to exclude expenses related to tax-exempt interest income and other exempt income.

Line 11—Enter any other deductions of the partnership not included on Lines 8, 9 and 10. See federal instructions for Schedule K, Form 1065.

Line 12(a)—Enter the partnership's deductible interest expense allocable to debt on property held for investment purposes. Property held for investment purposes includes property that produces investment income (interest, dividends, annuities, royalties, etc.). The total amount entered should equal the amount of interest expense reported on federal Schedule K, Form 1065, adjusted to exclude any interest expense on debts incurred to purchase or carry investment property producing, or held for the production of, U.S. government interest income.

Lines 12(b)(1) and (b)(2)—Enter only the investment income included on Lines 4(a), 4(b), 4(c) and 4(f), Schedule K, Form 765, and only the investment expenses related thereto included on Line 10, Schedule K, Form 765. See federal instructions for Schedule K, Form 1065.

Line 13(a)—Enter the information provided on federal Schedule K, Form 1065, Line 13c(1).

Line 13(b)—Enter the amount reported on federal Schedule K, Form 1065, Line 13c(2).

Line 14—Enter the total amount of interest income of the partnership from U.S. government bonds and securities and obligations of Kentucky and its political subdivisions.

Line 15—Enter the total amount of any other type of income of the partnership on which the partner is exempt from Kentucky income tax.

Line 16—Enter the total amount of nondeductible expenses paid or incurred by the partnership including, but not limited to, state taxes measured by gross/net income, expenses related to tax-exempt income, etc. Do not include a deduction reported elsewhere on Schedule K, Form 765, capital expenditures or items the deductions for which are deferred to a later year.

Line 17—Enter the amount reported on federal Schedule K, Form 1065, Line 19a and 19b.

Line 18—Attach schedules to report the partnership's total income, expenses and other information applicable to items not included on Lines 1 through 17 including, but not limited to, any recapture of Section 179 deduction, gross income and other information relating to oil and gas well properties enabling the partnership to figure the allowable depletion deduction, and any other information the partners need to prepare their Kentucky income tax returns. See federal instructions for Schedule K, Form 1065, Line 13d.

Kentucky domestic production activities deduction (KDPAD)—KDPAD is only computed for corporations as defined in KRS 141.010(24). General partnerships (Form 765-GP), limited liability partnerships (Form 765), S corporations (Form 720S), and individually owned single member LLC(s) (Form 725 or Schedule CP, Form 725) shall provide for partners/shareholders/members that are corporations, individual nonresidents, estates, trusts, or general partnerships the Kentucky domestic production gross receipts, the federal domestic production gross receipts and Kentucky wages. In addition, general partnerships shall provide the Kentucky qualified production activities income from the general partnership to its partners or the necessary Kentucky information to compute this amount. Attach this information to this return and the distributive share to each of the Schedule K-1s. Also, see additional instructions on Kentucky Form 8903-K.

Section II—Kentucky Distributable Corporation Income and Tax Credits

Line 1—Enter the total of partners' net distributive share of taxable income (loss) from page 1, Part I, Line 29.

Line 2—Multiply Line 1 by the total of the individual partners' proportionate share.

Line 3—Enter amount from page 2, Part IV, Line 5.

Line 4—Enter amount from page 2, Part IV, Line 6.

Nonresident Withholding (Form 740NP-WH)

Warning—Do not withhold on nonresident individual partners as they are not subject to withholding as provided by the provisions of Administrative Regulation 103 KAR 18:070. Withholding payments will result in delay in processing the partnership return and claim for refunds.

PAGE 1 INSTRUCTIONS

PART I – TAXABLE INCOME COMPUTATION

Separate Entity Kentucky Return—If the partnership is filing a separate return, complete Lines 1 through 29 following the instructions for each line

Mandatory Nexus Consolidated Return—If the partnership is filing a mandatory nexus consolidated return, attach Schedule KCR and if needed Schedule KCR-C listing each member of the consolidated group. Enter the consolidated totals from Lines 1 through 22 of Schedule KCR on Form 765, Part I, Lines 1 through 22.

Line 1—Enter the amount from Schedule K, Section I, Line 1—Kentucky Ordinary income (loss) from trade or business activities.

Line 2—Enter the amount from Schedule K, Section I, Line 2—Net income (loss) from rental real estate activities.

Line 3—Enter the amount from Schedule K, Section I, Line 3(c)—Net income (loss) from other rental activities.

Line 4—Enter the amount from Schedule K, Section I, Line 4(a)—Interest income.

Line 5—Enter the amount from Schedule K, Section I, Line 4(c)—Royalty income.

Line 6—Enter the net gain (if loss, enter zero) from Schedule K, Section I, Line 4(d)—Net short-term capital gain (loss) and Line 4(e)—Net long-term capital gain (loss). A corporation may only use its capital losses to offset its capital gains (Code Sec. 1211(a)). A corporation may carry back a capital loss to each of the three tax years preceding the loss year. Any excess may be carried forward for five years following the loss year. However, the amount carried back is limited to an amount that does not cause or increase a net operating loss in the carryback year (Code Sec. 1212(a)(1)). **For a corporation, whose first tax year begins in 2006, capital losses shall be carried forward.**

Line 7—Enter the amount from Schedule K, Section I, Line 4(f)—Other portfolio income (loss).

Line 8—Enter the amount from Schedule K, Section I, Line 6—Section 1231 net gain (loss).

Line 9—Enter the amount from Schedule K, Section I, Line 7—Other income (loss).

Line 10—Enter the total of Lines 1 through 9.

Line 11—Enter total from Line 11—Worksheet on page 2, Form 765. KRS 141.010(12) adjustments which were not made in the Ordinary Income (Loss) Computation or Schedule K, Section I, Lines 1 through 11 and Line 13(b).

Line 12—Enter the total of Lines 10 and 11.

Line 13—Enter the amount from Schedule K, Section I, Line 8—Charitable contributions adjusted, if applicable, as follows:

Limitation on Deduction—The total amount of charitable contributions claimed cannot be more than 10 percent of net income on Line 23 computed without regard to the deduction for contributions. **KRS 141.050**

Carryover—Charitable contributions over the 10 percent limitation cannot be deducted for the tax year but can be carried over to the next five years.

Special rules apply if the corporation claims a net operating loss deduction (NOLD) for the tax year (does not apply to 2005 tax year). In figuring the charitable contribution deduction for the tax year, the 10 percent limit is applied using the taxable income after taking into account any deduction for the NOLD.

Line 14—Enter the amount from Schedule K, Section I, Line 9—Section 179 expense deduction.

Line 15—Enter the amount from Schedule K, Section I, Line 10—Deductions related to portfolio income (loss).

Line 16—Enter the amount from Schedule K, Section I, Line 11—Other deductions, not previously deducted; Schedule K, Section I, Line 12(a), Interest expense on investment debts. Also include items from Schedule K, Section I, Line 18, Other items and amounts required to be reported separately to partners, such as pension expenses paid on behalf of partners, and other allowable deductions for corporation income tax purposes. Medical insurance expenses paid on behalf of partners are deductible if not previously deducted as guaranteed payments from ordinary income.

Line 17—Enter the amount from Schedule K, Section I, Line 13(b)—Amount of Section 59(e)(2) expenditures. The election of Code Section 59(e)(1) shall be made by the corporate entity. If the corporate entity elects the optional 10-year write-off provided by Code Section 59(e)(1) the amount entered on Line 15 would be the qualified expenditures taken ratably over 10-year period (3-year period is the case of circulation expenses). Intangible drilling and development costs may be deducted over a 60-month period, beginning with the month paid or incurred.

Line 18—Enter the total of Lines 13 through 17.

Line 19—Enter depletion for oil and gas properties. To determine the allowable depletion deduction for Kentucky purposes, the percentage limitation provided by the Internal Revenue Code must be applied to Kentucky gross/net income rather than the federal gross/net income. **KRS 141.050**

Line 20—Enter other adjustments provided by KRS 141.010(13) which were not made in the Ordinary Income (Loss) Computation or Schedule K, Section I, Lines 1 through 11 or 13(b).

Line 21—Enter the total of Lines 18 through 20.

Line 22—Enter Line 12 less Line 21.

Line 23—Enter the amount from Schedule NOL (Form 720S, 725 or Form 765), Part I, Section A, Line 7 or Part I, Section A, Line 8. Schedule NOL (Form 720S, 725 or Form 765) must be completed by all partnerships filing a nexus consolidated return. Includible corporations that have incurred a net operating loss shall not deduct an amount that exceeds, in the aggregate, 50 percent of the income realized by the remaining includible corporations that did not realize a net operating loss. The portion of any net operating loss limited by the application of the provision shall be available for carryforward. **KRS 141.200(11)(b)**

Line 24—Enter the total of Lines 22 and 23.

Line 25—Enter the amount from Line 24 or the amount from Line 8 of Schedule A, Section II, if applicable. A corporation "doing business in this state" must allocate and apportion its income to Kentucky by using a three factor (payroll, property, and sales) apportionment formula with a double weighted sales factor. "Doing business in this state" includes, but is not limited to: (a) being organized under the laws of this state; (b) having a commercial domicile in this state; (c) owning or leasing property in this state; (d) having one or more individuals performing services in this state; (e) maintaining an interest in a general partnership doing business in this state; (f) deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purpose; or (g) directing activities at Kentucky customers for the purpose of selling them goods or services. **KRS 141.120 and KRS 141.010(25)**

Kentucky Net Operating Loss Deduction (NOLD)—The net operating loss carryback deduction is not allowed for net operating losses incurred for taxable years beginning on or after January 1, 2005. The amount of the net operating loss to be carried forward and deducted for Kentucky income tax purposes is the amount of net operating loss determined under KRS Chapter 141.

When the tax liability is based on the Alternative Minimum Calculation (AMC), the net operating loss deduction (NOLD) utilized is the amount that the taxable income **before the NOLD** exceeds the *taxable net income equivalent*. **NOTE:** T*axable net income equivalent* means the **amount of** taxable net income that would generate an income tax equal to the AMC liability computed under KRS 141.040. **KRS 141.011, KRS 141.200(11) and Regulation 103 KAR 16:250**

Line 26—If the corporation is filing as a separate entity enter the amount from Schedule NOL (Form 720S, 725 or 765) Part II, Section A, Line 1, but not more than the net income on Line 25, or enter zero (0) if corporation is filing a mandatory nexus consolidated return. **KRS 141.011, KRS 141.050 and Regulation 103 KAR 16:250**

Line 27—Subtract Line 26 from Line 25.

Line 28—Enter the amount of Kentucky domestic production activities deduction from Kentucky Form 8903-K, Line 21 or zero (0) if not filing a Form 8903-K. **Regulation 103 KAR 16:310**

Line 29—Subtract Line 28 from Line 27.

PART II—TAX COMPARISON

Line 1—Enter the regular income tax. The following rates are applied to the taxable net income on Part I, Line 29:

(a) 4 percent of the first $50,000 of taxable net income;
(b) 5 percent of taxable net income in excess of $50,000, but not in excess of $100,000; and
(c) 7 percent of taxable net income in excess of $100,000.

Short-period Computation of Income Tax—A corporation filing an income tax return for a period of less than 12 months is required to annualize taxable net income. To annualize taxable net income, multiply taxable net income computed for the short period by 365 divided by the number of days in the short period. The income tax liability shall be the tax computed on the annualized income multiplied by the number of days in the short period and divided by 365. **KRS 141.140**

Line 2—Enter the amount from Schedule AMC, Section D, Line 1.

PART III—TAX COMPUTATION

Line 1—Enter the amount from Part II, greater of Line 1, Line 2 or $175 minimum.

Line 2—Enter the recycling/composting equipment tax credit recapture. If the recycling/composting equipment tax credit recapture is for equipment placed in service and approved by the Department of Revenue before January 1, 2005, the corporation may elect to recapture the tax credit at the corporate level (attach Schedule RC-R). If the election is not made, attach Schedule RC-R and a Schedule RC-R (K-1) for each partner. **KRS 141.390**

Line 3—Enter the total of Lines 1 and 2.

Line 4—Enter the total tax credits from Schedule TCS, Part III, Column E.

Line 5—Subtract Line 4 from Line 3 and enter result or $175, whichever is greater. A minimum of $175 shall be due, regardless of the application of any credits provided under any provisions of the Kentucky Revised Statutes for which the business entity may qualify. **KRS 141.040(6)**

Line 6—Enter the total of estimated tax payments made for the taxable year. Do not include the amount credited from prior year. Check the box if Form 2220-K is attached.

Line 7—Enter the amount of tax paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation Income Tax Return.

Line 8—Enter the amount credited to 2006 from Part IV, Line 11 of the 2005 tax return.

Line 9—If Line 5 is greater than the total of Lines 6 through 8, enter the difference on this line and submit payment.

Line 10—If Line 5 is less than the total of Lines 6 through 8, enter the difference.

Line 11—Enter the portion of Line 10 to be credited to 2007.

Line 12—Enter the portion of Line 10 to be refunded (Line 10 less Line 11).

PART IV—CORPORATION INCOME TAX CREDIT FOR PARTNERS

Line 1—Enter the amount from Part III, Line 1.

Line 2—Enter minimum tax of $175.

Line 3—Enter the total of nonindividual partners' distributive share of the corporation income tax. Line 1 less Line 2 multiplied by the total of the nonindividual partners' proportionate share.

Line 4—Line 1 less Lines 2 and 3 (individual partners' corporation income tax credit to be distributed). The credit determined under KRS 141.420(3)(b)shall be the members', shareholders', or partners' proportionate share of the tax due from the corporation as defined in KRS 141.040, before the application of any credits identified in subsection (4) of KRS 141.0205 and reduced by the required minimum imposed by subsection (6) of KRS 141.040. **KRS 141.420(3)**

Lines 5 and 6—If taxable net income (Part I, Line 29) is greater than $216,600, multiply the excess by 1 percent and by the total individual partners' proportionate share and enter this amount on Line 6.

Determine the individual partners' proportionate share of the tax credit (page 2, Part IV, Line 4) less the amount entered on Line 6, and enter on Line 5.

Tax Payment Summary

Tax—Check the applicable box that denotes the method used to calculate the tax paid: Income, AMC Gross Receipts, AMC Gross Profits or Minimum $175.

The payment submitted with Form 765 must be itemized. Enter the amount of tax payment from Part III, Line 9, on the Tax line, the amount of interest payment on the Interest line, the amount of penalty payment on the Penalty line, and the total payment on the TOTAL line.

No Packet Required—The partnership does not require a forms packet in future years since the forms will be obtained from an alternative source, e.g., software.

Signature—Form 765 must be signed by a partner or member. **Failure by a partner or member to sign the return, to complete all applicable lines on any required Kentucky form, to attach all applicable schedules including copies of federal forms, or to complete all information on the questionnaire will delay the processing of tax returns and may result in the assessment of penalties**.

SCHEDULE K-1 (FORM 765)—KENTUCKY PARTNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

General Instructions

Schedule K-1 (Form 765) shows each partner's pro rata share of the partnership's income, deductions, credits, etc. On each Schedule K-1 (Form 765) enter the names, addresses and identifying numbers of the partner and partnership, complete items A, B, C, D and E. All partners' names, Social Security or identifying numbers and other partner information must be complete and legible. Schedule K-1 (Form 765) must be completed and given to each partner with instructions on or before the day on which Form 765 is filed with the Department of Revenue.

A copy of each partner's K-1 (Form 765) must be attached to Form 765 filed with the Department of Revenue, and a copy kept as part of the partnership's records.

Photocopies of Schedule K-1 (Form 765) may be used in lieu of the official schedule printed by the Department of Revenue, provided the photocopies are on bond paper of at least 16 pounds and are of good quality.

Specific Instructions

Federal instructions for Schedule K-1 (Form 1065) explain the rules for allocating items of income (loss), deductions, credits, etc., to each partner. The total pro rata share items (Column (b)) of all Schedules K-1 (Form 765) must equal the amounts reported on the same lines of Schedule K (Form 765), Lines 1 through 18. Lines 19 through 24 do not correspond with Schedule K (Form 765).

Multiple Activities—If items of income, loss or deduction from more than one activity are reported on Lines 1, 2 or 3 of Schedule K-1 (Form 765), the partnership must provide information for each activity to its partners. See **Passive Activity Reporting Requirements** in the instructions for Schedule K-1 (Form 1065) for details on the information to be provided on an attachment to Schedule K-1 (Form 765) for each activity.

At-Risk Activities—If the partnership is involved in one or more at-risk activities for which a loss is reported on Schedule K-1 (Form 765), the partnership must report information separately for each at-risk activity. See **Special Reporting Requirements for At-Risk Activities** in the federal instructions for Schedule K-1 (Form 1065) for details on the information to be provided on an attachment to Schedule K-1 (Form 765) for each at-risk activity.

Lines 1 through 18—Enter the shareholder's total pro rata share of each item listed on Schedule K, Form 765. **Do not multiply these amounts by the percentage entered on Item D(2)**. Attach schedules showing separately the required information for each IRC Section 469 passive activity and each Section 465 at-risk activity. Other schedules are to be attached for line items where requested on Schedule K-1 (Form 765).

Enter on attached schedules the supplemental information required to be reported separately to each partner for Lines 1 through 18 and any other information or items and amounts not included on Schedule K-1 (Form 765) that the partner needs to prepare a Kentucky income tax return including, but not limited to, any recapture of Section 179 deduction, gross income and other information relating to oil and gas well properties enabling the partner to figure the allowable depletion deduction, etc. See instructions for federal Schedule K-1 (Form 1065), Line 20.

Special Note to Multitiered Entities: Include on Lines 19 through 21 only income subject to tax on this return. Do not include amounts from Line 11—Worksheet, Line (c) or (d). Provide a separate schedule for income, loss and credit the partnership received as a partner or member. Include name, address, FEIN, for each entity and the partners' pro rata share of items requested for Lines 19 through 21.

Line 19—Enter individual partner's pro rata share of distributable income (loss) taxed under KRS 141.040 from page 4, Schedule K, Section II, Line 2.

Line 20—Enter individual partner's pro rata share of nonrefundable Kentucky corporation income tax credit from page 4, Schedule K, Section II, Line 3.

Line 21—Enter individual partner's pro rata share of refundable Kentucky corporation income tax credit from page 4, Schedule K, Section II, Line 4.

Lines 22 through 24—The amounts in Column (b) are to be entered by the partner, not the partnership.

Tax Credit Summary Schedule

Schedule TCS

Economic Development Tax Credits—This section is completed only if the corporation has been approved for one or more of the credits authorized by the Kentucky Rural Economic Development Act (KREDA–KRS 154.22), the Kentucky Jobs Development Act (KJDA–KRS 154.24), the Kentucky Industrial Revitalization Act (KIRA–KRS 154.26), the Kentucky Industrial Development Act (KIDA–KRS 154.28), the Kentucky Economic Opportunity Zone (KEOZ–KRS 154.23), the Skills Training Investment Credit Act (STICA–KRS 154.12–2084 to 2089) or the Kentucky Reinvestment Act (KRA–KRS 154.34). **If an amount is entered, the return and applicable schedules *must* be mailed to Economic Tax Credits, Tax Credits Section, Department of Revenue, P.O. Box 181, Frankfort, KY 40602-0181.**

To qualify for the KREDA, KJDA, KIRA, KIDA, KEOZ or KRA credits, the corporation must be approved by the Kentucky Economic Development Finance Authority (KEDFA) and have executed and activated the appropriate agreement with KEDFA. Form(s) and instructions for the computation of the credit(s) will be mailed to the approved corporation. To claim any of these credits, the applicable tax credit schedule must be attached.

To claim the STICA credit, a copy of the final authorizing resolution received from the Bluegrass State Skills Corporation reflecting the amount of credit awarded must be attached. The credit shall be claimed on the income tax return filed for the taxable year during which the final authorizing resolution is adopted by the Bluegrass State Skills Corporation. If the amount of the credit exceeds the income tax liability for the taxable year during which the final authorizing resolution is adopted by the Bluegrass State Skills Corporation, the excess may be carried forward for three successive years. If the credit claimed is being carried forward from a prior year, attach a schedule reflecting the computation of the amount of credit available to be carried forward in addition to the final authorizing resolution from the Bluegrass State Skills Corporation.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department of Financial Incentives at (502) 564-7670.

Historic Preservation Restoration Tax Credit—This line is completed only if the corporation has been approved for the credit by the Kentucky Heritage Council. Credit allowed against taxes imposed by KRS 141.020 and KRS 141.040 for qualified rehabilitation expenses on certified historic structures. For more information regarding this credit visit the Council's Web site at www.heritage.ky.gov.

Unemployment Tax Credit—If a corporation has hired a Kentucky resident classified as unemployed for at least 60 days and the resident remains in the employ of the corporation for 180 consecutive days during the tax year (a qualified person), the corporation may be entitled to the unemployment tax credit. For each qualified person, a one-time nonrefundable credit of $100 may be claimed. The period of unemployment must be certified by the Education Cabinet, Department of Workforce Investment, Office of Employment and Training, Frankfort, KY, and a copy of the certification must be maintained by the corporation. For certification questions, call (502) 564-7456. To claim this credit, Schedule UTC must be attached. **KRS 141.065**

Recycling/Composting Tax Credit—A corporation, which purchases recycling and/or composting equipment to be used exclusively in Kentucky for recycling or composting post-consumer waste materials, may be entitled to a nonrefundable credit against the income tax imposed on the corporation by KRS Chapter 141 in an amount equal to 50 percent of the installed cost of the equipment. Application for this credit must be made on Schedule RC, and a copy of the schedule reflecting the amount of credit approved by the Department of Revenue must be attached to the corporation's return on which the credit is claimed. The amount of this credit claimed for the tax year may not exceed 25 percent of the income tax liability and cannot exceed 10 percent of the credit approved in the first year of eligibility.

For taxable years beginning after December 31, 2004, a corporation which purchases recycling and/or composting equipment to be used exclusively in Kentucky for recycling or composting post-consumer waste material that qualifies as a Major Recycling Project is entitled to a nonrefundable credit against the income tax imposed on the corporation by KRS Chapter 141. The credit is an amount equal to 50 percent of the installed cost of the recycling or composting equipment limited to: 50 percent of the excess of the total of each tax liability over the baseline tax liability of the taxpayer or $2,500,000. To qualify, the taxpayer must: (1) invest more than $10,000,000 in recycling or composting equipment to be used exclusively in this state; (2) have more than 750 full-time employees with an average hourly wage of more than 300 percent of the federal minimum wage; and (3) have plant and equipment with a total cost of more than $500,000,000. Application for this credit must be made on Schedule RC, and a copy of the schedule reflecting the amount of credit approved by the Department of Revenue must be attached to the corporation's return on which the credit is claimed. The credit is limited to a period of 10 years commencing with the approval of the recycling credit application.

A taxpayer is entitled to claim the recycling credits in KRS 141.390(a) and (b) but cannot claim both for the same recycling and/or composting equipment.

Enter the amount of additional recycling credit allowed from Schedule RC-R, Disposition of Recycling or Composting Equipment, Line 10. **Schedule RC-R must be attached. KRS 141.390**

Coal Conversion Tax Credit—A corporation which converts boilers from other fuels to the use of Kentucky coal or which substitutes Kentucky coal for other fuels in a boiler capable of burning coal and other fuels to produce energy for specific purposes may be entitled to a credit against corporation income tax equal to 4.5 percent of expenditures for Kentucky coal (less transportation costs). Unused portions of this credit may not be carried forward or back. To claim this credit, Schedule CC must be attached. **KRS 141.041**

Corporation Enterprise Zone Update—Effective December 31, 2005, the Lexington and Owensboro enterprise zones expired. To date, Ashland, Covington, Hickman, Lexington, Louisville and Owensboro enterprise zones have expired. For corporate tax purposes, qualified businesses in these enterprise zones will no longer be able to claim a credit for tax year ended 2006. However, previous year carryforwards will be allowed. A schedule of this carryforward is required.

Enterprise Zone Tax Credit—Except for companies located within the former Ashland, Covington, Hickman, Lexington, Louisville and Owensboro enterprise zones, for employees hired on or after July 14, 1992, a corporation certified by the Kentucky Enterprise Zone Authority as a qualified business may be entitled to a nonrefundable credit against Kentucky corporation income tax equal to 10 percent of wages paid to each employee who has been certified by the Education Cabinet, Department of Workforce Investment, Office of Employment and Training, as having been unemployed for at least 90 days or having received public assistance benefits, based on need and intended to alleviate poverty, for at least 90 days prior to employment with the qualified business. For certification questions, call (502) 564-7456. The credit is limited to $1,500 per employee, and any unused credit may be carried forward for up to five years. To claim the credit, Schedule EZC must be attached. **KRS 154.45-090**

Kentucky Investment Fund Tax Credit—A corporation which makes a cash contribution to an investment fund approved by KEDFA in accordance with KRS 154.20-250 to 154.20-284 is entitled to a nonrefundable credit equal to 40 percent of the investor's proportional ownership share of all qualified investments made by its investment fund and verified by the authority. The credit may be applied against corporation income tax. **To claim the credit a copy of the notification from KEDFA reflecting the amount of credit granted and the year in which the credit may first be claimed must be attached to the return.**

The tax credit amount that may be claimed by an investor in any tax year shall not exceed 50 percent of the initial aggregate credit amount approved by the authority for the investment fund which would be proportionally available to the investor. ***Example:*** *An investor with a 10 percent investment in a fund which has been approved for a total credit to all investors of $400,000 would be limited to $20,000 maximum credit in any given year.*
($400,000 x 10% x 50%)

If the amount of credit that may be claimed in any tax year exceeds the corporation's income tax liability the excess credit may be carried forward, but the carryforward of any excess tax credit shall not increase the limitation that may be claimed in any tax year. Any credit not used in 15 years, including the year in which the credit may first be claimed, shall be lost.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department of Financial Incentives at (502) 564-7670.

Coal Incentive Tax Credit—Effective for tax returns filed after July 15, 2001, an electric power company or a company that owns and operates a coal-fired electric generating plant may be entitled to a coal incentive tax credit. Application for this credit is made on Schedule CI, Application for Coal Incentive Tax Credit, and a copy of the credit certificate issued by the Kentucky Department of Revenue must be attached to the corporation's return on which the credit is claimed. **KRS 141.0405**

Qualified Research Facility Tax Credit—A corporation is entitled to a credit against corporation income tax of 5 percent of the qualified costs of construction, remodeling, expanding and equipping facilities in Kentucky for "qualified research." Any unused credit may be carried forward 10 years. Schedule QR, Qualified Research Facility Tax Credit, must be attached to the corporation's return on which this credit is claimed. Federal Form 6765, Credit for Increasing Research Activities, must also be attached if applicable. See instructions for Schedule QR for more information regarding this credit. **KRS 141.395**

GED Incentive Tax Credit—To claim this credit attach the GED-Incentive Program Final Report (Form DAEL-31) for each employee that completed a learning contract during the tax year. The credit reflected on this line must equal the sum of the credits reflected on the attached GED-Incentive Program Final Reports. This credit may be claimed only in the year during which the learning contract was completed and unused portions of the credit may not be carried forward or back. For information regarding the program, contact the Education Cabinet, Kentucky Adult Education, Council on Postsecondary Education. **KRS 151B.127**

Voluntary Environmental Remediation Tax Credit (Brownfield)—This line is completed only if the corporation has an agreed order with the Environmental and Public Protection Cabinet under the provisions of KRS 224.01-518 and has been approved for the credit by the Department of Revenue. Maximum credit allowed to be claimed per taxable year is 25 percent of approved credit. For more information regarding credit for voluntary environmental remediation property, contact the Environmental and Public Protection Cabinet at (502) 564-3350. To claim this credit, Schedule VERB must be attached. **KRS 141.418**

Biodiesel Tax Credit—Producers and blenders of biodiesel are entitled to tax credit against taxes imposed by KRS 141.020 and KRS 141.040. The taxpayer must file a claim for biodiesel credit with the Department of Revenue by January 15 each year for biodiesel produced or blended in the previous calendar year. The department shall issue a credit certification to taxpayer by April 15. The credit certification must be attached to the tax return on which credit is being claimed. **KRS 141.424 and Regulation 103 KAR 15:140**

Environmental Stewardship Tax Credit—For tax years beginning on or after January 1, 2006, an approved company may be permitted a credit against the Kentucky income tax imposed by KRS 141.020 or KRS 141.040 on the income of the approved company generated by or arising out of a project as determined under KRS 154.48-020. An "environmental stewardship product" means any new manufactured product or substantially improved existing manufactured product that has a lesser or reduced adverse effect on human health and the environment or provides for improvement to human health and the environment when compared with existing products or competing products that serve the same purpose. A company must have eligible cost of at least $5 million and within six months after the activation date, the approved company compensates a minimum of 90 percent of its full-time employees whose jobs were created or retained with base salary wages equal to either: (1) 75 percent of the average hourly wage for the commonwealth; or (2) 75 percent of the average hourly wage for the county in which the project is to be undertaken. The maximum amount of negotiated inducement that can be claimed by a company for any single tax year may be up to 25 percent of the authorized inducement. The agreement shall expire on the earlier of the date the approved company has received inducements equal to the approved costs of its project, or 10 years from the activation date. For more information, contact the Cabinet for Economic Development, Old Capitol Annex, 300 West Broadway, Frankfort, Kentucky 40601. **KRS 154.48**

Caution: An approved company under the Environmental Stewardship Act shall not be entitled to the recycling credit provided under the provisions of KRS 141.390 for equipment used in the production of an environmental stewardship project.

Clean Coal Incentive Tax Credit—Effective for tax years ending on or after December 31, 2006, a nonrefundable, nontransferable credit against taxes imposed by KRS 136.120, KRS 141.020 or KRS 141.040 shall be allowed for a clean coal facility. As provided by KRS 141.428, a clean coal facility means an electric generation facility beginning commercial operation on or after January 1, 2005, at a cost greater than $150 million that is located in the Commonwealth of Kentucky and is certified by the Environmental and Public Protection Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies. The amount of the credit shall be $2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit shall be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent or a subsidiary. **KRS 141.428**

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branch
200 Fair Oaks Lane
Frankfort, KY 40620
(502) 564-3658
www.revenue.ky.gov (Internet)

Information:

Corporation Income and License Tax Branch
Department of Revenue
P.O. Box 1302
Frankfort, KY 40602-1302

Department of Revenue
200 Fair Oaks Lane
Frankfort, KY 40620
(502) 564-8139

KENTUCKY TAXPAYER SERVICE CENTERS

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities.

Ashland, 134 Sixteenth Street, 41101-7670
(606) 920-2037

Bowling Green, 201 West Professional Park Court, 42104-3278
(270) 746-7470

Central Kentucky, 200 Fair Oaks Lane, Frankfort, 40620
(502) 564-4581 *(Taxpayer Assistance)*

Corbin, 15100 North US 25E, Suite 2, 40701-6188
(606) 528-3322

Hopkinsville, 181 Hammond Drive, 42240-7926
(270) 889-6521

Louisville, 620 South Third Street
Suite 102, 40202-2446
(502) 595-4512

Northern Kentucky, Turfway Ridge Office Park
7310 Turfway Road, Suite 190
Florence, 41042-4871
(859) 371-9049

Owensboro, 311 West Second Street, 42301-0734
(270) 687-7301

Paducah, Clark Business Complex, Suite G
2928 Park Avenue, 42001-4024
(270) 575-7148

Pikeville, Uniplex Center, Suite 203
126 Trivette Drive, 41501-1275
(606) 433-7675

TANGIBLE PERSONAL PROPERTY TAXES—The listing period for tangible personal property is January 1 through May 15 of each year. Each taxpayer is responsible for reporting his tangible personalty subject to ad valorem taxation. The Tangible Personal Property Tax Return, Revenue Form 62A500, and instructions can be obtained from your local county property valuation administrator's office or the Office of Property Valuation. You may also go to **www.revenue.ky.gov** to download these forms. A separate form must be filed for each location in Kentucky where you have tangible personal property.

Kentucky Department of Revenue
Mission Statement

As part of the Finance and Administration Cabinet the mission of the Kentucky Department of Revenue is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens.

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The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

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The DOR has an online taxpayer service center where you can download forms, publications, and obtain general information about the department. The address is <u>www.revenue.ky.gov</u>.

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The Kentucky Taxpayers' Bill of Rights may be found in the Kentucky Revised Statutes (KRS) at Chapter 131.041—131.081. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.183, 131.500, 133.120, 133.130, 134.580 and 134.590.