

SCHEDULE KRA

41A720-S35 (10-07)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



For taxable year ended

___/___/___
Mo. Yr.

**TAX CREDIT COMPUTATION SCHEDULE
(FOR A KRA PROJECT OF CORPORATIONS)**

KRS 154.34-010 to 100

► **Attach this schedule to Form 720.**

Name of Corporation	Federal Identification Number _____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Date KRA Reinvestment Agreement was Executed ___/___/___ Mo. Day Yr.	Economic Development Project Number _____

PART I—Computation of LLET Excluding KRA Project

1. LLET from Form 720, Part I, line 1	1	
2. LLET on KRA project (see instructions)	2	
3. LLET excluding LLET on KRA project (line 1 less line 2)	3	

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

Section A—Computation of Corporation Tax

1. Enter income tax from Form 720, Part III, line 1	1	
2. LLET of corporation (Part I, line 1)	2	
3. LLET credit allowed (line 2 less \$175, but not more than Section A, line 1)	3	
4. Total corporation tax (add lines 1 and 2 less line 3)	4	

Section B—Computation of Tax Excluding KRA Project

1. Enter taxable net income from Form 720, Part I, line 23	1	
2. Enter net income from KRA project, if loss enter -0-	2	
3. Taxable income excluding net income from KRA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	
4. Corporation income tax on amount of line 3:		
Taxable Net Income Rate Tax		
(a) First \$50,000		X 4%
(b) Next \$50,000		X 5%
(c) All income over \$100,000 ..		X 6%
(d) Total income tax liability excluding KRA project (add lines 4(a) through 4(c))	4(d)	
5. LLET excluding LLET on KRA project (Part I, Line 3)	5	
6. Enter LLET from line 5 less \$175, but not more than Section B, line 4(d)	6	
7. Total tax excluding KRA project (add lines 4(d) and 5 less line 6)	7	
8. Total tax attributable to KRA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	

PART III—Limitation

1. Enter tax liability attributable to KRA project from Part II, Section B, line 8	1	
2. Enter balance of approved costs from Schedule KRA-T, Column B	2	
3. Allowable KRA tax credit (lesser of line 1 or line 2)	3	

Enter allowable credit on Schedule TCS, Part I, Column E and Column F

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



The Kentucky Corporation Income Tax and LLET Return (Form 720), including this schedule *must be mailed* to Economic Development Tax Credits, Corporation Income and License Tax Branch, Kentucky Department of Revenue, P.O. Box 181, Frankfort, Kentucky 40602-0181.

INSTRUCTIONS—SCHEDULE KRA

The KRA tax credit is applied against the corporation income tax imposed under KRS 141.040 and/or the limited liability entity tax (LLET) imposed under KRS 141.0401. The amount of tax credit against each tax can be different, however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

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

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KRA Project

Line 2—Using Schedule LLET, compute the LLET using only the gross receipts and gross profits of the KRA project. Mark this schedule as KRA and attach to the return.

If the corporation has operations other than the KRA project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KRA project in accordance with KRS 141.415(6)(b)** or KRS 141.415(7)(b).***

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

Section B

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

See form for computation.

Part III—Limitation

Calculate KRA tax credit based on the corporation's tax liability, tax liability attributable to KRA project, and balance of approved costs from Schedule KRA-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete an applicable tax computation schedule (Schedule KREDA, Schedule KIDA, Schedule KJDA, Schedule KIRA, Schedule KEOZ, Schedule KRA or Schedule KJRA) for each project. Approved companies for Skills Training Investment Credit (STICA) must attach a copy of the final resolution received from the Bluegrass State Skills Corporation.

Alternative Methods—In accordance with KRS 141.415(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, gross receipts or Kentucky gross profits from the facility at which the project is located, the approved company shall determine net income, gross receipts or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.

- * In accordance with KRS 141.415(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.
- ** In accordance with KRS 141.415(6)(b), if the project is a totally separate facility, gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the gross receipts or Kentucky gross profits directly attributable to the facility.
- *** In accordance with KRS 141.415(7)(a), if the KRA project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KRA project shall be determined by apportioning the separate accounting net income of the entire facility to the KRA project income using a formula approved by the Department of Revenue. A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.
- **** In accordance with KRS 141.415(7)(b), if the KRA project is an expansion to a previously existing facility, gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the gross receipts or Kentucky gross profits attributable to the KRA project shall be determined by apportioning the separate accounting gross receipts or Kentucky gross profits of the entire facility to the KRA project gross receipts or Kentucky gross profits. A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.