42A765-GP(I) (10-10)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

765-GP

INSTRUCTIONS

2010
KENTUCKY GENERAL PARTNERSHIP INCOME RETURN

PURPOSE OF INSTRUCTIONS

These instructions have been designed for Kentucky general partnerships, both domestic and foreign, which are required by law to file a Kentucky general partnership income return (Form 765-GP).

Refer to the chart on page 3 to determine what tax form your business needs to file.

HOW TO OBTAIN ADDITIONAL FORMS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (see page 14). 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**.

KENTUCKY TAX LAW CHANGES

2009 Special Session of the Kentucky General Assembly

HB 3—Provisions effective for tax years beginning on or after January 1, 2010

Certified Rehabilitation Tax Credit—KRS 141.382 was created to provide a refundable tax credit against the taxes imposed by KRS 136.505, KRS 141.020 or 141.040 and KRS 141.0401 for qualified rehabilitation expenses incurred by the taxpayer and used for substantial rehabilitation to a certified historic structure meeting the requirements of KRS 171.396 and 171.397. To qualify as a refundable credit, an application must be received by the Kentucky Heritage Council for preliminary approval on or after April 30, 2010, and the taxpayer must make an election as provided by KRS 171.397(2)(b).

The certified rehabilitation tax credit cap for applications received on or after April 30, 2010, is $5 million; however, if the total credits awarded for a calendar year are less than the certified rehabilitation tax credit cap, the difference between the credits actually awarded and the certified rehabilitation tax credit cap shall be added to the certified rehabilitation tax credit cap for the next year. If the credit amount approved for a calendar year for all taxpayers exceeds the certified rehabilitation tax credit cap, the council shall apportion the certified rehabilitation tax credit as follows: the certified rehabilitation tax credit cap for the year under consideration shall be multiplied by a fraction, the numerator of which is the approved credit amount for a taxpayer for the calendar year and the denominator of which is the total approved credits for all taxpayers for the calendar year.

Film Industry Tax Credit—KRS 141.383 was created to provide a refundable tax credit against the income tax imposed by KRS 141.020 or 141.040 and the limited liability entity tax imposed by KRS 141.0401 for motion picture or entertainment production expenses authorized by KRS 148.542 to 148.546.

The amount of the incentive shall not exceed: (i) 20% of the approved company's qualifying expenditures; (ii) 20% of the approved company's qualifying payroll expenditures paid to below–the–line production crew and (iii) 20% of the approved company's qualifying payroll expenditures paid to above–the–line production crew not to exceed $100,000 in payroll expenditures per employee.

The Tourism Development Finance Authority may accept applications, authorize the execution of tax incentive agreements and enter into tax incentive agreements beginning on June 26, 2009; however, no credit amount shall be claimed by the taxpayer as a refund or paid by the department prior to July 1, 2010. The credit shall be available to approved companies with tax incentive agreements executed before January 1, 2015.

Railroad Maintenance and Improvement Tax Credit—KRS 141.385 created for tax years beginning on or after January 1, 2010, a nonrefundable credit against taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 in an amount equal to fifty percent (50%) of the qualified expenditures paid or incurred to maintain or improve railroads located in Kentucky, including roadbeds, bridges, and related structures, that are owned or leased as of January 1, 2008, by a Class II or Class III railroad. The credit applies to an owner of any Class II railroad or Class III railroad located in Kentucky or any person who transports property using the rail facilities of a Class II railroad or Class III railroad located in Kentucky or furnishes railroad–related property or services to a Class II railroad or Class III railroad located in Kentucky, but only with respect to miles of railroad track assigned to the person by a Class II railroad or Class III railroad.

The credit allowed shall not exceed the product of $3,500 multiplied by the sum of: (i) The number of miles of railroad track in Kentucky owned or leased by the eligible taxpayer as of the close of the taxable year; and (ii) The number of miles of railroad track in Kentucky assigned to the eligible taxpayer by a Class II railroad or Class III railroad which owns or leases the railroad track as of the close of the taxable year.

Railroad Expansion Tax Credit—KRS 141.386 created for tax years beginning on or after January 1, 2010, a nonrefundable tax credit against taxes imposed under KRS 141.040 and 141.0401 equal to twenty-five percent (25%) of the expenditures paid or incurred by the corporation or railway company to expand or upgrade railroad track, including roadbeds, bridges, and related track structures, to accommodate the transport of fossil energy resources or biomass resources. The credit applies to: (a) a corporation that owns fossil energy resources subject to tax under KRS 143.020 or 143A.020 or biomass resources and transports these resources using rail facilities; or (b) a railway company subject to tax under KRS 136.120 that serves a corporation that owns fossil energy resources subject to tax under KRS 143.020 or 143A.020 or biomass resources.

The credit amount approved for a calendar year for all taxpayers under KRS 141.386 shall be limited to $1 million. If the total amount of approved credit exceeds $1 million, the department shall determine the amount of credit each corporation and railroad company receives by multiplying $1 million by a fraction, the numerator of which is the amount of approved credit for a corporation or railway company and the denominator of which is the total approved credit for all corporations and railway companies.

Each corporation or railway company eligible for the credit provided under this section shall file a railroad expansion tax credit claim on forms prescribed by the department by the fifteenth day of the first month following the close of the preceding calendar year. The department shall determine the amount of the approved credit and issue a credit certificate to the corporation or railway company by the fifteenth day of the third month following the close of the calendar year.

Kentucky Reinvestment Act—KRS 141.415 and KRS 154.34–010 to 154.34–120 were amended effective for tax years beginning after December 31, 2009. To qualify for the incentives, a company shall: (i) incur eligible equipment and related costs of at least $2.5 million; (ii) agree to maintain a full–time employment base of at least eighty-five percent (85%) at the facility on the date of preliminary approval; and (iii) not have been awarded incentives under Subchapter 26 of KRS Chapter 154 for a period of at least five (5) years prior to applying for incentives under this subchapter.

An approved company shall be eligible to recover up to fifty percent (50%) of the amount expended for eligible equipment and related costs, and up to one hundred percent (100%) of job skills upgrade training costs. The actual amount will be negotiated with the authority. The incentives shall be allowed as a credit against taxes imposed by KRS 141.020 or 141.040 and 141.0401.

Kentucky Business Investment Program—KRS 154.32-010 to 154.32-100 were created effective for tax years beginning after December 31, 2009. Economic Development Project means: (i) the acquisition, leasing, or construction of a new facility, or the acquisition, leasing, rehabilitation, or expansion of an existing facility; and (ii) the installation and equipping of the facility by an eligible company.

Eligible company means an entity with a proposed economic development project that is engaged in or is planning to be engaged in one (1) or more of the following activities within the Commonwealth: (i) manufacturing; (ii) agribusiness; (iii) nonretail service or technology; or (iv) national or regional headquarters operations, regardless of business activity.

Incentives available for a Kentucky Economic Development Project are: (i) tax credits of up to one hundred percent (100%) of the tax imposed by KRS 141.020 or 141.040 and KRS 141.0401; (ii) wage assessment of each new employee subject to Kentucky income tax; and (iii) advance disbursement for a project of more than $500 million.

Metropolitan College Consortium Tax Credit—KRS 141.381 was created to provide a qualified taxpayer a nonrefundable credit against the tax imposed by KRS 141.020 or 141.040, and KRS 141.0401, for each taxable year beginning on or after July 1, 2010, in the amount of fifty percent (50%) of the actual costs incurred by the qualified taxpayer for: (i) tuition paid to an educational institution for a student participating in the Metropolitan College; and (ii) other educational expenses paid on behalf of a student participating in the Metropolitan College; on behalf of employees of the qualified corporation, for up to 2,800 employees.

A qualified taxpayer means any taxpayer who, on June 26, 2009, is a party to the Metropolitan College Consortium Agreement approved November 5, 2005.

2010 Regular Session of the Kentucky General Assembly

Kentucky Rural Economic Development Act—KRS 154.22-050 was amended to allow a company with the approval of the Kentucky Economic Development Finance Authority to extend the length of a project agreement from 15 years to 25 years. The incentives established by the existing tax incentive agreement cannot be increased. **HB 287**

Incentives for Energy Independence Act—KRS 143.024 and KRS 154.27–010 were amended to include as an eligible project an energy-efficient alternative fuel facility having a minimum capital investment of $25 million. An energy–efficient alternative fuel facility means a facility located in Kentucky that is newly constructed on or after August 30, 2010, or an existing facility located in Kentucky that is retrofitted or upgraded on or after August 30, 2010, and that, after the new construction, retrofit, or upgrade, will produce for sale energy–efficient alternative fuels. For a retrofit of an existing facility, the new modification or addition within the facility shall produce for sale energy-efficient alternative fuels. **HB 552**

2010 Special Session of the Kentucky General Assembly

HB 2—Provisions effective for tax years beginning on or after January 1, 2010

Domestic Production Activities Deduction (DPAD)—KRS 141.010(13) was amended effective for tax years beginning on or after January 1, 2010, to provide that the rate for purposes of computing the Kentucky DPAD shall be six percent (6%) in lieu of the rate provided by IRC §199(a).

Film Industry Tax Credit—KRS 148.546 was amended to provide that the maximum amount of film industry tax credit allowed as provided by KRS 141.383 is $5 million for fiscal year ending June 30, 2011 and $7.5 million for fiscal year ending June 30, 2012.

Kentucky Reinvestment Act—KRS 154.34-120 was amended to provide that a company which receives preliminary approval of a project on or after February 1, 2010, the amount of incentives allowed in any tax year shall not exceed the lesser of: (i) the tax liability of the approved company related to the reinvestment project for that taxable year; (ii) twenty percent (20%) of the total amount of the approved costs; or (iii) the approved costs that have not yet been recovered.

New Markets Development Tax Credit—New sections of KRS 141 were created effective June 4, 2010, to provide a taxpayer that makes a qualified equity investment in a qualified community development entity a tax credit against the income tax provided by KRS 141.040 or 141.020 and LLET provided by KRS 141.0401. The credit is equal to 39% of the purchase price of the qualified equity investment and shall be claimed by the investor over the course of seven years as follows: (i) zero percent (0%) for each of the first two (2) years including the year the investment is made; (ii) seven percent (7%) on the third anniversary date of the investment; and (iii) eight percent (8%) for each of the next four anniversary dates of the investment.

New markets development tax credits may be recaptured if: (i) any amount of the federal new markets development credit available to the qualified equity investment is recaptured; (ii) the qualified community development entity redeems or makes a principal repayment with respect to the qualified equity investment prior to the final credit allowance date; or (iii) the qualified community development entity fails to invest at least eighty-five percent (85%) of the purchase price of the qualified equity investment in businesses located in low-income communities within twenty-four (24) months of the issuance of the securities or fails to maintain the level of investment until the last credit allowance date.

Kentucky Environmental Stewardship Act—KRS 141.430 was amended to provide that for tax years beginning on or after June 4, 2010, the base tax year is reduced by fifty percent (50%). The base tax year is the combined income tax and LLET for the first taxable year after December 31, 2005, that ends immediately prior to the activation date. If the base year is for a taxable year beginning before January 1, 2007, the LLET will not apply.

FILING FORM GUIDE

Type of Entity	Kentucky Form and Tax: Form Required	Corporation Income Tax	LLET
1. C corporation	720	Yes	Yes
2. C corporation (consolidated group as provided by KRS 141.200(4))	720	Yes	Yes
3. C corporation (nexus consolidated group as provided by KRS 141.200(11))	720	Yes	Yes
4. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720	Yes	Yes
5. S corporation	720S	Yes*	Yes
6. Single member limited liability company whose single member is an individual	725	No	Yes
7. Limited liability company (two or more members)	765	No	Yes
8. Limited partnership	765	No	Yes
9. Limited liability partnership	765	No	Yes
10. General partnership	765–GP	No	No
11. Publicly traded partnership (taxed as a partnership for federal income tax purposes)	765–GP	No	No

*** If the S corporation has built–in gains, passive investment income or installments of tax on the recapture of LIFO benefits as provided by KRS 141.040(14).**

IMPORTANT

General Partnerships must create a Kentucky Form 4562, Schedule D and Form 4797 by converting federal forms.

Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets—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 2010 returns and fiscal year returns that begin in 2010, any partnership 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;
- increased Section 179 deduction from $25,000 to $250,000; or
- increased Section 179 deduction from $25,000 to $500,000.

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 for Kentucky and federal income tax purposes until the assets are sold or fully depreciated.

Important: If the general partnership has not taken the 30 percent special depreciation allowance, the 50 percent special depreciation allowance 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–GP 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 depreciation from federal Form 1065, Line 16(a) must be included on Form 765–GP, Page I, Line 3. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached to Form 765–GP.**

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 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 partnership **must attach the Kentucky Form 4562** to Form 765–GP, and the amount from Kentucky Form 4562, Line 22 less the Section 179 deduction on Line 12 must be included on Form 765–GP, Page I, Line 8. The Section 179 deduction from the Kentucky Form 4562, Line 12 must be included on Form 765–GP, Schedule K, Section I, Line 9. A Kentucky Form 4562 must be filed for each year even if a federal Form 4562 is not required.

Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year the general 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 general partnership 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 or (loss) from the disposal of assets using Kentucky basis. Enter the amount from Kentucky Schedule D, Line 6 on Form 765–GP, Schedule K, Section I, Line 4(d) or 7. Enter the amount from Kentucky Schedule D, Line 13 on Form 765–GP, Schedule K, Section I, Line 4(e) or 7. **Federal Schedule D (Form 1065) filed with the federal return and the Kentucky Schedule D (Form 1065) must be attached to Form 765–GP.**

2. If the amount reported on federal Form 1065, Line 6 (from Form 4797, Line 17) is a gain; enter this amount on Schedule O–PTE, Part II, Line 1. If the amount reported on federal Form 1065, Line 6 (from Form 4797, Line 17) is a loss; enter this amount on Schedule O–PTE, Part I, Line 1. 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 Kentucky Form 4797, Line 17 is a gain; enter this amount on Schedule O–PTE, Part I, Line 2. If the amount on Kentucky Form 4797, Line 17 is a loss; enter this amount on Schedule O–PTE, Part II, Line 2. **Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached to Form 765-GP.**

Tax Treatment of Kentucky General Partnerships and Partners

General partnerships are exempt by law from Kentucky income tax. However, **general partners of general partnerships doing business in Kentucky must report their share of income for Kentucky income tax purposes**. This applies to individuals, trusts, estates and corporations. Individuals who are Kentucky residents are required to file Form 740 and report their share of general partnership income earned within or without Kentucky. Nonresidents who are not included by the general partnership in a composite return filing or nonresident withholding shall file Form 740–NP and report their distributive share of income from general partnerships doing business in Kentucky.

Resident partners of a general 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 as provided by KRS 141.206(9). **KRS 141.206(5)(6)**

If the general partnership is a partner or member of a limited liability pass–through entity doing business in Kentucky, the general partners shall be entitled to an LLET credit against taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The LLET credit shall be the general partners' proportionate share of the LLET from the limited liability pass–through entity for the current year after the subtraction of any credits identified in KRS 141.0205 and reduced by the minimum tax of $175. The LLET credit allowed shall be applied to the income tax assessed on the income from the limited liability pass–through entity. Any remaining LLET credit from the limited liability pass–through entity shall be disallowed. **KRS 141.0401(3)**

GENERAL INFORMATION

Internal Revenue Code Reference Date—Effective for taxable years beginning after December 31, 2006, 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, 2006, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2006, 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)**

Who Must File—A Kentucky General Partnership Income Return, Form 765–GP, must be filed by every general 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 pass–through entity 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 purposes; or (g) directing activities at Kentucky customers for the purpose of selling them goods or services. **KRS 141.010(25) and KRS 141.206(2)**

General Partnerships—General partnerships doing business in Kentucky solely as a partner in a pass–through entity will file Form 765–GP pursuant to the provisions of KRS 141.010, 141.120 and 141.206. For apportionment information, see instructions on page 7.

Nonresident Withholding (Form 740NP–WH)

Withholding

A partner or member that is an S corporation or partnership is not subject to withholding. S corporations and partnerships are pass-through entities as provided by KRS 141.010(26).

KRS 141.206(4)(b) provides that for taxable years beginning on or after January 1, 2007, every pass–through entity required to file a return under KRS 141.206(2), except publicly traded partnerships as defined in KRS 141.0401(6)(r), shall withhold Kentucky income tax on the distributive share, whether distributed or undistributed, of each nonresident individual **(includes an estate or trust partner, member or shareholder)** partner, member or shareholder, or each C–corporation partner or member that is doing business in Kentucky only through its ownership interest in a pass–through entity. Withholding shall be at the maximum rate as provided in KRS 141.020 or KRS 141.040.

Withholding shall not be required if: (a) the pass–through entity demonstrates to the department that a partner, member or shareholder has filed an appropriate tax return for the prior year with the department by attaching to the Kentucky Form 40A201, "740NP–WH, Kentucky Nonresident Income Tax Withholding on Distributive Share Income Transmittal Report and Composite Income Tax Return", a statement that the partner, member or shareholder is exempt from withholding as provided by KRS 141.206(4)(b)2, and providing each partner's, member's or shareholder's name, address, federal identification number, Kentucky corporation/LLET Account Number, if applicable, and net distributive income; (b) the nonresident partner or member is exempt from Kentucky income tax as provided by KRS 141.040(1); (c) the partner, member or shareholder is a nonresident individual and the pass–through entity is a qualified investment pass–through entity as provided by KRS 141.206(12)(a); or (d) the partner or member is a pass–through entity as provided by KRS 141.010(26).

The reporting of a nonresident individual's, estate's or trust's net distributive share income and withholding on Form 740NP–WH at the maximum rate of six (6) percent shall satisfy the filing requirements of KRS 141.180 for a nonresident individual, estate or trust partner, member or shareholder whose only Kentucky source income is net distributive share income. The nonresident individual estate or trust partner, member or shareholder may file a Kentucky Individual Income Tax Return Nonresident or Part–Year Resident (Form 740–NP) or a Kentucky Fiduciary Income Tax Return (Form 741) to take advantage of the graduated tax rates, credits and deductions.

A pass–through entity shall complete Form 740NP–WH and Form PTE–WH for each nonresident individual, estate or trust partner, member or shareholder and each corporate partner or member and mail Form 740NP–WH and Copy A of Form PTE–WH to the Kentucky Department of Revenue with payment by the 15th day of the fourth month following the close of the pass–through entity's taxable year. Also, Copy B and C of Form PTE–WH shall be provided to the partners, members or shareholders. Form 740NP–WH and Form PTE–WH are available at www.revenue.ky.gov.

Composite Return—Nonresidents Only

Do not include a nonresident individual (includes an estate or trust partner, member or shareholder) partner, member or shareholder in a composite return if the partner's, member's or shareholder's distributive share income was subject to withholding and reported on Form 740NP–WH and PTE–WH.

The composite return applies only to nonresident individual (includes an estate or trust partner, member or shareholder) partners, members or shareholders: (i) whose distributive share income was not subject to withholding as provided

by KRS 141.206(4); (ii) whose only source of income within this state is distributive share income from one or more pass–through entities; and (iii) that elect to be included in a composite return as provided by KRS 141.206(13).

For taxable years beginning on or after January 1, 2007, the Department of Revenue will permit the filing of a "composite return" as provided by KRS 141.206(13) on behalf of electing nonresident individual partners, members or shareholders of a pass–through entity as defined in KRS 141.010(26). Income tax will be computed at the highest marginal rate provided in KRS 141.020 on the partner's, member's or shareholder's pro rata share of the distributive share income from a pass–through entity doing business in, or deriving income from sources within Kentucky. The partners', members' or shareholders' distributive share of income shall include all items of income or deduction used to compute adjusted gross income on the Kentucky return that is passed through to the partner, member or shareholder by the pass–through entity, including but not limited to interest, dividend, capital gains or losses, guaranteed payments and rents (KRS 141.206(13)).

The composite return of a pass–through entity shall be filed with the Department of Revenue on Form 740NP–WH, Kentucky Nonresident Income Tax Withholding on Distributive Share Income Transmittal Report and Composite Income Tax Return. The composite return box on the front of the Form 740NP–WH form must be checked to indicate that this is a composite return, and a Form PTE–WH must be completed for each of the electing nonresident individual partners, members or shareholders. The composite return box on each Form PTE–WH must be checked to indicate that it is part of a composite return. The tax due for the electing partners, members or shareholders shall be remitted with the composite return. A pass–through entity filing a composite return shall make estimated tax payments if required by the provisions of KRS 141.300.

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

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.

Kentucky Forms and Schedules

1. General Partnership Income Return (Form 765–GP)
2. Partner's Share of Income, Credits, Deductions, Etc.—Schedule K–1 (Form 765–GP)
3. Apportionment and Allocation (Schedule A)
4. Apportionment and Allocation—Continuation Sheet (Schedule A–C)
5. Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky (Form 40A102)
6. Other Additions And Subtractions To/From Federal Taxable Income (Schedule O–PTE)

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, all pages
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

Accounting Procedures—Kentucky income tax law requires a general 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—Mail the return to Kentucky Department of Revenue, Frankfort, KY 40620.

Filing Date—A general partnership return must be filed on or before the 15th day of the fourth month following the close of the taxable year. Mail the return to Kentucky Department of Revenue, Frankfort, KY 40620.

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

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)**

Extensions—An extension of time to file a general partnership income 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.** For further information, see the instructions for Form 40A102, Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky. **103 KAR 15:050**

Amended Return—To correct Form 765–GP as originally filed, file an amended Form 765–GP 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–GP) must also be filed with the amended Form 765–GP 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.

Internal Revenue Service Audit Adjustments—A general 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–GP for reporting federal audit adjustments and check the Amended Return box.

GENERAL INSTRUCTIONS (FORM 765-GP)

Period Covered

File the 2010 return for calendar year 2010 and fiscal years that begin in 2010. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 765–GP.

Item A—Enter date business commenced or qualified.

Name and Address—Print or type the general partnership name. 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 general partnership has a P.O. Box, show the box number instead of the street address (see **Item H** if a change in name or address has occurred).

Item B—Enter number of partners (attach K–1s).

Item C—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 D—Telephone Number—Enter the business telephone number of the general partner signing this return.

Item E—Enter the general partnership's federal identification number. See federal Publication 583 if the general partnership has not obtained this number.

Item F—Enter the six–digit Kentucky withholding account number.

Item G—Enter the six–digit Kentucky sales and use tax permit number.

Item H—Check the applicable boxes:

(a) *Initial Return*—This return is the general partnership's initial return.

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

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

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

(e) *Change of name*—The general partnership has changed its name.

(f) *Change of address*—The general partnership has changed its address.

(g) *Qualified Investment Pass–through Entity*—The general partnership is a qualified investment pass–through entity.

INCOME/DEDUCTIONS TO BE REPORTED—The income and deductions of a Kentucky general partnership are determined under the Internal Revenue Code in effect December 31, 2006, except for differences provided in KRS 141.010 and 141.206. Differences include but are not limited to:

(1) Exclude interest income from U.S. government obligations.

(2) Include interest income from obligations of other states and their political subdivisions.

(3) Exclude the 30 and 50 percent special depreciation allowance and the additional Section 179 deduction.

For additional instructions for reporting income and deductions, see federal instructions, Form 1065.

SPECIFIC INSTRUCTIONS (FORM 765–GP)

Line 1—The Kentucky Form 765–GP begins with ordinary income (loss) reported on federal Form 1065, Line 22. Report adjustments to federal ordinary income (loss) on Form 765–GP, Lines 2, 3, 4, 5, 7, 8 and 9. See instructions for Lines 3, 5, 8 and 9 for reporting differences in depreciation and basis for assets purchased after September 10, 2001. Attach Schedule O–PTE to report amounts on Lines 5 and 9.

Reporting Depreciation Differences—***Important:*** Use Lines 3 and 8 **only** if the partnership has elected for federal income tax purposes to take the special depreciation allowance. Attach a copy of the federal Form 4562 filed for federal income tax purposes to verify that no adjustments are required.

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 related party and intangible expenses prohibited by KRS 141.205.

Line 5— Enter the amount from Schedule O–PTE, Part I, Line 5.

Line 7—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 8—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 converted Form 4562 must be attached.

Line 9—Enter the amount from Schedule O–PTE, Part II, Line 9.

SCHEDULE A—APPORTIONMENT

A general partnership doing business within and without Kentucky shall apportion its net income by a fraction, the numerator of which is the property factor, representing 25 percent of the fraction, plus the payroll factor, representing 25 percent of the fraction, plus the sales factor, representing 50 percent of the fraction, with each factor determined in the same manner as provided in **KRS 141.120(8)**, and the denominator of which is four reduced by the number of factors, if any, having no denominator, provided that if the sales factor has no denominator, then the denominator shall be reduced by two. **KRS 141.206(9)**

Gross receipts, for determining the sales factor, should include in the numerator and denominator interest, dividends, royalties and gross receipts of any gains or losses on the disposition of property, except as provided by KRS 141.121.

If the general partnership is a partner in another pass–through entity then the general partnership shall be deemed to own the pro rata share of the property owned or leased by the pass–through entity, and shall also include its pro rata share of the pass–through entity's payroll and sales. The phrase "a partner in another pass–through entity" shall extend to each level of multiple–tiered pass–through entities. KRS 141.206(8)

SCHEDULE K (FORM 765-GP)

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 general partnership in completing Schedule K, Form 765–GP.

SECTION I—Income (Loss) and Deductions

A general partnership filing Form 765–GP must use Form 765-GP(K), "Kentucky Schedule K for General Partnerships with Economic Development Project(s)," if the partnership has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Jobs Development Act (KJDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Industrial Revitalization Act (KIRA), Kentucky Job Retention Act (KJRA), Kentucky Reinvestment Act (KRA), Incentives for Energy Independence Act (IEIA) or Kentucky Business Investment Program (KBI).

Line 1—Enter Kentucky ordinary income (loss) from trade or business activities reported on Form 765–GP, Ordinary Income (Loss) Computation, page 1, Line 11.

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 of the 2010 Form 765–GP regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 6 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-GP. **Kentucky Schedule D must be attached to Form 765-GP.** Otherwise, enter the amount from Line 6 of the federal Schedule D (Form 1065) that is portfolio income.

Line 4(e)—See instructions on page 4 of the 2010 Form 765–GP regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 13 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–GP. **Kentucky Schedule D must be attached to Form 765–GP.** Otherwise, enter the amount from Line 13 of the federal Schedule D (Form 1065) that is portfolio income.

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

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

Line 6—See instructions on page 4 of the 2010 Form 765–GP 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–GP**. 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 general partnership not included on Lines 1 through 6. See federal instructions for Schedule K, Form 1065.

Line 8—Enter total contributions paid by the general 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 of the 2010 Form 765–GP 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 general partnership not included on Lines 8, 9 and 10. See federal instructions for Schedule K, Form 1065.

Line 12(a)—Enter the general 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–GP, and only the investment expenses related thereto included on Line 10, Schedule K, Form 765–GP. See federal instructions for Schedule K, Form 1065.

Line 13—Enter the Skills Training Investment Credit Act (STICA) tax credit as provided by KRS 141.405 and attach the Bluegrass State Skills Corporation certification(s).

Line 14—Enter the Certified Rehabilitation Tax Credit as provided by KRS 171.397 and attach the Kentucky Heritage Council certification(s).

Line 15—Enter the Kentucky Unemployment Tax Credit as provided by KRS 141.065 and attach Kentucky Schedule UTC (Form 42A740–UTC).

Line 16—Enter the Recycling and Composting Equipment Tax Credit as provided by KRS 141.390 and attach Kentucky Schedule RC (Form 41A720RC).

Line 17—Enter the Kentucky Investment Fund Tax Credit as provided by KRS 154.20–258 and attach a copy of the notification from Kentucky Economic Development Finance Authority (KEDFA) reflecting the amount of credit granted and the year in which the credit may first be claimed.

Line 18—Enter the Coal Incentive Tax Credit for electric power generation as provided by KRS 141.0405 and attach Kentucky Schedule CI (Form 41A720–CI).

Line 19—Enter the Qualified Research Facility Tax Credit as provided by KRS 141.395 and attach Kentucky Schedule QR (Form 41A720QR).

Line 20—Enter the GED Incentive Tax Credit as provided by KRS 151B.127 and attach GED–Incentive Program Final Report (Form DAEL–31) for each employee that completed a learning contract during the year.

Line 21—Enter the Voluntary Environmental Remediation Tax Credit as provided by KRS 141.418 and attach Kentucky Schedule VERB (Form 41A720VERB).

Line 22—Enter the Biodiesel Tax Credit as provided by KRS 141.424 and attach Kentucky Schedule BIO (Form 41A720BIO).

Line 23—Enter the Environmental Stewardship Tax Credit as provided by KRS 141.430 and attach Kentucky Schedule KESA (Form 41A720–S43).

Line 24—Enter the Clean Coal Incentive Tax Credit as provided by KRS 141.428 and attach Kentucky Schedule CCI (Form 41A720–CCI).

Line 25—Enter the Ethanol Tax Credit as provided by KRS 141.4242 and attach Kentucky Schedule ETH (Form 41A720ETH).

Line 26—Enter the Cellulosic Ethanol Tax Credit as provided by KRS 141.4244 and attach Kentucky Schedule CELL (Form 41A720CELL).

Line 27—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 6 and attach Form 5695–K.

Line 28—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 12 and attach Form 5695–K.

Line 29—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 18 and attach Form 5695–K.

Line 30—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 36 and attach Form 5695–K.

Line 31—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 36 and attach Form 5695–K.

Line 32—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 51 and attach Form 5695–K.

Line 33—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 51 and attach Form 5695–K.

Line 34—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 57 and attach Form 5695–K.

Line 35—Enter the Energy Efficiency Products Tax Credit from Form 5695–K, Line 63 and attach Form 5695–K.

Line 36—Enter the ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit as provided by KRS 141.437 and attach Kentucky Form 8908–K (Form 41A720–S11).

Line 37—Enter the Railroad Maintenance and Improvement Tax Credit as provided by KRS 141.385 and attach Kentucky Schedule RR–I (Form 41A720RR–I).

Line 38—Enter the Railroad Expansion Tax Credit as provided by KRS 141.386 and attach Kentucky Schedule RR–E (Form 41A720RR–E).

Line 39—Enter the refundable Certified Rehabilitation Tax Credit as provided by KRS 141.382 and attach the Kentucky Heritage Council certification(s) or Kentucky Schedule(s) K–1 (Form 765–GP).

Line 40—Enter the refundable Film Industry Tax Credit as provided by KRS 141.383 and attach the Kentucky Film Office certification(s) or Kentucky Schedule(s) K–1 (Form 765–GP).

Line 41(a)—Enter the information provided on federal Schedule K, Form 1065, Line 13c(1).

Line 41(b)—Enter the amount reported on federal Schedule K, Form 1065, Line 13c(2).

Line 42—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 43—Enter the total amount of any other type of income of the partnership on which the partner is exempt from Kentucky income tax.

Line 44—Enter the total amount of nondeductible expenses paid or incurred by the general 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–GP, capital expenditures or items the deductions for which are deferred to a later year.

Line 45—Enter the amount reported on federal Schedule K, Form 1065, Line 19a and 19b.

Line 46—Attach schedules to report the general partnership's total income, expenses and other information applicable to items not included on Lines 1 through 45 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 general 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.

Domestic Production Activities Deduction (DPAD)—A pass–through entity does not complete Form 8903–K, but attaches information to each partner's, member's or shareholder's Kentucky Schedule K–1 that will be needed to compute their DPAD. A pass–through entity shall attach the following information to each Kentucky Schedule K–1 to be used by the partner, member or shareholder to compute their DPAD for Kentucky income tax purposes:

If the partner, member or shareholder is an individual (includes estates and trusts), attach the following: (i) Domestic Production Gross Receipts (DPGR); (ii) Kentucky Domestic Production Gross Receipts (KDPGR); and (iii) Kentucky W–2 wages allocable to DPGR.

If the partner or member is a corporation or pass–through entity, and the partnership filing Form 765 or Form 765–GP was eligible and chose to figure Qualified Production Activities Income (QPAI) at the entity level, attach the following (i) QPAI, adjusted to reflect differences in Kentucky and federal income tax laws; and (ii) Kentucky W–2 wages allocable to DPGR.

If the partner or member is a corporation or pass–through entity, and the partnership filing Form 765 or Form 765–GP was not eligible or chose not to figure QPAI at the entity level, attach the following (i) DPGR (ii) Cost of goods sold allocable to DPGR, adjusted to reflect differences in Kentucky and federal income tax laws; (iii) Expenses allocable to DPGR, adjusted to reflect differences in Kentucky and federal income tax laws; and (iv) Kentucky W–2 wages allocable to DPGR.

See the instructions to Form 8903–K for definitions of: (i) Domestic Production Gross Receipts (DPGR); (ii) Kentucky Domestic Production Gross Receipts (KDPGR); and (iii) Qualified Production Activities Income (QPAI).

SECTION II—General Partnership Pass–through Items

Lines 1 through 8 of this section do not need to be completed if all the partners or members are individuals, estates or trusts. In order to enter the correct amounts on lines 1 through 8 of this section, Schedule A (Form 41A720A) must be completed and attached to the tax return.

Line 1—Enter the general partnership's Kentucky sales from Schedule A, Section I, Line 1.

Line 2—Enter the general partnership's total sales from Schedule A, Section I, Line 2.

Line 3—Enter the general partnership's Kentucky property from Schedule A, Section I, Line 5.

Line 4—Enter the general partnership's total property from Schedule A, Section I, Line 6.

Line 5—Enter the general partnership's Kentucky payroll from Schedule A, Section I, Line 8.

Line 6—Enter the general partnership's total payroll from Schedule A, Section I, Line 9.

Line 7—Enter the general partnership's Kentucky gross profits.

Line 8—Enter the general partnership's total gross profits from all sources.

SECTION III—Limited Liability Entity Tax (LLET) Pass–through Items

Attach Schedule K–1 (Form 765) from a Kentucky Partnership Income and LLET Return, or a Kentucky Single Member LLC Individually Owned LLET Return (Form 725). If the general partnership is a partner or member of more than one limited liability pass–through entity complete a separate Section III for each entity.

Line 1—Enter the net distributive income from Kentucky Schedule K–1 (Form 765), Lines 1 through 6, 9 and portions of Lines 7 and 11 multiplied by the apportionment fraction on Line D(2) of Schedule K–1; or net distributive income from Form 725, Line 11 multiplied by the apportionment fraction on Line 12 of Form 725.

Line 2—Enter the nonrefundable credit from Kentucky Schedule K–1 (Form 765), Line 53; or Form 725, page 1, Part III, Line 3.

Signature—Form 765–GP must be signed by a partner. **Failure by a partner 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–GP)—KENTUCKY PARTNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

General Instructions

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

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

Photocopies of Schedule K–1 (Form 765–GP) 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 general partner. The distributive share items reported on all Schedules K–1, Column (b), Lines 1 through 46 must equal the amounts reported on Schedule K, Lines 1 through 46; the distributive share items reported on all Schedules K–1, Column (b), Lines 47 through 54 must equal the amounts reported on comparable lines of Schedule K, Section II, Lines 1 through 8; and the distributive share items reported on all Schedules K–1, Column (b), Lines 55 and 56 must equal the amounts reported on comparable lines of Schedule K, Section III, Lines 1 and 2. Schedule K–1, Column (b), Lines 57 through 59 do not correspond with Schedule K.

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–GP), the general partnership must provide information for each activity to its general 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–GP) for each activity.

At–Risk Activities—If the general partnership is involved in one or more at–risk activities for which a loss is reported on Schedule K–1 (Form 765–GP), the general 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–GP) for each at–risk activity.

Lines 1 through 56—Enter the general partner's total pro rata share of each item listed on Schedule K, Form 765–GP. **Do not multiply these amounts by the percentage entered on Item C(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-GP).

Enter on attached schedules the supplemental information required to be reported separately to each general partner for Lines 1 through 56 and any other information or items and amounts not included on Schedule K–1 (Form 765) for which 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.

Lines 57 through 59—The amounts in Column (b) are to be entered by the general partner and not by the general partnership.

Tax Credit Summary

Skills Training Investment Tax Credit—To claim the STICA credit, a copy of the Bluegrass State Skills Corporation certification(s) 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 Bluegrass State Skills Corporation certification(s). **KRS 141.405**

Certified Rehabilitation Tax Credit—This credit is allowed only if the taxpayer has been approved for the credit by the Kentucky Heritage Council. Credit is allowed against the taxes imposed by KRS 141.020, KRS 141.040, KRS 141.0401 and KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Information regarding this credit is available at **www.heritage.ky.gov**. **KRS 171.397**

Unemployment Tax Credit—If a taxpayer has hired a Kentucky resident classified as unemployed for at least 60 days and the resident remains in the employ of the taxpayer for 180 consecutive days during the tax year (a qualified person), the taxpayer may be entitled to the unemployment tax credit against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. For each qualified person, a one-time nonrefundable credit of $100 may be claimed. The period of unemployment must be certified by the Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training, Frankfort, KY, and a copy of the certification must be maintained by the taxpayer. For certification questions, call (502) 564-7456. Schedule UTC must be attached to the return claiming this credit. **KRS 141.065**

Recycling/Composting Tax Credit—A taxpayer, 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 taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401 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 tax return on which the credit is claimed. The amount of this credit claimed for the tax year may not exceed 25 percent of the 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 taxpayer 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 taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. 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 tax 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(2)(a) and (b), but cannot claim both for the same recycling and/or composting equipment. **KRS 141.390**

Kentucky Investment Fund Tax Credit—A taxpayer 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 the investment fund and verified by the authority. The credit may be applied against the taxes imposed by KRS 141.020, KRS 141.040, KRS 141.0401, KRS 136.320, KRS 136.300, KRS 136.310, KRS 136.505 and KRS 304.3-270. **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 tax return claiming this credit.**

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 is 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 is 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 tax liabilities, 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) 564-4554. **KRS 141.068**

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 first against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401 and then against tax imposed by KRS 136.120. 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 tax return on which the credit is claimed. **KRS 141.0405**

Qualified Research Facility Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401 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 tax 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—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. 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 and Workforce Development Cabinet, Kentucky Adult Education, Council on Postsecondary Education. The GED–Incentive Program Final Report (DAEL–31) for each employee that completed a learning contract during the tax year must be attached to the tax return claiming the credit. **KRS 151B.127**

Voluntary Environmental Remediation Tax Credit—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet under the provisions of KRS 224.01–518. Maximum tax credit allowed to be claimed per taxable year is 25 percent of the approved credit. This credit may be claimed against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at (502) 564–3350. Schedule VERB must be attached to the tax return claiming this credit. **KRS 141.418**

Biodiesel Tax Credit—The 2007 Second Extraordinary Session amended KRS 141.422 to include renewable diesel to be subject to the biodiesel tax credit. Producers and blenders of biodiesel and producers of renewable diesel are entitled to a tax credit against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for biodiesel credit with the Department of Revenue by January 15 each year for biodiesel produced or blended and the renewable diesel produced in the previous calendar year. The department shall issue a credit certification (Schedule BIO) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.423 and 103 KAR 15:140**

Kentucky Environmental Stewardship Tax Credit—For tax years beginning on or after January 1, 2006, an approved company may be entitled to a credit against the taxes imposed by KRS 141.020, KRS 141.040 or KRS 141.0401 on the income and the LLET 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 costs 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 hourly 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, Department of Financial Incentives at (502) 564–4554.

KRS 141.430 was amended to provide that for tax years beginning on or after June 4, 2010, the base tax year is reduced by 50 percent. The base tax year is the combined income tax and LLET for the first taxable year after December 31, 2005, that ends immediately prior to the activation date. If the base tax year is for a taxable year beginning before January 1, 2007, the LLET will not apply. **KRS 141.430**

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, KRS 141.040 or KRS 141.0401 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 Energy and Environment 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 subsidiary. **KRS 141.428**

Ethanol Tax Credit—Producers of ethanol are entitled to a tax credit against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for ethanol credit with the Department of Revenue by January 15 each year for ethanol produced in the previous calendar year. The department shall issue a credit certification (Schedule ETH) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.4242 and 103 KAR 15:110**

Cellulosic Ethanol Tax Credit —Producers of cellulosic ethanol are entitled to a tax credit against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for ethanol credit with the Department of Revenue by January 15 each year for cellulosic ethanol produced in the previous calendar year. The department shall issue a credit certification (Schedule CELL) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.4244 and 103 KAR 15:120**

Energy Efficiency Products Tax Credit—A nonrefundable tax credit against the tax imposed under KRS 141.020 or 141.040 and KRS 141.0401 is allowed as follows:

(i) For a taxpayer's residence or single-family or multifamily residential rental unit, 30% of the installed cost of qualified insulation, qualified energy-efficient windows and storm doors, and qualified energy property that meets the performance, quality, and certification standards of and that would have been eligible for the federal credit for residential property expenditures under 26 U.S.C. § 25C, as it existed on December 31, 2007. The total credit is limited to $500.

(ii) For a taxpayer's residence or single–family residential rental unit, 30% of the installed cost of an active solar space–heating system, passive solar space–heating system, combined active solar space–heating and water–heating system, solar water–heating system, and wind turbine or wind machine, or $3 per watt of direct current of a solar photovoltaic system. The total credit is limited to $500.

(iii) For a multifamily residential rental unit or commercial property, 30% of the installed cost of an active solar space–heating system, passive solar space–heating system, combined active solar space–heating and water–heating system, solar water–heating system, and wind turbine or wind machine, or $3 per watt of direct current of a solar photovoltaic system. The total credit is limited to $1,000.

(iv) For commercial property, 30% of the installed cost of an energy–efficient interior lighting system that meets the maximum reduction in lighting power density requirements for the federal energy–efficient commercial building deduction under 26 U.S.C. § 179D, as it existed on December 31, 2007. The total credit is limited to $500.

(v) For commercial property, 30% of the installed cost of an energy–efficient heating, cooling, ventilation, or hot water system that meets the requirements for the federal energy–efficient commercial building deduction under 26 U.S.C. § 179D, as it existed on December 31, 2007. The total credit is limited to $500. **KRS 141.436**

ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit—A nonrefundable tax credit against the tax imposed under KRS 141.040, and KRS 141.0401 is allowed if a taxpayer builds a new ENERGY STAR home located in the Commonwealth for use as a principal place of residence, or sells a new ENERGY STAR manufactured home to a buyer who uses that home as a principal place of residence in the Commonwealth. The tax credit shall equal: (a) $800 if the taxpayer builds an ENERGY STAR home; or (b) $400 if the taxpayer sells an ENERGY STAR manufactured home. The tax credit shall not apply if the tax credit has been previously taken by another taxpayer on the same ENERGY STAR home or ENERGY STAR manufactured home, or the taxpayer has taken the energy efficiency products tax credit. **KRS 141.437**

Railroad Maintenance and Improvement Tax Credit—For tax years beginning on or after January 1, 2010, an owner of any Class II railroad or Class III railroad located in Kentucky or any person who transports property using the rail facilities of a Class II railroad or Class III railroad located in Kentucky or furnishes railroad-related property or services to a Class II railroad or Class III railroad located in Kentucky, but only with respect to miles of railroad track assigned to the person by a Class II railroad or Class III railroad, shall be entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 in an amount equal to fifty percent (50%) of the qualified expenditures paid or incurred to maintain or improve railroads located in Kentucky, including roadbeds, bridges, and related structures, that are owned or leased as of January 1, 2008, by a Class II or Class III railroad.

The credit allowed shall not exceed the product of $3,500 multiplied by the sum of: (i) The number of miles of railroad track in Kentucky owned or leased by the eligible taxpayer as of the close of the taxable year; and (ii) The number of miles of railroad track in Kentucky assigned to the eligible taxpayer by a Class II railroad or Class III railroad which owns or leases the railroad track as of the close of the taxable year. **KRS 141.385**

Railroad Expansion Tax Credit—For tax years beginning on or after January 1, 2010: (a) a corporation that owns fossil energy resources subject to tax under KRS 143.020 or 143A.020 or biomass resources and transports these resources using rail facilities; or (b) a railway company subject to tax under KRS 136.120 that serves a corporation that owns fossil energy resources subject to tax under KRS 143.020 or 143A.020 or biomass resources shall be entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and 141.0401 equal to twenty-five percent (25%) of the expenditures paid or incurred by the corporation or railway company to expand or upgrade railroad track, including roadbeds, bridges, and related track structures, to accommodate the transport of fossil energy resources or biomass resources.

The credit amount approved for a calendar year for all taxpayers under KRS 141.386 shall be limited to $1 million. If the total amount of approved credit exceeds $1 million, the department shall determine the amount of credit each corporation and railroad company receives by multiplying $1 million by a fraction, the numerator of which is the amount of approved credit for a corporation or railway company and the denominator of which is the total approved credit for all corporations and railway companies.

Each corporation or railway company eligible for the credit provided under this section shall file a railroad expansion tax credit claim on forms prescribed by the department by the fifteenth day of the first month following the close of the preceding calendar year. The department shall determine the amount of the approved credit and issue a credit certificate to the corporation or railway company by the fifteenth day of the third month following the close of the calendar year. **KRS 141.386**

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
501 High Street
Frankfort, KY 40601–2103
(502) 564-3658
Web site: www.revenue.ky.gov
E-mail: Financerevenueformsandenvelopes@ky.gov

Information:

Pass-Through Entity Branch
Department of Revenue
P.O. Box 1302
Frankfort, KY 40602-1302

Department of Revenue
501 High Street
Frankfort, KY 40601–2103
(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, 501 High Street, Frankfort, 40601–2103
(502) 564-5930
(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, 600 West Cedar Street
2nd Floor West, 40202-2310
(502) 595-4512

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

Owensboro, Corporate Center
401 Frederica Street, Building C, Suite 201, 42301-6295
(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.

* * * * * * * * * * * * *

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.

YOUR RIGHTS

AS A KENTUCKY TAXPAYER

As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue (DOR) 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.

As a Kentucky taxpayer, you have the right to expect the DOR to honor its mission and uphold your rights every time you contact or are contacted by the DOR.

Some Kentucky taxpayer rights are very specific, such as when and how to protest an assessment or the denial of a refund or credit. Others are more general.

The following is a summary of your rights and the DOR's responsibilities to you as a Kentucky taxpayer.

RIGHTS OF TAXPAYER

Privacy

You have the right to privacy with regard to information you provide pertaining to returns, reports, or the affairs of your business.

Assistance

You have the right to advice and assistance from the DOR in complying with state tax laws.

Explanation

You have the right to a clear and concise explanation of:

- ✓ basis of assessment of additional taxes, interest and penalties, or the denial or reduction of any refund or credit claim;
- ✓ procedure for protest and appeal of a determination of the DOR; and
- ✓ tax laws and changes in tax laws so that you can comply with the law.

Protest and Appeal

You have the right to protest and appeal a determination of the DOR if you disagree with an assessment of tax or penalty, reduction or a denial of a refund, a revocation of a license or permit, or other determination made by the DOR. (See reverse for procedure to file a protest.)

Conference

You have the right to a conference to discuss a tax matter.

Representation

You have the right to representation by your authorized agent (attorney, accountant or other person) in any hearing or conference with the DOR. You have the right to be informed of this right prior to the conference or hearing. If you intend for your representative to attend the conference or hearing in your place, you may be required to give your representative a power of attorney before the DOR can discuss tax matters with your authorized agent.

Recordings

You have the right to make an audio recording of any meeting, conference, or hearing with the DOR. The DOR has the right to make an audio recording, if you are notified in writing in advance or if you make a recording. You have the right to receive a copy of the recording.

Consideration

You have the right to consideration of:

- ✓ waiver of penalties or collection fees if "reasonable cause" for reduction or waiver is given ("reasonable cause" is defined in KRS 131.010(9) as: "an event, happening, or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of monies due the department pursuant to law or administrative regulation");
- ✓ installment payments of delinquent taxes, interest and penalties;
- ✓ waiver of interest and penalties, but not taxes, resulting from incorrect written advice from the DOR if all facts were given and the law did not change or the courts did not issue a ruling to the contrary;
- ✓ extension of time for filing reports or returns; and
- ✓ payment of charges incurred resulting from an erroneous filing of a lien or levy by the DOR.

Guarantee

You have the right to a guarantee that DOR employees are not paid, evaluated or promoted based on taxes assessed or collected, or a tax assessment or collection quota or goal imposed or suggested.

Damages

You have the right to file a claim for actual and direct monetary damages with the Kentucky Board of Claims if a DOR employee willfully, recklessly and intentionally disregards your rights as a Kentucky taxpayer.

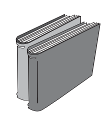
Interest

You may have the right to receive interest on an overpayment of tax.

DEPARTMENT OF REVENUE RESPONSIBILITIES

The DOR has the responsibility to:

- ✓ perform audits, conduct conferences and hearings with you at reasonable times and places;
- ✓ authorize, require or conduct an investigation or surveillance of you only if it relates to a tax matter;
- ✓ make a written request for payment of delinquent taxes which are due and payable at least 30 days prior to seizure and sale of your assets;
- ✓ conduct educational and informational programs to help you understand and comply with the laws;



- ✓ publish clear and simple statements to explain tax procedures, remedies, your rights and obligations, and the rights and obligations of the DOR;
- ✓ notify you in writing when an erroneous lien or levy is released and, if requested, notify major credit reporting companies in counties where lien was filed;
- ✓ advise you of procedures, remedies and your rights and obligations with an original notice of audit or when an original notice of tax due is issued, a refund or credit is denied or reduced, or whenever a license or permit is denied, revoked or canceled;

- ✓ notify you in writing prior to termination or modification of a payment agreement;
- ✓ furnish copies of the agent's audit workpapers and a written narrative explaining the reason(s) for the assessment;

- ✓ resolve tax controversies on a fair and equitable basis at the administrative level whenever possible; and
- ✓ notify you in writing at your last known address at least 60 days prior to publishing your name on a list of delinquent taxpayers for which a tax or judgment lien has been filed.

PROTEST AND APPEAL PROCEDURE

Protest

If you receive a notice of assessment, a Notice of Tax Due for tax or penalty or if the DOR notifies you that a tax refund or credit has been reduced or denied, a license or permit revoked or denied, or other determination made by the DOR, you have the right to protest. To do so:

- ✓ submit a written protest within 45 days of the original Notice of Tax Due, notice of refund reduction or denial, revocation or denial of a license or permit, or other DOR determination;
- ✓ identify the type of tax involved and give the account number, Social Security number or other identification number and attach a copy of the DOR notice of determination to support that protest is timely;
- ✓ explain why you disagree;
- ✓ attach any proof or documentation available to support your protest or request additional time to support your protest;
- ✓ sign your statement, include your daytime telephone number and mailing address; and
- ✓ mail to the Kentucky Department of Revenue, Frankfort, Kentucky 40620.

Conference

You have the right to request a conference to discuss the issue.

Final Ruling

If you do not want to have a conference or if the conference did not resolve your protest, you have the right to request a final ruling of the DOR so that you can appeal your case further.

Appeal

If you do not agree with the DOR's final ruling, you can file a written appeal with the Kentucky Board of Tax Appeals. If you do not agree with the decision of the Kentucky Board of Tax Appeals, you have the right to appeal their ruling to the Kentucky courts (first to the circuit court in your home county or in Franklin County, then to the Kentucky Court of Appeals, and finally to the Kentucky Supreme Court).

NOTE: The above protest and appeal procedures do not apply for real property which is valued by the local property valuation administrator (PVA). Contact the local PVA for information about how to appeal the valuation of real property.

TAXPAYER OMBUDSMAN

The DOR has a Taxpayer Ombudsman whose job is to serve as an advocate for taxpayers' rights. One of the main functions of the Ombudsman is to ensure that your rights as a Kentucky taxpayer are protected.

Also, an important function of the Taxpayer Ombudsman is to confer with DOR employees when you have a problem or conflict that you have been unable to resolve. However, it is not the role of the Ombudsman to intercede in an audit, handle a protest, waive taxes, penalty or interest, or answer technical tax questions. To file a protest, see PROTEST AND APPEAL PROCEDURE. Please do not mail your protest to the Ombudsman.

The Taxpayer Ombudsman is your advocate and is there to make sure your rights are protected. If you think you are not being treated fairly or if you have a problem or complaint, please contact the Ombudsman for assistance.

The Taxpayer Ombudsman may be contacted by telephone at (502) 564-7822 (between 8:00 a.m. and 5:00 p.m. weekdays). The mailing address is: Department of Revenue, Taxpayer Ombudsman, P. O. Box 930, Frankfort, Kentucky 40602-0930.

WHERE TO GET ASSISTANCE

The DOR has offices in Frankfort and taxpayer service centers in nine cities and towns throughout Kentucky. DOR employees in the service centers answer tax questions and provide assistance. You may obtain assistance by contacting any of the following:

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

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

Central Kentucky Taxpayer Service Center
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Corbin Taxpayer Service Center
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181 Hammond Drive, 42240-7926
(270) 889-6521

Louisville Taxpayer Service Center
600 West Cedar Street, 2nd Floor West, 40202-2310
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Northern Kentucky Taxpayer Service Center
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Florence 41042-4871
(859) 371-9049

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

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

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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 *www.revenue.ky.gov*.

The information in this brochure merely summarizes your rights as a Kentucky taxpayer and the responsibilities of the Department of Revenue. 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, 131.654, 133.120, 133.130, 134.580 and 134.590.

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.

Printing costs paid from state funds.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

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Kentucky UNBRIDLED SPIRIT