

INSTRUCTIONS—SCHEDULE KEOZ

The KEOZ 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 service and technology agreement or a tax incentive agreement for a Kentucky Economic Opportunity Zone (KEOZ) Act project to determine the credit allowed against the Kentucky corporation income tax and LLET attributable to the project in accordance with KRS 141.401.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KEOZ Project

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

If the corporation has operations other than the KEOZ project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KEOZ project in accordance with KRS 141.401(6)(b)** or KRS 141.401(7)(b).****

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

Section B

Line 2—Enter net income for KEOZ project. If the corporation's only operation in Kentucky is the KEOZ project, the amount entered on Line 1 must be entered on Line 2. If the corporation has operations other than the KEOZ project, it must attach schedules reflecting the computation of the net income from the KEOZ project in accordance with KRS 141.401(6)(a)* or KRS 141.401(7)(a).***

See form for computation.

Part III—Limitation

Calculate KEOZ tax credit based on the corporation's tax liability, tax liability attributable to KEOZ project, and credit limitation from Schedule KEOZ-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 141.401(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 141.401(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 141.401(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 141.401(7)(a), if the KEOZ 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 KEOZ project shall be determined by apportioning the separate accounting net income of the entire facility to the KEOZ 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 141.401(7)(b), if the KEOZ 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 KEOZ project shall be determined by apportioning the separate accounting gross receipts or Kentucky gross profits of the entire facility to the KEOZ 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.