



PARTNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

For calendar year 2008 or fiscal year beginning \_\_\_\_\_, 2008, and ending \_\_\_\_\_, 200\_\_.

Partner's identifying number > Partnership's FEIN > Partner's name, address and ZIP Code Partnership's name, address and ZIP Code Check if applicable: [ ] Qualified investment pass-through entity [ ] Partnership formed after January 1, 2006

A Partner's share of liabilities: Nonrecourse \$ \_\_\_\_\_ Qualified nonrecourse financing \$ \_\_\_\_\_ Other \$ \_\_\_\_\_ E Enter partner's percentage of: Profit sharing % \_\_\_\_\_ Loss sharing % \_\_\_\_\_ Ownership of capital % \_\_\_\_\_

B What type of entity is this partner? [ ] Individual/Estate/Trust [ ] Corporation [ ] S Corporation [ ] General Partnership [ ] Other Pass-through Entity

C Partner's taxable percentage of partnership's distributive share items below (see instructions) (1) Resident partner 100% (2) Nonresident partner (see Schedule A, Section I, line 12) %

D Check applicable box if nonresident partner's income is reported on: [ ] Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report (Form 740NP-WH) and Form PTE-WH, or [ ] Composite Return (Form 740-NP) [ ] Final K-1 [ ] Amended K-1

(a) Distributive Share Items (b) Amount

Table with 3 columns: Description, Line Number, Amount. Rows include Ordinary income (loss) from trade or business activities, Net income (loss) from rental real estate activities, Net income (loss) from other rental activities, Portfolio income (loss) (Interest, Dividends, Royalties, Net short-term capital gain, Net long-term capital gain, Other portfolio income), Guaranteed payments to partners, Net gain (loss) under Section 1231, Other income (loss).

Table with 3 columns: Description, Line Number, Amount. Rows include Charitable contributions (attach schedule) and housing for homeless deduction, IRC Section 179 expense deduction, Deductions related to portfolio income (loss), Other deductions (attach schedule).



**PARTNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.**

(a) Distributive Share Items - continued		(b) Amount	
<b>Investment Interest</b>			
12. (a) Interest expense on investment debts .....	12(a)		00
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above .....	(b)(1)		00
(2) Investment expenses included on line 10 above .....	(2)		00
<b>Tax Credits</b>			
13. Skills Training Investment Tax Credit .....	13		00
14. Historic Preservation Restoration Tax Credit .....	14		00
15. Kentucky Unemployment Tax Credit .....	15		00
16. Recycling and Composting Equipment Tax Credit .....	16		00
17. Kentucky Investment Fund Tax Credit .....	17		00
18. Coal Incentive Tax Credit .....	18		00
19. Qualified Research Facility Tax Credit .....	19		00
20. GED Incentive Tax Credit .....	20		00
21. Voluntary Environmental Remediation Tax Credit (Brownfield) .....	21		00
22. Biodiesel Tax Credit .....	22		00
23. Environmental Stewardship Tax Credit .....	23		00
24. Clean Coal Incentive Tax Credit .....	24		00
25. Ethanol Tax Credit .....	25		00
26. Cellulosic Ethanol Tax Credit .....	26		00
<b>Other Items</b>			
27. (a) Type of Section 59(e)(2) expenditures ► .....	27(a)		
(b) Amount of Section 59(e)(2) expenditures .....	(b)		00
28. Tax-exempt interest income .....	28		00
29. Other tax-exempt income .....	29		00
30. Nondeductible expenses .....	30		00
31. Property distributions (including cash) .....	31		00
32. Supplemental information required to be reported to each partner (attach schedules) .....	32		
<b>Recapture of Tax Credits</b>			
33. Recapture of Recycling and Composting Tax Credit .....	33		00
<b>General Partnership Pass-through Items</b>			
34. Partner's share of partnership Kentucky sales from Schedule K, Section II, line 1 .....	34		00
35. Partner's share of partnership total sales from Schedule K, Section II, line 2 .....	35		00
36. Partner's share of partnership Kentucky property from Schedule K, Section II, line 3 .....	36		00
37. Partner's share of partnership total property from Schedule K, Section II, line 4 .....	37		00
38. Partner's share of partnership Kentucky payroll from Schedule K, Section II, line 5 .....	38		00
39. Partner's share of partnership total payroll from Schedule K, Section II, line 6 .....	39		00
40. Partner's share of Kentucky gross profits from Schedule K, Section II, line 7 .....	40		00
41. Partner's share of total gross profits from all sources from Schedule K, Section II, line 8 .....	41		00
<b>Limited Liability Entity Tax (LLET) Pass-through Items</b>			
42. Partners' share of net distributive income from the limited liability entity .....	42		00
43. Partners' share of limited liability entity tax (LLET) nonrefundable credit .....	43		00
<b>Resident Partner Adjustment</b>			
44. Combination of Kentucky Schedule K-1, lines 1 through 6, 9 and portions of lines 7 and 11. Add income amounts and subtract (loss) and deduction amounts (see instructions) .....	44		00
45. Combination of federal Schedule K-1, lines 1 through 10, 12 and portions of lines 11 and 13. Add income amounts and subtract (loss) and deduction amounts (see instructions) .....	45		00
46. Enter difference of lines 44 and 45 here and on appropriate line on Schedule M (see instructions) .....	46		00

**PARTNER'S INSTRUCTIONS FOR SCHEDULE K-1 (FORM 765-GP)**

**Who Must File**—Although the partnership is not subject to income tax, the partners are liable for tax on their share of the partnership income, whether or not distributed, and must include their share on the individual income tax return.

If you were a Kentucky resident for the entire year, your filing requirement depends upon your family size, modified gross income, Kentucky adjusted gross income and income from self-employment.

Any person with gross receipts exceeding the threshold amount determined under KRS 141.066 from self-employment must file a Form 740 regardless of the amount of adjusted gross income or the number of tax credits claimed. Generally, all income of Kentucky residents, regardless of where it was earned, is subject to Kentucky income tax. See Form 740 Instructions.

Nonresidents with income from Kentucky sources and part-year residents receiving income while a Kentucky resident or from Kentucky sources while a nonresident must file a Kentucky return. **Partnership income is not exempted by reciprocal agreements between Kentucky and any other state.** Form 740-NP must be filed by an individual with income from Kentucky sources and a combined gross income from all sources exceeding the threshold amount determined under KRS 141.066. Full-year nonresidents must report all income from Kentucky sources and from property located in Kentucky. Persons moving into Kentucky must report income received from Kentucky sources prior to becoming residents and income received from all sources after becoming Kentucky residents. Residents moving out of Kentucky during the year must report income from all sources while a resident and from Kentucky sources while a nonresident.

**When to Report**—Include your share of the partnership's income or (loss), credits, deductions, etc., as shown by your Schedule K-1 (Form 765-GP) on your Kentucky income tax return for the year in which the tax year of the partnership ends. For example, if you, the partner, are on a calendar year, and the partnership's tax year ends January 31, 2008, you must take the items listed on Schedule K-1 (Form 765-GP) into account on your tax return for calendar year 2008.

**At-Risk Limitations**—Generally, if you have a loss from any activity carried on as a trade or business or for the production of income by the partnership and you, the partner, have amounts invested in that activity for which you are not at risk, you will be required to complete federal Form 6198, At-Risk Limitations, to figure the allowable loss to report on your Kentucky income tax return. Your deductible loss from each activity for the tax year generally is limited to the amount you are at risk for the activity at the end of the partnership's tax year or the amount of the loss, whichever is less. To help you complete Form 6198, if required, the partnership has provided a schedule showing your share of income, expenses, etc., for each at-risk activity.

**NOTE:** Form 740 filers see Form 740 instructions for Schedule M, Line 6 and/or Line 17.

**Passive Activity Limitations**—The passive activity limitations in IRC Section 469 are figured at the partner level and may apply to any loss reported on Lines 1, 2 or 3 and any other related items of income, loss and deductions reported on Schedule K-1 (Form 765-GP). Refer to the federal Partner's Instructions for Schedule K-1 (Form 1065) to determine if the passive activity limitations apply to your share of loss(es) reported on Schedule K-1 (Form 765-GP), and if you must file Form 8582-K, Kentucky Passive Activity Loss Limitations.

**SPECIFIC INSTRUCTIONS**

**Kentucky Resident Partners (Form 740 Filers)**—To determine the net difference between the federal Schedule K-1 amounts and the Kentucky Schedule K-1 amounts, complete Lines 44, 45 and 46. This will adjust the items of income, loss and deductions used to compute your federal adjusted gross income to the Kentucky amounts shown in Column (b), Schedule K-1.

**Line 44**—Include on this line, the Kentucky Schedule K-1 amounts from Lines 1 through 6 and 9. Also include the amounts from Lines 7 and 11 that do not pass through to Schedule A as itemized deductions.

**Line 45**—Include on this line, the federal Schedule K-1 amounts from Lines 1 through 10 and 12. Also include the amounts from Lines 11 and 13 that do not pass through to Schedule A as itemized deductions.

**NOTE:** If Form 8582-K is required, adjust the amounts entered on Lines 44 and 45 to exclude any income, loss, deduction or expense related to a passive activity. Complete the passive activities adjustment worksheet (Form 8582-K, page 2) to determine additions to or subtractions from federal adjusted gross income. **See Form 740 instructions for Schedule M, Line 6 and/or Line 17.**

If amounts on Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include on Lines 44 and 45. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

**Line 46**—Enter difference of Lines 44 and 45. If Line 44 is greater than Line 45, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 3. If Line 45 is greater than Line 44, enter the difference as a subtraction on Schedule M, Line 14.

**Caution:** If the amounts on both Lines 44 and 45 are loss amounts, the smaller dollar amount of loss is the greater amount and to determine the difference subtract the smaller dollar amount from the larger dollar amount. If the amount on either Line 44 or 45 is an income amount and the amount on the other line is a loss amount, the income amount is the greater amount and, add the two amounts to determine the difference.

**Nonresident Individual Partners (Form 740-NP Filers)**—If you are a nonresident individual needing to file Form 740-NP, in order to take advantage of the graduated withholding rates on income withheld by the partnership, follow the directions below. The nonresident individual may also need to file Form 740-NP to take advantage of capital loss, net operating loss and credit carryforwards.

Nonresident partners must report their distributive share of income by multiplying the percentage reported on Item C(2) by all items of income (loss) reported on the Kentucky Schedule K-1, Column (b). If the percentage shown in Item C(2) is 100%, you must enter on the appropriate lines of Form 740-NP and related schedules the amounts shown on Lines 1 through 6 and 9, portions of Lines 7, 11 and the portion of Line 27(b) actually deducted for the current year. If the percentage shown in Item C(2) is less than 100 percent, the amounts on Lines 1 through 6 and 9, the portions of Lines 7, 11 and the portion of Line 27(b) actually deducted for the current year must be multiplied by this percentage and entered on the appropriate lines of the Nonresident or Part-Year Resident Income Tax Return, Form 740-NP, and related schedules. Lines 8 and 10, and the portions of Lines 7, 11 and 12(a) which pass through to Schedule A should not be multiplied by the percentage in Item C(2). The Kentucky tax credits on Lines 13 through 26 should not be multiplied by the percentage in Item C(2). Refer to specific instructions below and federal Partner's Instructions for Schedule K-1 (Form 1065).

**Lines 1 through 3**—Enter on federal Schedule E using Kentucky amounts or Form 8582-K, if applicable.

**Line 4(a)**—Enter on Form 740-NP, Section D, Line 3.

**Line 4(b)**—Enter on Form 740-NP, Section D, Line 4.

**Line 4(c)**—Enter on federal Schedule E using Kentucky amounts.

**Lines 4(d) and (e)**—Enter on federal Schedule D using Kentucky amounts or Form 8582-K, if applicable.

**Line 4(f)**—Enter on applicable lines of your return (see federal Partner's Instructions for Schedule K-1 (Form 1065)).

**Line 5**—Enter on applicable line of your tax return (see federal Partner's Instructions for Schedule K-1 (Form 1065)).

**Line 6**—Enter on federal Form 4797.

**Line 7**—Enter on applicable lines of your return (see federal Partner's Instructions for Schedule K-1 (Form 1065)).

**Line 8**—Enter on Schedule A, Form 740-NP.

**Line 9**—Enter on federal Schedule E using Kentucky amounts.

**Line 10**—Enter on Schedule A, Form 740-NP.

**Line 11**—Enter on applicable form or schedule (see federal Partner's Instructions for Schedule K-1 (Form 1065)).

**For All Partners**

**Line 12**—See federal Partner's Instructions for Schedule K-1 (Form 1065).

**Lines 13 through 26**—Enter credit on appropriate line of Form 720, 740, 740-NP or 741.

**Lines 27(a), 27(b) and 32**—See federal Partner's Instructions for Schedule K-1 (Form 1065).

**For Individual Partners**

**Line 42**—Enter on Line 2 of the Kentucky LLET Credit Worksheet located in the Form 740, Form 740-NP or Form 741 instructions under Business Incentive Credits.

**Line 43**—Enter on Line 7 of the Kentucky LLET Credit Worksheet located in the Form 740, Form 740-NP or Form 741 instructions under Business Incentive Credits.

**Estates and Trusts (Form 741 Filers)**—Estates or trusts report the amounts shown in Column (b) on Form 741, Kentucky Fiduciary Income Tax Return, and related schedules. See federal Partner's Instructions for Schedule K-1 (Form 1065).