



★ NOTICE ★

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2011
PACKAGE **K**
Kentucky
Individual
Income Tax
and
Corporation
Income Tax
Forms

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What's New

FAMILY SIZE TAX CREDIT—This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2011 threshold amount is \$10,890 for a family size of one, \$14,710 for a family of two, \$18,530 for a family of three and \$22,350 for a family of four or more.

STANDARD DEDUCTION—For 2011, the standard deduction is \$2,240.

KENTUCKY SMALL BUSINESS INVESTMENT CREDIT—For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010. The definition of *base year* for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan.1, 2009 and before Jan. 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year and the amount of credit for which the small business is approved.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars (\$3,000,000). The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars (\$25,000). Unused credits may be carried forward for up to five (5) years.

ENDOW KENTUCKY TAX CREDIT—Effective for taxable years beginning on or after Jan. 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the Department of Revenue in each fiscal year is \$500,000. An application for preliminary authorization for the credit must be submitted to the Department of Revenue.

If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. The taxpayer has ten days after making the gift to provide the department with proof of the gift. The department will issue a final tax credit letter to the taxpayer if the gift is approved after receipt of the proof.

NEW MARKETS DEVELOPMENT PROGRAM TAX CREDIT—The New Markets Development Program Tax Credit was created in KRS 141.432 to 141.434 to encourage taxpayer investment in low-income communities. A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the Department of Revenue for approval. The person or entity actually making the loan or making the equity investment will be able to claim a credit, subject to a \$5 million credit cap each fiscal year, by completing Form 8874(K)-A.

Any unused approved credit may be carried forward for use in any subsequent tax year. Additional information regarding this new credit program will be provided via our Web site at www.revenue.ky.gov.

CERTIFIED REHABILITATION TAX CREDIT—The certified rehabilitation credit cap has been increased from \$3 million to \$5 million effective for applications received on or after April 30, 2010. Effective for applications for preliminary approval received on or after April 30, 2010, the credit will be refundable if a proper election form is filed. The refundable credit is reported on Form 740, Page 2, Line 30(c). (KRS 171.396, 171.397 and 141.382)

2011 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2006. The Department of Revenue generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists.

The chart below provides a quick reference guide to the major federal/Kentucky differences. It is not intended to be all inclusive. Items not listed may be referred to the Department of Revenue to determine Kentucky tax treatment.

| PROVISION | FEDERAL TAX TREATMENT | KENTUCKY TAX TREATMENT |
|--|--|---|
| 1. Interest from Federal Obligations | Taxable | Exempt |
| 2. Retirement Income from: | | Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required |
| Commonwealth of Kentucky Retirement Systems | Taxable | |
| Kentucky Local Government Retirement Systems | Taxable | |
| Federal and Military Retirement Systems | Taxable | |
| 3. Pensions and Annuities Starting After 7/1/86 and Before 1/1/90 | 3-year recovery rule eliminated | 3-year recovery rule retained |
| 4. Other Pension and Annuity Income | Taxable | 100% excludable up to \$41,110; Schedule P may be required |
| 5. Benefits from U.S. Railroad Retirement Board | May be taxable | Exempt; Schedule P may be required |
| 6. Social Security Benefits | May be taxable | Exempt |
| 7. Capital Gains on Sale of Kentucky Turnpike Bonds | Taxable | Exempt |
| 8. Other States' Municipal Bond Interest Income | Exempt | Taxable |
| 9. Kentucky Local Government Lease Interest Payments | Taxable | Exempt |
| 10. Long-Term Care Insurance Premiums Paid With After-Tax Dollars | Limited deduction as self-employed health insurance | 100% adjustment to gross income |
| 11. Medical and Dental Insurance Premiums Paid With After-Tax Dollars | Limited deduction as self-employed health insurance | 100% adjustment to gross income |
| 12. Capital Gains on Property Taken by Eminent Domain | Taxable | Exempt |
| 13. Election Workers—Income for Training or Working at Election Booths | Taxable | Exempt |
| 14. Artistic Contributions | Noncash contribution allowed as itemized deduction | Appraised value allowed as itemized deduction or adjustment to income |
| 15. State Income Taxes | Deductible | Nondeductible |
| 16. Leasehold Interest—Charitable Contribution | May be deductible | Deductible; Schedule HH required |
| 17. Kentucky Unemployment Tax Credit | No credit allowed | \$100 per certified employee; Schedule UTC required |
| 18. Work Opportunity Credit (federal Form 5884) | Tax credit allowed; wage expense reduced by amount of credit | No credit allowed; entire wage expense is deductible |
| 19. Welfare to Work Credit (federal Form 8861) | Tax credit allowed; wage expense reduced by amount of credit | No credit allowed; wage expense reduced by amount of federal credit |
| 20. Child and Dependent Care Credit | Tax credit based on expenses | 20% of federal credit |
| 21. Family Size Tax Credit | No credit allowed | Decreasing tax credit allowed |
| 22. Education Tuition Tax Credit | Tax credit based on expenses | Credit allowed Form 8863-K required |
| 23. Taxpayer Who May be Claimed as Dependent on Another's Return (i.e., full-time student) | May not claim self | May claim self |
| 24. Child's Income Reported by Parent | Permitted; taxed at parent's rate | Not permitted |
| 25. National Tobacco Settlement TLAP Income Quota Buyout (including imputed interest) | Taxable | Exempt |
| 26. Bonus Depreciation/Additional Section 179 Expense | Deductible | Nondeductible |
| 27. Mortgage Debt Forgiveness | Exempt | Taxable |
| 28. Domestic Production Activities Deduction | Deductible | Deductible; may be limited |
| 29. Active Duty Military Pay | Taxable | Exempt |

TAX TABLE—2011 KENTUCKY INDIVIDUAL INCOME TAX

Read down the taxable income columns below until you find the bracket for the Taxable Income entered on Form 740-EZ, Line 3; Form 740, Line 11; or Form 740-NP, Line 13. Enter the tax on Form 740-EZ, Line 4; Form 740, Line 12, Column A and/or B; or Form 740-NP, Line 14.

| If Taxable Income | | | If Taxable Income | | | If Taxable Income | | | If Taxable Income | | |
|-------------------|--------------|------|-------------------|--------------|-------|-------------------|--------------|-------|-------------------|--------------|--------|
| Is Over | But Not Over | Tax | Is Over | But Not Over | Tax | Is Over | But Not Over | Tax | Is Over | But Not Over | Tax |
| \$ 0 | \$ 100 | \$ 1 | \$ 6,500 | \$ 6,600 | \$208 | \$13,000 | \$13,100 | \$573 | \$19,500 | \$19,600 | \$ 950 |
| 100 | 200 | 3 | 6,600 | 6,700 | 213 | 13,100 | 13,200 | 579 | 19,600 | 19,700 | 956 |
| 200 | 300 | 5 | 6,700 | 6,800 | 218 | 13,200 | 13,300 | 585 | 19,700 | 19,800 | 962 |
| 300 | 400 | 7 | 6,800 | 6,900 | 223 | 13,300 | 13,400 | 590 | 19,800 | 19,900 | 967 |
| 400 | 500 | 9 | 6,900 | 7,000 | 228 | 13,400 | 13,500 | 596 | 19,900 | 20,000 | 973 |
| 500 | 600 | 11 | 7,000 | 7,100 | 233 | 13,500 | 13,600 | 602 | 20,000 | 20,100 | 979 |
| 600 | 700 | 13 | 7,100 | 7,200 | 238 | 13,600 | 13,700 | 608 | 20,100 | 20,200 | 985 |
| 700 | 800 | 15 | 7,200 | 7,300 | 243 | 13,700 | 13,800 | 614 | 20,200 | 20,300 | 991 |
| 800 | 900 | 17 | 7,300 | 7,400 | 248 | 13,800 | 13,900 | 619 | 20,300 | 20,400 | 996 |
| 900 | 1,000 | 19 | 7,400 | 7,500 | 253 | 13,900 | 14,000 | 625 | 20,400 | 20,500 | 1,002 |
| 1,000 | 1,100 | 21 | 7,500 | 7,600 | 258 | 14,000 | 14,100 | 631 | 20,500 | 20,600 | 1,008 |
| 1,100 | 1,200 | 23 | 7,600 | 7,700 | 263 | 14,100 | 14,200 | 637 | 20,600 | 20,700 | 1,014 |
| 1,200 | 1,300 | 25 | 7,700 | 7,800 | 268 | 14,200 | 14,300 | 643 | 20,700 | 20,800 | 1,020 |
| 1,300 | 1,400 | 27 | 7,800 | 7,900 | 273 | 14,300 | 14,400 | 648 | 20,800 | 20,900 | 1,025 |
| 1,400 | 1,500 | 29 | 7,900 | 8,000 | 278 | 14,400 | 14,500 | 654 | 20,900 | 21,000 | 1,031 |
| 1,500 | 1,600 | 31 | 8,000 | 8,100 | 283 | 14,500 | 14,600 | 660 | 21,000 | 21,100 | 1,037 |
| 1,600 | 1,700 | 33 | 8,100 | 8,200 | 289 | 14,600 | 14,700 | 666 | 21,100 | 21,200 | 1,043 |
| 1,700 | 1,800 | 35 | 8,200 | 8,300 | 295 | 14,700 | 14,800 | 672 | 21,200 | 21,300 | 1,049 |
| 1,800 | 1,900 | 37 | 8,300 | 8,400 | 300 | 14,800 | 14,900 | 677 | 21,300 | 21,400 | 1,054 |
| 1,900 | 2,000 | 39 | 8,400 | 8,500 | 306 | 14,900 | 15,000 | 683 | 21,400 | 21,500 | 1,060 |
| 2,000 | 2,100 | 41 | 8,500 | 8,600 | 312 | 15,000 | 15,100 | 689 | 21,500 | 21,600 | 1,066 |
| 2,100 | 2,200 | 43 | 8,600 | 8,700 | 318 | 15,100 | 15,200 | 695 | 21,600 | 21,700 | 1,072 |
| 2,200 | 2,300 | 45 | 8,700 | 8,800 | 324 | 15,200 | 15,300 | 701 | 21,700 | 21,800 | 1,078 |
| 2,300 | 2,400 | 47 | 8,800 | 8,900 | 329 | 15,300 | 15,400 | 706 | 21,800 | 21,900 | 1,083 |
| 2,400 | 2,500 | 49 | 8,900 | 9,000 | 335 | 15,400 | 15,500 | 712 | 21,900 | 22,000 | 1,089 |
| 2,500 | 2,600 | 51 | 9,000 | 9,100 | 341 | 15,500 | 15,600 | 718 | 22,000 | 22,100 | 1,095 |
| 2,600 | 2,700 | 53 | 9,100 | 9,200 | 347 | 15,600 | 15,700 | 724 | 22,100 | 22,200 | 1,101 |
| 2,700 | 2,800 | 55 | 9,200 | 9,300 | 353 | 15,700 | 15,800 | 730 | 22,200 | 22,300 | 1,107 |
| 2,800 | 2,900 | 57 | 9,300 | 9,400 | 358 | 15,800 | 15,900 | 735 | 22,300 | 22,400 | 1,112 |
| 2,900 | 3,000 | 59 | 9,400 | 9,500 | 364 | 15,900 | 16,000 | 741 | 22,400 | 22,500 | 1,118 |
| 3,000 | 3,100 | 62 | 9,500 | 9,600 | 370 | 16,000 | 16,100 | 747 | 22,500 | 22,600 | 1,124 |
| 3,100 | 3,200 | 65 | 9,600 | 9,700 | 376 | 16,100 | 16,200 | 753 | 22,600 | 22,700 | 1,130 |
| 3,200 | 3,300 | 68 | 9,700 | 9,800 | 382 | 16,200 | 16,300 | 759 | 22,700 | 22,800 | 1,136 |
| 3,300 | 3,400 | 71 | 9,800 | 9,900 | 387 | 16,300 | 16,400 | 764 | 22,800 | 22,900 | 1,141 |
| 3,400 | 3,500 | 74 | 9,900 | 10,000 | 393 | 16,400 | 16,500 | 770 | 22,900 | 23,000 | 1,147 |
| 3,500 | 3,600 | 77 | 10,000 | 10,100 | 399 | 16,500 | 16,600 | 776 | 23,000 | 23,100 | 1,153 |
| 3,600 | 3,700 | 80 | 10,100 | 10,200 | 405 | 16,600 | 16,700 | 782 | 23,100 | 23,200 | 1,159 |
| 3,700 | 3,800 | 83 | 10,200 | 10,300 | 411 | 16,700 | 16,800 | 788 | 23,200 | 23,300 | 1,165 |
| 3,800 | 3,900 | 86 | 10,300 | 10,400 | 416 | 16,800 | 16,900 | 793 | 23,300 | 23,400 | 1,170 |
| 3,900 | 4,000 | 89 | 10,400 | 10,500 | 422 | 16,900 | 17,000 | 799 | 23,400 | 23,500 | 1,176 |
| 4,000 | 4,100 | 92 | 10,500 | 10,600 | 428 | 17,000 | 17,100 | 805 | 23,500 | 23,600 | 1,182 |
| 4,100 | 4,200 | 96 | 10,600 | 10,700 | 434 | 17,100 | 17,200 | 811 | 23,600 | 23,700 | 1,188 |
| 4,200 | 4,300 | 100 | 10,700 | 10,800 | 440 | 17,200 | 17,300 | 817 | 23,700 | 23,800 | 1,194 |
| 4,300 | 4,400 | 104 | 10,800 | 10,900 | 445 | 17,300 | 17,400 | 822 | 23,800 | 23,900 | 1,199 |
| 4,400 | 4,500 | 108 | 10,900 | 11,000 | 451 | 17,400 | 17,500 | 828 | 23,900 | 24,000 | 1,205 |
| 4,500 | 4,600 | 112 | 11,000 | 11,100 | 457 | 17,500 | 17,600 | 834 | 24,000 | 24,100 | 1,211 |
| 4,600 | 4,700 | 116 | 11,100 | 11,200 | 463 | 17,600 | 17,700 | 840 | 24,100 | 24,200 | 1,217 |
| 4,700 | 4,800 | 120 | 11,200 | 11,300 | 469 | 17,700 | 17,800 | 846 | 24,200 | 24,300 | 1,223 |
| 4,800 | 4,900 | 124 | 11,300 | 11,400 | 474 | 17,800 | 17,900 | 851 | 24,300 | 24,400 | 1,228 |
| 4,900 | 5,000 | 128 | 11,400 | 11,500 | 480 | 17,900 | 18,000 | 857 | 24,400 | 24,500 | 1,234 |
| 5,000 | 5,100 | 133 | 11,500 | 11,600 | 486 | 18,000 | 18,100 | 863 | 24,500 | 24,600 | 1,240 |
| 5,100 | 5,200 | 138 | 11,600 | 11,700 | 492 | 18,100 | 18,200 | 869 | 24,600 | 24,700 | 1,246 |
| 5,200 | 5,300 | 143 | 11,700 | 11,800 | 498 | 18,200 | 18,300 | 875 | 24,700 | 24,800 | 1,252 |
| 5,300 | 5,400 | 148 | 11,800 | 11,900 | 503 | 18,300 | 18,400 | 880 | 24,800 | 24,900 | 1,257 |
| 5,400 | 5,500 | 153 | 11,900 | 12,000 | 509 | 18,400 | 18,500 | 886 | 24,900 | 25,000 | 1,263 |
| 5,500 | 5,600 | 158 | 12,000 | 12,100 | 515 | 18,500 | 18,600 | 892 | 25,000 | 25,100 | 1,269 |
| 5,600 | 5,700 | 163 | 12,100 | 12,200 | 521 | 18,600 | 18,700 | 898 | 25,100 | 25,200 | 1,275 |
| 5,700 | 5,800 | 168 | 12,200 | 12,300 | 527 | 18,700 | 18,800 | 904 | 25,200 | 25,300 | 1,281 |
| 5,800 | 5,900 | 173 | 12,300 | 12,400 | 532 | 18,800 | 18,900 | 909 | 25,300 | 25,400 | 1,286 |
| 5,900 | 6,000 | 178 | 12,400 | 12,500 | 538 | 18,900 | 19,000 | 915 | 25,400 | 25,500 | 1,292 |
| 6,000 | 6,100 | 183 | 12,500 | 12,600 | 544 | 19,000 | 19,100 | 921 | 25,500 | 25,600 | 1,298 |
| 6,100 | 6,200 | 188 | 12,600 | 12,700 | 550 | 19,100 | 19,200 | 927 | 25,600 | 25,700 | 1,304 |
| 6,200 | 6,300 | 193 | 12,700 | 12,800 | 556 | 19,200 | 19,300 | 933 | 25,700 | 25,800 | 1,310 |
| 6,300 | 6,400 | 198 | 12,800 | 12,900 | 561 | 19,300 | 19,400 | 938 | 25,800 | 25,900 | 1,315 |
| 6,400 | 6,500 | 203 | 12,900 | 13,000 | 567 | 19,400 | 19,500 | 944 | 25,900 | 26,000 | 1,321 |

TAX TABLE—2011 KENTUCKY INDIVIDUAL INCOME TAX

Read down the taxable income columns below until you find the bracket for the Taxable Income entered on Form 740-EZ, Line 3; Form 740, Line 11; or Form 740-NP, Line 13. Enter the tax on Form 740-EZ, Line 4; Form 740, Line 12, Column A and/or B; or Form 740-NP, Line 14.

| If Taxable Income | | | If Taxable Income | | | If Taxable Income | | | If Taxable Income | | |
|-------------------|--------------|---------|-------------------|--------------|---------|-------------------|--------------|---------|-------------------|--------------|---------|
| Is Over | But Not Over | Tax | Is Over | But Not Over | Tax | Is Over | But Not Over | Tax | Is Over | But Not Over | Tax |
| \$26,000 | \$26,100 | \$1,327 | \$32,500 | \$32,600 | \$1,704 | \$39,000 | \$39,100 | \$2,081 | \$45,500 | \$45,600 | \$2,458 |
| 26,100 | 26,200 | 1,333 | 32,600 | 32,700 | 1,710 | 39,100 | 39,200 | 2,087 | 45,600 | 45,700 | 2,464 |
| 26,200 | 26,300 | 1,339 | 32,700 | 32,800 | 1,716 | 39,200 | 39,300 | 2,093 | 45,700 | 45,800 | 2,470 |
| 26,300 | 26,400 | 1,344 | 32,800 | 32,900 | 1,721 | 39,300 | 39,400 | 2,098 | 45,800 | 45,900 | 2,475 |
| 26,400 | 26,500 | 1,350 | 32,900 | 33,000 | 1,727 | 39,400 | 39,500 | 2,104 | 45,900 | 46,000 | 2,481 |
| 26,500 | 26,600 | 1,356 | 33,000 | 33,100 | 1,733 | 39,500 | 39,600 | 2,110 | 46,000 | 46,100 | 2,487 |
| 26,600 | 26,700 | 1,362 | 33,100 | 33,200 | 1,739 | 39,600 | 39,700 | 2,116 | 46,100 | 46,200 | 2,493 |
| 26,700 | 26,800 | 1,368 | 33,200 | 33,300 | 1,745 | 39,700 | 39,800 | 2,122 | 46,200 | 46,300 | 2,499 |
| 26,800 | 26,900 | 1,373 | 33,300 | 33,400 | 1,750 | 39,800 | 39,900 | 2,127 | 46,300 | 46,400 | 2,504 |
| 26,900 | 27,000 | 1,379 | 33,400 | 33,500 | 1,756 | 39,900 | 40,000 | 2,133 | 46,400 | 46,500 | 2,510 |
| 27,000 | 27,100 | 1,385 | 33,500 | 33,600 | 1,762 | 40,000 | 40,100 | 2,139 | 46,500 | 46,600 | 2,516 |
| 27,100 | 27,200 | 1,391 | 33,600 | 33,700 | 1,768 | 40,100 | 40,200 | 2,145 | 46,600 | 46,700 | 2,522 |
| 27,200 | 27,300 | 1,397 | 33,700 | 33,800 | 1,774 | 40,200 | 40,300 | 2,151 | 46,700 | 46,800 | 2,528 |
| 27,300 | 27,400 | 1,402 | 33,800 | 33,900 | 1,779 | 40,300 | 40,400 | 2,156 | 46,800 | 46,900 | 2,533 |
| 27,400 | 27,500 | 1,408 | 33,900 | 34,000 | 1,785 | 40,400 | 40,500 | 2,162 | 46,900 | 47,000 | 2,539 |
| 27,500 | 27,600 | 1,414 | 34,000 | 34,100 | 1,791 | 40,500 | 40,600 | 2,168 | 47,000 | 47,100 | 2,545 |
| 27,600 | 27,700 | 1,420 | 34,100 | 34,200 | 1,797 | 40,600 | 40,700 | 2,174 | 47,100 | 47,200 | 2,551 |
| 27,700 | 27,800 | 1,426 | 34,200 | 34,300 | 1,803 | 40,700 | 40,800 | 2,180 | 47,200 | 47,300 | 2,557 |
| 27,800 | 27,900 | 1,431 | 34,300 | 34,400 | 1,808 | 40,800 | 40,900 | 2,185 | 47,300 | 47,400 | 2,562 |
| 27,900 | 28,000 | 1,437 | 34,400 | 34,500 | 1,814 | 40,900 | 41,000 | 2,191 | 47,400 | 47,500 | 2,568 |
| 28,000 | 28,100 | 1,443 | 34,500 | 34,600 | 1,820 | 41,000 | 41,100 | 2,197 | 47,500 | 47,600 | 2,574 |
| 28,100 | 28,200 | 1,449 | 34,600 | 34,700 | 1,826 | 41,100 | 41,200 | 2,203 | 47,600 | 47,700 | 2,580 |
| 28,200 | 28,300 | 1,455 | 34,700 | 34,800 | 1,832 | 41,200 | 41,300 | 2,209 | 47,700 | 47,800 | 2,586 |
| 28,300 | 28,400 | 1,460 | 34,800 | 34,900 | 1,837 | 41,300 | 41,400 | 2,214 | 47,800 | 47,900 | 2,591 |
| 28,400 | 28,500 | 1,466 | 34,900 | 35,000 | 1,843 | 41,400 | 41,500 | 2,220 | 47,900 | 48,000 | 2,597 |
| 28,500 | 28,600 | 1,472 | 35,000 | 35,100 | 1,849 | 41,500 | 41,600 | 2,226 | 48,000 | 48,100 | 2,603 |
| 28,600 | 28,700 | 1,478 | 35,100 | 35,200 | 1,855 | 41,600 | 41,700 | 2,232 | 48,100 | 48,200 | 2,609 |
| 28,700 | 28,800 | 1,484 | 35,200 | 35,300 | 1,861 | 41,700 | 41,800 | 2,238 | 48,200 | 48,300 | 2,615 |
| 28,800 | 28,900 | 1,489 | 35,300 | 35,400 | 1,866 | 41,800 | 41,900 | 2,243 | 48,300 | 48,400 | 2,620 |
| 28,900 | 29,000 | 1,495 | 35,400 | 35,500 | 1,872 | 41,900 | 42,000 | 2,249 | 48,400 | 48,500 | 2,626 |
| 29,000 | 29,100 | 1,501 | 35,500 | 35,600 | 1,878 | 42,000 | 42,100 | 2,255 | 48,500 | 48,600 | 2,632 |
| 29,100 | 29,200 | 1,507 | 35,600 | 35,700 | 1,884 | 42,100 | 42,200 | 2,261 | 48,600 | 48,700 | 2,638 |
| 29,200 | 29,300 | 1,513 | 35,700 | 35,800 | 1,890 | 42,200 | 42,300 | 2,267 | 48,700 | 48,800 | 2,644 |
| 29,300 | 29,400 | 1,518 | 35,800 | 35,900 | 1,895 | 42,300 | 42,400 | 2,272 | 48,800 | 48,900 | 2,649 |
| 29,400 | 29,500 | 1,524 | 35,900 | 36,000 | 1,901 | 42,400 | 42,500 | 2,278 | 48,900 | 49,000 | 2,655 |
| 29,500 | 29,600 | 1,530 | 36,000 | 36,100 | 1,907 | 42,500 | 42,600 | 2,284 | 49,000 | 49,100 | 2,661 |
| 29,600 | 29,700 | 1,536 | 36,100 | 36,200 | 1,913 | 42,600 | 42,700 | 2,290 | 49,100 | 49,200 | 2,667 |
| 29,700 | 29,800 | 1,542 | 36,200 | 36,300 | 1,919 | 42,700 | 42,800 | 2,296 | 49,200 | 49,300 | 2,673 |
| 29,800 | 29,900 | 1,547 | 36,300 | 36,400 | 1,924 | 42,800 | 42,900 | 2,301 | 49,300 | 49,400 | 2,678 |
| 29,900 | 30,000 | 1,553 | 36,400 | 36,500 | 1,930 | 42,900 | 43,000 | 2,307 | 49,400 | 49,500 | 2,684 |
| 30,000 | 30,100 | 1,559 | 36,500 | 36,600 | 1,936 | 43,000 | 43,100 | 2,313 | 49,500 | 49,600 | 2,690 |
| 30,100 | 30,200 | 1,565 | 36,600 | 36,700 | 1,942 | 43,100 | 43,200 | 2,319 | 49,600 | 49,700 | 2,696 |
| 30,200 | 30,300 | 1,571 | 36,700 | 36,800 | 1,948 | 43,200 | 43,300 | 2,325 | 49,700 | 49,800 | 2,702 |
| 30,300 | 30,400 | 1,576 | 36,800 | 36,900 | 1,953 | 43,300 | 43,400 | 2,330 | 49,800 | 49,900 | 2,707 |
| 30,400 | 30,500 | 1,582 | 36,900 | 37,000 | 1,959 | 43,400 | 43,500 | 2,336 | 49,900 | 50,000 | 2,713 |
| 30,500 | 30,600 | 1,588 | 37,000 | 37,100 | 1,965 | 43,500 | 43,600 | 2,342 | 50,000 | 50,100 | 2,719 |
| 30,600 | 30,700 | 1,594 | 37,100 | 37,200 | 1,971 | 43,600 | 43,700 | 2,348 | 50,100 | 50,200 | 2,725 |
| 30,700 | 30,800 | 1,600 | 37,200 | 37,300 | 1,977 | 43,700 | 43,800 | 2,354 | 50,200 | 50,300 | 2,731 |
| 30,800 | 30,900 | 1,605 | 37,300 | 37,400 | 1,982 | 43,800 | 43,900 | 2,359 | 50,300 | 50,400 | 2,736 |
| 30,900 | 31,000 | 1,611 | 37,400 | 37,500 | 1,988 | 43,900 | 44,000 | 2,365 | 50,400 | 50,500 | 2,742 |
| 31,000 | 31,100 | 1,617 | 37,500 | 37,600 | 1,994 | 44,000 | 44,100 | 2,371 | 50,500 | 50,600 | 2,748 |
| 31,100 | 31,200 | 1,623 | 37,600 | 37,700 | 2,000 | 44,100 | 44,200 | 2,377 | 50,600 | 50,700 | 2,754 |
| 31,200 | 31,300 | 1,629 | 37,700 | 37,800 | 2,006 | 44,200 | 44,300 | 2,383 | 50,700 | 50,800 | 2,760 |
| 31,300 | 31,400 | 1,634 | 37,800 | 37,900 | 2,011 | 44,300 | 44,400 | 2,388 | 50,800 | 50,900 | 2,765 |
| 31,400 | 31,500 | 1,640 | 37,900 | 38,000 | 2,017 | 44,400 | 44,500 | 2,394 | 50,900 | 51,000 | 2,771 |
| 31,500 | 31,600 | 1,646 | 38,000 | 38,100 | 2,023 | 44,500 | 44,600 | 2,400 | 51,000 | 51,100 | 2,777 |
| 31,600 | 31,700 | 1,652 | 38,100 | 38,200 | 2,029 | 44,600 | 44,700 | 2,406 | 51,100 | 51,200 | 2,783 |
| 31,700 | 31,800 | 1,658 | 38,200 | 38,300 | 2,035 | 44,700 | 44,800 | 2,412 | 51,200 | 51,300 | 2,789 |
| 31,800 | 31,900 | 1,663 | 38,300 | 38,400 | 2,040 | 44,800 | 44,900 | 2,417 | 51,300 | 51,400 | 2,794 |
| 31,900 | 32,000 | 1,669 | 38,400 | 38,500 | 2,046 | 44,900 | 45,000 | 2,423 | 51,400 | 51,500 | 2,800 |
| 32,000 | 32,100 | 1,675 | 38,500 | 38,600 | 2,052 | 45,000 | 45,100 | 2,429 | 51,500 | 51,600 | 2,806 |
| 32,100 | 32,200 | 1,681 | 38,600 | 38,700 | 2,058 | 45,100 | 45,200 | 2,435 | 51,600 | 51,700 | 2,812 |
| 32,200 | 32,300 | 1,687 | 38,700 | 38,800 | 2,064 | 45,200 | 45,300 | 2,441 | 51,700 | 51,800 | 2,818 |
| 32,300 | 32,400 | 1,692 | 38,800 | 38,900 | 2,069 | 45,300 | 45,400 | 2,446 | 51,800 | 51,900 | 2,823 |
| 32,400 | 32,500 | 1,698 | 38,900 | 39,000 | 2,075 | 45,400 | 45,500 | 2,452 | 51,900 | 52,000 | 2,829 |

TAX TABLE—2011 KENTUCKY INDIVIDUAL INCOME TAX

Read down the taxable income columns below until you find the bracket for the Taxable Income entered on Form 740-EZ, Line 3; Form 740, Line 11; or Form 740-NP, Line 13. Enter the tax on Form 740-EZ, Line 4; Form 740, Line 12, Column A and/or B; or Form 740-NP, Line 14.

| If Taxable Income | | | If Taxable Income | | | If Taxable Income | | | If Taxable Income | | |
|-------------------|--------------|---------|-------------------|--------------|---------|-------------------|--------------|---------|-------------------|--------------|---------|
| Is Over | But Not Over | Tax | Is Over | But Not Over | Tax | Is Over | But Not Over | Tax | Is Over | But Not Over | Tax |
| \$52,000 | \$52,100 | \$2,835 | \$58,500 | \$58,600 | \$3,212 | \$65,000 | \$65,100 | \$3,589 | \$71,500 | \$71,600 | \$3,966 |
| 52,100 | 52,200 | 2,841 | 58,600 | 58,700 | 3,218 | 65,100 | 65,200 | 3,595 | 71,600 | 71,700 | 3,972 |
| 52,200 | 52,300 | 2,847 | 58,700 | 58,800 | 3,224 | 65,200 | 65,300 | 3,601 | 71,700 | 71,800 | 3,978 |
| 52,300 | 52,400 | 2,852 | 58,800 | 58,900 | 3,229 | 65,300 | 65,400 | 3,606 | 71,800 | 71,900 | 3,983 |
| 52,400 | 52,500 | 2,858 | 58,900 | 59,000 | 3,235 | 65,400 | 65,500 | 3,612 | 71,900 | 72,000 | 3,989 |
| 52,500 | 52,600 | 2,864 | 59,000 | 59,100 | 3,241 | 65,500 | 65,600 | 3,618 | 72,000 | 72,100 | 3,995 |
| 52,600 | 52,700 | 2,870 | 59,100 | 59,200 | 3,247 | 65,600 | 65,700 | 3,624 | 72,100 | 72,200 | 4,001 |
| 52,700 | 52,800 | 2,876 | 59,200 | 59,300 | 3,253 | 65,700 | 65,800 | 3,630 | 72,200 | 72,300 | 4,007 |
| 52,800 | 52,900 | 2,881 | 59,300 | 59,400 | 3,258 | 65,800 | 65,900 | 3,635 | 72,300 | 72,400 | 4,012 |
| 52,900 | 53,000 | 2,887 | 59,400 | 59,500 | 3,264 | 65,900 | 66,000 | 3,641 | 72,400 | 72,500 | 4,018 |
| 53,000 | 53,100 | 2,893 | 59,500 | 59,600 | 3,270 | 66,000 | 66,100 | 3,647 | 72,500 | 72,600 | 4,024 |
| 53,100 | 53,200 | 2,899 | 59,600 | 59,700 | 3,276 | 66,100 | 66,200 | 3,653 | 72,600 | 72,700 | 4,030 |
| 53,200 | 53,300 | 2,905 | 59,700 | 59,800 | 3,282 | 66,200 | 66,300 | 3,659 | 72,700 | 72,800 | 4,036 |
| 53,300 | 53,400 | 2,910 | 59,800 | 59,900 | 3,287 | 66,300 | 66,400 | 3,664 | 72,800 | 72,900 | 4,041 |
| 53,400 | 53,500 | 2,916 | 59,900 | 60,000 | 3,293 | 66,400 | 66,500 | 3,670 | 72,900 | 73,000 | 4,047 |
| 53,500 | 53,600 | 2,922 | 60,000 | 60,100 | 3,299 | 66,500 | 66,600 | 3,676 | 73,000 | 73,100 | 4,053 |
| 53,600 | 53,700 | 2,928 | 60,100 | 60,200 | 3,305 | 66,600 | 66,700 | 3,682 | 73,100 | 73,200 | 4,059 |
| 53,700 | 53,800 | 2,934 | 60,200 | 60,300 | 3,311 | 66,700 | 66,800 | 3,688 | 73,200 | 73,300 | 4,065 |
| 53,800 | 53,900 | 2,939 | 60,300 | 60,400 | 3,316 | 66,800 | 66,900 | 3,693 | 73,300 | 73,400 | 4,070 |
| 53,900 | 54,000 | 2,945 | 60,400 | 60,500 | 3,322 | 66,900 | 67,000 | 3,699 | 73,400 | 73,500 | 4,076 |
| 54,000 | 54,100 | 2,951 | 60,500 | 60,600 | 3,328 | 67,000 | 67,100 | 3,705 | 73,500 | 73,600 | 4,082 |
| 54,100 | 54,200 | 2,957 | 60,600 | 60,700 | 3,334 | 67,100 | 67,200 | 3,711 | 73,600 | 73,700 | 4,088 |
| 54,200 | 54,300 | 2,963 | 60,700 | 60,800 | 3,340 | 67,200 | 67,300 | 3,717 | 73,700 | 73,800 | 4,094 |
| 54,300 | 54,400 | 2,968 | 60,800 | 60,900 | 3,345 | 67,300 | 67,400 | 3,722 | 73,800 | 73,900 | 4,099 |
| 54,400 | 54,500 | 2,974 | 60,900 | 61,000 | 3,351 | 67,400 | 67,500 | 3,728 | 73,900 | 74,000 | 4,105 |
| 54,500 | 54,600 | 2,980 | 61,000 | 61,100 | 3,357 | 67,500 | 67,600 | 3,734 | 74,000 | 74,100 | 4,111 |
| 54,600 | 54,700 | 2,986 | 61,100 | 61,200 | 3,363 | 67,600 | 67,700 | 3,740 | 74,100 | 74,200 | 4,117 |
| 54,700 | 54,800 | 2,992 | 61,200 | 61,300 | 3,369 | 67,700 | 67,800 | 3,746 | 74,200 | 74,300 | 4,123 |
| 54,800 | 54,900 | 2,997 | 61,300 | 61,400 | 3,374 | 67,800 | 67,900 | 3,751 | 74,300 | 74,400 | 4,128 |
| 54,900 | 55,000 | 3,003 | 61,400 | 61,500 | 3,380 | 67,900 | 68,000 | 3,757 | 74,400 | 74,500 | 4,134 |
| 55,000 | 55,100 | 3,009 | 61,500 | 61,600 | 3,386 | 68,000 | 68,100 | 3,763 | 74,500 | 74,600 | 4,140 |
| 55,100 | 55,200 | 3,015 | 61,600 | 61,700 | 3,392 | 68,100 | 68,200 | 3,769 | 74,600 | 74,700 | 4,146 |
| 55,200 | 55,300 | 3,021 | 61,700 | 61,800 | 3,398 | 68,200 | 68,300 | 3,775 | 74,700 | 74,800 | 4,152 |
| 55,300 | 55,400 | 3,026 | 61,800 | 61,900 | 3,403 | 68,300 | 68,400 | 3,780 | 74,800 | 74,900 | 4,157 |
| 55,400 | 55,500 | 3,032 | 61,900 | 62,000 | 3,409 | 68,400 | 68,500 | 3,786 | 74,900 | 75,000 | 4,163 |
| 55,500 | 55,600 | 3,038 | 62,000 | 62,100 | 3,415 | 68,500 | 68,600 | 3,792 | 75,000 | 75,100 | 4,169 |
| 55,600 | 55,700 | 3,044 | 62,100 | 62,200 | 3,421 | 68,600 | 68,700 | 3,798 | 75,100 | 75,200 | 4,175 |
| 55,700 | 55,800 | 3,050 | 62,200 | 62,300 | 3,427 | 68,700 | 68,800 | 3,804 | 75,200 | 75,300 | 4,181 |
| 55,800 | 55,900 | 3,055 | 62,300 | 62,400 | 3,432 | 68,800 | 68,900 | 3,809 | 75,300 | 75,400 | 4,187 |
| 55,900 | 56,000 | 3,061 | 62,400 | 62,500 | 3,438 | 68,900 | 69,000 | 3,815 | 75,400 | 75,500 | 4,193 |
| 56,000 | 56,100 | 3,067 | 62,500 | 62,600 | 3,444 | 69,000 | 69,100 | 3,821 | 75,500 | 75,600 | 4,199 |
| 56,100 | 56,200 | 3,073 | 62,600 | 62,700 | 3,450 | 69,100 | 69,200 | 3,827 | 75,600 | 75,700 | 4,205 |
| 56,200 | 56,300 | 3,079 | 62,700 | 62,800 | 3,456 | 69,200 | 69,300 | 3,833 | 75,700 | 75,800 | 4,211 |
| 56,300 | 56,400 | 3,084 | 62,800 | 62,900 | 3,461 | 69,300 | 69,400 | 3,838 | 75,800 | 75,900 | 4,217 |
| 56,400 | 56,500 | 3,090 | 62,900 | 63,000 | 3,467 | 69,400 | 69,500 | 3,844 | 75,900 | 76,000 | 4,223 |
| 56,500 | 56,600 | 3,096 | 63,000 | 63,100 | 3,473 | 69,500 | 69,600 | 3,850 | 76,000 | 76,100 | 4,229 |
| 56,600 | 56,700 | 3,102 | 63,100 | 63,200 | 3,479 | 69,600 | 69,700 | 3,856 | 76,100 | 76,200 | 4,235 |
| 56,700 | 56,800 | 3,108 | 63,200 | 63,300 | 3,485 | 69,700 | 69,800 | 3,862 | 76,200 | 76,300 | 4,241 |
| 56,800 | 56,900 | 3,113 | 63,300 | 63,400 | 3,490 | 69,800 | 69,900 | 3,867 | 76,300 | 76,400 | 4,247 |
| 56,900 | 57,000 | 3,119 | 63,400 | 63,500 | 3,496 | 69,900 | 70,000 | 3,873 | 76,400 | 76,500 | 4,253 |
| 57,000 | 57,100 | 3,125 | 63,500 | 63,600 | 3,502 | 70,000 | 70,100 | 3,879 | 76,500 | 76,600 | 4,259 |
| 57,100 | 57,200 | 3,131 | 63,600 | 63,700 | 3,508 | 70,100 | 70,200 | 3,885 | 76,600 | 76,700 | 4,265 |
| 57,200 | 57,300 | 3,137 | 63,700 | 63,800 | 3,514 | 70,200 | 70,300 | 3,891 | 76,700 | 76,800 | 4,271 |
| 57,300 | 57,400 | 3,142 | 63,800 | 63,900 | 3,519 | 70,300 | 70,400 | 3,896 | 76,800 | 76,900 | 4,277 |
| 57,400 | 57,500 | 3,148 | 63,900 | 64,000 | 3,525 | 70,400 | 70,500 | 3,902 | 76,900 | 77,000 | 4,283 |
| 57,500 | 57,600 | 3,154 | 64,000 | 64,100 | 3,531 | 70,500 | 70,600 | 3,908 | 77,000 | 77,100 | 4,289 |
| 57,600 | 57,700 | 3,160 | 64,100 | 64,200 | 3,537 | 70,600 | 70,700 | 3,914 | 77,100 | 77,200 | 4,295 |
| 57,700 | 57,800 | 3,166 | 64,200 | 64,300 | 3,543 | 70,700 | 70,800 | 3,920 | 77,200 | 77,300 | 4,301 |
| 57,800 | 57,900 | 3,171 | 64,300 | 64,400 | 3,548 | 70,800 | 70,900 | 3,925 | 77,300 | 77,400 | 4,307 |
| 57,900 | 58,000 | 3,177 | 64,400 | 64,500 | 3,554 | 70,900 | 71,000 | 3,931 | 77,400 | 77,500 | 4,313 |
| 58,000 | 58,100 | 3,183 | 64,500 | 64,600 | 3,560 | 71,000 | 71,100 | 3,937 | 77,500 | 77,600 | 4,319 |
| 58,100 | 58,200 | 3,189 | 64,600 | 64,700 | 3,566 | 71,100 | 71,200 | 3,943 | 77,600 | 77,700 | 4,325 |
| 58,200 | 58,300 | 3,195 | 64,700 | 64,800 | 3,572 | 71,200 | 71,300 | 3,949 | 77,700 | 77,800 | 4,331 |
| 58,300 | 58,400 | 3,200 | 64,800 | 64,900 | 3,577 | 71,300 | 71,400 | 3,954 | 77,800 | 77,900 | 4,337 |
| 58,400 | 58,500 | 3,206 | 64,900 | 65,000 | 3,583 | 71,400 | 71,500 | 3,960 | 77,900 | 78,000 | 4,343 |

TAX TABLE—2011 KENTUCKY INDIVIDUAL INCOME TAX

Read down the taxable income columns below until you find the bracket for the Taxable Income entered on Form 740-EZ, Line 3; Form 740, Line 11; or Form 740-NP, Line 13. Enter the tax on Form 740-EZ, Line 4; Form 740, Line 12, Column A and/or B; or Form 740-NP, Line 14.

| If Taxable Income | | | If Taxable Income | | | If Taxable Income | | | If Taxable Income | | |
|-------------------|--------------|---------|-------------------|--------------|---------|-------------------|--------------|---------|-------------------|------------------------|---------|
| Is Over | But Not Over | Tax | Is Over | But Not Over | Tax | Is Over | But Not Over | Tax | Is Over | But Not Over | Tax |
| \$78,000 | \$78,100 | \$4,349 | \$84,500 | \$84,600 | \$4,739 | \$91,000 | \$91,100 | \$5,129 | \$97,500 | \$ 97,600 | \$5,519 |
| 78,100 | 78,200 | 4,355 | 84,600 | 84,700 | 4,745 | 91,100 | 91,200 | 5,135 | 97,600 | 97,700 | 5,525 |
| 78,200 | 78,300 | 4,361 | 84,700 | 84,800 | 4,751 | 91,200 | 91,300 | 5,141 | 97,700 | 97,800 | 5,531 |
| 78,300 | 78,400 | 4,367 | 84,800 | 84,900 | 4,757 | 91,300 | 91,400 | 5,147 | 97,800 | 97,900 | 5,537 |
| 78,400 | 78,500 | 4,373 | 84,900 | 85,000 | 4,763 | 91,400 | 91,500 | 5,153 | 97,900 | 98,000 | 5,543 |
| 78,500 | 78,600 | 4,379 | 85,000 | 85,100 | 4,769 | 91,500 | 91,600 | 5,159 | 98,000 | 98,100 | 5,549 |
| 78,600 | 78,700 | 4,385 | 85,100 | 85,200 | 4,775 | 91,600 | 91,700 | 5,165 | 98,100 | 98,200 | 5,555 |
| 78,700 | 78,800 | 4,391 | 85,200 | 85,300 | 4,781 | 91,700 | 91,800 | 5,171 | 98,200 | 98,300 | 5,561 |
| 78,800 | 78,900 | 4,397 | 85,300 | 85,400 | 4,787 | 91,800 | 91,900 | 5,177 | 98,300 | 98,400 | 5,567 |
| 78,900 | 79,000 | 4,403 | 85,400 | 85,500 | 4,793 | 91,900 | 92,000 | 5,183 | 98,400 | 98,500 | 5,573 |
| 79,000 | 79,100 | 4,409 | 85,500 | 85,600 | 4,799 | 92,000 | 92,100 | 5,189 | 98,500 | 98,600 | 5,579 |
| 79,100 | 79,200 | 4,415 | 85,600 | 85,700 | 4,805 | 92,100 | 92,200 | 5,195 | 98,600 | 98,700 | 5,585 |
| 79,200 | 79,300 | 4,421 | 85,700 | 85,800 | 4,811 | 92,200 | 92,300 | 5,201 | 98,700 | 98,800 | 5,591 |
| 79,300 | 79,400 | 4,427 | 85,800 | 85,900 | 4,817 | 92,300 | 92,400 | 5,207 | 98,800 | 98,900 | 5,597 |
| 79,400 | 79,500 | 4,433 | 85,900 | 86,000 | 4,823 | 92,400 | 92,500 | 5,213 | 98,900 | 99,000 | 5,603 |
| 79,500 | 79,600 | 4,439 | 86,000 | 86,100 | 4,829 | 92,500 | 92,600 | 5,219 | 99,000 | 99,100 | 5,609 |
| 79,600 | 79,700 | 4,445 | 86,100 | 86,200 | 4,835 | 92,600 | 92,700 | 5,225 | 99,100 | 99,200 | 5,615 |
| 79,700 | 79,800 | 4,451 | 86,200 | 86,300 | 4,841 | 92,700 | 92,800 | 5,231 | 99,200 | 99,300 | 5,621 |
| 79,800 | 79,900 | 4,457 | 86,300 | 86,400 | 4,847 | 92,800 | 92,900 | 5,237 | 99,300 | 99,400 | 5,627 |
| 79,900 | 80,000 | 4,463 | 86,400 | 86,500 | 4,853 | 92,900 | 93,000 | 5,243 | 99,400 | 99,500 | 5,633 |
| 80,000 | 80,100 | 4,469 | 86,500 | 86,600 | 4,859 | 93,000 | 93,100 | 5,249 | 99,500 | 99,600 | 5,639 |
| 80,100 | 80,200 | 4,475 | 86,600 | 86,700 | 4,865 | 93,100 | 93,200 | 5,255 | 99,600 | 99,700 | 5,645 |
| 80,200 | 80,300 | 4,481 | 86,700 | 86,800 | 4,871 | 93,200 | 93,300 | 5,261 | 99,700 | 99,800 | 5,651 |
| 80,300 | 80,400 | 4,487 | 86,800 | 86,900 | 4,877 | 93,300 | 93,400 | 5,267 | 99,800 | 99,900 | 5,657 |
| 80,400 | 80,500 | 4,493 | 86,900 | 87,000 | 4,883 | 93,400 | 93,500 | 5,273 | 99,900 | 100,000 | 5,663 |
| 80,500 | 80,600 | 4,499 | 87,000 | 87,100 | 4,889 | 93,500 | 93,600 | 5,279 | | | |
| 80,600 | 80,700 | 4,505 | 87,100 | 87,200 | 4,895 | 93,600 | 93,700 | 5,285 | Over | 100,000 | 5,666 |
| 80,700 | 80,800 | 4,511 | 87,200 | 87,300 | 4,901 | 93,700 | 93,800 | 5,291 | <i>Plus</i> | 6% of all over 100,000 | |
| 80,800 | 80,900 | 4,517 | 87,300 | 87,400 | 4,907 | 93,800 | 93,900 | 5,297 | | | |
| 80,900 | 81,000 | 4,523 | 87,400 | 87,500 | 4,913 | 93,900 | 94,000 | 5,303 | | | |
| 81,000 | 81,100 | 4,529 | 87,500 | 87,600 | 4,919 | 94,000 | 94,100 | 5,309 | | | |
| 81,100 | 81,200 | 4,535 | 87,600 | 87,700 | 4,925 | 94,100 | 94,200 | 5,315 | | | |
| 81,200 | 81,300 | 4,541 | 87,700 | 87,800 | 4,931 | 94,200 | 94,300 | 5,321 | | | |
| 81,300 | 81,400 | 4,547 | 87,800 | 87,900 | 4,937 | 94,300 | 94,400 | 5,327 | | | |
| 81,400 | 81,500 | 4,553 | 87,900 | 88,000 | 4,943 | 94,400 | 94,500 | 5,333 | | | |
| 81,500 | 81,600 | 4,559 | 88,000 | 88,100 | 4,949 | 94,500 | 94,600 | 5,339 | | | |
| 81,600 | 81,700 | 4,565 | 88,100 | 88,200 | 4,955 | 94,600 | 94,700 | 5,345 | | | |
| 81,700 | 81,800 | 4,571 | 88,200 | 88,300 | 4,961 | 94,700 | 94,800 | 5,351 | | | |
| 81,800 | 81,900 | 4,577 | 88,300 | 88,400 | 4,967 | 94,800 | 94,900 | 5,357 | | | |
| 81,900 | 82,000 | 4,583 | 88,400 | 88,500 | 4,973 | 94,900 | 95,000 | 5,363 | | | |
| 82,000 | 82,100 | 4,589 | 88,500 | 88,600 | 4,979 | 95,000 | 95,100 | 5,369 | | | |
| 82,100 | 82,200 | 4,595 | 88,600 | 88,700 | 4,985 | 95,100 | 95,200 | 5,375 | | | |
| 82,200 | 82,300 | 4,601 | 88,700 | 88,800 | 4,991 | 95,200 | 95,300 | 5,381 | | | |
| 82,300 | 82,400 | 4,607 | 88,800 | 88,900 | 4,997 | 95,300 | 95,400 | 5,387 | | | |
| 82,400 | 82,500 | 4,613 | 88,900 | 89,000 | 5,003 | 95,400 | 95,500 | 5,393 | | | |
| 82,500 | 82,600 | 4,619 | 89,000 | 89,100 | 5,009 | 95,500 | 95,600 | 5,399 | | | |
| 82,600 | 82,700 | 4,625 | 89,100 | 89,200 | 5,015 | 95,600 | 95,700 | 5,405 | | | |
| 82,700 | 82,800 | 4,631 | 89,200 | 89,300 | 5,021 | 95,700 | 95,800 | 5,411 | | | |
| 82,800 | 82,900 | 4,637 | 89,300 | 89,400 | 5,027 | 95,800 | 95,900 | 5,417 | | | |
| 82,900 | 83,000 | 4,643 | 89,400 | 89,500 | 5,033 | 95,900 | 96,000 | 5,423 | | | |
| 83,000 | 83,100 | 4,649 | 89,500 | 89,600 | 5,039 | 96,000 | 96,100 | 5,429 | | | |
| 83,100 | 83,200 | 4,655 | 89,600 | 89,700 | 5,045 | 96,100 | 96,200 | 5,435 | | | |
| 83,200 | 83,300 | 4,661 | 89,700 | 89,800 | 5,051 | 96,200 | 96,300 | 5,441 | | | |
| 83,300 | 83,400 | 4,667 | 89,800 | 89,900 | 5,057 | 96,300 | 96,400 | 5,447 | | | |
| 83,400 | 83,500 | 4,673 | 89,900 | 90,000 | 5,063 | 96,400 | 96,500 | 5,453 | | | |
| 83,500 | 83,600 | 4,679 | 90,000 | 90,100 | 5,069 | 96,500 | 96,600 | 5,459 | | | |
| 83,600 | 83,700 | 4,685 | 90,100 | 90,200 | 5,075 | 96,600 | 96,700 | 5,465 | | | |
| 83,700 | 83,800 | 4,691 | 90,200 | 90,300 | 5,081 | 96,700 | 96,800 | 5,471 | | | |
| 83,800 | 83,900 | 4,697 | 90,300 | 90,400 | 5,087 | 96,800 | 96,900 | 5,477 | | | |
| 83,900 | 84,000 | 4,703 | 90,400 | 90,500 | 5,093 | 96,900 | 97,000 | 5,483 | | | |
| 84,000 | 84,100 | 4,709 | 90,500 | 90,600 | 5,099 | 97,000 | 97,100 | 5,489 | | | |
| 84,100 | 84,200 | 4,715 | 90,600 | 90,700 | 5,105 | 97,100 | 97,200 | 5,495 | | | |
| 84,200 | 84,300 | 4,721 | 90,700 | 90,800 | 5,111 | 97,200 | 97,300 | 5,501 | | | |
| 84,300 | 84,400 | 4,727 | 90,800 | 90,900 | 5,117 | 97,300 | 97,400 | 5,507 | | | |
| 84,400 | 84,500 | 4,733 | 90,900 | 91,000 | 5,123 | 97,400 | 97,500 | 5,513 | | | |



For calendar year or other taxable year beginning _____, 2011, and ending _____, 20_____.

Form section for Social Security Numbers, Name, Mailing Address, City/Town/Post Office, State, and ZIP Code.

FILING STATUS (see instructions)

- 1 Single
2 Married, filing separately on this combined return. (If both had income.)
3 Married, filing joint return.
4 Married, filing separate returns. Enter spouse's Social Security number above and full name here.

POLITICAL PARTY FUND

Designating \$2 will not change your refund or tax due.

- Democratic (1) Spouse (4) Yourself
Republican (2) Spouse (5) Yourself
No Designation (3) Spouse (6) Yourself

INCOME/TAX

Table with 2 main columns: A. Spouse (Use if Filing Status 2 is checked.) and B. Yourself (or Joint). Rows 5-28 detailing income, deductions, and taxes.

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here - Staple to Top Page Only



REFUND/TAX PAYMENT SUMMARY

Table with 3 columns: Description, Amount, and Total. Rows include Total Tax Liability, Kentucky income tax withheld, Fund Contributions (Nature and Wildlife, Child Victims, Veterans, Breast Cancer), and ADDITIONAL TAX DUE.

- Make check payable to Kentucky State Treasurer or visit www.revenue.ky.gov for more options.
• Write your Social Security number and "KY Income Tax—2011" on the check.

OFFICIAL USE ONLY table with PWR field.

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Table with 5 columns: Line number, Description, A. Spouse, B. Yourself, and Total. Rows 1-18 list various tax credits like limited liability entity credit, small business investment credit, etc.

Continue to page 3 to complete Section A



| SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS (continued) | | A. Spouse | | B. Yourself | |
|--|--|-----------|----|-------------|----|
| 19 | Enter railroad maintenance and improvement credit (attach Schedule RR-I)..... | 19 | 00 | 19 | 00 |
| 20 | Enter Endow Kentucky credit (attach Schedule ENDOW) | 20 | 00 | 20 | 00 |
| 21 | Add lines 1 through 20, Columns A and B. Enter here and on page 1, line 15 .. | 21 | 00 | 21 | 00 |

SECTION B—PERSONAL TAX CREDITS

Check Regular Check both if 65 or over Check both if blind

1 (a) Credits for yourself: 1 Enter number of boxes checked on line 1

(b) Credits for spouse: 2 Enter number of dependents who:

2 **Dependents:**

| First name | Last name | Dependent's Social Security number | Dependent's relationship to you | Check if qualifying child for family size tax credit |
|------------|-----------|------------------------------------|---------------------------------|--|
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |

• lived with you.....

• did not live with you (see instructions).....

• other dependents.....

3 Add total number of credits claimed on lines 1 and 2. *If married filing separately on a combined return (Filing Status 2), each taxpayer must claim his or her own credits from line 1, divide the credits on line 2, and enter the totals in Boxes 3A and 3B. All other filers enter the amount from line 3 in Box 3B*

3 Enter total credits.....

| Spouse | | Yourself | |
|--------|--------|----------|--------|
| •3A | x \$20 | •3B | x \$20 |
| 4A | | 4B | |

4 Multiply credits on line 3A by \$20 and enter on line 4A. Multiply credits on line 3B by \$20 and enter on line 4B. **Enter here and on page 1, line 17, Columns A and B**

SECTION C—FAMILY SIZE TAX CREDIT (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

| First name | Last name | Social Security number | First name | Last name | Social Security number |
|------------|-----------|------------------------|------------|-----------|------------------------|
| | | | | | |

Attach a complete copy of federal Form 1040 if you received farm, business, or rental income or loss. If not required, check here.

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint or combined return, both must sign.) Spouse's Signature Date Signed ()
Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Firm Name EIN Date

Mail to: **REFUNDS** Kentucky Department of Revenue, Frankfort, KY 40618-0006.



PAYMENTS Kentucky Department of Revenue, Frankfort, KY 40619-0008.

740-EZ

Single Persons With No Dependents

42A740-EZ
Department of Revenue



KENTUCKY
INDIVIDUAL INCOME TAX RETURN



Your Social Security Number
Name—Last, First, Middle Initial
Mailing Address (Number and Street including Apartment Number or P.O. Box)
City, Town or Post Office State ZIP Code

FAMILY SIZE 1 POLITICAL PARTY FUND Designating \$2 will not change your refund or tax due. Mark an X in Box 1 for Democratic, Box 2 for Republican, or Box 3 for No Designation.

Table with columns for line number, description, and amounts. Includes sections for INCOME (lines 1-3), TAX (lines 4-12), and FUND CONTRIBUTIONS (lines 13a-d). Total tax liability and refund/owe amounts are shown on lines 10, 14, 15, and 16.

Attach Form W-2, Wage and Tax Statement(s) and Payment Here

I, the undersigned, declare under penalties of perjury that I have examined this return, including any accompanying statements, and to the best of my knowledge and belief, it is true, correct and complete.

Your Signature Telephone Number (daytime) Date Signed
Typed or Printed Name of Preparer Other Than Taxpayer I.D. Number of Preparer Date

Mail to: REFUNDS Kentucky Department of Revenue, Frankfort, KY 40618-0006.
PAYMENTS Kentucky Department of Revenue, Frankfort, KY 40619-0008.

OFFICIAL USE ONLY
PWR

Who May Use Form 740-EZ—You may use Form 740-EZ if all five of the following apply:

- ✓ you were a Kentucky resident for the entire year;
✓ you are filing federal Form 1040EZ;
✓ your filing status is single;
✓ you do not claim additional credits for being age 65 or over, blind, or a member of the Kentucky National Guard at the end of 2011; and
✓ you had only wages, salaries, tips, unemployment compensation, taxable scholarship or fellowship grants, and your taxable interest was \$1,500 or less.

If you do not meet all five of the above requirements, see Form 740 instructions.

When to File—The 2011 Form 740-EZ must be postmarked no later than April 17, 2012, to avoid penalties and interest.

COMPLETING FORM 740-EZ—For more information, see the General Instructions. You may also contact the Department of Revenue in Frankfort at (502) 564-4581 or a Kentucky Taxpayer Service Center.

Please print your numbers inside the boxes with black ink. Do not use dollar signs.

Political Party Fund Designation—You may designate \$2 of your taxes to either the Democratic or Republican party if you have a tax liability of at least \$2.

LINE-BY-LINE INSTRUCTIONS

Line 1—Enter federal adjusted gross income from Form 1040EZ, Line 4. (Do not confuse federal adjusted gross income with federal taxable income shown on the federal return.) If \$14,484 or less, see instructions for Line 7 and enter the decimal amount on Line 7.

If you are not required to file a federal income tax return, enter the total income from sources within and without Kentucky.

Line 2—The standard deduction of \$2,240 has been preprinted. If your itemized deductions exceed \$2,240, it will benefit you to file Form 740 and itemize your deductions on Schedule A.

Line 4—Compute your tax using the following tax rate schedule.

Table with 2 columns: Taxable income ranges and Tax rates. Includes an example calculation: (Taxable income) \$8,500 x 5.8% - \$184 = \$309

Note: An optional tax table is available online at www.revenue.ky.gov or by calling the Department of Revenue, (502) 564-4581.

Line 7, Family Size Tax Credit—For single persons eligible to file Form 740-EZ, Kentucky family size is one and Kentucky modified gross income is equal to federal adjusted gross income. A family size tax credit is allowed for single persons whose Kentucky modified gross income is not over \$14,484. If over \$14,484, you do not qualify for this tax credit. Skip Line 7.

Enter in the space provided the decimal amount from the following table.

Table with 2 main columns: Family Size One and Percent of Tax as Family Size Tax Credit. Sub-columns: over, but not over. Lists income brackets and corresponding percentages from 100% to 10%.

Multiply amount on Line 6 by decimal amount. Enter result on Line 7. This is your Family Size Tax Credit.

Line 9, Kentucky Use Tax—Enter 6 percent of out-of-state purchases for use in Kentucky on which sales tax was not charged. Include Internet and catalog purchases, subscriptions, furniture, carpet, boats, etc.

Line 11, Kentucky Tax Withheld—Enter the amount of Kentucky income tax withheld as shown on your 2011 wage and tax statements. These statements must be attached to your return. Make sure you file the copy designated to be filed with your state return. Do not include amounts withheld by your employer for other states. Amounts withheld in other states cannot be credited to your Kentucky income tax. Local government occupational, license or income taxes must not be included on Line 11.

Line 12—If the amount on Line 11 (Kentucky Tax Withheld) is more than the amount on Line 10 (Total Tax Liability), you have an overpayment and are due a refund. Subtract Line 10 from Line 11, and enter the difference on Line 12 as an overpayment. However, if your Total Tax Liability on Line 10 is larger than Line 11, you owe additional tax. Subtract Line 11 from Line 10 and enter on Line 16.

Line 13—If you show an overpayment on Line 12, you may contribute to: (a) the Nature and Wildlife Fund, (b) the Child Victims' Trust Fund, (c) the Veterans' Program Trust Fund and/or (d) the Breast Cancer Research and Education Trust Fund. Donations are voluntary and amounts donated will be deducted from your refund.

Enter the amount(s) you wish to contribute on Lines 13(a), 13(b), 13(c) and/or 13(d). The total of these amounts cannot exceed the amount of the overpayment.

Line 16—You must pay any tax due shown on Line 16. Make check payable to Kentucky State Treasurer, and attach it to your return. On the face of the check, please write "KY Income Tax-2011" and your Social Security number.

Underpayment of Estimated Tax—If the amount owed is more than 30 percent of the income tax liability on Line 8, you may be subject to a penalty of 10 percent of the underpayment of estimated tax. The minimum penalty is \$25. The amount of the penalty may be calculated on Form 2210-K, which may be obtained from the Department of Revenue.

Interest and Penalties—File your return and pay any additional tax due by April 17, 2012 to avoid interest and penalties. See the General Instructions or contact the Department of Revenue for additional information.

Note: Penalties but not interest may be reduced or waived if reasonable cause can be shown.

Signature—Each return must be properly signed by the taxpayer.

General Information

Which form should I file?

File Form 740-EZ if you are a Kentucky resident for the entire year and:

- are filing federal Form 1040EZ.
- file as single.
- do not claim additional credits for being age 65 or over, blind, or a member of the Kentucky National Guard at the end of 2011.
- had only wages, salaries, tips, unemployment compensation, taxable scholarship or fellowship grants, and taxable interest was \$1,500 or less.

File Form 740 if you are a full-year Kentucky resident and:

- have farm, business, rental and/or capital gain income or losses.
- itemize deductions.
- have additions to or subtractions from federal adjusted gross income (see instructions). **Schedule M required.**
- report on an accrual basis.
- claim Kentucky estimated tax payments.
- have pension income.

File Form 740-NP if you are a nonresident and:

- had income from Kentucky sources.

or are a part-year Kentucky resident and:

- moved into or out of Kentucky during the taxable year.
- had income while a Kentucky resident.
- had income from Kentucky sources while a nonresident.

Computer-Generated Returns and 2-D Bar Code

Most software packages produce a 2-D bar code. The Department of Revenue scans the bar code that contains all of the information needed to process your return. The bar code is printed in the upper right-hand corner of the return when you prepare your return using an approved software package. **Last minute changes** should be entered into the program and the **entire** return printed again so that the bar code also contains the correct information. This bar code should not be covered up or marked through. Using the bar code reduces

data entry errors for the department and results in a faster refund for you.

Check to be sure your software generates an acceptable form. A list of vendors whose software has been approved is posted on the Internet at www.revenue.ky.gov, the Department of Revenue's Web site.

Where to Get Forms

Forms and instructions are available online from the Department of Revenue's Web site at www.revenue.ky.gov and at all Kentucky Taxpayer Service Centers. They may also be obtained by writing FORMS, Kentucky Department of Revenue, Frankfort, KY 40620, or by calling (502) 564-3658.

Address Change

If you move after you file your tax return, please notify the Kentucky Department of Revenue of your new address. This can be done by sending a change of address card (available at your local post office) to: Taxpayer Assistance Section, Kentucky Department of Revenue, P.O. Box 181, Station 56, Frankfort, KY 40602-0181. Notification can also be made to any Kentucky Taxpayer Service Center. A list of locations is included in your packet.

Refund Inquiries

The Automated Refund and Tax Information System (ARTIS) is a touch-tone telephone system designed to provide information about your individual income tax return. Information about electronically filed returns should be available within 72 hours of receipt. Information about other refund request filed on paper will be available after the return has completed initial processing (approximately 12 weeks).

The ARTIS number is (502) 564-1600. It is available 24 hours a day, 7 days a week. If during the call you do not receive a refund mailing date, please allow seven days before calling again.

Need a Copy of Your Tax Return?

If you need a copy of your tax return, you must send your request in writing to: Taxpayer Assistance Section, Kentucky Department of Revenue, P.O. Box 181, Station 56, Frankfort, KY 40602-0181. Please include your name(s) as it appeared on your return, Social Security number(s), your complete mailing address, and a photo ID. To ensure confidentiality, all requests must include your signature.

How Long Should Records be Kept?

Keep a copy of your tax return, worksheets and records of all items appearing on it (such as Forms W-2 and 1099 or other receipts) until the statute of limitations runs out for that return. Usually, this is four years from the date the return was due or filed (with extensions), or the date the tax was paid, whichever is later. You should keep some records longer. For example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property.



Filing as an Injured Spouse on Your Federal Form 1040?

Kentucky does not recognize the federal injured spouse form. Income tax refunds may be withheld by the department if you owe money to the Kentucky Department of Revenue, another state agency or the Internal Revenue Service.

Kentucky law requires the offset of the entire refund if a joint return is filed. **If spouses want to keep their tax liabilities and/or refunds separate, each must file a separate tax form.** If you choose to file separately on a combined return, for agencies other than the Department of Revenue, the refund will be apportioned between spouses, based

on each spouse's income. The indebted spouse's refund will then be paid to the appropriate agency.

Death of a Taxpayer

If a taxpayer died before filing a return for 2011, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator or anyone who is in charge of the deceased taxpayer's property. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return should enter "**DECD**" after the deceased taxpayer's name and write "**DECEASED**" and the date of death across the top of the return.

If your spouse died in 2011 and you did not remarry in 2011, you can file jointly or separately on a combined return. The return should show your spouse's 2011 income before death and your income for all of 2011. You can also file jointly or separately on a combined return if your spouse died in 2012 before filing a 2011 return. Write "**Filing as surviving spouse**" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

Death of Military Personnel Killed in Line of Duty

KRS 141.010(10)(t) exempts all income earned by soldiers killed in the line of duty from Kentucky tax for the years during which the death occurred and the year prior to the year during which the death occurred.

The exemption applies to tax years beginning after December 31, 2001. The income exclusion applies to all income from all sources of the decedent, not just military income. The exclusion includes all federal and state death benefits payable to the estate or any beneficiaries.

Amended returns may be filed for the year the soldier was killed in the line of duty and the year prior to the year of death. The amended returns must be filed within the statute of limitations period; four years from the due date, the extended due date or the date the tax was paid, whichever is later.

If a combined return was filed, the exclusion would apply to the income reported in Column A or Column B of the Kentucky return attributable to the military member. If a joint return was filed, the income must be separated accordingly. Refunds will be issued in the names on the original return. Beneficiaries or estates that received death benefits that were included in a Kentucky return may file an amended return to request a refund of taxes paid on the benefit.

The Department of Revenue will use the Veterans Administration definition for "in the line of duty," which states that a soldier is in the line of duty when he is in active military service, whether on active duty or authorized leave; unless the death was the result of the person's own willful misconduct.

Income Tax Withholding for 2012

If the amount you owe or the amount you overpaid is large, you may want to change the amount of income tax withheld from your 2012 pay. To do so you must file a new Form K-4 with your employer.

The Family Size Tax Credit is based on modified gross income and the size of the family. See instructions for Lines 20 and 21 for further explanation of these limitations. Changes have been made to the Special Withholding Exemption Certificate (Form K-4E) to reflect the Family Size Tax Credit. If you do not expect to have any tax liability for the current year and you meet the modified gross income requirements, you may be entitled to claim exemption from withholding of Kentucky income tax. The Special Withholding Exemption Certificate (Form K-4E) can be downloaded at <http://revenue.ky.gov/business/whtax.htm>, the Department of Revenue's Web site.

2012 Estimated Tax Payments

Persons who reasonably expect to have income in excess of \$5,000 from which no Kentucky income tax will be withheld may be required to make estimated tax payments on Form 740-ES. However, if the amount of estimated tax is \$500 or less, no estimated payments are required.

Persons who do not prepay at least 70 percent of the tax liability may be subject to a 10 percent penalty for underpayment of estimated tax. If you are required to make estimated tax payments you may also be subject to interest if the payments are not made timely. Prepayments for 2012 may be made through withholding, a credit forward of a 2011 overpayment or estimated tax installment payments. The instructions for Form 740-ES include a worksheet for calculating the amount of estimated tax due and for making installment payments. These forms may be obtained from the Kentucky Department of Revenue, Frankfort, KY 40620, or any Kentucky Taxpayer Service Center. You may also download Form 740-ES and instructions at www.revenue.ky.gov, the Department of Revenue's Web site.

Return Adjustments

If the Department of Revenue adjusts your return and you do not understand the adjustment, you may write to Taxpayer Assistance, Kentucky Department of Revenue, P.O. Box 181, Station 56, Frankfort, KY 40602-0181 or call (502) 564-4581. If you disagree with an adjustment made to your return, you may appeal that adjustment by submitting a written protest within 45 days of notification.

Amended Returns

If you discover that you omitted deductions or otherwise improperly prepared your return, you may obtain a refund by filing an amended return within four years of the due date of the original return. *You are required to file an amended return to report omitted income.* You may obtain Form 740-X by contacting a Kentucky Taxpayer Service Center or writing FORMS, Kentucky Department of Revenue, Frankfort, KY 40620. You may also download Form 740-X at www.revenue.ky.gov, the Department of Revenue's Web site.

Federal Audit Adjustments



Taxpayers who have received a final determination of an Internal Revenue Service audit must submit a copy to the department **within 30 days of its conclusion**. The information should be submitted to the Individual Governmental Program Section, Kentucky Department of Revenue, P.O. Box 1074, Station 68, Frankfort, KY 40602-1074.

Confidentiality

Kentucky Revised Statute 131.190 requires the Department of Revenue to maintain strict confidentiality of all taxpayer records. No employee of the Department of Revenue may divulge any information regarding the tax returns, schedules or reports required to be filed. However, the Department of Revenue is not prohibited from providing evidence to or testifying in any court of law concerning official tax records. **Also, Department of Revenue employees or any other person authorized to access confidential state information are prohibited from intentionally viewing such information without an official need to view.**

The department may provide official information on a confidential basis to the Internal Revenue Service or to any other governmental agency with which it has an exchange of information agreement whereby the department receives similar or useful information in return.

Extension of Time to File

Taxpayers who are unable to file a return by April 17 may request an extension. The request for the extension must be submitted in writing to the Department of Revenue on or before the due date of the return. The request must state a reasonable cause for the inability to file. Inability to pay is not an acceptable reason. Acceptable reasons include, but are not limited to, destruction of records by fire or flood and serious illness of the taxpayer. Extensions are limited to six months. **A copy of the Kentucky extension request must be attached to the return.**

Individuals who receive a federal extension are not required to request a separate Kentucky extension. They can meet the requirements by attaching a copy of the application for automatic federal extension to the Kentucky return.

IRS extensions by e-file (by personal computer or a tax professional)— Attach a copy of Form 4868 with the confirmation number in the lower right-hand corner of the form or a copy of the electronic acknowledgment.



Military Personnel—Kentucky residents who are in the military are often granted extensions for tax filings when serving outside the United States. Any extension granted for federal income tax purposes will be honored for Kentucky income tax purposes.

Combat Zone Extension—Members of the Army, Navy, Marines, Air Force, or Public Health Service of the United States government who serve in an area designated as a combat zone by presidential proclamation shall not be required to file an income tax return and pay the taxes, which would otherwise become due during the period of service, until 12 months after the service is completed. Members of the National Guard or any branch of the Reserves called to active duty to serve in a combat zone are granted the same extension.

Interest and Penalties—Interest at the "tax interest rate" applies to any income tax paid after the original due date of the return. If the amount of tax paid by the original due date is less than 75 percent of the tax due, a **late payment penalty** may be assessed (minimum penalty is \$10).

Interest and penalty charges can be avoided or reduced by sending payment with your extension request by the due date. If you wish to make a payment prior to the due date of your return when using the:

- (1) *Kentucky Extension*—Complete Section II, Kentucky Extension Payment Voucher, of the Application for Extension of Time to File, Form 40A102, and send with payment. Write "KY Income Tax—2011" and your Social Security number(s) on the face of the check.
- (2) *Federal Automatic Extension*—Make a copy of the lower portion of the federal Application for Automatic Extension, Form 4868, and send with payment. Write "KY Income Tax—2011" and your Social Security number(s) on the face of the check.

Personal Property Forms

Kentucky business taxpayers are reminded to report all taxable personal property, except motor vehicles, owned on January 1 to either the property valuation administrator in the county of residence (or location of business) or the Office of Property Valuation in Frankfort. Tangible personal property is to be reported on the Tangible Personal Property Tax Return, Form 62A500. The due date for this return is May 15. **Do not mail this return with your income tax return; use a separate envelope.**



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.

INSTRUCTIONS

2011 FORM 740

Do You Have to File a Kentucky 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. You must file if your modified gross income exceeds the amount in Chart A and your Kentucky adjusted gross income exceeds the amount in Chart B.

Complete your federal tax return first. If you are not required to file a federal tax return, see instructions for Line 5.

MODIFIED GROSS INCOME AND FAMILY SIZE (Use With Chart A)

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children. For the purposes of computing the Family Size Tax Credit, the maximum family size is four.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

- **Relationship**—The taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.
- **Residence**—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents. Other federal exceptions apply.
- **Age**—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.
- **Support**—Did not provide more than one-half of his/her own support for the year.

Modified Gross Income—Modified gross income is the greater of federal adjusted gross income adjusted to include interest income derived from municipal bonds (non-Kentucky) and lump-sum pension distributions not included in federal adjusted gross income; **or** Kentucky adjusted gross income adjusted to include lump-sum pension distributions not included in federal adjusted gross income.

KENTUCKY ADJUSTED GROSS INCOME (Use Chart B if Modified Gross Income is Greater Than the Amounts in Chart A)

Kentucky Adjusted Gross Income—Consists of your federal adjusted gross income plus any additions and subtractions from Schedule M, Modifications to Federal Adjusted Gross Income.

Chart B

| If Your Filing Status is: | Your Kentucky Adjusted Gross Income is greater than: |
|---|--|
| Single Person— Under age 65..... | and \$ 3,280 |
| Single Person— Age 65 or over or blind..... | and \$ 5,280 |
| Single Person— Age 65 or over and blind..... | and \$ 6,550 |
| Husband and Wife— Both under age 65..... | and \$ 4,280 |
| Husband and Wife— One age 65 or over | and \$ 5,950 |
| Husband and Wife— Both age 65 or over | and \$ 7,050 |

TAXPAYERS WITH SELF-EMPLOYMENT INCOME—Must file a Kentucky individual income tax return regardless of the amount of Kentucky adjusted gross income used in the Chart B if you have gross receipts from self-employment in excess of modified gross income for your family size in Chart A.

Chart A

| If Your Family Size is: | Your Modified Gross Income is greater than: |
|-------------------------|---|
| One..... | and \$10,890 |
| Two..... | and \$14,710 |
| Three..... | and \$18,530 |
| Four or More | and \$22,350 |



TIP: Even though the filing requirements are not met, an income tax return must be filed to claim a refund of the Kentucky taxes withheld.

FILING REQUIREMENTS (Continued)

Part-time or part-year workers may have income taxes withheld from their paychecks even though the filing requirements are not met. An income tax return must be filed to claim a refund of the Kentucky taxes withheld.

A child meeting the filing requirements must file a return even though being claimed as a dependent by the parent. Kentucky income tax law contains no special provisions for taxing the income of a minor child at the parent's tax rates nor the reporting of income of a child on the parent's return.

Generally, all income of Kentucky residents, regardless of where it was earned, is subject to Kentucky income tax.

Nonresidents and part-year residents must report income on Form 740-NP.

Military Personnel—MILITARY PAY EXCLUSION—Effective for taxable years beginning on or after January 1, 2010, all military pay received by active duty members of the Armed Forces of the United States, members of reserve components of the Armed Forces of the United States, and members of the National Guard will be exempt from Kentucky income tax. KRS 141.010(10)(u)

Soldiers will claim the exemption by excluding military pay when filing a Kentucky individual income tax return starting with the 2010 return. Provided the military member has no income other than military pay, he or she would not be required to file a Kentucky income tax return. The military pay exemption applies to all Kentucky military members regardless of where the member is stationed. Kentucky income tax should no longer be withheld from checks received for military pay, beginning January 1, 2010. If Kentucky income tax is incorrectly withheld from a soldier's military pay, the Department of Revenue will refund the tax withheld.

Kentucky residents who are in the military are often granted extensions for military service when serving outside the United States. Any extension granted for federal income tax purposes will be honored for Kentucky income tax purposes.

For Fiscal Year Filers Only—Most people pay taxes for a calendar year. However, if you file for a taxable year other than a calendar year or for part of a year, enter the beginning and ending dates of that year on the line at the top of the form.

When and Where to File

The income tax return for calendar year 2011 must be postmarked or submitted electronically no later than April 17, 2012, to avoid penalties and interest. Mail to:

| APRIL 2012 | | | | | | |
|------------|----|----|----|----|----|----|
| S | M | T | W | T | F | S |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | | | | | |

Refund/Other Returns

Kentucky Department of Revenue
Frankfort, KY 40618-0006

Pay Returns

Kentucky Department of Revenue
Frankfort, KY 40619-0008

Taxpayers who expect refunds should file as early as possible to receive refunds promptly. If you have your tax return prepared by another person, you may wish to mail the return yourself in order to ensure prompt filing.

Political Party Fund Designation

You may designate \$2 of your taxes to either the Democratic or Republican party if you have a tax liability of at least \$2 (\$4 for married persons filing joint returns). Fifty cents will be paid to the corresponding political organization in your county of residence and the remainder will be paid to the respective state political party. *This designation will not increase your tax or decrease your refund.* You may make this designation by checking the applicable box. A husband and wife may each make a designation. Persons making no designation should check the "No Designation" box.



Reporting Periods and Accounting Procedures

Kentucky law requires taxpayers to report income on the same calendar or fiscal year and to use the same methods of accounting as required for federal income tax purposes. Any federally approved change in accounting period or methods must be reported to the Kentucky Department of Revenue. Attach a copy of the federal approval.

Changes to federal income tax law made after the Internal Revenue Code reference date contained in KRS 141.010(3) shall not apply for purposes of Chapter 141 unless adopted by the General Assembly.

Filing Status

Legal liabilities are affected by the choice of filing status. Married persons who file joint or combined returns are jointly and severally liable for all income taxes due for the period covered by the return. That is, each spouse may be held legally responsible for payment of taxes on income earned by the other. If spouses want to credit the refund of one against the liability of the other or combine their tax liabilities or refunds, they must file a combined return. **If spouses want to keep their tax liabilities and/or refunds separate, each must file a separate tax form.**

Check the box that describes your filing status. If you are married, filed a joint federal return and both you and your spouse had income, you may be able to reduce your tax by using Filing Status 2 rather than Filing Status 3.

Filing Status 1, Single—Use this filing status if you are unmarried, divorced, widowed, legally separated by court decree, or if you filed as "Head of Household" or "Qualifying Widow(er)" on your federal return.

Filing Status 2, Married Filing Separately on This Combined Return—Use this filing status to report your incomes individually but on only one tax form. You do this by filling in both Columns A and B. You may file separately on this combined return regardless of whether you filed jointly or separately for federal purposes if both you and your spouse had income. This filing status usually results in a lower tax than Filing Status 3.

Each spouse must claim his or her own income and deductions. The total of Line 5, Columns A and B, must equal your and your spouse’s federal adjusted gross income.

Filing Status 3, Married Filing Joint Return—Use this filing status if you and your spouse choose to file a joint return even if one spouse had no income. Jointly means that you and your spouse add your incomes together and report in Column B. If both you and your spouse have income, it may be to your benefit to use Filing Status 2.

Filing Status 4, Married Filing Separate Returns—If using this filing status, you and your spouse must file two separate tax forms. The husband’s income is reported on one tax form, the wife’s on the other. When filing separate returns, the name and Social Security number of each spouse must be entered on both returns. Enter the spouse’s Social Security number in the block provided, and enter the name on Line 4.

Adjusted Gross Income

LINE 5, Federal Adjusted Gross Income

Enter the total amount of your federal adjusted gross income from your federal income tax return in Column B if Filing Status 1, 3 or 4 is used. Use Column A only when entering your spouse’s income on a combined return (Filing Status 2). When using Filing Status 2, Columns A and B, Line 5, must equal your federal adjusted gross income. **(Do not confuse federal adjusted gross income with federal taxable income shown on the federal return.)**

Where husband and wife have filed a joint return for federal income tax purposes and have not elected to file a joint Kentucky income tax return, each spouse must claim his or her own income and deductions.

If you are not required to file a federal income tax return, enter on Line 5 the total of wages, salaries, tips, fees, commissions, bonuses, other payments for personal services, taxable scholarships and fellowships, taxable interest and dividends, trade or business income, unemployment compensation and all other income from sources within and without Kentucky including amounts not reported on attached wage and tax statements. If you have income not supported by a wage and tax statement, attach a supporting schedule showing the source and amount.

Determining Kentucky Adjusted Gross Income—Kentucky law requires that the individual income tax return begin with federal adjusted gross income and be adjusted for any differences to arrive at Kentucky adjusted gross income. Schedule M is designed to make “additions to” federal adjusted gross income and provides for “subtractions from”

federal adjusted gross income. For a list of differences, see the Federal/Kentucky Individual Income Tax Differences chart and the line-by-line instructions.

LINE 6—Additions to Federal Adjusted Gross Income—Enter amount from Schedule M, Part I, Line 8.

LINE 8—Subtractions from Federal Adjusted Gross Income—Enter amount from Schedule M, Part II, Line 20.

LINE 9—Kentucky Adjusted Gross Income—Subtract Line 8 from Line 7. This is your **Kentucky Adjusted Gross Income**.

Taxable Income

LINE 10, Deductions—Itemizers, complete Schedule A and enter allowable deductions on Line 10. *If one spouse itemizes deductions, the other must itemize.* See specific instructions for Schedule A.

Nonitemizers, enter the standard deduction of \$2,240. If married filing separately on a combined return, enter \$2,240 in both Columns A and B. **If filing a joint return, only one \$2,240 standard deduction is allowed.**

LINE 11—Subtract Line 10 from Line 9. This is your **Taxable Income**.

Tax

LINE 12—Determining Your Tax

Tax Table or Computation—An optional tax table is located elsewhere in this publication for your convenience. You may use this table whether or not you itemize. Married taxpayers filing separately on a combined return may use the tax table or the tax rate schedule, or one spouse may use the tax table and the other the tax rate schedule. If you choose not to use the tax table, compute your tax using the tax rate schedule below.

Tax Rate Schedule

| <i>If taxable amount is:</i> | <i>Tax is:</i> |
|---|---|
| \$3,000 or less | 2% of taxable amount |
| over \$3,000 but not over \$4,000 | \$60 plus 3% of amount over \$3,000 |
| over \$4,000 but not over \$5,000 | \$90 plus 4% of amount over \$4,000 |
| over \$5,000 but not over \$8,000 | \$130 plus 5% of amount over \$5,000 |
| over \$8,000 but not over \$75,000 .. | \$280 plus 5.8% of amount over \$8,000 |
| over \$75,000 | \$4,166 plus 6% of amount over \$75,000 |

Farm Income Averaging, Schedule J—If you elect farm income averaging on your federal return, you may also use this method for Kentucky. The amount of income you may average is limited to the amount elected for federal purposes. Enter tax from Schedule J, Line 22, on Form 740, Line 12, and check the box for “Schedule J.” Attach completed Schedule J.



LINE 13, Lump-sum Distribution—Special 10-Year Averaging— Kentucky allows a special 10-year averaging method for determining tax on lump-sum distributions received from certain retirement plans that qualify for federal 10-year averaging. If this special method is used for federal purposes, Form 4972-K, Kentucky Tax on Lump-Sum Distributions, and Schedule P, Pension Income Exclusion, must be filed with Form 740. Enter tax from Form 4972-K and check the box.

Recycling Composting Recapture— Enter amount from Schedule RC-R and check the box.

If both Form 4972-K and Schedule RC-R are used, add the amounts together and enter the total on Line 13.

LINE 15— Enter amounts from page 2, Section A. See instructions for Section A.

LINE 17— Enter amounts from page 3, Section B. See instructions for Section B.

LINE 19, Total Tax Liability— Married taxpayers filing a combined return must add the amounts on Line 18, Columns A and B, and enter the sum on Line 19. Other taxpayers should enter the amount from Line 18, Column B, on Line 19.

LINE 20 and LINE 21, Family Size Tax Credit—The Family Size Tax Credit is based on modified gross income (MGI) and the size of the family. If your total MGI is \$29,726 or less, you may qualify for Kentucky Family Size Tax Credit.

STEP ONE—Determine your family size. Check the box on Line 20 to the right of the number that represents your family size.

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children.

Family Size 1 is an individual either single, or married living apart from his or her spouse for the entire year. You may qualify for the Family Size Tax Credit even if you are claimed as a dependent on your parent's tax return.

Family Size 2 is an individual with one qualifying child or a married couple.

Family Size 3 is an individual with two qualifying children or a married couple with one qualifying child.

Family Size 4 is an individual with three or more qualifying children or a married couple with two or more qualifying children.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

Relationship—Must be the taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.

Residence—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents.

Age—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.

Support—Did not provide more than one-half of his/her own support for the year.

STEP TWO—Determine modified gross income.

FORM 740 WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT

- (a) Enter your federal adjusted gross income from Line 5. **If zero or less, enter zero** (a) _____
- (b) If married filing separately on a combined return or married filing separate returns and living in the same household, enter your spouse's federal adjusted gross income. **If zero or less, enter zero** (b) _____
- (c) Enter tax-exempt interest from municipal bonds (non-Kentucky)..... (c) _____
- (d) Enter amount of lump-sum distributions not included in federal adjusted gross income (federal Form 4972)..... (d) _____
- (e) Enter total of Lines (a), (b), (c) and (d)..... (e) _____
- (f) Enter your Kentucky adjusted gross income from Line 9. **If zero or less, enter zero** (f) _____
- (g) If married filing separately on a combined return or married filing separate returns and living in the same household, enter your spouse's Kentucky adjusted gross income from Line 9. **If zero or less, enter zero** (g) _____
- (h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K) (h) _____
- (i) Enter total of Lines (f), (g) and (h)..... (i) _____
- (j) Enter the **greater** of Line (e) or (i). This is your **Modified Gross Income**.
Use this amount to determine if you qualify for the Family Size Tax Credit..... (j) _____

STEP THREE—Use the Family Size Table to look up the percentage of credit and enter in the space provided on Line 21.

| Family Size | One | | Two | | Three | | Four or More | | Credit Percentage is |
|-------------|---------|-------------|---------|-------------|---------|-------------|--------------|-------------|----------------------|
| | is over | is not over | is over | is not over | is over | is not over | is over | is not over | |
| 2011 | \$ --- | \$ 10,890 | \$ --- | \$ 14,710 | \$ --- | \$ 18,530 | \$ --- | \$ 22,350 | 100 |
| | 10,890 | 11,326 | 14,710 | 15,298 | 18,530 | 19,271 | 22,350 | 23,244 | 90 |
| | 11,326 | 11,761 | 15,298 | 15,887 | 19,271 | 20,012 | 23,244 | 24,138 | 80 |
| | 11,761 | 12,197 | 15,887 | 16,475 | 20,012 | 20,754 | 24,138 | 25,032 | 70 |
| | 12,197 | 12,632 | 16,475 | 17,064 | 20,754 | 21,495 | 25,032 | 25,926 | 60 |
| | 12,632 | 13,068 | 17,064 | 17,652 | 21,495 | 22,236 | 25,926 | 26,820 | 50 |
| | 13,068 | 13,504 | 17,652 | 18,240 | 22,236 | 22,977 | 26,820 | 27,714 | 40 |
| | 13,504 | 13,830 | 18,240 | 18,682 | 22,977 | 23,533 | 27,714 | 28,385 | 30 |
| | 13,830 | 14,157 | 18,682 | 19,123 | 23,533 | 24,089 | 28,385 | 29,055 | 20 |
| | 14,157 | 14,484 | 19,123 | 19,564 | 24,089 | 24,645 | 29,055 | 29,726 | 10 |
| 14,484 | --- | 19,564 | --- | 24,645 | --- | 29,726 | --- | 0 | |

STEP FOUR—Multiply tax from Line 19 by the percentage and enter on Line 21. This is your **Family Size Tax Credit**.

LINE 23, Education Tuition Tax Credit—Complete Form 8863—K to claim this credit. See form and instructions.

LINE 25, Child and Dependent Care Credit—Enter in the space provided the amount of credit calculated on federal Form 2441, Line 9, for child and dependent care expenses. Multiply this amount by 20 percent (.20), and enter result on Line 25.

If you do not meet the filing requirements to file a federal income tax return but would have been entitled to the federal child and dependent care credit, you may claim the child and dependent care credit for Kentucky purposes. Complete and attach federal Form 2441, state on the form "did not meet federal filing requirements" and follow instructions for Line 25.

LINE 27, Kentucky Use Tax

Important Reminder from the Department of Revenue About Out-of-State Purchases:

If you made untaxed purchases from out-of-state retailers, the use tax line on your return should contain a number.

Like every other state that has a sales tax, Kentucky has a use tax that requires that out-of-state purchases of tangible personal property or digital property for use in Kentucky be taxed at the same amount as if they had taken place in Kentucky and subjected to Kentucky's sales tax. This ensures equality of treatment between in-state and out-of-state transactions. Although the use tax has been in the tax code since 1960, it is now more relevant than ever because of the increasing percentage of online sales. Pursuant to KRS 139.330, a 6 percent use tax is due if you make out-of-state purchases for storage, use or other consumption in Kentucky and did not pay at least 6 percent state sales tax to the seller at the time of purchase. **For example, if you order from catalogs, make purchases through the Internet, or shop outside Kentucky** for items such as clothing, shoes, jewelry, cleaning supplies, furniture, computer equipment, pre-written computer software, office supplies, books, souvenirs, exercise equipment or subscribe to magazines, you may owe use tax to Kentucky. It is important to remember that use tax applies **only** to items purchased from a retailer outside Kentucky, including another country, which would have been taxed if purchased in Kentucky.

For your convenience, a Use Tax Calculation Worksheet and Optional Use Tax Table are provided below. The Optional Use Tax Table is designed for those purchases of less than \$1,000. If you made **untaxed** out-of-state purchases in amounts under \$1,000, but do not have records readily available that show the amount of those purchases, you may use the Optional Use Tax Table below to estimate the compensating use tax based on your Kentucky Adjusted Gross Income (KYAGI). All **untaxed** purchases in the amount of \$1,000 or greater must be accounted for on an actual basis using the Use Tax Calculation Worksheet. Failure to timely report may result in assessment of penalty and interest in addition to the tax amount due.

| | | | | | | | | | | | | | | | | | | | | | | | |
|--|--------------------------------|-----|---------------------------|------|---------------------------|------|---------------------------|------|---------------------------|------|---------------------------|------|----------------------------|------|-----------------------|--------------------------------|--|---|----|--|----|--|----|
| <p style="text-align: center;">Optional Use Tax Table</p> <p style="text-align: center;">KY AGI* Tax</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>\$0 - \$10,000</td><td style="text-align: right;">\$4</td></tr> <tr><td>\$10,001 - \$20,000</td><td style="text-align: right;">\$12</td></tr> <tr><td>\$20,001 - \$30,000</td><td style="text-align: right;">\$20</td></tr> <tr><td>\$30,001 - \$40,000</td><td style="text-align: right;">\$28</td></tr> <tr><td>\$40,001 - \$50,000</td><td style="text-align: right;">\$36</td></tr> <tr><td>\$50,001 - \$75,000</td><td style="text-align: right;">\$50</td></tr> <tr><td>\$75,001 - \$100,000</td><td style="text-align: right;">\$70</td></tr> <tr><td>Above \$100,000</td><td style="text-align: right;">Multiply AGI by 0.08% (0.0008)</td></tr> </table> <p>* AGI from Line 9 on KY Form 740 or KY Form 740-NP or Line 1 on KY Form 740-EZ.</p> | \$0 - \$10,000 | \$4 | \$10,001 - \$20,000 | \$12 | \$20,001 - \$30,000 | \$20 | \$30,001 - \$40,000 | \$28 | \$40,001 - \$50,000 | \$36 | \$50,001 - \$75,000 | \$50 | \$75,001 - \$100,000 | \$70 | Above \$100,000 | Multiply AGI by 0.08% (0.0008) | <p style="text-align: center;">Use Tax Calculation Worksheet</p> <p style="text-align: center;">Call 502-564-5170 for assistance.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Purchases of \$0 to \$1,000 x 6 percent (.06) OR Use Tax Table Amount</td> <td style="width: 20%; text-align: center;">\$</td> </tr> <tr> <td>2. Purchases of \$1,000 or more x 6 percent (.06)</td> <td style="text-align: center;">\$</td> </tr> <tr> <td>3. Total Use Tax Due (add lines 1 and 2)</td> <td style="text-align: center;">\$</td> </tr> </table> <p>Report this amount on Form 740 or 740-NP, Line 27; or 740-EZ, Line 9.</p> | 1. Purchases of \$0 to \$1,000 x 6 percent (.06) OR Use Tax Table Amount | \$ | 2. Purchases of \$1,000 or more x 6 percent (.06) | \$ | 3. Total Use Tax Due (add lines 1 and 2) | \$ |
| \$0 - \$10,000 | \$4 | | | | | | | | | | | | | | | | | | | | | | |
| \$10,001 - \$20,000 | \$12 | | | | | | | | | | | | | | | | | | | | | | |
| \$20,001 - \$30,000 | \$20 | | | | | | | | | | | | | | | | | | | | | | |
| \$30,001 - \$40,000 | \$28 | | | | | | | | | | | | | | | | | | | | | | |
| \$40,001 - \$50,000 | \$36 | | | | | | | | | | | | | | | | | | | | | | |
| \$50,001 - \$75,000 | \$50 | | | | | | | | | | | | | | | | | | | | | | |
| \$75,001 - \$100,000 | \$70 | | | | | | | | | | | | | | | | | | | | | | |
| Above \$100,000 | Multiply AGI by 0.08% (0.0008) | | | | | | | | | | | | | | | | | | | | | | |
| 1. Purchases of \$0 to \$1,000 x 6 percent (.06) OR Use Tax Table Amount | \$ | | | | | | | | | | | | | | | | | | | | | | |
| 2. Purchases of \$1,000 or more x 6 percent (.06) | \$ | | | | | | | | | | | | | | | | | | | | | | |
| 3. Total Use Tax Due (add lines 1 and 2) | \$ | | | | | | | | | | | | | | | | | | | | | | |

Credit Against the Kentucky Use Tax Due

You may reduce or eliminate the amount of Kentucky use tax due by the amount of state sales tax paid to the out-of-state seller on the same transaction. The reduction may not exceed the amount of Kentucky use tax due on the purchase. For example, if Georgia state sales tax of 4 percent is paid, only the additional 2 percent is due to Kentucky, or if Illinois state sales tax of 6.25 percent is paid, no additional Kentucky use tax is due. Sales tax paid to a city, county or another country cannot be used as a credit against Kentucky use tax due.

Need more information about use tax?

Visit our Web site at: www.revenue.ky.gov

Call or write:
Kentucky Department of Revenue
Attention: Use Tax
P.O. Box 181, Station 53
Frankfort, KY 40602-0181



Monday—Friday
8 a.m.—5:00 p.m., ET
(502) 564-5170

LINE 30(a), Tax Withheld—Enter the amount of 2011 Kentucky income tax withheld by your employer(s). This amount is shown on wage and tax statements, including Forms 1099 and W-2G, which you must attach to Form 740 in the designated area.

You will not be given credit for Kentucky income tax withheld unless you attach the wage and tax statements or other supporting documents reflecting Kentucky withholding.

Employers are required to give these statements to employees no later than January 31, 2012. If by March 1 you are unable to obtain a wage and tax statement from an employer, contact the Department of Revenue for instructions.

You may not claim credit for tax **withheld** by another state. Within certain limitations, Kentucky residents may claim a credit for nonrefundable individual income tax **paid** to other states. See Section A, Line 5.

Local government occupational, license or income tax must not be included on Line 30(a).

LINE 30(b), Estimated Tax Paid—Enter Kentucky estimated tax payments made for 2011 and amounts credited from the 2010 return.

Also, include on Line 30(b) payments prepaid with extension requests. Identify as "prepaid with extension."

LINE 30(c), Refundable Certified Rehabilitation Credit—Enter 2011 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

LINE 30(d), Film Industry Tax Credit—Enter 2011 approved refundable film industry tax credit per KRS 141.383. Attach Schedule K-1, if applicable.

LINE 31—Total of amounts on Lines 30(a) through 30(d).

Compare the amounts on Lines 29 and 31. If Line 31 is larger than Line 29, subtract Line 29 from Line 31. Enter the difference on Line 32. This is the **AMOUNT OVERPAID**.

If Line 31 is smaller than Line 29, you owe additional tax. Subtract Line 31 from Line 29. Enter on Line 40. For instructions on payment, see Line 43, Amount You Owe.

LINE 32, Amount Overpaid—If you have an overpayment on Line 32 you may have all of this amount refunded to you. You also may contribute all or part of it to the Nature and Wildlife Fund, the Child Victims' Trust Fund, the Veterans' Program Trust Fund, and/or the Breast Cancer Research and Education Trust Fund and/or credit all or part of it toward your 2012 estimated tax.

Voluntary Refund Contributions

Donations to the following funds are voluntary and amounts donated will reduce your refund. You may contribute all or a portion of your overpayment to one or more of the following funds. Enter the amount you wish to contribute on the appropriate lines.

LINE 33, Nature and Wildlife Fund—Contributions to this fund are used to purchase and protect Kentucky's finest natural areas as state nature preserves and for nongame species protection. The Kentucky Department of Fish and Wildlife Resources and the Kentucky State Nature



Preserves Commission work together to protect Kentucky's rare plants and animals; acquire the most precious and threatened forests, wetlands and prairies; and manage Kentucky's diverse wildlife. Your tax deductible contributions play a critical role in protecting and managing

the best examples of Kentucky's natural environment for the future. *Contributions may also be made directly to the Nature and Wildlife Fund, c/o the Kentucky State Nature Preserves Commission, 801 Schenkel Lane, Frankfort, KY 40601, or c/o the Kentucky Department of Fish and Wildlife Resources, #1 Sportsman's Lane, Frankfort, KY 40601.*

LINE 34, Child Victims' Trust Fund—Contributions to this fund finance local programs designed to prevent the sexual abuse and exploitation of children. This fund is administered through the Attorney General's Office and relies solely on the tax deductible contributions made by interested citizens. *Contributions may also be made directly to the Child Victims' Trust Fund, c/o Kentucky Attorney General, Capitol Building, Frankfort, KY 40601.*



LINE 35, Veterans' Program Trust Fund—Contributions to this fund are administered by a Board of Directors, who are all veterans. The Trust Fund is used to provide services to veterans that are not already resourced by state law or federal appropriation. In an effort to recognize the service and sacrifice of Kentucky's deserving veterans, the fund supports programs such as state veterans nursing homes, state veterans cemeteries, homeless veterans transition facilities, and transportation for disabled veterans. *Contributions may also be made directly to the Kentucky Veterans' Program Trust Fund, 1111B Louisville Road, Frankfort, KY 40601.*



LINE 36, Breast Cancer Research and Education Trust Fund Contribution—Contributions will be used to fund breast cancer research, education, awareness, treatment and screening. Additional information may be obtained from the Division of Women's Health, (502) 564-3236 or at <http://chfs.ky.gov/dph/info/dwh/>. *Contributions may also be made directly to the state Department for Public Health, Division of Administration and Financial Management, 275 East Main Street, HS1GWA, Frankfort, KY 40621, (502) 564-6663.*



LINE 38, Estimated Tax—You may credit all or part of the overpayment toward your estimated tax liability for 2012. Enter the amount you want credited on Line 38.

LINE 39—Subtract amounts entered on Lines 37 and/or 38 from Line 32. Enter the difference, if any, on Line 39. This amount will be refunded to you. If the total of Lines 37 and 38 equals the amount on Line 32, enter a zero on Line 39.

Note: If the amount of Kentucky tax you overpaid is excessive, obtain a copy of Form K-4A from your employer. If you are entitled to additional allowances, file a new Form K-4 with your employer to reduce the amount of Kentucky tax withheld.

LINE 40—This is your additional tax due before penalties and interest.

Penalties and Interest

LINE 41(a), Underpayment of Estimated Tax and/or Interest—If the amount owed is more than \$500 and more than 30 percent of the income tax liability on Line 26, you may be subject to a penalty of 10 percent of the underpayment of estimated tax.

The amount of the penalty may be calculated on Form 2210-K. Form 2210-K may also be used by qualifying farmers and others to claim exemption to the penalty. If paying the penalty or claiming an exemption, complete Form 2210-K, attach it to your return and check the box beside Line 41(a). Enter the amount of the penalty on Line 41(a). The minimum penalty is \$25.

Failure to make four equal installment payments timely may result in interest due. See Form 2210-K and instructions.

If your return is filed after April 17, 2012, or any tax due on the return is paid after April 17, 2012, you may be subject to additional penalties and interest.

LINE 41(b), Interest—Interest will be assessed at the “tax interest rate” from the original due date of the return until the date of payment.

LINE 41(c), Late Payment Penalty—If the amount of tax due as shown on Line 40 is not paid by the original due date of the return, a penalty of 2 percent of the tax computed due may be assessed for each 30 days or fraction thereof that the tax is past due, not to exceed 20 percent. The minimum penalty is \$10. However, if the amount timely paid is 75 percent of the tax determined due by the Department of Revenue, no late payment penalty will be assessed.

LINE 41(d), Late Filing Penalty—If a return is not filed by the due date or the extended due date, a penalty of 2 percent of the total tax due for each 30 days or fraction thereof that a return is not filed may be assessed, not to exceed 20 percent. The minimum penalty is \$10.

Note: Penalties but not interest may be reduced or waived if reasonable cause for reduction or waiver can be shown.

LINE 43, Amount You Owe—When filing the return, you must pay any tax due shown on Line 43. Attach check payable to **Kentucky State Treasurer** to your return. To

help identify your payment properly, write “**KY Income Tax—2011**” and your **Social Security number on the face of the check**. Attach check at the left side of Form 740. Place the check on TOP of any wage and tax statements.

Pay by Credit Card or ACH Debit—Pay your 2011 Kentucky individual income tax by MasterCard, VISA, Discover credit card or by ACH Debit through April 17, 2012. Access the Department of Revenue’s secure Web site (www.revenue.ky.gov) to make electronic payments over the Internet. Click on the **KY E-Tax** logo and select **E-Payments—Credit Cards and ACH Debits** link. If you do not have access to the Internet, you may call the Department of Revenue at (502) 564-4581 for assistance with payments.

To make a credit card payment, the following information is needed: credit card type, credit card number, expiration date, and the cardholder’s address as it appears on the credit card billing statement. To make an ACH Debit payment, the following information is needed: bank name, bank account number, and bank routing number.

Note: If you cannot pay your tax in full, file your return and pay as much as possible by April 17. Contact the Department of Revenue for additional payment information.

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Line 1, Nonrefundable Limited Liability Entity Tax Credit (KRS 141.0401(2))

An individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by KRS 141.020 equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by KRS 141.0401(2), after the LLET is reduced by the minimum tax of \$175 and by other tax credits which the limited liability pass-through entity may be allowed. The credit allowed an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by KRS 141.0401(3) (b). Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

Nonrefundable Kentucky limited liability entity tax credit (KRS 141.0401(2))—The credit amount is shown on Kentucky Schedule(s) K-1 from pass-through entities (PTEs) or Form(s) 725 for single member limited liability companies. **Copies of Kentucky Schedule(s) K-1 or Form(s) 725 must be attached to your return.**

Kentucky Limited Liability Entity Tax Credit Worksheet

Complete a separate worksheet for each LLE. Retain for your records.

Name _____

Address _____

FEIN _____

Percentage of Ownership %

1. Enter Kentucky taxable income from Form 740, Line 11..... _____
2. Enter LLE income **as shown on Kentucky Schedule K-1 or Form 725** _____
3. Subtract Line 2 from Line 1 and enter total here _____
4. Enter Kentucky tax on income amount on Line 1..... _____
5. Enter Kentucky tax on income amount on Line 3..... _____
6. Subtract Line 5 from Line 4. If Line 5 is larger than Line 4, enter zero. This is your tax savings if income is ignored _____
7. Enter nonrefundable limited liability entity tax credit **(from Kentucky Schedule K-1 or Form 725)** _____
8. Enter the lesser of Line 6 or Line 7. This is your credit. Enter here and on Form 740, Section A, Line 1 _____

Line 2, Kentucky Small Business Investment Credit—For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010. The definition of base year for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan.1, 2009 and before Jan. 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year and the amount of credit for which the small business is approved.

A small business that is a pass-through entity not subject to the tax imposed by KRS 141.040 and that has tax credits approved under Subchapter 60 of KRS Chapter 154 shall apply the credits against the limited liability entity tax imposed by KRS 141.0401, and shall also distribute the amount of the approved tax credits to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of income as determined for the year during which the tax credits are approved.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars (\$3,000,000).

The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars (\$25,000). The credit shall be claimed on the tax return for the year during which the credit was approved. As per KRS 141.0205, individuals entitled to this credit will claim the credit on Line 2, Section A – Business Incentive and Other Tax Credits.

Unused credits may be carried forward for up to five (5) years.

Line 3, Skills Training Investment Tax Credit—Enter the amount of credit certified by the Bluegrass State Skills Corporation. A copy of the Kentucky Schedule K-1 for the year the credit was approved must be attached to the return in the first year the credit is claimed. The excess credit over the income tax liability in the year approved may be carried forward for three successive taxable years. For information regarding the application and approval process for this credit, contact the Cabinet for Economic Development, Bluegrass State Skills Corporation at (502) 564-2021.

Credit for Taxes Paid to Other State Worksheet

Kentucky residents/part-year residents only. Complete a separate worksheet for each state. See instructions for Form 740, Section A, Line 5.



TIP—Credit for taxes paid to another state may be reduced or eliminated if gambling losses are claimed on Schedule A.

Name of other state..... []

- 1. List Kentucky taxable income from Form 740, Line 11.....
2. List any gambling losses from Schedule A, Line 29.....
3. Add Lines 1 and 2 and enter total here.....
4. List income reported to other state included on Kentucky return
5. Subtract Line 4 from Line 3 and enter total here
6. Adjusted gambling losses. Compute gambling losses allowed on Kentucky return if income from other state is ignored.....
7. Subtract Line 6 from Line 5 and enter total here
8. Enter Kentucky tax on income amount on Line 7
9. Enter Kentucky tax on income amount on Line 1
10. Subtract Line 8 from Line 9. This is the tax savings on return if other state's income is ignored.....
11. Enter tax paid to other state on income claimed on Kentucky return....
12. Enter the lesser of Line 10 or Line 11. This is your credit for tax paid to other state. Carry this total to Form 740, Section A, Line 5.....

Line 6, Employer's Unemployment Tax Credit—If you hired unemployed Kentucky residents to work for you during the last six months of 2010 or during 2011, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of \$100. The period of unemployment must be certified by the Office of Employment and Training, Education Cabinet, 275 East Main Street, 2-WA, Frankfort, KY 40621-0001, and you must maintain a copy of the certification in your files. A copy of Schedule UTC must be attached to your return.

Line 7, Recycling and/or Composting Tax Credit—Individuals who purchase recycling or composting equipment to be used exclusively in Kentucky for recycling or composting postconsumer waste materials, are entitled to a credit against the tax equal to 50 percent of the installed cost of the equipment pursuant to KRS 141.390. Application for this credit must be made on Schedule RC, which may be obtained from the Department of Revenue. A copy of Schedule RC and/or Schedule RC (K-1) reflecting the amount of credit approved by the Department of Revenue must be attached to the return.

Line 8, Kentucky Investment Fund Tax Credit—Limits on Kentucky Investment Fund Act (KIFA) Credits—An investor whose cash contribution to an investment fund has been certified by the Kentucky Economic Development Finance Authority (KEDFA) is entitled to a nonrefundable credit against Kentucky income tax equal to 40 percent of the cash contribution. For investments before July 1, 2002, the amount

Line 4, Nonrefundable Certified Rehabilitation Credit—This credit is available to owner-occupied residential and commercial preservation projects for structures that are listed in the National Register of Historic Places, or in a National Register historic district, up to \$3 million annually. The credit is 30 percent of certified rehabilitation expenses for owner-occupied residential properties, not to exceed \$60,000 per project, and 20 percent for commercial and income-producing properties. To qualify, an owner must spend at least \$20,000 on rehabilitation.

Individuals or businesses can apply the credit against their state income tax liability, carry the credit forward up to seven years or transfer it to a banking institution to leverage financing. For applications submitted on or after April 30, 2010, the credit shall be refundable if the taxpayer makes an election under KRS 171.397(2)(b). For more information regarding this credit, visit the Kentucky Heritage Council's Web site at www.heritage.ky.gov, or call (502) 564-7005.

Line 5, Credit for Tax Paid to Another State—Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, a credit for income tax paid to another state may be claimed. The credit is limited to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of tax paid to the other state, whichever is less.

You may not claim credit for tax withheld by another state. You must file a return with the other state and pay tax on income also taxed by Kentucky in order to claim the credit. A copy of the other state's return including a schedule of income sources must be attached to verify this credit. If you owe tax in more than one state, the credit for each state must be computed separately.

Reciprocal States—Kentucky has reciprocal agreements with specific states. These agreements provide for taxpayers to be taxed by their state of residence, and not the state where income is earned. Persons who live in Kentucky for more than 183 days during the tax year are considered residents and reciprocity does not apply. The states and types of exemptions are as follows:

- Illinois, West Virginia—wages and salaries
Indiana—wages, salaries and commissions
Michigan, Wisconsin—income from personal services (including salaries and wages)
Ohio—wages and salaries. Note: Wages which an S corporation pays to a shareholder-employee if the shareholder-employee is a "twenty (20) percent or greater" direct or indirect equity investor in the S corporation shall not be exempt under the reciprocity agreement.
Virginia—commuting daily, salaries and wages

Kentucky does not allow a credit for tax paid to a reciprocal state on the above income. If tax was withheld by a reciprocal state, you must file directly with the other state for a refund of those taxes.

of credit that may be claimed in any given year is limited to 25 percent of the total amount certified by the Kentucky Economic Development Finance Authority (KEDFA). For investments after June 30, 2002, the credit is claimed on the tax return filed for the tax year following the year in which the credit is granted and is limited in any tax year to 50 percent of the initial aggregate credit apportioned to the investor. Attach a copy of the certification by KEDFA in the first year claimed. Any excess credit may be carried forward. No credit may extend beyond 15 years of the initial certification.

Line 9, Coal Incentive Tax Credit—An electric power company or a company that owns and operates a coal-fired electric generating plant may be entitled to a coal incentive tax credit. Application for this credit is made on Schedule CI, Application for Coal Incentive Tax Credit, and a copy of the credit certificate issued by the Kentucky Department of Revenue must be attached to the return on which the credit is claimed.

Line 10, Qualified Research Facility Tax Credit—A nonrefundable credit is allowed against individual and corporation income taxes equal to 5 percent of the cost of constructing and equipping new facilities or expanding or remodeling existing facilities in Kentucky for qualified research. “Qualified research” is defined to mean qualified research as defined in Section 41 of the IRC. Any unused credit may be carried forward 10 years. Complete and attach Schedule QR, Qualified Research Facility Tax Credit.

Line 11, Employer GED Incentive Tax Credit—KRS Chapter 151B.127 provides a nonrefundable income tax credit for employers who assist employees in completing a learning contract in which the employee agrees to obtain his or her high school equivalency diploma. The employer shall complete the lower portion of the GED-Incentive Program Final Report (Form DAEL-31) and attach a copy to the return to claim this credit. Shareholders and partners should attach a copy of Schedule K-1 showing the amount of credit distributed. For information regarding the program, contact the Education Cabinet, Kentucky Adult Education, Council on Postsecondary Education.

Line 12, Voluntary Environmental Remediation Credit—This line should be completed only if the taxpayers have an agreed order with the Environmental and Public Protection Cabinet under the provisions of KRS 224.01-518 and have been approved for the credit by the Department of Revenue. Maximum credit allowed to be claimed per taxable year is 25 percent of approved credit. For more information regarding credit for voluntary environmental remediation property, contact the Environmental and Public Protection Cabinet at (502) 564-3350. To claim this credit, Schedule VERB must be attached.

Line 13, Biodiesel and Renewable Diesel 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 and renewable diesel 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 to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit.

Line 14, Environmental Stewardship Tax Credit—An approved company may be permitted a credit against the Kentucky

income tax imposed by KRS 141.020, KRS 141.040 or KRS 141.0401 on the income of the approved company generated by or arising out of a project as determined under KRS 154.48-020. An “environmental stewardship product” means any new manufactured product or substantially improved existing manufactured product that has a lesser or reduced adverse effect on human health and the environment or provides for improvement to human health and the environment when compared with existing products or competing products that serve the same purpose. A company must have eligible 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 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, Old Capitol Annex, 300 West Broadway, Frankfort, KY 40601.

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.

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.

Line 15, Clean Coal Incentive Tax Credit—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 Environmental and Public Protection Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies. The amount of the credit shall be two dollars (\$2) per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit shall be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent or a subsidiary.

Line 16, Ethanol Tax Credit—An ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per ethanol gallon produced, unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the

annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining ethanol credit shall be disallowed and shall not be carried forward to the next year. "Ethanol producer" is defined as an entity that uses corn, soybeans, or wheat to manufacture ethanol at a location in this Commonwealth.

Line 17, Cellulosic Ethanol Tax Credit—A cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining cellulosic ethanol credit shall be disallowed and shall not be carried forward to the next year. "Cellulosic ethanol producer" is defined as an entity that uses cellulosic biomass materials to manufacture cellulosic ethanol at a location in this Commonwealth.

Line 18, Energy Efficiency Products Tax Credits—This nonrefundable credit is available to taxpayers who install energy efficiency products for residential and commercial property located in Kentucky as provided by KRS 141.436 for taxable years beginning after December 31, 2008, and before January 1, 2016.

Complete Form 5695-K, Kentucky Energy Efficiency Products Tax Credit, to see if you meet the qualifications for this credit.

Individuals or businesses can apply the credit against their state income tax liability and carry the credit forward for one (1) year if the credit cannot be taken in full in the year in which the installation is completed.

Line 19, Railroad Maintenance and Improvement Credit—The railroad maintenance and improvement credit provided by KRS 141.385 is a nonrefundable credit that can be applied against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The tax credit shall be used in the tax year of the qualified expenditures which generated the tax credit and cannot be carried forward to a return for any other period.

An *eligible taxpayer* means the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or III railroad in Kentucky, or any person that furnishes railroad-related property or services to a Class II or Class III railroad located in Kentucky. A copy of Schedule RR-I must be attached to your return.

Line 20, Endow Kentucky Credit—Effective for taxable years beginning on or after Jan. 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. KRS 141.438 was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000.

A taxpayer shall attach a copy of the approved Schedule ENDOW to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401.

A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP to the partner's, member's or shareholder's tax return each year to claim the tax credit.

Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years.

SECTION B—PERSONAL TAX CREDITS

Line 1(a), Yourself—You are always allowed to claim a tax credit for yourself (even if your parent(s) can claim a credit for you on their return). On Line 1(a), there are five boxes under three separate headings. Always check the box under “Check Regular” to claim a tax credit for yourself. *If 65 or older*, also check the next two boxes on the line. *If legally blind*, also check the last two boxes on the line.

Line 1(b), Your Spouse—Do not fill in Line 1(b) if (1) you are single; (2) you are married and you and your spouse are filing two separate returns; or (3) your spouse received more than half of his or her support from another taxpayer.

Fill in Line 1(b) if you are married and (1) you and your spouse are filing a joint or combined return, or (2) if your spouse had no income or is not required to file a return. If you meet these criteria, check the first box on Line 1(b) for your spouse. *If your spouse is 65 or older*, also check the next two boxes. *If your spouse was legally blind at the end of the taxable year*, also check the last two boxes on Line 1(b).

Dependents—You are allowed to claim a tax credit for each person defined as a dependent in the Internal Revenue Code. Generally, dependents who qualify for federal purposes also qualify for Kentucky.

Line 2, Dependents Who Live With You

Use to claim tax credits for your dependent children, including stepchildren and legally adopted children, who lived with you during the taxable year. **If the dependent meets the requirements for a qualifying child under the provisions of IRC 152(c), check the box; this child qualifies to be counted to determine the family size.**

Dependents Who Did Not Live With You

Also use Line 2 to claim tax credits for your dependent children who did not live with you and to claim tax credits for other persons who qualify as dependents. **These dependents do not qualify to be counted to determine the family size.**

Children of Divorced or Separated Parents—Attach a copy of federal Form 8332 filed with your federal return. Children may only be counted for family size by the custodial parent.

Tax Credits for Individuals Supported by More Than One Taxpayer—Attach a copy of federal Form 2120 filed with your federal return.

Kentucky National Guard Members—Persons who were members of the Kentucky National Guard on December 31, 2011, may claim an additional credit on Line 2. Designate this credit with the initials “N.G.” Kentucky law specifically restricts this credit to Kentucky National Guard members; military reserve members are not eligible.

Lines 3A and 3B, Dividing the Credits—Each taxpayer must claim all of his or her own tax credits including the credits for age and blindness. *Therefore, if married, each spouse must claim at least one credit. However, spouses may divide tax*

credits for dependents, or one spouse may claim all dependent credits and the other none.

Example I—A husband who is 65 and a wife who is 60 are filing separately on a combined return. The husband must claim three credits (one regular and two for being 65 or older), and the wife must claim one.

Example II—A husband and wife have two dependents. The husband must claim his regular credit, and the wife must claim hers. However, the two dependent credits may be claimed by either spouse, or each spouse may claim one.

For married taxpayers, each spouse must claim all of his or her own credits. Therefore, each spouse must claim at least one credit. Credits for dependents may be divided between the spouses, or one spouse may claim all the credits for dependents and the other none.



TIP—Multiply credits by \$20 and subtract from tax on page 1. The tax table and the tax rate schedule do not deduct for tax credits.

Remember to carry amounts from page 3, Line 4A and/or 4B, to page 1, Line 17.

SECTION C—FAMILY SIZE TAX CREDIT

Children may only be counted for family size by the custodial parent. Even if you have signed federal Form 8332 and may not claim the child as a dependent, you may count children who otherwise meet the requirements for the Family Size Tax Credit.

You must include in Section C the names and Social Security numbers of the qualifying children that are not claimed as dependents in Section B in order to count them in your total family size.

COPY OF FEDERAL RETURN

You must attach a complete copy of your federal return if you received farm, business, or rental income or loss.

The Kentucky Department of Revenue does not require copies if you filed Form 1040EZ or 1040A. Check the box on Form 740, page 3 if you are not required to attach a copy of your federal return.

SIGN RETURN

Be sure to sign on page 3 after completion of pages 1, 2 and 3 of your return. Each return must be signed by the taxpayer. Joint and combined returns must be signed by both husband and wife. Returns that are not signed may be returned to you for signature.

Please enter a telephone number where you can be reached during regular working hours. You may be contacted for additional information needed to complete processing your tax return.

Instructions for Schedule M—Modifications to Federal Adjusted Gross Income

Additions to Federal Adjusted Gross Income

Line 1—Interest on securities issued by other states and their political subdivisions is taxed by Kentucky and must be reported. Also report dividends received from regulated investment companies (mutual funds) that are taxable for Kentucky income tax purposes. **Note:** *Interest from securities of Kentucky and its political subdivisions is exempt.*

Line 2—Enter the self-employed health insurance deduction from federal Form 1040, Line 29.

Line 3—Enter resident adjustment from Kentucky Schedule K-1. Partners, beneficiaries of estates and trusts and S corporation shareholders, see Kentucky Schedule K-1 instructions.

Line 4—Enter total depreciation from federal Form 4562 if you have elected to take the 30 percent or 50 percent special depreciation allowance or the increased Section 179 deduction for property placed in service after September 10, 2001. See Line 16 for additional instructions.

Line 5—Enter federal net operating loss reported on Line 21 of 2011 federal Form 1040.

Line 6—Enter federal domestic production activities deduction from federal Form 8903, line 25.

Line 7—Enter other additions to federal adjusted gross income not listed above (attach detailed schedule).

Include:

- the portion of a lump-sum distribution on which you have elected the 20 percent capital gains rate for federal income tax purposes (Schedule P and Form 4972-K required);

- any mortgage debt forgiven under the Mortgage Forgiveness Debt Relief Act of 2007;
- the passive activity loss adjustment (see Form 8582-K and instructions);
- differences in pension (3-year recovery rule) and IRA bases;
- differences in gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993; and
- differences in gains (losses) from the sale of depreciable property placed in service after September 10, 2001.

Note: Before entering the difference on Line 7 you must take into account any addition or subtraction affecting the at-risk limitations. See instructions for Line 19.

Line 8, Total Additions—Add Lines 1 through 7. Enter on Line 8 and on Form 740, page 1, Line 6.

Subtractions from Federal Adjusted Gross Income

Line 9—Enter the amount of taxable state income tax refund or credit **reported on your federal return** and included as income on Form 740, page 1, Line 5.

Line 10—Enter interest income from U.S. government bonds and securities. Do not include taxable interest from securities, such as FNMA (Fannie Mae), GNMA (Ginnie Mae) and FHLMC (Freddie Mac), which are merely guaranteed by the U.S. government.

Line 11, Pension Income Exclusion—The 2011 exclusion amount is 100 percent of taxable retirement benefits or \$41,110, whichever is less. All pension and retirement income paid under a written retirement plan (qualified or unqualified) is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, income received from converting a regular IRA to a Roth IRA, death benefits, disability retirement benefits and other similar accounts or plans.

This exclusion is for each taxpayer and must be computed independently of your spouse who may be filing on the same return. A husband and wife must complete and claim their own exclusion, regardless of filing status. *Joint filers—Combine the separately computed pension exclusion amounts and enter on Schedule M, Line 11, Column B.*

Pension Income Exclusion Worksheet

| | Column A Spouse | Column B Yourself |
|--|--|--|
| Step 1. | | |
| a. Enter taxable pension income reported on your federal Form 1040, Line 15(b) or 16(b); Form 1040A, Line 11(b) or 12(b)..... | a | |
| b. Enter disability retirement benefits on Form 1040, Line 7 or Form 1040A, Line 7 | b | |
| c. Enter deferred compensation reported on Form 1040, Line 7 or Form 1040A, Line 7 | c | |
| d. Add Lines a, b and c | d | |
| Step 2. Line d is \$41,110 or less. Enter the amount from Line d on Schedule M, Line 11. | | |
| Step 3. Line d is more than \$41,110. Do you have retirement income from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or supplemental U.S. Railroad Retirement Board benefits?..... | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| If you answered no, enter \$41,110 on Schedule M, Line 11. | | |
| If you answered yes, you must complete Schedule P to determine your pension exclusion. | | |

Line 12—Enter Social Security and Social Security equivalent U.S. Railroad Retirement Board benefits included on Form 740, page 1, Line 5. These amounts are reported on federal Form 1040, Line 20(b) (Form 1040A, Line 14(b)).

Line 13, Long-term Care Insurance Premiums—Enter long-term care insurance premiums paid in 2011. Do not claim as an itemized deduction.

Line 14, Health Insurance Premiums—Enter medical and dental insurance premiums paid for yourself, your spouse and your dependents. This deduction applies to premiums paid with after-tax dollars. **Note:** You **cannot** deduct on Line 14 insurance premiums paid with pretax dollars (cafeteria plans and vouchers already excluded from wage income) because the premiums are not included in box 1 of your W-2 form(s). Do not include long-term care insurance premiums included on Schedule M, Line 13. You may not deduct premiums paid on your behalf (advance payments) and you must reduce the amount you paid by the amount of health coverage tax credit. (See federal Form 8885.)

Line 15—Enter resident adjustment from Kentucky Schedule K-1. Partners, beneficiaries of estates and trusts and S corporation shareholders, see Kentucky Schedule K-1 instructions. Subtract the distributive share of net income from an S corporation subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

Line 16—Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets—Important: Use Schedule M, Lines 4 and 16 **only** if you have elected for federal income tax purposes to take the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction for property placed in service after September 10, 2001. **A copy of the federal Form 4562 if filed for federal income tax purposes must be submitted with Form 740 to verify that no adjustments are required.**

Reporting Depreciation and Section 179 Deduction Differences for Property Placed in Service After September 10, 2001

Create a Kentucky Form 4562 by entering **Kentucky** at the top center of a federal Form 4562 above Depreciation and Amortization. In Part I replace the \$250,000 maximum amount on Line 1 with the Kentucky limit of \$25,000 and replace the \$800,000 threshold amount on Line 3 with the Kentucky phase-out threshold of \$200,000. In Part II, strike through and ignore Line 14, Special depreciation allowance for qualified property placed in service during the tax year.

Use the created Kentucky Form 4562 to compute Kentucky depreciation and Section 179 deduction in accordance with the IRC in effect on December 31, 2001. **Note:** In determining the Section 179 deduction for Kentucky the income limitation on Line 11 is Kentucky net income before the Section 179 deduction instead of federal taxable income. **Attach the created Kentucky Form 4562** to Form 740 and enter the amount of Kentucky depreciation from Line 22 on Line 16.

Line 17—Enter Kentucky net operating loss calculated from prior years. Keep worksheet detailing the net operating loss claimed with your records.

Note: If your net operating loss occurred in 2011, complete Kentucky Schedule KNOL to determine the amount of your loss to be carried forward in future years. Any carry forward of a prior year loss claimed on Line 17 of Schedule M should be calculated using a worksheet. Keep a copy for your records and attach a copy to your return.

Line 18—Enter Kentucky domestic productions activities deduction. Beginning on or after January 1, 2010 limit the federal domestic productions activity by the six percent (6%) in lieu of the rate provided by IRC§ 199(a).

Line 19—Enter other subtractions from federal adjusted gross income not listed above (attach detailed schedule). Include:

- **income of active duty military pay;**
- income received from the tobacco quota buyout;
- income received as a result of the Master Tobacco Settlement Agreement, the secondary settlement fund referred to as “Phase II”;
- income received from the Tobacco Loss Assistance Program (TLAP);
- income of precinct workers for election training or working at election booths;
- capital gains on property taken by eminent domain;
- passive activity loss adjustment (see Form 8582-K and instructions);
- income of a child reported on the parent’s return;
- artistic charitable contributions (if you do not itemize deductions);
- the federal work opportunity credit used to reduce wages;
- at-risk limitations (see instructions below);
- qualified farm networking project differences per KRS 141.0101(15);
- differences in the gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993;
- differences in gains (losses) from assets purchased after September 10, 2001; and
- income of military personnel killed in the line of duty.

Note: All income earned by soldiers killed in the line of duty is exempt from Kentucky tax for the year during which the death occurred and the year preceding the death. Federal and state death benefits payable to the estate or any beneficiaries may also be excluded. Additional information may be found in the General Information section of the instructions for Form 740.

Determining and Reporting Differences in Gain or Loss From Disposition of Assets

—If during the year you dispose of assets placed in service after September 10, 2001, on which the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction was taken for federal income tax purposes, you will need to determine and report the difference in the amount of gain or loss on the assets as follows:

Create a Kentucky form by entering **Kentucky** at the top center of a federal Schedule D, federal Form 4797 and other applicable federal forms. Compute Kentucky gain or loss from the disposed assets using the Kentucky basis. Enter the difference in federal gain or loss and the Kentucky gain or loss on the appropriate line. **Attach the created Kentucky Schedule D, Kentucky Form 4797 and other forms or schedules to support the deduction.**

At-Risk Limitations—Federal/Kentucky income (loss) differences may create different allowable losses due to at-risk limitations. If you have amounts invested in an activity for which you are not at risk and used federal Form 6198, At-Risk Limitations, complete federal Form 6198 using Kentucky amounts to determine if the Kentucky allowable loss differs from the federal allowable loss. For a passive activity, use the Kentucky allowable loss to complete Form 8582-K. For all other activities (nonpassive), enter the difference as an “other addition” or “other subtraction” on Line 7 or Line 19.

Line 20, Total Subtractions—Add Lines 9 through 19. Enter on Line 20 and on Form 740, page 1, Line 8.

Instructions for Schedule A

Do not include on Schedule A items deducted elsewhere, such as on Schedule C, C-EZ, E, F or Kentucky Schedule M.

You may itemize your deductions for Kentucky even if you do not itemize for federal purposes. Generally, if your deductions exceed \$2,240, it will benefit you to itemize. If you do not itemize, a standard deduction of \$2,240 is allowed.

Special Rules for Married Couples—If one spouse itemizes deductions, the other must also itemize. Married couples filing a joint federal return and who wish to file separate returns or a combined return for Kentucky may: (a) file separate Schedules A showing the specific deductions claimed by each, or (b) file one Schedule A and divide the total deductions between them based on the percentage of each spouse's income to total income.

Lines 1 through 3—Medical and Dental Expenses

You may deduct only your medical and dental expenses that exceed 7.5 percent of Line 9, Form 740. Include all amounts you paid during 2011 but **do not** include amounts which have been previously deducted; paid by hospital, health or accident insurance; or paid by your employer. Federal rules apply for reimbursement.

When you compute your deduction, you may include medical and dental bills you paid for:

Yourself.

All dependents you claim on your return.

Your child whom you do not claim as a dependent because of the rules for Children of Divorced or Separated Parents.

Any person that you could have claimed as a dependent on your return if that person had not received \$3,650 or more of gross income or had not filed a joint return.

Examples of Medical and Dental Payments You MAY Deduct

To the extent you were not reimbursed, you may deduct what you paid for:

Medicines and drugs that required a prescription, or insulin.

Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists and psychoanalysts (medical care only).

Medical examinations, X-ray and laboratory services, insulin treatment and whirlpool baths your doctor ordered.

Nursing help. If you paid someone to do both nursing and housework, you may deduct only the cost of the nursing help.

Hospital care (including meals and lodging), clinic costs and lab fees.

Medical treatment at a center for drug or alcohol addiction.

Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, crutches, wheelchairs, guide dogs and the cost of maintaining them.

Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility that is related to a hospital. Do not include more than \$50 a night for each eligible person.

Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim mileage. From 1/1/2011 - 6/30/2011 the mileage rate is 19 cents per mile. From 7/1/2011 - 12/31/2011 the mileage rate is 23.5 cents per mile. Add parking and tolls to the amount you claim under either method.

The supplemental part of Medicare insurance (Medicare B). To claim these expenses, see instructions for Schedule M, Line 14.

Surgery to improve vision including radial keratotomy or other laser eye surgery.

Examples of Medical and Dental Payments You MAY NOT Deduct

You may not deduct payments for the following:

Elective cosmetic surgery.

Hospital, medical and extra Medicare B insurance. To claim these expenses, see instructions for Schedule M, Line 14.

The basic cost of Medicare insurance (Medicare A). (**Note:** If you are 65 or over and not entitled to Social Security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.)

Life insurance or income protection policies.

Long-term care insurance premiums. To claim, see instructions for Schedule M, Line 13.

The hospital insurance benefits (Medicare) tax withheld from your pay as part of the Social Security tax or paid as part of Social Security self-employment tax.

Nursing care for a healthy baby.

Illegal operations or drugs.

Medicines or drugs you bought without a prescription.

Travel your doctor told you to take for rest or change.

Funeral, burial or cremation costs.

See federal Publication 502 for more information on allowable medical and dental expenses including deductions for capital expenditures and special care for persons with disabilities.

Lines 4 through 8—Taxes

Taxes You MAY Deduct

Line 4, Local Income Taxes—Enter the total amount of local occupational (payroll) tax paid. **Do not include state or federal income taxes paid or withheld; they are not deductible.**

Line 5, Real Estate Taxes—Enter the amount of local and state property taxes you paid on real estate owned by you. Do not report real estate taxes here that were paid in connection with a business or profession and have been deducted on Schedule C, E or F.

Line 6, Personal Property Taxes—Enter property taxes paid on automobiles, intangible property (accounts receivable, bonds, etc.) or other personal property.

Line 7, Other Taxes—Enter other taxes that are deductible. Do not deduct on Schedule A taxes paid in connection with a business or profession which are deductible on Schedule C, E or F.

Taxes You MAY NOT Deduct

- Foreign income taxes paid.
- Sales and use taxes.
- New motor vehicle taxes.
- Usage taxes on motor vehicles.
- State or federal income taxes.
- State or federal inheritance or estate taxes.
- State gasoline taxes.
- Federal excise taxes on your personal expenditures, such as taxes on theater admissions, furs, jewelry, cosmetics, tires, telephone service, airplane tickets, etc.
- Federal Social Security taxes.
- Hunting, fishing or dog licenses.
- Auto inspection fees.
- Auto license fees.
- Cigarette or liquor taxes.
- Taxes paid by you for another person.
- Motorboat registration fees.
- Drivers' license fees.
- Sewer assessments.
- School taxes based on electric, water, sewer, gas and telephone bills.
- Local or state insurance premiums taxes or surcharges.

Lines 9 through 14—Interest Expense

You may deduct interest that you have paid during the taxable year on a home mortgage. You may not deduct interest paid on credit or charge card accounts, a life insurance loan, an automobile or other consumer loan, delinquent taxes or on a personal note held by a bank or individual.

Interest paid on business debts should be deducted as a business expense on the appropriate business income schedule.

You may not deduct interest on an indebtedness of another person when you are not legally liable for payment of the interest. Nor may you deduct interest paid on a gambling debt or any other nonenforceable obligation. Interest paid on money borrowed to buy tax-exempt securities or single premium life insurance is not deductible.

Line 9—List the interest and points (including “seller-paid points”) paid on your home mortgage to financial institutions and reported to you on federal Form 1098.

Line 10—List other interest paid on your home mortgage and not reported to you on federal Form 1098. Show name and address of individual to whom interest was paid.

Line 11—List points (including “seller-paid points”) not reported to you on federal Form 1098. Points (including loan origination fees) charged only for the use of money and paid with funds other than those obtained from the lender are deductible over the life of the mortgage. However, points may be deducted in the year paid if all three of the following apply: (1) the loan was used to **buy, build or improve your main home**, and was secured by that home, (2) the points did not exceed the points usually charged in the area where the loan was made, and were figured as a percentage of the loan amount, and (3) if the loan was used to **buy or build** the home, you must have provided funds (see below) at least equal to the points charged. If the loan was used to **improve** the home, you must have paid the points with funds other than those obtained from the lender.

Funds provided by you include down payments, escrow deposits, earnest money applied at closing, and other amounts actually paid at closing. They do not include amounts you borrowed as part of the overall transaction.

Seller-Paid Points—If you are the buyer, you may be able to deduct points the seller paid in 2011. You can do this if the loan was used to buy your main home and the points meet item 2 above. You must reduce your basis in the home by those points, even if you do not deduct them.

If you are the seller, you **cannot** deduct the points as interest. Instead, include them as an expense of the sale.

This generally does not apply to points paid to refinance your mortgage. Federal rules apply. See federal Publication 936 for more information.

Line 12, Qualified Mortgage Insurance Premiums—Premiums that you pay or accrue for “qualified mortgage insurance” during 2011 in connection with home acquisition debt on your qualified home are deductible as home mortgage insurance premiums. Qualified mortgage insurance is mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and private mortgage insurance. Mortgage insurance premiums you paid or accrued on any mortgage insurance contract issued before

January 1, 2007, are not deductible.

Limit on amount you can deduct. You cannot deduct your mortgage insurance premiums if the amount on Form 740, line 9, is more than \$109,000 (\$54,500 if married filing separately on a combined return or separate returns). If the amount on Form 740, line 9, is more than \$100,000 (\$50,000 if married filing separately on a combined return or separate returns), your deduction is limited and you must use the worksheet below to figure your deduction.

Qualified Mortgage Insurance Premiums Deduction Worksheet

See the instructions for Line 12 above to see if you must use this worksheet to figure your deduction.

| | A. Spouse | B. Yourself (or Joint) |
|---|-----------|------------------------|
| 1. Enter the total premiums you paid in 2011 for qualified mortgage insurance for a contract entered into on or after January 1, 2007..... | 1. _____ | 1. _____ |
| 2. Enter the amount from Form 740, Line 9 | 2. _____ | 2. _____ |
| 3. Enter \$100,000 (\$50,000 if married filing separately on a combined return or separate returns)..... | 3. _____ | 3. _____ |
| 4. Is the amount on Line 2 more than the amount on Line 3? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from Line 1 above on Schedule A, Line 12. <input type="checkbox"/> Yes. Subtract Line 3 from Line 2. If the result is not a multiple of \$1,000 (\$500 if married filing separately on a combined return or separate returns), increase it to the next multiple of \$1,000 (\$500 if married filing separately on a combined return or separate returns). For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000; or if married filing separately on a combined return or separate returns, increase \$425 to \$500, increase \$2,025 to \$2,500, etc..... | 4. _____ | 4. _____ |
| 5. Divide Line 4 by \$10,000 (\$5,000 if married filing separately on a combined return or separate returns). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0 | 5. _____ | 5. _____ |
| 6. Multiply Line 1 by Line 5 | 6. _____ | 6. _____ |
| 7. Qualified mortgage insurance premiums deduction. Subtract Line 6 from Line 1 | 7. _____ | 7. _____ |
| 8. Add Line 7, Columns A and B. Enter here and on Schedule A, Line 12 | 8. _____ | 8. _____ |

Line 13, Interest on Investment Property—Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to a passive activity or to securities that generate tax-exempt income.

Complete and attach federal Form 4952, Investment Interest Expense Deduction, to figure your deduction.

Exception. You do not have to file federal Form 4952 if all three of the following apply:

- (a) your investment interest is not more than your investment income from interest and ordinary dividends,
- (b) you have no other deductible investment expenses, and

- (c) you have no disallowed investment interest expense from 2010.

For more details, see federal Publication 550, Investment Income and Expenses.

Lines 15 through 19—Contributions

You may deduct what you actually gave to organizations that are religious, charitable, educational, scientific or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. In general, contributions deductible for federal income tax purposes are also deductible for Kentucky.

Examples of qualifying organizations are:

Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.

Fraternal orders if the gifts will be used for the purposes listed above.

Veterans' and certain cultural groups.

Nonprofit schools, hospitals and organizations whose purpose is to find a cure for, or help people who have arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.

Federal, state and local governments if the gifts are solely for public purposes.

If you contributed to a qualifying charitable organization and also received a benefit from it, you may deduct only the amount that is more than the value of the benefit you received.

Contributions You MAY Deduct

Contributions may be in cash, property or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 14 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (Do not deduct any amounts that were repaid to you.)

Note: You are required to maintain receipts, cancelled checks or other reliable written documentation showing the name of the organization and the date and amount given to support claimed deductions for charitable contributions.

Separate contributions of \$250 or more require written substantiation from the donee organization in addition to your proof of payment. It is your responsibility to secure substantiation. A letter or other documentation from the qualifying charitable organization that acknowledges receipt of the contribution and shows the date and amount constitutes a receipt. **This substantiation should be kept in your files. Do not send it with your return.**

See federal Publication 526 for special rules that apply if:

- your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, your cash contributions or contributions of ordinary income property are more than 30 percent of Line 9, Form 740,
- your gifts of capital gain property to certain organizations are more than 20 percent of Line 9, Form 740, or
- you gave gifts of property that increased in value, made bargain sales to charity, or gave gifts of the use of property.

You MAY NOT Deduct as Contributions

Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation or vacation in the travel.
Political contributions.

Dues, fees or bills paid to country clubs, lodges, fraternal orders or similar groups.

Value of any benefit, such as food, entertainment or merchandise that you received in connection with a contribution to a charitable organization.

Cost of raffle, bingo or lottery tickets.

Cost of tuition.

Value of your time or service.

Value of blood given to a blood bank.

The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

Gifts to:

Individuals.

Foreign organizations.

Groups that are run for personal profit.

Groups whose purpose is to lobby for changes in the laws.

Civic leagues, social and sports clubs, labor unions and chambers of commerce.

Line 15—Enter all of your contributions paid by cash or check (including out-of-pocket expenses).

Line 16—Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. If your total deduction for gifts of property is more than \$500, you must complete and attach federal Form 8283, Noncash Charitable Contributions. If your total deduction is over \$5,000, you may also have to obtain appraisals of the values of the donated property. See federal Form 8283 and its instructions for details.

Also include the value of a leasehold interest property contributed to a charitable organization to provide temporary housing for the homeless. Attach Schedule HH.

Recordkeeping—If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift and a description of the property. You should also keep reliable written records for each gift of property that include the following information:

- (a) How you figured the property's value at the time you gave it. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)
- (b) The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- (c) How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- (d) Any conditions attached to the gift.
- (e) If the gift was a "qualified conservation contribution" under IRC Section 170(h), the fair market value of the underlying property before and after the gift, the type of legal interest donated and the conservation purpose furthered by the gift.

Line 17—Enter artistic charitable contributions. A deduction is allowed for “qualified artistic charitable contributions” of any literary, musical, artistic or scholarly composition, letter or memorandum, or similar property.

An amount equal to the fair market value of the property on the date contributed is allowable as a deduction. However, the deduction is limited to the amount of the taxpayer’s artistic adjusted gross income for the taxable year.

The following requirements for a deduction must be met:

- (a) The property must have been created by the personal efforts of the taxpayer at least one year prior to the date contributed. The creation of this property cannot be related to the performance of duties while an officer or employee of the United States, any state or political subdivision thereof.
- (b) A written appraisal of the fair market value of the contributed property must be made by a qualified independent appraiser within one year of the date of the contribution. A copy of the appraisal must be attached to the tax return.
- (c) The contribution must be made to a qualified organization as described in this section.

Line 18—Enter any carryover of contributions that you were not able to deduct in an earlier year because they exceeded your adjusted gross income limit. See federal Publication 526 for details on how to figure your carryover.

Lines 20 through 22—Casualty and Theft Losses

Line 20—Enter casualty or theft losses of property that is not trade, business, rent or royalty property. Attach federal Form 4684, Casualties and Thefts, or a similar statement to figure your loss.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat and other accidents or similar causes. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that:

- (a) the amount of **each** separate casualty or theft loss is more than \$100, and
- (b) the total amount of **all** losses during the year is more than 10 percent of Line 9, Form 740.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See federal Form 4684 for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects or disease.

Deduct the costs of proving you had a property loss as a miscellaneous deduction on Line 25, Schedule A. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, see federal Publication 547, Nonbusiness Disasters, Casualties, and Thefts. It also gives information about federal disaster area losses.

Lines 23 through 28—Miscellaneous Deductions

Most miscellaneous deductions cannot be deducted in full. You must subtract 2 percent of your adjusted gross income from the total. Compute the 2 percent limit on Line 27.

Generally, the 2 percent limit applies to job-related expenses you paid for which you were not reimbursed (Line 23). The limit also applies to certain expenses you paid to produce or collect taxable income (Line 25). See the instructions for Lines 23 and 25 for examples of expenses to claim on these lines.

The 2 percent limit does not apply to certain other miscellaneous expenses that you may deduct. These expenses can be deducted in full on Line 29. The Line 29 instructions describe these expenses. Included are deductible gambling losses (to the extent of winnings) and certain job expenses of disabled employees. See federal Publication 529, Miscellaneous Deductions, for more information.

Expenses You MAY NOT Deduct

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property (but see casualty and theft losses).
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from your regular workplace.
- Education needed to meet minimum requirements for your job or that will qualify you for a new occupation.
- Travel expenses for employment away from home if that period of employment exceeds one year.
- Expenses of:
 - (a) Travel as a form of education.
 - (b) Attending a seminar, convention or similar meeting unless it is related to your employment.
 - (c) Adopting a child, including a child with special needs.
- Fines and penalties.
- Expenses of producing tax-exempt income.
- Amounts paid to organizations or establishments which have been found to practice discrimination.

Expenses Subject to the 2 Percent Limit

Important: The increase in first-year luxury automobile depreciation caps, the 30 percent and **the 50 percent** special depreciation allowance, the additional New York Liberty Zone Section 179 deduction for property placed in service after September 10, 2001, and **the increased Section 179 deduction limits and thresholds for property placed in service after December 31, 2002**, are not allowable for Kentucky tax purposes. For passenger automobiles purchased after September 10, 2001, you must compute Kentucky depreciation in accordance with the IRC in effect on December 31, 2001. **Create a Kentucky Form 2106** by entering **Kentucky** at the top center of a federal Form 2106, Employee Business Expenses. Complete Section D—Depreciation of Vehicles in accordance with the IRC in effect on December 31, 2001. **Attach a copy of the federal Form 2106 filed for federal income tax purposes if no adjustments are required.**

Line 23—Use this line to report job-related expenses you paid for which you were not reimbursed. You **MUST** first fill out Form 2106, Employee Business Expenses, or Form 2106-EZ, Unreimbursed Employee Business Expenses, if you claim any unreimbursed travel, transportation, meal or entertainment expenses for your job; or your employer paid you for any of your job-related expenses reportable on Line 23.

Enter the amount of unreimbursed employee business expense from Form 2106 or 2106-EZ on Line 23 of Schedule A.

If you do not have to fill out Form 2106 or 2106-EZ, list the type and amount of your expenses in the space provided. If you need more space, attach a statement showing the type and amount of the expense. Enter one total on Line 23.

Examples of expenses to include on Line 23 are:

Travel, transportation, meal or entertainment expense. (**Note:** If you have any of these expenses, you must use Form 2106 or 2106-EZ for all of your job-related expenses.)

Union dues.

Safety equipment, small tools and supplies required for your job.

Uniforms required by your employer, which you may not usually wear away from work.

Protective clothing, required in your work, such as hard hats and safety shoes and glasses.

Physical examinations required by your employer.

Dues to professional organizations and chambers of commerce.

Subscriptions to professional journals.

Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.

Business use of part of your home but only if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. For details, including limits that apply, see federal Publication 587, Business Use of Your Home.

Education expenses you paid that were required by your employer, or by law or regulations, to keep your salary or job. In general, you may also include the cost of keeping or improving skills you must have in your job. For more details, see federal Publication 508, Educational Expenses. Some education expenses are not deductible. See "Expenses You MAY NOT Deduct."

Line 24—Use this line to report tax return preparation fees paid during the taxable year including fees paid for filing your return electronically.

Line 25—Use this line for amounts you paid to produce or collect taxable income and manage or protect property held for earning income. List the type and amount of each expense in the space provided. If you need more space, attach a state-

ment showing the type and amount of each expense. Enter one total on Line 25. Examples of these expenses are:

Safe deposit box rental.

Certain legal and accounting fees.

Clerical help and office rent.

Custodial (e.g., trust account) fees.

Your share of the investment expenses of a regulated investment company.

Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For more information (including limits on the amount you can deduct), see federal Publication 529.

Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Expenses related to an activity not engaged in for profit. These expenses are limited to the income from the activity that you reported on federal Form 1040, Line 21. See Not-for-Profit Activities in federal Publication 535, Business Expenses, for details on how to figure the amount to deduct.

Line 29—Other Miscellaneous Deductions

Use this line to report miscellaneous deductions that are **NOT** subject to the 2 percent adjusted gross income limit. Only the expenses listed below can be deducted on Line 29.

Expenses NOT Subject to the 2 Percent Limit

Gambling losses to the extent of gambling winnings. Gambling winnings must be included in federal adjusted gross income (Form 740, Line 5). (**Note:** Gambling losses must be verified by supplemental records. These include a diary and unredeemed tickets, payment slips and winning statements.)

Federal estate tax on income in respect of a decedent.

Amortizable bond premium on bonds acquired before October 23, 1986.

Deduction for repayment of amounts under a claim of right if more than \$3,000. See federal Publication 525.

Unrecovered investment in a pension.

Impairment-related work expenses of a disabled person.

Casualty and theft losses of income-producing property.

List the type and amount of each expense. Enter one total on Line 29. For more information on these expenses, see federal Publication 529.

Note: A credit for tax paid to another state on gambling income may be allowed if the income is taxed by **both** Kentucky and the other state. However, if you have paid tax on gambling income in another state **and** you claimed an itemized deduction on your Kentucky Schedule A for losses, the allowable credit may be reduced or eliminated.

Line 30—Total Itemized Deductions

Dividing Deductions Between Spouses—Married taxpayers who are filing separate returns or a combined return but using only one Schedule A must divide the itemized deductions. Complete page 2, Part I, Lines 1 through 5. If one spouse is not required to file a Kentucky return, total deductions may be divided between them based on the percentage of each spouse's income to total income or separate Schedules A may be filed.

INSTRUCTIONS FOR FORM 740-V ELECTRONIC FILING PAYMENT VOUCHER

2011

Do I need to use a payment voucher?

- If you owe tax on your 2011 electronic Kentucky return, send **only** the payment voucher with your payment. You must pay the amount you owe by April 17, 2012, to avoid interest and penalties.
- If your 2011 electronic Kentucky return shows a refund or no tax due, do not use the payment voucher.

Why use a payment voucher?

- **The Department of Revenue does not issue statements of liability prior to the April 17 deadline for payment.**
- For balance due returns, taxpayers should complete Form 740-V and submit it along with payment. To avoid penalties and interest, payments should be postmarked on or before April 17, 2012.
- The use of Form 740-V, Kentucky Electronic Payment Voucher, will help process your payment more accurately and efficiently. **Do not send a copy** of your electronically filed return with payment of tax due.

How do I prepare my payment?

- Make your check or money order payable to the **Kentucky State Treasurer**. Do not send cash.
- If your name and address are not printed on your check or money order, write them on the check or money order.
- Write your Social Security number, daytime phone number and "2011 Form 740" on your payment.

How do I prepare the payment voucher?

- Enter your Social Security number in box 1.
- If you are filing a joint or combined return, enter your spouse's Social Security number in Box 3.
- Enter your name(s) and address in box 2.
- Enter your daytime phone number in box 4.
- Enter the amount of the payment you are making in box 7.

How do I send in my payment and the payment voucher?

- Detach the payment voucher at the dotted line below.
- Do not attach the payment voucher and the check or money order to each other.
- Mail your payment and payment voucher to: **Kentucky Department of Revenue, Frankfort, KY 40620-0011.**

▼ **DETACH HERE AND MAIL VOUCHER WITH YOUR PAYMENT.** ▼

Please cut along dotted line.

740-V

42A740-S23



Department of Revenue

2011

► **Do Not send a copy** of your electronically filed return with payment of tax due. Please use Form 740-V to submit your payment.

KENTUCKY ELECTRONIC PAYMENT VOUCHER

| | | |
|--|---|--|
| 1 Enter your Social Security number | 2 Last Name First Name | 5 Additional Tax Due (Form 740, line 40) \$ |
| 3 If a joint or combined return, enter your spouse's Social Security number | Mailing Address (Number and Street or P.O. Box) | 6 Interest, File Late and Pay Late Penalties \$ |
| 4 Daytime Telephone Number | City, State and ZIP Code | 7 Total Payment \$ |

Mail to: Kentucky Department of Revenue, Frankfort, KY 40620-0011.

Check if return is:
[] Amended (Attach copy of original return.)



For calendar year or other taxable year beginning _____, 2011, and ending _____, 20_____.

Form section for Social Security Numbers (A and B), Name, Mailing Address, City/Town/Post Office, State, and ZIP Code.

FILING STATUS section with options for Single, Married (joint or separate returns).

POLITICAL PARTY FUND section with options for Democratic, Republican, and No Designation for Spouse and Yourself.

RESIDENCY STATUS section with options for Full-year nonresident, Part-year resident, and Full-year resident of a reciprocal state.

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here - Staple to Top Page Only

Table with 28 rows for INCOME/TAX and 5 columns for OFFICIAL USE ONLY. Includes instructions for lines 7 through 28.



REFUND/TAX PAYMENT SUMMARY

Table with 3 columns: Description, Amount, and Total. Rows include Total Tax Liability, Kentucky income tax withheld, Fund Contributions (Nature and Wildlife, Child Victims, Veterans, Breast Cancer), and ADDITIONAL TAX DUE. Includes 'REFUND' and 'OWE' boxes.

- Make check payable to Kentucky State Treasurer or visit www.revenue.ky.gov for more options.
• Write your Social Security number and "KY Income Tax—2011" on the check.

OFFICIAL USE ONLY
PWR

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Table with 3 columns: Description, Amount, and Total. Rows list various tax credits such as nonrefundable limited liability entity credit, small business investment credit, skills training investment credit, etc.

Continue to page 3 to complete Section A



SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS (continued)

| | | | | |
|----|---|----|--|----|
| 19 | Enter railroad maintenance and improvement credit (attach Schedule RR-1)..... | 19 | | 00 |
| 20 | Enter Endow Kentucky credit (attach Schedule ENDOW)..... | 20 | | 00 |
| 21 | Add lines 1 through 20. Enter here and on page 1, line 15 | 21 | | 00 |

SECTION B—PERSONAL TAX CREDITS

Check Regular Check both if 65 or over Check both if blind

- 1 (a) Credits for yourself:
- (b) Credits for spouse:

1 Enter number of boxes checked on line 1

2 Dependents:

| First name | Last name | Dependent's Social Security number | Dependent's relationship to you | Check if qualifying child for family size tax credit |
|------------|-----------|------------------------------------|---------------------------------|--|
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |

2 Enter number of dependents who:

- lived with you.....
- did not live with you (see instructions).....
- other dependents.....

3 Add lines 1 and 2 and enter here.....

| |
|--------|
| • 3 |
| x \$20 |
| 4 |

4 Multiply credits on line 3 by \$20. Enter here and on page 1, line 17.....

SECTION C—FAMILY SIZE TAX CREDIT (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

| First name | Last name | Social Security number | First name | Last name | Social Security number |
|------------|-----------|------------------------|------------|-----------|------------------------|
| | | | | | |

A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be attached to Kentucky Form 740-NP

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint return, both must sign.) Spouse's Signature Date Signed ()
 Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Firm Name EIN Date

Mail to: **REFUNDS** Kentucky Department of Revenue, Frankfort, KY 40618-0006.



PAYMENTS Kentucky Department of Revenue, Frankfort, KY 40619-0008.



SECTION D INCOME

- 1 Enter all wages, salaries, tips, etc. (attach wage and tax statements) Do not include moving expense reimbursements... 1
2 Moving expense reimbursement (attach Schedule ME) ... 2
3 Interest ... 3
4 Dividends ... 4
5 Taxable refunds, credits or offsets of state and local income taxes ... 5
6 Alimony received ... 6
7 Business income or loss (attach federal Schedule C or C-EZ) ... 7
8 Capital gain or loss (attach federal Schedule D) ... 8
9 Other gains or losses (attach federal Form 4797) ... 9
10 (a) Federally taxable IRA distributions, pensions and annuities ... 10(a)
(b) Pension income exclusion (attach Schedule P if more than \$41,110) ... 10(b)
11 Rents, royalties, partnerships, estates, trusts, etc. (attach federal Schedule E)..... 11
12 Farm income or loss (attach federal Schedule F) ... 12
13 Unemployment compensation (see instructions)..... 13
14 Taxable Social Security benefits..... 14
15 Gambling winnings ... 15
16 Other income (list type and amount) ... 16
17 Combine lines 1 through 16. This is your Total Income ... 17

Table with 4 columns: Line number, A.Total from Attached Federal Return, B. Kentucky, and a final column for percentages. Rows include income items (lines 1-17) and adjustments (lines 18-34), ending with Adjusted Gross Income (line 35) and Percentage of Kentucky Adjusted Gross Income (line 36).

ADJUSTMENTS TO INCOME

- 18 Educator Expenses ... 18
19 Certain business expenses of reservists, performing artists and fee-basis government officials (attach federal Form 2106 or 2106-EZ) ... 19
20 Health savings account deduction (attach federal Form 8889)..... 20
21 Moving expenses (attach Schedule ME) ... 21
22 Deductible part of self-employment tax..... 22
23 Self-employed SEP, SIMPLE, and qualified plans deduction ... 23
24 Self-employed health insurance deduction ... 24
25 Penalty on early withdrawal of savings ... 25
26 Alimony paid (enter recipient's name and Social Security number) ... 26
27 IRA deduction..... 27
28 Student loan interest deduction ... 28
29 Tuition and fees deduction..... 29
30 Domestic production activities deduction ... 30
31 Long-term care insurance premiums (see instructions)..... 31
32 Health insurance premiums (see instructions)..... 32
33 Other deductions (list type and amount) ... 33
34 Add lines 18 through 33. Total Adjustments to Income ... 34

- 35 Subtract line 34 from line 17. This is your Adjusted Gross Income ... 35
36 Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income ... 36

— — — . — %

SCHEDULE A

Form 740-NP

42A740-NP-A

Department of Revenue

➤ See instructions. ➤ Attach to Form 740-NP.



KENTUCKY SCHEDULE A
ITEMIZED DEDUCTIONS

2011

| | |
|--|-----------------------------|
| Enter name(s) as shown on Form 740-NP, page 1. | Your Social Security Number |
|--|-----------------------------|

| | | | | |
|---|--|--|--|--|
| Medical and Dental Expenses | Do not include expenses reimbursed or paid by others. | | | |
| | 1. Medical and dental expenses 1 | | | |
| | 2. Enter amount from Form 740-NP, page 1, line 8..... 2 | | | |
| | 3. Multiply the amount on line 2 by 7.5% (.075). Enter result..... 3 | | | |
| | 4. Total medical and dental. Subtract line 3 from line 1. If zero or less, enter -0-..... ➤ 4 | | | |
| Taxes | 5. Local income taxes (do not include state income tax) 5 | | | |
| | 6. Real estate taxes 6 | | | |
| | 7. Personal property taxes..... 7 | | | |
| | 8. Other taxes (list) 8 | | | |
| | 9. Total taxes. Add the amounts on lines 5 through 8. Enter here..... ➤ 9 | | | |
| Interest Expense | 10. Home mortgage interest and points reported to you on federal Form 1098 10 | | | |
| | 11. Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name and address) 11 | | | |
| | See instructions for lines 12 and 13. | | | |
| | 12. Points not reported to you on federal Form 1098 12 | | | |
| | 13. Qualified mortgage insurance premiums 13 | | | |
| | 14. Investment interest (attach federal Form 4952 if required) 14 | | | |
| | 15. Total interest. Add the amounts on lines 10 through 14. Enter here ➤ 15 | | | |
| Contributions | 16. Contributions by cash or check..... 16 | | | |
| | 17. Other than cash or check (attach federal Form 8283 if over \$500)..... 17 | | | |
| | 18. Carryover from prior year 18 | | | |
| | 19. Total contributions. Add the amounts on lines 16 through 18. Enter here ➤ 19 | | | |
| Casualty and Theft Losses | 20. Enter amount from attached federal Form 4684, Section A, line 16 20 | | | |
| | 21. Enter amount from Form 740-NP, page 1, line 8..... 21 | | | |
| | 22. Multiply the amount on line 21 by 10% (.10). Enter result..... 22 | | | |
| | 23. Total casualty or theft loss(es). Subtract line 22 from line 20. If zero or less, enter -0- ➤ 23 | | | |
| Job Expenses and Most Other Miscellaneous Deductions | 24. Unreimbursed employee expenses—job travel, union dues, job education, etc. (attach Form 2106 or 2106-EZ if applicable) list 24 | | | |
| | 25. Tax preparation fees 25 | | | |
| | 26. Other (investment, safe deposit box, etc.) list 26 | | | |
| | 27. Add the amounts on lines 24, 25 and 26. Enter here 27 | | | |
| | 28. Enter amount from Form 740-NP, page 1, line 8..... 28 | | | |
| | 29. Multiply the amount on line 28 by 2% (.02). Enter result 29 | | | |
| | 30. Total. Subtract line 29 from line 27. If zero or less, enter -0-..... ➤ 30 | | | |
| Other Miscellaneous Deductions | 31. Other (see instructions) ➤ 31 | | | |
| Total Itemized Deductions | 32. Add the amounts on lines 4, 9, 15, 19, 23, 30 and 31. Enter here..... ➤ 32 | | | |

• If married filing separate returns, or spouse is not filing a Kentucky return, complete lines 33 through 36 below. If single or married filing jointly, enter total deductions (line 32 above) on Form 740-NP, page 1, line 11.

| | | | | |
|--|--|--|--|---|
| 33. Enter your income from Form 740-NP, page 1, line 8..... 33 | | | | |
| 34. Enter joint or combined <i>federal</i> Adjusted Gross Income..... 34 | | | | |
| 35. Divide line 33 by line 34. Enter percentage..... 35 | | | | % |
| 36. Multiply line 32 by line 35. This is your portion of total itemized deductions. Enter here and on Form 740-NP, page 1, line 11..... ➤ 36 | | | | |

SCHEDULE ME

Form 740-NP
42A740-NP-ME

Commonwealth of Kentucky
Department of Revenue

Attach to Form 740-NP



2011

MOVING EXPENSE
AND REIMBURSEMENT

Enter name(s) as shown on Form 740-NP, page 1. Your Social Security Number

Table with 7 rows for calculating moving expense reimbursement. Includes instructions for each line and a shaded area for line 4(b).

INSTRUCTIONS - SCHEDULE ME

Full-Year Nonresidents - If you are a full-year nonresident, moving expense reimbursements are not taxable, and moving expenses are not deductible.

Part-Year Residents - If you are a part-year resident, any payments to you or on your behalf by any employer for moving expenses are considered income.

Persons who were residents of Kentucky for only part of the year are required to report as income only part of the total reimbursement they received.

For the computation of this percentage, earned income is income you received for services you provided. It includes wages, salaries, tips, etc.

Line 1 - Enter earned income received from Kentucky sources while a nonresident and from all sources while a resident of Kentucky.

Line 2 - Enter total earned income reported on your federal return. Do not include moving expense reimbursement reflected on the wage and tax statements (box 1).

Line 4(a) - Enter moving expense reimbursement included in wages (box 1 of Form W-2).

Line 4(b) - Subtract federal Form 3903, line 3, from federal Form 3903, line 4, and enter result.

Line 4(c) - Add lines 4(a) and 4(b) above and enter result here and on Form 740-NP, page 4, line 2, Column A.

What's New

FAMILY SIZE TAX CREDIT—This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2011 threshold amount is \$10,890 for a family size of one, \$14,710 for a family of two, \$18,530 for a family of three and \$22,350 for a family of four or more.

STANDARD DEDUCTION—For 2011, the standard deduction is \$2,240.

KENTUCKY SMALL BUSINESS INVESTMENT CREDIT—For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010. The definition of *base year* for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan. 1, 2009 and before Jan. 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year and the amount of credit for which the small business is approved.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars (\$3,000,000). The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars (\$25,000). Unused credits may be carried forward for up to five (5) years.

ENDOW KENTUCKY TAX CREDIT—Effective for taxable years beginning on or after Jan. 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the Department of Revenue in each fiscal year is \$500,000. An application for preliminary authorization for the credit must be submitted to the Department of Revenue.

If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. The taxpayer has ten days after making the gift to provide the department with proof of the gift. The department will issue a final tax credit letter to the taxpayer if the gift is approved after receipt of the proof.

NEW MARKETS DEVELOPMENT PROGRAM TAX CREDIT—The New Markets Development Program Tax Credit was created in KRS 141.432 to 141.434 to encourage taxpayer investment in low-income communities. A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the Department of Revenue for approval. The person or entity actually making the loan or making the equity investment will be able to claim a credit, subject to a \$5 million credit cap each fiscal year, by completing Form 8874(K)-A.

Any unused approved credit may be carried forward for use in any subsequent tax year. Additional information regarding this new credit program will be provided via our Web site at www.revenue.ky.gov.

CERTIFIED REHABILITATION TAX CREDIT—The certified rehabilitation credit cap has been increased from \$3 million to \$5 million effective for applications received on or after April 30, 2010. Effective for applications for preliminary approval received on or after April 30, 2010, the credit will be refundable if a proper election form is filed. The refundable credit is reported on Form 740-NP, Page 2, Line 30(c). (KRS 171.396, 171.397 and 141.382)

**INSTRUCTIONS FOR 2011 KENTUCKY FORM 740-NP
NONRESIDENT OR PART-YEAR RESIDENT INCOME TAX RETURN**

WHO MUST FILE FORM 740-NP—Form 740-NP must be used by full-year nonresidents who had income from Kentucky sources and by part-year residents who had income while a Kentucky resident or from Kentucky sources while a nonresident. These persons must file Form 740-NP if (1) they had **any gross income** from Kentucky sources **and gross income from all sources** in excess of modified gross income for their family size, or (2) Kentucky gross receipts from self-employment in excess of modified gross income for their family size. See Chart A on page 2.

Individuals who are residents of Kentucky for the entire tax year must use Form 740 or Form 740-EZ. Persons who maintain a permanent residence in Kentucky (i.e., are domiciled in Kentucky) are considered residents. Persons not domiciled in Kentucky but who live in Kentucky for more than 183 days during the tax year are also considered residents.

Full-year nonresidents must report all income from Kentucky sources (including distributive share income, Schedule K-1), from activities carried on in Kentucky or from the performance of services in Kentucky, 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.

Reciprocal States—Kentucky has reciprocal agreements with specific states. These agreements provide for taxpayers to be taxed by their state of residence, and not the state where income is earned. **Reciprocity does not apply to persons who live in Kentucky for more than 183 days during the tax year.** The states and types of exemptions are as follows:

Illinois, West Virginia—wages and salaries

Indiana—wages, salaries and commissions

Michigan, Wisconsin—income from personal services (including salaries and wages)

Ohio—wages and salaries. **Note:** Wages which an S corporation pays to a shareholder-employee if the shareholder-employee is a "twenty (20) percent or greater" direct or indirect equity investor in the S corporation shall not be exempt under the reciprocity agreement.

Virginia—commuting daily, salaries and wages

Taxpayers who qualify for this exemption and have no other Kentucky taxable income should file Form 740-NP-R, Kentucky Income Tax Return, Nonresident-Reciprocal State, to obtain a refund. Also, nonresidents who qualify for the exemption should file Form 42A809, Certificate of Nonresidence, with their employer to exempt their future wages from Kentucky withholding.

Gambling income and distributive share income (Schedule K-1) are not exempt under reciprocal agreements. This income is fully taxable. A complete return must be filed if filing requirements are met.

Military Personnel—Nonresident military personnel with civilian jobs in Kentucky are required to report this income on Form 740-NP except residents of reciprocal states (see reciprocal states above). Any income from nonmilitary Kentucky sources is also taxable.

Military Pay Exclusion—Effective for taxable years beginning on or after January 1, 2010, all military pay received by active duty members of the Armed Forces of the United States, members of reserve components of the Armed Forces of the United States, and members of the National Guard will be exempt from Kentucky income tax. (KRS 141.010(10)(u))

Soldiers will claim the exemption by excluding military pay when filing a Kentucky individual income tax return starting with the 2010 return. Provided the military member has no income other than military pay, he or she would not be required to file a Kentucky income tax return. The military pay exemption applies to all Kentucky military members regardless of where the member is stationed. Kentucky income tax should no longer be withheld from checks received for military pay, beginning January 1, 2010. If Kentucky income tax is incorrectly withheld from a soldier's military pay in 2010 and after, the Department of Revenue will refund the tax withheld.

Military Spouse—The Military Spouses Residency Relief Act (MSRRA) (Public Law 111-97) was signed into law on November 11, 2009. This new law is effective for taxable year 2009. The MSRRA allows the same residency benefits permitted to military personnel under the Servicemembers Civil Relief Act (SCRA) to also apply to a military spouse's nonmilitary service income, under certain circumstances.

The MSRRA prohibits a spouse's income from being considered income earned in a tax jurisdiction if the spouse is not a resident or domiciliary of such jurisdiction when the spouse is in that jurisdiction solely to be with a servicemember serving under military orders.

Those military spouses who fall under this law should file Form 740-NP Kentucky Individual Income Tax Nonresident or Part-Year Resident Return to request a refund of the Kentucky income tax withheld from his or her pay. The income would not be reported as taxable on the Kentucky income tax return. To assist the department in identifying those returns, please write across the top of the return MILITARY SPOUSE. Please address any further questions to the Taxpayer Assistance Section at (502) 564-4581.

Military Personnel Eligible for Combat Zone Extension—Members of the Army, Navy, Marines, Air Force, or Public Health Service of the United States government who serve in an area designated as a combat zone by presidential proclamation shall not be required to file an income tax return and pay the taxes, which would otherwise become due during the period of service, until 12 months after the service is completed. Members of the National Guard or any branch of the Reserves called to active duty to serve in a combat zone are granted the same extension.

**MODIFIED GROSS INCOME AND FAMILY SIZE
(Use With Chart A)**

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children. Family size is limited to four.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

- **Relationship**—The taxpayer’s child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.
- **Residence**—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents. Other federal exceptions apply.
- **Age**—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.
- **Support**—Did not provide more than one-half of his/her own support for the year.

Modified Gross Income—Modified gross income is the greater of federal adjusted gross income adjusted to include interest income derived from municipal bonds (non-Kentucky) and lump-sum pension distributions not included in federal adjusted gross income; *or* Kentucky adjusted gross income adjusted to include lump-sum pension distributions not included in federal adjusted gross income.

The department may provide official information on a confidential basis to the Internal Revenue Service or to any other governmental agency with which it has an exchange of information agreement whereby the department receives similar or useful information in return.

REPORTING PERIODS AND ACCOUNTING PROCEDURES—Kentucky law requires taxpayers to report income on the same calendar or fiscal year and to use the same methods of accounting as required for federal income tax purposes. Any federally approved change in accounting period or methods must be reported to the Kentucky Department of Revenue. Attach a copy of the federal approval.

Changes to federal income tax law made after the Internal Revenue Code reference date contained in KRS 141.010(3) shall not apply for purposes of Chapter 141 unless adopted by the General Assembly.

POLITICAL PARTY FUND DESIGNATION—You may designate that a portion of your taxes will be paid to either the Democratic or Republican parties if you have a tax liability of at least \$2 (\$4 for married persons filing joint returns). *This designation will not increase your tax or decrease your refund.* You may make this designation by checking the applicable box. A husband and wife may each make a designation. Persons making no designation should check the "No Designation" box.

FILING STATUS—*Legal liabilities are affected by the choice of filing methods.* Married persons who file joint returns are jointly and severally liable for all income taxes due for the period covered by the return. If married, you may file separate or joint returns. **Most married persons pay less tax if they file separate returns.**

Filing Status 1, Single—Use this filing status if you are unmarried, divorced, widowed, legally separated by court decree, or if you filed as "Head of Household" or "Qualifying Widow(er)" on your federal return.

Filing Status 2, Married Filing Joint Return—Use this filing status if you and your spouse choose to file a joint return even if one spouse had no income. Jointly means that you and your spouse add your incomes together and report the total on page 4, Section D, Column B, Lines 1 through 34.

Filing Status 3, Married Filing Separate Returns—If using this filing status, you and your spouse must file two separate tax forms. The husband’s income is reported on one tax form, the wife’s on the other. When filing separate returns, the name and Social Security number of each spouse must be entered on both returns. Enter the spouse’s Social Security number in the block provided, and enter the name on page 1, Line 3.

DETERMINING YOUR INCOME

SECTION D—INCOME/ADJUSTMENTS TO INCOME

A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be filed with Kentucky Form 740-NP. Please clearly identify as "Copy."

INSTRUCTIONS FOR COLUMN A

All entries in Column A should be amounts reported for federal income tax purposes.

Depreciation—Assets Purchased After September 10, 2001

Effective for taxable years ending after September 10, 2001, an individual that for federal income tax purposes elects to utilize

Chart A

Your **Modified Gross Income** is greater than:

| | | | |
|-------------------------|--|-----|-----------|
| If Your Family Size is: | | and | |
| One..... | | | \$ 10,890 |
| Two | | | \$ 14,710 |
| Three..... | | | \$18,530 |
| Four or More | | | \$ 22,350 |

WHEN TO FILE—April 17, 2012, is the filing deadline for persons reporting income for calendar year 2011. To avoid penalties and interest, returns must be postmarked no later than April 17, 2012.

AMENDED RETURNS—If you discover that you omitted deductions or otherwise improperly prepared your return, you may obtain a refund by filing an amended return within four years of the due date of the original return. You are required to file an amended return to report omitted income.

When filing an amended return, check the box on Form 740-NP and attach a detailed explanation of the changes to income, deductions and tax. Submit a completed Kentucky return and corrected federal schedules, if applicable. If you do not attach the required information, processing of your amended return may be delayed.

COMPOSITE RETURNS—Beginning with tax year 2009, the filing of a composite return on Form 740-NP is no longer allowed. You must use Form 740NP-WH, Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report and Composite Income Tax Return.

CONFIDENTIALITY—Kentucky Revised Statute 131.190 requires the Department of Revenue to maintain strict confidentiality of all taxpayer records. No employee of the Department of Revenue may divulge any information regarding the tax returns, schedules or reports required to be filed. However, the Department of Revenue is not prohibited from providing evidence to or testifying in any court of law concerning official tax records.

the 30 percent or the 50 percent special depreciation allowance or the increased 179 deduction will have a different depreciation and Section 179 deduction for Kentucky purposes than for federal purposes. 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.

INSTRUCTIONS FOR COLUMN B

Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets—*Important: Follow the instructions for Reporting Depreciation and Section 179 Deduction Differences if you have elected for federal income tax purposes to take the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction for property placed in service after September 10, 2001. A copy of the federal Form 4562 if filed for federal income tax purposes must be submitted with Form 740-NP to verify that no adjustments are required.*

Reporting Depreciation and Section 179 Deduction Differences for property placed in service after September 10, 2001—**Create a Kentucky Form 4562** by entering **Kentucky** at the top center of a federal Form 4562 above Depreciation and Amortization. In Part I replace the \$250,000 maximum amount on Line 1 with the Kentucky limit of \$25,000 and replace the \$800,000 threshold amount on Line 3 with the Kentucky phase-out threshold of \$200,000. In Part II, strike through and ignore Line 14, Special depreciation allowance for qualified property placed in service during the tax year. Use the **created Kentucky Form 4562** to compute Kentucky depreciation and Section 179 deduction in accordance with the IRC in effect on December 31, 2001.

Note: In determining the Section 179 deduction for Kentucky, the income limitation on Line 11 is Kentucky net income before the Section 179 deduction, instead of federal taxable income. Adjust federal Schedules C, E and F for the difference in allowable depreciation and report in Column B the Kentucky income (loss) from business, farming or rental property. **Attach Kentucky Form 4562 and, if filed, federal Form 4562.**

Line 1, Wages, Salaries, Tips, etc.—Enter all wages, salaries, tips, bonuses, commissions or other compensation received for personal services from Kentucky sources while a nonresident and from all sources while a resident of Kentucky. Do not include in this amount any reimbursement for moving expenses included in Kentucky wages on your wage and tax statement.

Line 2, Moving Expense Reimbursement—See instructions for Schedule ME.

Line 3, Interest—Interest income received while a Kentucky resident must be reported, except for the following: (a) income from bonds issued by the Commonwealth of Kentucky and its political subdivisions; and (b) income from U.S. government bonds or securities. Interest income from bonds issued by other states and their political subdivisions is taxable to Kentucky and must be included on Line 3.

Line 4, Dividends—Report dividends received while a resident of Kentucky and the distributive share of the dividend income reflected on the Schedule K-1.

Line 5, Taxable Refunds, Credits or Offsets of Local Income Taxes—Enter the amount of taxable local income tax refund or credit reported on your federal return only if you received a tax benefit in a prior year.

Line 6, Alimony Received—Enter alimony payments received while a Kentucky resident.

Lines 7 and 12, Profit or (Loss) from Business or Farming—*For income taxable to Kentucky, complete and attach federal Schedule C or C-EZ for business income or federal Schedule F for farming and Form 4562, Depreciation and Amortization. Do not adjust wages by the federal work opportunity credit from federal Form 5884. For passive activities, see Form 8582-K. Do not include income from the national tobacco settlement agreement. Adjust income for the difference in allowable depreciation and report in Column B.*

Note: Individual owners of disregarded single member LLCs (SMLLCs) that file on Schedules C, E, or F for federal income tax shall file Form 725, Kentucky Single Member LLC Individually Owned LLET Return, to compute and pay the limited liability entity tax. The individual member shall report income or loss from the entity and determine credit in the same manner as other pass-through entities (PTEs).

Lines 8 and 9, Gain or (Loss) from Sale or Exchange of Assets—Gains (losses) on sales of assets (including installment sales) while a Kentucky resident must be reported on the Kentucky return. Gains (losses) on sales of tangible assets located in Kentucky must be reported regardless of state of residence. Generally, gains (losses) on sales of intangible assets are reported to the state of residence.

Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year you dispose of assets placed in service after September 10, 2001, on which the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction was taken for federal income tax purposes, you will need to determine and report the difference in the amount of gain or loss on the assets as follows:

Create a Kentucky form by entering **Kentucky** at the top center of a federal Schedule D, federal Form 4797 and other applicable federal forms. Compute Kentucky gain or loss from the disposed assets using the Kentucky basis. Enter the Kentucky gain or loss on the appropriate line. **Attach the created Kentucky Schedule D, Kentucky Form 4797 and other forms or schedules to support the deduction.**

Line 10(a), Federally Taxable IRA Distributions, Pensions and Annuities—Enter on Line 10(a), Column A, the total of IRA distributions, pensions and annuities received for the entire year. Enter on Line 10(a), Column B, the total of IRA distributions, pensions and annuities received while a resident of Kentucky.

Line 10(b), Pension Income Exclusion—You may exclude up to \$41,110 of pension income **reported on Line 10(a), Column B**. If Line 10(a), Column B, is more than \$41,110 and is from the federal government, Commonwealth of Kentucky or Kentucky local governments, complete Schedule P.

Line 11, Income from Schedule E—Enter income from rents, royalties, partnerships, estates, trusts, limited liability companies (LLC), S corporations and REMICs. Nonresident individuals receiving a Kentucky Schedule K-1 from a partnership, estate, trust, LLC or S corporation must report their distributive share of the income, gains or losses, etc., as reflected on the Schedule K-1. Shareholders and partners should multiply their distributive share items by the taxable percentage from Schedule K-1; Form 720S, Line B(2); Form 765, Line D(2) and Form 765-GP, Line C(2).

Part-year residents not receiving a Kentucky Schedule K-1, but receiving a federal K-1 from a partnership, estate, trust or S corporation, must report the same amount of distributive income, gains or losses, etc., as reported for federal income tax purposes from entities whose taxable years end during their period of residence.

Do not include in Column B the net income from an S corporation subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

Report income from real estate mortgage investment conduits (REMICs) as follows: (1) if the REMIC is a corporation, include only distributions of cash or property during the taxable year; or (2) if other than a corporation, report the same amount as reported for federal income tax purposes for the taxable year.

Note: Individual owners of disregarded single member LLCs (SMLLCs) that file on Schedules C, E, or F for federal income tax shall file Form 725, Kentucky Single Member LLC Individually Owned LLET Return, to compute and pay the limited liability entity tax. The individual member shall report income or loss from the entity and determine credit in the same manner as other pass-through entities (PTEs).

Line 13, Unemployment Compensation—Report unemployment compensation received while a resident of Kentucky.

Line 14, Taxable Social Security Benefits—Social Security benefits are not taxable for Kentucky.

Line 15, Gambling Winnings—Report income from lottery winnings and gambling received while a Kentucky resident or from Kentucky sources while a nonresident.

Line 16, Other Income—Report income from prizes, awards, or any sources not listed above while a Kentucky resident or from Kentucky sources while a nonresident. Also, include any mortgage debt forgiveness excluded from federal adjusted gross income.

Retirement Income (For persons moving out of Kentucky)—Include differences in pension (3-year recovery rule) and IRA bases received while a resident of Kentucky (also include differences on Schedule P, Line 2).

Net Operating Loss Deduction—A Kentucky net operating loss deduction (KNOLD) must be computed using Kentucky income and deduction amounts. The federal net operating loss deduction is not allowed. The KNOLD should be included as a negative amount on Line 16. If the loss is from a business outside Kentucky, none of the loss may be used. Kentucky returns must be filed for the year of the loss and for all years for which the loss is utilized. Attach schedule showing computation.

Note: For 2005 and future years, the carryback of net operating losses to prior years is no longer allowed. Net operating losses may be carried forward for up to 20 years. Documentation to substantiate any loss must be available to the Department of Revenue upon request.

Artistic Charitable Contributions—A deduction is allowed for "qualified artistic charitable contributions" of any literary, musical, artistic or scholarly composition, letter or memorandum, or similar property.

An amount equal to the fair market value of the property on the date contributed is allowable as a deduction. However, the deduction is limited to the amount of the taxpayer's Kentucky artistic adjusted gross income for the taxable year. This amount should be included as a negative amount on Line 16.

The following requirements for a deduction must be met:

(a) The property must have been created by the personal efforts of the taxpayer at least one year prior to the date contributed. The creation of this property cannot be related to the performance of duties while an officer

or employee of the United States, any state or political subdivision thereof.

(b) A written appraisal of the fair market value of the contributed property must be made by a qualified independent appraiser within one year of the date of the contribution. A copy of the appraisal must be attached to the tax return.

(c) The contribution must be made to a qualified tax-exempt organization.

ADJUSTMENTS TO INCOME

KRS 141.010(10) and (11) provide that deductions are limited to amounts allocable to income subject to taxation. If a deduction or an adjustment to gross income is allowable based upon the receipt of certain types of income or is limited to a maximum amount deductible for federal income tax purposes, the Kentucky income used to determine the amount allowable for Kentucky shall be the same type of income used to allow the deduction on the federal return. Persons who move into or out of Kentucky during the year are limited to either the adjustments to gross income paid during the period of residence or that portion of adjustments to gross income that Kentucky income bears to total income. Nonresidents are limited to that portion of adjustments to gross income that Kentucky income bears to total income.

Line 18, Educator Expenses—Deduct up to \$250 for teachers and other educators for their out-of-pocket expenses incurred while a Kentucky resident or expenses for use in an educational classroom.

Line 19, Certain Business Expenses of Reservists, Performing Artists and Fee-Basis Government Officials—Deduct out-of-pocket expenses for members of the National Guard or Reserves.

Line 20, Health Savings Account (HSA) Deduction—Federal limitations apply. Contributions deducted by full-year nonresidents are limited to the percentage of their Kentucky total income (Line 17, Column B) to their federal total income (Line 17, Column A). Do not claim amounts as an itemized deduction.

Line 21, Moving Expenses—Enter allowable moving expense deduction (attach Schedule ME).

Line 22, Deduction for One-Half of Self-Employment Tax—You may deduct one-half of the self-employment tax based upon the self-employment income reported in Column B as Kentucky income for the taxable year.

Line 23, Self-Employed SEP, SIMPLE and Qualified Plans Deduction—Self-employed persons may deduct qualified payments to a Keogh retirement plan, a Simplified Employee Pension (SEP) or a SIMPLE plan based upon Kentucky self-employment earnings.

Line 24, Self-Employed Health Insurance Deduction—For Kentucky purposes, see Section D, Line 32 for the allowable health insurance deduction.

Line 25, Penalty on Early Withdrawal of Savings—You may deduct the interest penalty only if the interest income has been reported to Kentucky.

Line 26, Alimony Paid—The alimony deduction cannot exceed Kentucky income. Alimony paid by full-year nonresidents is

limited to the percentage of their Kentucky total income to their federal total income. Enter the recipient's name and Social Security number.

Line 27, Individual Retirement Arrangements (IRAs)—The deduction cannot exceed income earned in Kentucky. Contributions made by full-year nonresidents are limited to the percentage of their Kentucky earned income to their federal earned income. Use federal worksheets and instructions with the above limitations.

Line 28, Student Loan Interest Deduction—Federal limitations apply. Student loan interest deduction is limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). Enter in Column A, the total of student loan interest from your federal return. Enter in Column B, the allowable deduction with the above limitation.

Line 29, Tuition and Fees Deduction—Federal limitations apply. The tuition and fees deduction is limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). Enter in Column A, the tuition and fees deduction from your federal return. Enter in Column B, the allowable deduction with the above limitation.

Line 30, Domestic Production Activities Deduction—For taxable years beginning on or after January 1, 2010, the amount of the domestic production activities deduction (DPAD) for Kentucky income tax returns will remain 6 percent as allowed in Section 199(a)(2) of the Internal Revenue Code (IRC) for taxable years beginning before January 1, 2010. Kentucky does not recognize the 9 percent DPAD calculation rate allowed for federal income tax returns filed for taxable years beginning on or after January 1, 2010

Part-year resident or full-year nonresident individuals shall prorate the allowable federal DPAD based upon the percentage of Kentucky domestic production gross receipts to federal domestic production gross receipts. The KDPAD shall not exceed 50 percent of the Kentucky W-2 wages from the entity that generated Kentucky domestic production gross receipts. This deduction must be recomputed based on the 6 percent allowed for the Kentucky DPAD as opposed to the 9 percent allowed for the federal DPAD deduction. A pass-through entity is required to attach information containing each individual partner's, member's or shareholder's distributive share of DPGR, KDPGR and Kentucky W-2 wages allocable to DPGR to each individual partner's, member's or shareholder's Kentucky Schedule K-1 for purposes of making this calculation.

Line 31, Long-Term Care Insurance Premiums—Long-term care insurance premiums deducted by full-year nonresidents are limited to the percentage of their Kentucky total income (Line 17, Column B) to their federal total income (Line 17, Column A). Do not claim amounts as an itemized deduction.

Line 32, Health Insurance Premiums—Medical and dental insurance premiums deducted by full-year nonresidents are limited to the percentage of their Kentucky total income (Line 17, Column B) to their federal total income (Line 17, Column A).

Note: This deduction applies to premiums paid with after-tax dollars. Premiums paid with pretax income (cafeteria plans and vouchers already excluded from wage income) are not deductible again. Do not include long-term care insurance premiums deducted on Line 31. If you are eligible for the

Health Coverage Tax Credit, you may not deduct premiums paid on your behalf (advance payments) and you must reduce the amount you paid by the amount of health coverage tax credit. (See federal Form 8885.)

Line 33, Other Deductions—List any other adjustments to total income not listed above on lines 18 through 32. List the type of deduction in the space provided. Other deductions are limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). Enter in Column A, the total of any other adjustments to the total income listed on your federal return. Enter in Column B, the allowable deduction with the above limitation.

INCOME/TAX

Note: These items are reported on page 1, Form 740-NP.

Line 7—Enter the percentage from page 4, Section D, Line 36.

Line 8—Enter federal Adjusted Gross Income from page 4, Section D, Column A, Line 35.

Line 9—Enter Kentucky Adjusted Gross Income from page 4, Section D, Column B, Line 35.

Line 10—Nonitemizers, enter the standard deduction of \$2,240. If filing a joint return, only one \$2,240 standard deduction is allowed.

Line 11—Itemizers, complete Schedule A and enter itemized deductions on Line 11. If one spouse itemizes deductions, the other must itemize. See specific instructions for Schedule A.

Line 12—Multiply Line 11 by the percentage on Line 7. If Line 12 does not exceed \$2,240 and your filing status is 1 or 2, you should take the standard deduction. Married couples filing separate returns, see special rules under instructions for Schedule A.

Line 13—Subtract either Line 10 or 12 from Line 9. This is your Taxable Income.

Line 14—Use the tax table provided in the instructions to compute your tax. Enter this amount on Line 14.

If you had a **lump-sum distribution** from a qualified retirement plan, complete Schedule P and Form 4972-K and attach copies to Form 740-NP. The amount of tax computed on Form 4972-K should be included in the amount on this line.

Schedule J, Farm Income Averaging—If you elect Farm Income Averaging on your federal return, you may also use this method for Kentucky. Complete and attach Kentucky Schedule J and include tax in the amount on this line.

Line 15—Enter amount from page 2, Section A, Line 21. See instructions for Section A.

Line 17—Enter amount from page 3, Section B, Line 4. See instructions for Section B.

Line 18—Multiply the amount on Line 17 by the percentage on Line 7 and enter result here.

Line 20 and Line 21, Family Size Tax Credit— The Family Size Tax Credit is based on modified gross income (MGI) and the size of the family. If your total MGI is \$29,726 or less, you may qualify for Kentucky Family Size Tax Credit.

STEP ONE—Determine your family size. Check the box on Line 20 to the right of the number that represents your family size.

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children.

Family Size 1 is an individual either single, or married living apart from his or her spouse for the entire year. You may qualify for the Family Size Tax Credit even if you are claimed as a dependent on your parent's tax return.

Family Size 2 is an individual with one qualifying child or a married couple.

Family Size 3 is an individual with two qualifying children or a married couple with one qualifying child.

Family Size 4 is an individual with three or more qualifying children or a married couple with two or more qualifying children.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

Relationship—Must be the taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.

Residence—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents.

Age—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.

Support—Did not provide more than one-half of his/her own support for the year.

STEP TWO—Determine modified gross income.

FORM 740-NP WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT

- (a) Enter your federal adjusted gross income from page 1, Line 8. **If zero or less, enter zero** (a) _____
- (b) If married filing separate returns and living in the same household, enter your spouse's federal adjusted gross income. **If zero or less, enter zero** (b) _____
- (c) Enter tax-exempt interest from municipal bonds (non-Kentucky)..... (c) _____
- (d) Enter amount of lump-sum distributions not included in federal adjusted gross income (federal Form 4972)..... (d) _____
- (e) Enter total of Lines (a), (b), (c) and (d)..... (e) _____
- (f) Enter your Kentucky adjusted gross income from page 1, Line 9. **If zero or less, enter zero** (f) _____
- (g) If married filing separate returns and living in the same household, enter your spouse's Kentucky adjusted gross income from page 1, Line 9. **If zero or less, enter zero** (g) _____
- (h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K)..... (h) _____
- (i) Enter total of Lines (f), (g) and (h)..... (i) _____
- (j) Enter the **greater** of Line (e) or (i). This is your **Modified Gross Income**.
Use this amount to determine if you qualify for the Family Size Tax Credit (j) _____

STEP THREE—Use the Family Size Table to look up the percentage of credit and enter in the space provided on Line 21.

| Family Size | One | | Two | | Three | | Four or More | | Credit Percentage is |
|-------------|---------|-------------|---------|-------------|---------|-------------|--------------|-------------|----------------------|
| | is over | is not over | is over | is not over | is over | is not over | is over | is not over | |
| 2011 | \$ --- | \$ 10,890 | \$ --- | \$ 14,710 | \$ --- | 18,530 | \$ --- | \$ 22,350 | 100 |
| | 10,890 | 11,326 | 14,710 | 15,298 | 18,530 | 19,271 | 22,350 | 23,244 | 90 |
| | 11,326 | 11,761 | 15,298 | 15,887 | 19,271 | 20,012 | 23,244 | 24,138 | 80 |
| | 11,761 | 12,197 | 15,887 | 16,475 | 20,012 | 20,754 | 24,138 | 25,032 | 70 |
| | 12,197 | 12,632 | 16,475 | 17,064 | 20,754 | 21,495 | 25,032 | 25,926 | 60 |
| | 12,632 | 13,068 | 17,064 | 17,652 | 21,495 | 22,236 | 25,926 | 26,820 | 50 |
| | 13,068 | 13,504 | 17,652 | 18,240 | 22,236 | 22,977 | 26,820 | 27,714 | 40 |
| | 13,504 | 13,830 | 18,240 | 18,682 | 22,977 | 23,533 | 27,714 | 28,385 | 30 |
| | 13,830 | 14,157 | 18,682 | 19,123 | 23,533 | 24,089 | 28,385 | 29,055 | 20 |
| | 14,157 | 14,484 | 19,123 | 19,564 | 24,089 | 24,645 | 29,055 | 29,726 | 10 |
| 14,484 | --- | 19,564 | --- | 24,645 | --- | 29,726 | --- | 0 | |

STEP FOUR—Multiply tax from Line 19 by the percentage and enter on Line 21. This is your **Family Size Tax Credit**.

Line 23, Education Tuition Tax Credit—Complete Form 8863-K to claim this credit. See Forms and instructions.

Line 25, Child and Dependent Care Credit—**Full-year nonresidents are not entitled to this credit.** Part-year residents may be entitled to a credit for child and dependent care expenses paid while a resident of Kentucky. To determine this credit, complete the following worksheet.

- a. Enter total credit calculated on federal Form 2441, Line 9
- b. Enter total child and dependent care expenses entered on Form 2441, Line 3
- c. Enter the amount included on Line b paid while a Kentucky resident.....
- d. Divide Line c by Line b. Enter result.....
- e. Multiply the amount on Line a by the decimal amount on Line d
- f. Percent of allowable credit for Kentucky..... \times .20
- g. Multiply the amount on Line e by the decimal amount on Line f. This is your Child and Dependent Care Credit. Enter on Line 25.....

Note: If you and your spouse are filing separate Kentucky returns, the child and dependent care credit calculated for Kentucky must be divided based on the percentage of each spouse's adjusted gross income to total Kentucky adjusted gross income (Line 9).

Line 27, Kentucky Use Tax—If, while a Kentucky resident, you made any out-of-state purchases of tangible personal property or digital property for use in Kentucky on which sales tax was not charged, you must report Kentucky use tax on those purchases, pursuant to KRS 139.330. **For example, if you order from catalogs, make purchases through the Internet, or shop outside Kentucky** for items such as clothing, shoes, jewelry, cleaning supplies, furniture, computer equipment, pre-written computer software, office supplies, books, souvenirs, exercise equipment or subscribe to magazines, you may owe use tax to Kentucky.

For your convenience, the Use Tax Calculation Worksheet and Optional Use Tax Table are provided in these instructions. The Optional Use Tax Table is designed for those purchases of less than \$1,000. If you made **untaxed** out-of-state purchases in amounts under \$1,000, but do not have records readily available that show the amount of those purchases, you may use the Optional Use Tax Table below to estimate the compensating use tax based on your Kentucky Adjusted Gross Income (KYAGI). All **untaxed** purchases in the amount of \$1,000 or greater must be accounted for on an actual basis using the Use Tax Calculation Worksheet. Failure to timely report may result in assessment of penalty and interest in addition to the tax amount due.

| Optional Use Tax Table | |
|---|--------------------------------|
| KY AGI*Tax | |
| \$0 - \$10,000 | \$4 |
| \$10,001 - \$20,000 | \$12 |
| \$20,001 - \$30,000 | \$20 |
| \$30,001 - \$40,000 | \$28 |
| \$40,001 - \$50,000 | \$36 |
| \$50,001 - \$75,000 | \$50 |
| \$75,001 - \$100,000 | \$70 |
| Above \$100,000 | Multiply AGI by 0.08% (0.0008) |
| * AGI from Line 9 on KY Form 740 or KY Form 740-NP or Line 1 on KY Form 740-EZ. | |

| Use Tax Calculation Worksheet | |
|---|----|
| Call 502-564-5170 for assistance. | |
| 1. Purchases of \$0 to \$1,000 x 6 percent (.06) OR Use Tax Table Amount | \$ |
| 2. Purchases of \$1,000 or more x 6 percent (.06) | \$ |
| 3. Total Use Tax Due (add lines 1 and 2) | \$ |
| Report this amount on Form 740 or 740-NP, Line 27; or 740-EZ, Line 9. | |

Note: The items reported for use tax on Form 740-NP should be those purchased strictly for personal use. Any use tax liabilities accruing to a business such as mail-order office supplies must be reported on the sales and use tax return or the consumer's use tax return. The Department of Revenue routinely conducts compliance programs with other states regarding out-of-state purchases. Persons not reporting applicable use tax will be liable for the tax plus interest and penalties.

Credit Against the Kentucky Use Tax Due

You may reduce or eliminate the amount of Kentucky use tax due by the amount of state sales tax paid to the out-of-state seller on the same transaction. The reduction may not exceed the amount of Kentucky use tax due on the purchase. For example, if Georgia state sales tax of 4 percent is paid, only the additional 2 percent is due to Kentucky, or if Illinois state sales tax of 6.25 percent is paid, no additional Kentucky use tax is due. Sales tax paid to a city, county or another country cannot be used as a credit against Kentucky use tax due.

Line 30(a), Tax Withheld—Enter the amount of 2011 **Kentucky** income tax withheld by your employer(s). This amount is shown on wage and tax statements, including Forms 1099 and W-2G, which you must attach to Form 740-NP in the designated area. You will not be given credit for Kentucky income tax withheld unless you attach the wage and tax statements or other supporting documents reflecting Kentucky withholding.

Employers are required to give these statements to employees no later than January 31, 2012. If by March 1 you are unable to obtain a wage and tax statement from an employer, contact the Department of Revenue for instructions.

You may not claim credit for tax **withheld** by another state. Within certain limitations, Kentucky part-year residents may claim a credit for nonrefundable individual income tax **paid** to other states. See Section A, Line 5.

Local government occupational, license or income tax must not be included on line 30(a).

Line 30(b), Estimated Tax Paid—Enter Kentucky estimated tax payments made for 2011 and amounts credited from the 2010 return.

Also, include on Line 30(b) payments prepaid with extension requests. Identify as "prepaid with extension."

Line 30(c), Refundable Certified Rehabilitation Credit—Enter 2011 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

Line 30(d), Film Industry Tax Credit—Enter 2011 approved refundable film industry tax credit per KRS 141.383. Attach Schedule K-1, if applicable.

Line 30(e), Nonresident Withholding—Enter the amount of Kentucky income tax withheld from form PTE-WH, line 9.

Line 31—Total of amounts on Lines 30(a) through 30(e).

Compare the amounts on Lines 29 and 31. If Line 31 is larger than Line 29, subtract Line 29 from Line 31. Enter the difference on Line 32. This is the **AMOUNT OVERPAID**.

If Line 31 is smaller than Line 29, you owe additional tax. Subtract Line 31 from Line 29. Enter on Line 40. For instructions on payment, see Line 43, **Amount You Owe**.

Line 32, Amount Overpaid—If you have an overpayment on Line 32, you may have all of this amount refunded to you on Line 39, and/or you may credit all or part of it toward your 2012 Kentucky estimated income tax on Line 38. You may also contribute all or a portion of your overpayment to the following funds: (a) on Line 33, the **Nature and Wildlife Fund** for the purpose of acquiring land to preserve habitat for wildlife and natural areas of historic or scenic value; (b) on Line 34, the **Child Victims' Trust Fund** to support local programs designed to prevent sexual abuse and exploitation of children; (c) on Line 35, the **Veterans' Program Trust Fund** which was created solely for the benefit of veterans' programs; or (d) on Line 36, the **Breast Cancer Research and Education Trust Fund** which was created to fund breast cancer research and provide public education about breast cancer. *Amounts contributed on Line 37 and/or credited on Line 38 must be subtracted from the overpayment and cannot exceed it.*

Line 40, Additional Tax Due—This is your additional tax due before penalties and interest.

Penalties and Interest

Line 41(a), Underpayment of Estimated Tax and/or Interest—If the amount owed is more than \$500 and more than 30 percent of the income tax liability on Line 26, you may be subject to a penalty of 10 percent of the underpayment of estimated tax.

The amount of the penalty may be calculated on Form 2210-K. Form 2210-K may also be used by qualifying farmers and others to claim exception to the penalty. If paying the penalty or claiming an exemption, complete Form 2210-K, attach it to your return and check the block beside Line 41(a). Enter the amount of the penalty on Line 41(a). The minimum penalty is \$25.

Failure to make four equal installment payments timely may result in interest due. See Form 2210-K and instructions.

If your return is filed after April 17, 2012, or any tax due on the return is paid after April 17, 2012; you may be subject to additional penalties and interest.

Line 41(b), Interest—Interest will be assessed at the "tax interest rate" from the original due date of the return until the date of payment.

Line 41(c), Late Payment Penalty—If the amount of tax due as shown on Line 40 is not paid by the original due date of the return, a penalty of 2 percent of the tax computed due may be assessed for each 30 days or fraction thereof that the tax is past due, not to exceed 20 percent. The minimum penalty is \$10. However, if the amount timely paid is 75 percent of the tax determined due by the Department of Revenue, no late payment penalty will be assessed.

Line 41(d), Late Filing Penalty—If a return is not filed by the due date or the extended due date, a penalty of 2 percent of the total tax due for each 30 days or fraction thereof that a return is not filed may be assessed, not to exceed 20 percent. The minimum penalty is \$10.

Note: Penalties but not interest may be reduced or waived if reasonable cause for reduction or waiver can be shown.

Line 43, Amount You Owe—Any tax shown due on Line 43 must be paid when the return is filed. Attach a check payable to Kentucky State Treasurer and mail the check and return to Kentucky Department of Revenue, Frankfort, KY 40619-0008. **To help identify your payment write "KY Income Tax—2011" and your Social Security number on the face of the check.**

Note: If you cannot pay your tax in full, file your return and pay as much as possible by April 17, 2012. Contact the Department of Revenue for additional payment information.

ESTIMATED TAX—If, during 2012, you expect to receive income from Kentucky sources from which no tax will be withheld, you may be required to make estimated tax installment payments. For further information, obtain Form 740-ES from the Department of Revenue.

Pay by Credit Card or ACH Debit—Pay your 2011 Kentucky individual income tax by MasterCard, VISA, Discover credit card or by ACH Debit through April 17, 2012. Access the Department of Revenue's secure Web site (www.revenue.ky.gov) to make electronic payments over the Internet. Click on the **KY E-Tax** logo or select **E-Payments—Credit Cards and ACH Debits** link. If you do not have access to the Internet, you may call the Department of Revenue at (502) 564-4581 for assistance with payments.

To make a credit card payment, the following information is needed: credit card type, credit card number, expiration date, and the cardholder's address as it appears on the credit card billing statement. To make an ACH Debit payment, the following information is needed: bank name, bank account number, and bank routing number.

WHEN AND WHERE TO FILE—The income tax return for calendar year 2011 must be postmarked no later than April 17, 2012, to avoid penalties and interest. Mail to:

Refund/Other Returns
Kentucky Department of Revenue
Frankfort, KY 40618-0006

Pay Returns
Kentucky Department of Revenue
Frankfort, KY 40619-0008

EXTENSION OF TIME TO FILE

Taxpayers who are unable to file a return by April 17, 2012, may request an extension. Inability to pay is not an acceptable reason. Acceptable reasons include, but are not limited to, destruction of records by fire or flood and serious illness of the taxpayer. The request for the extension must be submitted in writing to the Department of Revenue on or before the due date of the return. The request must state a reasonable cause for the inability to file. Extensions are limited to six months. A copy of the Kentucky extension request must be attached to the return.

Individuals who receive a federal extension are not required to obtain a separate Kentucky extension. They can meet the requirements by attaching a copy of the application for automatic federal extension or the approved federal extension to the Kentucky return.

Kentucky residents who are in the military are often granted extensions for tax filings when serving outside the United States. Any extension granted for federal income tax purposes will be honored for Kentucky income tax purposes.

Interest at the "tax interest rate" applies to any income tax paid after the original due date of the return. If the amount of tax paid by the original due date is less than 75 percent of the tax due, a late payment penalty may be assessed (minimum penalty is \$10). Interest and late payment penalty charges can be avoided by remitting payment with the Extension Payment Voucher by the due date.

If you wish to make a payment prior to the due date of your tax return, complete Section II of the Application for Extension of Time to File, Form 40A102, and remit with payment. Write "KY Income Tax—2011" and your Social Security number on the face of the check.

Personal Property—Kentucky taxpayers are reminded to report all taxable personal property, except motor vehicles, owned on January 1 to either the property valuation administrator in the county of residence (or location of business) or the Office of Property Valuation in Frankfort. Tangible personal property is to be reported on the Tangible Personal Property Tax Return, Form 62A500. The due date for these returns is May 15.

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Line 1, Nonrefundable Limited Liability Entity Tax Credit (KRS 141.0401(2))

An individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by KRS 141.020 equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by KRS 141.0401(2), after the LLET is reduced by the minimum tax of \$175 and by other tax credits which the limited liability pass-through entity may be allowed. The credit allowed an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by KRS 141.0401(3)(b). Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

Nonrefundable Kentucky limited liability entity tax credit (KRS 141.0401(2))—The credit amount is shown on Kentucky Schedule(s) K-1 from pass-through entities (PTEs) or Form(s) 725 for single member limited liability companies. Copies of Kentucky Schedule(s) K-1 or Form(s) 725 must be attached to your return.

Complete a separate worksheet for each LLE. Retain for your records.

Name _____

Address _____

FEIN _____

Percentage of Ownership %

1. Enter Kentucky taxable income from Form 740-NP, Line 13.....
2. Enter LLE income as shown on Kentucky Schedule K-1 or Form 725
3. Subtract Line 2 from Line 1 and enter total here
4. Enter Kentucky tax on income amount on Line 1.....
5. Enter Kentucky tax on income amount on Line 3.....
6. Subtract Line 5 from Line 4. If Line 5 is larger than Line 4, enter zero. This is your tax savings if income is ignored
7. Enter nonrefundable limited liability entity tax credit (from Kentucky Schedule K-1 or Form 725)
8. Enter the lesser of Line 6 or Line 7. This is your credit. Enter here and on Form 740-NP, Section A, Line 1

Line 2, Kentucky Small Business Investment Credit—For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010. The definition of base year for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan.1, 2009 and before Jan. 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year and the amount of credit for which the small business is approved.

A small business that is a pass-through entity not subject to the tax imposed by KRS 141.040 and that has tax credits approved under Subchapter 60 of KRS Chapter 154 shall apply the credits against the limited liability entity tax imposed by KRS 141.0401, and shall also distribute the amount of the approved tax credits to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive

share of income as determined for the year during which the tax credits are approved.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars (\$3,000,000).

The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars (\$25,000). The credit shall be claimed on the tax return for the year during which the credit was approved. As per KRS 141.0205, individuals entitled to this credit will claim the credit on Line 2, Section A – Business Incentive and Other Tax Credits.

Unused credits may be carried forward for up to five (5) years.

Line 3, Skills Training Investment Tax Credit—Enter the amount of credit certified by the Bluegrass State Skills Corporation. A copy of the Kentucky Schedule K-1 for the year the credit was approved must be attached to the return in the first year the credit is claimed. The excess credit over the income tax liability in the year approved may be carried forward for three successive taxable years. For information regarding the application and approval process for this credit, contact the Cabinet for Economic Development, Bluegrass State Skills Corporation at (502) 564-2021, for information.

Line 4, Nonrefundable Certified Rehabilitation Credit—This credit is available to owner-occupied residential and commercial preservation projects for structures that are listed in the National Register of Historic Places, or in a National Register historic district, up to \$3 million annually. The credit is 30 percent of certified rehabilitation expenses for owner-occupied residential properties, not to exceed \$60,000 per project, and 20 percent for commercial and income-producing properties. To qualify, an owner must spend at least \$20,000 on rehabilitation.

Individuals or businesses can apply the credit against their state income tax liability, carry the credit forward up to seven years or transfer it to a banking institution to leverage financing. For application submitted on or after April 30, 2010, the credit shall be refundable if the taxpayer makes an election under KRS 171.397(2)(b). For more information regarding this credit, visit the Kentucky Heritage Council’s Web site at www.heritage.ky.gov, or call (502) 564-7005.

Line 5, Credit for Tax Paid to Another State—Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, a credit for income tax paid to another state may be claimed. The credit is **limited** to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of tax paid to the other state, **whichever is less**.



TIP—Credit for taxes paid to another state may be reduced or eliminated if gambling losses are claimed on Schedule A.

You may not claim credit for tax withheld by another state. You must file a return with the other state and pay tax on income also taxed by Kentucky in order to claim the credit. A copy of the other state’s return including a schedule of income sources must be attached to verify this credit. **If you owe tax in more than one state, the credit for each state must be computed separately.**

Reciprocal States—Kentucky has reciprocal agreements with specific states. These agreements provide that taxpayers be taxed by their state of residence, and not the state where income is earned. Persons who live in Kentucky for more than 183 days during the tax year are considered residents and reciprocity does not apply. The states and types of exemptions are as follows:

Illinois, West Virginia—wages and salaries

Indiana—wages, salaries and commissions

Michigan, Wisconsin—income from personal services (including salaries and wages)

Ohio—wages and salaries. **Note:** Wages which an S corporation pays to a shareholder-employee if the shareholder-employee is a “twenty (20) percent or greater” direct or indirect equity investor in the S corporation shall not be exempt under the reciprocity agreement.

Virginia—commuting daily, salaries and wages

Kentucky does not allow a credit for tax paid to a reciprocal state on the above income. If tax was withheld by a reciprocal state, you must file directly with the other state for a refund of those taxes.

Credit for Taxes Paid to Other State Worksheet

Kentucky residents/part-year residents only. Complete a separate worksheet for each state. See instructions for Form 740-NP, Section A, Line 5.

Name of other state.....

1. List Kentucky taxable income from Form 740-NP, Line 13..... _____
2. List any gambling losses from Schedule A, Line 31 _____
3. Add Lines 1 and 2 and enter total here _____
4. List income reported to other state included on Kentucky return _____
5. Subtract Line 4 from Line 3 and enter total here _____
6. Adjusted gambling losses. Compute gambling losses allowed on Kentucky return if income from other state is ignored..... _____
7. Subtract Line 6 from Line 5 and enter total here _____
8. Enter Kentucky tax on income amount on Line 7..... _____
9. Enter Kentucky tax on income amount on Line 1..... _____
10. Subtract Line 8 from Line 9. This is the tax savings on return if other state’s income is ignored _____
11. Enter tax paid to other state on income claimed on Kentucky return. _____
12. Enter the lesser of Line 10 or Line 11. This is your credit for tax paid to other state. Carry this total to Form 740-NP, Section A, Line 5..... _____

Line 6, Employer's Unemployment Tax Credit—If you hired unemployed Kentucky residents to work for you during the last six months of 2010 or during 2011, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of \$100. The period of unemployment must be certified by the Office of Employment and Training, Education Cabinet, 275 East Main Street, 2-WA, Frankfort, KY 40621-0001, and you must maintain a copy of the certification in your files. A copy of Schedule UTC must be attached to your return.

Line 7, Recycling and/or Composting Tax Credit—Individuals who purchase recycling or composting equipment to be used exclusively in Kentucky for recycling or composting post-consumer waste materials, are entitled to a credit against the tax equal to 50 percent of the installed cost of the equipment. Application for this credit must be made on Schedule RC, which may be obtained from the Department of Revenue. A copy of Schedule RC and/or Schedule RC (K-1) reflecting the amount of credit approved by the Department of Revenue must be attached to the return.

Line 8, Kentucky Investment Fund Tax Credit—Limits on Kentucky Investment Fund Act (KIFA) Credits—KIFA tax credits available to any single investment fund are limited to \$1.3 million for all investors and all taxable years. Total KIFA tax credits available for all investors in all investment funds shall not exceed \$5 million per fiscal year. An investor whose cash contribution to an investment fund has been certified by the Kentucky Economic Development Finance Authority (KEDFA) is entitled to a nonrefundable credit against Kentucky income tax equal to 40 percent of the cash contribution. For investments before July 1, 2002, the amount of credit that may be claimed in any given year is limited to 25 percent of the total amount certified by the Kentucky Economic Development Finance Authority (KEDFA). For investments after June 30, 2002, the credit is claimed on the tax return filed for the tax year following the year in which the credit is granted and is limited in any tax year to 50 percent of the initial aggregate credit apportioned to the investor. Attach a copy of the certification by KEDFA in the first year claimed. Any excess credit may be carried forward. No credit may extend beyond 15 years of the initial certification.

Line 9, Coal Incentive Tax Credit—An electric power company or a company that owns and operates a coal-fired electric generating plant may be entitled to a coal incentive tax credit. Application for this credit is made on Schedule CI, Application for Coal Incentive Tax Credit, and a copy of the credit certificate issued by the Kentucky Department of Revenue must be attached to the return on which the credit is claimed.

Line 10, Qualified Research Facility Tax Credit—A nonrefundable credit is allowed against individual and corporation income taxes equal to 5 percent of the cost of constructing and equipping new facilities or expanding or remodeling existing facilities in Kentucky for qualified research. "Qualified research" is defined to mean qualified research as defined in Section 41 of the IRC. Any unused credit may be carried forward 10 years. Complete and attach Schedule QR, Qualified Research Facility Tax Credit.

Line 11, Employer GED Incentive Tax Credit—KRS Chapter 151B.127 provides a nonrefundable income tax credit for employers who assist employees in completing a learning contract in which the employee agrees to obtain his or her high school equivalency diploma. The employer shall complete the lower portion of the GED-Incentive Program Final Report (Form DAEL-31) and attach a copy to the return to claim this credit. Shareholders and partners should attach a copy of Schedule

K-1 showing the amount of credit distributed. For information regarding the program, contact the Education Cabinet, Kentucky Adult Education, Council on Postsecondary Education.

Line 12, Voluntary Environmental Remediation Credit—This line should be completed only if the taxpayers have an agreed order with the Environmental and Public Protection Cabinet under the provisions of KRS 224.01-518 and have been approved for the credit by the Department of Revenue. Maximum credit allowed to be claimed per taxable year is 25 percent of approved credit. For more information regarding credit for voluntary environmental remediation property, contact the Environmental and Public Protection Cabinet at (502) 564-3350. To claim this credit, Schedule VERB must be attached.

Line 13, Biodiesel and Renewable Diesel 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 and renewable diesel 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 to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit.

Line 14, Environmental Stewardship Tax Credit—An approved company may be permitted a credit against the Kentucky income tax imposed by KRS 141.020, KRS 141.040 or KRS 141.0401 on the income of the approved company generated by or arising out of a project as determined under KRS 154.48-020. An "environmental stewardship product" means any new manufactured product or substantially improved existing manufactured product that has a lesser or reduced adverse effect on human health and the environment or provides for improvement to human health and the environment when compared with existing products or competing products that serve the same purpose. A company must have eligible 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, Old Capitol Annex, 300 West Broadway, Frankfort, Kentucky 40601.

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.

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.

Line 15, Clean Coal Incentive Tax Credit—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 Environmental and Public Protection Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies. The amount of the credit shall be two dollars (\$2) per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit shall be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent or a subsidiary.

Line 16, Ethanol Tax Credit—An ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per ethanol gallon produced, unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining ethanol credit shall be disallowed and shall not be carried forward to the next year. “Ethanol producer” is defined as an entity that uses corn, soybeans, or wheat to manufacture ethanol at a location in this Commonwealth.

Line 17, Cellulosic Ethanol Tax Credit—A cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining cellulosic ethanol credit shall be disallowed and shall not be carried forward to the next year. “Cellulosic ethanol producer” is defined as an entity that uses cellulosic biomass materials to manufacture cellulosic ethanol at a location in this Commonwealth.

Line 18, Energy Efficiency Products Tax Credits—This nonrefundable credit is available to taxpayers who install energy efficiency products for residential and commercial property located in the Commonwealth as provided by KRS 141.436 for taxable years beginning after December 31, 2008, and before January 1, 2016.

Complete Form 5695-K, Kentucky Energy Efficiency Products Tax Credit, to see if you meet the qualifications for this credit.

Individuals or businesses can apply the credit against their state income tax liability and carry the credit forward for one (1)

year if the credit cannot be taken in full in the year in which the installation is completed.

Line 19, Railroad Maintenance and Improvement Credit—The railroad maintenance and improvement credit provided by KRS 141.385 is a nonrefundable credit that can be applied against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The tax credit shall be used in the tax year of the qualified expenditures which generated the tax credit and cannot be carried forward to a return for any other period.

An *eligible taxpayer* means the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or III railroad in Kentucky, or any person that furnishes railroad-related property or services to a Class II or Class III railroad located in Kentucky. A copy of Schedule RR-I must be attached to your return.

Line 20, Endow Kentucky Credit—Effective for taxable years beginning on or after Jan. 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. KRS 141.438 was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000.

A taxpayer shall attach a copy of the approved Schedule ENDOW to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401.

A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP to the partner’s, member’s or shareholder’s tax return each year to claim the tax credit.

Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years.

SECTION B—PERSONAL TAX CREDITS

Line 1(a), Yourself—You are always allowed to claim a tax credit for yourself (even if your parent(s) can claim a credit for you on their return). On Line 1(a), there are five boxes under three separate headings. Always check the box under “Check Regular” to claim a tax credit for yourself. *If 65 or older*, also check the next two boxes on the line. *If legally blind*, also check the last two boxes on the line.

Line 1(b), Your Spouse—Do not fill in Line 1(b) if (1) you are single; (2) you are married and you and your spouse are filing two separate returns; or (3) your spouse received more than half of his or her support from another taxpayer.

Fill in Line 1(b) if you are married and (1) you and your spouse are filing a joint or combined return, or (2) if your spouse had no income or is not required to file a return. If you meet these criteria, check the first box on Line 1(b) for your spouse. *If your spouse is 65 or older*, also check the next two boxes. *If your spouse was legally blind at the end of the taxable year*, also check the last two boxes on Line 1(b).

Dependents—You are allowed to claim a tax credit for each person defined as a dependent in the Internal Revenue Code. Generally, dependents who qualify for federal purposes also qualify for Kentucky.

Line 2, Dependents Who Live With You

Use to claim tax credits for your dependent children, including stepchildren and legally adopted children, who lived with you

during the taxable year. **If the dependent meets the requirements for a qualifying child under the provisions of IRC 152(c), check the box; this child qualifies to be counted to determine the family size.**

Dependents Who Did Not Live With You

Also use Line 2 to claim tax credits for your dependent children who did not live with you and to claim tax credits for other persons who qualify as dependents. **These dependents do not qualify to be counted to determine the family size.**

Children of Divorced or Separated Parents—Attach a copy of federal Form 8332 filed with your federal return. Children may only be counted for family size by the custodial parent.

Tax Credits for Individuals Supported by More Than One Taxpayer—Attach a copy of federal Form 2120 filed with your federal return.

Kentucky National Guard Members—Persons who were members of the Kentucky National Guard on December 31, 2011, may claim an additional credit on Line 2. Designate this credit with the initials "N.G." Kentucky law specifically restricts this credit to Kentucky National Guard members; military reserve members are not eligible.

SECTION C—FAMILY SIZE TAX CREDIT

Children may only be counted for family size by the custodial parent. Even if you have signed federal Form 8332 and may not claim the child as a dependent, you may count children who otherwise meet the requirements for the Family Size Tax Credit.

You must include in Section C the names and Social Security numbers of the qualifying children that are not claimed as dependents in Section B in order to count them in your total family size.

SIGN RETURN—Be sure to sign on page 3 after completion of pages 1, 2, 3 and 4 of your return. Each return must be signed by the taxpayer. Joint and combined returns must be signed by both husband and wife. Returns that are not signed may be returned to you for signature.

Please enter a telephone number where you can be reached during regular working hours. You may be contacted for additional information needed to complete processing of your tax return.

INSTRUCTIONS FOR SCHEDULE A

FORM 740-NP

You may itemize your deductions for Kentucky even if you do not itemize for federal purposes. Amounts entered on Schedule A should be total deductions for the taxable period.

These amounts are prorated on Form 740-NP, page 1. If you do not itemize, a standard deduction of \$2,240 is allowed and does not have to be prorated.

Special Rules for Married Couples—If one spouse itemizes deductions, the other must itemize. Married couples filing a joint federal return and who wish to file separate returns for Kentucky may: (a) file separate Schedules A showing the specific deductions claimed by each; (b) file a joint Schedule A, divide the total deductions between them based on the percentage of each spouse's income to total income, and attach a copy to each return; or (c) each spouse may claim the standard deduction of \$2,240.

MEDICAL AND DENTAL EXPENSES

Federal rules apply. You may deduct only your medical and dental expenses that exceed 7.5 percent of Form 740-NP, Line 8. Do not include any expenses deducted on Form 740-NP, page 4, Section D, Column B, Line 31 or Line 32. Married taxpayers filing separate Forms 740-NP who choose to file one Schedule A and prorate the total must combine the Line 8 amounts from both returns.

TAXES

You may not deduct new motor vehicle taxes, sales tax, state or federal income taxes paid or withheld, otherwise federal rules apply.

INTEREST

You may deduct interest that you have paid during the taxable year on a home mortgage. You may not deduct interest paid on credit or charge card accounts, a life insurance loan, an automobile or other consumer loan, delinquent taxes or on a personal note held by a bank or individual.

Interest paid on business debts should be deducted as a business expense on the appropriate business income schedule.

You may not deduct interest on an indebtedness of another person when you are not legally liable for payment of the interest. Nor may you deduct interest paid on a gambling debt or any other nonenforceable obligation. Interest paid on money borrowed to buy tax-exempt securities or single premium life insurance is not deductible.

Line 10—List the interest and points (including "seller-paid points") paid on your home mortgage to financial institutions and reported to you on federal Form 1098.

Line 11—List other interest paid on your home mortgage and not reported to you on federal Form 1098. Show name and address.

Line 12—List points (including "seller-paid points") not reported to you on federal Form 1098. Points (including loan origination fees) charged only for the use of money and paid with funds other than those obtained from the lender are deductible over the life of the mortgage. However, points may be deducted in the year paid if all three of the following apply: (1) the loan was used to **buy, build or improve your main home**, and was secured by that home, (2) the points did not exceed the points usually charged in the area where the loan was made, and were figured as a percentage of the loan amount, and (3) if the loan was used to **buy or build** the home, you must have provided funds (see below) at least equal to the points charged. If the loan was used to **improve**

the home, you must have paid the points with funds other than those obtained from the lender.

Funds provided by you include down payments, escrow deposits, earnest money applied at closing, and other amounts actually paid at closing. They do not include amounts you borrowed as part of the overall transaction.

Seller-Paid Points—If you are the buyer, you may be able to deduct points the seller paid in 2011. You can do this if the loan was used to buy your main home and the points meet item 2 above. You must reduce your basis in the home by those points, even if you do not deduct them.

The seller cannot deduct these points as interest. However, they are a selling expense that reduces the amount realized by the seller. See federal Publication 523 for information on selling your home.

This generally does not apply to points paid to refinance your mortgage. Federal rules apply. See federal Publication 936 for more information.

Line 13, Qualified Mortgage Insurance Premiums—Premiums that you pay or accrue for “qualified mortgage insurance” during 2011 in connection with home acquisition debt on your qualified home are deductible as home mortgage insurance premiums. Qualified mortgage insurance is mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and private mortgage insurance. Mortgage insurance premiums you paid or accrued on any mortgage insurance contract issued before January 1, 2007, are not deductible.

Limit on amount you can deduct. You cannot deduct your mortgage insurance premiums if the amount on Form 740-NP, line 8, is more than \$109,000 (\$54,500 if married filing separate returns). If the amount on Form 740-NP, line 8, is more than \$100,000 (\$50,000 if married filing separate returns), your deduction is limited and you must use the worksheet below to figure your deduction.

Qualified Mortgage Insurance Premiums Deduction Worksheet

See the instructions for Line 13 above to see if you must use this worksheet to figure your deduction.

| | |
|---|----------|
| 1. Enter the total premiums you paid in 2011 for qualified mortgage insurance for a contract entered into on or after January 1, 2007 | 1. _____ |
| 2. Enter the amount from Form 740-NP, page 1, Line 8..... | 2. _____ |
| 3. Enter \$100,000 (\$50,000 if married filing separate returns)..... | 3. _____ |
| 4. Is the amount on Line 2 more than the amount on Line 3? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from Line 1 above on Schedule A, Line 13. <input type="checkbox"/> Yes. Subtract Line 3 from Line 2. If the result is not a multiple of \$1,000 (\$500 if married filing separate returns), increase it to the next multiple of \$1,000 (\$500 if married filing separate returns). For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000; or if married filing separate returns, increase \$425 to \$500, increase \$2,025 to \$2,500, etc. | 4. _____ |
| 5. Divide Line 4 by \$10,000 (\$5,000 if married filing separate returns). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0..... | 5. _____ |
| 6. Multiply Line 1 by Line 5..... | 6. _____ |
| 7. Qualified mortgage insurance premiums deduction. Subtract Line 6 from Line 1. Enter the result here and on Schedule A, Line 13..... | 7. _____ |

Line 14, Interest on Investment Property—Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to a passive activity.

Attach federal Form 4952, Investment Interest Expense Deduction.

Exception. You do not have to file federal Form 4952 if all three of the following apply:

- your investment interest is not more than your investment income from interest and ordinary dividends,
- you have no other deductible investment expenses, and
- you have no disallowed investment interest expense from 2010.

For more details, see federal Publication 550, Investment Income and Expenses.

CONTRIBUTIONS

You may deduct what you actually gave to organizations that are religious, charitable, educational, scientific or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. In general, contributions deductible for federal income tax purposes are also deductible for Kentucky.

You are required to maintain receipts, cancelled checks or other reliable written documentation showing the name of the organization and the date and amount given to support claimed deductions for charitable contributions.

Separate contributions of \$250 or more require written substantiation from the donee organization in addition to your proof of payment. It is your responsibility to secure substantiation. A letter or other documentation from the qualifying charitable organization that acknowledges receipt of the contribution and shows the date and amount constitutes a receipt. This substantiation should be kept in your files. Do not send it with your return.

In addition, enter on Line 17 the value of a leasehold interest property contributed to a charitable organization to provide temporary housing for the homeless. Attach Schedule HH.

CASUALTY AND THEFT LOSSES

Use Line 20 to report casualty or theft losses of property that is not trade, business, rent or royalty property. Attach federal Form 4684, Casualties and Thefts, or a similar statement to figure your loss. Enter on Line 20 the amount of loss from federal Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat and other accidents or similar causes. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that:

- the amount of **each** separate casualty or theft loss is more than \$100, and
- the total amount of **all** losses during the year is more than 10 percent of Form 740-NP, page 1, Line 8.

Note: Married taxpayers filing separate Forms 740-NP who choose to file one Schedule A and prorate the total must combine the Line 8 amounts from both returns.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See federal Form 4684 for details.

Losses You MAY NOT Deduct

Money or property misplaced or lost.

Breakage of china, glassware, furniture and similar items under normal conditions.

Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects or disease.

Deduct the costs of proving you had a property loss as a miscellaneous deduction on Line 26. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, see federal Publication 547, Nonbusiness Disasters, Casualties, and Thefts. It also gives information about federal disaster area losses.

MISCELLANEOUS DEDUCTIONS

Most miscellaneous deductions cannot be deducted in full. You must subtract 2 percent of your adjusted gross income from the total. Compute the 2 percent limit on Line 29.

Note: Married taxpayers filing separate Forms 740-NP who choose to file one Schedule A and prorate the total must combine the Line 8 amounts from both returns.

Generally, the 2 percent limit applies to job expenses you paid for which you were not reimbursed (Line 24). The limit also applies to certain expenses you paid to produce or collect taxable income (Line 26). See the instructions for Lines 24, 25 and 26 for examples of expenses to claim on these lines.

The 2 percent limit does not apply to certain other miscellaneous expenses that you may deduct. These expenses can be deducted in full on Line 31. The Line 31 instructions describe these expenses. Included are deductible gambling losses (to the extent of winnings) and certain job expenses of disabled employees. See federal Publication 529, Miscellaneous Deductions, for more information.

Expenses Subject to the 2 Percent Limit

Important: The increase in first-year luxury automobile depreciation caps, the 30 percent and **the 50 percent** special depreciation allowance, the additional New York Liberty Zone Section 179 deduction for property placed in service after September 10, 2001, and **the increased Section 179 deduction limits and thresholds for property placed in service after December 31, 2002**, are not allowable for Kentucky tax purposes. For passenger automobiles purchased after September 10, 2001, you must compute Kentucky depreciation in accordance with the IRC in effect on December 31, 2001.

Create a Kentucky Form 2106 by entering **Kentucky** at the top center of a federal Form 2106, Employee Business Expenses. Complete Section D—Depreciation of Vehicles in accordance with the IRC in effect on December 31, 2001. **Attach a copy of the federal Form 2106 filed for federal income tax purposes if no adjustments are required.**

Line 24—Use this line to report job-related expenses you paid for which you were not reimbursed. In some cases you **MUST** first fill out Form 2106, Employee Business Expenses, or Form 2106-EZ, Unreimbursed Employee Business Expenses. Fill out Form 2106-EZ if you claim any unreimbursed travel, transportation, meal or entertainment expenses for your job.

Fill out Form 2106 if your employer paid you for any of your job-related expenses reportable on Line 24.

Enter the amount of unreimbursed employee business expenses from Form 2106 or 2106-EZ on Line 24 of Schedule A.

If you do not have to fill out Form 2106 or 2106-EZ, list the type and amount of your expenses in the space provided. If you need more space, attach a statement showing the type and amount of the expense. Enter one total on Line 24.

Line 25—Use this line to report tax return preparation fees paid during the taxable year including fees paid for filing your return electronically.

Line 26—Use this line for amounts you paid to produce or collect taxable income and manage or protect property held for earning income. List the type and amount of each expense in the space provided. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on Line 26.

LINE 31—OTHER MISCELLANEOUS DEDUCTIONS

Use this line to report miscellaneous deductions that are NOT subject to the 2 percent adjusted gross income limit. Only the expenses listed below can be deducted on Line 31.

Expenses NOT Subject to the 2 Percent Limit

Gambling losses to the extent of gambling winnings. Gambling winnings must be included on Form 740-NP, Section D, Line 15. (**Note:** Gambling losses must be verified by supplemental records. These include a diary and unredeemed tickets, payment slips and winning statements.)

Federal estate tax on income in respect of a decedent.

Amortizable bond premium on bonds acquired before October 23, 1986.

Deduction for repayment of amounts under a claim of right if more than \$3,000. See federal Publication 525.

Unrecovered investment in a pension.

Impairment-related work expenses of a disabled person.

Casualty and theft losses of income-producing property.

List the type and amount of each expense. Enter one total on Line 31. For more information on these expenses, see federal Publication 529.

LINE 32—TOTAL ITEMIZED DEDUCTIONS

Dividing Deductions Between Spouses—Married taxpayers combining itemized deductions must divide the itemized deductions if filing separate Kentucky returns or if one spouse is not filing a Kentucky return. Complete Lines 33 through 36, Schedule A.

740-NP-R

42A740-NP-R

Department of Revenue



KENTUCKY

INCOME TAX RETURN

Nonresident—Reciprocal State



2011

| | | | | | | |
|-------------------------------|--|------------------------------------|---------------------------|--------------------------|----------|--|
| Last name | | Your first name and middle initial | | Your Social Security no. | | Did you file a Kentucky income tax return for 2010? Yes <input type="checkbox"/> No <input type="checkbox"/> . If no, give reason: |
| Number and street or P.O. box | | Apt. no. | City, town or post office | State | ZIP code | |

Mailing Address

INSTRUCTIONS

This form may be used by qualifying full-year nonresidents to claim a refund of Kentucky income taxes withheld during 2011. To determine if you qualify, you must check "Yes" or "No" for the applicable statements below. *If eligible, complete lines 1–6.* Enter only the taxpayer's name in which the Kentucky wages and salaries were earned in the name box above. Do not include your spouse's name. If both spouses earned only Kentucky wages and salaries as a resident of a reciprocal state, **each spouse must file a separate Form 740-NP-R.**

- A. I was a **nonresident** of Kentucky during all of 2011. Yes No
- B. My only 2011 Kentucky income was from salaries or wages earned while a resident of any of the following states: Yes No
(circle state(s)) **1**–Illinois **2**–Indiana **3**–Michigan **4**–Ohio **5**–Virginia **6**–West Virginia **7**–Wisconsin
Note: Race track, lottery and other gambling winnings are not salaries or wages.

For Virginia residents only:

C. I commuted **daily** to a place of employment in Kentucky. Yes No

Nonresidents who answered "No" to any of the statements above must file Form 740-NP to report Kentucky income.
 Enter name and address of principal employer in Kentucky

Name _____

Number and street _____

City _____ State _____ ZIP code _____

You must attach Kentucky wage and tax statements.

Attach Kentucky Wage and Tax Statements Here

| | | | |
|--|-----|----|----|
| 1. Enter total Kentucky income tax withheld . Do not include local tax withheld. <i>Attach 2011 wage and tax statement(s)</i> | ● 1 | | 00 |
| 2. Nature and Wildlife Fund Contribution <input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other _____ <i>Enter amount checked</i> | ● 2 | 00 | |
| 3. Child Victims' Trust Fund Contribution <input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other _____ <i>Enter amount checked</i> | ● 3 | 00 | |
| 4. Veterans' Program Trust Fund Contribution <input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other _____ <i>Enter amount checked</i> | ● 4 | 00 | |
| 5. Breast Cancer Research/Education Trust Fund Contribution <input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other _____ <i>Enter amount checked</i> | ● 5 | 00 | |
| 6. From line 1, subtract lines 2, 3, 4 and 5. Amount to be REFUNDED | ● 6 | 00 | |

ATTACH A COPY OF THE 2011 RETURN FILED WITH YOUR STATE OF RESIDENCE.

I declare under the penalties of perjury that I have examined this return and to the best of my knowledge and belief, it is a true, correct and complete return.

Your Signature _____

Date Signed _____

()
Telephone Number (daytime) _____

Typed or Printed Name of Preparer Other than Taxpayer _____

I.D. Number of Preparer _____

Date _____



Mail to: Kentucky Department of Revenue, Frankfort, KY 40618-0006

Note: Nonresidents of reciprocal states who want to prevent their Kentucky employer from withholding Kentucky income tax from their paychecks should file a copy of Revenue Form 42A809, Certificate of Nonresidence, with their employer. The form is available from the employer, the Kentucky Department of Revenue, Frankfort, KY 40620, or by visiting www.revenue.ky.gov

740-X

42A740-X (11-11)
Department of Revenue



AMENDED
KENTUCKY INDIVIDUAL
INCOME TAX RETURN



20

- For calendar year or
For fiscal year beginning, and ending

Filing Status: Check only one block.

- Original Amended
1. Single
2. Married, filing separately on this combined return
3. Married, filing joint return
4. Married, filing separate returns. Enter spouse's name and Social Security number as it appears on separate return.

Spouse's Social Security No.
Your Social Security No.
Last Name First Name (Joint or combined return, give both names and initials.)
Mailing Address Number and Street including Apartment Number or P.O. Box
City, Town or Post Office State ZIP Code

INCOME AND DEDUCTIONS

Table with 4 columns: Description, I-As Originally Reported or Adjusted, II-Net Change Increase or Decrease (see p. 2), III Correct Amount. Rows include KENTUCKY ADJUSTED GROSS INCOME, ITEMIZED DEDUCTIONS / STANDARD DEDUCTION, TAXABLE INCOME.

TAX LIABILITY

Table with 4 columns: Description, I-As Originally Reported or Adjusted, II-Net Change Increase or Decrease (see p. 2), III Correct Amount. Rows include Enter tax from Form 740, Business Incentive Credits, Personal Tax Credits, Subtract lines 5 and 6 from line 4, Add line 7, Columns A and B and enter here, Family Size Tax Credit, Education Tuition Tax Credit, Child and Dependent Care Credit, New Home Tax Credit (2009 and 2010 Only), Income Tax Liability, Kentucky Use Tax, Total Tax Liability.

PAYMENTS AND CREDITS

Table with 4 columns: Description, I-As Originally Reported or Adjusted, II-Net Change Increase or Decrease (see p. 2), III Correct Amount. Rows include Kentucky Income Tax Withheld, Kentucky Estimated Tax Payments, Refundable Kentucky Corporation Tax Credit, Refundable certified rehabilitation credit, Film industry tax credit, Amount paid with original return, Total of lines 16 through 21, Column III.

REFUND OR AMOUNT DUE

Table with 2 columns: Description, Amount. Rows include Overpayment, Subtract line 23 from line 22 and enter the result, If line 15, Column III, is more than line 24, enter amount due, Compute interest on the amount due from the due date until paid, Add lines 25 and 26. Pay in full with this return, If line 15, Column III, is less than line 24, enter refund to be received.



PART I – TAX CREDITS (This section must be completed for any increase or decrease in the number of personal tax credits claimed on original return)

| | |
|---|--|
| 1. Number of personal tax credits claimed on original return (Form 740, Section B, lines 3A and 3B) | |
| 2. Number of personal tax credits claimed on this return..... | |
| 3. Difference..... | |

Explain any difference in detail below. Include name and Social Security number.

PART II – FAMILY SIZE TAX CREDIT (This section must be completed for any increase or decrease to Total Family Size claimed on original return.)

4. Total Family Size claimed on original return 1 2 3 4 or more
5. Total Family Size claimed on this return 1 2 3 4 or more

Explain any difference in detail below. Include name and Social Security number.

PART III – CHANGES Explain changes to income, deductions and tax from page 1, Column II in detail below. **Attach additional or corrected Kentucky and/or federal forms, schedules or W-2s.**

If you do not attach the required information, processing of your Form 740-X may be delayed.

PART IV – INTEREST RATE CHART - Use the following rates when computing interest for amount on Page 1, Line 25.

| | | |
|----------------------------|---|-----|
| Jan. 1, 2012–Dec. 31, 2012 | – | 6% |
| Jan. 1, 2011–Dec. 31, 2011 | – | 5% |
| Jan. 1, 2010–Dec. 31, 2010 | – | 5% |
| Jan. 1, 2009–Dec. 31, 2009 | – | 7% |
| May 1, 2008–Dec. 31, 2008 | – | 10% |
| Jan. 1, 2008–Apr. 30, 2008 | – | 8% |

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and, to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of appropriate income tax regulations will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If a joint or combined return, both must sign.) Spouse's Signature Telephone Number (daytime) Date Signed

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Make check payable to:
Kentucky State Treasurer.



Mail to: **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

Mail to: **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

Form 741

42A741
Department of Revenue



For calendar year or other taxable year beginning _____, 2011, and ending _____, 2012.

KENTUCKY FIDUCIARY INCOME TAX RETURN

2011

Check applicable box: Decedent's estate, Simple trust, Complex trust, ESBT (S portion only), Grantor trust, Bankruptcy estate, Pooled income fund. Name of Estate or Trust, Federal Employer Identification Number, Name and Title of Fiduciary, Date Entity Created, Address of Fiduciary, Room or Suite Number, City, State and ZIP Code, Telephone Number. Number of Schedules K-1 attached. (Copies Must Be Attached)

Attach a copy of the federal return including all schedules and statements.

Table with 14 rows for tax calculation: 1. Federal adjusted total income, 2. Additions, 3. Enter the portion of deductions allocable to line 2, 4. Subtract line 3 from line 2, 5. Add lines 1 and 4, 6. Subtractions, 7. Enter the portion of deductions allocable to line 6, 8. Subtract line 7 from line 6, 9. Subtract line 8 from line 5. This is your Kentucky adjusted total income (loss), 10. Income distribution deduction (attach Schedule(s) K-1), 11. Pension income exclusion, 12. Federal estate tax deduction, 13. Add lines 10, 11 and 12, 14. Total income of fiduciary.

INTANGIBLE INCOME ATTRIBUTABLE TO NONRESIDENTS INCLUDED IN LINE 14

15. Trusts or estates with income attributable to nonresident beneficiaries. Enter the portion of intangible income included in line 14 that is attributable to nonresident beneficiaries. Enter zero if not applicable. See instructions. 16. Taxable income of fiduciary (subtract line 15 from line 14) This is your taxable income.

TAX COMPUTATION

17. Tax: (a) tax rate schedule, (b) Form 4972-K, (c) Schedule RC-R, Total 17(d). 18. Nonrefundable credit(s) (specify and attach supporting documents). 19. Enter Tax Credit (\$2 for a trust; \$20 for an estate). This credit is not refundable. 20. Total Tax (subtract lines 18 and 19 from line 17d; if line 18 plus line 19 is more than line 17d, enter -0-). 21. (a) Estimated tax payments, (b) Withholding (attach wage and tax statements), (c) Refundable Certified Rehabilitation Credit (KRS 141.382(1)(b)), (d) Film Industry Tax Credit (KRS 141.383), (e) Nonresident Withholding from Form PTE-WH, line 9, (f) Total of amounts on Line 21(a) through 21(e). 22. Subtract line 21(f) from line 20. Enter amount of tax due, refund, credit forward.

I declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me and, to the best of my knowledge and belief, is a true, correct and complete return.

Signature of Fiduciary or Agent, PTIN or Identification Number of Fiduciary or Agent, Date, Typed or Printed Name of Preparer Other Than Fiduciary or Agent, Identification Number of Preparer, Date

Mail to: Kentucky Department of Revenue, Frankfort, KY 40619-0008.

Make check payable to: Kentucky State Treasurer.



SCHEDULE A—CHARITABLE DEDUCTION (Do not complete for a simple trust or pooled income fund.)

Complete Schedule A only if you made additions to or subtractions from total income on page 1, lines 2 or 6 and claimed a charitable deduction on federal Form 1041.

Table with 2 columns: Description and Line Number. Row 1: Kentucky taxable income that was paid or set aside for charitable purposes... 1. Row 2: Kentucky tax-exempt income that was paid or set aside for charitable purposes... 2.

SCHEDULE B—INCOME DISTRIBUTION DEDUCTION (See federal instructions.)

Table with 2 columns: Description and Line Number. Rows 1-15 detailing income distribution deduction steps, including adjusted total income, tax-exempt interest, net gain, and final income distribution deduction.

SCHEDULE M (FORM 741)

Part I—Additions to Federal Adjusted Total Income

Table with 2 columns: Description and Line Number. Rows 1-4 detailing additions to federal adjusted total income.

Part II—Subtractions from Federal Adjusted Total Income

Table with 2 columns: Description and Line Number. Rows 5-8 detailing subtractions from federal adjusted total income.

ADDITIONAL INFORMATION REQUIRED

- 1. Was a Kentucky fiduciary income tax return filed for 2010?
2. If the fiduciary has income not taxed by Kentucky, have you deducted only that portion of expenses allocable to taxable income?
3. Did the estate or trust have any passive activity loss(es)?

- 4. If a federal audit changed the taxable income as originally reported for any prior year, a copy of the Revenue Agent's Report must be submitted to the Department of Revenue. Do not attach to this return.
5. During the taxable year did you make an accumulation distribution as defined in Sec. 665(b), Internal Revenue Code?
6. If this is an amended return, check the appropriate box on page 1. Explain changes below. Attach a separate page if necessary.

SCHEDULE D
Form 741



2011

42A741-D

Department of Revenue

KENTUCKY
CAPITAL GAINS AND LOSSES
▶ Attach to Form 741.

| | |
|-------------------------|--|
| Name of estate or trust | Federal Employer Identification Number |
|-------------------------|--|

PART I—SHORT-TERM CAPITAL GAINS AND LOSSES (Assets Held One Year or Less)

| a. Kind of property and description (Example, 100 shares of "Z" Co.) | b. Date acquired (Mo., day, yr.) | c. Date sold (Mo., day, yr.) | d. Gross sales price | e. Cost or other basis, as adjusted, and expense of sale | f. Gain or (loss) (d less e) |
|---|-------------------------------------|---------------------------------|-------------------------|---|---------------------------------|
| 1. | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 2. Short-term capital gain or (loss) from federal Forms 4684, 6252, 6781 and 8824..... | | | | | 2 |
| 3. Enter net short-term gain or (loss) from partnerships, S corporations and other fiduciaries..... | | | | | 3 |
| 4. Net gain or (loss), combine lines 1 through 3..... | | | | | 4 |
| 5. Short-term capital loss carryover from 2010 Schedule D, line 27..... | | | | | 5 () |
| 6. Net short-term gain or (loss), combine lines 4 and 5. Enter here and on line 15 below..... | | | | | 6 |

PART II—LONG-TERM CAPITAL GAINS AND LOSSES (Assets Held More Than One Year)

| | | | | | |
|--|--|--|--|--|--------|
| 7. | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 8. Long-term capital gain or (loss) from federal Forms 2439, 4684, 6252, 6781 and 8824..... | | | | | 8 |
| 9. Enter net long-term gain or (loss) from partnerships, S corporations and other fiduciaries..... | | | | | 9 |
| 10. Capital gain distributions..... | | | | | 10 |
| 11. Enter gain, if applicable, from federal Form 4797..... | | | | | 11 |
| 12. Net gain or (loss), combine lines 7 through 11..... | | | | | 12 |
| 13. Long-term capital loss carryover from 2010 Schedule D, line 34..... | | | | | 13 () |
| 14. Net long-term gain or (loss), combine lines 12 and 13. Enter here and on line 16 below..... | | | | | 14 |

| PART III—SUMMARY OF PARTS I AND II | 1. Beneficiaries | 2. Fiduciary | 3. Total |
|---|------------------|--------------|----------|
| 15. Net short-term gain or (loss) from line 6 above..... 15 | | | |
| 16. Net long-term gain or (loss) from line 14 above..... 16 | | | |
| 17. Total net gain or (loss)..... 17 | | | |

Enter on Form 741, Schedule M, line 3, the net gain shown on line 17, column 3 above that is not reported on federal Form 1041. If net (loss) on line 17, column 3 above, complete Part IV.



PART IV—COMPUTATION OF CAPITAL LOSS LIMITATION

| | |
|--|--------|
| 18. Enter the smaller of: (i) The net loss on line 17, column 3; or (ii) \$3,000 | 18 () |
|--|--------|

Enter on Form 741, Schedule M, line 7, any additional loss that is not reported on federal Form 1041.

If the net loss on line 17, column 3, is more than \$3,000, complete Part V to determine your capital loss carryover.

PART V—COMPUTATION OF CAPITAL LOSS CARRYOVERS FROM 2011 TO 2012

SECTION A—Computation of Carryover Limit

| | |
|--|----|
| 19. Enter taxable income or (loss) for 2011 from Form 741 | 19 |
| 20. Enter loss from line 18, above, as a positive amount..... | 20 |
| 21. Adjusted taxable income (combine lines 19 and 20; do not enter less than zero) | 21 |
| 22. Enter the lesser of lines 20 or 21..... | 22 |

SECTION B—Short-Term Capital Loss Carryover

(Complete this section only if there is a loss on line 6, and line 17, column 3.)

| | |
|--|----|
| 23. Enter loss shown on line 6, Schedule D, Part I, as a positive amount..... | 23 |
| 24. Enter gain, if any, from line 14. (If that line is blank or shows a loss, enter zero.)..... | 24 |
| 25. Enter amount from line 22, above..... | 25 |
| 26. Add lines 24 and 25..... | 26 |
| 27. Subtract line 26 from line 23. If zero or less, enter zero. This is your short-term capital loss carryover from 2011 to 2012 | 27 |

SECTION C—Long-Term Capital Loss Carryover

(Complete this section only if there is a loss on line 14 and line 17, column 3.)

| | |
|---|----|
| 28. Enter loss from line 14 as a positive amount | 28 |
| 29. Enter gain, if any, from line 6, Schedule D, Part I. (If that line is blank or shows a loss, enter zero.)..... | 29 |
| 30. Enter amount from line 22, above..... | 30 |
| 31. Enter amount, if any, from line 23, above..... | 31 |
| 32. Subtract line 31 from line 30. If zero or less, enter zero..... | 32 |
| 33. Add lines 29 and 32..... | 33 |
| 34. Subtract line 33 from line 28. If zero or less, enter zero. This is your long-term capital loss carryover from 2011 to 2012 | 34 |

SCHEDULE K-1

FORM 741

42A741(K-1)

Department of Revenue



2011

KENTUCKY BENEFICIARY'S SHARE OF INCOME, DEDUCTIONS, CREDITS, ETC.

Complete a separate Schedule K-1 for each beneficiary.

For calendar year or fiscal year

beginning _____, 2011, and ending _____, 2012.

Name of estate or trust > [] Amended K-1 [] Final K-1

Beneficiary's identifying number > Estate or trust's federal employer identification number >

Beneficiary's name, address and ZIP code Fiduciary's name, address and ZIP code

Table with 4 columns: (a) Allocable Share Item, (b) Federal Amount, (c) Difference, (d) Kentucky Amount. Rows include Interest, Dividends, Net short-term capital gain, Net long-term capital gain, Annuities, royalties and other nonpassive income, Depreciation, Depletion, Amortization, Trade or business, rental real estate and other rental income, Federal estate tax deduction, Foreign taxes, Deductions in the final year of estate or trust, and Other: (itemize).

Resident Adjustment 11. Add lines 1 through 6 and portions of lines 9 and 10 in column (c). Add income amounts and subtract (loss) and deduction amounts (see instructions). Enter on Form 740, Schedule M, line 3, if difference is positive, or line 15, if difference is negative (see instructions)

PASS-THROUGH CREDIT 12. a Limited liability entity tax credit (KRS 141.0401(2)) 12a b Refundable Certified Rehabilitation Credit (KRS 141.382(1)(b)) 12b c Film Industry Tax Credit (KRS 141.383) 12c d Nonresident Withholding from Form PTE-WH not included on Form 741, line 21e 12d

INSTRUCTIONS TO BENEFICIARY

SCHEDULE K-1 (FORM 741)

Who Must File—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.

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children.

Qualifying Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c).

Modified Gross Income—Consists of your federal adjusted gross income, your spouse’s federal adjusted gross income if living in the same household, plus any tax-exempt interest from municipal bonds (non-Kentucky) or any lump-sum distribution amount taxed on Form 4972-K.

Kentucky Adjusted Gross Income—Consists of your federal adjusted gross income plus any additions and subtractions from Schedule M, Modifications to Federal Adjusted Gross Income.

Resident beneficiaries use Charts A and B below to determine if you need to file a Kentucky return. Nonresidents use Chart A only.

Chart A: Table with 2 columns: 'If Your Family Size is:' and 'Your Modified Gross Income is greater than:'. Rows include One, Two, Three, and Four or More with corresponding income thresholds.

Chart B: Table with 2 columns: 'If Your Filing Status is:' and 'Your Kentucky Adjusted Gross Income is greater than:'. Rows include Single Person (Under age 65, Age 65 or over or blind), Single Person (Age 65 or over and blind), and Husband and Wife (Both under age 65, One age 65 or over, Both age 65 or over) with corresponding income thresholds.

Taxpayers With Self-Employment Income—Must file a Kentucky individual income tax return regardless of the amount of Kentucky adjusted gross income used in the Chart B if you have gross receipts from self-employment in excess of modified gross income for your family size in Chart A.

Generally, all income of Kentucky residents, regardless of where it was earned, is subject to Kentucky income tax.

Nonresidents and Part-year Residents—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 Form 740-NP based on the above criteria. Persons moving into Kentucky must report all 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.

Note: Nonresidents and part-year residents are entitled to the family size tax credit.

When to Report—Include your share of the estate or trust’s income, deductions, credit, etc., as shown by your Schedule K-1 (Form 741) on your Kentucky income tax return for the year in which the tax year of the estate or trust ends. For example, if you, the beneficiary, are on a calendar year, and the estate or trust’s tax year ends January 31, 2011, you must take the items listed on Schedule K-1 (Form 741) into account on your tax return for calendar year 2011.

Passive Activity Limitations—Form 740 filers see Form 8582-K and instructions for passive activity loss adjustments. Nonresident beneficiaries (740-NP filers) must complete Form 8582-K and federal Schedule E with Kentucky amounts.

Kentucky Resident Beneficiaries (Form 740 Filers)—If Line 11, column (c) is a positive amount, enter the difference as an addition to federal adjusted gross income on Form 740, Schedule M, Line 3. If Line 11, column (c) is a negative amount, enter the difference as a subtraction on Form 740, Schedule M, Line 15.

Nonresident Beneficiaries (Form 740-NP Filers)—This Schedule K-1 should reflect all income that has been claimed as part of the income distribution deduction. However, nonresident beneficiaries are only subject to tax on the following types of income:

- from Kentucky sources;
• from activities carried on in Kentucky;
• from the performance of services in Kentucky;
• from real or tangible property located in Kentucky; and
• from a partnership or S corporation doing business in Kentucky.

Line 12a—Enter this amount on Line 7 of the Kentucky Limited Liability Entity Tax Credit Worksheet located in the Form 740 and Form 740-NP instructions under Business Incentive Credits.

Line 12b—Enter this amount on Form 740 or Form 740-NP, Line 30c.

Line 12c—Enter this amount on Form 740 or Form 740-NP, Line 30d.

Line 12d—Enter this amount on Form 740, Line 30a or Form 740-NP, Line 30e.

INSTRUCTIONS—FORM 741

KENTUCKY FIDUCIARY INCOME TAX RETURN

WHO MUST FILE

A return must be filed by the following:

- Every resident estate with gross income for the taxable year of \$1,200 or more; and every resident trust with gross income for the taxable year of \$100 or more.
- Every nonresident estate with gross income for the taxable year from Kentucky sources of \$1,200 or more; and every nonresident trust with gross income for the taxable year from Kentucky sources of \$100 or more.

WHEN AND WHERE TO FILE

Taxpayers must file by the 15th day of the 4th month following the close of the tax year. Mail the return to:

Kentucky Department of Revenue
Frankfort, KY 40619-0008

FIDUCIARY INCOME

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2006. The Department of Revenue generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists. Kentucky law requires taxpayers to report income on the same calendar or fiscal year and to use the same methods of accounting as required for federal income tax purposes. Effective for taxable years ending after September 10, 2001, a fiduciary that for federal income tax purposes elects to use the 30 percent or the 50 percent special depreciation allowance will have a depreciation difference for Kentucky purposes. See Form 740 and Schedule M instructions or contact the Department of Revenue for more information.

ADMINISTRATION EXPENSES (KRS 140.090(h))

In the case of a decedent's estate, if the election was made not to deduct costs of administration, including attorney's fees actually allowed and paid, on a Kentucky inheritance tax return, these expenses may be deducted on Form 741. A statement waiving the right to deduct these expenses for inheritance tax purposes must also be filed with Form 741.

If the same administration expenses that were claimed on the Kentucky Inheritance Tax Return, Form 92A200 or Form 92A205, are also claimed on the federal fiduciary income tax return, Form 1041, an adjustment must be made to add these expenses to the Kentucky adjusted total income on the Kentucky Form 741, Schedule M, Line 3.

ELECTING SMALL BUSINESS TRUST (ESBT)

An ESBT must report income, losses, and deductions allocated to the ESBT as an S corporation shareholder and the gain and loss from the disposition of S corporation stock on the Kentucky fiduciary return, and pay income tax accordingly. All S corporation income is reported on the return as regular

income and is taxed at the same rates as all other income. Enter the S corporation income on Schedule M, Part I, Line 3 and identify the income as "ESBT – S corporation income." A separate schedule must be attached to the return to show the income and deductions applicable to S corporation portion of the ESBT. When computing income of the S corporation portion of the ESBT, the following must be considered: (1) Capital losses are allowed in computing income only to the extent of capital gains; (2) Passive losses and ordinary losses are deductible only against passive income and ordinary income, respectively; (3) No deduction is allowed for amounts distributed to beneficiaries; and (4) No additional deductions are allowed for state taxes.

LINE-BY-LINE INSTRUCTIONS

Line 1—Enter the amount shown as federal adjusted total income from federal Form 1041, Line 17. **Attach a complete copy of the federal return.**

Line 3—Enter the portion of deductions that are allocated to the additional Kentucky income reported on Line 2. These deductions are in addition to the deductions claimed on your federal Form 1041.

Line 7—Enter the portion of deductions on federal Form 1041 allocable to Kentucky tax-exempt income reported on Line 6. To compute unallowable deductions, divide the Kentucky tax exempt income by the entire income of the fiduciary. Multiply total deductions by this percentage. Report the amount of unallowable deductions on Line 7.

Line 10, Beneficiaries' Shares of Income and Deductions—Income distribution deduction. Enter amount.

Each beneficiary's share of income, deductions, credits, etc., must be reported on a separate Schedule K-1 and filed with Form 741. A copy must be given to the beneficiary and a copy retained by the fiduciary.

The income distributed or distributable to beneficiaries is the amount on page 1, Line 10. Each beneficiary is required to include the distributed or distributable share of income, as shown on Schedule K-1, on the individual income tax return. The name and identification number of each beneficiary should be entered as it appears on the individual return.

Generally, federal rules and regulations apply but amounts reported may be different due to differences in Kentucky and federal laws, e.g., statutorily exempt income, U.S. government bonds, municipal interest, etc.

Line 11—Enter excludable amount of retirement income. Attach Schedule P if the pension income is more than \$41,110 and is from a retirement system of the federal government, Commonwealth of Kentucky or a Kentucky local government. The fiduciary may claim a deduction for retirement income not distributed on Form 741, Line 10. Each beneficiary is entitled to combine the retirement income distributed on Line 10 with

other pension income received and claim the pension income exclusion on his or her individual income tax return.

Line 12, Federal Estate Tax Deduction—Enter amount.

Refer to federal Form 1041 instructions for the definition of the federal estate tax deduction.

The federal estate tax deduction does not include fiduciary income tax paid on federal Form 1041. A copy of the computation for the deduction must be attached to Form 741.

Line 15, Nontaxable Intangible Income Attributable to Nonresident Beneficiaries—Enter the amount of intangible income included in Line 14 that is attributable to the nonresident beneficiaries and was not deducted on Line 10 as an income distribution deduction.

Attach federal Schedules K-1 or a schedule that lists the name, address, Social Security number and the amount of income of each beneficiary.

Line 17(a), Tax Computation—Compute your tax using the following tax rate schedule.

| <i>If taxable income is:</i> | <i>Tax before credit is:</i> |
|------------------------------|------------------------------------|
| \$ 0 — \$3,000 | 2% of taxable income |
| \$3,001 — \$4,000 | 3% of taxable income minus \$30 |
| \$4,001 — \$5,000 | 4% of taxable income minus \$70 |
| \$5,001 — \$8,000 | 5% of taxable income minus \$120 |
| \$8,001 — \$75,000 | 5.8% of taxable income minus \$184 |
| \$75,001 and up..... | 6% of taxable income minus \$334 |

Example: (Taxable income) \$8,500 x 5.8% - \$184 = \$309

Line 17(b), Lump-sum Distribution—Special 10-Year Averaging—Kentucky allows a special 10-year averaging method for determining tax on lump-sum distributions received from certain retirement plans that qualify for federal 10-year averaging. If this special method is used for federal purposes, Form 4972-K, Kentucky Tax on Lump-Sum Distributions, and Schedule P, Pension Income Exclusion, must be filed with Form 741. Enter tax from Form 4972-K.

Line 17(c), Recycling Composting Recapture—Enter amount from Schedule RC-R.

Line 17(d)—Add the amounts from Lines 17(a), (b) and (c), and enter total on Line 17(d).

Line 18—Nonrefundable Credits

To claim credits for any of the following **business incentive and other tax credits**, enter the amount on Line 18, identify and attach any applicable schedule(s) or certification(s) to substantiate the credit(s) claimed. If more than one credit is claimed, attach a list of credits claimed and enter the total.

- limited liability entity credit (KRS 141.0401(2))
- Kentucky small business investment credit
- skills training investment credit
- nonrefundable certified rehabilitation credit
- credit for tax paid to another state
- employer's unemployment credit
- recycling and/or composting credit
- Kentucky Investment Fund credit
- coal incentive credit
- qualified research facility credit
- employer GED incentive credit
- voluntary environmental remediation credit
- biodiesel credit
- environmental stewardship credit
- clean coal incentive credit
- ethanol credit
- cellulosic ethanol credit
- energy efficiency products credit
- railroad maintenance and improvement tax credit
- Endow Kentucky credit

To claim credit(s) for tax paid to another state, enter the amount on Line 18 and identify as "credit for tax paid to another state." A copy of the return filed with any state for which credit is being claimed must be attached to Form 741.

Limited Liability Entity Tax Credit (KRS 141.0401(2))—An individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by KRS 141.020 equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by KRS 141.0401(2), after the LLET is reduced by the minimum tax of \$175 and by other tax credits for which the limited liability pass-through entity may be allowed. The credit allowed an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by KRS 141.0401(3)(b). Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

Nonrefundable Kentucky limited liability entity tax credit (KRS 141.0401(2))—The credit amount is shown on Kentucky Schedule(s) K-1 from pass-through entities (PTEs) or Form(s) 725 for single member limited liability companies. **Copies of Kentucky Schedule(s) K-1 or Form(s) 725 must be attached to your return.**

Kentucky Limited Liability Entity Tax Credit Worksheet

Complete a separate worksheet for each LLE. Retain for your records.

Name _____

Address _____

FEIN _____

Percentage of Ownership _____ %

1. Enter Kentucky taxable income from Form 741, Line 16 _____
2. Enter LLE income **as shown on Kentucky Schedule K-1 or Form 725**) _____
3. Subtract Line 2 from Line 1 and enter total here _____
4. Enter Kentucky tax on income amount on Line 1..... _____
5. Enter Kentucky tax on income amount on Line 3..... _____
6. Subtract Line 5 from Line 4. If Line 5 is larger than Line 4, enter zero. This is your tax savings if income is ignored _____
7. Enter nonrefundable limited liability entity tax credit **(from Kentucky Schedule K-1 or Form 725)** _____
8. Enter the lesser of Line 6 or Line 7. This is your credit. Enter here and on Form 741, Line 18 _____

Line 21(a)—Enter on Line 21(a) all estimated tax payments, credit from the previous year’s return and/or extension payments.

Line 21(b)—If Kentucky income tax was erroneously withheld on income in respect of a decedent, attach a copy of the wage and tax statement of the deceased to Form 741. Enter on Line 21(b) the amount of withholding.

Line 21(c)—Enter 2011 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

Line 21(d)—Enter 2011 approved refundable film industry tax credit per KRS 141.383. Attach Schedule K-1, if applicable.

Line 21(e)—Nonresident Withholding from Form PTE-WH, line 9.

Line 21(f)—Total amounts on Line 21(a) through 21(e).

Line 22—Subtract Line 21(f) from Line 20.

Any tax due must be paid in full at time of filing. Attach check payable to the **Kentucky State Treasurer**.

PENALTY AND INTEREST

Late Filing Penalty—If a return is not filed by the due date or the extended due date, a penalty of 2 percent of the total tax due for each 30 days or fraction thereof that a return is not filed may be assessed, not to exceed 20 percent. The minimum penalty is \$10.

Late Payment Penalty—If the amount of tax due as shown on Line 22 is not paid by the original due date of the return, a penalty of 2 percent of the tax computed due may be assessed for each 30 days or fraction thereof that the tax is past due, not to exceed 20 percent. The minimum penalty is \$10. However, if the amount timely paid is 75 percent of the tax determined due by the Department of Revenue, no late payment penalty will be assessed.

Interest—Interest will be assessed at the "tax interest rate" from the original due date of the return until the date of payment.

Note: Penalties but not interest may be reduced or waived if reasonable cause for reduction or waiver can be shown.

SIGNATURE

To be valid, this return must be signed by the fiduciary or agent. If prepared by a person other than fiduciary or agent, type or print name of person preparing the return.

SCHEDULE M (FORM 741) INSTRUCTIONS

Part I—Additions to Federal Adjusted Total Income

Line 1—Enter interest income from bonds issued by other states.

Line 2—Enter additions from Kentucky Schedule(s) K-1 received from partnerships, fiduciaries and S corporations.

Line 3—Enter other additions to income. Other additions may include:

- interest deducted by an electing small business trust (ESBT) on the federal Form 1041 for money borrowed to acquire S corporation stock;
- state income taxes deducted on federal Form 1041;
- the portion of a lump-sum distribution on which you have elected the 20 percent capital gains rate for federal income tax purposes (Schedule P and Form 4972-K required);
- the federal net operating loss deduction;
- the passive activity loss adjustment (see Form 8582-K and instructions);
- differences in pension (3-year recovery rule) and IRA bases;
- differences in gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993;
- federal depreciation if you have elected to take the 30 percent or the 50 percent special depreciation allowance

for property placed in service after September 10, 2001.

Line 4, Total Additions—Add Lines 1 through 3. Enter on Schedule M, Line 4 and on page 1, Line 2.

Part II—Subtractions from Federal Adjusted Total Income

Line 5—Enter interest from U.S. government bonds and securities (attach schedule).

Line 6—Enter subtractions from Kentucky Schedule(s) K-1 received from partnerships, fiduciaries and S corporations.

Line 7—Enter other subtractions from income. Other subtractions may include:

- Kentucky net operating loss deduction;
- passive activity loss adjustment (see Form 8582-K and instructions);
- differences in the gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993;
- Nonresident trust or nonresident estate—Subtract the amount of income reported on Form 741, Line 1 that is not taxable to Kentucky. **Note:** Deductions must also be adjusted to claim only that portion of deductions allocable to the Kentucky income;
- Kentucky depreciation computed in accordance with the Internal Revenue Code in effect on December 31, 2001, if you have elected to take the 30 percent or the 50 percent special depreciation allowance for property placed in service after September 10, 2001;
- income of military personnel additional information may be found in the instructions for Form 740.

Line 8, Total Subtractions—Add Lines 5 through 7. Enter on Schedule M, Line 8 and on page 1, Line 6.

SCHEDULE K-1 INSTRUCTIONS

A Kentucky Schedule K-1 is required if you claim an income distribution deduction on Schedule B and have differences in income reported on Schedule M. Attach copies of federal Schedule(s) K-1 if there are no differences.

Schedule K-1 is used to report the portion of income distributed

to beneficiaries that is subject to tax. All items of income subject to tax and all deductions are listed on Schedule K-1.

- Enter in column (b) amounts from federal Form 1041, Schedule K-1;
- enter in column (c) any difference between Kentucky and federal amounts (Schedule M); and
- enter in column (d) the Kentucky income and deduction amounts.

Line 11, Resident Beneficiary Adjustment—Complete Line 11 to determine the net difference between the federal Schedule K-1 and the Kentucky Schedule K-1. Combine from column (c), Lines 1 through 6, and portions of Lines 9 and 10. Do not include amounts from Lines 7, 8, 9(a), or other deductions that qualify as itemized deductions. These amounts are entered on the beneficiaries' Form 740, Schedule A, Itemized Deductions Schedule.

Nonresident Beneficiaries (Form 740-NP Filers)—Complete Schedule K-1 for nonresident beneficiaries. This Schedule K-1 should reflect all income that has been claimed as part of the income distribution deduction. However, nonresident beneficiaries are only subject to tax on the following types of income:

- from Kentucky sources;
- from activities carried on in Kentucky;
- from the performance of services in Kentucky;
- from real or tangible property located in Kentucky; and
- from a partnership or S corporation doing business in Kentucky.

Line 12a—If an income distribution includes net distributable share income from a limited liability entity subject to tax under KRS 141.0401(2), complete Line 12a.

Line 12b—Enter each beneficiary's share of Kentucky income tax withheld from Form PTE-WH.

ADDITIONAL INFORMATION

If you need further assistance, contact a local Kentucky Taxpayer Service Center or the Department of Revenue, Frankfort, KY 40620, (502) 564-4581.



KENTUCKY GENERAL PARTNERSHIP INCOME RETURN

See instructions.

Form header section with fields A through G: Date business commenced, Number of partners, NAICS business code, Partnership telephone number, Name of General Partnership, Federal Employer Identification Number, Number and Street, Kentucky Withholding Account Number, City, County, State, ZIP code, Sales and Use Tax Permit Number.

Section H: Check applicable boxes for Publicly traded partnership, Short-period return, Initial return, Final return, Amended return, Change of name, Change of address, Qualified investment pass-through entity.

Table with 3 columns: Description, Line Number, Amount. Rows include Federal ordinary income (loss), ADDITIONS (State taxes, depreciation, etc.), and SUBTRACTIONS (Federal work opportunity credit, etc.).

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of partner, SSN or FEIN, Date

Name of person or firm preparing return, SSN, PTIN or FEIN, Date

Federal Form 1065, all pages and any supporting schedules must be attached.

Mail return to: Kentucky Department of Revenue, Frankfort, Kentucky 40620

www.revenue.ky.gov

May the DOR discuss this return with the preparer? Yes/No, Email Address, Telephone No.



Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

| SECTION I | (a) Distributive Share Items | (b) Total Amount |
|--|------------------------------|------------------|
| Income (Loss) and Deductions | | |
| 1. Kentucky ordinary income (loss) from trade or business activities (page 1, line 11)..... | 1 | 00 |
| 2. Net income (loss) from rental real estate activities (attach federal Form 8825) | 2 | 00 |
| 3. (a) Gross income from other rental activities..... | 3(a) | 00 |
| (b) Less expenses from other rental activities (attach schedule) | (b) | 00 |
| (c) Net income (loss) from other rental activities (line 3a less line 3b) | 3(c) | 00 |
| 4. Portfolio income (loss): | | |
| (a) Interest income | 4(a) | 00 |
| (b) Dividend income..... | (b) | 00 |
| (c) Royalty income | (c) | 00 |
| (d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)..... | (d) | 00 |
| (e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)..... | (e) | 00 |
| (f) Other portfolio income (loss) (attach schedule) | (f) | 00 |
| 5. Guaranteed payments to partners | 5 | 00 |
| 6. Section 1231 net gain (loss) (other than due to casualty or theft)(attach federal and Kentucky Forms 4797)..... | 6 | 00 |
| 7. Other income (loss) (attach schedule) | 7 | 00 |
| 8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)..... | 8 | 00 |
| 9. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562) | 9 | 00 |
| 10. Deductions related to portfolio income (loss) (attach schedule)..... | 10 | 00 |
| 11. Other deductions (attach schedule) | 11 | 00 |
| Investment Interest | | |
| 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 |
| Tax Credits—Nonrefundable | | |
| 13. Kentucky Small Business Investment Tax Credit (attach KEDFA notification) | 13 | 00 |
| 14. Skills Training Investment Tax Credit (attach copy of certification(s)) | 14 | 00 |
| 15. Certified Rehabilitation Tax Credit (attach copy of certification(s))..... | 15 | 00 |
| 16. Kentucky Unemployment Tax Credit (attach Schedule UTC) | 16 | 00 |
| 17. Recycling/Composting Equipment Tax Credit (attach Schedule RC) | 17 | 00 |
| 18. Kentucky Investment Fund Tax Credit (attach KEDFA notification) | 18 | 00 |
| 19. Coal Incentive Tax Credit (attach Schedule CI) | 19 | 00 |
| 20. Qualified Research Facility Tax Credit (attach Schedule QR)..... | 20 | 00 |
| 21. GED Incentive Tax Credit (attach Form DAEL-31) | 21 | 00 |
| 22. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB) | 22 | 00 |
| 23. Biodiesel Tax Credit (attach Schedule BIO)..... | 23 | 00 |
| 24. Environmental Stewardship Tax Credit (attach Schedule KESA) | 24 | 00 |
| 25. Clean Coal Incentive Tax Credit (attach Schedule CCI) | 25 | 00 |
| 26. Ethanol Tax Credit (attach Schedule ETH)..... | 26 | 00 |
| 27. Cellulosic Ethanol Tax Credit (attach Schedule CELL)..... | 27 | 00 |



Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I—continued (a) Distributive Share Items (b) Total Amount

Tax Credits—Nonrefundable—continued

Form 5695-K Pass-through Amounts (attach Form 5695-K)

| | | | |
|---|----|--|----|
| 28. Energy Efficiency Products Tax Credit from Form 5695-K, line 6..... | 28 | | 00 |
| 29. Energy Efficiency Products Tax Credit from Form 5695-K, line 12..... | 29 | | 00 |
| 30. Energy Efficiency Products Tax Credit from Form 5695-K, line 18..... | 30 | | 00 |
| 31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36..... | 31 | | 00 |
| 32. Energy Efficiency Products Tax Credit from Form 5695-K, line 36..... | 32 | | 00 |
| 33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51..... | 33 | | 00 |
| 34. Energy Efficiency Products Tax Credit from Form 5695-K, line 51..... | 34 | | 00 |
| 35. Energy Efficiency Products Tax Credit from Form 5695-K, line 57..... | 35 | | 00 |
| 36. Energy Efficiency Products Tax Credit from Form 5695-K, line 63..... | 36 | | 00 |
| 37. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit (attach Form 8908-K)..... | 37 | | 00 |
| 38. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)..... | 38 | | 00 |
| 39. Railroad Expansion Tax Credit (attach Schedule RR-E)..... | 39 | | 00 |
| 40. Endow Kentucky Tax Credit (attach Schedule ENDOW)..... | 40 | | 00 |

Tax Credits—Refundable

| | | | |
|---|----|--|----|
| 41. Certified Rehabilitation Tax Credit (attach Kentucky Heritage Council certification(s)).. | 41 | | 00 |
| 42. Film Industry Tax Credit (attach Kentucky Film Office certification(s))..... | 42 | | 00 |

Other Items

| | | | |
|--|-------|--|----|
| 43. (a) Type of Section 59(e)(2) expenditures ➤ _____ | 43(a) | | |
| (b) Amount of Section 59(e)(2) expenditures..... | (b) | | 00 |
| 44. Tax-exempt interest income..... | 44 | | 00 |
| 45. Other tax-exempt income..... | 45 | | 00 |
| 46. Nondeductible expenses..... | 46 | | 00 |
| 47. Total property distributions (including cash)..... | 47 | | 00 |
| 48. Other items and amounts required to be reported separately to partners (attach schedule)..... | 48 | | |

SECTION II—General Partnership Pass-through Items

| | | | |
|--|---|--|----|
| 1. Partnership's Kentucky sales from Schedule A, Section I, line 1..... | 1 | | 00 |
| 2. Partnership's total sales from Schedule A, Section I, line 2..... | 2 | | 00 |
| 3. Partnership's Kentucky property from Schedule A, Section I, line 5..... | 3 | | 00 |
| 4. Partnership's total property from Schedule A, Section I, line 6..... | 4 | | 00 |
| 5. Partnership's Kentucky payroll from Schedule A, Section I, line 8..... | 5 | | 00 |
| 6. Partnership's total payroll from Schedule A, Section I, line 9..... | 6 | | 00 |
| 7. Partnership's Kentucky gross profits..... | 7 | | 00 |
| 8. Partnership's total gross profits from all sources..... | 8 | | 00 |

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

| | | | |
|---|---|--|----|
| 1. Partners' shares of net distributive income from limited liability pass-through entities..... | 1 | | 00 |
| 2. Partners' shares of limited liability entity tax (LLET) nonrefundable credit..... | 2 | | 00 |

KENTUCKY SCHEDULE K-1

42A765-GP(K-1) (2011) Commonwealth of Kentucky DEPARTMENT OF REVENUE



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

For calendar year 2011 or fiscal year beginning _____, 2011, and ending _____, 201 ____.

Partner's identifying number, Partnership's FEIN, Partner's name, address and ZIP Code, Partnership's name, address and ZIP Code, Partner's share of liabilities, Enter partner's percentage of Profit sharing, Loss sharing, Ownership of capital, What type of entity is this partner?, Partner's taxable percentage of partnership's distributive share items below, Check box if nonresident partner's income is reported on.

(a) Distributive Share Items

(b) Amount

Income (Loss)

Table with 3 columns: Line number, Description, and Amount. Rows include Ordinary income, Net income from rental real estate, Net income from other rental activities, Portfolio income (Interest, Dividends, Royalties, etc.), Guaranteed payments, Section 1231 net gain, and Other income.

Deductions

Table with 3 columns: Line number, Description, and Amount. Rows include Charitable contributions, IRC Section 179 expense deduction, Deductions related to portfolio income, and Other deductions.

Investment Interest

Table with 3 columns: Line number, Description, and Amount. Rows include Interest expense on investment debts and Investment income/expenses.

Tax Credits - Nonrefundable

Table with 3 columns: Line number, Description, and Amount. Rows include Kentucky Small Business Investment Tax Credit, Skills Training Investment Tax Credit, Certified Rehabilitation Tax Credit, and Kentucky Unemployment Tax Credit.



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

| (a) Distributive Share Items - continued | | (b) Amount | |
|---|---|------------|----|
| Tax Credits—Nonrefundable—continued | | | |
| 17. | Recycling/Composting Equipment Tax Credit | 17 | 00 |
| 18. | Kentucky Investment Fund Tax Credit | 18 | 00 |
| 19. | Coal Incentive Tax Credit | 19 | 00 |
| 20. | Qualified Research Facility Tax Credit | 20 | 00 |
| 21. | GED Incentive Tax Credit | 21 | 00 |
| 22. | Voluntary Environmental Remediation Tax Credit | 22 | 00 |
| 23. | Biodiesel Tax Credit | 23 | 00 |
| 24. | Environmental Stewardship Tax Credit | 24 | 00 |
| 25. | Clean Coal Incentive Tax Credit | 25 | 00 |
| 26. | Ethanol Tax Credit | 26 | 00 |
| 27. | Cellulosic Ethanol Tax Credit | 27 | 00 |
| Form 5695-K Pass-through Amounts | | | |
| 28. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3) | 28 | 00 |
| 29. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9) | 29 | 00 |
| 30. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15) | 30 | 00 |
| 31. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29) | 31 | 00 |
| 32. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32) | 32 | 00 |
| 33. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44) | 33 | 00 |
| 34. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47) | 34 | 00 |
| 35. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54) | 35 | 00 |
| 36. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60) | 36 | 00 |
| 37. | ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit | 37 | 00 |
| 38. | Railroad Maintenance and Improvement Tax Credit | 38 | 00 |
| 39. | Railroad Expansion Tax Credit | 39 | 00 |
| 40. | Endow Kentucky Tax Credit | 40 | 00 |
| Tax Credits—Refundable | | | |
| 41. | Certified Rehabilitation Tax Credit | 41 | 00 |
| 42. | Film Industry Tax Credit | 42 | 00 |
| Other Items | | | |
| 43. | (a) Type of Section 59(e)(2) expenditures ► | 43(a) | |
| | (b) Amount of Section 59(e)(2) expenditures | (b) | 00 |
| 44. | Tax-exempt interest income | 44 | 00 |
| 45. | Other tax-exempt income | 45 | 00 |
| 46. | Nondeductible expenses | 46 | 00 |
| 47. | Property distributions (including cash) | 47 | 00 |
| 48. | Supplemental information required to be reported to each partner (attach schedules) | 48 | |
| General Partnership Pass-through Items | | | |
| 49. | Partner's share of partnership's Kentucky sales from Schedule K, Section II, line 1 | 49 | 00 |
| 50. | Partner's share of partnership's total sales from Schedule K, Section II, line 2 | 50 | 00 |
| 51. | Partner's share of partnership's Kentucky property from Schedule K, Section II, line 3 | 51 | 00 |
| 52. | Partner's share of partnership's total property from Schedule K, Section II, line 4 | 52 | 00 |
| 53. | Partner's share of partnership's Kentucky payroll from Schedule K, Section II, line 5 | 53 | 00 |
| 54. | Partner's share of partnership's total payroll from Schedule K, Section II, line 6 | 54 | 00 |
| 55. | Partner's share of Kentucky gross profits from Schedule K, Section II, line 7 | 55 | 00 |
| 56. | Partner's share of total gross profits from all sources from Schedule K, Section II, line 8 | 56 | 00 |
| Limited Liability Entity Tax (LLET) Pass-through Items | | | |
| 57. | Partner's share of net distributive income from limited liability pass-through entities | 57 | 00 |
| 58. | Partner's share of limited liability entity tax (LLET) nonrefundable credit | 58 | 00 |



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

| (a) Distributive Share Items - continued | (b) Amount | |
|--|------------|----|
| Resident Partner Adjustment | | |
| 59. 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)..... | 59 | 00 |
| 60. 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)..... | 60 | 00 |
| 61. Enter difference of lines 59 and 60 here and on appropriate line on Schedule M (see instructions)..... | 61 | 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, 2011, you must take the items listed on Schedule K-1 (Form 765-GP) into account on your tax return for calendar year 2011.

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 7 and/or Line 19.

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 59, 60 and 61. 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 59—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 60—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 59 and 60 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 7 and/or Line 19.**

If amounts on Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include on Lines 59 and 60. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 61—Enter difference of Lines 59 and 60. If Line 59 is greater than Line 60, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 3. If Line 60 is greater than Line 59, enter the difference as a subtraction on Schedule M, Line 15.

Caution: If the amounts on both Lines 59 and 60 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 59 or 60 is an income amount and

the amount on the other line is a loss amount, the income amount is the greater amount; therefore, add the two amounts to determine the difference.

Nonresident Individual Partners (Form 740-NP Filers)—A nonresident individual who is required to file Form 740-NP, Kentucky Individual Income Tax Return Nonresident or Part-Year Resident, or who elects to file Form 740-NP to take advantage of capital loss and net operating loss carryovers shall enter the amounts from Schedule K-1, Column (b) as follows:

If the percentage in Item C(2) is “100%,” the amounts on Lines 1 through 6 and 9, portions of Lines 7 and 11 and the portion of Line 43(b) actually deducted for the current year must be entered on the appropriate lines of Form 740-NP and related schedules.

If the percentage in Item C(2) is less than 100 percent, the amounts on Lines 1 through 6 and 9, portions of Lines 7 and 11 and the portion of line 43(b) actually deducted for the current year must be multiplied by this percentage and entered on the appropriate lines of Form 740-NP and related schedules. Amounts on Lines 12(a) and the portions of Lines 7 and 11 which pass through to Schedule A (Form 740-NP) should not be multiplied by the percentage in Item C(2) since these amounts will be multiplied by the percentage on Form 740-NP, Section D, Line 36 (Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income).

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

Lines 12 and 43 through 48—See federal Partner’s Instructions for Lines 13, 19 and 20, Schedule K-1 (Form 1065).

Individual and Corporate Partners—Enter the net distributive share income from Kentucky Schedule K-1 (Form 765-GP), Line 57 on Line 2 of the Kentucky Limited Liability Tax Credit Worksheet (located in Form 740, Form 740-NP or Form 741 instructions under Business Incentives and Other Tax Credits) for Forms 740, 740-NP or 741; or Line 2 of the LLET Corporation Income Tax Worksheet (located in Form 720 instructions under Part II—Income Tax Computation) for Form 720.

Enter the amount from Line 58 on Line 7 of the Kentucky Limited Liability Tax Credit Worksheet or Line 7 of the LLET Corporation Income Tax Worksheet.

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).



INSTRUCTIONS

2011 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 2 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 13). 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 or transferable credit against the taxes imposed by KRS 136.505 or 141.020 or 141.040 and 141.0401, with the ordering of credits provided in KRS 141.0205, for qualified rehabilitation expenses incurred by the taxpayer and used for substantial rehabilitation to a certified historic structure as provided by KRS 171.397.

KRS 171.397(1)(b) provides that for applications for preliminary approval received after April 30, 2010, the credit shall be refundable if the taxpayer makes an election under KRS 141.397(2)(b)2.a. KRS 171.397(2)(b)2 provides that the application shall include an irrevocable election by the taxpayer to: (a) use the credit, in which case, the credit shall be refundable; or (b) transfer the credit. KRS 171.397(8) provides that the certified rehabilitation credit permitted by KRS 141.382 may be transferred or assigned to any entity subject to the tax imposed by KRS 136.505 if an election is made to transfer the credit as provided by KRS 171.397(2)(b)2.b. for some or no consideration, along with any related benefits, rights, responsibilities and liabilities.

2010 Special Session of the Kentucky General Assembly

HB 2 – Provisions effective for tax years beginning on or after January 1, 2011

Kentucky Small Business Investment Credit Program – KRS 141.384 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401. A small business shall not be eligible to apply for credits and receive final approval for the credits until one year after the small business: (a) creates and fills one or more eligible positions over the base employment, and that position or positions are created and filled for twelve months; and (b) invests \$5,000 or more in qualifying equipment or technology. The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at \$3 million. The maximum amount of credit for each small business for each year shall not exceed \$25,000.

Endow Kentucky Tax Credit – KRS 141.438 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 for a taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, and meeting the requirements of KRS 141.438(7). The total amount of tax credit that may be awarded under this section shall be limited to \$500,000 in each fiscal year. The credit shall be equal to twenty percent (20%) of the value of the endowment gift provided by the taxpayer, not to exceed \$10,000.

New Markets Development Program Tax Credit—KRS 141.432 to 141.434 was created to encourage taxpayer investment in qualified low-income communities. A taxpayer that makes a qualified equity investment as provided by KRS 141.432(7) in a qualified community development entity as provided by KRS 141.432(6) shall be entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 137.370, 136.390 or 304.3-270. The total amount of tax credits that may be awarded by the department shall be limited to \$5 million. "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business made after June 4, 2010. With respect to any one qualified active low-income community business, the maximum amount of qualified active low-income community investments that

may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under KRS 141.433 shall be \$10 million, whether made by one or several qualified community development entities.

The amount of the credit shall be equal to 39% of the purchase price of the qualified equity investment made by the taxpayer. A taxpayer is allowed to claim zero percent (0%) for each of the first two credit allowance dates, seven percent (7%) for the third allowance date, and eight percent (8%) for the next four allowance dates. "Credit allowance date" means with respect to any qualified equity investment: (a) the date on which the investment is initially made; and (b) each of the six anniversary dates of that date thereafter.

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 2011 returns and fiscal year returns that begin in 2011, 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.**

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(12). **KRS 141.206(8) and (9)**

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 6.

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(5) 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 Report and Composite Income Tax Return, a statement that the partner, member or shareholder is exempt from withholding as provided by KRS 141.206(7), 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(15)(a); or (d) the partner or member is a pass-through entity as provided by KRS 141.010(26).

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold Kentucky income tax as provided by KRS 141.206(5) shall make estimated tax payments if required by KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

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(5); (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(16).

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(16) 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(16)).

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 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.

For taxable years beginning on or after January 1, 2012, a pass-through entity filing a composite return shall make estimated tax payments if required by KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

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.

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.

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 Ordinary 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 1125-A—Cost of Goods Sold
3. Form 4797—Sales of Business Property
4. Schedule D—Capital Gains and Losses
5. Form 5884—Work Opportunity Credit
6. Schedules for items on Form 1065, Schedule L, which state, "attach schedule."
7. Form 4562—Depreciation and Amortization
8. 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**

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.

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)**

Mailing—Mail the return to Kentucky Department of Revenue, Frankfort, KY 40620.

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 2011 return for calendar year 2011 and fiscal years that begin in 2011. 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) *Publicly Traded Partnership*—This partnership is a publicly traded partnership as provided by KRS 141.0401(6)(r).
- (b) *Short-period Return*—This return is a short-period return. Attach an explanation for the short-period return.
- (c) *Initial Return*—This return is the general partnership's initial return.
- (d) *Final Return*—This is the general partnership's final return. The partnership has dissolved. Submit an explanation.
- (e) *Amended Return*—Submit an explanation for the amended return.
- (f) *Change of name*—The general partnership has changed its name.
- (g) *Change of address*—The general partnership has changed its address.
- (h) *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(11)(d)**

Line 3—Enter federal depreciation (do not include Section 179 deduction). See instructions on page 3 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 3 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(12)**

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(11)

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 Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA) and Incentives for Energy Independence Act (IEIA).

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 3 of the 2011 Form 765–GP instructions 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 3 of the 2011 Form 765–GP instructions 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 3 of the 2011 Form 765–GP instructions 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 3 of the 2011 Form 765–GP instructions 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 Kentucky Small Business Investment Credit Program (KSBIC) tax credit as provided by KRS 141.384 and attach a copy of the Kentucky Economic Development Finance Authority notification.

Line 14—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 15—Enter the Certified Rehabilitation Tax Credit as provided by KRS 171.397 and attach the Kentucky Heritage Council certification(s).

Line 16—Enter the Kentucky Unemployment Tax Credit as provided by KRS 141.065 and attach Kentucky Schedule UTC (Form 42A740–UTC).

Line 17—Enter the Recycling and Composting Equipment Tax Credit as provided by KRS 141.390 and attach Kentucky Schedule RC (Form 41A720RC).

Line 18—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 19—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 20—Enter the Qualified Research Facility Tax Credit as provided by KRS 141.395 and attach Kentucky Schedule QR (Form 41A720QR).

Line 21—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 22—Enter the Voluntary Environmental Remediation Tax Credit as provided by KRS 141.418 and attach Kentucky Schedule VERB (Form 41A720VERB).

Line 23—Enter the Biodiesel Tax Credit as provided by KRS 141.424 and attach Kentucky Schedule BIO (Form 41A720BIO).

Line 24—Enter the Environmental Stewardship Tax Credit as provided by KRS 141.430 and attach Kentucky Schedule KESA (Form 41A720KESA).

Line 25—Enter the Clean Coal Incentive Tax Credit as provided by KRS 141.428 and attach Kentucky Schedule CCI (Form 41A720-CCI).

Line 26—Enter the Ethanol Tax Credit as provided by KRS 141.4242 and attach Kentucky Schedule ETH (Form 41A720ETH).

Line 27—Enter the Cellulosic Ethanol Tax Credit as provided by KRS 141.4244 and attach Kentucky Schedule CELL (Form 41A720CELL).

Line 28—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 6 and attach Form 5695-K.

Line 29—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 12 and attach Form 5695-K.

Line 30—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 18 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 36 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 51 and attach Form 5695-K.

Line 35—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 57 and attach Form 5695-K.

Line 36—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 63 and attach Form 5695-K.

Line 37—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 38—Enter the Railroad Maintenance and Improvement Tax Credit as provided by KRS 141.385 and attach Kentucky Schedule RR-I (Form 41A720RR-I).

Line 39—Enter the Railroad Expansion Tax Credit as provided by KRS 141.386 and attach Kentucky Schedule RR-E (Form 41A720RR-E).

Line 40—Enter the Endow Kentucky Tax Credit as provided by KRS 141.438 and attach a copy of Kentucky Schedule ENDOW (Form 41A720-S86).

Line 41—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 42—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 43(a)—Enter the information provided on federal Schedule K, Form 1065, Line 13c(1).

Line 43(b)—Enter the amount reported on federal Schedule K, Form 1065, Line 13c(2).

Line 44—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 45—Enter the total amount of any other type of income of the partnership on which the partner is exempt from Kentucky income tax.

Line 46—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 47—Enter the amount reported on federal Schedule K, Form 1065, Line 19a and 19b.

Line 48—Attach schedules to report the general partnership's total income, expenses and other information applicable to items not included on Lines 1 through 47 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 55; 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 48 must equal the amounts reported on Schedule K, Lines 1 through 48; the distributive share items reported on all Schedules K-1, Column (b), Lines 49 through 56 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 57 and 58 must equal the amounts reported on comparable lines of Schedule K, Section III, Lines 1 and 2. Schedule K-1, Column (b), Lines 59 through 61 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 58—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 58 and any other information or items and amounts not included on Schedule K-1 (Form 765-GP) 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 59 through 61—The amounts in Column (b) are to be entered by the general partner and not by the general partnership.

Tax Credit Summary

Kentucky Small Business Investment Credit Program—KRS 141.384 provides a (Kentucky Small Business Investment Credit Program (KSBIC)) nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401. A small business shall not be eligible to apply for the credit and receive final approval for the credit until one year after the small business: (a) creates and fills one or more eligible positions over the base employment, and that position or positions are created and filled for twelve months; and (b) invests \$5,000 or more in qualifying equipment or technology. The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority (KEDFA) shall be capped at \$3 million. The maximum amount of credit for each small business for each year shall not exceed \$25,000. To claim the KSBIC credit, a copy of the notification received from KEDFA must be attached to the tax return. A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S, 765 or 765-GP to the partner's, member's or shareholder's tax return each year to claim the tax credit. The tax credit not used during the year of approval by KEDFA may be carried forward up to five years.

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**

Endow Kentucky Tax Credit—A taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, is entitled to a tax credit equal to twenty percent (20%) of the endowment gift, not to exceed \$10,000. The nonrefundable tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 and if not use in the year the tax credit is awarded may be carried forward for a period not to exceed five years. The department shall issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation as provided by KRS 141.438(7). Schedule ENDOW must be attached to the taxpayer's tax return each year to claim the credit. A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S, 765 or 765-GP to the partner's, member's or shareholder's tax return each year to claim the tax credit.

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
501 High Street
Frankfort, KY 40601-2103
(502) 564-3658
Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov



Information:

Pass-Through Entity Branch
Department of Revenue
501 High Street
Frankfort, KY 40601-2103
(502) 564-8139



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**

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) 564-4581 (*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

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.



42A740-S1

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

**UNDERPAYMENT OF ESTIMATED TAX
BY INDIVIDUALS**

➤ Attach to Form 740 or 740-NP.

| | |
|---|-----------------------------|
| Enter name(s) as shown on page 1, Form 740 or 740-NP. | Your Social Security Number |
| | |

PART I—EXCEPTIONS AND EXCLUSIONS

The penalty shall not apply if one of the following exceptions is met. If one or more of the following applies to you, check the appropriate block(s), complete any necessary blank(s) and check the "Form 2210-K attached" block on Form 740, line 41a (Form 740-NP, line 41a). **If none of the exceptions apply, go to Part II.**

Check applicable block(s).

1. The taxpayer died during the taxable year.
2. The declaration was not required until after September 1, 2011, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before January 31, 2012.
3. Two-thirds ($\frac{2}{3}$) or more of the gross income was from farming; this return is being filed on or before March 1, 2012; **and** the total tax due is being paid in full. Fiscal year taxpayers must file a return and pay the tax due on or before the first day of the third month following the close of the tax year.

| | | |
|---|--|--|
| a. Enter total gross income..... | | |
| b. Multiply by $\frac{2}{3}$ (.67) | | |
| c. Enter gross income from farming..... | | |
| Line (c) must equal or exceed line (b) to qualify for the exception. | | |

4. Prepaid tax **equals or exceeds** last year's income tax liability.
 - a. Enter the liability from the 2010 return, Form 740 or Form 740-NP, page 1, line 28.....
 - b. Enter amount from the 2011 Form 740, line 31 (Form 740-NP, page 2, line 31)*
 Line (b) must **equal or exceed** line (a) to claim the exception.

PART II—FIGURING THE UNDERPAYMENT AND PENALTY (Complete Part II only if the **additional** tax due exceeds \$500; otherwise, proceed to page 2, Part III.)

| | | |
|--|----|------|
| 1. a. Enter 2011 income tax liability from Form 740, line 26 (Form 740-NP, page 1, line 26) | 1a | |
| b. Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)..... | 1b | |
| c. Total (add lines 1a and 1b) | 1c | |
| 2. Percentage of liability required to be prepaid is 70% | 2 | x .7 |
| 3. Multiply line 1c by line 2..... | 3 | |
| 4. a. Enter the amount from Form 740, line 31 (Form 740-NP, page 2, line 31)* | 4a | |
| b. Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)..... | 4b | |
| c. Total (add lines 4a and 4b) | 4c | |
| 5. Subtract line 4c from line 3 (If line 4c exceeds line 3, no penalty applies.)..... | 5 | |
| 6. Penalty percentage is 10%..... | 6 | x .1 |
| 7. Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated tax (minimum penalty \$25) | 7 | |
| 8. Enter interest amount due from Form 2210-K, page 2, line 22..... | 8 | |
| 9. Add lines 7 and 8. Enter here and on Form 740 or Form 740-NP, line 41(a). Also check the "Form 2210-K attached" box | 9 | |

➤ To Avoid Underpayment Penalty in the Future, Obtain and File Form 740-ES.

*Do not include amounts prepaid with extension after the due date of the fourth declaration installment.



NOTE: Use this page to calculate interest amount due on underpaid or untimely required estimated payments. See instructions for list of exclusions.

PART III – REQUIRED ANNUAL PAYMENT

| | | | |
|---|---|--|--|
| 1. Enter 2011 income tax liability: (Form 740 or Form 740-NP, page 1, line 26)..... | 1 | | |
| 2. Enter 2011 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 30a, 30c and 30d)..... | 2 | | |
| 3. Enter 2011 nonresident withholding: (Form 740-NP, page 2, line 30e)..... | 3 | | |
| 4. Add lines 2 and 3. Enter total here..... | 4 | | |
| 5. Subtract line 4 from line 1. (If the result is \$500 or less, stop here. Do not compute this schedule.)..... | 5 | | |
| 6. Enter 2010 income tax liability: (2010 Form 740 or Form 740-NP, page 1, line 28)..... | 6 | | |
| 7. Required annual payment. Enter the smaller of line 1 or line 6..... | 7 | | |

Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.

PAYMENT DUE DATES

| | A 4-15-11 | B 6-15-11 | C 9-15-11 | D 1-15-12 |
|---|--------------|--------------|--------------|--------------|
| 8. Required Installments. Enter 1/4 (.25) of line 7 in each column..... | 8 | | | |
| 9. Estimated tax paid and tax withheld. For column A only, enter the amount from line 9 on line 13. If line 9 is equal to or greater than line 8 for all payment periods (columns A through D), stop here. You do not owe interest. Complete lines 10 through 17 of each column before going to the next column..... | 9 | | | |
| 10. Enter amount, if any, from line 17 of previous column..... | 10 | | | |
| 11. Add lines 9 and 10. Enter here..... | 11 | | | |
| 12. Enter the amount from line 16 of previous column..... | 12 | | | |
| 13. Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9..... | 13 | | | |
| 14. If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero..... | 14 | | | |
| 15. Underpayment. If line 8 is equal to or greater than line 13, subtract line 13 from line 8. Otherwise, go to line 17..... | 15 | | | |
| 16. Add lines 14 and 15. Enter here. If line 8 is equal to or greater than line 13, then go to line 10 of the next column..... | 16 | | | |
| 17. Overpayment. If line 13 is more than line 8, subtract line 8 from line 13, then go to line 10 of the next column..... | 17 | | | |

FIGURING THE INTEREST

| | 6-15-11 | 9-15-11 | 1-15-12 | 4-15-12 |
|--|---------|---------|---------|---------|
| 18. Interest calculation payment date..... | 18 | | | |
| 19. Number of days from the payment due date shown at the top of the column above line 8 to the date the amount on line 16 was paid, or the date shown for that column on line 18, whichever is earlier..... | 19 | | | |
| 20. Annual Percentage Rate (APR)..... | 20 | .05 | .05 | .05 |
| 21. Underpayment Number of from line 16 X days from line 19 X APR on line 20 365..... | 21 | | | |
| 22. INTEREST DUE: Add amounts on line 21 columns A through D. Enter the total here and on Form 2210-K, page 1, line 8..... | 22 | | | |

Purpose of Form—Use this form to determine if you owe an underpayment of estimated tax penalty for failing to prepay 70% of your tax liability and/or interest for failing to make four equal estimated tax installments timely. You may be subject to one or both even if you are due a refund when you file your tax return.

Underpayment of Estimated Tax Penalty—You may be charged an underpayment of estimated tax penalty if you did not prepay 70% of your tax liability and you did not meet one of the exceptions listed in Part I.

Estimated Tax Interest—You may also be charged interest if you failed to make four equal installments timely pursuant to KRS 141.305. These payments are due by April 15, June 15, September 15 of the taxable year, and on January 15 of the succeeding taxable year. Failure to make these equal installments timely may result in interest due pursuant to KRS 141.985. The interest is computed separately for each due date.

- If you paid estimated tax on January 16th or 17th, 2012, it is considered paid on January 15th, 2012, to the extent it is applied to the fourth required installment.

Part I—Exceptions and Exclusions—The underpayment of estimated tax penalty may not apply if one of the exceptions listed in Part I is met. If you meet one or more of the exceptions, check the appropriate block(s), complete the lines associated with the exception and check the “Form 2210-K attached” block on form 740, line 41a (Form 740-NP, line 41a). If none of the exceptions apply, go to Part II.

Part II—Figuring the Underpayment and Penalty—Only complete this section if the additional tax due exceeds \$500 and you do not meet one of the exceptions listed in Part I. Do not include amounts that were prepaid with extension or payments made after the due date of the fourth declaration installment. To avoid this penalty in the future, obtain and file Form 740-ES.

Part III—Required Annual Payment and Interest Calculation—This section is used to calculate your required annual payment. The required annual payment is used to calculate the amount of payment that you should have made each quarter. If you do not pay the required amount in each quarter, you will be subject to interest until that payment is made. You may not be required to pay estimated tax payments if you meet one of the following exceptions:

- Taxpayer died during the taxable year
- Declaration was not required until after September 1, 2011, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2012.
- Two-thirds (2/3) or more of the gross income was from farming; this return is being filed on or before March 1, 2012; and the total tax due is being paid in full.
- Prepaid your last years tax liability with timely payments.

Lines 1–7—Calculates your required annual payment which is the lesser of your current years income tax liability or your previous years tax liability. If you have paid withholding that exceeds the lesser of the two, you do not owe interest and you do not need to complete the rest of the form.

Line 8—Multiply line 7, page 2, by 25 percent (.25) and enter amount in columns A through D. However, if your source(s) of income changed unexpectedly throughout the year or your income was received later in the year, the required number of installments may be fewer.

A taxpayer who is not required to pay estimated tax in four equal installments at the beginning of the year may be required to make installment payments during the remainder of the year. Refer to the payment due dates at the top of columns A – D to determine how many installments you are required to make based on when your income changed or was received.

If you are required to make 3 installments, multiply line 7 by 33.3 percent (.333) and enter in columns B through D.

If you are required to make 2 installments, multiply line 7 by 50 percent (.50) and enter in columns C and D.

If you are required to only make 1 installment, multiply line 7 by 100 percent (1.00) and enter in column D.

Line 9—Enter the sum of estimated tax payments made and Kentucky withholding for each quarter. If you have Kentucky income tax withheld, multiply the total by 25 percent (.25) and enter in columns A through D. If you had a credit forward from a prior year return, enter the total amount in Column A only.

Note: Complete lines 10 through 17 for Column A before going to Column B, etc.

Line 10—Enter amount from line 17 of the previous column. This amount should be the overpayment if any from the previous column.

Line 12—Enter amount from line 16 of the previous column. This amount should be the underpayment amount from the previous column that will be carried over to each column until the payment is made.

Line 16—This is the underpayment amount for that column and any underpayment from the previous columns. The underpayment will continue to carryover to the next column until the payment is made or the due date, whichever is earlier.

Figuring the Interest—Interest will be calculated on each underpayment in each column from the payment due date written above line 8 to the date on line 18 or the date the payment was made, whichever is earlier. The underpayments will carryover to the next column and be added to that column's underpayment to calculate interest on that balance.

Line 18—Use this date to calculate the number of days that the current interest amount will be based upon, unless the underpayment was paid prior to this date.

Line 19—This is the number of days from the payment due date shown above line 8 to the date the amount on line 16 was paid or the date shown on line 18 for the column in which you are calculating interest.

For example, if your underpayment on line 16 for column A is \$1,000, you would calculate the interest from 4–15–11 to 6–15–11 and enter 61 days on line 19. If this \$1,000 remains unpaid, it will be added to any underpayment in column B and you would calculate interest from 6–15–11 until 9–15–11 which would be 92 days for that period, etc.

Line 20—The annual interest rate is established by the Department of Revenue for each calendar year. The interest rate for calendar year 2011 is 5 percent and the interest rate for calendar year 2012 is 6 percent. The interest calculation for the required third installment payment may be calculated using two different interest rates.

4972-K



2011

42A740-S21
Department of Revenue

KENTUCKY
TAX ON LUMP-SUM DISTRIBUTIONS

(From Qualified Plans of Participants
Born Before January 2, 1936)

See federal instructions. Attach to Form 740, Form 740-NP or Form 741.

Enter name of recipient of distribution. Social Security or federal identification number

PART I - Qualifications - An individual who qualifies to file federal Form 4972 qualifies to file Form 4972-K.

- 1. Are you filing federal Form 4972? Yes No
If "yes," you are qualified to file Form 4972-K. If "no," do not complete the rest of this form.

PART II - Excludable Lump-Sum Income - Complete this part after you have completed Schedule P.

Table with 2 columns: Description and Amount. Rows 2-7 detailing calculations for excludable lump-sum income.

PART III - Complete this part only if you chose the 20% federal capital gain election.

Table with 2 columns: Description and Amount. Rows 8(a), 8(b), 8(c) detailing capital gain election calculations.

PART IV - Complete this part to choose the 10-year option.

Table with 2 columns: Description and Amount. Rows 9-32 detailing calculations for the 10-year option, including tax on lump-sum distribution.



KENTUCKY
PASSIVE ACTIVITY LOSS LIMITATIONS

See federal instructions and worksheets for Form 8582.

Attach to Form 740, 740-NP or 741.

Enter name(s) as shown on tax return.

Social Security or Federal Identification Number

PART I—2011 Passive Activity Loss (See instructions on reverse.)

Rental Real Estate Activities With Active Participation (For the definition of active participation, see Active Participation in a Rental Real Estate Activity in the federal instructions.)

Table with 4 rows (1a-1d) for Rental Real Estate Activities. Columns include description, line number, and input fields.

Commercial Revitalization Deductions From Rental Real Estate Activities

Table with 3 rows (2a-2c) for Commercial Revitalization Deductions. Columns include description, line number, and input fields.

All Other Passive Activities

Table with 4 rows (3a-3d) for All Other Passive Activities. Columns include description, line number, and input fields.

4. Combine lines 1d, 2c and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b or 3c. Do not complete Form 8582-K. Report the losses on the forms and schedules normally used.

- If line 4 is a loss and:
- line 1d is a loss, go to Part II.
- line 2c is a loss (and line 1d is zero or more), skip Part II and go to Part III.
- line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, do not complete Part II or Part III. Instead, go to line 15.

PART II—Special Allowance for Rental Real Estate With Active Participation

Note: See federal instructions for how to treat numbers as positive amounts in Part II.

Table with 10 rows (5-10) for Part II calculations. Columns include description, line number, and input fields.

PART III—Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities

Note: See federal instructions for how to treat numbers as positive amounts in Part III.

Table with 4 rows (11-14) for Part III calculations. Columns include description, line number, and input fields.

PART IV—Total Losses Allowed

Table with 2 rows (15-16) for Part IV calculations. Columns include description, line number, and input fields.

Instructions for Form 8582-K

PURPOSE OF FORM—Form 8582-K is used when the allowable Kentucky passive losses for the taxable year differ from allowable federal passive losses. The worksheet is used to calculate the additions or subtractions to federal adjusted gross income in determining Kentucky adjusted gross income.

Form 8582-K must be completed using Kentucky income (losses) if: (1) federal Form 8582, Passive Activity Loss Limitations, is required and Kentucky passive income (losses) and federal passive income (losses) are different or (2) Kentucky prior year unallowed (suspended) losses and federal prior year unallowed (suspended) losses are different.

If Form 8582-K **is not required**, include adjustments for any differences in Kentucky passive income/loss and federal passive income/loss on the appropriate lines of Schedule M.

If Form 8582-K **is required**, do not include on Schedule M other adjustments to federal adjusted gross income for passive activities.

Use the following steps to compute an addition or subtraction to be entered on Schedule M for passive activities.

STEP 1*

Complete federal worksheets 1 and 2 for federal Form 8582 using the federal instructions and **Kentucky amounts** for all entries.

STEP 2

Complete page 1 of Form 8582-K using the federal instructions for Form 8582 and **Kentucky amounts** for all entries.

STEP 3

Complete federal worksheets for federal Form 8582 using the federal instructions and **Kentucky amounts** for all entries.

STEP 4

Complete the Passive Activities Adjustment Worksheet below.

***NOTE:** If a separate/combined return is being filed for Kentucky, and the federal return is filed jointly, complete separate Kentucky Forms 8582-K, worksheets and schedules for each spouse. If an activity is jointly owned, 50 percent of the total income or loss should be allocated to each spouse with their separately owned income or losses. In all cases each item must be identified on the federal schedules as H—husband, W—wife or J—jointly to properly determine income on a separate basis. On lines B and D of the worksheet enter each spouse’s portion of the joint federal income. The federal passive loss limitations will still be computed on a joint basis. **Do not recompute the joint federal Form 8582 on a separate basis to compare to the Kentucky Forms 8582-K.**

Passive Activities Adjustment Worksheet

| | | | |
|--|--|--|--|
| A. Enter as a negative amount Kentucky allowable losses from line 16, Form 8582-K..... | | | |
| B. Enter as a positive amount federal allowable losses from federal Form 8582** | | | |
| C. Enter as a positive amount Kentucky passive income from line 15, Form 8582-K..... | | | |
| D. Enter as a negative amount federal passive income from federal Form 8582** | | | |
| E. Passive income or loss adjustment. Combine lines A, B, C and D | | | |

If the amount on line E is positive, enter as an Other Addition on Schedule M. If the amount on line E is negative, enter as an Other Subtraction on Schedule M.

**If federal Form 8582 is not required, enter on line B any passive losses included in federal adjusted gross income. Also, enter on line D any passive income included in federal adjusted gross income.



Attach to Form 740 or Form 740-NP

KENTUCKY EDUCATION TUITION TAX CREDIT

Enter name(s) as shown on Form 740 or Form 740-NP, page 1.

Your Social Security Number

If you have a credit carry forward from previous years, see Page 2, Part V.

Caution: Requirements for the 2011 Kentucky Education Tuition Tax Credit are different from the federal education requirements. Please review instructions to determine if you meet the qualifications for this credit.

PART I—Qualifications

Table with 2 columns: Question, Yes, No. Contains 3 qualification questions regarding eligible institutions, undergraduate studies, and filing status.

If you answered "No" to any of these questions above, STOP, you do not qualify for this credit.

If you answered "Yes" to all questions above, go to Part II.

PART II—Hope Credit (List only expenses from Kentucky institutions.) See Instructions

Table for Hope Credit with 5 columns: (a) Student Name SSN, (c) Qualified Expenses, (d) Enter the smaller of the amount in column (c) or \$1,200, (e) Add column (c) and column (d), (f) Enter one-half of the amount in column (e). Includes two rows for listing institutions.

2. Tentative Hope Credit. Add the amounts on line 1, column (f). If you are taking the Lifetime Learning Credit for another student, go to Part III; otherwise, go to line 7

PART III—Lifetime Learning Credit

Table for Lifetime Learning Credit with 4 columns: (a) Student Name, (b) Student SSN, (c) Name and Address of Kentucky Institution, (d) Qualified Expenses. Includes summary lines 4 through 7.

Note: If you have an unused credit from prior year(s), complete Page 2, Part V to determine your carryforward amount. You must have completed Form 8863-K in prior years to claim any allowable unused credit carryforward.



PART IV—Allowable Education Credits

| | | |
|---|----|-----|
| 8. Enter tentative Kentucky Education Credits from page 1, line 7 | 8 | |
| 9. Enter: \$122,000 if married filing jointly or married filing separately on a combined return; \$61,000 if single..... | 9 | |
| 10. Enter the amount from Form 1040, line 37, or Form 1040A, line 21 | 10 | |
| 11. Subtract line 10 from line 9. If zero or less, STOP; you cannot take any education credits for Kentucky..... | 11 | |
| 12. Enter \$20,000 if married filing jointly or married filing separately on a combined return; \$10,000 if single | 12 | |
| 13. If line 11 is equal to or more than line 12, enter the amount from line 8 on line 14 and go to line 15. If line 11 is less than line 12, divide line 11 by line 12. Enter the result as a decimal (rounded to at least three places)..... | 13 | X . |
| 14. Multiply line 8 by the decimal amount on line 13 and enter here..... | 14 | |
| 15. Multiply the amount on line 14 by 25% (.25) and enter total here | 15 | |
| 16. Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22..... | 16 | |
| 17. Enter amount from Part V, line 37. If Part V, line 37 is blank, enter -0- | 17 | |
| 18. Subtract line 17 from line 16 | 18 | |
| 19. Enter the smaller of line 18 or line 15 | 19 | |
| 20. Add lines 17 and 19. Enter here and on Form 740 or Form 740-NP, line 23. This is your allowable 2011 education credit..... | 20 | |
| 21. If line 18 is smaller than line 15, subtract line 18 from line 15. This is the amount of unused credit carryforward from 2011 to 2012 . Enter here and on the 2011 Carryforward Worksheet, Line E, provided below | 21 | |

PART V—Credit Carryforward from Prior Years

| | | |
|--|----|--|
| 22. Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22 | 22 | |
| 23. Enter your credit carryforward from 2006..... | 23 | |
| 24. Enter your credit carryforward from 2007..... | 24 | |
| 25. Enter your credit carryforward from 2008..... | 25 | |
| 26. Enter your credit carryforward from 2009..... | 26 | |
| 27. Enter your credit carryforward from 2010 | 27 | |
| 28. Add lines 23 through 27 and enter total here | 28 | |
| 29. Subtract line 23 from line 22. If zero or less, enter -0-..... | 29 | |
| 30. Enter 2007 credit carryforward to 2012. Subtract line 29 from line 24. If zero or less, enter -0-.... | 30 | |
| 31. Subtract line 24 from line 29. If zero or less, enter -0-..... | 31 | |
| 32. Enter 2008 credit carryforward to 2012. Subtract line 31 from line 25. If zero or less, enter -0-.... | 32 | |
| 33. Subtract line 25 from line 31. If zero or less, enter -0- | 33 | |
| 34. Enter 2009 credit carryforward to 2012. Subtract line 33 from line 26. If zero or less, enter -0-.... | 34 | |
| 35. Subtract line 26 from line 33. If zero or less, enter -0-..... | 35 | |
| 36. Enter 2010 credit carryforward to 2012. Subtract line 35 from line 27. If zero or less, enter -0-.... | 36 | |
| 37. Enter the smaller of line 22 or line 28..... | 37 | |

2011 Carryforward Worksheet

- A. From Part V, Line 30, 2007 to 2012 _____
- B. From Part V, Line 32, 2008 to 2012 _____
- C. From Part V, Line 34, 2009 to 2012 _____
- D. From Part V, Line 36, 2010 to 2012 _____
- E. From Part IV, Line 21, 2011 to 2012 _____

If you have a carryforward of credit, maintain a copy of this worksheet or Form 8863-K for your records. This information will be needed to prepare future returns.

Instructions for Form 8863-K

Purpose of Form—Use Form 8863-K to calculate and claim your education credits. The education credits are: the Hope Credit and the Lifetime Learning Credit. These credits are based on qualified education expenses paid to an eligible postsecondary educational institution located in Kentucky. If you elected to claim the education credit for federal purposes rather than the tuition and fees deduction, you must make that same election for Kentucky purposes.

Caution: Requirements for the 2011 Kentucky Education Tuition Tax Credit are different from the federal education requirements due to Kentucky not adopting the American Recovery and Reinvestment Act of 2009.

Qualified Education Expenses—Generally, qualified education expenses are amounts paid in 2011 for tuition and fees required for the student's enrollment or attendance at an eligible educational institution. It does not matter whether the expenses were paid in cash, by check, by credit card, or with borrowed funds.

Eligible Educational Institution located in Kentucky—An eligible educational institution is generally any accredited public, nonprofit, or private college, university, vocational school, or other postsecondary institution. Also, the institution must be eligible to participate in a student aid program administered by the Department of Education. The institution must also be physically located in Kentucky to qualify.

Part I, Qualifications—All questions in Part I must be answered yes to be eligible for the Kentucky Education Tuition Tax Credit.

Part II, Hope Credit—You may be able to take a credit of up to 25% of \$1,800 for qualified education expenses paid for each student who qualifies for the Hope Credit. The Hope Credit equals 100% of the first \$1,200 and 50% of the next \$1,200 of qualified expenses paid for each eligible student. For Kentucky, the credit is then limited to 25% for a maximum amount allowed of \$450 for each student who qualified. You can take the Hope Credit for a student if all of the following apply.

- As of the beginning of 2011, the student had not completed the first 2 years of postsecondary education (generally, the freshman and sophomore years of college), as determined by the eligible educational institution. For this purpose, do not include academic credit awarded solely because of the student's performance on proficiency exams.
- The student was enrolled in 2011 in a program that leads to a degree, certificate, or other recognized educational credential.
- The student was taking at least one-half the normal full-time workload for his or her course of study for at least one academic period beginning in 2011.
- The Hope Credit was not claimed for that student's expenses in more than one prior tax year.
- The student has not been convicted of a felony for possessing or distributing a controlled substance.

Note: If a student does not meet all of the above qualifications, you may be able to take the Lifetime Learning Credit for part or all of the student's qualified education expenses.

Line 1, Columns A and B—Enter student's name, Social Security number and the name and address of qualified Kentucky institution.

Line 1, Column C—Enter qualified expenses; do not enter more than \$2,400 for each student.

Line 1, Column D—Enter the amount from Column C or \$1,200, whichever is smaller.

Line 1, Column E—Add Column C and Column D.

Line 1, Column F—Enter one-half of the amount in Column E.

Line 2—Add all amounts in Column F for all students to compute your tentative Hope credit. If you have expenses for more than two students, attach a list to Form 8863-K and list the total for all students on Line 2. If you are taking the Lifetime Learning Credit for another student, go to Part III; otherwise go to Part IV.

Part III—Lifetime Learning Credit—You may be able to take 25% of the Lifetime Learning Credit that equals 20% of qualified expenses paid, up to a maximum of \$10,000 of qualified expenses per return. The maximum amount of Lifetime Learning Credit you can claim on your tax return for the tax year is \$2,000. For Kentucky, the Lifetime Learning Credit is then limited to 25% of the \$2,000 for a maximum allowed of \$500 per return.

Line 3, Column A–D—Enter student's name, Social security number, name and address of qualified Kentucky institution and amount of qualified expenses.

Line 4—Add all amounts in Column D for all students.

Line 5—Enter the smaller of Line 4 or \$10,000.

Line 6—Multiply Line 5 by 20%. Do not enter more than \$2,000. This is your tentative Lifetime Learning Credit.

Line 7—Add Line 2 (tentative Hope Credit) and Line 6 (tentative Lifetime Learning Credit) to get your tentative Kentucky Education Credits. Enter the amount on Line 7 and on page 2, Line 8.

Part IV—Allowable Education Credits—

Line 9 – Line 13—You cannot take any Kentucky Education Credits if your federal adjusted gross income (federal Form 1040, Line 37 or 1040A, Line 21) exceeds \$122,000 if married, filing jointly or married, filing separately on a combined return (\$61,000 if single). **If you are filing a separate return, you do not qualify for this credit.** If your income is greater than \$100,000, you may only be entitled to a portion of the credits, if any. Proceed to Line 14 if your income is less than \$100,000.

Line 14—Enter the amount from Line 8 if your credit was not limited based on income. If the credit was limited based on income, multiply the amount on Line 8 by the decimal amount on Line 13.

Line 15—Multiply Line 14 by 25% (.25). This is your tentative Kentucky allowable credit.

Line 16—Enter the tentative tax from Form 740 or Form 740-NP, page 1, Line 22.

Line 17—Enter the amount from page 2, Part V, Line 37. This is the allowable credit carryforward from prior year(s). If there is no carryforward, enter zero.

Line 18—Subtract Line 17 from Line 16.

Line 19—Enter the smaller of Line 18 or Line 15.

Line 20—Add Lines 17 and 19. Enter here and on Form 740 or Form 740-NP, Line 23. This is your allowable 2011 education credit.

Line 21—If Line 18 is smaller than Line 15, subtract Line 18 from Line 15. This is the amount of unused credit carryforward from 2011 to 2012. Maintain records for following years.

Part V, Credit Carryforward from Prior Years—The Kentucky Education Tuition Tax credit can be carried forward for up to 5 years if unused during the preceding tax year(s). You must have completed Form 8863-K for any prior year in which you are claiming a credit carryforward.

8879-K

42A740-S22

Department of Revenue



KENTUCKY INDIVIDUAL INCOME TAX DECLARATION FOR ELECTRONIC FILING

2011

Declaration Control Number (DCN)
Taxpayer's Name
Spouse's Name
Taxpayer's Social Security number
Spouse's Social Security number

Table with 5 columns: Line number, Description, 740 line, 740-EZ line, and Amount. Rows include Kentucky taxable income, Total tax liability, Total payments, Refunded to you, and Amount you owe.

PART II - Direct Deposit of Refund or Direct Debit of Tax Amount Due. Includes routing transit number (RTN), depositor account number (DAN), type of account, and questions about direct deposit/debit.

PART III - Declaration of Taxpayer. Includes consent to direct deposit, authorization of ACH payment, and declaration of accuracy.

Under penalties of perjury, I declare that the information I have given my electronic return originator (ERO) or transmitter and the amounts in Part I above agree with the amounts on the corresponding lines of the electronic portion of my 2011 Kentucky income tax return.

Signature lines for Taxpayer and Spouse, Telephone Number (daytime), and Date Signed.

PART IV - Declaration and Signature of Electronic Return Originator and Paid Preparer. Includes declaration of accuracy and signature lines for ERO and Paid Preparer.

ERO's Use Only and Paid Preparer's Use Only sections. Includes signature lines, dates, and identification numbers (FEIN, ZIP code, I.D. Number).

Keep this form with your tax return. Do not mail!

Attach Copy of Forms W-2, W-2G and 1099-R Here

KENTUCKY

Filing Requirements

- ★ *Federal/State E-file With a Federal PIN*—For returns filed via this method, an 8879-K is not required.
- ★ *Federal/State E-file Without a Federal PIN*—For returns filed via this method, an 8879-K is required to be completed. **Do not mail this form.** Electronic return originators (EROs) must retain them for a period of three years.
- ★ *Online Filing*—For returns filed via this method, an 8879-K is required to be completed and retained for a period of three years. **Do not mail this form.**

Completing the Form

You must complete your Kentucky individual income tax return before you complete Form 8879-K. You must also complete this form before signing it. Taxpayers, EROs and paid preparers must not sign the form before it is completed.

Declaration Control Number (DCN)

The DCN, located in the upper right corner of the form, must be identical on the federal electronic return, the federal Form 8879 and the Kentucky Form 8879-K.

Name and Social Security Number

You must enter your name and Social Security number on Form 8879-K.

Taxpayer Responsibilities

Taxpayer(s) that use an ERO must:

- ★ Verify all information on the Form 8879-K, including Social Security number.
- ★ Inspect the paper copy of the return and ensure the information is correct.
- ★ Sign Form 8879-K after the return has been prepared but before it is transmitted.

Taxpayer(s) that file from home must:

- ★ Complete Form 8879-K.
- ★ **Attach** the Kentucky copy of Forms W-2, W-2G and 1099-R; any documents verifying credit amounts; any schedules explaining "Other" adjustments to income; and any documents with required signatures.
- ★ Keep this form with your tax return. Do not mail.

ERO Responsibilities

The ERO must:

- ★ Complete Form 8879-K
- ★ Obtain signature of taxpayer(s)
- ★ **Attach** the Kentucky copy of Forms W-2, W-2G and 1099-R; any documents verifying credit amounts; any schedules explaining "Other" adjustments to income; and any documents with required signatures.
- ★ Provide the taxpayer with copies of the completed 8879-K and all other information.
- ★ Retain form for three years.

Part I—Tax Return Information

Enter the required data from the Kentucky tax return. Lines 1 through 3 and either Line 4 or 5 must be completed.

Part II—Direct Deposit of Refund or Direct Debit of Tax Amount Due

Direct Deposit of Refund—If there is an amount on **Line 4** (Refunded to you), the taxpayer can choose to have their refund directly deposited by completing Part II, and checking the box on Part III, Line 11. Taxpayers can choose direct deposit for the Kentucky income tax refund regardless of the choice for federal purposes.

Payment of Balance Due—Penalty and interest will begin to accrue on any tax due that has not been paid by April 17, 2012.

If there is an amount on **Line 5** (Amount you owe), the taxpayer can choose from the following methods of payment:

- (1) **Pay by check or money order**—Taxpayers should submit their payment using Form 740-V, Kentucky Electronic Payment Voucher.
- (2) **Pay by Credit Card or ACH Debit**—Pay your 2011 Kentucky individual income tax by Mastercard, VISA or Discover credit cards or by ACH Debit through April 17, 2012. Access the Department of Revenue's secure Web site (www.revenue.ky.gov) to make electronic payments over the Internet. Click on the **KY E-Tax** logo and select E-Payments-Credit Cards and ACH Debits link. If you do not have access to the Internet, you may call the Department of Revenue at (502) 564-4581.

To make a credit card payment, the following information is needed: credit card type, credit card number, expiration date, and the cardholder's address as it appears on the credit card billing statement. To make an ACH Debit payment, the following information is needed: bank name, bank account number and bank routing number.

- (3) **Pay by Direct Debit**—The taxpayer can choose to pay the amount due by completing Part II, Lines 6 through 10, and checking the box on Line 13. Taxpayers can choose direct debit for Kentucky regardless of the choice for federal purposes. The taxpayer must ensure that the following information relating to the financial institution account is provided in the tax preparation software: Routing Number, Account Number, Type of Account (Checking or Savings), Debit Amount, Debit Date (through April 17, 2012).

Note: Select any date until April 17 to have the payment withdrawn from your account. Actual withdrawal of funds may be later, but will be considered timely. Please allow up to two weeks for processing.

Line 6—The routing transit number must be nine digits and begin with 01 through 12 or 21 through 32.

Line 7—The depositor account number can be up to 17 characters (both numbers and

letters). Include hyphens but omit spaces and special characters. If fewer than 17 characters, enter the numbers from left to right and leave the unused boxes blank.

Note: Taxpayers should use a check, form, report or other statement generated by their financial institution to verify the routing transit number and depositor account number. Do not use a deposit slip as it may contain internal routing numbers. If there is any doubt about the correct routing transit number, the taxpayer should ask the financial institution for the routing transit number to use for direct deposit (Electronic Funds Transfer).

Line 10—Due to new federal electronic banking regulations, you must answer the following questions if you are requesting a direct deposit of your refund or are paying the amount you owe via direct debit. If you are requesting a direct deposit of your refund, answer question 10a. If you are paying the amount you owe on your return via direct debit, answer questions 10b.

Part III—Declaration of Taxpayer

An electronically transmitted return will not be considered true, accurate and complete unless Form 8879-K is signed by the taxpayer(s) prior to transmitting the electronic return.

The taxpayer must sign and date Form 8879-K after it has been completed to verify that the information is correct and that the taxpayer agrees with the information on the completed tax return.

EROs and tax preparers are prohibited from obtaining taxpayer signatures on blank or incomplete forms.

When an error is corrected after the taxpayer has signed Form 8879-K, and the corrected Kentucky taxable income varies more than \$50, or the corrected refund or balance due varies more than \$14, a new Form 8879-K must be completed for taxpayer signature.

PART IV—Declaration and Signature of ERO and Paid Preparer

This section must be completed and signed by the ERO.

If the ERO is also the paid preparer, the ERO must check the paid preparer box, but is not required to complete or sign the Paid Preparer Section.

A paid preparer who is not the ERO must complete, sign and date the Paid Preparer Declaration.

If the ERO cannot obtain the paid preparer's signature on Form 8879-K, a copy of the tax return with the paid preparer's signature should be attached to the 8879-K.

Refund Information—The Automated Refund and Tax Information System (ARTIS) is available to provide information by telephone on the receipt of your tax return. The automated system telephone number is (502) 564-1600. It is available 24 hours a day, 7 days a week.



2011

APPLICATION FOR EXTENSION OF TIME
TO FILE INDIVIDUAL, GENERAL PARTNERSHIP AND
FIDUCIARY INCOME TAX RETURNS FOR KENTUCKY

➤ COMPLETE ONLY IF NOT FILING FEDERAL EXTENSION

➤ SEE INSTRUCTIONS FOR PAYMENT REQUIREMENTS

INSTRUCTIONS: Taxpayers who request a federal extension are not required to file a separate Kentucky extension. The requirements may be met by attaching federal Form 4868 (automatic extension) to the Kentucky return.

Interest at the annual rate of 6 percent applies to any income tax paid after the original due date of the return. If the amount of tax paid by the original due date is less than 75 percent of the tax due, a late payment penalty may be assessed (minimum penalty is \$10). Interest and late payment penalty charges can be avoided by remitting payment with the Extension Payment Voucher below by the due date.

Use this form if you (1) are requesting a Kentucky extension of time to file (**complete Section I**); (2) are requesting a Kentucky extension and desire to make a payment prior to the due date (**complete Sections I and II**); or (3) have a federal extension and desire only to make a Kentucky payment prior to the due date (**complete and submit Section II only**).

You will be notified only if the application for extension is denied. To avoid the late filing penalty, a copy of this form must be attached to your return when filed. Keep a copy for yourself.

SECTION I (Please print or type name and address in block below.)

[Empty box for name and address]

Check type of return:

- Individual (740 or 740-NP)
- General Partnership (765-GP)
- Fiduciary (741)

Soc. Sec. No. or Employer ID No. _____

A six-month extension is requested for filing the income tax return of the above-named taxpayer(s) for the taxable year ended _____.

REASON FOR REQUEST (A reason must be given before any request can be considered. Inability to pay tax liability is not a valid reason.)

Signature of taxpayer _____ Date _____ Preparer other than taxpayer _____ Date _____

➤ Mail to: Kentucky Department of Revenue, P.O. Box 1190, Frankfort, KY 40602-1190 ◀

DENIED: Late (postmarked after return due date) Other:

You will be notified only if the application for extension is denied. To avoid the late filing penalty, a copy of this form must be attached to your return when filed. Keep a copy for yourself.



Last name _____ First name (joint or combined return, give both names and initials) _____ Your Social Security number _____

Mailing address (Number and Street including Apartment Number or P.O. Box) _____ Spouse's Social Security number _____

City, town or post office _____ State _____ ZIP code _____

Make check payable to: Kentucky State Treasurer
Mail to: Kentucky Department of Revenue
P.O. Box 1190
Frankfort, KY 40602-1190

Enter payment amount here ➤ \$ _____

**INSTRUCTIONS FOR FILING
ESTIMATED TAX VOUCHERS****2012**

WHAT'S NEW FOR 2012—The standard deduction will increase to **\$2,290.00** for 2012.

WHO MUST MAKE PAYMENTS—Individuals who can reasonably expect to have income of more than \$5,000 from which no Kentucky income tax will be withheld may be required to make estimated tax payments as required by KRS 141.300. Individuals who do not prepay at least 70 percent of their income tax liability for the year will be subject to a penalty for underpayment of estimated tax. The prepayments may be made through withholding, a credit forward from the previous year's income tax return or estimated tax payments. The worksheet on the reverse should be used to determine the amount which should be paid through estimated tax payments. **If the amount of estimated tax for the year is \$500 or less, no payment is required.**

WHEN TO PAY—Taxpayers may pay the full amount of estimated tax in one payment on the earliest applicable due date, or they may pay in installments. Installments for calendar year 2012 are due April 17, June 15, September 17, 2012, and January 15, 2013. Any credit from a 2011 income tax return should be applied to the amount owed before any payments are made. Installment payments should not be made until the amount of the credit has been used. A voucher should be filed only when a payment is required.

IF INCOME CHANGES—Due to changes in sources or amounts of income during the year, a taxpayer who is not required to pay estimated tax at the beginning of the year may be required to pay during the year. A taxpayer may also be required to recompute the estimated tax and to adjust the amount of the installments during the year as a result of changes in sources or amounts of income. Whenever the initial estimate is required or the change occurs, a taxpayer electing to pay in installments must pay the total amount of tax due in equal amounts on the remaining due dates.

| Period When Estimate Required or Change Occurs | Due Date | Number of Equal Installments |
|--|--------------------|------------------------------|
| January 1–April 1 | April 17, 2012 | 4 |
| April 2–June 1 | June 15, 2012 | 3 |
| June 2–September 1 | September 17, 2012 | 2 |
| September 2–December 31* | January 15, 2013 | 1 |

*If the change occurs after September 1, 2012, the voucher is not required if the 2012 Kentucky income tax return is filed and the tax shown to be due is paid on or before January 31, 2013.

Failure to make required estimated installments by the specified dates may result in interest due.

FISCAL YEAR FILERS—If you pay tax for a fiscal year instead of a calendar year, your due date is the 15th day of the fourth, sixth and ninth months of your fiscal year and the 15th day of the first month of the following fiscal year.

FAMILY SIZE TAX CREDIT—The Family Size Tax Credit is based on modified gross income (MGI) and the size of the family. If your total MGI is \$29,726 or less you may qualify for Kentucky Family Size Tax Credit.

“Modified gross income” used to calculate the Family Size Tax Credit means the greater of:

Federal adjusted gross income adjusted to include interest income derived from municipal bonds (non-Kentucky) and lump-sum pension distributions not included in federal adjusted gross income;

or

Kentucky adjusted gross income adjusted to include lump-sum pension distributions not included in federal adjusted gross income.

PASS-THROUGH ENTITIES AND INDIVIDUAL OWNERS OF DISREGARDED SINGLE MEMBER LLCs—For taxable years beginning on or after January 1, 2007, all pass-through entities and individual owners of disregarded single member LLCs that file on Schedules C, E or F for federal income tax purposes will be treated the same for Kentucky income tax purposes as they are treated for federal income tax purposes except for the differences between Kentucky law and federal law. Individuals with income from pass-through entities or disregarded single member LLCs that file Schedule C, E or F for federal income tax purposes may be required to make individual estimated tax payments.

FARM INCOME—Taxpayers with income from farming are not required to make installment payments if they meet the following criteria: (1) two-thirds of gross income is from farming; and (2) the entire amount of estimated tax is paid on or before January 15, 2013; or (3) the 2012 income tax return is filed and total tax is paid on or before March 1, 2013.

PENALTY FOR UNDERPAYMENT—A penalty equal to 10 percent of any underpayment may be assessed. The underpayment is calculated by taking 70 percent of the amount on Form 740, Line 26 (income tax liability) and subtracting taxes prepaid through a credit forward, withholding, estimated tax payments and refundable credits. Minimum penalty is \$25.

HOW TO USE ESTIMATED TAX VOUCHERS—Enter your name, address and Social Security number(s) in the spaces provided. In the payment block, enter the amount of payment. Do not enter amounts paid through a credit from a previous year.

HOW TO PAY—Make check payable to **Kentucky State Treasurer**. Mail the check with the voucher to: **Kentucky Department of Revenue, Frankfort, KY 40620-0009**. To ensure accurate crediting to your account, you must send the voucher with your check. Please write your Social Security number(s) on the face of your check. If you wish to mail your first installment with Form 740, please prepare a separate check for the amount shown on the voucher and include the voucher marked “Installment 1.”

| | | | |
|--|----|--|--|
| 1. Enter your total estimated wages subject to withholding | 1 | | |
| 2. Enter your total estimated taxable income from sources with no withholding..... | 2 | | |
| 3. Add lines 1 and 2..... | 3 | | |
| 4. Enter estimated adjustments to income..... | 4 | | |
| 5. Subtract line 4 from line 3. This is your ESTIMATED ADJUSTED GROSS INCOME | 5 | | |
| 6. Enter estimated allowable itemized deductions or the standard deduction of \$2,290.00 | 6 | | |
| 7. Subtract line 6 from line 5. Enter the difference here. This is your ESTIMATED NET INCOME | 7 | | |
| 8. Compute tax on estimated net income from line 7 using the tax rate schedule. ENTERTAX HERE..... | 8 | | |
| 9. Enter your tax credits (\$20 for yourself and each dependent)..... | 9 | | |
| 10. Enter Family Size Tax Credit using percentage from worksheet below | 10 | | |
| 11. Enter Kentucky income tax to be withheld in 2012. Add lines 9, 10 and 11 and enter total at right | 11 | | |
| 12. Subtract the total on line 11 from line 8. This is your Estimated Kentucky Income Tax for 2012. Enter here. If this amount is \$500 or less, estimated tax payment is not required | 12 | | |
| 13. Divide line 12 by 4. This is amount of each installment. Enter here and in Column B, lines 1 through 4 of Record of Estimated Tax Payments Schedule below | 13 | | |

Family Size Tax Credit (FSTC) is based on modified gross income (MGI) and the size of the family. Refer to page 1 for the definition of MGI. The 2011 table is provided for your convenience.

Size of Family Unit:

- 1—an individual either single or married living apart from his or her spouse for the entire year
- 2—an individual with one qualifying child or a married couple
- 3—an individual with two qualifying children or a married couple with one qualifying child
- 4 or more—an individual with three qualifying children or a married couple with two qualifying children

| Family Size If MGI . . . | One | | Two | | Three | | Four or More | | FSTC |
|-----------------------------|---------|-------------|---------|-------------|---------|-------------|--------------|-------------|---------------|
| | is over | is not over | is over | is not over | is over | is not over | is over | is not over | Percentage is |
| 2011 | \$ --- | \$10,890 | \$ --- | \$14,710 | \$ --- | \$18,530 | \$ --- | \$22,350 | 100 |
| | 10,890 | 11,326 | 14,710 | 15,298 | 18,530 | 19,271 | 22,350 | 23,244 | 90 |
| | 11,326 | 11,761 | 15,298 | 15,887 | 19,271 | 20,012 | 23,244 | 24,138 | 80 |
| | 11,761 | 12,197 | 15,887 | 16,475 | 20,012 | 20,754 | 24,138 | 25,032 | 70 |
| | 12,197 | 12,632 | 16,475 | 17,064 | 20,754 | 21,495 | 25,032 | 25,926 | 60 |
| | 12,632 | 13,068 | 17,064 | 17,652 | 21,495 | 22,236 | 25,926 | 26,820 | 50 |
| | 13,068 | 13,504 | 17,652 | 18,240 | 22,236 | 22,977 | 26,820 | 27,714 | 40 |
| | 13,504 | 13,830 | 18,240 | 18,682 | 22,977 | 23,533 | 27,714 | 28,385 | 30 |
| | 13,830 | 14,157 | 18,682 | 19,123 | 23,533 | 24,089 | 28,385 | 29,055 | 20 |
| | 14,157 | 14,484 | 19,123 | 19,564 | 24,089 | 24,645 | 29,055 | 29,726 | 10 |
| 14,484 | --- | 19,564 | --- | 24,645 | --- | 29,726 | --- | 0 | |

These two schedules are for your records only and are **not** to be mailed to the Department of Revenue.

| AMENDED COMPUTATION SCHEDULE | |
|--|--|
| <i>Use if your estimated tax substantially changes after you make your first payment.</i> | |
| 1. Enter amended estimated tax | |
| 2. Less: | |
| (a) Amount of 2011 overpayment credited to 2012 estimated tax..... | |
| (b) Payments made on 2012 estimated tax to date..... | |
| (c) Total of Lines 2(a) and 2(b)..... | |
| 3. Unpaid balance (line 1 less line 2(c)) ... | |
| 4. Amount to be paid (line 3 divided by number of remaining installments less any unused 2011 overpayment credit). Enter here and in block on voucher..... | |

| RECORD OF ESTIMATED TAX PAYMENTS SCHEDULE | | | | |
|---|--------|----------------------------|--|--|
| | Col. A | Col. B | Col. C | Col. D |
| Voucher Number | Date | Amount from line 13 above. | 2011 overpayment credit applied to installment. Subtract C from B. | Amount to be paid with voucher. Enter here and on Vouchers 1-4.* |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| Total | | | | |

*If zero or less, do not file a voucher. If amount credited exceeds amount of installment enter excess in Column C of the next line.

SCHEDULE A

Form 740

42A740-A

Department of Revenue



KENTUCKY ITEMIZED DEDUCTIONS

➤ See instructions.

➤ Attach to Form 740.

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2011

Enter name(s) as shown on Form 740, page 1.

Your Social Security Number

| Medical and Dental Expenses | Do not include expenses reimbursed or paid by others. | | | | | |
|--|---|------|--|--|----|----|
| | 1. Medical and dental expenses..... | 1 | | | | |
| | 2. Enter 7.5% (.075) of the amount from Form 740, line 9..... | 2 | | | | |
| | 3. Total medical and dental. Subtract line 2 from line 1. If zero or less, enter -0-..... | ➤ 3 | | | 00 | |
| Taxes <i>Note: Sales and use taxes and new motor vehicle taxes are not deductible.</i> | 4. Local income taxes (do not include state income tax)..... | 4 | | | | |
| | 5. Real estate taxes..... | 5 | | | | |
| | 6. Personal property taxes..... | 6 | | | | |
| | 7. Other taxes (list) _____ | 7 | | | | |
| | 8. Total taxes. Add lines 4 through 7. Enter here | ➤ 8 | | | | 00 |
| Interest Expense <i>Note: Personal interest is not deductible.</i> | 9. Home mortgage interest and points reported to you on federal Form 1098..... | 9 | | | | |
| | 10. Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name, identifying number and address) _____ | 10 | | | | |
| | See instructions for lines 11 and 12. | | | | | |
| | 11. Points not reported to you on federal Form 1098..... | 11 | | | | |
| | 12. Qualified mortgage insurance premiums | 12 | | | | |
| | 13. Investment interest (attach federal Form 4952 if required) | 13 | | | | |
| | 14. Total interest. Add lines 9 through 13. Enter here | ➤ 14 | | | | 00 |
| Contributions <i>Note: For any contribution of \$250 or more, see instructions.</i> | 15. Contributions by cash or check..... | 15 | | | | |
| | 16. Other than cash or check (attach federal Form 8283 if over \$500) | 16 | | | | |
| | 17. Artistic charitable contributions deduction (attach copy of appraisal) | 17 | | | | |
| | 18. Carryover from prior year..... | 18 | | | | |
| | 19. Total contributions. Add lines 15 through 18. Enter here | ➤ 19 | | | | 00 |
| Casualty and Theft Losses | 20. Enter amount from attached federal Form 4684, Section A, line 16..... | 20 | | | | |
| | 21. Enter 10% (.10) of the amount from Form 740, line 9 | 21 | | | | |
| | 22. Total casualty or theft loss(es). Subtract line 21 from line 20. If zero or less, enter -0- | ➤ 22 | | | | 00 |
| Job Expenses and Most Other Miscellaneous Deductions | 23. Unreimbursed employee expenses—job travel, union dues, job education, etc. (attach Form 2106 or 2106-EZ if applicable) list _____ | 23 | | | | |
| | 24. Tax preparation fees..... | 24 | | | | |
| | 25. Other (investment, safe deposit box, etc.) list _____ | 25 | | | | |
| | 26. Add the amounts on lines 23, 24 and 25. Enter here | 26 | | | | |
| | 27. Enter 2% (.02) of the amount from Form 740, line 9..... | 27 | | | | |
| | 28. Total. Subtract line 27 from line 26. If zero or less, enter -0- | ➤ 28 | | | | 00 |
| Other Miscellaneous Deductions | 29. Other (see instructions) _____ | ➤ 29 | | | | 00 |
| Total Itemized Deductions | 30. Add lines 3, 8, 14, 19, 22, 28 and 29. Enter here | ➤ 30 | | | | 00 |

- ★ If single or married filing jointly, enter the total itemized deductions from line 30 on Form 740, line 10, column B.
- ★ All others go to page 2.



PART I—DIVIDING DEDUCTIONS BETWEEN SPOUSES

Use this schedule if married filing separately on a combined return.

1. Total itemized deductions from page 1, line 30 _____
 2. Percent of income (Form 740, line 9, Column A) to total income (Form 740, total of line 9, Columns A and B) _____ %
 3. Percent of income (Form 740, line 9, Column B) to total income (Form 740, total of line 9, Columns A and B) _____ %
 4. Percent on line 2 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column A) _____
 5. Percent on line 3 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column B) _____
-

SCHEDULE J



2011

Form 740

42A740-J (10-11)

KENTUCKY FARM INCOME AVERAGING

Department of Revenue

► See federal instructions for Schedule J.

► Attach to Form 740.

| | |
|---------------------------------------|-----------------------------|
| Enter name(s) as shown on tax return. | Your Social Security Number |
|---------------------------------------|-----------------------------|

Note: Compute tax using the Tax Table or the Tax Rate Schedule appropriate to each year. This is tax before credits.

| | | | | |
|---|----|---|---|--|
| 1. Enter your taxable income from Form 740, line 11..... | 1 | | | |
| 2. Enter your elected farm income . Do not exceed amount on federal Schedule J, line 2a* | 2 | | | |
| 3. Subtract line 2 from line 1. If zero or less, enter -0-..... | 3 | | | |
| 4. Compute the tax on the amount on line 3 using the 2011 tax rate or tax rate schedule..... | 4 | | | |
| 5. If you used Schedule J to figure your tax for: | | | | |
| • 2010, enter the amount from your 2010 Schedule J, line 11. | | | | |
| • 2009 but not 2010, enter the amount from your 2009 Schedule J, line 15. | | | | |
| • 2008 but not 2009 or 2010, enter the amount from your 2008 Schedule J, line 3..... | 5 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| Otherwise, enter the taxable income from your 2008 Form 740, line 11 or Form 740-EZ, line 3. If zero or less, see instructions. | | | | |
| 6. Divide the amount on line 2 by 3.0..... | 6 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 7. Add lines 5 and 6. If zero or less, enter -0-..... | 7 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 8. Compute the tax on the amount on line 7 using the 2008 tax rate or tax rate schedule..... | 8 | | | |
| 9. If you used Schedule J to figure your tax for: | | | | |
| • 2010, enter the amount from your 2010 Schedule J, line 15. | | | | |
| • 2009 but not 2010, enter the amount from your 2009 Schedule J, line 3..... | 9 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| Otherwise, enter the taxable income from your 2009 Form 740, line 11 or Form 740-EZ, line 3. If zero or less, see instructions. | | | | |
| 10. Enter the amount from line 6..... | 10 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 11. Add lines 9 and 10. If less than zero, enter as a negative amount..... | 11 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 12. Compute the tax on the amount on line 11 using the 2009 tax rate or tax rate schedule..... | 12 | | | |
| 13. If you used Schedule J to figure your tax for 2010, enter the amount from your 2010 Schedule J, line 3. Otherwise, enter the taxable income from your 2010 Form 740, line 11 or Form 740-EZ, line 3. If zero or less, see instructions..... | 13 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 14. Enter the amount from line 6..... | 14 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 15. Add lines 13 and 14. If less than zero, enter as a negative amount..... | 15 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 16. Compute the tax on the amount on line 15 using the 2010 tax rate or tax rate schedule..... | 16 | | | |
| 17. Add lines 4, 8, 12 and 16..... | 17 | | | |
| 18. If you used Schedule J to figure your tax for: | | | | |
| • 2010, enter the amount from your 2010 Schedule J, line 12. | | | | |
| • 2009 but not 2010, enter the amount from your 2009 Schedule J, line 16. | | | | |
| • 2008 but not 2009 or 2010, enter the amount from your 2008 Schedule J, line 4. Otherwise, enter the tax from your 2008 Form 740, line 12 or Form 740-EZ, line 4 | 18 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 19. If you used Schedule J to figure your tax for: | | | | |
| • 2010, enter the amount from your 2010 Schedule J, line 16. | | | | |
| • 2009 but not 2010, enter the amount from your 2009 Schedule J, line 4. Otherwise, enter the tax from your 2009 Form 740, line 12 or Form 740-EZ, line 4 | 19 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 20. If you used Schedule J to figure your tax for 2010, enter the amount from your 2010 Schedule J, line 4. Otherwise, enter the tax from your 2010 Form 740, line 12 or Form 740-EZ, line 4..... | 20 | <input style="width: 50px;" type="text"/> | <input style="width: 50px;" type="text"/> | |
| 21. Add lines 18 through 20 | 21 | | | |
| 22. Subtract line 21 from line 17. If the result is less than the tax on the taxable income on line 1, enter the tax on Form 740, line 12 and check the box | 22 | | | |

* **Caution:** If income from another state is included in the elected farm income on line 2, you must also compute the tax without the other state's income to determine the state tax limitation for credit for taxes paid to other states.

Instructions for Schedule J

Purpose of Form—Use Form Schedule J to elect to figure your 2011 Kentucky income tax by averaging, over the previous 3 years, all or part of your 2011 Kentucky taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2011 Kentucky income from farming or fishing is high and your taxable income for one or more of the 3 prior years was low.

Important Reminders when completing Kentucky Schedule J:

- You must file a federal Schedule J in order to complete a Kentucky Schedule J.
- Use Kentucky figures when completing Kentucky Schedule J.
- If income from another state is included in the elected farm income on line 2, you must also compute the tax without the other state's income to determine the state tax limitation for credit for tax paid to other states.
- You may need copies of your original or amended income tax returns for 2008, 2009 and 2010 to figure your tax on Kentucky Schedule J.
- Keep a copy of your 2011 income tax returns to use for your income averaging in 2012, 2013 or 2014.
- For definitions of farming business, fishing business and elected farm income, see federal instructions.
- Compute your tax using the Tax Table for the appropriate year or use the following tax rate schedule.

| <i>If taxable income is:</i> | <i>Tax before credit is:</i> |
|------------------------------|------------------------------------|
| \$ 0 – \$ 3,000 | 2% of taxable income |
| \$ 3,001 – \$ 4,000 | 3% of taxable income minus \$30 |
| \$ 4,001 – \$ 5,000 | 4% of taxable income minus \$70 |
| \$ 5,001 – \$ 8,000 | 5% of taxable income minus \$120 |
| \$ 8,001 – \$ 75,000 | 5.8% of taxable income minus \$184 |
| \$ 75,001 and up | 6% of taxable income minus \$334 |

General Instructions

Line 2, Elected Farm Income—See federal instructions.

Line 4—Compute the tax using the 2011 tax table or by using the tax rate schedule above.

Line 5—If you used Schedule J to figure your tax for:

- 2010 (that is, you entered the amount from the 2010 Schedule J, line 22 on line 12 of your 2010 Form 740), enter on line 5 the amount from your 2010 Schedule J, line 11.
- 2009 but not 2010, enter on line 5 the amount from your 2009 Schedule J, line 15.
- 2008 but not 2009 or 2010, enter on line 5 the amount from your 2008 Schedule J, line 3.

Otherwise, enter the taxable income from your **2008** Form 740, line 11 or Form 740-EZ, line 3. If the amount entered is zero or less, see federal instructions.

Line 8—Compute the tax on line 7 using the 2008 tax table or by using the tax rate schedule above.

Line 9—If you used Schedule J to figure your tax for:

- 2010 (that is, you entered the amount from the 2010 Schedule J, line 22 on line 12 of your 2010 Form 740), enter on line 9 the amount from your 2010 Schedule J, line 15.
- 2009 but not 2010, enter on line 9 the amount from your 2009 Schedule J, line 3.

Otherwise, enter the taxable income from your **2009** Form 740, line 11 or Form 740-EZ, line 3. If the amount entered is zero or less, see federal instructions.

Line 12—Compute the tax on line 11 using the 2009 tax table or by using the tax rate schedule above.

Line 13—If you used Schedule J to figure your tax for:

- 2010 (that is, you entered the amount from the 2010 Schedule J, line 22 on line 12 of your 2010 Form 740), enter on line 13 the amount from your 2010 Schedule J, line 3.

Otherwise, enter the taxable income from your **2010** Form 740, line 11 or Form 740-EZ, line 3. If the amount entered is zero or less, see federal instructions.

Line 16—Compute the tax on line 11 using the 2010 tax table or by using the tax rate schedule above.

Line 18—If you used Schedule J to figure your tax for:

- 2010, enter the amount from your 2010 Schedule J, line 12.
- 2009 but not 2010, enter the amount from your 2009 Schedule J, line 16.
- 2008 but not 2009 or 2010, enter the amount from your 2008 Schedule J, line 4.

Otherwise, enter the tax from your 2008 Form 740, line 12 or Form 740-EZ, line 4.

Line 19—If you used Schedule J to figure your tax for:

- 2010, enter the amount from your 2010 Schedule J, line 16.
- 2009 but not 2010, enter the amount from your 2009 Schedule J, line 4.

Otherwise, enter the tax from your **2009** Form 740, line 12 or Form 740-EZ, line 4.

Line 20—If you used Schedule J to figure your tax for:

- 2010, enter the amount from your 2010 Schedule J, line 4.

Otherwise, enter the tax from your 2010 Form 740, line 12 or Form 740-EZ, line 4.

SCHEDULE KNOL

42A740-KNOL
Department of Revenue



KENTUCKY

2011

NET OPERATING LOSS SCHEDULE

Attach to Form 740, Form 740-NP or Form 741.

Enter name(s) as shown on tax return. Social Security or Federal Identification Number

- 1. Enter amount from Form 740, line 9 (Form 740-NP, line 9) (estates and trusts, skip lines 1 and 2)
2. Enter deductions from Form 740, line 10 (Form 740-NP, line 10 or 12)
3. Combine lines 1 and 2 (estates and trusts, enter taxable income)

Note: If line 3 is zero or more, do not complete rest of schedule. You do not have a net operating loss.

Adjustments

4. Enter your nonbusiness capital losses (enter as a positive number)
5. Enter your nonbusiness capital gains (see federal 1045 instructions)
6. If line 4 is more than line 5, enter difference; otherwise, enter zero
7. If line 5 is more than line 4, enter difference; otherwise, enter zero
8. Nonbusiness deductions
9. Nonbusiness income (other than capital gains)
10. Add lines 7 and 9
11. If line 8 is more than line 10, enter difference; otherwise, enter zero
12. If line 10 is more than line 8, enter difference (but do not enter more than line 7); otherwise, enter zero
13. Enter your business capital losses (enter as a positive number)
14. Enter your business capital gains
15. Add lines 12 and 14
16. If line 13 is more than line 15, enter difference; otherwise, enter zero
17. Add lines 6 and 16
18. Enter the loss, if any, from federal Form 1040, Schedule D, line 16. (Estates and trusts, enter the loss, if any, from Form 741, Schedule D, line 17, column 3.) Enter as a positive number. If you do not have a loss on that line (and do not have a Section 1202 exclusion), skip lines 18 through 23 and enter on line 24 the amount from line 17
19. Enter Section 1202 exclusion. Enter as a positive number
20. Subtract line 19 from line 18
21. Enter the loss from federal Form 1040, Schedule D, line 21. (Estates and trusts, enter the loss from Form 741, Schedule D, line 18.) Enter as a positive number
22. If line 20 is more than line 21, enter the difference; otherwise, enter -0-
23. If line 21 is more than line 20, enter the difference; otherwise, enter -0-
24. Subtract line 22 from line 17
25. Domestic production activities deduction from federal Form 1040, Form 1040NR or Form 1041
26. Net operating losses from other years (enter as a positive number)
27. Add lines 11, 19, 23, 24, 25 and 26
28. Combine lines 3 and 27. This is your net operating loss to be claimed in subsequent years

Note: If line 28 is zero or more, you do not have a net operating loss.

INSTRUCTIONS FOR SCHEDULE KNOL

Computation of Net Operating Loss

Purpose of Schedule—Schedule KNOL is to be used by an individual, estate or trust to compute a Kentucky net operating loss (KNOL) deduction. Schedule KNOL is to be used only in the year the loss occurred.

Net Operating Losses—For 2005 and future years, the carryback of net operating losses to prior years is no longer allowed. Net operating losses may be carried forward for up to 20 years. Documentation to substantiate any loss must be available to the Department of Revenue upon request.

Line 8—Nonbusiness deductions are those not connected with a trade or business.

The standard deduction from line 2 above is allowed as a nonbusiness deduction if you do not itemize deductions. Itemized deductions are usually nonbusiness except for casualty loss deductions and any employee expenses. See federal Form 1045 for further instructions.

Line 9—Nonbusiness income (other than capital gains)—Include income that is not from trade or business. Examples are dividends, annuities and interest on investments. See federal Form 1045 for further instructions.

Lines 18 and 19—Adjust this amount by the appropriate addition or subtraction entered on Schedule M. For more information, see federal regulation Section 1.172-3 and federal Publication 536, Net Operating Losses.

Note: Attach statement reflecting amount of original net operating loss and amount(s) utilized each prior year.

SCHEDULE M



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2011

Form 740
42A740-M

**KENTUCKY
FEDERAL ADJUSTED GROSS INCOME
MODIFICATIONS**

Department of Revenue

► **Attach to Form 740.**

Enter name(s) as shown on tax return.

Your Social Security Number

PART I ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME

- 1 Enter interest income from bonds issued by other states and their political subdivisions..... 1
- 2 Enter self-employed health insurance deduction from federal Form 1040, line 29..... 2
- 3 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1..... 3
- 4 Enter federal depreciation from Form 4562..... 4
- 5 Enter federal Net Operating Loss 5
- 6 Enter federal domestic production activities deduction from federal Form 8903, line 25..... 6
- 7 Other additions (list and enter total):
(a) _____
(b) _____
(c) _____ 7
- 8 Total Additions. Enter here and on Form 740, page 1, line 6 8

A. Spouse
(Use if Filing Status 2 is checked.)

B. Yourself
(or Joint)

| 1 | 00 | 1 | 00 | |
|----|----|----|----|--|
| 2 | 00 | 2 | 00 | |
| 3 | 00 | 3 | 00 | |
| 4 | 00 | 4 | 00 | |
| 5 | 00 | 5 | 00 | |
| 6 | 00 | 6 | 00 | |
| 7 | 00 | 7 | 00 | |
| 8 | 00 | 8 | 00 | |
| 9 | 00 | 9 | 00 | |
| 10 | 00 | 10 | 00 | |
| 11 | 00 | 11 | 00 | |
| 12 | 00 | 12 | 00 | |
| 13 | 00 | 13 | 00 | |
| 14 | 00 | 14 | 00 | |
| 15 | 00 | 15 | 00 | |
| 16 | 00 | 16 | 00 | |
| 17 | 00 | 17 | 00 | |
| 18 | 00 | 18 | 00 | |
| 19 | 00 | 19 | 00 | |
| 20 | 00 | 20 | 00 | |

PART II SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME

- 9 Enter state income tax refund or credit reported as income on federal Form 1040..... 9
- 10 Enter interest income from U.S. government bonds and securities..... 10
- 11 Enter excludable amount of retirement income (attach Schedule P if more than \$41,110) 11
- 12 Enter taxable amount of Social Security and Railroad Retirement Board benefits from federal Form 1040, line 20(b) (1040A, line 14(b)) 12
- 13 Enter long-term care insurance premiums..... 13
- 14 Enter health insurance premiums not previously deducted from income. Do not include premiums paid with pretax dollars (cafeteria plan)..... 14
- 15 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1 15
- 16 Enter Kentucky depreciation from revised Form 4562 16
- 17 Enter Kentucky Net Operating Loss 17
- 18 Enter Kentucky domestic production activities deduction (see instructions)..... 18
- 19 Other subtractions (list and enter total):
(a) _____
(b) _____
(c) _____ 19
- 20 Total Subtractions. Enter here and on Form 740, page 1, line 8 20

SCHEDULE P



2011

42A740-P
Department of Revenue

Use this form to calculate
excludable retirement income.

KENTUCKY
PENSION INCOME EXCLUSION

Attach to Form 740, 740-NP or 741.

Enter name(s) as shown on tax return. Your Social Security Number

Complete this schedule and file with Form 740 if:

- 1. your taxable pension and retirement income from all sources is greater than \$41,110; and
(a) you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or
(b) you receive supplemental (Tier 2) U.S. Railroad Retirement Board benefits.
2. you file Form 4972-K, Tax on Lump-Sum Distributions.

All others, STOP, you do not need to complete Schedule P. See instructions for Schedule M, line 11.

PART I—EXEMPT RETIREMENT INCOME (Do Not Include Income From Deferred Compensation Plans)

- 1. Enter on line (a) or (b) the amount of federal, Kentucky state and Kentucky local government pension income attributable to service credit earned before January 1, 1998, and supplemental (Tier 2) U.S. Railroad Retirement Board benefits included on federal Form 1040, line 16(b) (Form 1040A, line 12(b)). Also include federal or Kentucky disability retirement income attributable to service credit earned before January 1, 1998.

(a) If date of retirement is before January 1, 1998, enter here.

Table with columns: Names of Payers, Date of Retirement, A. Spouse, B. Yourself. Includes a Total row.

(b) If date of retirement is after December 31, 1997, see the instructions.

Table with columns: Names of Payers, Date of Retirement, Taxable Pension, Exempt Percentage, A. Spouse, B. Yourself. Includes a Total row.

(c) Add lines 1(a) and 1(b)..... (c)

PART II—OTHER RETIREMENT INCOME (Amounts Not Included in Line 1(c))

2. Enter the total of taxable retirement income not included in line 1(c) above as reported on federal Form 1040, line 15(b) and 16(b) (Form 1040A, line 11(b) and 12(b)). Also report other disability retirement income or deferred compensation included on federal Form 1040, line 7 (Form 1040A, line 7)..... 2

PART III—TOTAL TO BE EXCLUDED THIS YEAR

3. Enter the lesser of line 2 or \$41,110..... 3
4. Add lines 1(c) and 3. Enter here and on Schedule M, line 11 (Form 740-NP, page 4, line 10(b) or Form 741, line 11)..... 4

Joint filers—Combine lines 4(a) and 4(b) and enter on appropriate form.

STOP Stop here unless you have a lump-sum distribution reported on Form 4972-K.

INSTRUCTIONS—SCHEDULE P

Types of Income Subject to Exclusion—All pension and retirement income paid under a written retirement plan is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, death benefits, and other similar accounts or plans. As a general rule, if the income is reported on the federal income tax return, Form 1040, line 15(b) or 16(b); Form 1040A, line 11(b) or 12(b); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 7 or 1040A, line 7, then it qualifies for the exclusion.

Form 740-NP filers report only pension income received while a resident of Kentucky.

LINE-BY-LINE INSTRUCTIONS

Column A, Column B—This exclusion is for each taxpayer. A husband and wife must compute and claim their own exclusion, regardless of filing status.

PART I—Exempt Retirement Income—Enter the federally taxable portion of pension income paid by the federal government, by the Commonwealth of Kentucky, or by any Kentucky local government. Also include supplemental (Tier 2) U.S. Railroad Retirement Board benefits reported on Form 1040, line 16(b) (Form 1040A, line 12(b)) and federal or Kentucky disability retirement income included on federal Form 1040, line 7 (Form 1040A, line 7). Do not include income from deferred compensation plans in Part I.

Use Line 1(a) if retired before January 1, 1998, to report fully exempt pension benefits.

Use Line 1(b) if retired after December 31, 1997, to compute the amount of pension income attributable to service credits earned before January 1, 1998. Multiply the taxable pension

by the exempt percentage, enter the result (exempt amount) in Column A or Column B. **Use the worksheet below to compute the exempt percentage in the year of retirement.**

Note: Subtract the exempt amount from the taxable pension amount and include the difference with other retirement income in Part II.

PART II—Other Retirement Income, Line 2—Enter the amount reported on federal Form 1040 or 1040A of non-lump-sum pension and retirement income not reported on line 1(c). Also include amounts from Schedule M, line 7 (Form 740-NP, page 4, line 16) that reflect pension and IRA bases differences.

PART III—Total to Be Excluded This Year, Line 3—Enter the lesser of the amount on line 2 or \$41,110.

Line 4—Enter the total of lines 1(c) and 3. This is your pension income exclusion. Enter on line 4 and as follows: Schedule M, line 11; Form 740-NP, page 4, line 10(b); or Form 741, page 1, line 11.

DEFINITIONS—For use with Schedule P and the worksheet below.

Service Credit—Number of months (years) used by your retirement system to determine retirement benefits.

Purchased Service Credit—Voluntary purchases of service credit as allowed by your retirement system (i.e., military service or prior service with the same or similar system). **Note:** Purchased time is credited based on the dates of service.

Purchased Service Credit (Air-time)—Certain retirement plans allow for the purchase of up to five years of service credit unrelated to prior work history. These purchases are commonly known as air-time. Air-time is not included in total service earned after December 31, 1997, regardless of when purchased.

Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97



Complete this worksheet only if you retired in 2011 or have not computed your exempt percentage in prior years. Keep this worksheet in your records. The percentage will be used this year and in future years to determine the amount of exempt retirement income.

Complete this worksheet to determine what percentage of your pension income is exempt. This percentage must be calculated for each pension.

If your retirement system has computed the exempt amount (earned before January 1, 1998), enter the amount on page 1, line 1(b), column A or B. If your retirement system has computed the exempt percentage, **enter the exempt percentage on page 1, line 1(b) in the exempt percentage column.** Use a separate worksheet for each governmental pension. Retain this worksheet with your tax records. **Use the percentage on line 4 to compute the exempt portion of your pension in future years.**

1. Enter total months of service credit including purchased service..... _____
2. Enter months of service credit earned after 12/31/97. Include sick leave credited at date of retirement, and service credit from purchase of military and other service earned after 12/31/97. Do not include purchased credit unrelated to prior work history (air-time) _____
3. Subtract line 2 from line 1. Total months of service before January 1, 1998..... _____
4. Divide line 3 by line 1. Enter here and on page 1, line 1(b), in the exempt percentage column..... _____
Use this percentage to determine the amount of pension attributable to service earned before 1/1/98.

SCHEDULE UTC



42A740-UTC (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Taxable Year
Ended

131

____ / ____
Mo. Yr.

UNEMPLOYMENT TAX CREDIT KRS 141.065

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

| | | |
|----------------|-------------|--|
| Name of Entity | | Social Security Number ____-____-____ |
| Street Address | Apt. Number | Federal Employer ID Number ____-____-____ |
| City | State | ZIP Code |
| | | Kentucky Corporation/LLET Account Number ____-____-____ |

PERSONS EMPLOYED

Enter below the name(s), Social Security number(s) and Office of Employment and Training Certificate number(s) of employee(s) for whom you are claiming a credit. Also enter the date employed and the last date employee was on your payroll during the tax year.

| | Employee's Name | Social Security Number | Office of Employment and Training Certificate Number | Employment Dates | | | | | |
|-----|-----------------|------------------------|---|------------------|-----|-----|-----------------------|-----|-----|
| | | | | Date Employed | | | Date Employed Through | | |
| | | | | Mo. | Day | Yr. | Mo. | Day | Yr. |
| 1. | | | | | | | | | |
| 2. | | | | | | | | | |
| 3. | | | | | | | | | |
| 4. | | | | | | | | | |
| 5. | | | | | | | | | |
| 6. | | | | | | | | | |
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| 9. | | | | | | | | | |
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| 11. | | | | | | | | | |
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| 16. | | | | | | | | | |
| 17. | | | | | | | | | |
| 18. | | | | | | | | | |
| 19. | | | | | | | | | |
| 20. | | | | | | | | | |
| 21. | | | | | | | | | |
| 22. | | | | | | | | | |
| 23. | | | | | | | | | |

24. Enter total number of employees listed above 24



PERSONS EMPLOYED—continued

| | | |
|--|----|--|
| 25. Enter total number of employees listed on line 24..... | 25 | |
| 26. Unemployment tax credit (multiply line 25 by \$100)..... | 26 | |
| 27. Form 720—Enter on Schedule TCS, Part II, Columns E and F..... | 27 | |
| 28. Form 720S—Enter on Schedule TCS, Part II, Column E and on Form 720S, Schedule K..... | 28 | |
| 29. Form 725—Enter on Schedule TCS, Part II, Column E..... | 29 | |
| 30. Form 740—Enter on Form 740, Section A..... | 30 | |
| 31. Form 740-NP—Enter on Form 740-NP, Section A..... | 31 | |
| 32. Form 741—Enter on Form 741, Line 18..... | 32 | |
| 33. Form 765—Enter on Schedule TCS, Part II, Column E and on Form 765, Schedule K..... | 33 | |
| 34. Form 765-GP—Enter on Form 765-GP, Schedule K..... | 34 | |

INSTRUCTIONS FOR SCHEDULE UTC

KRS 141.065(2) provides a tax credit for a taxpayer against the tax imposed by KRS 141.020 or 141.040 and 141.0401 for any taxable year, with the ordering of the credits as provided in KRS 141.0205, in an amount equal to one hundred dollars (\$100) for each person hired by the taxpayer, if that person has been classified as unemployed by the Office of Employment and Training of the Department of Workforce Investment in the Education and Workforce Development Cabinet and has been so classified for at least sixty (60) days prior to his employment by the taxpayer, and if that person has remained in the employ of the taxpayer for at least one hundred eighty (180) consecutive days during the taxable year in which the taxpayer claims the credit.

KRS 141.065(3) provides that no credit shall be allowed to any taxpayer for any person hired under any of the following circumstances: (a) A person for whom the taxpayer receives federally funded payments for on-the-job training; (b) For any person who bears any of the relationships to the taxpayer described in paragraphs (1) through (8) of Section 152(a) of the Internal Revenue Code, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than fifty percent (50%) in value of the outstanding stock of the corporation as determined with the application of Section 267(c) of the Internal Revenue Code; (c) If the taxpayer is an estate or trust, to any person who is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in paragraphs (1) through (8) of Section 152(a) of the Internal Revenue Code to a grantor, beneficiary, or fiduciary of the estate or trust; or (d) To any person who is a dependent of the taxpayer as described in Section 152(a) (9) of the Internal Revenue Code, or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.

KRS 141.065(4) and (5) provide that related corporations or unincorporated trades and business shall be treated as a single employer for purposes of the tax credit, and in no instance shall the credit for any qualified employee be claimed more than once for any tax year. Also, KRS 141.065(6) provides that no tax credit shall be allowed to any organization which is exempt from income tax as provided by KRS Chapter 141.

KRS 141.065(7) provides that the tax credit for a pass-through entity shall be applied at the entity level against the limited liability entity tax imposed by KRS 141.0401 and also shall be distributed to each partner, member or shareholder based on the partner's, member's or shareholder's pro rata share.

KRS 141.065(8) provides that the tax credit for an estate or trust shall be apportioned between the estate or trust and the beneficiaries on the basis of income of the estate or trust allocable to each.



**APPLICATION FOR
REFUND OF INCOME TAXES**

*For Use by Individuals,
Fiduciaries and Corporations*



Under the provisions of KRS 141.235 and Regulation 103 KAR 15:040, the undersigned taxpayer requests a refund of income taxes paid as shown below:

Taxpayer Income Tax Account Number

1. Name of taxpayer: _____

2. Address: _____

Number and street or rural route

City, town or post office

County

State

ZIP Code

3. Type of taxpayer (individual, fiduciary, corporation): _____

4. Taxable year involved (indicate dates of fiscal year, if applicable): _____

5. (a) Amount of taxes paid with return and/or by declaration: _____

(b) Amount of taxes paid on assessment (if applicable): _____

6. Dates of payment(s): _____

7. Validation number imprinted by this department on each check used in making payments (if payment was made by taxpayer's check). *If more than one payment was made, indicate each date and validation number separately:*

8. Amount of tax refund requested: _____

9. Statement of taxpayer's reasons for believing that a refund should be granted (attach schedule if necessary):

I, the undersigned, hereby certify that there is no tax liability for income taxes or any other taxes due or owing the Commonwealth of Kentucky by this applicant, and declare under the penalties of perjury that I have examined this application (including any attached schedules and statements) and to the best of my knowledge the statements contained herein are true, complete and correct.

Signature of individual taxpayer or fiduciary

Date

Spouse's signature if tax paid by joint return

Signature of principal corporation officer or chief accounting officer

Date

Signature and firm or employer of preparer of this application if other than the taxpayer

| PTE-WH 40A200 (10-11) | | KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME | | Taxable Year Ending Mo. / Yr. | | |
|---|--|---|--|--|--|----|
| | | <input type="checkbox"/> Amended <input type="checkbox"/> Composite | | | | |
| (1) Pass-through entity's FEIN | | | | 6 | | 00 |
| (2) Pass-through entity's Kentucky Corporation/LLET Acct. No. | | | | 7 | | 00 |
| (3) Pass-through entity's name, address and ZIP Code | | | | 8 | | 00 |
| (4) Partner's, member's or shareholder's Social Security Number or FEIN <input type="checkbox"/> Check Box if a Corporation | | | | 9 | | 00 |
| (5) Partner's, member's or shareholder's name, address and ZIP Code | | | | Copy A – For Kentucky Department of Revenue | | |

| PTE-WH 40A200 (10-11) | | KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME | | Taxable Year Ending Mo. / Yr. | | |
|---|--|---|--|---|--|----|
| | | <input type="checkbox"/> Amended <input type="checkbox"/> Composite | | | | |
| (1) Pass-through entity's FEIN | | | | 6 | | 00 |
| (2) Pass-through entity's Kentucky Corporation/LLET Acct. No. | | | | 7 | | 00 |
| (3) Pass-through entity's name, address and ZIP Code | | | | 8 | | 00 |
| (4) Partner's, member's or shareholder's Social Security Number or FEIN <input type="checkbox"/> Check Box if a Corporation | | | | 9 | | 00 |
| (5) Partner's, member's or shareholder's name, address and ZIP Code | | | | Copy B – File With Individual's or Corporation's Income Tax Return | | |

| PTE-WH 40A200 (10-11) | | KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME | | Taxable Year Ending Mo. / Yr. | | |
|---|--|---|--|---|--|----|
| | | <input type="checkbox"/> Amended <input type="checkbox"/> Composite | | | | |
| (1) Pass-through entity's FEIN | | | | 6 | | 00 |
| (2) Pass-through entity's Kentucky Corporation/LLET Acct. No. | | | | 7 | | 00 |
| (3) Pass-through entity's name, address and ZIP Code | | | | 8 | | 00 |
| (4) Partner's, member's or shareholder's Social Security Number or FEIN <input type="checkbox"/> Check Box if a Corporation | | | | 9 | | 00 |
| (5) Partner's, member's or shareholder's name, address and ZIP Code | | | | Copy C – Keep With Individual's or Corporation's Records | | |

| PTE-WH 40A200 (10-11) | | KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME | | Taxable Year Ending Mo. / Yr. | | |
|---|--|---|--|---|--|----|
| | | <input type="checkbox"/> Amended <input type="checkbox"/> Composite | | | | |
| (1) Pass-through entity's FEIN | | | | 6 | | 00 |
| (2) Pass-through entity's Kentucky Corporation/LLET Acct. No. | | | | 7 | | 00 |
| (3) Pass-through entity's name, address and ZIP Code | | | | 8 | | 00 |
| (4) Partner's, member's or shareholder's Social Security Number or FEIN <input type="checkbox"/> Check Box if a Corporation | | | | 9 | | 00 |
| (5) Partner's, member's or shareholder's name, address and ZIP Code | | | | Copy D – For Pass-through Entity's Records | | |

A pass-through entity must complete this form or approved substitute form for each nonresident individual, estate or trust partner, member or shareholder; or each C corporation partner or member doing business in Kentucky only through its ownership interest in the pass-through entity. Copy A of PTE-WH must be attached to Form 740NP-WH filed with the Kentucky Department of Revenue. Copies B and C of Form PTE-WH shall be furnished to each partner, member or shareholder by the 15th day of the fourth month following the close of the taxable year.

INSTRUCTIONS

1. Enter the pass-through entity's federal employer identification number (FEIN).
2. Enter the pass-through entity's Kentucky Corporation/LLET Account Number.
3. Enter the pass-through entity's name, address and ZIP Code.
4. Enter the partner's, member's or shareholder's Social Security Number or FEIN. Check the box if a corporation.
5. Enter the partner's, member's or shareholder's name, address and ZIP Code.
6. Enter the partner's, member's or shareholder's distributive share income subject to withholding (from Kentucky Schedule K-1, combine income and loss items and multiply by the apportionment fraction on Schedule A, Section I, Line 12).
7. Enter the amount on Line 6 multiplied by six percent (6%).
8. Enter the partner's, member's or shareholder's distributive share of credits.
9. Enter the amount of Line 7 less Line 8. This is the amount of Kentucky income tax withheld.

INSTRUCTIONS TO MEMBER, PARTNER OR SHAREHOLDER

ATTACH Copy B of Form PTE-WH to your nonresident Kentucky individual, estate, trust or C corporation income tax return to claim the income tax withheld. A nonresident individual partner, member or shareholder of a pass-through entity doing business in Kentucky must file a Form 740-NP, Kentucky Individual Income Tax Return Nonresident or Part-Year Resident, and pay income tax on all Kentucky source income. An estate or trust partner, member or shareholder must file a Form 741, Kentucky Fiduciary Income Tax Return, and pay income tax on all Kentucky source income. A C corporation partner or member must file Form 720, Kentucky Corporation Income Tax and LLET Return, and pay income tax on all of its income allocated and apportioned to Kentucky as provided by KRS 141.120.

If a nonresident individual's, estate's or trust's only Kentucky source income is distributive share income from pass-through entities, the withholding on PTE-WH and the payment of tax by the pass-through entities will satisfy the nonresident individual's, estate's or trust's Kentucky filing requirement as provided by KRS 141.020 and 141.180. A nonresident individual, estate or trust **may** be able to claim a credit for tax paid on distributive share income to Kentucky on their resident state return. Check with the resident state for allowable credits and any necessary verification required.

KEEP THIS COPY FOR YOUR RECORDS

A pass-through entity must complete this form or approved substitute form for each nonresident individual, estate or trust partner, member or shareholder; or each C corporation partner or member doing business in Kentucky only through its ownership interest in the pass-through entity. Copy A of PTE-WH must be attached to Form 740NP-WH filed with the Kentucky Department of Revenue. Copies B and C of Form PTE-WH shall be furnished to each partner, member or shareholder by the 15th day of the fourth month following the close of the taxable year.

INSTRUCTIONS

1. Enter the pass-through entity's federal employer identification number (FEIN).
2. Enter the pass-through entity's Kentucky Corporation/LLET Account Number.
3. Enter the pass-through entity's name, address and ZIP Code.
4. Enter the partner's, member's or shareholder's Social Security Number or FEIN. Check the box if a corporation.
5. Enter the partner's, member's or shareholder's name, address and ZIP Code.
6. Enter the partner's, member's or shareholder's distributive share income subject to withholding (from Kentucky Schedule K-1, combine income and loss items and multiply by the apportionment fraction on Schedule A, Section I, Line 12).
7. Enter the amount on Line 6 multiplied by six percent (6%).
8. Enter the partner's, member's or shareholder's distributive share of credits.
9. Enter the amount of Line 7 less Line 8. This is the amount of Kentucky income tax withheld.



- Check if Composite Income Tax Return
 Amended Return
 Estimated Payment
 Extension Payment
 Change of address

**KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON
 DISTRIBUTIVE SHARE INCOME REPORT
 AND COMPOSITE INCOME TAX RETURN
 (To be completed by Pass-through Entities Only)**

Taxable period beginning _____, 2011, and ending _____, 201__.

| | | |
|--|-------|----------|
| (1) Federal Identification Number | | |
| (2) Kentucky Corporation/LLET Account Number | | |
| (3) Name of Pass-through Entity | | |
| Street Address | | |
| City | State | ZIP Code |
| (4) Number of nonresident individuals, estates, trusts and C corporations subject to withholding | 4 | |
| (5) Number of nonresident individuals, estates, and trusts subject to income tax (composite return only) | 5 | |
| (6) Kentucky distributive share income before apportionment (see instructions) | 6 | 00 |
| (7) 100% or the apportionment factor from Schedule A, Section I, line 12 | 7 | % |
| (8) Kentucky distributive share income subject to withholding/income tax (line 6 multiplied by line 7) | 8 | 00 |
| (9) Tax before credit (line 8 multiplied by .06 (6%)) | 9 | 00 |
| (10) Enter pass-through partners', members' or shareholders' non-refundable credits (attach schedule) | 10 | 00 |
| (11) Kentucky income tax due (line 9 less line 10) | 11 | 00 |
| (12) Amount paid (see instructions) | 12 | 00 |
| (13) Balance of tax due. If line 11 is greater than line 12, enter line 11 less line 12. | 13 | 00 |
| (14) Tax overpayment. If line 11 is less than line 12, enter line 12 less line 11. | 14 | 00 |
| (15) Amount credited to 2012 | 15 | 00 |
| (16) Amount to be refunded (line 14 less line 15) | 16 | 00 |

**Make check(s) or money order(s)
 payable to: Kentucky State Treasurer**

**Mail to:
 Kentucky Department of Revenue
 Frankfort, KY 40619-0006**

TAX PAYMENT SUMMARY
 (Round to nearest dollar)

| | |
|-------------------|----------|
| 1. Tax (Line 13)) | \$ _____ |
| 2. Penalty | \$ _____ |
| 3. Interest | \$ _____ |
| 4. Total Payment | \$ _____ |

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Print name of partner, member or shareholder Signature of partner, member or shareholder Daytime telephone number Date

Name of person or firm preparing return Date

 SSN, PTIN or FEIN

May the DOR discuss this return with the preparer?

Yes No

Email Address:

Telephone No.:

INSTRUCTIONS—Form 740NP-WH

A pass-through entity must complete this form and mail with payment to the Kentucky Department of Revenue by the 15th day of the fourth month following the close of the taxable year. Copy(ies) A of Form PTE-WH, or approved substitute, must be included. This form shall also be used to file estimated payments if filing a composite return for taxable years beginning in 2011.

Purpose of this Form—Form 740NP-WH (40A201) is used by every pass-through entity required to file a return as provided by KRS 141.206(2), except publicly traded partnerships as defined in KRS 141.0401(6)(r), to withhold Kentucky income tax on the distributive share, whether distributed or undistributed, of each nonresident individual 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 provided in KRS 141.020 or 141.040. **It is also used to file a composite income tax return for those electing nonresident individual partners, members or shareholders exempt from withholding.**

“Individual” means an individual, estate or trust. The tax imposed by KRS 141.020 upon individuals shall apply to estates and trusts and to all fiduciaries. **KRS 141.030(1)**

A “Partnership or S corporation partner, member or shareholder” is not subject to withholding. A partnership or S corporation is classified as a pass-through entity as provided by KRS 141.010(26) and is not classified as a corporation or an individual.

Form PTE-WH (40A200) shall be completed for each partner, member or shareholder, and Copy A of PTE-WH for each partner, member or shareholder shall be attached to the 740NP-WH filed with the Department of Revenue. The total of the income tax withheld on the PTE-WH forms, Line 9 must equal the amount on 740NP-WH, Line 11. Also, see the instructions on PTE-WH.

Specific Instructions

Check applicable box to indicate type of filing as follows:

If filing a **composite income tax return**, check this box and complete lines 1 through 16. Enter on Line 12 the total amount of estimated taxes paid and taxes paid with extension. A schedule PTE-WH shall be attached for each electing nonresident individual partner, member or shareholder reporting their name, address, Social Security number, net distributive share income and tax due. The balance of tax due for all 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 required by the provisions of KRS 141.300 on Form 740NP-WH. If the composite return is subject to declaration payments but did not make any payment or did not pay at least 70% of the tax liability, use Kentucky Form 2210-K to calculate the penalty and interest.

Enter the amount from Line 11 of 740NP-WH on Part II, Line 1.c. of Form 2210-K. Enter the amount of declaration payments (excluding any other type payment, i.e., extension payment) on Part II, Line 4.c. of Form 2210-K. Then complete Form 2210-K, Part II to calculate the penalty.

To calculate interest, enter the amount from Line 11 of 740NP-WH on Part III, Lines 1 and 5 of Form 2210-K and the amount from Line 11 of the 2010 740NP-WH on Part III, Line 6 of Form 2210-K. Then complete Form 2210-K, Part III to calculate the interest due.

If filing an **amended return**, check this box and complete lines 1 through 16. Enter on Line 12 the total amount of estimated taxes paid, **credit from prior year Form 740NP-WH**, taxes paid with the extension and taxes paid with the original return. If PTE-WH forms are being amended, check the amended box on each PTE-WH form to indicate that the form is being amended and attach Copy A of each amended PTE-WH to the amended 740NP-WH filed with the Department of Revenue.

If filing an **estimated payment**, check this box and complete lines 1, 2, 3 and 12. Enter on Line 12 the amount of the estimated tax payment. Form 740NP-WH is used to make estimated tax payments for taxable years beginning in 2011. For taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

If filing an **extension payment**, check this box and complete lines 1, 2, 3 and 12. Enter on Line 12 the amount of the extension payment. Form 740NP-WH is used if filing an extension for taxable years beginning in 2011. For taxable years beginning on or after January 1, 2012, use Form 740NP-WH-SL.

If filing an **original return**, do not check any boxes and complete lines 1 through 16. Enter on Line 12 the total amount of estimated taxes paid, **credit from prior year Form 740NP-WH** and taxes paid with the extension.

If the pass-through entity has a **change of address**, check this box.

LINE-BY-LINE INSTRUCTIONS

Line 1—Enter the pass-through entity’s federal employer identification number (FEIN).

Line 2—Enter the pass-through entity’s Kentucky Corporation/LLET Account Number.

Line 3—Enter the pass-through entity’s name, address and ZIP code.

Line 4—Enter the number of nonresident individuals (“individual” means an individual, estate or trust) and C corporations doing business in Kentucky only through their ownership interest in the pass-through entity, subject to withholding.

Line 5—If filing a composite return, enter the number of nonresident individuals (“individual” means an individual, estate or trust) doing business in Kentucky only through their ownership interest in the pass-through entity, subject to income tax.

Line 6—Enter the total distributive share income reported to nonresident individuals and C corporations as defined in the instructions for Line 4 or Line 5.

Line 7—Enter 100% or the apportionment factor from Schedule A, Section I, Line 12, if applicable.

Line 8—Enter the amount of Line 6 multiplied by the percentage on Line 7.

Line 9—Enter the amount of Line 8 multiplied by six percent (6%).

Line 10—Enter nonrefundable credits passed through to the pass-through entity’s partners, members or shareholders. **Note: The allowable LLET credit is limited to the amount of income tax calculated at the individual (KRS 141.020) or corporate (KRS 141.040) tax rates on distributive share income being reported for each individual or corporate partner, member or shareholder. Individual income tax estimates made by the pass-through entity’s partners, members or shareholders or estimates made by the pass-through entity for LLET purposes are not to be reported on this line.**

Line 11—Enter the amount of Line 9 less Line 10. This shall be equal to the total amount of Kentucky income tax withheld as shown on the PTE-WH forms, Line 9.

Line 12—Enter the taxes paid, see **Specific Instructions** above for the amount to enter on this line.

Line 13—If Line 11 is greater than Line 12, enter Line 11 less Line 12.

Line 14—If Line 11 is less than Line 12, enter Line 12 less Line 11.

Line 15—Enter the portion of Line 14 to be credited to 2012.

Line 16—Enter the portion of Line 14 to be refunded (Line 14 less Line 15).

40A201ES (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE**INSTRUCTIONS – 2012 PASS-THROUGH ENTITY NONRESIDENT
DISTRIBUTIVE SHARE WITHHOLDING REPORT AND COMPOSITE
INCOME TAX RETURN VOUCHER**

Who Must File—Effective for taxable years beginning after December 31, 2011, every pass-through entity required to withhold Kentucky income tax as provided by KRS 141.206(5) or that files a composite income tax return as provided by KRS 141.206(16)(a) shall make a declaration and payments of estimated tax as required by KRS 141.206(6) if: (i) a nonresident individual partner's, member's or shareholder's estimated tax liability can reasonably be expected to exceed \$500; or (ii) a corporate partner's or member's estimated tax liability can reasonably be expected to exceed \$5,000.

KRS 141.206(5) provides that 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: (i) nonresident individual partner, member or shareholder; and (ii) corporate 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 provided by KRS 141.020 or 141.040.

KRS 141.206(16)(a) provides that a pass-through entity may file a composite income tax return on behalf of qualifying electing nonresident individual partners, members or shareholders. The pass-through entity shall report and pay tax at the maximum rate provided by KRS 141.020 on any portion of a partner's, member's or shareholder's pro rata or distributive share income of the pass-through entity apportioned to this state.

Payment Dates for Calendar Year Filers—KRS 141.207(2) provides that the declaration of estimated tax required under KRS 141.207 shall be filed with the department by the pass-through entity in the same manner and at the same times as provided by: (i) KRS 141.300, for a nonresident individual partner, member or shareholder; and (ii) KRS 141.042, for a corporate partner or member.

CORPORATE PARTNER OR MEMBER—If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$5,000 for a corporate partner or member before June 2, the following payment dates are applicable:

| | | |
|--------------------|--------------|--------------------------|
| First installment | June 15 | 50% of Estimated Tax due |
| Second installment | September 15 | 25% of Estimated Tax due |
| Third installment | December 15 | 25% of Estimated Tax due |

If Income Changes—If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$5,000 for a corporate partner or member after June 1 and before September 2, the following payment dates are applicable:

| | | |
|--------------------|--------------|--------------------------|
| First installment | September 15 | 75% of Estimated Tax due |
| Second installment | December 15 | 25% of Estimated Tax due |

If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$5,000 for a corporate partner or member after September 1 and before December 2, 100% of the estimated tax is due on December 15.

Fiscal Year Filers—For pass-through entities filing on a fiscal year basis, the payment dates are the 15th day of the sixth month, 15th day of the ninth month and 15th day of the 12th month.

INDIVIDUAL PARTNER, MEMBER OR SHAREHOLDER—If a pass-through entity’s estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member or shareholder before April 2, the following payment dates are applicable:

| | | |
|--------------------|--------------|--------------------------|
| First installment | April 15 | 25% of Estimated Tax due |
| Second installment | June 15 | 25% of Estimated Tax due |
| Third installment | September 15 | 25% of Estimated Tax due |
| Fourth installment | January 15 | 25% of Estimated Tax due |

If Income Changes—If a pass-through entity’s estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member or shareholder after April 1 and before June 2, the following payment dates are applicable:

| | | |
|--------------------|--------------|--------------------------|
| First installment | June 15 | 50% of Estimated Tax due |
| Second installment | September 15 | 25% of Estimated Tax due |
| Third installment | January 15 | 25% of Estimated Tax due |

If a pass-through entity’s estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member or shareholder after June 1 and before September 2, the following payment dates are applicable:

| | | |
|--------------------|--------------|--------------------------|
| First installment | September 15 | 75% of Estimated Tax due |
| Second installment | January 15 | 25% of Estimated Tax due |

If a pass-through entity’s estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member or shareholder after September 1 and before January 1, 100% of the estimated tax is due on January 15.

Fiscal Year Filers—For pass-through entities filing on a fiscal year basis, the payment dates are the 15th day of the fourth month, 15th day of the sixth month, 15th day of the ninth month and 15th day of the first month after the close of the fiscal year.

NOTE: If a payment date falls on a holiday or weekend, the applicable payment date is the next working day.

**MAKE CHECK PAYABLE TO: KENTUCKY STATE TREASURER
MAIL TO: KENTUCKY DEPARTMENT OF REVENUE, FRANKFORT, KENTUCKY 40619-0004**



Department of Revenue

See instructions.

Taxable period beginning _____, 201____, and ending _____, 201____.

KENTUCKY CORPORATION INCOME TAX AND LLET RETURN 2011

Form sections B, C, D, E, F, G containing identification numbers, corporation name, address, and tax return details.

Table with 20 columns for LLET and Income Tax computations, including rows for Schedule LLET, recycling equipment, and various credits.

TAX PAYMENT SUMMARY section with sub-tables for LLET and INCOME, and instructions for payment to the Kentucky State Treasurer.



PART III – TAXABLE INCOME COMPUTATION

| | | | | | | | |
|--|----|--|----|--|----|--|----|
| 1. Federal taxable income (Form 1120, line 28) | 1 | | 00 | 14. Federal work opportunity credit | 14 | | 00 |
| ADDITIONS: | | | | 15. Depreciation adjustment..... | 15 | | 00 |
| 2. Interest income (state and local obligations) | 2 | | 00 | 16. Other (attach Schedule O-720) | 16 | | 00 |
| 3. State taxes based on net/gross income | 3 | | 00 | 17. Revenue Agent Report (RAR)..... | 17 | | 00 |
| 4. Depreciation adjustment..... | 4 | | 00 | 18. Net income (line 11 less lines 12 through 17)..... | 18 | | 00 |
| 5. Deductions attributable to nontaxable income | 5 | | 00 | 19. Current net operating loss adjustment (mandatory nexus only).. | 19 | | 00 |
| 6. Related party expenses | 6 | | 00 | 20. Kentucky net income (add lines 18 and 19) | 20 | | 00 |
| 7. Dividend paid deduction (REIT)..... | 7 | | 00 | 21. Taxable net income (attach Schedule A if applicable) | 21 | | 00 |
| 8. Domestic production activities deduction..... | 8 | | 00 | 22. Net operating loss deduction (NOLD) | 22 | | 00 |
| 9. Other (attach Schedule O-720) | 9 | | 00 | 23. Taxable net income after NOLD (line 21 less line 22) | 23 | | 00 |
| 10. Revenue Agent Report (RAR)..... | 10 | | 00 | 24. Kentucky domestic production activities deduction (KDPAD) | 24 | | 00 |
| 11. Total (add lines 1 through 10) | 11 | | 00 | 25. Taxable net income after KDPAD (line 23 less line 24) | 25 | | 00 |
| SUBTRACTIONS: | | | | | | | |
| 12. Interest income (U.S. obligations).... | 12 | | 00 | | | | |
| 13. Dividend income..... | 13 | | 00 | | | | |

PART IV – EXPLANATION OF FINAL RETURN AND/OR SHORT-PERIOD RETURN

Empty box for explanation of final return and/or short-period return.

PART V – EXPLANATION OF AMENDED RETURN CHANGES

Empty box for explanation of amended return changes.



SCHEDULE Q—KENTUCKY CORPORATION/LLET QUESTIONNAIRE

IMPORTANT: Questions 4—13 must be completed by all corporations. If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. **Failure to do so may result in a request for a delinquent return.**

1. Indicate whether: (a) new business; (b) successor to previously existing business which was organized as: (1) corporation; (2) partnership; (3) sole proprietorship; or (4) other _____
If successor to previously existing business, give name, address and federal I.D. number of the previous business organization. _____

2. List the following **Kentucky** account numbers. Enter N/A for any number not applicable.
Employer Withholding _____
Sales and Use Tax Permit _____
Consumer Use Tax _____
Unemployment Insurance _____
Coal Severance and/or Processing Tax _____

3. If a foreign corporation, enter the date qualified to do business in Kentucky. ___ / ___ / ___

4. If change of accounting period, Item F on page 1, is checked, complete the following information:
Year End before the change:
Month _____ and Day _____

a. Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)

b. Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
New Year End:
Month _____ and Day _____

c. Change from a Fiscal Year to a Calendar Year (52/53 week filer):
New Year End: December and day of week _____

d. Change from a Calendar Year to a Fiscal Year (52/53 week filer):
New Year End:
Month _____ and day of week _____
If a 52/53 week filer: (Choose one of the options below.)

i. Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.

ii. Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.

5. The corporation's books are in care of: (name and address)

6. Are disregarded entities included in this return?
 Yes No. If yes, list name, address and federal I.D. number of each entity. _____

7. Was the corporation a partner or member in a pass-through entity doing business in Kentucky? Yes No. If yes, attach schedule listing name and federal I.D. number of the pass-through entity(ies). _____
Was the corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? Yes No

8. Are related party costs made to related members as defined in KRS 141.205(1)(l) included in this return? Yes No. If yes, attach schedule listing name, federal I.D. and/or Kentucky Corporation/LLET account number of the individual(s) or entity(ies).

9. Did the corporation at any time during the taxable year do business in Kentucky and own 80 percent or more of the voting stock of another corporation doing business in Kentucky? Yes No. If yes, list name, address and federal I.D. number of each entity. _____

10. Was 80 percent or more of the corporation's voting stock owned by any corporation doing business in Kentucky at any time of the year? Yes No. If yes, list name, address and federal I.D. number of each entity. _____

11. Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other _____

12. Did the corporation file a Kentucky tangible personal property tax return for January 1, 2012? Yes No

13. Is the corporation currently under audit by the Internal Revenue Service? Yes No
If yes, enter years under audit _____
If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to the department, check here and file an amended return. See 2011 Kentucky Corporation Income Tax and LLET Return instructions for information regarding amended returns. Attach a copy of the final determination to each amended return.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Attach a schedule listing the name, home address and Social Security number of the vice president, secretary and treasurer.

Has the attached officer information changed from the last return filed? Yes No

President's Name _____ President's Home Address _____

President's Social Security Number _____

Date Became President ___ / ___ / ___

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

_____ Date _____
Signature of principal officer or chief accounting officer

Name of person or firm preparing return

SSN, PTIN or FEIN

May the DOR discuss this return with the preparer?
 Yes No

Email Address: _____

Telephone Number: _____



INSTRUCTIONS

2011 KENTUCKY CORPORATION INCOME TAX AND LLET RETURN

PURPOSE OF INSTRUCTIONS

These instructions have been designed for corporations, other than S corporations, which are required by law to file a Kentucky Corporation Income Tax and LLET Return. Any corporation electing S corporation treatment in accordance with Sections 1361(a) and 1362(a) of the Internal Revenue Code must use Form 720S and related schedules (also available from the Department of Revenue).

Refer to the chart on page 2 to determine what tax form your business needs to file.

HOW TO OBTAIN FORMS AND INSTRUCTIONS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (page 15). They may also be obtained by writing FORMS, Department of Revenue, 501 High Street, Frankfort, KY 40601-2103, 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 or transferable credit against the taxes imposed by KRS 136.505 or 141.020 or 141.040 and 141.0401, with the ordering of credits provided in KRS 141.0205, for qualified rehabilitation expenses incurred by the taxpayer and used for substantial rehabilitation to a certified historic structure as provided by KRS 171.397.

KRS 171.397(1)(b) provides that for applications for preliminary approval received after April 30, 2010, the credit shall be refundable if the taxpayer makes an election under KRS 141.397(2)(b)2.a. KRS 171.397(2)(b)2 provides that the application shall include an irrevocable election by the taxpayer to: (a) use the credit, in which case, the credit shall be refundable; or (b) transfer the credit. KRS 171.397(8) provides that the certified rehabilitation credit permitted by KRS 141.382 may be transferred or assigned to any entity subject to the tax imposed by KRS 136.505 if an election is made to transfer the credit as provided by KRS 171.397(2)(b)2.b. for some or no consideration, along with any related benefits, rights, responsibilities and liabilities.

2010 Special Session of the Kentucky General Assembly HB 2 – Provisions effective for tax years beginning on or after January 1, 2011

Kentucky Small Business Investment Credit Program—KRS 141.384 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401. A small business shall not be eligible to apply for credits and receive final approval for the credits until one year after the small business: (a) creates and fills one or more eligible positions over the base employment, and that position or positions are created and filled for twelve months; and (b) invests \$5,000 or more in qualifying equipment or technology. The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at \$3 million. The maximum amount of credit for each small business for each year shall not exceed \$25,000.

Endow Kentucky Tax Credit—KRS 141.438 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 for a taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, and meeting the requirements of KRS 141.438(7). The total amount of tax credit that may be awarded under this section shall be limited to \$500,000 in each fiscal year. The credit shall be equal to twenty percent (20%) of the value of the endowment gift provided by the taxpayer, not to exceed \$10,000.

New Markets Development Program Tax Credit—KRS 141.432 to 141.434 was created to encourage taxpayer investment in qualified low-income communities. A taxpayer that makes a qualified equity investment as provided by KRS 141.432(7) in a qualified community development entity as provided by KRS 141.432(6) shall be entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 137.370, 136.390 or 304.3-270. The total amount of tax credits that may be awarded by the department shall be limited to \$5 million. "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business made after June 4, 2010. With respect to any one qualified active low-income community business, the maximum amount of qualified active low-income community

investments that may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under KRS 141.433 shall be \$10 million, whether made by one or several qualified community development entities.

The amount of the credit shall be equal to 39% of the purchase price of the qualified equity investment made by the taxpayer. A taxpayer is allowed to claim zero percent (0%) for each of the first two credit allowance dates, seven percent (7%) for the third allowance date, and eight percent (8%) for the next four allowance dates. "Credit allowance date" means with respect to any qualified equity investment: (a) the date on which the investment is initially made; and (b) each of the six anniversary dates of that date thereafter.

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), corporation income tax is due.

IMPORTANT

Corporations 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 2011 returns and fiscal year returns that begin in 2011, any corporation 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 corporation 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 720 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 1120, Line 20 and depreciation claimed on federal Form 1125-A or elsewhere on Form 1120 must be included on Form 720, Part III, Line 4. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached to Form 720.**
2. Convert federal Form 4562 to a **Kentucky** form by entering **Kentucky** at the top center of the form above Depreciation and Amortization. Compute Kentucky depreciation and Section 179 deduction in accordance with the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance and the additional Section 179 deduction. **NOTE:** For Kentucky

purposes, the maximum Section 179 deduction amount on Line 1 is \$25,000 and the threshold cost of Section 179 property on Line 3 is \$200,000. The \$25,000 maximum allowable Section 179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying Section 179 property placed in service during the year exceeds \$200,000. In determining the Section 179 deduction for Kentucky, the income limitation on Line 11 should be determined by using Kentucky net income before the Section 179 deduction instead of federal taxable income.

3. The corporation **must attach the Kentucky Form 4562** to Form 720, and the amount from Kentucky Form 4562, Line 22 must be included on Form 720, Part III, Line 15. A Kentucky Form 4562 must be filed for each year even though a federal Form 4562 may not be required.

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

1. If a capital gain is reported on federal Form 1120, Line 8; enter this amount on Schedule O-720, Part II, Line 1. Convert **federal Schedule D (Form 1120)** and other applicable federal forms to Kentucky forms by entering **Kentucky** at the top center of the form, and compute the Kentucky capital gain from the disposal of assets using Kentucky basis. Enter the capital gain from Kentucky Schedule D, Line 14 on Schedule O-720, Part I, Line 1. **Federal Schedule D (Form 1120) filed with the federal return and the Kentucky Schedule D must be attached to Form 720.**
2. If the amount reported on federal Form 1120, Line 9 (from Form 4797, Line 17) is a gain; enter this amount on Schedule O-720, Part II, Line 2. If the amount reported on Form 1120, Line 9 (from Form 4797, Line 17) is a loss; enter this amount on Schedule O-720, Part I, Line 2. 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 listing Kentucky basis. If the amount on Kentucky Form 4797, Line 17 is a gain; enter this amount on Schedule O-720, Part I, Line 3. If the amount on Kentucky Form 4797, Line 17 is a loss; enter this amount on Schedule O-720, Part II, Line 3. **Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached to Form 720.**

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. 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 shall apply. **KRS 141.010(3)**

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each corporation should complete a Kentucky Tax Registration Application, Revenue Form 10A100 to register for a Kentucky Corporation/LLET Account Number. This account number will be used for remitting the corporation income tax as required by KRS 141.040 and the LLET as required by KRS 141.0401. The application is available at KentuckyTaxpayer Service Centers (see page 15) or from the Department of Revenue, Taxpayer Registration Section, Frankfort, KY 40620 or at www.revenue.ky.gov (click on Business). The application may be faxed to (502) 227-0772.

Who Must File—LLET and Corporation Income Tax

LLET—The limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272 do not apply to the tax imposed by KRS 141.0401. A Kentucky Corporation Income Tax and LLET Return, Form 720, must be filed by every corporation (a) organized under the laws of this state; (b) having its 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 purposes of selling them goods or services. **KRS 141.0401 and KRS 141.010(25)**

Corporation Income Tax—Except for the limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272, a Kentucky corporation income tax and LLET return must be filed by every corporation meeting the provisions listed above. **KRS 141.040 and KRS 141.010(25)**

Disregarded Entities—A limited liability company (LLC) is treated for Kentucky LLET and income tax purposes in the same manner as it is treated for federal income tax purposes. Therefore, a single member LLC that is disregarded for federal income tax purposes shall be included in the return filed by its single member (parent entity). **KRS 141.010(25), KRS 141.200(10) and 103 KAR 16:300**

Pass-through Entities—Corporations doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 720 pursuant to the provisions of KRS 141.010, 141.120 and 141.206.

Other Entities—Foreign Sales Corporations (FSCs) and interest-deferred or interest-charged Domestic International Sales Corporations (DISCs) are subject to Kentucky income tax to the same extent as other corporations.

Additionally, certain organizations which must file special returns for federal purposes, e.g., homeowners associations, political organizations, real estate investment trusts and regulated investment companies must file Form 720. Only political organizations filing a federal Form 1120POL must file Form 720.

Corporations Not Required to File—Corporations which are exempt by law from Kentucky income tax and LLET include financial institutions as defined in KRS 136.500, insurance companies, savings and loan associations, corporations exempted by IRC Section 501, and religious, educational, charitable and like corporations not conducted for profit. **KRS 141.040 and KRS 141.0401**

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.

Required Forms and Information—Each corporation must enter all applicable information on Form 720, attach a schedule for each line item or line item instruction which states "attach schedule," and Kentucky forms or schedules, if applicable.

Required Federal Forms and Schedules

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

1. Form 1120, all pages—If Form 1120 is not filed, attach copies of the income statement, cost of goods sold schedule and balance sheet of the federal form filed. If the corporation is not required to submit a balance sheet for federal income tax purposes, attach the balance sheet prepared on a consistent basis from the books and records of the corporation.
2. Form 1125-A—Cost of Goods Sold
3. Form 1125-E—Compensation of Officers
4. Form 851—Affiliations Schedule
5. Form 4797—Sales of Business Property
6. Schedule D—Capital Gains and Losses
7. Form 3800—General Business Credit
8. Form 5884—Work Opportunity Credit
9. Schedules for items on Form 1120, Schedule L, which state "attach schedule."

Electronic Funds Transfer (EFT)—LLET estimated tax payments are not permitted by EFT. The Department of Revenue is accepting electronically filed Corporation Income/Limited Liability Entity Tax estimated tax voucher payments **only** for corporation income tax. Before filing by EFT, the corporation must have a valid six-digit Kentucky Corporation/LLET account number and have registered with the Department of Revenue to file EFT. Using an incorrect account number, such as an account number for withholding or sales and use tax, will result in the payment being credited to another corporation's account. For more information contact the Department of Revenue at 1-800-839-4137 or (502) 564-6020. The EFT registration form is available at www.revenue.ky.gov. See E-File & E-Payment Options (click on KY E-Tax). The direct link is www.revenue.ky.gov/etax.htm.

EFT is not available for a corporation's LLET estimated tax payments, return payment or extension payment.

Accounting Procedures—Kentucky income tax law requires a corporation to report income on the same calendar or fiscal year and to use the same methods of accounting required for federal income tax purposes. Any federally approved change in accounting periods or methods must be reported to the

Department of Revenue. Attach a copy of the federal approval to the return when filed. **KRS 141.140**

Mailing/Payment—If including payments for other taxes in addition to corporation income tax or LLET, **send a separate check or money order for each type of tax.** Mail the Kentucky Corporation Income Tax and LLET Return to the **Kentucky Department of Revenue, Frankfort, KY 40620.** Make the check(s) payable to the **Kentucky State Treasurer.**

Filing/Payment Date—A Kentucky Corporation Income Tax and LLET Return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year. **KRS 141.160, KRS 141.220 and 103 KAR 15:050**

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

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

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

Corporation Estimated Taxes

The Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher, Form 720-ES, is used to submit estimated tax payments for corporation income and LLET. See **Electronic Funds Transfer (EFT)** on page 4. If the corporation is required to make estimated tax payments but did not receive Form 720-ES, contact the Department of Revenue at (502) 564-3658 or visit **www.revenue.ky.gov.**

NOTE: See **www.revenue.ky.gov** for information on the 2012 estimated tax payments.

Corporation Estimated Tax Payments—A corporation must make estimated tax installments if its combined tax liability under KRS 141.040 and 141.0401 can reasonably be expected to exceed \$5,000. Estimated tax installments are required as follows:

If the estimated tax is reasonably expected to exceed \$5,000 before the 2nd day of the 6th month, 50% of the estimated tax must be paid by 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 6th month and before the 2nd day of the 9th month, 75% of the estimated tax must be paid by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 9th month, 100% of the estimated tax must be paid by the 15th day the 12th month.

Safe harbor: A corporation can satisfy its declaration requirement if its estimated tax payments are equal to the combined tax liability under KRS 141.040 and 141.0401 for the prior tax year, and its combined tax liability for the prior tax year was equal to or less than \$25,000. If the estimated tax is based on the corporation's combined tax liability for the prior tax year, 50% of the estimated tax must be paid by 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

Interest: Failure to pay estimated tax installments on or before the due date prescribed by 141.042 and 141.044 shall result in an assessment of interest on the late payment or underpayment. The interest due on any late payment or underpayment shall be at the rate provided by KRS 131.183(1). **KRS 141.042(4) and KRS 141.985**

Penalty: Failure to pay estimated tax installments equal to the amount determined by subtracting \$5,000 from 70% of the total income tax liability imposed by KRS 141.040 as computed by the taxpayer on the return filed for the tax year will result in an underpayment penalty of 10% of the underpayment. The penalty will not apply, if the estimated tax installments are equal to the income tax liability imposed by KRS 141.040 for the prior tax year, and the income tax liability imposed by KRS 141.040 for the prior year was equal to or less than \$25,000. **KRS 131.180(3) and KRS 141.990(3)**

Amended Return—Amended Kentucky forms must be used to make any corrections to Form 720 (See table below for required amended form), including net operating loss carrybacks (for years prior to 2005), capital loss carrybacks and Internal Revenue Service audit adjustments. Do not submit Federal Form 1139 to apply for a refund of Kentucky corporation income tax resulting from net operating loss carryback or a capital loss carryback. Failure to submit the required Kentucky amended forms will result in delays in processing refunds requested on amended returns.

| Tax Year | Amended Form |
|--------------------|--|
| 2004 & prior | 720X |
| 2005 & 2006 | 720-Amended |
| 2007 & 2008 | 720-Amended (2007-2008) |
| 2009 - 2011 | 720 (check Amended return box or Amended return—RAR box) |

Net Operating Losses—For tax years beginning on or after January 1, 2005, the net operating loss carryback deduction shall not be allowed. Any net operating losses shall be carried forward. See Kentucky Net Operating Loss Deduction on pages 10 and 11 of these instructions for further discussion.

Internal Revenue Service Audit Adjustments—A corporation 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 the required amended form from the table above for reporting federal audit adjustments and computing additional tax due or refunds. Failure to submit the required amended form will result in delays in processing refunds requested on amended returns. Any refund claim resulting from a federal audit adjustment must be filed within the four years of the date the tax was paid or within six months of the conclusion of the federal audit, whichever is later. **KRS 141.210(2)(d) and KRS 141.235(2)(b)**

Interest—Interest at the tax interest rate plus two percent is applied to corporation income tax and LLET liabilities not paid by the date prescribed by law for filing the return (determined without regard to extensions thereof). The tax interest rate for 2012 is available online at **www.revenue.ky.gov,** or you may contact the Department of Revenue at (502) 564-8139.

Penalties

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

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

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

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

Failure or refusal to file a Kentucky Corporation Income Tax and LLET Return or furnish information requested in writing—5 percent of the tax assessed for each 30 days or fraction thereof that the return is not filed or the information is not submitted (maximum 50 percent). The minimum penalty is \$100. **KRS 131.180(4)**

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

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

Cost of Collection Fees

- (a) 25 percent on all taxes which become due and owing for any reporting period, regardless of when due. These collection fees are in addition to all other penalties provided by law. **KRS 131.440(1)(a)**
- (b) 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before December 1, 2001. **KRS 131.440(1)(b)**
- (c) 50 percent of any tax deficiency assessed after the amnesty period for nonfiled returns eligible for amnesty. **KRS 131.440(1)(c)**

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

FORM 720—SPECIFIC INSTRUCTIONS

Period Covered

File the 2011 return for calendar year 2011 and fiscal years that begin in 2011. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 720.

All corporations must enter the Taxable Year Ending at the top right of Form 720 and supporting forms and schedules to indicate the ending month and year for which the return is filed.

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

$$\frac{12}{\text{Mo.}} / \frac{11}{\text{Yr.}}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2012, would be entered as:

$$\frac{01}{\text{Mo.}} / \frac{12}{\text{Yr.}}$$

- A 52/53-week year is a fiscal year that varies between 52 and 53 weeks. *Example:* A 52/53-week year ending the first week of January 2012, would be entered as:

$$\frac{12}{\text{Mo.}} / \frac{11}{\text{Yr.}}$$

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

LLET and Income Tax Filing Status

Caution: A corporation is required to file a separate entity income tax return unless for any part of the taxable year it is a member of an affiliated group electing to file a consolidated return in accordance with KRS 141.200(2) or for periods beginning on or after January 1, 2005, is required to file a nexus consolidated return in accordance with KRS 141.200(11).

Item A—Enter the six-digit Kentucky Corporation/LLET Account Number on the applicable line at the top of each form and schedule and on all checks and correspondence. This number was included in correspondence received from the Department of Revenue at the time of registration.

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

Item B—Check the box indicating the method used in determining the amount of LLET due on the Schedule LLET, Section D, Line 1.

LLET Nonfiling Status Code—Return Not Required

If the corporation is not required to file an LLET return, enter one of the following two-digit codes in the space provided.

| REASON CODE | Reason |
|-------------|---|
| 10 | A public service corporation subject to tax under KRS 136.120. |
| 11 | An open-end registered investment company organized under the laws of this state and registered under the Investment Company Act of 1940. |
| 12 | A property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390. |
| 13 | An alcohol production facility as defined in KRS 247.910. |
| 14 | A real estate investment trust as defined in Section 856 of the Internal Revenue Code. |
| 15 | A captive real estate investment trust as defined in KRS 141.010(29). |
| 16 | A regulated investment company as defined in Section 851 of the Internal Revenue Code. |
| 17 | A real estate mortgage investment conduit as defined in Section 860D of the Internal Revenue Code. |
| 18 | A personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code. |
| 19 | A cooperative described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, homeowners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives. |

Item C—If the corporation is required to file a consolidated Kentucky corporation income tax return, check the applicable box. (See instructions below.)

Election Made Prior to 2005—Check this box if the corporation is the common parent of an affiliated group filing a consolidated income tax return. KRS 141.200(4) allows an affiliated group to elect to file a consolidated Kentucky income tax return with the election being binding for eight years. **Form 722, Election to File Consolidated Kentucky Corporation Income Tax Return, must be submitted to the Department of Revenue with the return timely filed for the first taxable year for which the election is made.** The election must be made by the common parent corporation on behalf of all members of the affiliated group. **A copy of the original Form 722 must be submitted for all subsequent years for which the election is effective.** "Affiliated group" means affiliated group as defined in Section 1504(a) of the IRC and related regulations. If a consolidated return is filed, a copy of federal Form 851, Affiliations Schedule, and Kentucky Form 851-K, Kentucky Affiliations and Payment Schedule, must be attached. **KRS 141.200 and 103 KAR 16:200**

If the eight-year election has expired, a corporation is required to file a separate entity income tax return unless the corporation is required to file a nexus consolidated return in accordance with **KRS 141.200(11)**.

KRS 141.200(15)(a) prohibits affiliated corporations from filing a combined Kentucky corporation income tax return using the unitary business concept.

Mandatory Nexus—Check this box if the corporation is required to file a consolidated return under the provisions of KRS 141.200(11). The consolidated return will consist of the common parent that is doing business in this state and the includible corporation(s) that do business in this state. **KRS 141.200**

Caution: Be advised that an election to file a consolidated Kentucky corporation income tax return in accordance with KRS 141.200(3) is binding irrespective of KRS 141.200(11).

Income Tax Nonfiling Status Code—Return Not Required

If the corporation is not required to file a Kentucky corporation income tax return, enter the following two-digit code in the space provided.

| REASON CODE | Reason |
|-------------|---|
| 22 | This return contains only the LLET as the corporation is exempt from income tax as provided by Public Law 86-272. |

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

Name and Address—Print or type the corporation's name as set forth in the charter. 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 corporation has a P.O. Box, show the box number instead of the street address.

Telephone Number—Enter the business telephone number of the principal officer or chief accounting officer signing this return.

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

Item E—Enter the name and Kentucky Corporation/LLET Account Number of the common parent, if different than the corporation listed in Section D.

Item F—Check the applicable boxes:

- Initial Return**—This is the corporation's first Kentucky tax return filed. Complete questions 1, 2 and 3 on Schedule Q—Kentucky Corporation/LLET Questionnaire.
- Final Return**—This is the corporation's final Kentucky tax return. Provide an explanation in Part IV—Explanation of Final Return and/or Short-Period Return.
- Short-period Return**—This return is for a period of less than one year and not an initial return or a final return. Provide an explanation in Part IV—Explanation of Final Return and/or Short-Period Return.
- Change of name**—The corporation has changed its name since it filed its prior year Kentucky tax return. Attach a statement to the tax return providing the corporation's name used on its prior year Kentucky tax return.
- Change of address**—The corporation has changed its address since it filed its prior year Kentucky tax return.
- Change of Accounting Period**—The corporation has changed its accounting period since it filed its prior year Kentucky tax return. Complete Item 4 on Schedule Q—Kentucky Corporation/LLET Questionnaire.

Item G—Check the applicable box:

- (a) *Amended Return*—This is an amended tax return. Provide an explanation of all changes in Part V—Explanation of Amended Return Changes.
- (b) *Amended Return–RAR*—This is an amended tax return as a result of a Revenue Agent Report (RAR) (Form 4549). Provide an explanation in Part V— Explanation of Amended Return Changes and attach Form 4549, Department of Treasury—Internal Revenue Service Income Tax Examination Changes.

PART I—LLET COMPUTATION

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

Line 2—Enter the recycling/composting equipment LLET credit recapture amount from Schedule RC–R, Line 12. **Attach Schedule RC–R, Recycling or Composting Equipment Tax Credit Recapture.**

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

Line 4—Enter the nonrefundable LLET credit from Kentucky Schedule(s) K–1. **Copies of Kentucky Schedule(s) K–1 must be attached to the corporation’s tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E, Line 1.

Line 6—Enter the greater of Line 3 less Lines 4 and 5 or \$175.

Line 7—Enter the amount of tax withheld on Form PTE–WH. **Form PTE–WH must be attached to the tax return.**

Line 8—Enter the total LLET estimated tax payments made for the taxable year. Do not include the amount credited from the prior year.

Line 9—Enter the refundable certified rehabilitation tax credit (attach the Kentucky Heritage Council certification(s)).

Line 10—Enter the refundable film industry tax credit (attach the Kentucky Film Office certification(s)).

Line 11—Enter the amount of LLET paid with Form 41A720SL, Application for Six–Month Extension of Time to File Kentucky Corporation or Limited Liability Pass–Through Entity Return.

Line 12—Enter the amount credited to the 2011 LLET from Form 720, Part I, Line 19 of the 2010 return.

Line 13—Enter the income tax overpayment from Part II, Line 17 credited to the 2011 LLET. **If filing an amended return, enter the amount from the original return.**

Line 14—Enter the LLET paid on the original return. **This line is used only when filing an amended return.**

Line 15—Enter the LLET overpayment on the original return. **This line is used only when filing an amended return.**

Line 16—If the total of Lines 6 and 15 is greater than the total of Lines 7 through 14, enter the LLET due on this line and on the Tax Payment Summary.

Line 17—If the total of Lines 6 and 15 is less than the total of Lines 7 through 14, enter the LLET overpayment on this line.

Line 18—Enter the portion of Line 17 to be credited to the 2011 income tax liability on Part II, Line 12. **If filing an amended return, do not enter an amount on this line.**

Line 19—Enter the portion of Line 17 to be credited to 2012 LLET. **If filing an amended return, do not enter an amount on this line.**

Line 20—Enter the portion of Line 17 to be refunded (Line 17 less Lines 18 and 19).

PART II—INCOME TAX COMPUTATION

Line 1—To compute the income tax liability, apply the following rates:

- (a) 4 percent of the first \$50,000 of taxable net income;
- (b) 5 percent of the amount of taxable net income in excess of \$50,000 but not in excess of \$100,000; and
- (c) 6 percent of the amount of taxable net income in excess of \$100,000.

Short–Period Computation of Income Tax—A corporation filing an income tax return for a period of less than 12 months is required to annualize taxable net income. To annualize, multiply taxable net income computed for the short–period by 365 and divided by the number of days in the short–period. The income tax liability shall be the tax computed on the annualized income multiplied by the number of days in the short–period and divided by 365. **Annualization is not permitted if the return is for the initial or final period of operations. KRS 141.140**

Line 2—Enter the recycling/composting equipment income tax credit recapture from Schedule RC–R, line 13. **Attach Schedule RC–R, Recycling or Composting Equipment Tax Credit Recapture.**

Line 3—Enter the amount of the Tax Installment on LIFO Recapture. A corporation may be liable for the additional tax due to LIFO recapture under federal Regulations Section 1.1363–2, if the corporation used the LIFO inventory pricing method for its last tax year as a C corporation prior to becoming an S corporation. To determine the LIFO recapture, complete the worksheet below.

1. Kentucky taxable income from Form 720, Part III, Line 25
2. LIFO recapture amount.....
3. Add Lines 1 and 2.....
4. Income tax on Line 3.....
5. Income tax from Form 720, Part II, Line 1.....
6. Line 4 less Line 5.....
7. Tax installment on LIFO Recapture (Line 6 multiplied by 25%) (enter on Line 3)

Note: See the S corporation’s instructions for its reporting requirements.

Line 4—Add the totals for Lines 1 through 3.

Line 5—Enter the amount from Line 8 of the worksheet below. KRS 141.0401(3)(a) provides that the LLET credit allowed a member or partner of a limited liability pass–through entity against tax imposed by KRS 141.040 shall be a member’s or partner’s proportionate share of the LLET for the current year after the subtraction of the minimum tax of \$175 and any credits identified in KRS 141.0205. The LLET credit allowed shall be applied to income tax assessed on income from the limited liability pass–through entity. Any remaining LLET credit from the limited liability pass–through entity shall be disallowed.

Corporation LLET Credit Worksheet

Enter on Line 2 of the worksheet below, the Kentucky net distributive share income from the limited liability pass-through entity that is included in the corporation's Kentucky taxable income on Line 1. If the corporation is taxable only in Kentucky, enter the net distributive share income from the Kentucky Schedule K-1. If the corporation is taxable in Kentucky and taxable in another state, enter the net distributive share income from the Kentucky Schedule K-1 multiplied by the corporation's apportionment fraction on Schedule A, Section I, Line 12.

Complete a separate worksheet for each limited liability pass-through entity. **Attach each worksheet to the return and retain a copy for your records.**

Name _____

Address _____

FEIN _____ KY Acct # _____

Percentage of Ownership _____ %

- 1. Kentucky taxable income, Form 720, Part III, Line 25..... _____
- 2. Kentucky net distributive share income from Kentucky Schedule K-1 (see instructions above)..... _____
- 3. Line 1 less Line 2 _____
- 4. Income tax from Form 720, Part II, Line 1 _____
- 5. Income tax on the amount on Line 3 _____
- 6. Line 4 less Line 5. If Line 5 is greater than Line 4, enter -0- _____
- 7. Nonrefundable LLET credit from Kentucky Schedule K-1 (Form 765 or Form 765-GP)..... _____
- 8. Lesser of Line 6 or Line 7, enter here and on Form 720, Part II, Line 5..... _____

Line 6—Enter the amount from Part I, Line 6 less \$175.

Line 7—Enter total credits from Kentucky Schedule TCS, Part III, Column F, Line 2.

Line 8—Enter the amount of Line 4, less Lines 5 through 7, but not less than zero.

Line 9—Enter the total of estimated income tax payments made for the taxable year. Do not include the amount credited from the prior year.

Line 10—Enter the total of income tax paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation or Limited Liability Pass-Through Entity Return.

Line 11—Enter the amount credited to the 2011 income tax from Form 720, Part II, Line 18 of the 2010 return.

Line 12—Enter the 2011 LLET overpayment from Part I, Line 18 credited to the 2011 income tax. **If filing an amended return, enter the amount from the original return.**

Line 13—Enter the corporation income tax paid on the original return. **This line is used only when filing an amended return.**

Line 14—Enter the corporation income tax overpayment on the original return. **This line is used only when filing an amended return.**

Line 15—If the total of Lines 8 and 14 is greater than the total of Lines 9 through 13, enter the difference on this line and on the Tax Payment Summary.

Line 16—If the total of Lines 8 and 14 is less than the total of Lines 9 through 13, enter the difference on this line.

Line 17—Enter the portion of Line 16 to be credited to the 2011 LLET on Part I, Line 13. **If filing an amended return, do not enter an amount on this line.**

Line 18—Enter the portion of Line 16 to be credited to 2012 corporation income tax. **If filing an amended return, do not enter an amount on this line.**

Line 19—Enter the portion of Line 16 to be refunded (Line 16 less Lines 17 and 18).

PART III—TAXABLE INCOME COMPUTATION

Line 1—Enter the amount of federal taxable income in accordance with the following instructions:

- (a) **Separate Entity Kentucky Return/Separate Entity Federal Return**—If this is a separate entity income tax return and the corporation filed a separate entity federal income tax return for the taxable year, enter the amount from Line 28 of Form 1120. **Attach a copy of Form 1120, all pages.**
- (b) **Separate Entity Kentucky Return/Consolidated Federal Return**—If this is a separate entity income tax return and the corporation filed a consolidated federal income tax return for the taxable year, enter the amount from Line 28 of the pro forma Form 1120 prepared on a separate entity basis. **Attach a copy of the pro forma Form 1120, all pages.**
- (c) **Consolidated Kentucky Return/Consolidated Federal Return, When Taxpayer Made an Election to File a Consolidated Return Prior to 2005**—Attach Schedules CR, CR-C, KCR and KCR-C listing each member of the affiliated group. If this is a consolidated income tax return and the corporation filed a consolidated federal income tax return for the taxable year, enter the amount from Line 28 of the consolidated Form 1120. If the consolidated federal return includes a corporation which is exempt from Kentucky income tax, an adjustment to exclude the income or loss of the corporation must be made on Schedule O-720, Part I, Line 9 or Part II, Line 12. See instructions for Schedule O-720. **Attach a copy of Form 1120, all pages.**
- (d) **Consolidated Kentucky Return/Separate Entity Federal Return, When Taxpayer Made an Election to File a Consolidated Return Prior to 2005**—Attach Schedules CR, CR-C, KCR and KCR-C listing each member of the affiliated group. If this is a consolidated income tax return and no member of the affiliated group was included in a consolidated federal income tax return for the taxable year, enter the amount from Line 28 of Schedule CR prepared on a consolidated basis including all members of the affiliated group as defined in Section 1504(a) of the IRC and related regulations excluding any corporation exempt from Kentucky income tax.
- (e) **Mandatory Nexus Consolidated Return**—Attach Schedules CR, CR-C, KCR and KCR-C listing each member of the affiliated group. Enter the amount from Line 28 of Schedule CR prepared on a consolidated basis including all members of the affiliated group as defined in KRS 141.200(11).

Attach to Form 720 an organizational flow chart showing ownership percentage and indicating which entities have Kentucky nexus.

Caution: Be advised that an election to file a consolidated Kentucky corporation income tax return in accordance with KRS 141.200(3) is binding irrespective of KRS 141.200(11).

Special Returns—If the corporation is an organization which filed a special return for federal purposes (e.g., 1120H, 1120POL), enter the amount from the line on the special return which is comparable to Line 28 (Form 1120), federal taxable income. **Attach all pages of form comparable to all the pages of Form 1120.**

REIT Returns—Enter the amount from Line 22, Form 1120–REIT adjusted to add back any net operating loss deduction reflected on Line 21a, Form 1120–REIT.

Additions to Federal Taxable Income—Lines 2 through 10 itemize items of additional taxable income or unallowable deductions which are differences between federal taxable income and Kentucky taxable net income.

Line 2—Enter interest income from obligations of states other than Kentucky and the political subdivisions of states other than Kentucky. **KRS 141.010(12)(c)**

Line 3—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 itemizing the total taxes deducted on Form 1120. **KRS 141.010(13)(d)**

Line 4—See instructions on page 3 regarding depreciation and Section 179 deduction differences, and if applicable, include the amount from Line 20 of federal Form 1120. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached.**

Line 5—Enter deductions attributable to income which is exempt from taxation. Any expense related directly or indirectly to the acquisition, management or disposition of assets, the income from which is exempt, is not deductible. Attach a schedule. **KRS 141.010(13)(d) and 103 KAR 16:060**

Line 6—Enter intangible expenses, intangible interest expense, management fees and other related party expenses directly or indirectly paid, accrued or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with one or more related members of an affiliated group or with a foreign corporation. **KRS 141.205 and 103 KAR 16:230**

Certain deductions relating to transactions with one or more related members of an affiliated group may be disallowed unless:

1. the corporation and the related member are included in the same consolidated Kentucky corporation income tax return for the relevant taxable year;
2. a disclosure is made and evidence provided to establish that the transaction was at arm's length, that the payment made to a related member was subject to income tax in another jurisdiction, or the related member has substantial business activities other than the management or ownership of intangible property;
3. a disclosure is made and evidence provided that the recipient regularly engages in transactions with one or more unrelated parties on terms identical to that of the subject transactions; or
4. the Department of Revenue and taxpayer agree in writing to an alternative method of apportionment. A copy of the agreement must be submitted with each applicable return.

Line 7—Enter the amount of dividend–paid deduction of a captive real estate investment trust. **KRS 141.010(13)(d)**

Line 8—Enter the amount of domestic production activities deduction from Form 1120, Line 25. **KRS 141.010(13)(d) and 103 KAR 16:310**

Line 9—Enter the amount from Schedule O–720, Part I, Line 12.

Line 10— Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income increase(s). **Use this line only if amending Form 720 as a result of an RAR adjustment (attach a copy of Form 4549 to the amended Form 720).**

Line 11—Enter the total of Lines 1 through 10.

Subtractions from Federal Taxable Income—Lines 12 through 17 itemize items of income which are excluded or additional deductions allowed which are differences between federal taxable income and Kentucky taxable net income.

Line 12—Enter the amount of interest income from U.S. government bonds or from securities issued by a federal agency or other income exempt from state taxation by the Kentucky Constitution, the United States Constitution or the United States Code. Securities which are merely guaranteed by the U.S. government are not tax-exempt. Attach a schedule listing the type of obligation and the amount of tax-exempt interest. **KRS 141.010(12)(a)**

Line 13—Enter the amount of dividend income from Form 1120. **KRS 141.010(12)(b)**

Line 14—Enter the amount of the work opportunity credit reflected on federal Form 5884. For Kentucky purposes, the corporation 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 15—See instructions on page 3 regarding depreciation and Section 179 deduction differences, and if applicable, include the amount from Line 22 of the Kentucky Form 4562. **Kentucky Form 4562 must be attached.**

Line 16—Enter the amount from Schedule O–720, Part II, Line 18.

Line 17—Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income decrease(s). **Use this line only if amending Form 720 as a result of an RAR adjustment (attach a copy of Form 4549 to the amended Form 720).**

Line 18—Subtract Lines 12 through 17 from Line 11.

Line 19—For a mandatory nexus consolidated filer only, enter the amount from Schedule NOL (Form 720), Part I, Section A, Line 7 or 8, as applicable. Line 7 is the current net operating loss disallowed and is added to net income. Enter this amount as a positive. Line 8 is the net operating loss carryforward and is subtracted from net income. Enter this amount as a negative. Separate entity and elective consolidated filers enter zero (–0–). If the affiliated group includes a member having a NOL carryforward that was not a member of the affiliated group in the prior year, attach Schedule NOL–CF.

Line 20—Add Line 18 and Line 19.

Line 21—Enter the amount from Line 20 or the amount on Schedule A, Section II, Line 8, if applicable. A corporation that is taxable in this state and taxable in another state must allocate and apportion income to Kentucky on Schedule A (Form 720), Apportionment and Allocation. See Schedule A instructions for information on the apportionment fraction. **KRS 141.010(14) and KRS 141.120.**

Line 22—If the corporation is filing a mandatory nexus consolidated return, enter zero (–0–). For Kentucky purposes, the same carryforward provisions allowed by IRC Section 172 are applicable for losses incurred in taxable years beginning

after December 31, 1979, except that no loss may be carried to a taxable year beginning before January 1, 1980. The amount to be carried forward is the amount of loss determined by KRS Chapter 141 and, in the case of multistate corporations, it is the amount determined after apportionment and allocation. Attach a schedule showing the computation of the net operating loss deduction but do not enter more than the corporation's taxable income. For additional details on carryover rules, see federal Publication 536, Net Operating Losses. Attach Schedule NOL. **KRS 141.050**

Line 23—Subtract Line 22 from Line 21.

Line 24—Enter the amount of Kentucky domestic production activities deduction from Kentucky Form 8903-K, Line 21.

Line 25—Subtract Line 24 from Line 23.

Tax Payment Summary

The payment submitted with Form 720 must be itemized. Enter the amount of LLET payment from Part I, Line 16 and/or corporation income tax payment from Part II, Line 15 on the applicable tax payment lines in addition to the respective amount of penalties and interest. Subtotal each and enter the total payment on the Total Payment line.



Signature—Form 720 must be signed by an authorized corporate officer. Failure by corporate officers 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.

Tax Credit Summary Schedule—Schedule TCS

Schedule TCS is used by corporations and limited liability pass-through entities to apply tax credits for entities subject to the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different. *Taxpayer* as used in this section refers to corporations and limited liability pass-through entities.

Economic Development Tax Credits—This section is completed only if a corporation has been approved for one of more of the credits authorized by the: (i) Kentucky Rural Economic Development Act (KREDA – KRS 154.22); (ii) Metropolitan College Consortium Tax Credit (MCC – KRS 141.381); (iii) Kentucky Small Business Investment Credit Program (KSBIC – KRS 141.384) (iv) Kentucky Industrial Development Act (KIDA – KRS 154.28); (v) Kentucky Economic Opportunity Zone Act (KEOZ – KRS 154.23); (vi) Kentucky Jobs Retention Agreement (KJRA – KRS 154.25); (vii) Kentucky Industrial Revitalization Act (KIRA – KRS 154.26); (viii) Kentucky Jobs Development Act (KJDA – KRS 154.24); (ix) Kentucky Business Investment Program (KBI – KRS 154.32); (x) Kentucky Reinvestment Act (KRA – KRS 154.34); (xi) Skills Training Investment Credit Act (STICA – KRS 154.12); or (xii) Incentives for Energy Independence Act (IEIA – KRS 154.27).

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

To claim the STICA or MCC credit, a copy of the tax credit certification(s) received from Bluegrass State Skills Corporation reflecting the amount of credit awarded shall be attached to the tax return. The credit for either the STICA or MCC shall be claimed on the tax return filed for the taxable year during which the final authorizing resolution is adopted by Bluegrass State Skills Corporation. The STICA credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward three successive years; the MCC credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward to tax years ending before April 15, 2013. If a STICA or MCC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year and the balance of the credit.

To claim the KSBIC credit, a copy of the tax credit notification received from KEDFA reflecting the amount of credit awarded shall be attached to the tax return. The credit for the KSBIC shall be claimed on the tax return for the taxable year during which the credit was approved by KEDFA. The tax credit not used during the year of approval by KEDFA may be carried forward up to five years. If a KSBIC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year and the balance of the credit.

Economic development tax credits are allowed against the taxes imposed by KRS 141.040 and KRS 141.0401.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department for Financial Incentives (telephone: 502-564-4554) or Bluegrass State Skills Corporation (telephone: 502-564-2021).

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**

Coal Conversion Tax Credit—A corporation which converts boilers from other fuels to Kentucky coal or which substitutes

Kentucky coal for other fuels in a boiler capable of burning coal and other fuels to produce energy for specific purposes may be entitled to a credit against the taxes imposed by KRS 141.040 and KRS 141.0401 equal to 4.5 percent of expenditures for Kentucky coal (less transportation costs). Unused portions of this credit may not be carried forward or back. Schedule CC must be attached to the tax return claiming this credit. **KRS 141.041**

Enterprise Zone Tax Credit—The last enterprise zone expired on December 31, 2007. Previous tax credit carryforwards are allowed for enterprise zones that previously expired. **Schedule EZC must be attached. KRS 154.45-090**

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 ($\$400,000 \times 10\% \times 50\%$).*

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 Cl, 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 at (502) 573–5114. 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, Division of Compliance Assistance at (800) 926–8111. 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 the 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 percent 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 percent 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 percent 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 percent 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 percent 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 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 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**

Endow Kentucky Tax Credit – A taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, is entitled to a tax credit equal to twenty percent (20%) of the endowment gift, not to exceed \$10,000. The nonrefundable tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 and if not use in the year the tax credit is awarded may be carried forward for a period not to exceed five years. The department shall issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation as provided by KRS 141.438(7). Schedule ENDOW must be attached to the taxpayer’s tax return each year to claim the credit. A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S, 765 or 765-GP to the partner’s, member’s or shareholder’s tax return each year to claim the tax credit.

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
501 High Street
Frankfort, KY 40601–2103
(502) 564-3658



Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov

Information:

Division of Corporation Tax
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) 564-4581 (*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.

SCHEDULE A

41A720A (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

Mo. / Yr.

APPORTIONMENT AND ALLOCATION (For corporations and pass-through entities taxable both within and without Kentucky.)

Regulations 103 KAR 16:090, 103 KAR 16:270, 103 KAR 16:290

- See instructions.
- Attach to Form 720, 720S, 725, 765 or 765-GP.

| | | |
|--|-------------------------------|--|
| Name of Corporation or Pass-through Entity | Federal Identification Number | Kentucky Corporation/LLET Account Number |
|--|-------------------------------|--|

- Check this box and complete Schedule A-C, Apportionment and Allocation – Continuation Sheet: (i) if the corporation filing this tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky; or (ii) if the pass-through entity filing this tax return is a partner or member of a pass-through entity doing business in Kentucky.
- Check this box and complete Schedule A-N, Apportionment Factor Schedule (For a Nexus Consolidated Tax Return), if the corporation is filing a mandatory nexus consolidated tax return as provided by KRS 141.200(11).

If apportionment method other than statutory formula is used:

- Check this box: (i) if the department has granted written approval to use an alternative allocation and apportionment method as provided by KRS 141.120(9)(a), and attach a copy of the approval letter to the tax return; or (ii) if the company has made an irrevocable five year election to use an allocation and apportionment method as provided by KRS 141.120(9)(b), and attach a copy of the election to the tax return.

| SECTION I. COMPUTATION OF APPORTIONMENT FRACTION | SECTION II. APPORTIONMENT AND ALLOCATION OF INCOME | |
|--|--|---|
| Convert lines 3, 4, 7, 10, 11 and 12 to a percentage carried to four decimal places. | | |
| 1. Kentucky sales 1 | 00 | 1. Net income (from Form 720, Part III, line 20)..... 1 |
| 2. Total sales 2 | 00 | 2. Deduct nonbusiness income (if applicable): |
| 3. Sales factor (line 1 divided by line 2)..... 3 | % | (a) Interest 2(a) |
| 4. Double-weighted Sales factor (line 3 multiplied by 2) 4 | % | (b) Rents..... 2(b) |
| 5. Average value of Kentucky real/tangible property (Section III)..... 5 | 00 | (c) Royalties..... 2(c) |
| 6. Average value of total real/tangible property (Section IV)..... 6 | 00 | (d) Net gain or loss on sale or exchange of capital assets..... 2(d) |
| 7. Property factor (line 5 divided by line 6)..... 7 | % | (e) Total (lines (a) through (d)) 2(e) |
| 8. Kentucky payrolls 8 | 00 | (f) Less related expenses (attach schedule)..... 2(f) (|
| 9. Total payrolls 9 | 00 | 3. Net nonbusiness income..... 3 |
| 10. Payroll factor (line 8 divided by line 9) 10 | % | 4. Business income (line 1 less line 3)..... 4 |
| 11. Total (add lines 4, 7 and 10) 11 | % | 5. Business income apportioned to Kentucky (line 4 multiplied by line 12, Section I) 5 |
| 12. Apportionment fraction—line 11 divided by 4 or number of factors present (sales representing 2 factors) 12 | % | 6. Add Kentucky nonbusiness income (if applicable): |
| | | (a) Interest 6(a) |
| | | (b) Rents..... 6(b) |
| | | (c) Royalties..... 6(c) |
| | | (d) Net gain or loss on sale or exchange of capital assets..... 6(d) |
| | | (e) Total (lines (a) through (d)) 6(e) |
| | | (f) Less Kentucky related expenses (attach schedule) 6(f) (|
| | | 7. Kentucky net nonbusiness income..... 7 |
| | | 8. Taxable net income (line 5 plus line 7) (enter here and on Form 720, Part III, line 21)..... 8 |

| SECTION III. KENTUCKY REAL/TANGIBLE PROPERTY | | | SECTION IV. TOTAL REAL/TANGIBLE PROPERTY | | |
|--|----------------------|----------------|---|----------------------|----------------|
| PROPERTY | A. Beginning of Year | B. End of Year | PROPERTY | A. Beginning of Year | B. End of Year |
| 1. Inventories..... 1 | | | 1. Inventories..... 1 | | |
| 2. Buildings..... 2 | | | 2. Buildings..... 2 | | |
| 3. Machinery and equipment 3 | | | 3. Machinery and equipment 3 | | |
| 4. Land..... 4 | | | 4. Land..... 4 | | |
| 5. Other tangible assets..... 5 | | | 5. Other tangible assets..... 5 | | |
| 6. Total (lines 1 through 5)..... 6 | | | 6. Total (lines 1 through 5)..... 6 | | |
| 7. Average value of real/tangible property owned in Kentucky, total of line 6, columns A and B divided by 2..... 7 | | | 7. Average value of real/tangible property owned everywhere, total of line 6, columns A and B divided by 2..... 7 | | |
| 8. Leased property (Eight times the annual rental rate less subrentals)..... 8 | | | 8. Leased property (Eight times the annual rental rate less subrentals)..... 8 | | |
| 9. Total (lines 7 and 8) (enter on line 5, Section I) 9 | | | 9. Total (lines 7 and 8) (enter on line 6, Section I) 9 | | |

Instructions for Schedule A—Apportionment and Allocation

General—A corporation that is taxable in this state and taxable in another state shall apportion and allocate net income to Kentucky in accordance with KRS 141.120. A pass-through entity doing business within and without the state shall compute an apportionment fraction in accordance with KRS 141.206(12). Public service companies (defined in KRS 136.120) and financial organizations shall apportion and allocate net income in accordance with KRS 141.120(10) and Regulations 103 KAR 16:100 through 103 KAR 16:150.

A corporation must use the statutory formula unless the corporation has been required or granted approval in writing by the Department of Revenue to use an alternative method provided by KRS 141.120(9)(a) or the corporation qualifies for and elects an alternative apportionment method provided by KRS 141.120(9)(b). A copy of the letter from the Department of Revenue requiring or granting approval to use a method other than the statutory formula or a statement electing an alternative apportionment method in accordance with KRS 141.120(9)(b)(1) or (2) must be attached to the return when filed.

Consolidated Return—An affiliated group filing a consolidated return is treated as a single corporation. All transactions between members of the affiliated group shall be eliminated in determining the sales, property and payroll factors.

Attach Schedule A-N, Apportionment Factor Schedule (For a Nexus Consolidated Tax Return), to Schedule A reflecting the computation of the consolidated factors.

COMPUTATION OF APPORTIONMENT FRACTION

Schedule A must be submitted with the applicable tax return (Form 720, 720S, 725, 765 or 765-GP). If the corporation filing Schedule A owns an interest in a limited liability pass-through entity or a general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Schedule A-C, Apportionment and Allocation-Continuation Sheet. If the pass-through entity filing Schedule A owns an interest in a pass-through entity doing business in Kentucky, complete Schedule A-C, Apportionment and Allocation-Continuation Sheet.

If Schedule A-C is required, complete Schedule A-C and enter the amounts from Schedule A-C, Total column, Lines 1, 2, 5, 6, 8 and 9 on the corresponding lines of Schedule A, Section I, Lines 1, 2, 5, 6, 8 and 9. The apportionment fraction is then determined by completing Schedule A, Section I, Lines 3, 4, 7, 10, 11 and 12.

A corporation or pass-through entity not required to file Schedule A-C shall compute its apportionment fraction as follows:

Sales—Total sales include all gross receipts other than nonbusiness receipts, except as provided in KRS 141.121. Sales of real or tangible personal property are assigned to Kentucky if the property is located in Kentucky or is shipped or delivered to a purchaser in Kentucky. Sales of tangible personal property to the U.S. government are assigned to Kentucky if the property is shipped from Kentucky.

KRS 141.120(8)(c)(3) provides that sales other than sales of tangible personal property are assigned to Kentucky if the income-producing activity is performed entirely within Kentucky or if the income-producing activity is performed both within and without Kentucky and a greater portion of the income-producing activity is performed in Kentucky than in any other state based on cost of performance. The following are general guidelines for assigning these receipts to Kentucky but should not be considered all-inclusive:

A. Receipts from intangibles are assigned to Kentucky if the corporation's commercial domicile is in Kentucky or the intangible has acquired a Kentucky business situs. Examples of receipts from intangibles which are deemed to have acquired a Kentucky business situs are franchise fees from a franchisee located in

Kentucky and a corporation's Kentucky distributive share of net income from a partnership doing business in Kentucky.

- B. Rents or royalties from real or tangible personal property are assigned to Kentucky if the property is located in Kentucky. In the case of mobile property, the rent is assigned to Kentucky if the lessee's base of operations for the property is in Kentucky.
- C. Receipts from the performance of services are assigned to Kentucky if the services are performed entirely in Kentucky or the services are performed both within and without Kentucky but a greater portion is performed in Kentucky than in any other state based on cost of performance.

Property—Total property includes all real and tangible personal property owned or rented and used during the taxable year. Property owned is valued at original cost. Leased property is valued at eight times the annual rental rate less any nonbusiness subrentals. Real and tangible personal properties are assigned to Kentucky if owned or rented and used in Kentucky. Exclude (a) construction in progress and (b) property which has been certified by Kentucky as a pollution control facility and is owned or leased by the corporation. Safe harbor lease property must be included in the factor of the seller/lessee at cost and excluded from the property factor of the purchaser/lessor.

Payroll—Total payroll includes all compensation paid or payable by the corporation during the tax period. Kentucky payroll is that portion of total payroll that is paid or payable for services performed within the state. Compensation is paid or payable in this state if: (i) the individual's service is performed entirely within the state; (ii) the individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or (iii) some of the service is performed in the state and the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the state, or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

Apportionment Fraction—To compute the apportionment fraction, the sales factor must be multiplied by two and the property and payroll factors must each be multiplied by one and the total divided by four. A corporation which does not have sales, property or payroll must average only the factors which are present to determine the weighted apportionment fraction.

APPORTIONMENT AND ALLOCATION OF INCOME

Business income arises from transactions and activities in the regular course of the corporation's trade or business and includes income from tangible and intangible property if the acquisition, management or disposition of the property constitutes integral parts of the corporation's trade or business.

Classifying income by categories (such as interest, rents, royalties and capital gains) does not determine whether income is business or nonbusiness. For example, gain or loss recognized on the sale of property may be business income or nonbusiness income depending upon its relationship to the corporation's trade or business.

Nonbusiness income includes all income not properly classified as business income less all direct or indirect expenses attributable to the production of this income. Nonbusiness income is allocated to Kentucky if (a) the corporation's commercial domicile (the principal place from which the trade or business is managed) is located in Kentucky or (b) property creating the nonbusiness income is utilized in Kentucky. Generally, tangible personal property is utilized in Kentucky if it is physically located in Kentucky; intangible property, such as patents and copyrights, is utilized in Kentucky if it is actually used in Kentucky.

SCHEDULE A-C

41A720A-C (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

APPORTIONMENT AND ALLOCATION - Continuation Sheet

Taxable Year Ending

KRS 141.206(10)(b), KRS 141.206(11), 103 KAR 16:090, 103 KAR 16:270 and 103 KAR 16:290

___ / ___
Mo. Yr.

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 765 or 765-GP

| Name of Corporation or Pass-through Entity | Federal Identification Number | | Kentucky Corporation/LLET Account Number | | | |
|---|-------------------------------|-------|--|-------|-------|-------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Corporation or Pass-through Entity filing the return Total | 1 | 00 | 00 | 00 | 00 | 00 |
| | 2 | 00 | 00 | 00 | 00 | 00 |
| 1. Kentucky sales | | | | | | |
| 2. Total sales | | | | | | |
| 3. Sales factor (line 1 divided by line 2) | | | | | | |
| 4. Double-weighted Sales factor (line 3 multiplied by 2) | | | | | | |
| These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A. | | | | | | |
| 5. Average value of Kentucky real/tangible property | 5 | 00 | 00 | 00 | 00 | 00 |
| 6. Average value of total real/tangible property | 6 | 00 | 00 | 00 | 00 | 00 |
| This line is shown for purposes of matching the line on Schedule A; no entries are required for this line. Computations are made on Schedule A. | | | | | | |
| 7. Property factor (line 5 divided by line 6) | | | | | | |
| 8. Kentucky payrolls | 8 | 00 | 00 | 00 | 00 | 00 |
| 9. Total payrolls | 9 | 00 | 00 | 00 | 00 | 00 |
| 10. Payroll factor (line 8 divided by line 9) | | | | | | |
| 11. Total (add lines 4, 7 and 10) | | | | | | |
| These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A. | | | | | | |
| 12. Apportionment fraction — line 11 divided by 4 or number of factors present (sales representing 2 factors) | | | | | | |



SCHEDULE A-C

41A720A-C (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

APPORTIONMENT AND ALLOCATION - Continuation Sheet

KRS 141.206(10)(b), KRS 141.206(11), 103 KAR 16:090, 103 KAR 16:270 and 103 KAR 16:290

Taxable Year Ending

___ / ___
Mo. Yr.

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 765 or 765-GP

Name of Corporation or Pass-through Entity

| | | |
|--|--|---|
| | Federal Identification Number ----- | Kentucky Corporation/LLET Account Number ----- |
|--|--|---|



| | | | | | | | |
|-----|---|---|----|----|----|----|----|
| 1. | Kentucky sales | 00 | 00 | 00 | 00 | 00 | 00 |
| 2. | Total sales | 00 | 00 | 00 | 00 | 00 | 00 |
| 3. | Sales factor (line 1 divided by line 2) (line 3 multiplied by 2) | These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A. | | | | | |
| 4. | Double-weighted Sales factor (line 3 multiplied by 2) | These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A. | | | | | |
| 5. | Average value of Kentucky real/ tangible property | 00 | 00 | 00 | 00 | 00 | 00 |
| 6. | Average value of total real/tangible property | 00 | 00 | 00 | 00 | 00 | 00 |
| 7. | Property factor (line 5 divided by line 6) | This line is shown for purposes of matching the line on Schedule A; no entries are required for this line. Computations are made on Schedule A. | | | | | |
| 8. | Kentucky payrolls | 00 | 00 | 00 | 00 | 00 | 00 |
| 9. | Total payrolls | 00 | 00 | 00 | 00 | 00 | 00 |
| 10. | Payroll factor (line 8 divided by line 9) | These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A. | | | | | |
| 11. | Total (add lines 4, 7 and 10) | These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A. | | | | | |
| 12. | Apportionment fraction—line 11 divided by 4 or number of factors present (sales representing 2 factors) | These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A. | | | | | |

Instructions for Schedule A-C—Apportionment and Allocation—Continuation Sheet

PURPOSE OF SCHEDULE—Schedule A-C is required if the **corporation** filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, or if the **pass-through entity** filing the tax return is a partner or member of a pass-through entity doing business in Kentucky.

Schedule A-C and Schedule A must be submitted with the applicable tax return (Form 720, 720S, 725, 765 or 765-GP).

KRS 141.206(10) provides that for taxable years beginning on or after January 1, 2007, a **corporation** that owns an interest in a limited liability pass-through entity or a general partnership organized or formed as a general partnership after January 1, 2006, shall include its proportionate share of the sales, property and payroll of the limited liability pass-through entity or general partnership in computing its own apportionment fraction. Accordingly, when completing Schedule A-C for a corporation, include only limited liability pass-through entities or general partnerships (organized or formed as general partnerships after January 1, 2006) doing business in Kentucky.

KRS 141.206(11) provides that a **pass-through entity** that is a partner or member in another pass-through entity shall include its pro rata share of the property owned or leased by the other pass-through entity, and shall also include its pro rata share of the other pass-through entity's payroll and sales in computing its own apportionment fraction. Accordingly, when completing Schedule A-C for a pass-through entity, include only pass-through entities doing business in Kentucky.

LINE-BY-LINE INSTRUCTIONS

For the "Corporation or Pass-through Entity filing the return" column, enter the following:

Lines 1, 2, 5, 6, 8 and 9 are computed in the same manner as Schedule A, Section I, Lines 1, 2, 5, 6, 8 and 9. Accordingly, a corporation or pass-through entity shall enter on the applicable lines its Kentucky sales; total sales; average value of Kentucky real/tangible property; average value of total real/tangible property; Kentucky payrolls; and total payrolls. Section III and Section IV of Schedule A should be completed to determine the average value of the corporation's or pass-through entity's Kentucky real/tangible property and total real/tangible property.

A corporation or pass-through entity that owns an interest in a pass-through entity doing business in Kentucky shall also include its pro rata share of the distributive share income in the sales factor, the numerator of which is the distributive share income from the pass-through entity multiplied by the pass-through entity's apportionment fraction and the denominator is the distributive share income. A corporation or pass-through entity that owns an interest in a pass-through entity not doing business in Kentucky shall include its pro rata share of the distributive share income in the denominator of the sales factor.

For the other columns enter the following:

Corporation—A corporation shall enter from each limited liability pass-through entity's or general partnership's (organized or formed as a general partnership after January 1, 2006) Kentucky Schedule K-1 on the applicable line of each column: name; federal employer identification number (FEIN); Kentucky Corporation/LEET Account Number; Kentucky sales; total sales; average value of Kentucky real/tangible property; average value of total real/tangible property; Kentucky payrolls; and total payrolls.

Pass-through Entity—A pass-through entity shall enter from each pass-through entity's Kentucky Schedule K-1 on the applicable line of each column: name; federal employer identification number (FEIN); Kentucky Corporation/LEET Account Number; Kentucky sales; total sales; average value of Kentucky real/tangible property; average value of total real/tangible property; Kentucky payrolls; and total payrolls.

If Schedule A-C does not have enough columns for all entities, copy page 2 of Schedule A-C and attach as needed, and identify the pages alphabetically.

For the Total column enter the following:

Line 1—Enter the total of the amounts on Line 1 from all columns and pages of Schedule A-C.

Line 2—Enter the total of the amounts on Line 2 from all columns and pages of Schedule A-C.

Lines 3 and 4—No entries are required for these lines. Computations are made on Schedule A.

Line 5—Enter the total of the amounts on Line 5 from all columns and pages of Schedule A-C.

Line 6—Enter the total of the amounts on Line 6 from all columns and pages of Schedule A-C.

Line 7—No entry is required for this line. Computation is made on Schedule A.

Line 8—Enter the total of the amounts on Line 8 from all columns and pages of Schedule A-C.

Line 9—Enter the total of the amounts on Line 9 from all columns and pages of Schedule A-C.

Lines 10, 11 and 12—No entries are required for these lines. Computations are made on Schedule A.

Enter the amounts from the Total column, Lines 1, 2, 5, 6, 8 and 9 on the corresponding lines of Schedule A, Section I, Lines 1, 2, 5, 6, 8 and 9.

SCHEDULE A-N

41A720A-N (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

APPORTIONMENT FACTOR SCHEDULE

(For a Nexus Consolidated Tax Return)

Taxable Year Ending

____ / ____
Mo. Yr.

➤ See instructions.

➤ Attach to Form 720.

| Name | Federal Identification Number | Kentucky Corporation/ILET Account Number | Kentucky Sales | Total Sales | Average Value of Kentucky Real/Tangible Property | Average Value of Total Real/Tangible Property | Kentucky Payrolls | Total Payrolls |
|-----------------------------|-------------------------------|--|----------------|-------------|--|---|-------------------|----------------|
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| Total of Each Column | | | | | | | | |



SCHEDULE A-N

41A720A-N (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

APPORTIONMENT FACTOR SCHEDULE

(For a Nexus Consolidated Tax Return)

Taxable Year Ending

___ / ___ / ___
Mo. Yr.

> See instructions.

> Attach to Form 720.



| Name | Federal Identification Number | Kentucky Corporation/LLLT Account Number | Kentucky Sales | Total Sales | Average Value of Kentucky Real/Tangible Property | Average Value of Total Real/Tangible Property | Kentucky Payrolls | Total Payrolls |
|--------------------------------|-------------------------------|--|----------------|-------------|--|---|-------------------|----------------|
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| Subtotal of Each Column | | | | | | | | |

Instructions for Schedule A-N—Apportionment Factor Schedule

Purpose of Schedule—This schedule should be completed by a corporation filing a mandatory nexus consolidated return to show the Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls of the corporation and each of its subsidiaries included in the computation of the sales factor, property factor and payroll factor. The total Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls from this schedule should equal the Kentucky sales, total sales, average value of total real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls on Schedule A, Section I. If the corporation is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006), the total Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls from this schedule should equal the Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls on Schedule A-C, "Corporation or Pass-through Entity filing the return" column.

Schedule A-N, Schedule A and, if applicable, Schedule A-C should be submitted with Form 720.

LINE-BY-LINE INSTRUCTIONS

Enter the name, federal identification number, Kentucky Corporation/LLET Account Number, Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls of the corporation and each of its subsidiaries included in the computation of the sales factor, property factor and payroll factor.

As provided by KRS 141.200(11)(b), all transactions between corporations included in the consolidated return shall be eliminated in determining the property, payroll and sales factors in accordance with KRS 141.120.

If Schedule A-N does not have enough lines for all entities, copy page 2 of Schedule A-N and attach as needed, and identify the pages alphabetically.

Total of Each Column—Enter the total of each column on this line which includes the amounts from all pages of Schedule A-N.

SCHEDULE BIO

41A720BIO (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



20__

Calendar Year

APPLICATION AND CREDIT CERTIFICATE OF
INCOME TAX/LLET CREDIT
BIODIESEL

KRS 141.422 to 141.425
103 KAR 15:140

See instructions.

Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

Name of Entity, Mailing Address, Location Address, Federal Identification Number, Kentucky Corporation/LLET Account Number, Taxed as: Corporation, Limited Liability Pass-through Entity, General Partnership, Individual, Other

Kentucky Special Fuels Dealer's License Account Number

At anytime during this calendar year, did your biodiesel or renewable diesel fail to meet the ASTM standard? Yes No
If yes, list dates

Part I - Gallons Produced and/or Blended in Kentucky During the Calendar Year

Table with 4 rows: 1. Number of gallons of B100 biodiesel produced meeting ASTM standard, 2. Number of gallons of B100 biodiesel blended with diesel, 3. Number of gallons of renewable diesel produced meeting ASTM standard, 4. Total biodiesel produced and/or blended and renewable diesel produced

I, the undersigned, declare under the penalties of perjury, that I have examined this application, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature, Title, Date, Contact Name, Email Address, Telephone Number, Fax Number



Department of Revenue Use Only

Part II - Biodiesel Gallons Approved

1. Biodiesel gallons approved by Department of Revenue

Part III - Biodiesel Approved Credit Certificate

1. (a) Approved credit for biodiesel producer and/or blender (numerator), (b) Total approved credit for biodiesel producer and/or blender (denominator) x \$10,000,000 = Approved Credit

TAXPAYER USE ONLY

Part IV - Biodiesel Credit Used By Taxpayer

Table with 3 rows: 1. LLET Credit, 2. Corporation Income Tax Credit, 3. Individual Income Tax Credit

No Carryforward Allowed

INSTRUCTIONS FOR SCHEDULE BIO

The biodiesel tax credit is applied against the individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit claimed against the corporation income tax and LLET can be different.

Purpose of Schedule—The application and credit certification schedule is to report the number of gallons of biodiesel produced and/or B100 blended and renewable diesel produced in this state meeting the current ASTM standards. Re-blending of blended biodiesel does not qualify for this credit. The Department of Revenue will certify the amount of biodiesel credit for each taxpayer. It is effective for biodiesel produced and/or blended and renewable diesel produced on or after January 1, 2008. The taxpayer is not entitled to the credit for biodiesel produced and/or blended and renewable diesel produced in another state.

The credit rate is \$1 per gallon with a total cap for all taxpayers not to exceed \$10,000,000 annually. There is no carryforward for any unused credit.

To ensure proper processing, fax or email Schedule BIO to the Department of Revenue no later than January 15 following the close of the preceding calendar year. Schedules postmarked or sent after January 15 are void. Credit certification cannot be guaranteed for schedules sent through regular mail.

Fax number: (502) 564-0058

Email address:
KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

The Department of Revenue will confirm the receipt of the application. If you do not receive confirmation within two weeks of submitting the application, contact the Division of Corporation Tax at (502) 564-8139.

The Department of Revenue will issue the credit certificate, listing the amount of credit available, by April 15 following the close of the preceding calendar year. Attach the credit certificate to the tax return claiming the credit.

General Instructions—For the calendar year, enter the applicable year.

Check the appropriate entity type. If taxed as an entity type other than corporation, limited liability pass-through entity, general partnership or individual, check the "Other" box and list the entity type.

Federal Identification Number—For an individual, enter the Social Security number; for a general partnership, estate or trust, enter the FEIN.

Testing—The regulation 103 KAR 15:140 provides that a copy of the laboratory results for July 1 and December 31 of each calendar year shall be attached to the application, Schedule BIO, submitted to the Department of Revenue. Failure to provide proof of meeting the ASTM standard on July 1 and December 31 of each calendar year with the application shall result in the denial of the credit for gallons of biodiesel or renewable diesel back to the previous testing date of July 1 or December 31.

Part I—Gallons Produced and/or Blended in Kentucky During the Calendar Year

Line 1—Enter the number of gallons of B100 biodiesel produced in this state for the calendar year.

Line 2—Enter the number of gallons of B100 biodiesel used in the blended biodiesel produced in this state for the calendar year. Re-blending of blended biodiesel does not qualify for this credit.

Line 3—Enter the number of gallons of renewable diesel produced in this state for the calendar year.

Part II and Part III

These parts are completed by the Department of Revenue to determine the biodiesel credit for each taxpayer. Part III is used if the total amount of approved credit for all biodiesel producers and blenders and renewable diesel producers exceeds the annual biodiesel tax credit cap.

Part II—Biodiesel Gallons Approved

Line 1—This is the amount of biodiesel and renewable diesel gallons approved by the Department of Revenue for credit. If the approved credit exceeds the biodiesel tax credit cap, then the credit is determined by the department in Part III. It is a nonrefundable credit.

If the biodiesel producer or blender or renewable diesel producer is a pass-through entity, report the pro rata share of the approved credit on Schedule(s) K-1. In the case of an entity that has a fiscal year end, the approved credit shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

Part III—Biodiesel Approved Credit Certificate

The Department of Revenue determines the total approved credit. If it exceeds the biodiesel tax credit cap of \$10,000,000, the department will compute each taxpayer's approved credit based upon a fraction the numerator (Line 1(a)) being the credit approved for the taxpayer and the denominator (Line 1(b)) being the total credit approved for all taxpayers. The biodiesel tax credit cap is multiplied by this fraction to determine each producer's and/or blender's approved credit.

Part IV—Biodiesel Credit Used By Taxpayer

Line 1—Enter the amount of credit claimed for the taxable year against the LLET on Schedule TCS, Part II, Column E. The credit amount cannot reduce the LLET below the \$175 minimum.

Line 2—Enter the amount of credit claimed for the taxable year against the corporation income tax on Schedule TCS, Part II, Column F.

Line 3—Enter the amount of credit claimed for the taxable year on Form 740, 740-NP or 741.

SCHEDULE CC

41A720CC (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

___ / ___
Mo. Yr.

COAL CONVERSION TAX CREDIT

KRS 141.041

► **Attach to Form 720.**

| | | |
|--|--|---|
| Name of Corporation | Federal Identification Number _____ | Kentucky Corporation/LLET Account Number _____ |
| Location of coal conversion facility (street, city, county, state) | | |

(If more than one facility, complete a separate Schedule CC for each.)

USE OF UNIT—To qualify, the facility must: *(check appropriate box)*

- Generate steam or hot water for space heating or materials processing.
- Provide direct heat for industrial processes.

TYPE OF CONVERSION FOR WHICH CREDIT IS CLAIMED—To qualify, the facility must have: *(check appropriate box)*

- A.** Replaced a non-coal burning facility with a coal-burning facility.* Date Completed _____
- B.** Installed an additional facility capable of burning coal.* Date Completed _____
- C.** Converted a non-coal facility to a coal facility.* Date Completed _____
- D.** Substituted coal for other fuels in multi-fuel facility. Enter the calendar year used as base year _____ . *Complete Parts I and III below.*

* Attach a statement describing in detail the type of facility in use previously and the type of facility in use after replacement, addition or conversion. *Complete Parts I and II below.*

PART I—SCHEDULE OF KENTUCKY COAL (Coal Subject to Taxation Under KRS Chapter 143) The corporation must complete.

| Supplier | Supplier's Coal Severance ID Number | A Number of Tons Used | B Purchase Price of Tons Used | C Transportation Expense Included in B | D Net Cost (B Minus C) |
|---------------|-------------------------------------|--------------------------|----------------------------------|---|---------------------------|
| a. | | | | | 00 |
| b. | | | | | 00 |
| c. | | | | | 00 |
| d. | | | | | 00 |
| e. | | | | | 00 |
| f. | | | | | 00 |
| TOTALS | | | | | 00 |

PART II—COMPUTATION FOR NEW COAL USERS *(To be completed by a corporation that checked box A, B or C above.)*

| | | |
|---|---|--------|
| 1. Total from Part I, column D | 1 | 00 |
| 2. Credit Rate is 4.5%..... | 2 | x .045 |
| 3. Tax Credit: Multiply amount on line 1 by line 2. | 3 | 00 |
| 4. LLET Credit —Enter appropriate amount from line 3 on Schedule TCS, Part II, Column E | 4 | 00 |
| 5. Corporation Income Tax Credit —Enter appropriate amount from line 3 on Schedule TCS, Part II, Column F..... | 5 | 00 |

(NOTE: This credit cannot reduce the LLET for the tax year below the \$175 minimum.)



PART III—COMPUTATION OF COAL SUBSTITUTION (To be completed by a corporation that checked box D on page 1.)

1. Base year fuel input.

| Fuel | Unit | A Number of Units Used | | B Million BTUs/Unit (Avg.) | | C Million BTUs/Fuel | D Percent of BTUs Used* |
|--------------------------------------|-------|------------------------------|---|-------------------------------------|---|---------------------------|-------------------------------|
| a. Kentucky Coal | Tons | _____ | x | _____ | = | _____ | _____ |
| b. Non-Kentucky Coal | Tons | _____ | x | _____ | = | _____ | _____ |
| c. Natural Gas | MCF | _____ | x | _____ | = | _____ | _____ |
| d. Crude Oil | Bbls. | _____ | x | _____ | = | _____ | _____ |
| e. Fuel Oil | Gals. | _____ | x | _____ | = | _____ | _____ |
| f. Other: _____ | _____ | _____ | x | _____ | = | _____ | _____ |
| g. TOTAL of c, d, e and f..... | | | | | | _____ | _____ |
| h. TOTAL of a, b, c, d, e and f..... | | | | | | _____ | 100% |

*Compute percentages by dividing amounts in column C, lines a through f, by amount in column C, line h.

2. Tax year fuel input.

| Fuel | Unit | A Number of Units Used | | B Million BTUs/Unit (Avg.) | | C Million BTUs/Fuel | D Percent of BTUs Used* |
|--------------------------------------|-------|------------------------------|---|-------------------------------------|---|---------------------------|-------------------------------|
| a. Kentucky Coal | Tons | _____ | x | _____ | = | _____ | _____ |
| b. Non-Kentucky Coal | Tons | _____ | x | _____ | = | _____ | _____ |
| c. Natural Gas | MCF | _____ | x | _____ | = | _____ | _____ |
| d. Crude Oil | Bbls. | _____ | x | _____ | = | _____ | _____ |
| e. Fuel Oil | Gals. | _____ | x | _____ | = | _____ | _____ |
| f. Other: _____ | _____ | _____ | x | _____ | = | _____ | _____ |
| g. TOTAL of c, d, e and f..... | | | | | | _____ | _____ |
| h. TOTAL of a, b, c, d, e and f..... | | | | | | _____ | 100% |

*Compute percentages by dividing amounts in column C, lines a through f, by amount in column C, line h.



PART III—COMPUTATION OF COAL SUBSTITUTION (Continued) *(To be completed by a corporation that checked box D on page 1.)*

| | | | |
|--|----|---|-------------|
| 3. Enter percentage of BTUs produced by sources other than coal in base year (from line 1g, column D) | 3 | | |
| 4. Enter percentage of BTUs produced by sources other than coal in tax year (from line 2g, column D) | 4 | | |
| 5. Subtract line 4 from line 3. If there was no decrease in percentage of BTUs from sources other than coal from base year to tax year, then the corporation is not entitled to the coal credit | 5 | | |
| 6. Enter percentage of BTUs produced by Kentucky coal in tax year (from line 2a, column D) | 6 | | |
| 7. Enter percentage of BTUs produced by Kentucky coal in the base year (from line 1a, column D) | 7 | | |
| 8. Subtract line 7 from line 6. If there was no increase in percentage of BTUs from Kentucky coal from base year to tax year, then the corporation is not entitled to the coal credit | 8 | | |
| 9. Enter million BTUs input of Kentucky coal (from line 2a, column C)..... | 9 | | |
| 10. Compare percentages on lines 5 and 8, and enter the lesser percentage..... | 10 | | |
| 11. Multiply amount on line 9 by percentage on line 10. Enter result here..... | 11 | | |
| 12. Enter average million BTUs/unit (from line 2a, column B) | 12 | | |
| 13. Divide line 11 by line 12. Enter result here | 13 | | |
| 14. Enter average purchase price per ton (total from Part I, column D, divided by total from Part I, column A)..... | 14 | | 00 |
| 15. Multiply line 13 by line 14. Enter result here..... | 15 | | 00 |
| 16. Credit rate is 4.5%..... | 16 | x | .045 |
| 17. Tax Credit: Multiply amount on line 15 by line 16..... | 17 | | 00 |
| 18. LLET Credit —Enter appropriate amount from line 17 on Schedule TCS, Part II, Column E | 18 | | 00 |
| 19. Corporation Income Tax Credit —Enter appropriate amount from line 17 on Schedule TCS, Part II, Column F | 19 | | 00 |

(NOTE: This credit cannot reduce the LLET below the \$175 minimum.)

SCHEDULE CCI

41A720-CCI (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



20 ____

177

Calendar Year

➤ See instructions.

**APPLICATION AND CREDIT CERTIFICATE
OF CLEAN COAL INCENTIVE TAX CREDIT**

KRS 141.428

➤ For Coal Purchased During Calendar Year

| | | | |
|-------------------|-------|----------|--|
| Name of Entity | | | Federal Identification Number |
| Number and Street | | | Kentucky Corporation/LLET Account Number |
| City | State | ZIP Code | Telephone Number (Include Area Code) |

Name and Facility Location

Type of Entity (check applicable box): Corporation Limited Liability Pass-through Entity General Partnership
 Other ➤ _____

Date Certified by the Energy and Environment Cabinet (Attach certification letter.) ____/____/____

PART I—Qualifying Tons of Coal Purchased During the Taxable Year and Used to Generate Electricity

| A | B | C | D |
|---------------------------------|---|-----------------------------------|--|
| Name of Supplier | Name and Kentucky Coal Severance Tax Account Number of Taxpayer Subject to Kentucky Coal Severance Tax On Qualifying Coal Purchases | Qualifying Tons of Coal Purchased | For Department of Revenue Use Only Approved Tons Purchased |
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| 5. | | | |
| 6. | | | |
| 7. | | | |
| 8. | | | |
| 9. | | | |
| 10. Total Tons Purchased | | | |

I, the undersigned, declare under the penalties of perjury, that I have examined this application, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

| | | |
|---|---------------|------|
| Signature | Title | Date |
| Contact Name (if different from signer) | Email Address | |
| Telephone Number | Fax Number | |

NOTE: This credit cannot reduce the limited liability entity tax (LLET) on Form 720, Form 720S, Form 725 or Form 765 below the \$175 minimum. **There is no carryforward of unused credit.**

| Department of Revenue Use Only | | | |
|---|---|--|----|
| Part II—Tax Credit | | | |
| 1. Number of tons of approved eligible coal | 1 | | |
| 2. Tax credit (line 1 multiplied by \$2) | 2 | | 00 |

Taxpayer Use Only

| Part III—Recap Schedule | | | |
|---|------|----|----|
| 1. Approved credit from Part II, line 2 | 1 | | 00 |
| 2. Less: | | | |
| (a) Credit against KRS 141.0401, Enter on Schedule TCS, Part II, Column E ... | 2(a) | 00 | |
| (b) Credit against KRS 141.040, Enter on Schedule TCS, Part II, Column F ... | 2(b) | 00 | |
| (c) Credit against KRS 141.020 | 2(c) | 00 | |
| 3. Credit against KRS 136.120 (line 1 less the greater of line 2(a), 2(b) or 2(c))..... | 3 | | 00 |

INSTRUCTIONS FOR SCHEDULE CCI

The Clean Coal Incentive Tax Credit is applied against the individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040, the limited liability entity tax (LLET) imposed by KRS 141.0401 and the public service corporation property tax (state portion only) imposed by KRS 136.120. The amount of credit claimed against the corporation income tax and the LLET can be different.

Purpose of Schedule—This schedule is used by taxpayers to apply for the clean coal incentive tax credit provided by KRS 141.428 and by the Department of Revenue to determine the approved tons of coal purchased.

Who is Entitled to the Credit—Any taxpayer that:

1. (a) is an electric power company as defined in KRS Chapter 136 or
 - (b) is an entity that owns or operates a clean coal facility;
2. remits tax to Kentucky under KRS 136.120, 141.020, 141.040, or 141.0401; and
3. purchases coal subject to the tax imposed by KRS 143.020 that is used by the taxpayer, or by the parent company of the taxpayer if the taxpayer is a wholly owned subsidiary, to generate electricity.

Amount of Credit—The credit is equal to \$2 for each ton of coal. “Qualifying coal” means coal subject to the coal severance tax imposed by KRS 143.020 which is purchased and used by the company to generate electricity.

Due Date of Schedule—The taxpayer must submit this schedule by March 15 of each year to apply for the credit on coal purchases for the prior calendar year.

Where to Submit Schedule—This schedule should be submitted to:

Kentucky Department of Revenue
Office of Property Valuation
Division of Minerals Taxation and GIS Services
Station 33
501 High Street, Fourth Floor
Frankfort, Kentucky 40601-2103

SPECIFIC INSTRUCTIONS

General Information—The taxpayer must complete all information in the name and address portion of this schedule. If the entity type is not listed, check “Other” and list the entity type.

Maintaining Records—The taxpayer must maintain records reflecting verification of the tons of coal purchased subject to Kentucky coal severance tax imposed by KRS 143.020, including invoices and proof of payments, for a period of five years.

When Credit May be Claimed—The credit shall not be carried forward and must be used on the tax return filed for the period during which the eligible coal was purchased.

Claiming Credit—Corporations and limited liability pass-through entities are entitled to take this credit against the LLET. The credit taken against corporation income tax is also allowed against the LLET even though the credit is taken against the income tax. The credit claimed may be different because of limitations.

The credit amount cannot reduce the LLET below the \$175 minimum.

PART I—Qualifying Tons of Coal Purchased During the Taxable Year and Used to Generate Electricity

Columns A and B—Enter in Column A the name of each supplier from whom qualifying coal was purchased. If the supplier listed in Column A is the person subject to the Kentucky coal severance tax on the qualifying coal, enter the supplier’s Kentucky coal severance tax account number in Column B. If the person subject to the Kentucky coal severance tax on the qualifying coal is different than the supplier listed in Column A, enter in Column B the name and Kentucky coal severance tax account number of the person subject to the Kentucky coal severance tax on the qualifying coal purchased from each supplier. In the event more than one person was subject to the Kentucky coal severance tax on coal purchased from the same supplier, use a separate line to list the supplier and the name and Kentucky coal severance tax account number of each person subject to the Kentucky coal severance tax on the coal purchased from such supplier.

Column C—Enter on each line in this column the tons of qualifying coal purchased related to each entry in Columns A and B.

Part III—Recap Schedule

Taxes to Which the Credit Applies—KRS 141.428 provides that this credit shall first be applied against both the taxes imposed by KRS 141.020 or KRS 141.040 and the tax imposed by KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining credit shall be applied against the taxes imposed by KRS 136.120.

The credit shall meet the entirety of the taxpayer’s liability under the first tax listed in consecutive order before applying any remaining credit to the next tax listed in consecutive order. The taxpayer’s total liability under each preceding tax must be fully met before the remaining credit can be applied to the subsequent tax listed in consecutive order.

SCHEDULE CELL

41A720CELL (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



20 _____

Calendar Year

**APPLICATION AND CREDIT CERTIFICATE OF
INCOME TAX/LLET CREDIT
CELLULOSIC ETHANOL**

**KRS 141.422 to 141.4248
103 KAR 15:120**

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

| | | |
|------------------|---|--|
| Name of Entity | Federal Identification Number | Kentucky Corporation/LLET Account Number (if applicable) |
| Mailing Address | _____ | _____ |
| Location Address | Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Individual <input type="checkbox"/> Other _____ | |

Kentucky Special Fuels Dealer's License Account Number _____

At anytime during this calendar year, did your cellulosic ethanol fail to meet the ASTM standard? Yes No

If yes, list dates _____

Part I—Gallons Produced in Kentucky During the Calendar Year

1. Number of gallons of cellulosic ethanol produced meeting ASTM standard 1 _____

I, the undersigned, declare under the penalties of perjury, that I have examined this application, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

| | | |
|---|---------------|------|
| Signature | Title | Date |
| Contact Name (if different from signer) | Email Address | |
| Telephone Number | Fax Number | |



Department of Revenue Use Only

Part II—Cellulosic Ethanol Gallons Approved

1. Cellulosic Ethanol gallons approved by Department of Revenue 1 _____

Part III—Cellulosic Ethanol Approved Credit Certificate

1. (a) Approved credit for cellulosic ethanol producer (**numerator**) (a) $\left(\frac{(a)}{(b)} \right) \times *\$$ _____ = _____

(b) Total approved credit for cellulosic ethanol producer (**denominator**) (b)

Approved Credit

* The cellulosic ethanol credit cap of \$5,000,000 will be increased by the unused cap of the ethanol tax credit if the total approved applications for the cellulosic ethanol tax credit exceeds its \$5,000,000 cap.

TAXPAYER USE ONLY

Part IV—Cellulosic Ethanol Credit Used By Taxpayer

| | | |
|---|---|-------|
| 1. LLET Credit—Enter on Schedule TCS, Part II, Column E | 1 | _____ |
| 2. Corporation Income Tax Credit—Enter on Schedule TCS, Part II, Column F | 2 | _____ |
| 3. Individual Income Tax Credit—Enter on Form 740, 740-NP or 741 | 3 | _____ |

No Carryforward Allowed

INSTRUCTIONS FOR SCHEDULE CELL

The cellulosic ethanol tax credit is applied against the individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit claimed against the corporation income tax and LLET can be different.

Purpose of Schedule—The application and credit certification schedule is to report the number of gallons of cellulosic ethanol produced in this state meeting the current ASTM standards. The Department of Revenue will certify the amount of cellulosic ethanol credit for each taxpayer. It is effective for cellulosic ethanol produced on or after January 1, 2008. The taxpayer is not entitled to the credit for cellulosic ethanol produced in another state.

The credit rate is \$1 per gallon with a total cap for all taxpayers not to exceed \$5,000,000 annually, except the cellulosic ethanol tax credit cap shall be increased by the unused cap of the ethanol tax credit. See Part III instructions for further explanation. There is no carryforward for any unused credit.

To ensure proper processing, fax or email Schedule CELL to the Department of Revenue no later than January 15 following the close of the preceding calendar year. Schedules postmarked or sent after January 15 are void. Credit certification cannot be guaranteed for schedules sent through regular mail.

Fax number: (502) 564-0058

Email address:
KRC.WEBResponseEconomicDevelopmentCredits@
ky.gov

The Department of Revenue will confirm the receipt of the application. If you do not receive confirmation within two weeks of submitting the application, contact the Division of Corporation Tax at (502) 564-8139.

The Department of Revenue will issue the credit certificate, listing the amount of credit available, by April 15 following the close of the preceding calendar year. Attach the credit certificate to the tax return claiming the credit.

General Instructions—For the calendar year, enter the applicable year.

Check the appropriate entity type. If taxed as an entity type other than corporation, limited liability pass-through entity, general partnership or individual, check the "Other" box and list the entity type.

Federal Identification Number—For an individual, enter the Social Security number; for a general partnership, estate or trust, enter the FEIN.

Testing—The regulation 103 KAR 15:120 provides that a copy of the laboratory results for July 1 and December 31 of each calendar year shall be attached to the application, Schedule CELL, submitted to the Department of Revenue. Failure to provide proof of meeting the ASTM standard on July 1 and December 31 of each calendar year with the application shall result in the denial of the credit for gallons of cellulosic ethanol back to the previous testing date of July 1 or December 31.

Part I—Gallons Produced in Kentucky During the Calendar Year

Line 1—Enter the number of gallons of cellulosic ethanol produced in this state for the calendar year.

Part II and Part III

These parts are completed by the Department of Revenue to determine the cellulosic ethanol credit for each taxpayer. Part III is used if the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap.

Part II—Cellulosic Ethanol Gallons Approved

Line 1—This is the amount of cellulosic ethanol gallons approved by the Department of Revenue for credit. If the approved credit exceeds the cellulosic ethanol tax credit cap, then the credit is determined by the department in Part III. It is a nonrefundable credit.

If the cellulosic ethanol producer is a pass-through entity, report the pro rata share of the approved credit on Schedule(s) K-1. In the case of an entity that has a fiscal year end, the approved credit shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

Part III—Cellulosic Ethanol Approved Credit Certificate

The Department of Revenue determines the total approved credit. If it exceeds the cellulosic ethanol tax credit cap of \$5,000,000, the department will compute each taxpayer's approved credit based upon a fraction the numerator (Line 1(a)) being the credit approved for the taxpayer and the denominator (Line 1(b)) being the total credit approved for all taxpayers. The cellulosic ethanol tax credit cap is multiplied by this fraction to determine each producer's approved credit.

The annual cellulosic ethanol tax credit cap of \$5,000,000 will be increased by the unused cap of the ethanol tax credit if the total approved applications for the cellulosic ethanol tax credit exceeds its \$5,000,000 cap. The amount of credit cap transferred to the cellulosic ethanol tax credit shall not exceed the amount necessary for all applicants to receive the one dollar (\$1) per gallon credit provided by KRS 141.4244.

Part IV—Cellulosic Ethanol Credit Used by Taxpayer

Line 1—Enter the amount of credit claimed for the taxable year against the LLET on Schedule TCS, Part II, Column E. The credit amount cannot reduce the LLET below the \$175 minimum.

Line 2—Enter the amount of credit claimed for the taxable year against the corporation income tax on Schedule TCS, Part II, Column F.

Line 3—Enter the amount of credit claimed for the taxable year on Form 740, 740-NP or 741.

Schedule CI

41A720-CI (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



20__

Calendar Year

APPLICATION FOR COAL INCENTIVE TAX CREDIT
KRS 141.0405

See instructions.

For Coal Purchased During Calendar Year

Name of Entity, Federal Identification Number, Number and Street, Kentucky Corporation/LLET Account Number, City, State, ZIP Code, Telephone Number

The Company: Is an electric power company, Owns and operates a coal-fired electric generation plant, Owns and operates an alternative fuel facility or gasification facility

Type of Entity (check applicable box): Corporation, Limited Liability Pass-through Entity, General Partnership, Municipal Electric Company, Other

Kentucky Corporation/LLET Account Number (if applicable), GNC Number

PART I - Qualifying Tons of Coal Purchased During the Base Year (Calendar Year 1999) Used To Generate Electricity

Table with 4 columns: A (Name of Supplier), B (Name and Kentucky Coal Severance Tax Account Number of Taxpayer Subject to Kentucky Coal Severance Tax On Qualifying Coal Purchases), C (Qualifying Tons of Coal Purchased), D (For Department of Revenue Use Only Approved Tons Purchased). Rows 1-10 and total row 11.

PART II - Qualifying Tons of Coal Purchased During the Current Calendar Year Used to Generate Electricity

Table with 4 columns: A (Name of Supplier), B (Name and Kentucky Coal Severance Tax Account Number of Taxpayer Subject to Kentucky Coal Severance Tax On Qualifying Coal Purchases), C (Qualifying Tons of Coal Purchased), D (For Department of Revenue Use Only Approved Tons Purchased). Rows 1-10 and total row 11.

I, the undersigned, declare under the penalties of perjury, that I have examined this application, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of Principal Officer or Chief Accounting Officer

Date

Type or Print Name and Title of Principal Officer or Chief Accounting Officer

The Coal Incentive Tax Credit is applied against the individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040, the limited liability entity tax (LLET) imposed by KRS 141.0401 and the public service corporation property tax (state portion only) imposed by KRS 136.120. The amount of credit claimed against the corporation income tax and the LLET can be different.

Purpose of Schedule—This schedule is used by taxpayers to apply for the coal incentive tax credit provided by KRS 141.0405 and by the Department of Revenue to determine the approved tons of coal purchased.

Who is Entitled to the Tax Credit—A taxpayer or a parent company if the taxpayer is a wholly owned subsidiary that:

(a) (i) is an electric power company subject to tax under KRS 136.120; (ii) is an entity that owns or operates a coal-fired electric generation plant; or (iii) is an alternative fuel facility as defined in KRS 154.27-010 or a gasification facility as defined in KRS 154.27-010 that has not been approved for incentives under Subchapter 27 of KRS Chapter 154;

(b) remits tax to the Commonwealth under KRS 136.120, 141.020, 141.040 or 141.0401; and

(c) purchases coal subject to the tax imposed by KRS 143.020 that is used: (i) for the purpose of generating electricity; or (ii) as feedstock for an alternative fuel facility as defined in KRS 154.27-010 or a gasification facility as defined in KRS 154.27-010.

Amount of Credit—The credit is equal to \$2 for each incentive ton of coal. Incentive tons of coal are calculated by subtracting the tons of qualifying coal purchased during the base year from the tons of qualifying coal purchased during the prior calendar year. **“Qualifying coal” means coal subject to the coal severance tax imposed by KRS 143.020 which is purchased and used to generate electricity or as a feedstock for an alternative fuel facility or a gasification facility as defined in KRS 154.27-010.** For entities existing prior to July 14, 2000, the base year amount of qualifying tons of coal is the qualifying tons of coal purchased in the calendar year 1999. For entities that come into existence after July 14, 2000, the base year amount shall be equal to zero.

Due Date of Schedule—The taxpayer must submit this schedule by March 15 of each year to apply for the credit on coal purchases for the prior calendar year.

Where to Submit Schedule—This schedule should be submitted to:

Kentucky Department of Revenue
Office of Property Valuation
Division of Minerals Taxation and GIS Services
Station 33
501 High Street, Fourth Floor
Frankfort, Kentucky 40601-2103

SPECIFIC INSTRUCTIONS

General Information—The taxpayer must complete all information in the name and address portion of this schedule. If the entity type is not listed, check “Other” and list the entity type.

Part I—Qualifying Tons of Coal Purchased During the Base Year (Calendar Year 1999) Used to Generate Electricity

Company that came into Existence after July 14, 2000—If the company came into existence after July 14, 2000, enter a statement to that effect in Columns A and B, and enter zero (\$0.00) in Column C. Attach sufficient information to the application to verify the date the company came into existence. A company created on or before July 14, 2000, cannot create an affiliate, subsidiary or another corporation that would qualify for a base year amount of zero (\$0.00).

Company in Existence on July 14, 2000—If the company was in existence on or before July 14, 2000, enter in Column A the name of each supplier from whom the coal was purchased. If the supplier listed in Column A is the person subject to the coal

severance tax on the qualifying coal, enter the supplier’s Kentucky Coal Severance Tax Account Number in Column B and the tons of qualifying coal purchased in Column C. If the person subject to the Kentucky coal severance tax on the qualifying coal is not the supplier listed in Column A, enter in Column B the name and Kentucky Coal Severance Tax Account Number of the person subject to the coal severance tax and the tons of qualifying coal purchased in Column C. If more than one person was subject to the Kentucky coal severance tax on coal purchased from a single supplier, use a separate line for each person subject to the Kentucky coal severance tax and list the supplier in Column A, the name and Kentucky Coal Severance Tax Account Number of the person subject to the coal severance tax in Column B, and the tons of qualifying coal purchased in Column C.

Part II—Qualifying Tons of Coal Purchased During the Current Calendar Year Used to Generate Electricity

Company Filing Schedule—Enter in Column A the name of each supplier from whom the coal was purchased. If the supplier listed in Column A is the person subject to the coal severance tax on the qualifying coal, enter the supplier’s Kentucky Coal Severance Tax Account Number in Column B and the tons of qualifying coal purchased in Column C. If the person subject to the Kentucky coal severance tax on the qualifying coal is not the supplier listed in Column A, enter in Column B the name and Kentucky Coal Severance Tax Account Number of the person subject to the coal severance tax and the tons of qualifying coal purchased in Column C. If more than one person was subject to the Kentucky coal severance tax on coal purchased from a single supplier, use a separate line for each person subject to the Kentucky coal severance tax and list the supplier in Column A, the name and Kentucky Coal Severance Tax Account Number of the person subject to the coal severance tax in Column B, and the tons of qualifying coal purchased in Column C.

Subsequent Year Applications—For applications submitted for years after the taxpayer’s initial year of application, it is not necessary to complete Part I. In lieu of completing Part I the taxpayer should attach a copy of the initial year’s application which will be returned to the taxpayer with Column D completed by the Department of Revenue with the Coal Incentive Tax Credit Certificate for the initial year.

Maintaining Records—The taxpayer must maintain records reflecting verification of the tons of coal purchased subject to Kentucky coal severance tax imposed by KRS 143.020, including invoices and proof of payments, for a period of five years.

Taxes to Which the Credit Applies—KRS 141.0405 provides that this credit shall first be applied against both the taxes imposed by KRS 141.020 or KRS 141.040 and the tax imposed by KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining credit shall be applied against the taxes imposed by KRS 136.120.

The credit shall meet the entirety of the taxpayer’s liability under the first tax listed in consecutive order before applying any remaining credit to the next tax listed in consecutive order. The taxpayer’s total liability under each preceding tax must be fully met before the remaining credit can be applied to the subsequent tax listed in consecutive order.

Claiming Credit—Corporations and limited liability pass-through entities are entitled to take this credit against the LLET. The credit taken against corporation income tax is also allowed against the LLET even though the credit is taken against the income tax. The credit claimed may be different because of limitations.

The credit amount cannot reduce the LLET below the \$175 minimum.

SCHEDULE CR

Form 720

41A720CR (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

PRO FORMA FEDERAL

CONSOLIDATED RETURN SCHEDULE

(Attach All Applicable Schedules)

Taxable Year Ending

Mo. / Yr.

Name of Corporation

Federal Identification Number

Kentucky Corporation/LLET Account Number

| | Consolidated Totals | Intercompany Eliminations | Parent | Name | | Name | |
|---|---------------------|---------------------------|--------|---------------------------------|----|---------------------------------|----|
| | | | | FEIN KY Corp./LLET Acct. No. | 00 | FEIN KY Corp./LLET Acct. No. | 00 |
| 1. (a) Gross receipts or sales..... | 1(a) | 00 | 00 | 00 | 00 | 00 | 00 |
| (b) Less returns and allowances..... | 1(b) | 00 | 00 | 00 | 00 | 00 | 00 |
| (c) Balance..... | 1(c) | 00 | 00 | 00 | 00 | 00 | 00 |
| 2. Cost of goods sold..... | 2 | 00 | 00 | 00 | 00 | 00 | 00 |
| 3. Gross profit..... | 3 | 00 | 00 | 00 | 00 | 00 | 00 |
| 4. Dividends..... | 4 | 00 | 00 | 00 | 00 | 00 | 00 |
| 5. Interest..... | 5 | 00 | 00 | 00 | 00 | 00 | 00 |
| 6. Gross rents..... | 6 | 00 | 00 | 00 | 00 | 00 | 00 |
| 7. Gross royalties..... | 7 | 00 | 00 | 00 | 00 | 00 | 00 |
| 8. Capital gain net income..... | 8 | 00 | 00 | 00 | 00 | 00 | 00 |
| 9. Net gain or (loss) from Form 4797..... | 9 | 00 | 00 | 00 | 00 | 00 | 00 |
| 10. Other income..... | 10 | 00 | 00 | 00 | 00 | 00 | 00 |
| 11. Total income..... | 11 | 00 | 00 | 00 | 00 | 00 | 00 |
| 12. Compensation of officers..... | 12 | 00 | 00 | 00 | 00 | 00 | 00 |
| 13. Salaries and wages..... | 13 | 00 | 00 | 00 | 00 | 00 | 00 |
| 14. Repairs and maintenance..... | 14 | 00 | 00 | 00 | 00 | 00 | 00 |
| 15. Bad debts..... | 15 | 00 | 00 | 00 | 00 | 00 | 00 |
| 16. Rents..... | 16 | 00 | 00 | 00 | 00 | 00 | 00 |
| 17. Taxes and licenses..... | 17 | 00 | 00 | 00 | 00 | 00 | 00 |
| 18. Interest..... | 18 | 00 | 00 | 00 | 00 | 00 | 00 |
| 19. Charitable contributions..... | 19 | 00 | 00 | 00 | 00 | 00 | 00 |
| 20. Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return..... | 20 | 00 | 00 | 00 | 00 | 00 | 00 |
| 21. Depletion..... | 21 | 00 | 00 | 00 | 00 | 00 | 00 |
| 22. Advertising..... | 22 | 00 | 00 | 00 | 00 | 00 | 00 |
| 23. Pension, profit-sharing, etc., plans..... | 23 | 00 | 00 | 00 | 00 | 00 | 00 |
| 24. Employee benefit programs..... | 24 | 00 | 00 | 00 | 00 | 00 | 00 |
| 25. Domestic production activities deduction..... | 25 | 00 | 00 | 00 | 00 | 00 | 00 |
| 26. Other deductions..... | 26 | 00 | 00 | 00 | 00 | 00 | 00 |
| 27. Total deductions..... | 27 | 00 | 00 | 00 | 00 | 00 | 00 |
| 28. Taxable income before NOL and special deductions..... | 28 | 00 | 00 | 00 | 00 | 00 | 00 |



Schedule CR—Pro Forma Federal Consolidated Return Schedule and Schedule CR-C—Pro Forma Federal Consolidated Return Schedule—Continuation Sheet

GENERAL INSTRUCTIONS

Purpose of Schedule—This schedule must be completed to compute federal consolidated net income of an affiliated group: (i) if an election was made to file a consolidated Kentucky tax return as provided by KRS 141.200(4) prior to the affiliated group's tax year beginning in 2005 and the 96 month election period has not expired; or (ii) if the affiliated group is required to file a mandatory nexus consolidated Kentucky tax return as provided by KRS 141.200(11). Schedule CR and, if applicable, Schedule CR-C must be attached to the Form 720, Kentucky Corporation Income Tax and LLET Return, filed with the Kentucky Department of Revenue.

Specific Instructions—For each subsidiary, enter the name, FEIN and Kentucky Corporation/LLET Account Number. If there are more than two subsidiaries in the affiliated group, use Schedule CR-C, Pro Forma Federal Consolidated Return Schedule Continuation Sheet.

Lines 1–10—Enter the items of federal income for the parent and each subsidiary using the instructions for Form 1120, U.S. Corporation Income Tax Return, Lines 1 through 10. Enter for each line the intercompany elimination in the Intercompany Eliminations column and the consolidated total in the Consolidated Totals column.

Line 11—Enter the total of Lines 1 through 10 in each column.

Lines 12–26—Enter the federal deductions for the parent and each subsidiary using the instructions for Form 1120, U.S. Corporation Income Tax Return, Lines 12 through 26. Enter for each line the intercompany elimination in the Intercompany Eliminations column and the consolidated total in the Consolidated Totals column.

Line 27—Enter the total of Lines 12 through 26 for each column.

Line 28—Enter the amount of Line 11 less Line 27 for each column.

SCHEDULE CR-C

PRO FORMA FEDERAL CONSOLIDATED RETURN SCHEDULE

Taxable Year Ending

Form 720

41A720CR-C (10-11)

Continuation Sheet

Mo. / Yr.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

(Attach All Applicable Schedules)

Name of Corporation

Federal Identification Number

Kentucky Corporation/LLET Account Number

| | Name FEIN KY Corp./LLET Acct. No. | Name FEIN KY Corp./LLET Acct. No. | Name FEIN KY Corp./LLET Acct. No. | Name FEIN KY Corp./LLET Acct. No. | Name FEIN KY Corp./LLET Acct. No. |
|---|---|---|---|---|---|
| 1. (a) Gross receipts or sales..... | 1(a) | 00 | 00 | 00 | 00 |
| (b) Less returns and allowances..... | 1(b) | 00 | 00 | 00 | 00 |
| (c) Balance..... | 1(c) | 00 | 00 | 00 | 00 |
| 2. Cost of goods sold..... | 2 | 00 | 00 | 00 | 00 |
| 3. Gross profit..... | 3 | 00 | 00 | 00 | 00 |
| 4. Dividends..... | 4 | 00 | 00 | 00 | 00 |
| 5. Interest..... | 5 | 00 | 00 | 00 | 00 |
| 6. Gross rents..... | 6 | 00 | 00 | 00 | 00 |
| 7. Gross royalties..... | 7 | 00 | 00 | 00 | 00 |
| 8. Capital gain net income..... | 8 | 00 | 00 | 00 | 00 |
| 9. Net gain or (loss) from Form 4797..... | 9 | 00 | 00 | 00 | 00 |
| 10. Other income..... | 10 | 00 | 00 | 00 | 00 |
| 11. Total income..... | 11 | 00 | 00 | 00 | 00 |
| 12. Compensation of officers..... | 12 | 00 | 00 | 00 | 00 |
| 13. Salaries and wages..... | 13 | 00 | 00 | 00 | 00 |
| 14. Repairs and maintenance..... | 14 | 00 | 00 | 00 | 00 |
| 15. Bad debts..... | 15 | 00 | 00 | 00 | 00 |
| 16. Rents..... | 16 | 00 | 00 | 00 | 00 |
| 17. Taxes and licenses..... | 17 | 00 | 00 | 00 | 00 |
| 18. Interest..... | 18 | 00 | 00 | 00 | 00 |
| 19. Charitable contributions..... | 19 | 00 | 00 | 00 | 00 |
| 20. Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return..... | 20 | 00 | 00 | 00 | 00 |
| 21. Depletion..... | 21 | 00 | 00 | 00 | 00 |
| 22. Advertising..... | 22 | 00 | 00 | 00 | 00 |
| 23. Pension, profit-sharing, etc., plans..... | 23 | 00 | 00 | 00 | 00 |
| 24. Employee benefit programs..... | 24 | 00 | 00 | 00 | 00 |
| 25. Domestic production activities deduction..... | 25 | 00 | 00 | 00 | 00 |
| 26. Other deductions..... | 26 | 00 | 00 | 00 | 00 |
| 27. Total deductions..... | 27 | 00 | 00 | 00 | 00 |
| 28. Taxable income before NOL and special deductions..... | 28 | 00 | 00 | 00 | 00 |



Schedule ENDOW

41A720-S86 (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ **See instructions.**



NOTICE OF ENDOW KENTUCKY TAX CREDIT AND CERTIFICATION
KRS 141.438

| | | | | | |
|--|--|--|----------|---|--|
| A Name of Taxpayer | | B Federal Identification Number or Social Security Number | | C Kentucky Corporation/LLET Account Number (if applicable) | |
| Street Address or P. O. Box | | | | Telephone | |
| City | | State | ZIP Code | Fax Number | |
| D Type of Entity: <input type="checkbox"/> Individual <input type="checkbox"/> Estate <input type="checkbox"/> Trust <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Other _____ | | | | | |
| E Date the Endowment Gift was made to the Approved Foundation | | F Amount of Endowment Gift | | G Date of the Department's Preliminary Authorization of Credit | |
| ____ / ____ / ____ Mo. Day Yr. | | | | ____ / ____ / ____ Mo. Day Yr. | |
| H Name of Qualified Community Foundation or Affiliate Community Foundation | | I Federal Identification Number | | Telephone | |
| | | | | Fax Number | |
| Street Address or P. O. Box | | | | | |
| City | | State | | ZIP Code | |
| J If applicable, name of Permanent Endowment Fund or County-Specific Component Fund receiving the gift | | | | | |

Under penalties of perjury, I declare that the Foundation is a qualified community foundation as provided by KRS 147A.310(6); that the endowment gift listed above is held in a permanent endowment as provided by KRS 147A.310(4); and that I have examined this schedule, including all accompanying documents and statements, and to the best of my knowledge and belief, it is true, correct and complete.

By: _____ Date: _____
Signature of Foundation Officer (or designee) Date

Print Name: _____

Title: _____

Department of Revenue Use Only

Endow Kentucky tax credit approved by the Department of Revenue.

Amount

By: _____ Date: _____

INSTRUCTIONS – NOTICE OF ENDOW KENTUCKY TAX CREDIT AND CERTIFICATION

The process for finalizing the endowment gift after preliminary authorization is received is set forth in 103 KAR 15:195E Section 4, or 103 KAR 15:195 Section 4. All questions shall be directed to: KRC.WEBResponseEconomicDevelopmentCredits@ky.gov.

A taxpayer shall attach a copy of the approved Schedule ENDOW to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401. The ordering of the credits shall be as provided by KRS 141.0205.

A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP to the partner's, member's or shareholder's tax return each year to claim the tax credit.

A beneficiary of an estate or trust shall attach a copy of Schedule K-1, Form 741, to the beneficiary's tax return each year to claim the tax credit.

41A720ES (06/11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

INSTRUCTIONS FOR FILING

CORPORATION INCOME/LIMITED LIABILITY ENTITY TAX ESTIMATED TAX VOUCHER

Who Must File—Every corporation or pass-through entity subject to the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax imposed by KRS 141.0401 shall make a declaration of estimated tax and must pay installments if the combined tax liability under KRS 141.040 and 141.0401 can reasonably be expected to exceed \$5,000. **Safe harbor:** A corporation or pass-through entity can satisfy its declaration requirement if its estimated tax payments are equal to the combined tax liability under KRS 141.040 and 141.0401 for the prior tax year, and its combined tax liability for the prior tax year was equal to or less than \$25,000. **KRS 141.042 and KRS 141.044**

NOTE: Limited liability pass-through entities as defined in KRS 141.010(28) are subject to the LLET as imposed by KRS 141.0401. Corporations as defined in KRS 141.010(24)(a) are subject to the taxes imposed by KRS 141.040 and KRS 141.0401. Corporations will have the same account number for the LLET and corporation income tax.

Payment Dates for Calendar Year Filers—If the estimated tax exceeds \$5,000 before June 2, the following payment dates are applicable:

| | | |
|--------------------|--------------|--------------------------|
| First Installment | June 15 | 50% of Estimated Tax Due |
| Second Installment | September 15 | 25% of Estimated Tax Due |
| Third Installment | December 15 | 25% of Estimated Tax Due |

If Income or LLET Changes—If an entity's estimated tax exceeds \$5,000 after June 1, or if changes in estimated tax affect the amount of the installments, the following payment dates are applicable:

| When Estimated Tax Exceeds \$5,000 or Amendment Required | Estimated Tax Due | |
|--|-------------------|-------------|
| | September 15 | December 15 |
| June 2–September 1 | 75% | 25% |
| September 2–December 1 | N/A | 100% |

Payment Dates for Fiscal Year Filers—For entities filing on a fiscal year basis, the following is substituted for the payment dates in the two charts above:

| Calendar Year Date | Fiscal Year Date (following fiscal year end) |
|------------------------|--|
| June 15 | 15th day of sixth month |
| September 15 | 15th day of ninth month |
| December 15 | 15th day of 12th month |
| June 2–September 1 | After the first day of the sixth month and before the second day of the ninth month |
| September 2–December 1 | After the first day of the ninth month and before the second day of the 12th month |

NOTE: If a payment date falls on a holiday or weekend, the applicable payment date is the next working day.

Short Taxable Year—No estimated payment is required if the taxable year is five months or less. For taxable years of more than five months but less than 12 months, estimated payments are required if the tax liability exceeds \$5,000. For a short taxable year, annualize the taxable net income in accordance with KRS 141.140(3) to determine if estimated payments are required. For a short taxable year, the payment dates and amount of payment required are as prescribed by KRS 141.044 except that any installments unpaid at the close of the short taxable year shall be paid when the income tax return is filed. **103 KAR 15:060**

—LLET rates are as follows:

| | |
|-------------------------|--------|
| Kentucky Gross Receipts | .00095 |
| Kentucky Gross Profits | .0075 |

—Corporation income tax rates are as follows:

| Income At Least | But Not Over | Rate |
|--------------------|--------------|------|
| \$ 1 | \$ 50,000 | 4% |
| 50,001 | 100,000 | 5% |
| 100,001 | — | 6% |

Installments 1, 2 and 3—Enter the amount(s) paid with the voucher in the correct field to identify the payment as LLET and/or corporation income tax. Calculate these amounts on the worksheet on page 3.

Electronic Funds Transfer (EFT)—Kentucky estimated payments may be made by EFT for only corporation income tax. If paying both, the payments must be mailed. For questions concerning EFT, contact the Department of Revenue at 1-800-839-4137 or (502) 564-6020.

Do not submit the estimated tax voucher if the estimated payment is made by EFT.

**MAKE CHECK PAYABLE TO: KENTUCKY STATE TREASURER
MAIL TO: KENTUCKY DEPARTMENT OF REVENUE, FRANKFORT, KENTUCKY 40619**

CORPORATION INCOME/LIMITED LIABILITY ENTITY TAX ESTIMATED TAX WORKSHEET

(Keep For Your Records)

TAX YEAR _____

Column A

LLET

Column B
Corporation
Income Tax

| | | |
|---|----------|----------|
| 1. Estimated Kentucky tax | \$ _____ | \$ _____ |
| 2. Statutory credits * | \$ _____ | \$ _____ |
| 3. Subtract line 2 from line 1 | \$ _____ | \$ _____ |
| 4. Statutory exemption | \$ 5,000 | _____ |
| 5. LLET estimated tax: Subtract Column A, line 4 from Column A, line 3 | \$ _____ | _____ |
| 6. If line 5 is negative, enter as positive (not greater than \$5,000) | _____ | \$ _____ |
| 7. LLET credit (Enter Column A, line 3 less \$175) | _____ | \$ _____ |
| 8. Corporation estimated tax: Subtract Column B, lines 6 and 7 from line 3... | _____ | \$ _____ |

* Economic development tax credits, certified rehabilitation tax credit, unemployment tax credit, recycling/composting equipment tax credit, coal conversion tax credit, enterprise zone tax credit, Kentucky investment fund tax credit, coal incentive tax credit, qualified research facility tax credit, GED incentive tax credit, voluntary environmental remediation tax credit, biodiesel tax credit, environmental stewardship tax credit, clean coal incentive tax credit, ethanol tax credit, cellulosic ethanol tax credit, energy efficiency products tax credit, ENERGY STAR home or ENERGY STAR manufactured home tax credit, railroad maintenance and improvement tax credit, railroad expansion tax credit and Endow Kentucky tax credit.

RECORD OF ESTIMATED TAX PAYMENTS SCHEDULE

| Voucher Number | Col. A | Col. B | Col. C | Col. D | Col. E |
|---------------------------|--------------|---|---|--|---|
| | Payment Date | 50% of amount from line 5A and line 8B above. | 25% of amount from line 5A and line 8B above. | Overpayment credit from previous return. Subtract from Col. B or Col. C.** | Amount to be paid. (Col. B or C less Col. D) (Enter here and on voucher.) |
| 1 A-LLET B-Corporation | | A | | A | A |
| | | B | | B | B |
| 2 A-LLET B-Corporation | | | A | A | A |
| | | | B | B | B |
| 3 A-LLET B-Corporation | | | A | A | A |
| | | | B | B | B |
| Total | | A | A | A | A |
| | | B | B | B | B |

** If amount credited exceeds amount of installment, enter excess in Column D of next line.

AMENDED COMPUTATION SCHEDULE

| | (A) LLET | (B) Corporation Income Tax |
|--|-------------|----------------------------------|
| Use if estimated tax changes are made after the first payment. | | |
| 1. Enter amended estimated tax | _____ | _____ |
| 2. (a) Amount of any overpayment credited and/or applicable tax credits .. | _____ | _____ |
| (b) Payments of estimated tax for current year | _____ | _____ |
| (c) Total of lines 2(a) and 2(b)..... | _____ | _____ |
| 3. Unpaid balance (line 1 less line 2(c))..... | _____ | _____ |
| (see instructions for: If Income or LLET Changes) | | |

SCHEDULE ETH

41A720ETH (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



20

Calendar Year

APPLICATION AND CREDIT CERTIFICATE OF
INCOME TAX/LLET CREDIT
ETHANOL

See instructions.

Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

KRS 141.422 to 141.4248
103 KAR 15:110

Name of Entity, Mailing Address, Location Address, Federal Identification Number, Kentucky Corporation/LLET Account Number, Taxed as: Corporation, Limited Liability Pass-through Entity, General Partnership, Individual, Other

Kentucky Special Fuels Dealer's License Account Number

At anytime during this calendar year, did your ethanol fail to meet the ASTM standard? Yes No
If yes, list dates

Part I - Gallons Produced in Kentucky During the Calendar Year

1. Number of gallons of ethanol produced meeting ASTM standard

I, the undersigned, declare under the penalties of perjury, that I have examined this application, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature, Title, Date, Contact Name, Email Address, Telephone Number, Fax Number



Department of Revenue Use Only

Part II - Ethanol Gallons Approved

1. Ethanol gallons approved by Department of Revenue

Part III - Ethanol Approved Credit Certificate

1. (a) Approved credit for ethanol producer (numerator) (b) Total approved credit for ethanol producer (denominator) (a/b) x *\$ = Approved Credit

* The annual ethanol tax credit cap of \$5,000,000 will be increased by the unused cap of the cellulosic ethanol tax credit if the total approved applications for the ethanol tax credit exceeds its \$5,000,000 cap.

TAXPAYER USE ONLY

Part IV - Ethanol Credit Used By Taxpayer

1. LLET Credit-Enter on Schedule TCS, Part II, Column E
2. Corporation Income Tax Credit-Enter on Schedule TCS, Part II, Column F
3. Individual Income Tax Credit-Enter on Form 740, 740-NP or 741

No Carryforward Allowed

INSTRUCTIONS FOR SCHEDULE ETH

The ethanol tax credit is applied against individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit claimed against the corporation income tax and LLET can be different.

Purpose of Schedule—The application and credit certification schedule is to report the number of gallons of ethanol produced in this state meeting the current ASTM standards. The Department of Revenue will certify the amount of ethanol credit for each taxpayer. It is effective for ethanol produced on or after January 1, 2008. The taxpayer is not entitled to the credit for ethanol produced in another state.

The credit rate is \$1 per gallon with a total cap for all taxpayers not to exceed \$5,000,000 annually, except the ethanol tax credit cap shall be increased by the unused cap of the cellulosic ethanol tax credit. See Part III Instructions for further explanation. There is no carryforward for any unused credit.

To ensure proper processing, fax or email Schedule ETH to the Department of Revenue no later than January 15 following the close of the preceding calendar year. Schedules postmarked or sent after January 15 are void. Credit certification cannot be guaranteed for schedules sent through regular mail.

Fax number: (502) 564-0058
Email address:
KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

The Department of Revenue will confirm the receipt of the application. If you do not receive confirmation within two weeks of submitting the application, contact the Division of Corporation Tax at (502) 564-8139.

The Department of Revenue will issue the credit certificate, listing the amount of credit available, by April 15 following the close of the preceding calendar year. Attach the credit certificate to the tax return claiming the credit.

General Instructions—For the calendar year, enter the applicable year.

Check the appropriate entity type. If taxed as an entity type other than corporation, limited liability pass-through entity, general partnership or individual, check the "Other" box and list the entity type.

Federal Identification Number—For an individual, enter the Social Security number; for a general partnership, estate or trust, enter the FEIN.

Testing—The regulation 103 KAR 15:110 provides that a copy of the laboratory results for July 1 and December 31 of each calendar year shall be attached to the application, Schedule ETH, submitted to the Department of Revenue. Failure to provide proof of meeting the ASTM standard on July 1 and December 31 of each calendar year with the application shall result in the denial of the credit for gallons of ethanol back to the previous testing date of July 1 or December 31.

Part I—Gallons Produced in Kentucky During the Calendar Year

Line 1—Enter the number of gallons of ethanol produced in this state for the calendar year.

Part II and Part III

These parts are completed by the Department of Revenue to determine the ethanol credit for each taxpayer. Part III is used if the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap.

Part II—Ethanol Gallons Approved

Line 1—This is the amount of ethanol gallons approved by the Department of Revenue for credit. If the approved credit exceeds the ethanol tax credit cap, then the credit is determined by the department in Part III. It is a nonrefundable credit.

If the ethanol producer is a pass-through entity, report the pro rata share of the approved credit on Schedule(s) K-1. In the case of an entity that has a fiscal year end, the approved credit shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

Part III—Ethanol Approved Credit Certificate

The Department of Revenue determines the total approved credit. If it exceeds the ethanol tax credit cap of \$5,000,000, the department will compute each taxpayer's approved credit based upon a fraction the numerator (Line 1(a)) being the credit approved for the taxpayer and the denominator (Line 1(b)) being the total credit approved for all taxpayers. The ethanol tax credit cap is multiplied by this fraction to determine each producer's approved credit.

The annual ethanol tax credit cap of \$5,000,000 will be increased by the unused cap of the cellulosic ethanol tax credit if the total approved applications for the ethanol tax credit exceeds its \$5,000,000 cap. The amount of credit cap transferred to the ethanol tax credit shall not exceed the amount necessary for all applicants to receive the one dollar (\$1) per gallon credit provided by KRS 141.4242.

Part IV—Ethanol Credit Used by Taxpayer

Line 1—Enter the amount of credit claimed for the taxable year against the LLET on Schedule TCS, Part II, Column E. The credit amount cannot reduce the LLET below the \$175 minimum.

Line 2—Enter the amount of credit claimed for the taxable year against the corporation income tax on Schedule TCS, Part II, Column F.

Line 3—Enter the amount of credit claimed for the taxable year on Form 740, 740-NP or 741.

SCHEDULE EZC

41A720EZC (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

___ / ___
Mo. Yr.

➤ See instructions.

ENTERPRISE ZONE TAX CREDIT

➤ Attach to Form 720.

KRS 154.45

| | | |
|---------------------|-------------------------------|--|
| Name of Corporation | Federal Identification Number | Kentucky Corporation/LLET Account Number |
| _____ | _____ | _____ |

Enterprise Zone Certificate Number ➤

| | | | |
|---|------|----|----|
| 1. Available Credit carryover from prior year(s): | | | |
| (a) Carryover from 2006 | 1(a) | 00 | |
| (b) Carryover from 2007 | (b) | 00 | |
| (c) Total credit carryover from prior year(s) (add lines 1(a) and 1(b)) | 1(c) | | 00 |
| 2. LLET credit claimed this year (enter here and on Schedule TCS, Part II, Column E)..... | 2 | | 00 |
| 3. Corporation income tax credit claimed this year (enter here and on Schedule TCS, Part II, Column F)..... | 3 | | 00 |

INSTRUCTIONS—SCHEDULE EZC

The Enterprise Zone Tax Credit is applied against the corporation income tax imposed by KRS 141.040 and/or the Limited Liability Entity Tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different.

ENTERPRISE ZONE TAX CREDIT UPDATE—As of December 31, 2007, all enterprise zones have expired. However, previous year carryforwards are allowed. A schedule of the carryforward is required.

LIMITATION AND CARRYOVER—Any portion of the credit not used in the year earned may be carried forward for up to five years.

SPECIFIC INSTRUCTIONS

Line 1—Enter the available carryovers. The carryover is limited to any unused credit earned in taxable years 2006 and 2007.

Line 2—Enter the amount of credit claimed for the taxable year against the LLET on Schedule TCS, Part II, Column E. This credit amount may not reduce the LLET for the year below the \$175 minimum.

Line 3—Enter the amount of credit claimed for the taxable year against the corporation income tax on Schedule TCS, Part II, Column F.

SCHEDULE HH

41A720HH (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

___ / ___
Mo. Yr.

KENTUCKY HOUSING FOR HOMELESS FAMILIES DEDUCTION

► Attach to Form 720, 720S, 740, 740-NP, 741, 765 or 765-GP.

| | | |
|----------------|--|---|
| Name of Entity | Federal Identification Number _____ | Kentucky Corporation/LLET Account Number (if applicable) _____ |
|----------------|--|---|

Complete a separate Schedule HH for each dwelling unit donated.

- A. Organization to which property was donated _____
- B. Date property donated to above organization _____
- C. Type of unit donated: single family dwelling unit within multiple family facility
- D. If multiple family facility, indicate total number of units in the facility _____ number of units donated _____

COMPUTATION OF DEDUCTION

| | Donated Property | Comparable Property A | Comparable Property B | | Comparable Property C |
|---|------------------|-----------------------|-----------------------|----|-----------------------|
| 1. City and state | | | | 1 | |
| 2. Street address..... | | | | 2 | |
| 3. Description of property | | | | 3 | |
| 4. Rooms..... | | | | 4 | |
| 5. Square footage | | | | 5 | |
| 6. Monthly rent | | 00 | 00 | 6 | 00 |
| 7. Average monthly rent of Comparable Properties A, B, C..... | | | | 7 | 00 |
| 8. If property rented within 6 months of date donated, enter last monthly rent received | | | | 8 | 00 |
| 9. Monthly value of interest in property. Enter lesser of line 7 or line 8. (If line 8 is zero, enter line 7.)..... | | | | 9 | 00 |
| 10. Number of months in taxable year that donated property was occupied by homeless family..... | | | | 10 | 00 |
| 11. Amount of deduction. Multiply line 9 by line 10. Enter here and on appropriate line of tax return | | | | 11 | 00 |

Purpose of Schedule—This schedule is used to determine the amount of deduction allowed by KRS 141.0202 for the value of leasehold interest in property contributed to a charitable organization to be used to provide temporary living quarters for a homeless family. A separate Schedule HH must be submitted for each dwelling unit donated.

Contributions Qualifying for Deduction—Effective for tax years beginning after December 31, 1989, contributions of property to a charitable organization qualify for this deduction if the property is used to provide temporary living quarters for a homeless family when:

1. the homeless family has demonstrated a need for a fixed, regular and adequate night time residence; and
2. the homeless family does not occupy the dwelling for a period in excess of one year.

Information Necessary to Substantiate the Deduction—In addition to the information requested on this schedule, the following information must be attached to this schedule:

1. proof that during the taxable year the dwelling meets the habitability standards prescribed by the state or political subdivision in which the dwelling is located; and
2. copy of statement supplied by the charitable organization reflecting the dates during the year the dwelling was occupied by each homeless family.

Example: Family 1—from 1/5/10 to 1/15/10
Family 2—from 1/25/10 to 2/28/10, etc.

Federal Identification Number—For an individual, enter the Social Security number; for all other entities, enter the FEIN.

SPECIFIC INSTRUCTIONS

Line 3—The description of the properties should be very brief and general such as, 1 b.r. house, eff. apt., 1 b.r. apt., etc.

Line 4—Use abbreviations to list the rooms included in each dwelling such as, b.r. for bedroom, bth. for bathroom, l.r. for living room, etc.

Line 5—Enter total square footage of living space.

Lines 6 and 8—The monthly rental amounts to be entered on these lines must be net of any charge or fees for utilities or other services.

Line 10—KRS 141.0202 allows a deduction in the amount of the monthly value of the leasehold interest multiplied by the number of months during which the property is occupied for a substantial portion of the month by a homeless family. For this purpose, “substantial” means more than one-half. Therefore, based on the statement supplied by the charitable organization, determine the total number of months during the year that the property was occupied for more than one-half of the month and enter the total on this line.

Line 11—The amount from Line 11, or the total of the amounts from Line 11 if more than one Schedule HH is being filed, must be entered on the appropriate tax return as follows: (i) a corporation filing Form 720, enter on Schedule O-720, Part II, Line 6; (ii) a limited liability pass-through entity filing Form 720S or Form 765, enter on Schedule K, Line 7 or Line 8, respectively; (iii) a pass-through entity filing Form 765-GP, enter on Schedule K, Line 8; (iv) an individual filing Form 740 or Form 740-NP, include the amount in the charitable contributions deduction on Schedule A; or (v) a fiduciary filing Form 741, enter on Schedule A, Line 1.

Important: For Kentucky purposes, this deduction is a special deduction which may be greater than any ordinary charitable contribution deduction allowed for the property and is not subject to the percentage limitation provided by IRC Section 170. However, in accordance with KRS 141.010(11) and (13)(d), the same item may not be deducted more than once.

SCHEDULE KCR

Form 720

41A720KCR (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

KENTUCKY

CONSOLIDATED RETURN SCHEDULE

(Attach All Applicable Schedules)

Taxable Year Ending

Mo. / Yr.

Name of Corporation

Federal Identification Number

Kentucky Corporation/LEET Account Number

| | Consolidated Totals | Intercompany Eliminations | Parent | Name FEIN KY Corp./LEET Acct. No. | Name FEIN KY Corp./LEET Acct. No. |
|--|---------------------|---------------------------|--------|---|---|
| 1. Federal taxable income (Schedule CR, line 28) | 00 | | 00 | | 00 |
| Additions | | | | | |
| 2. Interest income (state and local obligations) | 00 | | 00 | | 00 |
| 3. State taxes based on net/gross income | 00 | | 00 | | 00 |
| 4. Depreciation adjustment | 00 | | 00 | | 00 |
| 5. Deductions attributable to nontaxable income | 00 | | 00 | | 00 |
| 6. Related party expenses | 00 | | 00 | | 00 |
| 7. Dividend paid deduction (REIT) | 00 | | 00 | | 00 |
| 8. Domestic production activities deduction | 00 | | 00 | | 00 |
| 9. Other (attach schedule) | 00 | | 00 | | 00 |
| 10. Revenue Agent Report (RAR) | 00 | | 00 | | 00 |
| 11. Total (add lines 1 through 10) | 00 | | 00 | | 00 |
| Subtractions | | | | | |
| 12. Interest income (U.S. obligations) | 00 | | 00 | | 00 |
| 13. Dividend income | 00 | | 00 | | 00 |
| 14. Federal work opportunity credit | 00 | | 00 | | 00 |
| 15. Depreciation adjustment | 00 | | 00 | | 00 |
| 16. Other (attach schedule) | 00 | | 00 | | 00 |
| 17. Revenue Agent Report (RAR) | 00 | | 00 | | 00 |
| 18. Net income (line 11 less lines 12 through 17) | 00 | | 00 | | 00 |
| 19. Net nonbusiness income | 00 | | 00 | | 00 |
| 20. Kentucky net nonbusiness income | 00 | | 00 | | 00 |



**Schedule KCR — Kentucky Consolidated Return Schedule and
Schedule KCR-C—Kentucky Consolidated Return Schedule—Continuation Sheet**

GENERAL INSTRUCTIONS

Purpose of Schedule—This schedule must be completed to compute the Kentucky consolidated net income of an affiliated group: (i) if an election to file a consolidated Kentucky tax return as provided by KRS 141.200(4) was made prior to the affiliated group's tax year beginning in 2005 and the 96 month election period has not expired; or (ii) if the affiliated group is required to file a mandatory nexus consolidated Kentucky tax return as provided by KRS 141.200(11). Schedule KCR and, if applicable, Schedule KCR-C must be attached to the Form 720, Kentucky Corporation Income Tax and LLET Return, filed with the Kentucky Department of Revenue.

Specific Instructions—For each subsidiary, enter the name, FEIN and Kentucky Corporation/LLET Account Number. If there are more than two subsidiaries in the affiliated group, use Schedule KCR-C, Kentucky Consolidated Return Schedule—Continuation Sheet.

Line 1—Enter the amounts from Schedule CR and CR-C, Line 28 of each column in the respective columns of Schedule KCR and Schedule KCR-C.

Lines 2-10—Enter the additions to federal taxable income for the parent and each subsidiary using instructions for Form 720, Kentucky Corporation Income Tax and LLET Return, Part III, Lines 2 through 10. Enter for each line the intercompany elimination in the Intercompany Eliminations column and the consolidated total in the Consolidated Totals column.

Line 10—Enter Revenue Agent Report (RAR)(Form 4549) federal taxable income increase(s). Use this line only if amending Form 720 as a result of an RAR adjustment (attach a copy of Form 4549 to the amended Form 720).

Line 11—Enter the total of Lines 1 through 10 in each column.

Lines 12-17—Enter the subtractions from federal taxable income for the parent and each subsidiary using instructions for Form 720, Kentucky Corporation Income Tax and LLET Return, Part III, Lines 12 through 17. Enter for each line the intercompany elimination in the Intercompany Eliminations column and the consolidated total in the Consolidated Totals column.

Line 17—Enter Revenue Agent Report (RAR)(Form 4549) federal taxable income decrease(s). Use this line only if amending Form 720 as a result of an RAR adjustment (attach a copy of Form 4549 to the amended Form 720).

Line 18—Enter the amount of Line 11 less Lines 12 through 17 for each column.

Line 19—Enter net nonbusiness income from Schedule A, Section II, Line 3 in the total column and the applicable amounts in the columns for the parent and each subsidiary.

Line 20—Enter Kentucky net nonbusiness income from Schedule A, Section II, Line 7 in the total column and the applicable amounts in the columns for the parent and each subsidiary.

Enter the amounts from Line 1 through Line 18 of the Total column on Form 720, Part III, Lines 1 through 18.

SCHEDULE KCR-C
Form 720

KENTUCKY

Taxable Year Ending
Mo. ___ / Yr. ___

41A720KCR-C (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

CONSOLIDATED RETURN SCHEDULE – Continuation Sheet
(Attach All Applicable Schedules)

Name of Corporation _____

Federal Identification Number _____

Kentucky Corporation/LEET Account Number _____



| | Name FEIN _____ KY Corp./LEET Acct. No. _____ | Name FEIN _____ KY Corp./LEET Acct. No. _____ | Name FEIN _____ KY Corp./LEET Acct. No. _____ | Name FEIN _____ KY Corp./LEET Acct. No. _____ | Name FEIN _____ KY Corp./LEET Acct. No. _____ |
|--|---|---|---|---|---|
| 1. Federal taxable income (Schedule CR-C, line 28)..... | 00 | 00 | 00 | 00 | 00 |
| Additions | | | | | |
| 2. Interest income (state and local obligations) | 00 | 00 | 00 | 00 | 00 |
| 3. State taxes based on net/gross income..... | 00 | 00 | 00 | 00 | 00 |
| 4. Depreciation adjustment..... | 00 | 00 | 00 | 00 | 00 |
| 5. Deductions attributable to nontaxable income..... | 00 | 00 | 00 | 00 | 00 |
| 6. Related party expenses..... | 00 | 00 | 00 | 00 | 00 |
| 7. Dividend paid deduction (REIT).... | 00 | 00 | 00 | 00 | 00 |
| 8. Domestic production activities deduction | 00 | 00 | 00 | 00 | 00 |
| 9. Other (attach schedule) | 00 | 00 | 00 | 00 | 00 |
| 10. Revenue Agent Report (RAR)..... | 00 | 00 | 00 | 00 | 00 |
| 11. Total (add lines 1 through 10)..... | 00 | 00 | 00 | 00 | 00 |
| Subtractions | | | | | |
| 12. Interest income (U.S. obligations) | 00 | 00 | 00 | 00 | 00 |
| 13. Dividend income..... | 00 | 00 | 00 | 00 | 00 |
| 14. Federal work opportunity credit... | 00 | 00 | 00 | 00 | 00 |
| 15. Depreciation adjustment..... | 00 | 00 | 00 | 00 | 00 |
| 16. Other (attach schedule) | 00 | 00 | 00 | 00 | 00 |
| 17. Revenue Agent Report (RAR)..... | 00 | 00 | 00 | 00 | 00 |
| 18. Net income (line 11 less lines 12 through 17)..... | 00 | 00 | 00 | 00 | 00 |
| 19. Net nonbusiness income | 00 | 00 | 00 | 00 | 00 |
| 20. Kentucky net nonbusiness income..... | 00 | 00 | 00 | 00 | 00 |

SCHEDULE LLET

41A720LLET (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

Mo. / Yr.

LIMITED LIABILITY ENTITY TAX
KRS 141.0401

Member of a Combined Group
Reason Code

- See instructions.
Attach to Form 720, 720S, 725 or 765.

Table with 3 columns: Name of Corporation or Limited Liability Pass-through Entity, Federal Identification Number, Kentucky Corporation/LLET Account Number

Check this box and complete Schedule LLET-C, Limited Liability Entity Tax—Continuation Sheet, if the corporation or limited liability pass-through entity filing this tax return is a partner or member of a limited liability pass-through entity or general partnership...

Section A—Computation of Gross Receipts and Gross Profits

Table with 5 rows and 4 columns: Description, Column A Kentucky, Column B Total, and an unlabeled column. Rows include Gross receipts, Returns and allowances, Gross receipts after returns and allowances, Cost of goods sold, and Gross profits.

Section B—Computation of Gross Receipts LLET

Table with 4 rows and 4 columns: Description, Column A Kentucky, Column B Total, and an unlabeled column. Rows describe calculations for gross receipts from all sources.

Section C—Computation of Gross Profits LLET

Table with 4 rows and 4 columns: Description, Column A Kentucky, Column B Total, and an unlabeled column. Rows describe calculations for gross profits from all sources.

Section D—Computation of LLET

Table with 1 row and 4 columns: Description, Column A Kentucky, Column B Total, and an unlabeled column. Row 1: Enter the lesser of Section B, line 4 or Section C, line 4, or a minimum of \$175...



Mark the applicable Receipts Method box on Form 720, 720S, 725 or 765, page 1, Item B.

INSTRUCTIONS – SCHEDULE LLET

Purpose of Schedule—Schedule LLET, Limited Liability Entity Tax, is used to compute the limited liability entity tax (LLET) as provided by KRS 141.0401(2), and must be completed and submitted with the applicable tax return (Form 720, 720S, 725 or 765). If the corporation or limited liability pass-through entity filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Schedule LLET-C, Limited Liability Entity Tax—Continuation Sheet.

Short-Period Computation of LLET—For short-period returns, annualizing gross receipts or gross profits is not permitted. A minimum of \$175 shall be due per taxable year. *Taxable year* is defined as the period for which the return is made. **KRS 141.010(16)**

Combined Group—A member of a combined group pursuant to KRS 141.0401(1)(c) must use the total gross receipts and the total gross profits of the combined group to determine if it is eligible for the small business relief provided by KRS 141.0401(2)(b). The member computes its LLET based upon its Kentucky gross receipts and Kentucky gross profits. A combined group means all members of an affiliated group as defined in KRS 141.200(9) (b) and all limited liability pass-through entities that would be included in an affiliated group if organized as a corporation as provided by KRS 141.0401(1)(c).

Section A of this schedule must be completed by a corporation or limited liability pass-through entity, except a corporation or limited liability pass-through entity exempt from LLET as provided by KRS 141.0401(6). If the corporation or limited liability pass-through entity filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Schedule LLET-C, Limited Liability Entity Tax—Continuation Sheet. Kentucky gross receipts, Kentucky gross profits, total gross receipts from all sources, and total gross profits from all sources must be completed in accordance with KRS 141.0401(1). See the line-by-line instructions below.

Section B of this form must be completed to compute the LLET on Kentucky gross receipts.

Section C of this form must be completed to compute the LLET on Kentucky gross profits.

Section D of this form must be completed to show the LLET liability before the application of any tax credits.

LINE-BY-LINE INSTRUCTIONS

Check Box—If the entity is a member of a combined group pursuant to KRS 141.0401(1)(c), check the box.

Reason Code—If the box is checked, enter the applicable code.

- 1 Gross receipts or gross profits from all sources are equal to or less than \$3,000,000.
- 2 Gross receipts and gross profits from all sources are greater than \$3,000,000 but less than \$6,000,000.
- 3 Gross receipts from all sources are equal to or greater than \$6,000,000 but gross profits from all sources are greater than \$3,000,000 but less than \$6,000,000.
- 4 Gross receipts and gross profits from all sources are equal to or greater than \$6,000,000.

Section A—Computation of Gross Receipts and Gross Profits

If the corporation or limited liability pass-through entity filing the tax return is a partner or member of a limited liability pass-

through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Schedule LLET-C and enter the total amounts from Schedule LLET-C, Section A, Lines 3 and 5 in Column A, Lines 3 and 5; and the total amounts from Schedule LLET-C, Section B, Lines 3 and 5 in Column B, Lines 3 and 5, and continue to Sections B, C and D.

If the corporation or limited liability pass-through entity filing the tax return is not a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Section A as follows:

Line 1—Enter the Kentucky gross receipts before returns and allowances in Column A, and gross receipts from all sources before returns and allowances in Column B.

Line 2—Enter the returns and allowances attributable to Kentucky gross receipts in Column A, and returns and allowances attributable to gross receipts from all sources in Column B.

Line 3—Enter the total of Line 1 less Line 2 in Columns A and B.

Line 4—Enter the cost of goods sold attributable to Kentucky gross receipts in Column A, and cost of goods sold attributable to gross receipts from all sources in Column B. For an entity other than manufacturing, producing, reselling, retailing or wholesaling, no costs shall be included in cost of goods sold. **KRS 141.0401(1)(d)**

Line 5—Enter the total of Line 3 less Line 4 in Columns A and B.

Section B—Computation of Gross Receipts LLET

Line 1—If gross receipts from all sources (Column B, Line 3) are \$3,000,000 or less, **STOP** and enter \$175 on Section D, Line 1.

Line 2—If gross receipts from all sources (Column B, Line 3) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, Line 3 x 0.00095) – (\$2,850 x ((\$6,000,000 – Column A, Line 3) / \$3,000,000)), but in no case shall the result be less than zero.

Line 3—If gross receipts from all sources (Column B, Line 3) are \$6,000,000 or greater, enter the following: Column A, Line 3 x 0.00095.

Line 4—Enter the amount from Line 2 or Line 3.

Section C—Computation of Gross Profits LLET

Line 1—If gross profits from all sources (Column B, Line 5) are \$3,000,000 or less, **STOP** and enter \$175 on Section D, Line 1.

Line 2—If gross profits from all sources (Column B, Line 5) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, Line 5 x 0.0075) – (\$2,500 x ((\$6,000,000 – Column A, Line 5) / \$3,000,000)), but in no case shall the result be less than zero.

Line 3—If gross profits from all sources (Column B, Line 5) are \$6,000,000 or greater, enter the following: Column A, Line 5 x 0.0075.

Line 4—Enter the amount from Line 2 or Line 3.

Section D—Computation of LLET

Line 1—Enter the lesser of Section B, Line 4 or Section C, Line 4, or a minimum of \$175 on this line and on Form 720, Part I, Line 1; for Form 720S, 725 or 765, enter on Part II, Line 1.

SCHEDULE LLET-C

LIMITED LIABILITY ENTITY TAX — Continuation Sheet

Taxable Year Ending

41A720LLET-C (10-11)

Commonwealth of Kentucky

DEPARTMENT OF REVENUE

KRS 141.0401

Mo. / Yr.

- > See instructions.
- > Attach to Form 720, 720S, 725 or 765.

Name of Corporation or Limited Liability Pass-through Entity

Federal Identification Number

Kentucky Corporation/LLET Account Number

| | 1 | 2 | 3 | 4 | 5 |
|--|----|---|---|---|---|
| Section A — Total from Kentucky Sources | | | | | |
| 1. Kentucky gross receipts..... | 00 | | | | |
| 2. Kentucky returns and allowances..... | 00 | | | | |
| 3. Kentucky gross receipts after returns and allowances (line 1 less line 2). Enter the total on Schedule LLET, Section A, Column A, Line 3..... | 00 | | | | |
| 4. Kentucky cost of goods sold..... | 00 | | | | |
| 5. Kentucky gross profits (line 3 less line 4). Enter the total on Schedule LLET, Section A, Column A, Line 5..... | 00 | | | | |
| Section B—Total from All Sources | | | | | |
| 1. Gross receipts..... | 00 | | | | |
| 2. Returns and allowances..... | 00 | | | | |
| 3. Gross receipts after returns and allowances (line 1 less line 2). Enter the total on Schedule LLET, Section A, Column B, Line 3..... | 00 | | | | |
| 4. Cost of goods sold..... | 00 | | | | |
| 5. Gross profits (line 3 less line 4). Enter the total on Schedule LLET, Section A, Column B, Line 5..... | 00 | | | | |



SCHEDULE LLET-C

LIMITED LIABILITY ENTITY TAX — Continuation Sheet

41A720LLET-C (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

KRS 141.0401

- See instructions.
- Attach to Form 720, 720S, 725 or 765.

Name of Corporation or Limited Liability Pass-through Entity

| | |
|-------------------------------|--|
| Federal Identification Number | Kentucky Corporation/LLET Account Number |
| ----- | ----- |

| | | | | |
|--|---|---|---|---|
| Section A — Total from Kentucky Sources | Name | Name | Name | Name |
| | FEIN _____ KY Corp./LLET Acct. No. _____ | FEIN _____ KY Corp./LLET Acct. No. _____ | FEIN _____ KY Corp./LLET Acct. No. _____ | FEIN _____ KY Corp./LLET Acct. No. _____ |

| | | | | | | |
|--|----|----|----|----|----|----|
| 1. Kentucky gross receipts..... 2. Kentucky returns and allowances..... 3. Kentucky gross receipts after returns and allowances (line 1 less line 2). Enter the total on Schedule LLET, Section A, Column A, Line 3 4. Kentucky cost of goods sold 5. Kentucky gross profits (line 3 less line 4). Enter the total on Schedule LLET, Section A, Column A, Line 5 | 00 | 00 | 00 | 00 | 00 | 00 |
| Section B — Total from All Sources | | | | | | |



| | | | | | | |
|---|----|----|----|----|----|----|
| 1. Gross receipts..... 2. Returns and allowances..... 3. Gross receipts after returns and allowances (line 1 less line 2). Enter the total on Schedule LLET, Section A, Column B, Line 3 4. Cost of goods sold 5. Gross profits (line 3 less line 4). Enter the total on Schedule LLET, Section A, Column B, Line 5 | 00 | 00 | 00 | 00 | 00 | 00 |
|---|----|----|----|----|----|----|

INSTRUCTIONS—SCHEDULE LLET-C

Purpose of Schedule—Schedule LLET-C, Limited Liability Entity Tax—Continuation Sheet, is required if the corporation or limited liability pass-through entity filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky.

Schedule LLET-C and Schedule LLET must be submitted with the applicable tax return (Form 720, 720S, 725 or 765).

KRS 141.120(11) provides that a corporation that is a partner or member of a limited liability pass-through entity or a general partnership organized or formed as a general partnership after January 1, 2006, shall include its proportionate share of the sales in calculating the tax due pursuant to KRS 141.0401. The phrases “an interest in a limited liability pass-through entity” and “an interest in a general partnership organized or formed as a general partnership after January 1, 2006,” shall extend to each level of multiple-tiered pass-through entities.

Combined Group – A member of a combined group pursuant to KRS 141.0401(1)(c) must use the total gross receipts and the total gross profits of the combined group to determine if it is eligible for the small business relief provided by KRS 141.0401(2)(b). The member computes its LLET based upon its Kentucky gross receipts and Kentucky gross profits. A “combined group” means all members of an affiliated group as defined in KRS 141.200(9)(b) and all limited liability pass-through entities that would be included in an affiliated group if organized as a corporation.

LINE-BY-LINE INSTRUCTIONS**Section A – Total from Kentucky Sources**

For the “Corporation or Limited Liability Pass-through Entity Filing Return” column enter the following:

Line 1 – Enter Kentucky gross receipts before Kentucky returns and allowances.

Line 2 – Enter the Kentucky returns and allowances.

Line 3 – Enter Line 1 less Line 2.

Line 4 – Enter the cost of goods sold attributable to Kentucky gross receipts.

Line 5 – Enter Line 3 less Line 4.

For the other columns enter the following:

For each entity of which the corporation or limited liability pass-through entity filing the return is a partner or member, enter from the Kentucky Schedule K-1 on the applicable line of each column: name; federal employer identification number; Kentucky Corporation/LLET account number; Kentucky gross receipts after returns and allowances; and Kentucky gross profits. If additional schedules are needed, copy page 2 of Schedule LLET-C and attach. If more than one additional page is needed, identify pages alphabetically.

For the Total column enter the following:

Line 3 – Enter the total of the amounts on Line 3 from all columns and pages of Schedule LLET-C.

Line 5 – Enter the total of the amounts on Line 5 from all columns and pages of Schedule LLET-C.

Enter the amounts from the Total column, Lines 3 and 5 on the corresponding lines of Schedule LLET, Column A, Lines 3 and 5.

Section B – Total from All Sources

For the “Corporation or Limited Liability Pass-through Entity Filing Return” column enter the following:

Line 1 – Enter gross receipts from all sources before returns and allowances.

Line 2 – Enter the returns and allowances attributable to gross receipts from all sources.

Line 3 – Enter Line 1 less Line 2.

Line 4 – Enter the cost of goods sold attributable to gross receipts from all sources.

Line 5 – Enter Line 3 less Line 4.

For the other columns enter the following:

For each entity of which the corporation or limited liability pass-through entity filing the return is a partner or member, enter from the Kentucky Schedule K-1 on the applicable line of each column the gross receipts from all sources after returns and allowances and gross profits from all sources.

For the Total column enter the following:

Line 3 – Enter the total of the amounts on Line 3 from all columns and pages of Schedule LLET-C.

Line 5 – Enter the total of the amounts on Line 5 from all columns and pages of Schedule LLET-C.

Enter the amounts from the Total column, Lines 3 and 5 on the corresponding lines of Schedule LLET, Column B, Lines 3 and 5.

SCHEDULE LLET(K)

41A720LLET(K) (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

Mo. / Yr.

LIMITED LIABILITY ENTITY TAX
(For a Limited Liability Pass-through Entity with
Economic Development Project(s))

Member of a Combined Group

Reason Code

KRS 141.0401

- See instructions.
Attach to Form 720S, 725 or 765.

Table with 3 columns: Name of Limited Liability Pass-through Entity, Federal Identification Number, Kentucky Corporation/LLET Account Number

Check this box and complete Schedule LLET(K)-C, Limited Liability Entity Tax - Continuation Sheet, if the limited liability pass-through entity filing this tax return is a partner or member of a limited liability pass-through entity or general partnership...

Section A - Computation of Gross Receipts and Gross Profits Excluding Economic Development Project(s)

Table with 5 rows and 4 columns for Section A computation. Includes rows for gross receipts, economic development project receipts, and gross profits.

Section B - Computation of Gross Receipts LLET

Table with 4 rows and 4 columns for Section B computation. Includes rows for gross receipts from all sources and calculations for different ranges.

Section C - Computation of Gross Profits LLET

Table with 4 rows and 4 columns for Section C computation. Includes rows for gross profits from all sources and calculations for different ranges.

Section D - Computation of LLET

Table with 1 row and 4 columns for Section D computation. Includes row for lesser of Section B or C line 4.



Mark the applicable Receipts Method box on Form 720S, 725 or 765, page 1, Item B.

Purpose of Schedule—Schedule LLET(K), Limited Liability Entity Tax (For a Limited Liability Pass-through Entity with Economic Development Project(s)), is used by a limited liability pass-through entity that has one or more economic development projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA), or Incentives for Energy Independence Act (IEIA) in lieu of the regular Schedule LLET to compute its limited liability entity tax (LLET) in order to exclude its Kentucky gross receipts and Kentucky gross profits attributable to the economic development project(s). If the limited liability pass-through entity is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Schedule LLET(K)-C, Limited Liability Entity Tax—Continuation Sheet. Attach these schedules to the applicable tax return (Form 720S, 725 or 765).

Short-Period Computation of LLET—For short-period returns, annualizing gross receipts or gross profits is not permitted. A minimum of \$175 shall be due per taxable year. *Taxable year* is defined as the period for which the return is made. **KRS 141.010(16)**

Combined Group—A member of a combined group pursuant to KRS 141.0401(1)(c) must use the total gross receipts and the total gross profits of the combined group to determine if it is eligible for the small business relief provided by KRS 141.0401(2)(b). The member computes its LLET based upon its Kentucky gross receipts and Kentucky gross profits. A combined group means all members of an affiliated group as defined in KRS 141.200(9)(b) and all limited liability pass-through entities that would be included in an affiliated group if organized as a corporation as provided by KRS 141.0401(1)(c).

Section A of this schedule must be completed by a limited liability pass-through entity, except a limited liability pass-through entity exempt from LLET as provided by KRS 141.0401(6). If the limited liability pass-through entity filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Schedule LLET(K)-C, Limited Liability Entity Tax—Continuation Sheet. Kentucky gross receipts, Kentucky gross profits, total gross receipts from all sources, and total gross profits from all sources must be completed in accordance with KRS 141.0401(1). See the line-by-line instructions below.

Section B of this schedule must be completed to compute the LLET on Kentucky gross receipts excluding Kentucky gross receipts from economic development project(s).

Section C of this schedule must be completed to compute the LLET on Kentucky gross profits excluding Kentucky gross profits from economic development project(s).

Section D of this schedule must be completed to show the LLET liability excluding the LLET liability from economic development project(s) before the application of any tax credits.

LINE-BY-LINE INSTRUCTIONS

Check Box—If the entity is a member of a combined group pursuant to KRS 141.0401(1)(c), check the box.

Reason Code—If the box is checked, enter the applicable code.

- 1 Gross receipts or gross profits from all sources are equal to or less than \$3,000,000.
- 2 Gross receipts and gross profits from all sources are greater than \$3,000,000 but less than \$6,000,000.
- 3 Gross receipts from all sources are equal to or greater than \$6,000,000 but gross profits from all sources are greater than \$3,000,000 but less than \$6,000,000.
- 4 Gross receipts and gross profits from all sources are equal to or greater than \$6,000,000.

Section A—Computation of Gross Receipts and Gross Profits Excluding Economic Development Project(s)

If the limited liability pass-through entity filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Schedule LLET(K)-C and enter the total amounts from Schedule LLET(K)-C, Section A, Lines 3 and 5 in Column A, Lines 3 and 5; and the total amounts from Schedule LLET(K)-C, Section B, Lines 3 and 5 in Column B, Lines 3 and 5, and continue to Sections B, C and D.

If the limited liability pass-through entity filing the tax return is not a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Section A as follows:

Line 1—Enter the pass-through entity's Kentucky gross receipts after Kentucky returns and allowances in Column A, and the pass-through entity's total gross receipts from all sources after returns and allowances from all sources in Column B.

Line 2—Enter the economic development project's Kentucky gross receipts after Kentucky returns and allowances in Column A. No entry is required in Column B.

Line 3—Enter the amount of Line 1 less Line 2 in Columns A and B.

Line 4(a)—Enter the pass-through entity's cost of goods sold attributable to Kentucky in Column A, and the pass-through entity's total cost of goods sold attributable to gross receipts from all sources in Column B.

Line 4(b)—Enter the economic development project's cost of goods sold attributable to Kentucky in Column A. No entry is required in Column B.

Line 4(c)—Enter the amount of Line 4(a) less 4(b) in Columns A and B.

Line 5—Enter the amount of Line 3 less Line 4(c) in Columns A and B.

Section B—Computation of Gross Receipts LLET

Line 1—If gross receipts from all sources (Column B, Line 3) are \$3,000,000 or less, **STOP** and enter \$175 on Section D, Line 1.

Line 2—If gross receipts from all sources (Column B, Line 3) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, Line 3 x 0.00095) – [\$2,850 x ((6,000,000 – Column A, Line 3) / 3,000,000)], but in no case shall the result be less than zero.

Line 3—If gross receipts from all sources (Column B, Line 3) are \$6,000,000 or greater, enter the following: Column A, Line 3 x 0.00095.

Line 4—Enter the amount from Line 2 or Line 3.

Section C—Computation of Gross Profits LLET

Line 1—If gross profits from all sources (Column B, Line 5) are \$3,000,000 or less, **STOP** and enter \$175 on Section D, Line 1.

Line 2—If gross profits from all sources (Column B, Line 5) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, Line 5 x 0.0075) – [\$22,500 x ((6,000,000 – Column A, Line 5) / 3,000,000)], but in no case shall the result be less than zero.

Line 3—If gross profits from all sources (Column B, Line 5) are \$6,000,000 or greater, enter the following: Column A, Line 5 x 0.0075.

Line 4—Enter the amount from Line 2 or Line 3.

Section D—Computation of LLET

Line 1—Enter the lesser of Section B, Line 4 or Section C, Line 4, or a minimum of \$175 on this line and on Form 720S, 725 or 765, Part II, Line 1.

SCHEDULE LLET(K)-C

41A720LLET(K)-C (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

LIMITED LIABILITY ENTITY TAX – Continuation Sheet
(For a Limited Liability Pass-through Entity with Economic Development Project(s))

KRS 141.0401

➤ See instructions.

➤ Attach to Form 720S, 725 or 765.

Name of Limited Liability Pass-through Entity

Federal Identification Number

Kentucky Corporation/LLET Account Number

Section A – Total from Kentucky Sources



- 1. Kentucky gross receipts after returns and allowances ...
- 2. Economic development project's gross receipts after returns and allowances
- 3. Kentucky gross receipts excluding the economic development project(s) (line 1 less line 2). **Enter the total on Schedule LLET(K), Section A, Column A, line 3 ...**
- 4. (a) Kentucky cost of goods sold.....
 (b) Economic development project's cost of goods sold.....
 (c) Kentucky cost of goods sold excluding the economic development project(s) (line 4(a) less line 4(b)).....
- 5. Kentucky gross profits excluding the economic development project(s) (line 3 less line 4(c)). **Enter the total on Schedule LLET(K), Section A, Column A, line 5**

| | Name | Name | Name | Name | Name | Name |
|----|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | FEIN | FEIN | FEIN | FEIN | FEIN | FEIN |
| | KY Corp./LLET Acct. No. | KY Corp./LLET Acct. No. | KY Corp./LLET Acct. No. | KY Corp./LLET Acct. No. | KY Corp./LLET Acct. No. | KY Corp./LLET Acct. No. |
| 00 | | 00 | | 00 | | 00 |

Section B – Total from All Sources

- 1. Gross receipts after returns and allowances
- 2. Economic development project's gross receipts after returns and allowances
- 3. Gross receipts after returns and allowances (line 1 less line 2). **Enter the total on Schedule LLET(K), Section A, Column B, line 3.....**
- 4. (a) Cost of goods sold.....
 (b) Economic development project's cost of goods sold.....
 (c) Cost of goods sold (line 4(a) less line 4(b)).....
- 5. Gross profits (line 3 less line 4(c)). **Enter the total on Schedule LLET(K), Section A, Column B, line 5.....**

| | | | | | | |
|----|--|----|--|----|--|----|
| 00 | | 00 | | 00 | | 00 |
|----|--|----|--|----|--|----|

INSTRUCTIONS — SCHEDULE LLET(K)-C

Purpose of Schedule—Schedule LLET(K)-C, Limited Liability Entity Tax—Continuation Sheet (For a Limited Liability Pass-through Entity with Economic Development Project(s)), is required if the limited liability pass-through entity filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, and has one or more economic development projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA), or Incentives for Energy Independence Act (IEIA).

Schedule LLET(K)-C and Schedule LLET(K) must be submitted with the applicable tax return (Form 720S, 725 or 765).

KRS 141.120(11) provides that a corporation that is a partner or member of a limited liability pass-through entity or a general partnership organized or formed as a general partnership after January 1, 2006, shall include its proportionate share of the sales in calculating the tax due pursuant to KRS 141.0401. The phrases “an interest in a limited liability pass-through entity” and “an interest in a general partnership organized or formed as a general partnership after January 1, 2006,” shall extend to each level of multiple-tiered pass-through entities.

Combined Group – A member of a combined group pursuant to KRS 141.0401(1)(c) must use the total gross receipts and the total gross profits of the combined group to determine if it is eligible for the small business relief provided by KRS 141.0401(2)(b). The member computes its LLET based upon its Kentucky gross receipts and Kentucky gross profits. A “combined group” means all members of an affiliated group as defined in KRS 141.200(9) (b) and all limited liability pass-through entities that would be included in an affiliated group if organized as a corporation.

LINE-BY-LINE INSTRUCTIONS**Section A – Total from Kentucky Sources**

For the “Limited Liability Pass-through Entity Filing Return” column enter the following:

Line 1 – Enter the limited liability pass-through entity’s Kentucky gross receipts after Kentucky returns and allowances.

Line 2 – Enter the economic development project’s gross receipts after returns and allowances.

Line 3 – Enter Line 1 less Line 2.

Line 4(a) – Enter the cost of goods sold attributable to Kentucky gross receipts.

Line 4(b) – Enter the economic development project’s cost of goods sold.

Line 4(c) – Enter Line 4(a) less Line 4(b).

Line 5 – Enter Line 3 less Line 4(c).

For the other columns enter the following:

For each entity of which the limited liability pass-through entity filing the return is a partner or member, enter from the Kentucky Schedule K-1 on the applicable line of each column: name; federal employer identification number; Kentucky Corporation/LLET account number; Kentucky gross receipts after returns and allowances; and Kentucky gross profits. If additional schedules are needed, copy page 2 of Schedule LLET(K)-C and attach. If more than one additional page is needed, identify pages alphabetically.

For the Total column enter the following:

Line 3 – Enter the total of the amounts on Line 3 from all columns and pages of Schedule LLET(K)-C.

Line 5 – Enter the total of the amounts on Line 5 from all columns and pages of Schedule LLET(K)-C.

Enter the amounts from the Total column, Lines 3 and 5 on the corresponding lines of Schedule LLET(K), Column A, Lines 3 and 5.

Section B – Total from All Sources

For the “Limited Liability Pass-through Entity Filing Return” column enter the following:

Line 1 – Enter the limited liability pass-through entity’s gross receipts from all sources after returns and allowances.

Line 2 – No entry on this line.

Line 3 – Enter Line 1 less Line 2.

Line 4(a) – Enter the cost of goods sold attributable to gross receipts from all sources.

Line 4(b) – No entry on this line.

Line 4(c) – Enter Line 4(a) less Line 4(b).

Line 5 – Enter Line 3 less Line 4(c).

For the other columns enter the following:

For each entity of which the limited liability pass-through entity filing the return is a partner or member, enter from the Kentucky Schedule K-1 on the applicable line of each column the gross receipts from all sources after returns and allowances and gross profits from all sources.

For the Total column enter the following:

Line 3 – Enter the total of the amounts on Line 3 from all columns and pages of Schedule LLET(K)-C.

Line 5 – Enter the total of the amounts on Line 5 from all columns and pages of Schedule LLET(K)-C.

Enter the amounts from the Total column, Lines 3 and 5 on the corresponding lines of Schedule LLET(K), Column B, Lines 3 and 5.

SCHEDULE NOL

41A720NOL (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____/____
Mo. Yr.

If an election is made to carry NOL carryforward as an apportioned NOL, check here.
Mandatory Nexus Only

NET OPERATING LOSS SCHEDULE

KRS 141.011, KRS 141.200(11); Regulation 103 KAR 16:250

| | | |
|---------------------|-------------------------------|--|
| Name of Corporation | Federal Identification Number | Kentucky Corporation/LLET Account Number |
| _____ | ____-____ | ____-____ |

PART I—MANDATORY NEXUS CONSOLIDATED RETURN

| Section A—Current Net Operating Loss Adjustment | | | Includible Corporations | | |
|---|--|-------------------------------|-------------------------|---|------------------------------------|
| | | | A | B | C |
| Name | Kentucky Corporation/LLET Account Number | Prior Year's NOL Carryforward | Kentucky Net Income | Kentucky Net Losses (Enter as a Positive) | Total Losses (Enter as a Positive) |
| 1. Parent | | | 00 | 00 | |
| 2. Subsidiaries | | | | | |
| a | | | 00 | 00 | |
| b | | | 00 | 00 | |
| c | | | 00 | 00 | |
| d | | | 00 | 00 | |
| e | | | 00 | 00 | |
| f | | | 00 | 00 | |
| g | | | 00 | 00 | |
| h | | | 00 | 00 | |
| i | | | 00 | 00 | |
| j | | | 00 | 00 | |
| k | | | 00 | 00 | |
| l | | | 00 | 00 | |
| m | | | 00 | 00 | |
| 3. Totals (add Columns A and B)..... | 3 | | 00 | 00 | |
| 4. Limitation—Income (line 3, Column A multiplied by 50%).. | 4 | | 00 | | |
| 5. Prior year NOL carryforward | | | | 5 00 | |
| 6. Total (add line 5, Column C and line 3, Column B)..... | | | | 6 00 | |
| Complete line 7 only if line 3, Column B is greater than line 4, Column A. | | | | | |
| 7. Disallowed loss, line 3, Column B less line 4, Column A. Enter here and on Form 720, Part III, line 19 (see instructions)..... | 7 | | 00 | | |
| Complete line 8 only if line 4, Column A is greater than line 3, Column B. | | | | | |
| 8. Additional NOLD. Enter as a negative amount on Form 720, Part III, line 19 (see instructions) | 8 | | 00 | | |

Section B—Current Year Loss Disallowed and NOL Carryforward

| | | | |
|---|---|--|----|
| 1. Current year loss disallowed from Part I, Section A, line 7..... | 1 | | 00 |
| 2. Prior year NOL carryforward from Part I, Section A, line 5..... | 2 | | 00 |
| 3. Prior year NOL carryforward used this year from Part I, Section A, line 8..... | 3 | | 00 |
| 4. Total NOL carryforward to 2012 (line 1 plus line 2 less line 3) | 4 | | 00 |

PART II—SEPARATE ENTITY RETURN OR ELECTIVE CONSOLIDATED RETURN

NOL Carryforward

| | | | |
|---|---|--|----|
| 1. Enter carryforward from prior year | 1 | | 00 |
| 2. Enter current year NOL from Form 720, Part III, line 21 as a positive amount | 2 | | 00 |
| 3. Enter the NOLD from Form 720, Part III, line 22 | 3 | | 00 |
| 4. Enter total NOL carryforward to 2012 (line 1 plus line 2 less line 3) | 4 | | 00 |

INSTRUCTIONS FOR SCHEDULE NOL (FORM 720)

Purpose of Schedule—Part I of this schedule is used by an affiliated group that is required to file a mandatory nexus consolidated return as provided by KRS 141.200(11) to determine the net operating loss limitation as provided by KRS 141.200(11)(b) and to track any available net operating loss carryforward. Part II of this schedule is used by a corporation filing a separate return as provided by KRS 141.200(10) or an elective consolidated return as provided by KRS 141.200(4) to track any available net operating loss carryforward.

Part I – Mandatory Nexus Consolidated Return

General Instructions—Part I, Sections A and B of this schedule are used by an affiliated group filing a mandatory nexus consolidated return to determine the amount of net operating loss (NOL) deduction that can be utilized during the current tax year and to track any available net operating loss carryforward (NOL carryforward).

KRS 141.200(11)(b) provides that includible corporations that have incurred a net operating loss shall not deduct an amount that exceeds, in the aggregate, fifty percent (50%) of the income realized by the remaining includible corporations that did not realize a net operating loss.

A current year NOL or an NOL carryforward as applied to a mandatory nexus consolidated return is the pre-apportioned net operating loss or pre-apportioned net operating loss carryforward. Consequently, NOL carryforwards which are apportioned may be converted to pre-apportioned amounts. However, a corporation that does not wish to convert the NOL carryforward to a pre-apportioned amount may elect to carry the NOL carryforward as an apportioned amount by checking the box on page 1 of this schedule.

An election to use an apportioned NOL carryforward is binding for all future years. If a corporation chooses to use a pre-apportioned NOL carryforward in a future year, all tax returns filed under the election to use an apportioned NOL carryforward must be amended. Also, an election to use the apportioned NOL carryforward does not change the limitation provided by KRS 141.200(11)(b) and, accordingly, the apportioned NOL carryforward is included in Part I, Section A of this schedule.

A corporation does not have an NOL carryforward if it did not have Kentucky nexus during the tax year of the NOL. An NOL may be carried forward 20 years following the loss year; however, as provided by KRS 141.011(2), an NOL shall not be carried back for tax years beginning on or after January 1, 2005.

Schedule NOL-CF is required if the affiliated group includes a member having an NOL carryforward that was not a member of the affiliated group in the prior year.

Section A – Current Net Operating Loss Adjustment

Enter the name, Kentucky Corporation/LLET account number and prior year’s NOL carryforward of the parent and subsidiaries.

Column A—Enter only Kentucky net income of includible corporations from Schedule KCR (Form 720), Line 18.

Column B—Enter only Kentucky net losses of includible corporations from Schedule KCR (Form 720), Line 18. **Enter as a positive amount.**

Line 3—Enter the totals for Column A and Column B. Reflect Column B as a positive amount.

Line 4—This is the limitation provided by KRS 141.200(11)(b).

Line 5—Enter the prior year NOL carryforward as a positive amount. A Schedule NOL-CF must be attached if the affiliated group includes a member having an NOL carryforward that was not a member of the affiliated group in the prior year.

Line 6—This is the total NOL available.

Line 7—This is the amount of the current year net operating loss(es) that exceed(s) the 50 percent loss limitation. It is an add back in computing Kentucky net income and is entered on Form 720, Part III, Line 19. If an amount is entered on Line 7, skip to Section B. **Use worksheet below.**

| Worksheet—Line 7 | |
|---|----------|
| 1. Amount from Line 3, Column B | \$ _____ |
| 2. Amount from Line 4, Column A | \$ _____ |
| 3. Line 1 less Line 2. Enter here and on Part I, Section A, Line 7 (If less than zero, skip and complete Line 8)..... | \$ _____ |

Line 8—If the amount of loss limitation, Line 4, Column A is greater than the net operating loss(es) on Line 3, Column B, a prior year NOL carryforward can be used to meet the 50 percent loss limitation. Enter the lesser of Line 4, Column A less Line 3, Column B or the amount entered on Line 5, Column C. If the amount of Line 4, Column A less Line 3, Column B is equal to Line 5, Column C, enter the amount from Line 5, Column C. Enter the amount on Form 720, Part III, Line 19. This is a deduction in computing Kentucky net income. **Use worksheet below.**

| Worksheet—Line 8 | |
|--|----------|
| 1. Amount from Line 4, Column A | \$ _____ |
| 2. Amount from Line 3, Column B | \$ _____ |
| 3. Line 1 less Line 2. (If less than zero, skip and complete Line 7 above) | \$ _____ |
| 4. Amount from Line 5, Column C | \$ _____ |
| 5. Lesser of Line 3 or Line 4. Enter here and on Part I, Section A, Line 8..... | \$ _____ |

Section B – Current Year Loss Disallowed and NOL Carryforward

General Instructions—Part I, Section B is used by an affiliated group filing a mandatory nexus consolidated return as provided by KRS 141.200(11) to track any available net operating loss carryforward. Follow the instructions on Lines 1 through 4.

Part II – Separate Entity Return or Elective Consolidated Return

NOL Carryforward

General Instructions—Part II is used by a corporation filing a separate entity return as provided by KRS 141.200(10) or an elective consolidated return as provided by KRS 141.200(4) to track any available net operating loss carryforward. Follow the instructions on Lines 1 through 4.

SCHEDULE NOL-CF

41A720NOL-CF (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____/____
Mo. Yr.

- See instructions.
- Attach to Form 720.

**KENTUCKY
NOL CARRYFORWARD SCHEDULE**

| | | |
|---------------------|--|---|
| Name of Corporation | Federal Identification Number _____ - _____ | Kentucky Corporation/LLET Account Number _____ |
|---------------------|--|---|

| A | | | B | | |
|----------------|------------------------------|-------------------------|--|------------------------------|--|
| Name of Member | Kentucky Corp/LLET Acct. No. | NOL Carryforward Amount | Name of Prior Year Consolidated Parent | Kentucky Corp/LLET Acct. No. | |
| 1 | | | 1 | | |
| 2 | | | 2 | | |
| 3 | | | 3 | | |
| 4 | | | 4 | | |
| 5 | | | 5 | | |
| 6 | | | 6 | | |
| 7 | | | 7 | | |
| 8 | | | 8 | | |
| 9 | | | 9 | | |
| 10 | | | 10 | | |
| 11 | | | 11 | | |
| 12 | | | 12 | | |
| 13 | | | 13 | | |
| 14 | | | 14 | | |
| 15 | | | 15 | | |

Purpose of Schedule—This schedule shall be completed and submitted with a mandatory nexus consolidated tax return if the affiliated group includes a member having an NOL carryforward that was not a member of the affiliated group in the prior year.

Specific Instructions

Name of Corporation—Enter the name, Federal Identification Number and Kentucky Corporation/LLET Account Number.

Column A—For each new member having an NOL carryforward, enter the name, Kentucky Corporation/LLET Account Number, and NOL carryforward amount. **A corporation does not have an NOL carryforward if it did not have Kentucky nexus during the tax year of the NOL.**

Column B—If a new member was a member of a consolidated group in the prior year, enter the name and Kentucky Corporation/LLET Account Number of the parent of the consolidated group.

SCHEDULE O-720

41A720-O (11-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



For taxable year ended

___ / ___
Mo. Yr.

- See instructions.
- Attach to Form 720.

**OTHER ADDITIONS AND SUBTRACTIONS
TO/FROM FEDERAL TAXABLE INCOME**

| | | |
|---------------------|-------------------------------|--|
| Name of Corporation | Federal Identification Number | Kentucky Corporation/LLET Account Number |
| | ___ - _____ | _____ |

PART I—ADDITIONS TO FEDERAL TAXABLE INCOME (FORM 720, PART III, LINE 9)

| | | | |
|--|----|--|----|
| 1. Kentucky capital gain from Kentucky Schedule D, line 14..... | 1 | | 00 |
| 2. Loss from Form 4797 found on federal Form 1120, line 9..... | 2 | | 00 |
| 3. Gain from Kentucky Form 4797, line 17..... | 3 | | 00 |
| 4. Safe harbor lease adjustments..... | 4 | | 00 |
| 5. Federal allowable depletion from Form 1120, line 21..... | 5 | | 00 |
| 6. Federal contribution deductions from Form 1120, line 19..... | 6 | | 00 |
| 7. Terminal Railroad Corporation adjustments..... | 7 | | 00 |
| 8. Federal allowable passive activity loss..... | 8 | | 00 |
| 9. Federal taxable loss of all exempt corporations..... | 9 | | 00 |
| 10. Adjustments for qualified construction allowance(s) for short-term lease(s)..... | 10 | | 00 |
| 11. Other additions (attach explanation)..... | 11 | | 00 |
| 12. Total of lines 1 through 11 (enter on Form 720, Part III, line 9)..... | 12 | | 00 |

PART II—SUBTRACTIONS FROM FEDERAL TAXABLE INCOME (FORM 720, PART III, LINE 16)

| | | | |
|--|----|--|----|
| 1. Capital gain from Form 1120, line 8..... | 1 | | 00 |
| 2. Gain from Form 4797 found on federal Form 1120, line 9..... | 2 | | 00 |
| 3. Loss from Kentucky Form 4797, line 17..... | 3 | | 00 |
| 4. Safe harbor lease adjustments..... | 4 | | 00 |
| 5. 50% of the gross royalty income derived from any disposal of coal with a retained economic interest defined by IRC Section 631(c) and all IRC Section 272 expenses if the corporation elects not to use percentage depletion..... | 5 | | 00 |
| 6. Kentucky special deduction from Schedule HH..... | 6 | | 00 |
| 7. Terminal Railroad Corporation adjustments..... | 7 | | 00 |
| 8. Kentucky allowable passive activity loss..... | 8 | | 00 |
| 9. Kentucky allowable depletion..... | 9 | | 00 |
| 10. Kentucky contribution deductions..... | 10 | | 00 |
| 11. Adjustments for qualified construction allowance(s) for short-term lease(s)..... | 11 | | 00 |
| 12. Federal taxable income of all exempt corporations..... | 12 | | 00 |
| 13. Amounts received from Tobacco Master Settlement Agreement, Phase II Settlement..... | 13 | | 00 |
| 14. Amounts received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program..... | 14 | | 00 |
| 15. Amounts received as a result of a tobacco quota buydown program..... | 15 | | 00 |
| 16. State Phase II payments received by a producer of tobacco or a tobacco quota owner..... | 16 | | 00 |
| 17. Other subtractions (attach explanation)..... | 17 | | 00 |
| 18. Total of lines 1 through 17 (enter on Form 720, Part III, line 16)..... | 18 | | 00 |

OTHER ADDITIONS AND SUBTRACTIONS TO/FROM FEDERAL TAXABLE INCOME

Schedule O-720 is used by a corporation filing Kentucky Form 720 to show other additions to and other subtractions from federal taxable income.

PART I—ADDITIONS TO FEDERAL TAXABLE INCOME

Line 1—Enter the Kentucky capital gain from Kentucky Schedule D, Line 14. If the capital gain from federal Schedule D, Line 14 is the same for both federal and Kentucky, do not make an entry on this line.

Line 2—Enter the federal loss from federal Form 1120, Line 9. If the loss from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 3—Enter the Kentucky gain from Kentucky Form 4797, Line 17. If the gain from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 4—Enter the safe harbor lease adjustments equal to the excess of Kentucky income over federal income from all “finance lease property” as defined in the 1983 IRC Section 168(f)(8). **Attach a schedule. KRS 141.010(12)(h) and 103 KAR 16:380.**

Line 5—Enter federal allowable depletion from federal Form 1120, Line 21. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income and deductions.**

Line 6—Enter the federal contribution deductions from federal Form 1120, Line 19. If the contribution deduction is the same for both federal and Kentucky, do not make an entry on this line. **To determine the contribution deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income.**

Line 7—Enter the terminal railroad corporation adjustments equal to the excess of Kentucky income over federal income of a “terminal railroad corporation” by ignoring the provisions of IRC Section 281 for Kentucky purposes. **Attach a schedule. KRS 141.010(12)(g)**

Line 8—Enter the federal allowable passive activity loss. The limitations of IRC Section 469 as they apply to personal service corporations and closely held C corporations are applicable for Kentucky income tax purposes. Attach federal Form 8810 and applicable worksheets.

Line 9—Enter the federal taxable loss of all exempt corporations as provided by KRS 141.040(1)(a) to (i).

Line 10—Enter the qualified lessee construction allowance adjustments equal to the excess of Kentucky income over federal income from “qualified lessee construction allowances for short-term leases” by ignoring the provisions of IRC Section 110 for Kentucky purposes. **Attach a schedule. KRS 141.010(12)(e)**

Line 11—Enter any other additions to federal income not reported on Lines 1 through 10, and attach an explanation of any other additions to the tax return. Kentucky has adopted the Internal Revenue Code in effect on December 31, 2006; include additions equal to the excess of Kentucky income over federal income resulting from amendments to the Internal Revenue Code subsequent to December 31, 2006.

Line 12—Enter the total of Lines 1 through 11 (enter on Form 720, Part III, Line 9).

PART II—SUBTRACTIONS FROM FEDERAL TAXABLE INCOME

Line 1—Enter the federal capital gain from federal Form 1120, Line 8. If the capital gain is the same for both federal and Kentucky, do not make an entry on this line.

Line 2—Enter the federal gain from federal Form 1120, Line 9. If the gain from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 3—Enter the Kentucky loss from Kentucky Form 4797, Line 17. If the loss from Form 4797, line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 4—Enter the safe harbor lease adjustments equal to the excess of federal income over Kentucky income from all “finance lease property” as defined in the 1983 IRC Section 168(f)(8). **Attach a schedule. KRS 141.010(12)(h) and 103 KAR 16:380.**

Line 5—Enter fifty percent (50%) of gross income derived from any disposal of coal covered by IRC Section 631(c) if the corporation does not claim any deduction for percentage depletion, or for expenditures attributable to the making and administering of the contract under which such disposition occurs or to the preservation of the economic interests retained under such contract. **KRS 141.010(12)(d)**

Line 6—Enter the value of leasehold interest of property donated to a charitable organization which is to be used to provide living quarters for a homeless family. This deduction is a special deduction in addition to the ordinary charitable contribution deduction allowed by Chapter 1 of the IRC. However, in accordance with KRS 141.010(13)(d), the same item may not be deducted more than once. **To claim this deduction, Schedule HH must be attached. KRS 141.0202**

Line 7—Enter the terminal railroad corporation adjustments equal to the excess of federal income over Kentucky income of a “terminal railroad corporation” by ignoring the provisions of IRC Section 281 for Kentucky purposes. **Attach a schedule. KRS 141.010(12)(g)**

Line 8—Enter the Kentucky allowable passive activity loss. The limitations of IRC Section 469 as they apply to personal service corporations and closely held C corporations are applicable for Kentucky income tax purposes. Attach Kentucky Form 8810 and applicable worksheets.

Line 9—Enter the Kentucky allowable depletion. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income and deductions.**

Line 10—Enter the Kentucky contribution deduction. If the contribution deduction is the same for both federal and Kentucky, do not make an entry on this line. **To determine the contribution deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income.**

Line 11—Enter the qualified lessee construction allowance adjustments equal to the excess of federal income over Kentucky income from “qualified lessee construction allowances for short-term leases” by ignoring the provisions of IRC Section 110 for Kentucky purposes. **Attach a schedule. KRS 141.010(12)(e)**

Line 12—Enter the federal taxable income of all exempt corporations as provided by KRS 141.040(1)(a) to (i).

Line 13—Enter the amounts received by a producer or a tobacco quota owner from the Tobacco Master Settlement Agreement.

Line 14—Enter the amounts received from the Commodity Credit Corporation for the Tobacco Loss Assistance Program.

Line 15—Enter the amounts received by a producer or a tobacco quota owner from the tobacco quota buydown program.

Line 16—Enter the amounts received by a producer or a tobacco quota owner from state Phase II.

Line 17—Enter any other subtractions from federal income not reported on Lines 1 through 16, and attach an explanation of any other subtractions to the tax return. Kentucky has adopted the Internal Revenue Code in effect on December 31, 2006; include subtractions equal to the excess of federal income over Kentucky income resulting from amendments to the Internal Revenue Code subsequent to December 31, 2006.

Line 18—Enter the total of Lines 1 through 17 (enter on Form 720, Part III, Line 16).

SCHEDULE QR

41A720QR (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____/____
Mo. Yr.

**QUALIFIED RESEARCH FACILITY
TAX CREDIT**

KRS 141.395

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

| | | |
|---|------------------------------------|---|
| Name of Entity | | Federal Identification Number _____ |
| Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Individual <input type="checkbox"/> Other _____ | | Kentucky Corporation/LLET Account Number <i>(if applicable)</i> _____ |
| Location of Research Facility within Kentucky <input type="checkbox"/> New Construction <input type="checkbox"/> Expansion | County Where Project is Located | Date of Completion |

PART I—Computation of Allowable Tax Credit

| | | | |
|--|---|--|----|
| 1. Cost of construction (attach schedule) | 1 | | 00 |
| 2. Cost of equipment (attach schedule) | 2 | | 00 |
| 3. Total qualified costs (add lines 1 and 2) | 3 | | 00 |
| 4. Allowable tax credit (enter 5% of line 3) | 4 | | 00 |

PART II—Current Year Credit

| | | | |
|---|---|--|----|
| 1. LLET Credit—Enter on Schedule TCS, Part II, Column E | 1 | | 00 |
| 2. Corporation Income Tax Credit—Enter on Schedule TCS, Part II, Column F | 2 | | 00 |
| 3. Individual Income Tax Credit—Enter on Form 740, 740-NP or 741 | 3 | | 00 |

PART III—Amount of Credit Claimed

| A Tax Year Credit Taken (Month/Year) | B Balance of Qualified Research Facility Tax Credit | | C Amount of Credit Used | |
|--|---|------------|----------------------------|------------|
| | LLET | Income Tax | LLET | Income Tax |
| 1. ____/____ | 00 | 00 | 00 | 00 |
| 2. ____/____ | 00 | 00 | 00 | 00 |
| 3. ____/____ | 00 | 00 | 00 | 00 |
| 4. ____/____ | 00 | 00 | 00 | 00 |
| 5. ____/____ | 00 | 00 | 00 | 00 |
| 6. ____/____ | 00 | 00 | 00 | 00 |
| 7. ____/____ | 00 | 00 | 00 | 00 |
| 8. ____/____ | 00 | 00 | 00 | 00 |
| 9. ____/____ | 00 | 00 | 00 | 00 |
| 10. ____/____ | 00 | 00 | 00 | 00 |
| 11. ____/____ | 00 | 00 | 00 | 00 |

INSTRUCTIONS—QUALIFIED RESEARCH FACILITY TAX CREDIT

The Qualified Research Facility Tax Credit is applied against the individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040 and the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of credit claimed against the corporation income tax and the LLET can be different.

The amount of credit claimed from Part I, Line 4 and the resulting balance of credit available must be calculated separately for income tax and the LLET. If the balance available for the income tax or the LLET reaches zero, no further credit is allowed against that tax liability. For example, any balance available for income tax cannot be used as a credit against the LLET nor can any balance available for the LLET be used as a credit against the income tax liability.

For tax years beginning on or after January 1, 2007, Kentucky law permits a credit against the income tax liability and the LLET liability for the construction of research facilities. "Construction of research facilities" means constructing, remodeling and equipping facilities in this state or expanding existing facilities in this state for qualified research and includes only tangible, depreciable property, and does not include any amounts paid or incurred for replacement property. The credit is available once the tangible, depreciable property is placed in service. "Qualified research" means qualified research as defined in Section 41 of the Internal Revenue Code.

Purpose of Schedule—This schedule is used by taxpayers to determine the credit against the income tax liability and the LLET liability allowed for completion of research facilities in accordance with KRS 141.395. It is also used to record the credit claimed each tax year. A copy must be submitted each year until the full credit is utilized or the 10-year carryforward period has expired. Complete a separate schedule each year that a new project qualifies.

General Instructions—If the entity type is not listed, check the "Other" box and list the entity type.

PART I—Computation of Allowable Tax Credit

Line 1—Enter the cost of construction of the qualified cost.*

Line 2—Enter the cost of equipment.*

Line 3—Enter the sum of Line 1 and Line 2.

Line 4—Enter the amount of Line 3 multiplied by 5 percent (.05).

PART II—Current Year Credit

Line 1—LLET Credit—Enter the amount of current year credit claimed against the LLET. This credit cannot reduce the LLET below the \$175 minimum.

Line 2—Corporation Income Tax Credit—Enter the amount of current year credit claimed against the corporation income tax.

Line 3—Individual Income Tax Credit—Enter the amount of current year credit claimed against the individual income tax.

PART III—Amount of Credit Claimed

Column A—Enter the month and year the tax credit is taken for this project.

Column B—Enter for year 1 the allowable credit from Part I, Line 4. Enter for each succeeding year the difference between Column B and Column C for the LLET and income tax.

Note: *The 2007 beginning balance of the Qualified Research Facility Tax Credit for LLET will be the same as the balance for income tax purposes.*

Column C—Enter the amount of credit used for that year. If the amount is zero, enter -0-.

*** Attach a schedule of the tangible, depreciable property included in Lines 1 and 2 listing the date purchased, date placed in service, description and cost.**

SCHEDULE RC

41A720RC (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



If major recycling project, check here and complete Part I and page 2.

For equipment purchased (installed) during tax year beginning _____, _____, and ending _____, _____.

APPLICATION FOR INCOME TAX/LLET CREDIT FOR RECYCLING AND/OR COMPOSTING EQUIPMENT OR MAJOR RECYCLING PROJECT

KRS 141.390

Name of Entity: _____

| | | |
|---|--|---|
| Type of Entity: <input type="checkbox"/> Individual <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> Other _____ | Federal Identification Number _____ | Kentucky Corporation/LLET Account Number _____ |
|---|--|---|

Street Address, Route Number or Post Office Box _____ Telephone Number (Include Area Code) _____

City _____ State _____ ZIP Code _____

PART I—Composting and/or Recycling Equipment: Use Schedule RC-C for additional equipment

| A Type of Equipment | B Equipment Location (City in Kentucky) | C Date of Purchase (Mo., Day, Yr.) | D Date of Installation (Mo., Day, Yr.) (see instructions) | E Purchase Price | F Installation Cost | G For Department of Revenue Use Only Approved Amounts from Col. E and F |
|--------------------------|--|---------------------------------------|--|---------------------|------------------------|---|
| | | | | 00 | 00 | 00 |
| Describe how used: _____ | | | | | | |
| | | | | 00 | 00 | 00 |
| Describe how used: _____ | | | | | | |

PART II—Credit Approved (For Department of Revenue Use Only)

| | |
|--|----|
| 1. Total of all amounts in Column G, Part I (including Part I continuation schedules)..... | 00 |
| 2. Credit approved (50% of line 1) (Pass-through Entities, see instructions) | 00 |

PART III—Amount of Credit Claimed (To be Completed by Taxpayer as Used) Maximum allowable credit in year of purchase (installation) is limited to the lesser of 10% of Part II, line 2 or 25% of tax liability. For all other years, credit is limited to 25% of tax liability.

| | LLET | | Income Tax | |
|---|------|--|------------|--|
| Amount from Part II, line 2, used in tax year ended _____ / _____ / _____ | 00 | | 00 | |
| Amount from Part II, line 2, used in tax year ended _____ / _____ / _____ | 00 | | 00 | |
| Amount from Part II, line 2, used in tax year ended _____ / _____ / _____ | 00 | | 00 | |
| Amount from Part II, line 2, used in tax year ended _____ / _____ / _____ | 00 | | 00 | |
| Amount from Part II, line 2, used in tax year ended _____ / _____ / _____ | 00 | | 00 | |

I, the undersigned, declare under the penalties of perjury, that the above information, including all accompanying schedules, is a correct and complete listing of my equipment for exclusive use in Kentucky for recycling and/or composting.

Reviewed by: _____

Signature _____ Title (if applicable) _____ Date _____ Department of Revenue Representative _____ Date _____



Mail to Department of Revenue, Division of Corporation Tax, Station 52, 501 High Street, Frankfort, KY 40601.





| | | |
|---|-----------------------------|--|
| Complete this section if you are a partner, member or shareholder of a pass-through entity that was approved for a Major Recycling Project. | Name of Pass-through Entity | Federal Identification Number _____ |
|---|-----------------------------|--|

MAJOR RECYCLING PROJECT

| PART IV – Requirements Questionnaire | Yes | No |
|--|-----|----|
| 1. Was the investment in recycling or composting equipment more than \$10,000,000 and used exclusively in Kentucky?..... | | |
| 2. Were there more than 750 full-time employees with an average hourly wage of more than 300 percent of the federal minimum wage?..... | | |
| a. Average minimum wage \$ _____ | | |
| b. Number of employees earning this wage _____ | | |
| 3. Did plant and equipment have a total cost of more than \$500,000,000? | | |
| a. Total cost..... \$ _____ | | |

If "yes" to all three requirements, you are entitled to the Major Recycling Credit. If "no" to any of the three questions, you are not entitled to the Major Recycling Credit.

| PART V – Credit Calculation | LLET | | Income Tax | |
|--|------|----|------------|----|
| 1. Enter the LLET liability from Form 720, 720S, 725 or 765 (see instructions) | 1 | 00 | | |
| 2. Enter the income tax liability from Form 720, 740, 740-NP or 741 (see instructions) | 2 | | | 00 |
| 3. Baseline tax liability (see instructions)..... | 3 | | | 00 |
| 4. Excess of tax liability over baseline tax liability (line 1 or line 2 less line 3)..... | 4 | 00 | | 00 |
| 5. Limitation (line 4 multiplied by 50% (.50)) | 5 | 00 | | 00 |
| 6. Enter the lesser of line 5 or \$2,500,000 | 6 | 00 | | 00 |
| 7. LLET Credit (see instructions) | 7 | 00 | | |
| 8. Corporation Income Tax Credit (see instructions) | 8 | | | 00 |
| 9. Individual Income Tax Credit—Enter on Form 740, 740-NP or 741 | 9 | | | 00 |

PART VI – Amount of Credit Claimed

| A Tax Year Credit Taken | | B Balance of Major Recycling Project Credit | | | | C Amount of Credit Used | | | |
|----------------------------|----------|--|--|--------|--|----------------------------|--|--------|--|
| (Month/Year) | | LLET | | Income | | LLET | | Income | |
| 1. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 2. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 3. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 4. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 5. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 6. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 7. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 8. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 9. | ___/____ | 00 | | 00 | | 00 | | 00 | |
| 10. | ___/____ | 00 | | 00 | | 00 | | 00 | |

INSTRUCTIONS FOR SCHEDULE RC**Application for Income Tax/LLET Credit for
Recycling and/or Composting Equipment
or Major Recycling Project****KRS 141.390**

The Recycling and/or Composting Equipment or Major Recycling Project Credit is applied against the individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040 and the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of credit imposed against the corporation income tax and LLET can be different.

Tax Preparers' Note: Per KRS 141.390(2)(a), "Any credit allowed against the income tax imposed pursuant to this chapter shall also be applied against the limited liability entity tax imposed by KRS 141.0401." Therefore, 100 percent of the amount of credit approved, listed in Part II, Line 2, is available against both the income tax liability and the LLET liability (subject to the listed limitations). **The amount of credit claimed and the resulting balance of credit available must be calculated separately for income tax and the LLET. If the balance available for the income tax or the LLET reaches zero, no further credit is allowed against that tax liability.** For example, any balance available for income tax cannot be used as a credit against the LLET nor can any balance available for the LLET be used as a credit against the income tax liability.

Purpose of Schedule—This schedule is used for both the recycling credit and a Major Recycling Project. It is used to request approval for the amount of Kentucky income tax credit and LLET credit that is allowable for the purchase and installation of recycling or composting equipment. It is also used by individual, fiduciary or corporate taxpayers to substantiate and keep a record of the amount of credit claimed on their tax return.

Who is Entitled to the Credit—Any taxpayer who purchases and installs recycling or composting equipment to be used exclusively in Kentucky is entitled to the tax credit. If the purchaser is a pass-through entity, the partners are entitled to their pro rata or distributive share of any approved credit.

For a Major Recycling Project, the taxpayer must meet the following requirements: (1) invest more than \$10 million 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 million.

The Amount of the Credit and When Permitted—For recycling or composting equipment other than Major Recycling Projects, the total allowable tax credit is equal to 50% of the combined costs of qualifying equipment and installation, if any. The tax credit claimed in the tax year during which the recycling equipment is purchased shall not exceed 10% of the total tax credit allowable and shall not exceed 25% of each tax liability which would be otherwise due. For all other years, the credit is limited to 25% of tax liability. For LLET purposes, the credit is subject to the limitations applied against the LLET liability. Therefore, separate credit balances must be maintained. The unused portion of the credit may be carried forward to succeeding tax years.

For a Major Recycling Project, the total allowable credit is equal to 50% of the installed cost of the recycling or composting equipment. In each taxable year the amount of credit claimed for all Major Recycling Projects is limited to 50% of the excess of the total of each tax liability over the baseline tax liability of the taxpayer not to exceed \$2.5 million. The baseline tax liability is the tax liability of the taxpayer

for the most recent tax year ending prior to January 1, 2005. For LLET purposes, the credit is subject to the limitations applied against the LLET liability. Therefore, separate credit balances must be maintained. The credit is limited to a period of 10 years commencing with the approval of the recycling credit application.

Equipment that requires installation must be completely installed and usable during the first taxable year for which the tax credit is claimed.

Pass-through Entities—For tax years beginning on or after January 1, 2005, any entity that was defined as a corporation in KRS 141.010(24)(b) 2 to 8 was permitted to elect to claim the balance of a recycling credit approved prior to March 18, 2005, against its tax liability imposed by KRS 141.040. Any credit approved by the Department of Revenue for tax years 2005 and 2006 was retained at the entity level and not passed to the partners, members or shareholders. Due to the passage of HB 1 in the 2006 Extraordinary Session for tax years beginning on or after January 1, 2007, these entities are no longer defined as corporations. However, these entities are entitled to use the credit against their LLET.

Distribute any credit approved for tax years beginning on or after January 1, 2007, to the partners, members or shareholders on a pro rata or distributive share basis and record on Schedule K-1.

Types of Equipment Qualifying as Eligible Purchases—KRS 141.390 provides the following pertinent definitions:

- (a) "Postconsumer waste" means any product generated by a business or consumer which has served its intended end use, and which has been separated from solid waste for the purposes of collection, recycling, composting, and disposition and which does not include secondary waste material or demolition waste;
- (b) "Recycling equipment" means any machinery or apparatus used exclusively to process postconsumer waste material and manufacturing machinery used exclusively to produce finished products composed of substantial postconsumer waste materials; and

(c) "Composting equipment" means equipment used in a process by which biological decomposition of organic solid waste is carried out under controlled aerobic conditions, and which stabilizes the organic fraction into a material which can easily and safely be stored, handled, and used in a[n] environmentally acceptable manner.

The following items **may** qualify as composting and recycling equipment if one of the two conditions below is met:

| | |
|------------------------|--------------------------------------|
| Balers | Lift-gate |
| Bob Cat | Magnetic Separators |
| Briquetters | Material Recovery Facility Equipment |
| Compactors | Pallet Jacks |
| Containers | Perforators |
| Conveyors | Pumps with Oil |
| Conveyor Systems | Scales |
| Crane with Grapel Hook | Screeners |
| Crushers | Shears |
| Densifiers | Shredders |
| End Loaders | Tractor |
| Exhaust Fans | Trailer |
| Fluffers | Trucks and Roll-offs |
| Fork Lifts | Two-wheel Carts |
| Granulators | Vacuum Systems |

The conditions are as follows:

- (1) "Recycling equipment" used **exclusively** to **process** postconsumer waste material, or
- (2) "Composting equipment" used in a **process** carried out under controlled aerobic conditions.

For example, a can crusher is recycling equipment but home trash containers or trash bin collectors and other similar items used for collecting and/or separating postconsumer waste are not recycling equipment.

A self-contained "backyard composter" is composting equipment but lawn tractors, mowers and mulching or bagging attachments and other similar equipment used to gather organic waste for composting are not composting equipment.

This list is not all-inclusive. If you have a question about whether a specific item is eligible under the law, contact the Department of Revenue, Division of Corporation Tax, (502) 564-8139.

When and Where to File Application—This application must be filed with the Department of Revenue, Division of Corporation Tax, Station 52, 501 High Street, Frankfort, Kentucky 40601, on or before the first day of the seventh month following the close of the taxable year in which the qualifying equipment was purchased (installed). Applications bearing a postmark after the above date will not be approved. Prior approval must be obtained before claiming the credit. Taxpayers must file only one application for all purchases qualifying during the taxable period for which the application is being filed. The original copy of the approved application will be returned to the purchaser.

Signature—The application must be signed by the applicant or other authorized person. Unsigned applications will be returned.

SPECIFIC INSTRUCTIONS

Check Box—If a Major Recycling Project, check the box and complete Part I and page 2.

Pass-through Entities—The total approved recycling and/or composting equipment or major recycling project credit shall be reported on Form 720S, Schedule K, Line 16; or on Form 765 or 765-GP, Schedule K, Line 17.

PART I—Composting and/or Recycling Equipment

Part I shall be completed for a Major Recycling Project also. Taxpayers must complete only Columns A through F of this part and the description portion for each type of equipment listed in Column A. If more than two types of equipment were purchased during the taxable year, use Schedule RC-C.

Column A—Enter the specific name of the machinery, equipment or apparatus. For each item listed, give a brief and concise description of the means by which it is used exclusively in the composting or recycling process.

Column B—Enter the name of the city, or if not a city, the county, in Kentucky where the qualifying equipment or machinery is located.

Column D—Enter the installation date, if applicable. If installation is required, enter the date the installation is completed and the equipment is ready for use.

Column E—Enter the purchase price or contract price of the qualifying equipment or machinery purchased. Round the amount(s) entered to the nearest whole dollar.

Column F—Enter the cost of installing the equipment or machinery to make it ready for use. Installation cost includes shipping charges incurred and paid by the purchaser. Round the amount(s) entered to the nearest whole dollar. Generally,

the total amount of Columns E and F should equal the cost basis allowable for Kentucky depreciation purposes. Invoices, installation contracts and any other documentation necessary to verify cost of equipment and installation must be submitted to the Department of Revenue at the time the application is submitted.

Column G—Do not complete Column G. This column is to be completed by the Department of Revenue to determine the total expense qualifying for the tax credit.

PART II—Credit Approved

Do not complete this part. It will be used by the Department of Revenue to show the amount of tax credit approved.

PART III—Amount of Credit Claimed

(Do not record the credit for a Major Recycling Project in Part III.) Entities subject to the LLET record the amount of approved credit claimed against the LLET in the LLET column for each taxable year. Individuals or entities other than pass-through entities record the amount of approved credit claimed against the income tax in the Income Tax column for each taxable year. Enter the current year credit claimed against the LLET and/or income tax on the appropriate line of the Kentucky tax return or Schedule TCS.

Attach a copy of the approved application, including the entries made to date in this part, to the Kentucky tax return for each year for which any approved credit reflected by this application is claimed.

Recording the Tax Credit—Enter in the applicable column(s) on Schedule TCS, Part II, the recycling/composting and major recycling project credits being claimed against the LLET and/or income tax on Form 720. Enter on Schedule TCS, Part II, Column E, the recycling/composting and major recycling project credits being claimed against the LLET on Form 720S, 725 or 765. Credits cannot exceed the limitations set forth in KRS 141.390 or reduce the LLET tax liability below the \$175 minimum.

For income tax purposes, pass-through entities must enter the credit approved by the Department of Revenue on Schedule K.

MAJOR RECYCLING PROJECT

PART IV—Requirements Questionnaire

Answer all questions. If yes to all three questions, continue to Part V.

PART V—Credit Calculation

Complete this part once you have received the approved application from the Department of Revenue. Partners/members/shareholders will complete this part based upon their specific tax information. Their share of the approved credit will be reported on Kentucky Schedule K-1.

The credit for a Major Recycling Project may be claimed against the LLET (corporations and limited liability pass-through entities) and income tax (entities subject to the tax imposed under KRS 141.020 or 141.040). The amount of credit claimed for each tax may be different, and separate balances must be maintained.

Line 3—Enter the tax liability for the most recent tax year ending prior to January 1, 2005. The LLET baseline is zero (-0-).

Line 7—Once the amount of credit is determined, enter here and in Part VI, Column C, LLET. Next, combine the LLET credit claimed here with the LLET credit claimed in Part II and enter the total on Schedule TCS, Part II, Column E. The credit claimed cannot reduce the LLET below the \$175 minimum.

Line 8—Once the amount of credit is determined, enter here and in Part VI, Column C, Income. Next, combine the income tax credit claimed here with the income tax credit claimed in Part II and enter the total on Schedule TCS, Part II, Column F.

PART VI—Amount of Credit Claimed

Individuals or entities other than general partnerships use this part to record the amount of the approved major recycling project credit and the amount of credit claimed for each taxable year. If no credit is taken, enter zero (-0-). The credit is limited to a period of 10 years commencing with the approval of the recycling credit application. Attach a copy of the approved application, including the entries made to date, to the Kentucky tax return for each year for which any approved credit reflected by this application is claimed.

Column B—In the year the credit is approved, enter in both the LLET column and Income column the major recycling project credit approved by the Department of Revenue. The approved credit is the same for LLET and income tax purposes. For subsequent years, the balance of the LLET credit and Income credit will be the amount of Column B less Column C for the LLET column and Income column, respectively.

Note: The 2007 beginning balance of the Major Recycling Project tax credit for LLET will be the same as the balance for income tax purposes.

Column C—For each year the credit is claimed against LLET, enter in the LLET column the amount of the credit from Part V, Line 7. For each year the credit is claimed against income tax, enter in the Income column the amount of the credit from Part V, Line 8 or 9.

SCHEDULE RC-C

41A720RC-C (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



For equipment purchased (installed)
during tax year beginning _____, _____,
and ending _____, _____.

**SCHEDULE RC—PART I
CONTINUATION**

| | | | | | | | |
|----------------|--|--|--|-------------------------------|--|---|--|
| Name of Entity | | | | Federal Identification Number | | Kentucky Corporation/ LLET Account Number (if applicable) | |
|----------------|--|--|--|-------------------------------|--|---|--|

| A | B | C | D | E | | F | | G | |
|--------------------|--|-------------------------------------|--|----------------|----|-------------------|----|--|-----------|
| Type of Equipment | Equipment Location (City in Kentucky) | Date of Purchase (Mo., Day, Yr.) | Date of Installation (Mo., Day, Yr.) <i>(see instructions)</i> | Purchase Price | | Installation Cost | | For Department of Revenue Use Only Approved Amounts from Col. E and F | |
| | | | | | 00 | | 00 | | 00 |
| Describe how used: | | | | | | | | | |
| | | | | | 00 | | 00 | | 00 |
| Describe how used: | | | | | | | | | |
| | | | | | 00 | | 00 | | 00 |
| Describe how used: | | | | | | | | | |
| | | | | | 00 | | 00 | | 00 |
| Describe how used: | | | | | | | | | |
| | | | | | 00 | | 00 | | 00 |
| Describe how used: | | | | | | | | | |
| | | | | | 00 | | 00 | | 00 |
| Describe how used: | | | | | | | | | |
| | | | | | 00 | | 00 | | 00 |
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| Page Total | | | | | | | | | 00 |



SCHEDULE RC-R

41A720RC-R (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____/____/____
Mo. Yr.

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

**RECYCLING OR COMPOSTING
EQUIPMENT TAX CREDIT RECAPTURE**

| | | |
|------------------|-------------------------------|--|
| Name of Taxpayer | Federal Identification Number | Kentucky Corporation/LLET Account Number |
| _____ | _____ | _____ |

Section A — Recycling or Composting Equipment Disposed of Before the End of the Recapture Period

| Item | Type of Equipment | Useful Life Per Section 168 of the Internal Revenue Code (Years) | |
|------|-------------------|--|------------------------------------|
| A | | <input type="checkbox"/> Less Than 5 | <input type="checkbox"/> 5 or More |
| B | | <input type="checkbox"/> Less Than 5 | <input type="checkbox"/> 5 or More |
| C | | <input type="checkbox"/> Less Than 5 | <input type="checkbox"/> 5 or More |

Section B — Computation of Tax Credit Balance or Tax Credit Recapture

| | | Equipment | | | Total |
|--|----|----------------------|----------------------|----------------------|-------|
| | | A | B | C | |
| 1. Date equipment was purchased..... | 1 | / / | / / | / / | |
| 2. Date equipment was disposed | 2 | / / | / / | / / | |
| 3. Number of full years the equipment was held..... | 3 | | | | |
| 4. Taxable year the Department of Revenue approved the tax credit | 4 | ____/____ MO. YR. | ____/____ MO. YR. | ____/____ MO. YR. | |
| 5. Allowable tax credit percentage from Table | 5 | | | | |
| 6. Amount of tax credit originally approved on Schedule RC, Column G | 6 | 00 | 00 | 00 | 00 |
| 7. Multiply Line 6 by the percentage on Line 5 | 7 | 00 | 00 | 00 | 00 |
| 8. Recycling tax credit used in prior years against LLET..... | 8 | 00 | 00 | 00 | 00 |
| 9. Recycling tax credit used in prior years against income tax..... | 9 | 00 | 00 | 00 | 00 |
| 10. LLET credit balance: if Line 7 of the Total column is greater than Line 8 of the Total column, enter the difference..... | 10 | | | | 00 |
| 11. Income tax credit balance: if Line 7 of the Total column is greater than Line 9 of the Total column, enter the difference | 11 | | | | 00 |
| 12. LLET credit recapture: if Line 8 of the Total column is greater than Line 7 of the Total column, enter the difference..... | 12 | | | | 00 |
| 13. Income tax credit recapture: if Line 9 of the Total column is greater than Line 7 of the Total column, enter the difference | 13 | | | | 00 |
| 14. Tax credit reduction: enter Line 6 of the Total column less Line 7 of the Total column | 14 | | | | 00 |

Table — Allowable Tax Credit Percentage

| Property | Less Than 5 Years | 5 Years or More |
|-----------------------|-------------------|-----------------|
| 1 Year or Less | 0% | 0% |
| Between 1 and 2 Years | 33% | 20% |
| Between 2 and 3 Years | 67% | 40% |
| Between 3 and 4 Years | N/A | 60% |
| Between 4 and 5 Years | N/A | 80% |

INSTRUCTIONS – RECYCLING OR COMPOSTING EQUIPMENT TAX CREDIT RECAPTURE

Purpose of Schedule – KRS 141.390(4) provides that the Recycling/Composting Equipment Tax Credit provided by KRS 141.390 shall be recaptured in whole or in part if a taxpayer sells, transfers, or disposes of qualifying recycling or composting equipment before the end of the recapture period. If the total tax credit used in prior tax years exceeds the recomputed tax credit, the difference shall be recaptured on the tax return for the tax year in which the sale, transfer, or disposition occurred. If the total tax credit used in prior tax years does not exceed the recomputed tax credit, the unused portion of the tax credit shall be allowed against the income tax imposed by KRS 141.020 or 141.040 and the limited liability entity tax imposed by KRS 141.0401, subject to the limitations provided by KRS 141.390.

General Instructions – KRS 141.390(5) provides the percentage of the original tax credit allowed if recycling or composting equipment is sold, transferred, or disposed of before the end of its useful life as provided by IRC §168. The Table – Allowable Tax Credit Percentage on Schedule RC-R shows the tax credit percentage allowed for the holding periods provided by KRS 141.390(5).

Section A – Recycling or Composting Equipment Disposed of Before the End of the Recapture Period

For each item of equipment sold, transferred or disposed of before the end of its useful life as provided by IRC §168, enter a description of each item of equipment on Lines A, B and C and check the box to indicate the useful life of the equipment. If the taxpayer disposed of more than three items of equipment during the tax year, attach additional Schedules RC-R as needed.

Section B – Computation of Tax Credit Balance or Tax Credit Recapture

For each item of equipment identified on Lines A, B and C of Section A, enter the following information in Columns A, B and C, respectively:

- Line 1** – Enter the date the equipment was purchased or installed.
- Line 2** – Enter the date the equipment was sold, transferred or disposed.
- Line 3** – Enter the number of full years the equipment was held (difference between the dates on Line 1 and Line 2).
- Line 4** – Enter the tax year (month and year) that the tax credit on the equipment was approved by the Department of Revenue.
- Line 5** – Enter the allowable tax credit percentage from the Table – Allowable Tax Credit Percentage.
- Line 6** – Enter the amount of tax credit originally approved by the Department of Revenue. The amount of the tax credit is the amount originally approved on Schedule RC, Part I, Column G multiplied by fifty percent (50%). Enter in the Total column the total of the amounts on Line 6 of Columns A, B and C.
- Line 7** – Enter the amount of Line 6 multiplied by the percentage on Line 5. Enter in the Total column the total of the amounts on Line 7 of Columns A, B and C.
- Line 8** – Enter the tax credit used by the taxpayer against LLET (KRS 141.0401) in prior years. If the original tax credit approved was for more than one item of equipment, the tax credit shall be prorated based on the cost of the equipment. Enter in the Total column the total of the amounts on Line 8 of Columns A, B and C.

Line 9 – Enter the tax credit used by the taxpayer against income tax (KRS 141.020 or 141.040) in prior years. If the original tax credit approved was for more than one item of equipment, the tax credit shall be prorated based on the cost of the equipment. Enter in the Total column the total of the amounts on Line 9 of Columns A, B and C.

Line 10 – LLET credit balance: if the amount on Line 7 of the Total column is greater than the amount on Line 8 of the Total column, enter the difference on this line.

Line 11 – Income tax credit balance: if the amount on Line 7 of the Total column is greater than the amount on Line 9 of the Total column, enter the difference on this line.

Line 12 – LLET credit recapture: if the amount on Line 8 of the Total column is greater than the amount on Line 7 of the Total column, enter the difference on this line.

Line 13 – Income tax credit recapture: if the amount on Line 9 of the Total column is greater than the amount on Line 7 of the Total column, enter the difference on this line.

Line 14 – Tax credit reduction: enter the amount on Line 6 of the Total column less the amount on Line 7 of the Total column.

Enter the amount from Line 12 (LLET credit recapture) on the applicable tax return as follows:

Form 720 – Enter on Form 720, Part I, Line 2.

Form 720S – Enter on Form 720S, Part II, Line 2.

Form 725 – Enter on Form 725, Part II, Line 2.

Form 765 – Enter on Form 765, Part II, Line 2.

Enter the amount from Line 13 (Income tax credit recapture) on the applicable tax return as follows:

Form 720 – Enter on Form 720, Part II, Line 2.

Form 740 – Enter on Form 740, page 1, Line 13.

Form 740-NP – Enter on Form 740-NP, page 1, Line 14 (combine with income tax amount).

Form 741 – Enter on Form 741, Line 17.

Enter the amount from Line 14 as follows:

Schedule RC – The amount on Line 14 will reduce the portion of the recycling or composting equipment tax credit balance for LLET and Income Tax on Schedule RC, Part III or Part VI applicable to the disposed equipment. Accordingly, the balances of the recycling or composting equipment tax credit on Schedule RC, Part III or Part VI must be reduced as follows: (i) for LLET by the amount on Line 14 less the amount on Line 12 and (ii) for income tax by the amount on Line 14 less the amount on Line 13. Schedule RC-R and Schedule RC (showing the original recycling or composting equipment tax credit) shall be attached to the Kentucky tax return each year that any portion of a remaining recycling or composting equipment tax credit is claimed.

Pass-Through Entities – A pass-through entity shall attach a copy of Schedule RC-R to each partner’s, member’s or shareholder’s Kentucky Schedule K-1.

Each partner, member or shareholder shall prepare a Schedule RC-R to be attached to the partner’s, member’s or shareholder’s tax return. A partner, member or shareholder shall include its pro rata share of the items of equipment amounts from the pass-through entity’s Schedule RC-R, Lines 1 through 7 and Line 14 when preparing the partner’s, member’s or shareholder’s Schedule RC-R. The remaining Lines 8 through 13 of Schedule RC-R shall be computed by the partner, member or shareholder. Schedule RC-R and Kentucky Schedule K-1 (showing the original recycling or composting equipment tax credit) shall be attached to the Kentucky tax return each year that any portion of a remaining recycling or composting equipment tax credit is claimed.

SCHEDULE RR-E

41A720RR-E (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



20__

Calendar Year

APPLICATION AND CREDIT CERTIFICATE OF
INCOME TAX/LLET CREDIT
RAILROAD EXPANSION

KRS 141.386 to 141.387

See instructions.

Attach to Form 720, 720S, 765 or 765-GP.

Name of Entity, Mailing Address, Location Address, Federal Identification Number, Kentucky Corporation/LLET Account Number, Entity type checkboxes.

Part I - Qualifications

Table with 3 columns: Question, Yes, No. Contains 3 qualification questions.

If you answered "yes" to any of the questions above, STOP; you do not qualify for this credit.
If you answered "no" to ALL of the questions above, go to Part II.

Part II - Computation of the Credit

Table with 2 columns: Description, Amount. Lines 1 and 2 for credit computation.

I, the undersigned, declare under the penalties of perjury, that I have examined this application, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature, Title, Date, Contact Name, Email Address, Telephone Number, Fax Number.



Department of Revenue Use Only

Part III - Railroad Expansion Approved Credit Certificate

1. (a) Approved credit for corporation or railway company (numerator) ... (b) Total approved credit for all corporations and railway companies (denominator) ... Approved Credit

TAXPAYER USE ONLY

Part IV - Railroad Expansion Credit Used By Taxpayer

Table with 2 columns: Description, Amount. Lines 1 and 2 for taxpayer credit.

No Carryforward Allowed

INSTRUCTIONS FOR SCHEDULE RR-E

The railroad expansion credit provided by KRS 141.386 is a nonrefundable credit that can be applied against the taxes imposed by KRS 141.040 and KRS 141.0401. The tax credit shall be used in the tax year of the qualified expenditures which generated the tax credit and cannot be carried forward to a return for any other period. If a qualified expenditure qualifies for both the railroad maintenance and improvement credit as provided by KRS 141.385 and the railroad expansion tax credit as provided by KRS 141.386, the taxpayer must claim either the credit provided by KRS 141.385 or the credit provided by KRS 141.386, but not both.

Purpose of Schedule— This schedule is used to compute the railroad expansion credit. An eligible taxpayer means: (i) 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 (ii) 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.

Fossil energy resources means reserves of coal, oil shale, and natural gas; and biomass resources means agriculture materials that may be used for production of transportation fuels such as biodiesel or ethanol or that may themselves be used as a fuel, alone or in combination with a fossil fuel, for generation of electricity.

The railroad expansion tax credit is an amount equal to 25% of the qualified expenditures paid or incurred by the corporation or railway company during the tax year 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 \$1,000,000. If the total amount of approved credit exceeds \$1,000,000, the department shall determine the amount of credit each corporation and railway company receives by multiplying the \$1,000,000 by a fraction, the numerator of which is the amount of the 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 shall file a railroad expansion tax credit claim on this form by the fifteenth day of the first month following the close of the preceding calendar year.

To ensure proper processing, fax or email Schedule RR-E to the Department of Revenue no later than January 15 following the close of the preceding calendar year. Schedules postmarked or sent after January 15 are void. Credit certification cannot be guaranteed for schedules sent through regular mail.

Fax number: (502) 564-0058
Email address:
KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

The Department of Revenue will confirm the receipt of the application. If you do not receive confirmation within two weeks of submitting the application, contact the Division of Corporation Tax at (502) 564-8139.

The Department of Revenue will issue the credit certificate, listing the amount of credit, by March 15 following the close of the preceding calendar year. Attach the credit certificate (Schedule RR-E) to the tax return claiming the credit.

General Instructions—Enter the calendar year in applicable boxes.

Enter the name, mailing address and business location address in applicable boxes. Enter the Federal Identification Number and Kentucky Corporation/LLET Account Number in applicable boxes. Check the appropriate entity type.

This application must be signed and dated by an authorized corporate officer (if filing Form 720 or 720S) or partner or member (if filing Form 765 or 765-GP).

Part I—Qualifications

The tax credit provided by KRS 141.386 shall be claimed in the tax year that the qualified expenditures are paid or incurred by the eligible taxpayer. You must be: (i) 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 (ii) 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. If you have taken the railroad maintenance and improvement tax credit permitted by KRS 141.385 on the same qualified expenditures, you do not qualify for this credit. If a tax credit was claimed under the provisions of KRS 141.385 or 141.386 by another taxpayer on the same qualified expenditures, you do not qualify for this credit.

Part II—Computation of the Credit

Line 1—Enter the “qualified expenditures” paid or incurred by the corporation or railway company for the calendar year. Qualified expenditures are expenditures paid or incurred to expand or upgrade railroad track, including roadbeds, bridges, and related track structures, to accommodate the transport of fossil energy resources or biomass resources.

Line 2—Enter twenty-five percent (25%) of Line 1.

Part III—Railroad Expansion Approved Credit Certificate

The Department of Revenue determines each corporation’s or railway company’s approved credit. If the total approved credit for all corporations and railway companies exceeds the railroad expansion tax credit cap of \$1,000,000 for the calendar year, the department shall determine the amount of credit each corporation or railway company receives by multiplying the \$1,000,000 by a fraction, the numerator (Line 1(a)) of which is the amount of the approved credit for a corporation or railway company and the denominator (Line 1(b)) of which is the total approved credit for all corporations and railway companies.

Part IV—Railroad Expansion Credit Used By Taxpayer

Line 1—Enter the amount of the credit claimed for the taxable year against the LLET on Schedule TCS, Part II, Column E. The credit amount cannot reduce the LLET below the \$175 minimum.

Line 2—Enter the amount of the credit claimed for the taxable year against the corporation income tax on Schedule TCS, Part II, Column F.

SCHEDULE RR-I

41A720RR-I (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



20 ____

Calendar Year

RAILROAD MAINTENANCE AND IMPROVEMENT TAX CREDIT

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP

KRS 141.385 and 141.387

| | | |
|------------------|---|--|
| Name of Entity | Federal Identification Number | Kentucky Corporation/LLET Account Number (if applicable) |
| Mailing Address | _____ | _____ |
| Location Address | Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Individual <input type="checkbox"/> Other _____ | |

Part I—Qualifications

| | Yes | No |
|--|-----|----|
| • Were the "qualified expenditures" made on property that was not owned or leased on January 1, 2008, by a Class II or Class III railroad? | | |
| • Was a tax credit claimed under the provisions of KRS 141.386 on the same "qualified expenditures"? | | |
| • Was a tax credit claimed under the provisions of KRS 141.385 or 141.386 by another taxpayer on the same "qualified expenditures"? | | |

**If you answered "yes" to any of the questions above, STOP; you do not qualify for this credit.
If you answered "no" to ALL of the questions above, go to Part II.**

Part II—Computation of the Credit

| | | | |
|--|---|---|--|
| 1. Enter the amount of qualified expenditures paid or incurred by the taxpayer during the tax year | | 1 | |
| 2. Enter 50% of line 1 | | 2 | |
| 3. Enter the number of miles of railroad track in Kentucky owned or leased by the taxpayer at the close of the taxable year | 3 | | |
| 4. Enter the number of miles of railroad track in Kentucky assigned to the taxpayer by a Class II railroad or Class III railroad | 4 | | |
| 5. Enter the total of lines 3 and 4 | 5 | | |
| 6. Multiply line 5 by \$3,500 | | 6 | |
| 7. Enter the lesser of line 2 or line 6 | | 7 | |

Part III—Railroad Maintenance and Improvement Credit Used By Taxpayer

| | | |
|---|---|--|
| 1. LLET Credit —Enter on Schedule TCS, Part II, Column E | 1 | |
| 2. Corporation Income Tax Credit —Enter on Schedule TCS, Part II, Column F | 2 | |
| 3. Individual Income Tax Credit —Enter on Form 740, 740-NP or 741 | 3 | |

No Carryforward Allowed

INSTRUCTIONS FOR SCHEDULE RR-I

The railroad maintenance and improvement credit provided by KRS 141.385 is a nonrefundable credit that can be applied against the taxes imposed by KRS 141.020 or 141.040, and KRS 141.0401. The tax credit shall be used in the tax year of the qualified expenditures which generated the tax credit and cannot be carried forward to a return for any other period. If a qualified expenditure qualifies for both the railroad maintenance and improvement credit as provided by KRS 141.385 and the railroad expansion tax credit as provided by KRS 141.386, the taxpayer must claim either the credit provided by KRS 141.385 or the credit provided by KRS 141.386, but not both.

Purpose of Schedule—This schedule is used to compute the railroad maintenance and improvement credit. An eligible taxpayer means: (i) the owner of any Class II railroad or Class III railroad located in Kentucky; or (ii) 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 for purposes of the tax credit.

Class II railroad means a railroad company classified as a Class II carrier by the federal Surface Transportation Board.

Class III railroad means a railroad company classified as a Class III carrier by the federal Surface Transportation Board.

Qualified expenditures means expenditures, whether or not otherwise chargeable to a capital account, that are made 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 railroad maintenance and improvement tax credit is an amount equal to 50% of the qualified expenditures paid or incurred by the taxpayer during the tax year, but 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 for purposes of KRS 141.385 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.

If a credit is taken as provided by KRS 141.385(2), the basis of the track shall be reduced by the amount of credit taken.

Part I—Qualifications

Qualified expenditures must be made on property that was owned or leased on January 1, 2008, by a Class II or Class III railroad. If you have taken the railroad expansion tax credit permitted by KRS 141.386 on the same qualified expenditures,

you do not qualify for this credit. If a tax credit was claimed under the provisions of KRS 141.385 or 141.386 by another taxpayer on the same qualified expenditures, you do not qualify for this credit.

Part II—Computation of the Credit

Line 1—Enter the amount of qualified expenditures paid or incurred by the taxpayer during the tax year.

Line 2—Enter fifty percent (50%) of Line 1.

Line 3—Enter the number of miles of railroad track in Kentucky owned or leased by the eligible taxpayer as of the close of the taxable year.

Line 4—Enter the number of miles of railroad track in Kentucky assigned for purposes of the tax credit provided by KRS 141.385 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.

Line 5—Enter total of Lines 3 and 4.

Line 6—Enter the amount on Line 5 multiplied by \$3,500.

Line 7—Enter the lesser of Line 2 or Line 6.

Part III—Railroad Maintenance and Improvement Credit Used by Taxpayer

Line 1—Enter the amount of the credit claimed for the taxable year against the LLET on Schedule TCS, Part II, Column E. The credit amount cannot reduce the LLET below the \$175 minimum.

Line 2—Enter the amount of the credit claimed for the taxable year against the corporation income tax on Schedule TCS, Part II, Column F.

Line 3—Enter the amount of the credit claimed for the taxable year on Form 740, 740-NP or 741.

Attach Schedule RR-I to the tax return claiming the credit.

720X

41A720-S1 (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Kentucky Account Number

AMENDED KENTUCKY
CORPORATION INCOME TAX
AND CORPORATION LICENSE TAX RETURN

To be used for tax periods
beginning prior to January 1, 2005.

Form header section with fields for Name of Corporation, Taxable Year Ended, Number and Street, Federal Identification No., City, State, ZIP Code, Telephone Number, State and Date of Incorporation, Principal Business Activity in Kentucky, and NAICS Code No.

Fill in applicable items and use Part III to explain any changes.

NOTE: Use Form 720X to correct Form 720. A corporation taxable both within and without Kentucky must complete lines 1 through 9. A 100% Kentucky corporation must complete line 1 and enter the line 1 amount on line 7, omitting lines 2 through 6.

Table for PART I - INCOME TAX with columns: A. As Previously Reported, B. Net Change - Increase or (Decrease) (explain in Part III), C. Corrected Amount. Rows include Net income before NOL deduction, Nonbusiness income, Total business income, Apportionment factor, Kentucky business income, Kentucky nonbusiness income, Taxable net income before NOLD, Kentucky NOLD, Taxable net income after NOLD, Total income tax, Enter credits, Amended income tax liability, Income tax previously paid, Income tax due, and Income tax refund.

Table for PART II - LICENSE TAX with columns: A. As Previously Reported, B. Net Change - Increase or (Decrease) (explain in Part III), C. Corrected Amount. Rows include Total capital employed, Apportionment factor, Capital subject to license tax, Total license tax before credit, License tax credit, License tax, Enter other credits, Amended license tax liability, License tax previously paid, License tax due, and License tax refund.

TAX PAYMENT 1. Income Tax \$ 3. Penalty \$
SUMMARY 2. License Tax \$ 4. Interest \$ 5. TOTAL \$

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of principal officer or chief accounting officer Date

Name of person or firm preparing return SSN, PTIN or FEIN

May the DOR discuss this return with the preparer?
Yes No
Email Address:
Telephone Number:



PART III— Explanation of Changes to Net Income, Nonbusiness Income, Apportionment Factor, Capital Employed, Credits, etc.
Enter the line reference from page 1 for which a change is reported, and give the reason for each change. Attach supporting schedules detailing computations.

GENERAL INSTRUCTIONS

Purpose of Form—Use Form 720X to report changes, including federal audit changes, to Form 720, Kentucky Corporation Income and License Tax Return, as previously reported. Use this form for tax periods beginning prior to January 1, 2005.

Information on Income, Deductions, Tax Computation, etc.—Refer to the instructions for Form 720, Kentucky Corporation Income and License Tax Return, related schedules and forms, for the year being amended to determine the taxability of certain types of income, the allowability of certain expenses as deductions from income, computation of tax, etc.

Where to File—Mail this form to Kentucky Department of Revenue, Frankfort, Kentucky 40620.

SPECIFIC INSTRUCTIONS

PART I—INCOME TAX

Line 1, Column A—Enter the amount previously reported.

Column B—Enter the increase or decrease being made. Explain the increase or decrease in Part III. If the change involves an item of income or deduction that is supported by a schedule, statement or form, attach the appropriate schedule, statement or form. If the change involves a federal audit adjustment, attach the "final determination of the federal audit." **Do not include changes to net operating loss deduction here (see line 8 instructions below).**

Column C—Enter the result of adding the increase in column B to the amount in column A or subtracting the decrease in column B from the amount in column A. If there is no change entered in column B, enter the amount from column A.

Lines 2 through 6

Note: These lines are applicable only to corporations taxable both within and without Kentucky. Corporations taxable only in Kentucky omit these lines and enter amount from line 1 on line 7.

Column A—On each line, 2 through 6, enter amount from appropriate line of Schedule A, Form 720 as previously reported.

Column B—On lines 2, 4 and 6, enter any increases or decreases being made, explain in Part III and attach a corrected Schedule A, Form 720.

Column C—On lines 2, 4 and 6, enter the result of adding the increase in column B to the amount in column A or subtracting the decrease in column B from the amount in column A. If there is no change entered in column B, enter the amount from column A.

Line 8, Column C—Enter the amount of net operating loss deduction (NOLD). The amount of NOL to be carried back or forward for Kentucky income tax purposes is the amount of loss determined on the Kentucky return; in the case of a corporation taxable both within and without Kentucky, it is the amount determined after apportionment and allocation (attach schedule showing computation of the amount claimed).

Line 10, Column C—Determine corrected income tax by using tax rates reflected on the Tax Computation Schedule of Form 720 used for filing the original return for the year.

Line 11, Column A—Enter total amount of credit from appropriate lines of Tax Computation Schedule or Income Tax Computation of Form 720 as previously reported.

Column B—Enter any increase or decrease being made. If an entry is made on this line, attach a schedule reflecting computations (see Tax Computation Schedule of Form 720 for year originally filed for limitations). Also attach applicable tax credit schedules or forms.

Column C—Enter the result of adding the increase in column B to the amount in column A or subtracting the decrease in column B from the amount in column A. If there is no change entered in column B, enter the amount from column A.

Line 13—Enter total income tax previously paid for the taxable year less any refund previously received for the taxable year.

PART II—LICENSE TAX

A corporation may only amend its license tax return to reflect changes in the apportionment factor or to correct errors or omissions of capital.

Use this form to amend capital employed to exclude the 10 percent add back computation as required by HB 390 that was passed by the 2003 General Assembly and permitted by the governor's directive dated April 15, 2004.

Lines 1 and 2—Enter in column A the amount from appropriate line of Form 720, Part III, as previously reported. Enter in column B any increases or decreases being made, and explain in Part III. Enter the result of adding the increase in column B to the amount in column A or subtracting the decrease in column B from the amount in column A. If there is no change entered in column B, enter the amount from column A.

Line 4—Determine corrected tax due on amount reflected on line 3. The tax rate is \$2.10 on each \$1,000 of capital employed or a minimum of \$30.

Line 5—A corporation with gross income of \$500,000 or less is allowed a credit of \$1.40 per thousand of the first \$350,000 of capital employed against the license tax. For the purpose of this credit, gross income means total taxable and nontaxable receipts before reduction for cost of goods sold, cost of assets sold or any other deduction.

Line 6—Subtract the amount on line 5, if applicable, from the amount on line 4, and enter the result or \$30, whichever is greater.

Line 7, Column A—Enter total amount of other credits (KIFA tax credit, KIRA tax credit, or coal incentive tax credit) from appropriate lines of the Form 720 as previously reported.

Column B—Enter any increase or decrease being made. If an entry is made on this line, attach a schedule reflecting computations. Also, attach applicable tax credit schedules.

Column C—Enter the result of adding the increase in column B to the amount in column A or subtracting the decrease in column B from the amount in column A. If there is no change entered in column B, enter amount from column A.

Line 9—Enter total license tax previously paid for the taxable year less any refund previously received for the taxable year.

TAX PAYMENT SUMMARY—If amounts of additional tax due are reflected on either Part I, line 14, or Part II, line 10, enter amounts due in proper place in this section. Compute penalty and interest from the original due date of the return to the date of payment. Interest rates are as follows: calendar year 2000, 8 percent; calendar year 2001, 10 percent; calendar year 2002, 6 percent; calendar year 2003, 5 percent; calendar year 2004, 4 percent; calendar year 2005, 5 percent; calendar year 2006, 7 percent; calendar year 2007, 8 percent; calendar year 2008, 8 percent from January 1 to April 30 and 10 percent from May 1 to December 31; calendar year 2009, 7 percent; calendar year 2010, 5 percent; calendar year 2011, 5 percent; and calendar year 2012 rate is available at www.revenue.ky.gov.

720-AMENDED

41A720-S2 (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



C

Kentucky Corporation Account Number

237

AMENDED KENTUCKY
CORPORATION INCOME TAX RETURN
(Pass-Through Corporations Use Applicable Forms)

See instructions.

For tax periods beginning on or after January 1, 2005 and before January 1, 2007.

Taxable period beginning _____, 200__, and ending _____, 200__.

Form header section containing fields for Federal Identification Number, Taxable Year Ending, Name of Corporation, State and Date of Incorporation, Number and Street, Principal Business Activity in KY, City, State, ZIP Code, Telephone Number, NAICS Code Number, and Name of Common Parent.

Explanation of Changes Made to the Original Return (attach schedule if necessary)

Main table with columns for PART I - TAXABLE INCOME COMPUTATION, PART II - TAX COMPARISON, and PART III - TAX COMPUTATION. Rows include Federal taxable income, additions, subtractions, and final tax liability/refund calculations.

Amended Federal Form 1120 or 1120A, all pages, and any supporting schedules must be attached.

Make check(s) payable to: Kentucky State Treasurer
Mail return with payment to: Kentucky Department of Revenue
Frankfort, Kentucky 40620

TAX PAYMENT SUMMARY (Round to Nearest Dollar)

Tax payment summary section with checkboxes for Income, AMC Gross Receipts, AMC Gross Profits, and Minimum \$175. Includes a list of tax, penalty, interest, and total amounts.



SIGNATURE REQUIRED BELOW

INSTRUCTIONS FOR FILING FORM 720-AMENDED

PART I—TAXABLE INCOME COMPUTATION

Line 1—Enter the amount of federal taxable income.

Additions to Federal Taxable Income—Lines 2 through 8 itemize items of additional taxable income or unallowed deductions which are differences between federal taxable income and Kentucky taxable net income.

Line 9—Enter the total amount of other differences which result in additions to federal taxable income in computing Kentucky taxable net income. A **schedule must be attached** reflecting an itemization of the amount reflected on this line. Also, any Kentucky or federal form or schedule from which an amount is entered on this line **must be attached**.

Line 10—If the RAR adjustment results in an increase to net income, enter here. These are the results of an IRS examination.

Line 11—Enter the total of Lines 1 through 10.

Subtractions from Federal Taxable Income—Lines 12 through 16 itemize items of income which are excluded or additional deductions allowed which are differences between federal taxable income and Kentucky taxable net income.

Line 17—Enter the total amount of other differences which result in subtractions from federal taxable income in computing Kentucky taxable net income. A **schedule must be attached** reflecting an itemization of the amount reflected on this line. Also, any Kentucky or federal form or schedule from which an amount is entered on this line **must be attached**.

Line 18—If the RAR adjustment results in a decrease to net income, enter here. These are the results of an IRS examination.

Line 19—Subtract Lines 12 through 18 from Line 11.

Line 20—For mandatory nexus consolidated filers only, enter the amount from Schedule NOL (Form 720), Part I, Section A, Line 7 or 8, as applicable. Line 7 is the current net operating loss disallowed and is added to net income. Enter this amount as a positive. Line 8 is the net operating loss carryforward and is subtracted from net income. Enter this amount as a negative. Separate entity and elective consolidated filers enter -0-.

Line 21—Add Line 19 and Line 20.

Line 22—Enter the amount from Line 21 or the amount on Schedule A, Section II, Line 8, if applicable.

Line 23—If the corporation is filing a mandatory nexus consolidated return, enter zero (-0-). For Kentucky purposes, the same carryforward provisions allowed by IRC Section 172 are applicable for losses incurred in taxable years beginning after December 31, 1979, except that no loss may be carried to a taxable year beginning before January 1, 1980. The amount to be carried forward is the amount of loss determined by KRS Chapter 141 and, in the case of multistate corporations, it is the amount determined after apportionment and allocation. Attach a schedule showing the computation of the net operating loss deduction, but do not enter more than the corporation's taxable income. **KRS 141.011**

Line 24—Subtract Line 23 from Line 22.

Line 25—Enter the amount of Kentucky domestic production activities deduction from Kentucky Form 8903-K, Line 21.

Line 26—Subtract Line 25 from Line 24.

PART II—TAX COMPARISON

Line 1—To compute the liability, apply the following rates:

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

Line 2—Enter the AMC calculation. For 2006, if the AMC calculation has changed, complete and attach an amended Schedule AMC.

PART III—TAX COMPUTATION

Line 1—**Tax Liability.** Enter from Part II, Tax Comparison, the greater of Line 1, Line 2 or the \$175 minimum.

Line 2—Enter the amount of recycling recapture from Schedule RC-R, Disposition of Recycling or Composting Equipment, Line 11. **Schedule RC-R must be attached.**

Line 3—Sum the totals for lines 1 and 2. If the \$175 minimum, skip Line 4 and enter \$175 on Line 5.

Line 4—Enter total credits from Kentucky Schedule TCS, Part III.

Line 5—Subtract Line 4 from Line 3. **The credits from Schedule TCS are nonrefundable credits.** A minimum of \$175 shall be due, regardless of the application of any credits provided under any provisions of the Kentucky Revised Statutes for which the business entity may qualify.

Line 6—Enter the total of estimated tax payments made for the taxable year. Do not include the amount credited from prior year. This amount is reported on Line 8.

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

Line 8—Enter the amount credited to 2005 from Part II, Line 19 and Part III, Line 25 of the 2004 return; or to 2006 from Part IV, Line 22 of the 2005 return.

Line 9—Enter the amount of tax paid on the original return.

Line 10—Enter the amount refunded on the original return.

Line 11—Enter the amount credited to 2006 or 2007 from the original return.

Line 12—Add Lines 5, 10 and 11, then subtract the total of Lines 6 through 9.

Line 13—Add Lines 6 through 9, then subtract Lines 5, 10 and 11.

Tax Payment Summary

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

If additional tax due is reflected on Part III, Line 12, compute interest from the original due date of the return to the date of payment. For calendar year 2005, the rate is 5 percent per annum; calendar year 2006, 7 percent; calendar year 2007, 8 percent; calendar year 2008, 8 percent from January 1 through April 30 and 10 percent from May 1 through December 31; calendar year 2009, 7 percent; calendar year 2010, 5 percent; calendar year 2011, 5 percent; and calendar year 2012 rate is available at www.revenue.ky.gov.

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.



Signature of principal officer or chief accounting officer

Date

Name of person or firm preparing return

SSN, PTIN or FEIN

| |
|---|
| <p>May the DOR discuss this return with the preparer?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> |
| <p>Email Address:</p> |
| <p>Telephone Number:</p> |



AMENDED KENTUCKY CORPORATION
INCOME TAX AND LLET RETURN

For tax periods beginning on or after January 1, 2007, and before January 1, 2009

Taxable period beginning _____, 200__, and ending _____, 200__.

Form sections B, C, D, E, F containing checkboxes for LLET receipts method, nonfiling status code, federal identification number, and other corporate information.

Main table with columns for line number, description, and amount. Includes sections: PART I - LLET COMPUTATION, PART II - TAXABLE INCOME COMPUTATION, and PART III - INCOME TAX COMPUTATION.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



TAX PAYMENT SUMMARY (Round to nearest dollar)

| | | |
|---|---|---|
| <p>LLET</p> <p>1. LLET due (Part I, Line 16) \$ _____</p> <p>2. Penalty \$ _____</p> <p>3. Interest \$ _____</p> <p>4. Subtotal \$ _____</p> <p>TOTAL PAYMENT (Add Subtotals) > \$ _____</p> | <p>INCOME</p> <p>1. Income tax due (Part III, Line 17) \$ _____</p> <p>2. Penalty \$ _____</p> <p>3. Interest \$ _____</p> <p>4. Subtotal \$ _____</p> | <p>➤ Amended Federal Form 1120, all pages, and any supporting schedules must be attached.</p> <p>Make check payable to: Kentucky State Treasurer</p> <p>Mail return with payment to: Kentucky Department of Revenue Frankfort, Kentucky 40620</p> |
| <p>I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.</p> <p> _____</p> <p style="text-align: center;">Signature of principal officer or chief accounting officer</p> <p>_____</p> <p style="text-align: center;">Name of person or firm preparing return</p> | | <p>May the DOR discuss this return with the preparer?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>_____</p> <p style="text-align: center;">Date</p> <p>_____</p> <p style="text-align: center;">SSN, PTIN or FEIN</p> |
| | | <p>Email Address: _____</p> <p>Telephone Number: _____</p> |

INSTRUCTIONS for Form 720-AMENDED (2007-2008)

PART I—LLET COMPUTATION

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

Line 2—Enter the recycling/composting equipment recapture from Schedule RC-R, Line 10. There is no recapture of the recycling/composting equipment credit for LLET purposes if the credit was not taken against LLET in a prior year. **Attach Schedule RC-R, Kentucky Disposition of Recycling or Composting Equipment Schedule.**

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

Line 4—Enter the nonrefundable LLET credit from Kentucky Schedule(s) K-1. **Copies of Kentucky Schedule(s) K-1 must be attached to the corporation's tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E.

Line 6—Enter the greater of Line 3 less Lines 4 and 5 or \$175.

Line 7—Enter the amount of tax withheld on Form PTE-WH. **Form PTE-WH must be attached to the tax return.**

Line 8—Enter the total LLET estimated tax payments made for the taxable year. Do not include the amount credited from a prior year.

Line 9—Enter the amount of LLET paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation or Limited Liability Pass-through Entity Return.

Line 10—Enter prior year's tax credit.

Line 11—Enter the income tax overpayment on the original return that was credited to the LLET on the original return.

Line 12—Enter the amount of the LLET paid on the original return.

Line 13—Enter the amount of LLET refund previously received from the original return.

Line 14—Enter the amount of LLET overpayment credited to income tax on the original return.

Line 15—Enter the amount of LLET overpayment credited forward to the next year's LLET.

Line 16—Enter the total of Lines 6, 13, 14 and 15 less the total of Lines 7 through 12.

Line 17—Enter the total of Lines 7 through 12 less the total of Lines 6, 13, 14 and 15.

PART II—TAXABLE INCOME COMPUTATION

Line 1—Enter federal taxable income.

Additions to Federal Taxable Income—Lines 2 through 8 itemize items of additional taxable income or disallowed deductions which are differences between federal taxable income and Kentucky taxable net income.

Line 9—Enter the total amount of other differences which result in additions to federal taxable income in computing Kentucky taxable net income. A schedule must be attached reflecting an itemization of the amount reflected on this line. Also any Kentucky or federal form or schedule from which an amount is entered on this line must be attached. **For tax years beginning after December 31, 2007, attach Schedule O-720.**

Commonwealth of Kentucky
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INSTRUCTIONS for Form 720-AMENDED (2007-2008)—continued

Line 10—If the RAR adjustment results in an increase to net income, enter here. These are the results of an IRS examination.

Subtractions from Federal Taxable Income—Lines 12 through 15 itemize items of income which are excluded or additional deductions allowed which are differences between federal taxable income and Kentucky taxable net income.

Line 16—Enter the total amount of other differences which result in subtractions from federal taxable income in computing Kentucky taxable net income. A schedule must be attached reflecting an itemization of the amount reflected on this line.

Also, any Kentucky or federal form or schedule from which an amount is entered on this line must be attached. **For tax years beginning after December 31, 2007, attach Schedule O-720.**

Line 17—If the RAR adjustment results in a decrease to net income, enter here. These are the results of an IRS examination.

Line 19—For mandatory nexus consolidated filers only, enter the amount from Schedule NOL (Form 720), Part I, Section A, Line 7 or 8, as applicable. Line 7 is the current net operating loss disallowed and is added to net income. Enter this amount as a positive. Line 8 is the net operating loss carryforward and is subtracted from net income. Enter this amount as a negative. Separate entity and elective consolidated filers enter zero (-0-).

Line 21—Enter the amount from Line 20 or the amount on Schedule A, Section II, Line 8, if applicable.

Line 22—If the corporation is filing a mandatory nexus consolidated return, enter zero (-0-). For Kentucky purposes, the same carryforward provisions allowed by IRC Section 172 are applicable for losses incurred in taxable years beginning after December 31, 1979, except that no loss may be carried to a taxable year beginning before January 1, 1980. The amount to be carried forward is the amount of loss determined by KRS Chapter 141 and, in the case of multistate corporations, it is the amount determined after apportionment and allocation. Attach a schedule showing the computation of the net operating loss deduction, but do not enter more than the corporation's taxable income. For additional details on carryover rules, see federal Publication 536, Net Operating Losses. **KRS 141.011**

Line 24—Enter the amount of Kentucky domestic production activities deduction from Kentucky Form 8903-K, Line 21.

PART III—INCOME TAX COMPUTATION

Line 1—To compute the income tax liability, apply the following rates:

- (a) 4 percent of the first \$50,000 of taxable net income;
- (b) 5 percent of the amount of taxable net income in excess of \$50,000 but not in excess of \$100,000; and
- (c) 6 percent of the amount of taxable net income in excess of \$100,000.

Line 2—Enter the amount of recycling recapture from Schedule RC-R, Kentucky Disposition of Recycling or Composting Equipment Schedule, Line 10. **Schedule RC-R must be attached.**

Line 3—Enter the amount of tax installment on LIFO recapture.

Line 5—See the instructions for the limited liability pass-through entity worksheets in the 720 instructions.

Line 7—Enter total credits from Kentucky Schedule TCS, Part III, Column F.

Line 9—Enter the total of estimated tax payments made for the taxable year. Check the box if Form 2220-K is attached.

Line 10—Enter the total of income tax paid with Form 41A720SL.

Line 11—Enter the amount credited to the original return from the prior year's return.

Line 12—Enter the amount of LLET overpayment on the original return that was credited to the income tax liability on the original return.

Line 13—Enter the amount of income tax paid on the original return.

Line 15—Enter the amount of income tax overpayment that was credited to LLET from the original return.

Line 16—Enter the amount of income tax overpayment from the original return that was credited forward to the next year's income tax liability.

Line 17—Enter the total of Lines 8, 14, 15 and 16 less the total of Lines 9 through 13.

Line 18—Enter the total of Lines 9 through 13 less the total of Lines 8, 14, 15 and 16.

Tax Payment Summary—The payment submitted with Form 720-Amended (2007-2008) must be itemized. Enter the amount of LLET payment from Part I, Line 16 and/or corporation income tax payment from Part III, Line 17 on the applicable tax payment lines in addition to the respective amount of penalties and interest. Subtotal each and enter the total payment on the Total Payment line.

If additional tax is due, compute interest from the original due date of the return to the date of payment. For calendar year 2008, the rate is 8 percent from January 1 to April 30 and 10 percent from May 1 to December 31; for calendar year 2009, 7 percent; for calendar year 2010, 5 percent; for calendar year 2011, 5 percent; and calendar year 2012 rate is available at www.revenue.ky.gov.

Signature—Form 720-Amended (2007-2008) must be signed by an authorized corporate officer. Failure by corporate officers to sign the return, to complete all applicable lines on any required Kentucky form, and to attach all applicable schedules including copies of federal forms will delay the processing of tax returns and may result in the assessment of penalties.

851-K

41A720-S4 (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____/____
Mo. Yr.

- See instructions.
- Attach to the consolidated income tax return (Form 720) and extension request (Form 41A720SL).

KENTUCKY AFFILIATIONS AND PAYMENT SCHEDULE

List the parent corporation and all subsidiaries subject to Kentucky Corporation Income Tax/LLET.

| Corp. No. | Name of Parent Corporation | Federal Identification Number | Kentucky Corporation/LLET Account Number | Tax Payments | | | |
|-----------|----------------------------------|-------------------------------|--|------------------------------|-------------------------|--------------------------|----|
| | | | | Limited Liability Entity Tax | | Corporation Tax | |
| 1 | | | | | 00 | | 00 |
| | | | | Stock Ownership Information | | | |
| Corp. No. | Names of Subsidiary Corporations | Federal Identification Number | Kentucky Corporation/LLET Account Number | Percent of Value | Percent of Voting Power | Owned by Corporation No. | |
| 2 | | | | % | % | | |
| 3 | | | | % | % | | |
| 4 | | | | % | % | | |
| 5 | | | | % | % | | |
| 6 | | | | % | % | | |
| 7 | | | | % | % | | |
| 8 | | | | % | % | | |
| 9 | | | | % | % | | |
| 10 | | | | % | % | | |
| 11 | | | | % | % | | |
| 12 | | | | % | % | | |
| 13 | | | | % | % | | |
| 14 | | | | % | % | | |

INSTRUCTIONS FOR FORM 851-K—KENTUCKY AFFILIATIONS AND PAYMENT SCHEDULE

Purpose of Form—This form must be completed and attached to the Kentucky Corporation Income Tax and LLET Return (Form 720) and the Application for Six-Month Extension of Time to File Kentucky Corporation or Limited Liability Pass-through Entity Return (Form 41A720SL) if the corporation is filing an elective consolidated tax return or a mandatory nexus consolidated tax return as provided by KRS 141.200(4) and KRS 141.200(11), respectively.

The information requested on this form identifies the parent of the affiliated group and each subsidiary included in the consolidated return. It is necessary in order to identify the corporations included in the affiliated group and to avoid unnecessary correspondence from the department, such as delinquency notices to subsidiaries.

Elective Consolidated Return—An election by an affiliated group to file a consolidated return as provided by KRS 141.200(4) prior to January 1, 2005, shall be binding for a ninety-six (96) consecutive month period, beginning with the first month of the first taxable year for which the election was made and ending with the conclusion of the taxable year in which the ninety-six (96) consecutive calendar month expires.

Mandatory Nexus Consolidated Return—For tax years beginning on or after January 1, 2005, an affiliated group shall file a nexus consolidated return as provided by KRS 141.200(11) that includes all corporations doing business in this state, except corporations excluded by KRS 141.200(9)(e) and corporations included in an elective consolidated return whose ninety-six (96) month election period has not expired.

Tax Payments—If this form is being filed with Form 720, enter the total limited liability entity tax and corporation income tax paid for the tax year on Line 1, including the overpayments applied from the prior year, estimated tax payments, taxes withheld and amounts paid with Form 41A720SL.

If this form is being filed with Form 41A720SL, enter the total limited liability entity tax and corporation income tax being paid with the Form 41A720SL on Line 1.

Stock Ownership Information—Enter the name, federal identification number and Kentucky Corporation/LLET Account Number of the parent corporation and each subsidiary included in the consolidated tax return. If the parent corporation has more than thirteen subsidiaries, attach additional Forms 851-K as needed. Enter the percent of value and percent of voting power owned by a corporation or corporations included in the affiliated group. In the Owned by Corporation No. column, enter the number of the corporation or corporations which owns each subsidiary. For example, if subsidiary corporation number 2 is owned by parent corporation number 1, enter 1; or if subsidiary corporation number 2 is owned by subsidiary corporation numbers 3, 7 and 10, enter 3, 7, 10.

2220-K



2011

41A720-S6 (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ See instructions.

➤ Attach to Form 720, 720S, 725 or 765.

UNDERPAYMENT AND LATE PAYMENT OF ESTIMATED INCOME TAX AND LLET

| | | |
|----------------|--|--|
| Name of Entity | Federal Identification Number _____ | Kentucky Corporation/LLET Account Number _____ |
|----------------|--|--|

PART I—EXCEPTION

The exception shall apply if the entity's prior year income tax liability was equal to or less than \$25,000 and estimated tax payments equal or exceed the prior year income tax liability as provided by KRS 141.990. **If the exception does not apply, go to Part II.**

The estimated tax payments equal or exceed the prior year income tax liability and the prior year income tax liability was equal to or less than \$25,000. Check this box and complete lines 1 and 2 of this part.

| | | |
|---|---|--|
| 1. Enter the income tax liability from the 2010 return, Form 720, Part II, line 8; or Form 720S, Part III, line 4 | 1 | |
| 2. Enter the total tax payments from the 2011 return: Form 720, the total of Part I, lines 7, 8, 9, 10 and 12 and Part II, lines 9 and 11; or Form 720S, the total of Part II, lines 7, 8, 9 and 11 and Part III, lines 5 and 7 | 2 | |

PART II—FIGURING THE UNDERPAYMENT AND PENALTY

| | | |
|---|---|---------|
| 1. Enter the income tax liability from the 2011 return, Form 720, Part II, line 8; or Form 720S, Part III, line 4 | 1 | |
| 2. Enter 70% (0.70) of line 1 | 2 | |
| 3. Statutory exemption | 3 | \$5,000 |
| 4. Enter the total tax payments from the 2011 return: Form 720, the total of Part I, lines 7, 8, 9, 10 and 12 and Part II, lines 9 and 11; or Form 720S, the total of Part II, lines 7, 8, 9 and 11 and Part III, lines 5 and 7 | 4 | |
| 5. Line 2 less lines 3 and 4 | 5 | |
| 6. Penalty percentage is 10% | 6 | x .1 |
| 7. Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated income tax (minimum penalty \$25). Enter on this line and on the Tax Payment Summary of the applicable form..... | 7 | |



➤ See instructions.

PART III – LATE PAYMENT INTEREST

| | | (a) | | (b) | | (c) | |
|---|----|-----|----|-----|----|---------|-------|
| 1. Enter the LLET liability in column (a), income tax liability in column (b) and total liability in column (c) | 1 | | 00 | | 00 | | 00 |
| 2. Enter statutory exemption | 2 | | 00 | | 00 | \$5,000 | 00 |
| 3. Line 1 less line 2 | 3 | | 00 | | 00 | | 00 |
| 4. Divide line 3, column (a) and column (b) by line 3, column (c) and enter the respective percentages (rounded to the nearest whole percent) on line 4, columns (a) and (b)..... | 4 | | % | | % | | 100 % |
| 5. Installment due dates | 5 | | | | | | |
| 6. Required estimated tax installments due..... | 6 | | 00 | | 00 | | 00 |
| 7. Estimated tax paid for each period. For column (a) only, enter the amount on line 7 and line 11 | 7 | | 00 | | 00 | | 00 |
| 8. Enter amount, if any, from line 14 of preceding column | 8 | | | | 00 | | 00 |
| 9. Add lines 7 and 8..... | 9 | | | | 00 | | 00 |
| 10. Add amounts, if any, from lines 12 and 13 of preceding column..... | 10 | | | | 00 | | 00 |
| 11. Subtract line 10 from line 9. If zero or less, enter -0-..... | 11 | | 00 | | 00 | | 00 |
| 12. If amount on line 11 is zero, subtract line 9 from line 10. Otherwise, enter -0- | 12 | | | | 00 | | 00 |
| 13. Underpayment. If line 11 is less than or equal to line 6, subtract line 11 from line 6 | 13 | | | | 00 | | 00 |
| 14. Overpayment. If line 6 is less than line 11, subtract line 6 from line 11 | 14 | | 00 | | 00 | | 00 |
| 15. The date the underpayment on line 13 was paid or the 15th day of the 4th month after the close of the tax year, whichever is earlier | 15 | | | | | | |
| 16. Interest on the tax underpayment on line 13.. | 16 | | 00 | | 00 | | 00 |

PART IV – TOTAL INTEREST

| | | | | | | | |
|---|---|--|----|--|----|--|----|
| 1. Add the amounts in Part III, line 16 (all columns) and multiply this amount by the percentages in each column of Part III, line 4 and enter the amounts on Part IV, line 1, columns (a), (b) and (c), respectively ... | 1 | | 00 | | 00 | | 00 |
|---|---|--|----|--|----|--|----|

2220-K

41A720-S6 (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE**INSTRUCTIONS FOR FORM 2220-K**

Purpose of Form—This form is used by a corporation or limited liability pass-through entity required by KRS 141.042 and KRS 141.044 to file a declaration of estimated tax to: (i) compute the underpayment penalty as provided by KRS 131.180(3) and KRS 141.990; and (ii) compute the interest on any late payment or underpayment of an estimated tax installment as provided by KRS 141.985.

PART I—EXCEPTION

KRS 141.990(3) provides that a penalty shall not apply if the estimated tax payments made by a corporation or limited liability pass-through entity are equal to the income tax due under KRS 141.040 for the previous taxable year, and the income tax due under KRS 141.040 for the previous year was equal to or less than \$25,000. If the corporation or limited liability pass-through entity meets this exception, check the box and complete Lines 1 and 2 showing the prior year income tax liability and the current year estimated tax payments.

PART II—FIGURING THE UNDERPAYMENT AND PENALTY

KRS 141.990(3) provides that unless a corporation or limited liability pass-through entity meets the exception in Part I of this form, a corporation's or limited liability pass-through entity's declaration underpayment is determined by subtracting \$5,000 and the estimated tax payments actually made from 70% of the income tax liability due under KRS 141.040 as computed on the tax return filed for the tax year. If the corporation or limited liability pass-through entity has a declaration underpayment, complete Lines 1 through 7 to compute the underpayment penalty as provided by KRS 131.180(3).

PART III—LATE PAYMENT INTEREST

KRS 141.042(1) provides that every corporation and limited liability pass-through entity shall make a declaration of estimated tax if the tax imposed by KRS 141.040 (corporation income tax) and KRS 141.0401 (limited liability entity tax) can reasonably be expected to exceed \$5,000. KRS 141.042(3)(b) provides that the estimated tax in excess of \$5,000 shall be the estimated tax due for purposes of KRS 141.042 and 141.044.

KRS 141.042(4) provides the due date of each estimated tax payment, and KRS 141.044(1) provides the amount of each estimated tax payment. KRS 141.985 provides that interest shall accrue at the tax interest rate as provided by KRS 131.010(6) if a corporation or limited liability pass-through entity fails to pay the tax due on or before the due date prescribed. If the corporation or limited liability pass-through entity underpaid an estimated tax payment or paid an estimated tax payment late, complete lines 1 through 16 to determine the interest due.

Line 1—Enter the LLET liability in Column (a), income tax liability in Column (b) and the combined tax liability in Column (c) as follows:

Enter on Line 1, Column (a) the 2011 LLET liability from Form 720, Part I, Line 6 or from Form 720S, 725 or 765, Part II, Line 6; and enter on Line 1, Column (b) the 2011 income tax liability from Form 720, Part II, Line 8 or from Form 720S, Part III, Line 4. Also enter the total of Line 1, Columns (a) and (b) on Line 1, Column (c).

If the combined tax liability imposed by KRS 141.040 and 141.0401 for the prior tax year was equal to or less than \$25,000 and the prior year's combined tax liability is less than the current year's combined tax liability, enter on Line 1, Column (a) the 2010 LLET liability from Form 720, Part I, Line 6 or from Form 720S, 725 or 765, Part II, Line 6; and enter on Line 1, Column (b) the 2010 income tax liability from Form 720, Part II, Line 8 or from Form 720S, Part III, Line 4. Also enter the total of Line 1, Columns (a) and (b) on Line 1, Column (c).

Line 2—Enter the \$5,000 statutory exemption as follows: (i) If the LLET tax on Line 1, Column (a) is zero, enter \$5,000 on Line 2, Column (b); (ii) If Line 1, Column (a) is \$5,000 or greater, enter \$5,000 on Line 2, Column (a); or (iii) If the LLET on Line 1 Column (a) is greater than zero but less than \$5,000, enter the amount from Line 1, Column (a) on Line 2, Column (a) and the balance of the \$5,000 on Line 2, Column (b).

Line 3—Enter the amount on Line 1 less the amount on Line 2 for each column.

Line 4—Divide Line 3, Columns (a) and (b) by the amount on Line 3, Column (c) and enter these percentages (rounded to nearest whole percent) in the respective columns.

Line 5—Enter the installment due dates from left to right in each column as follows: (i) if the tax imposed by KRS 141.040 and 141.0401 for the taxable year was reasonably expected to exceed \$5,000 before June 2 of the taxable calendar year, enter June 15, September 15 and December 15 in Columns (a), (b) and (c); (ii) if the tax for the taxable year was reasonably expected to exceed \$5,000 after June 1 and before September 2 of the taxable calendar year, enter September 15 and December 15 in Columns (a) and (b); and (iii) if the tax for the taxable year was reasonably expected to exceed \$5,000 after September 1 of the taxable calendar year, enter December 15 in Column (a). If the tax return is for a fiscal year, enter the 15th day of the sixth month, 15th day of the ninth month and 15th day of the 12th month. **Note:** If a payment date falls on a holiday or weekend, the applicable payment date is the next working day.

41A720-S6 (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

INSTRUCTIONS FOR FORM 2220-K, continued

Line 6—Enter the amount of the estimated tax due as follows: (i) if you entered three installment dates on Line 5, enter 50% of the estimated tax due for the taxable year (**estimated tax due equals Line 3, Column (c)**) under Column (a), 25% under Column (b), and 25% under Column (c); (ii) if you entered two installment dates on Line 5, enter 75 % of the estimated tax due under Column (a) and 25% under Column (b); or (iii) if you entered one installment date on Line 5, enter 100% of the estimated tax due under Column (a).

Line 7—Enter the estimated tax paid for each installment period. Also, for the first installment, enter this amount on Line 11. *Estimated tax includes the credit from the prior year, withholding tax, certified rehabilitation tax credit and film industry tax credit. The withholding tax, certified rehabilitation tax credit and film industry tax credit are considered to have been paid based on the percentages due on the estimated tax due dates as provided by the instructions on Line 6, unless you can show otherwise.*

If you are required to make three installments—Enter estimated tax payments as follows: (i) if the payment was made on or before June 15, enter the payment on Line 7, Column (a); (ii) if the payment was made after June 15 but by September 15, enter the payment on Line 7, Column (b); (iii) if the payment was made after September 15 but by December 15, enter the payment on Line 7, Column (c); or (iv) if the payment was made after December 15, do not enter the payment on Line 7.

If you are required to make two installments—Enter estimated tax payments as follows: (i) if the payment was made on or before September 15, enter the payment on Line 7, Column (a); (ii) if the payment was made after September 15 but by December 15, enter the payment on Line 7, Column (b); or (iii) if the payment was made after December 15, do not enter the payment on Line 7.

If you are required to make one installment—Enter estimated tax payments as follows: (i) if the payment was made on or before December 15, enter the payment on Line 7, Column (a); or (ii) if the payment was made after December 15, do not enter the payment on Line 7.

Line 8—Enter the amount from Line 14 of the preceding column. This line does not apply to the first installment.

Line 9—Enter the total of Lines 7 and 8. This line does not apply to the first installment.

Line 10—Enter the total of Lines 12 and 13 of the preceding column. This line does not apply to the first installment.

Line 11—Enter the amount of Line 9 less Line 10. If zero or less, enter zero (-0-). For the first installment, enter the amount from Line 7.

Line 12—If the amount on Line 11 is zero, enter the amount of Line 10 less Line 9; otherwise, enter zero (-0-). This line does not apply to the first installment.

Line 13—If Line 11 is less than or equal to Line 6, enter the amount of Line 6 less Line 11.

Line 14—If Line 6 is less than Line 11, enter the amount of Line 11 less Line 6.

Line 15—Enter the date the underpayment on Line 13 was paid or the 15th day of the fourth month after the close of the tax year, whichever is earlier. A payment of estimated tax is applied against unpaid required installments in the order in which the installments are required to be paid, regardless of the installment to which the payment pertains.

Line 16—Enter the interest due on the tax underpayment on Line 13. If the corporation or limited liability pass-through entity has more than one payment for the underpayment, attach a separate computation for each payment. The interest rate is 5 percent for calendar year 2011. The tax interest rate for 2012 is available online at www.revenue.ky.gov, or you may contact the Department of Revenue at (502) 564-8139.

PART IV—TOTAL INTEREST

Line 1—Add the amounts in Part III, Line 16 (all columns) and multiply the total by the percentages on Part III, Line 4, and enter the respective amounts on Line 1, Columns (a), (b) and (c). Also, enter the interest amounts in Columns (a) and (b) on the Tax Payment Summary under the LLET summary and Income summary, respectively.



Kentucky Energy Efficiency Products Tax Credit

KRS 141.435 to KRS 141.436

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

| | | |
|---------------------------|-------------------------------------|--|
| Name of Entity/Individual | Identification Number (SSN or FEIN) | Kentucky Corporation/LLET Account Number (if applicable) |
|---------------------------|-------------------------------------|--|

Part I-Qualifications

| | Yes | No |
|---|-----|----|
| ■ Was the installation of the energy efficiency products completed before January 1, 2011? | | |
| ■ Was the installation of the energy efficiency products completed after December 31, 2011? | | |
| ■ Have you taken a tax credit as provided by KRS 141.437 for an ENERGY STAR home or an ENERGY STAR manufactured home? | | |

If you answered "yes" to any of the questions above, STOP; you do not qualify for these credits.

If you answered "no" to all of the questions above, go to Part II.

Part II-Installation of Energy Efficiency Products

| | | | | |
|--|----|----------|----|--|
| Residence or Single-family or Multifamily Residential Rental Unit: | | | | |
| 1. Qualified upgraded insulation costs | 1 | 00 | | |
| 2. Multiply line 1 by 30% (.30) | 2 | 00 | | |
| 3. Credit from pass-through entities | 3 | 00 | | |
| 4. Add lines 2 and 3 | 4 | 00 | | |
| 5. Maximum Credit amount | 5 | \$100 00 | | |
| 6. Enter the smaller of line 4 or line 5 | 6 | | 00 | |
| 7. Qualified energy-efficient windows and storm doors | 7 | 00 | | |
| 8. Multiply line 7 by 30% (.30) | 8 | 00 | | |
| 9. Credit from pass-through entities | 9 | 00 | | |
| 10. Add lines 8 and 9 | 10 | 00 | | |
| 11. Maximum Credit amount | 11 | \$250 00 | | |
| 12. Enter the smaller of line 10 or line 11 | 12 | | 00 | |
| 13. Qualified energy property | 13 | 00 | | |
| 14. Multiply line 13 by 30% (.30) | 14 | 00 | | |
| 15. Credit from pass-through entities | 15 | 00 | | |
| 16. Add lines 14 and 15 | 16 | 00 | | |
| 17. Maximum Credit amount | 17 | \$250 00 | | |
| 18. Enter the smaller of line 16 or line 17 | 18 | | 00 | |
| 19. Add lines 6, 12 and 18 | 19 | | 00 | |
| 20. Maximum Credit amount | 20 | \$500 00 | | |
| 21. Enter the smaller of line 19 or line 20 | 21 | | 00 | |
| Residence or Single-family Residential Rental Unit: | | | | |
| 22. Qualified active solar space-heating system | 22 | 00 | | |
| 23. Qualified passive solar space-heating system | 23 | 00 | | |
| 24. Qualified combined active solar space-heating and water-heating system | 24 | 00 | | |
| 25. Qualified solar water-heating system | 25 | 00 | | |
| 26. Qualified wind turbine or wind machine | 26 | 00 | | |
| 27. Add lines 22 through 26 | 27 | 00 | | |
| 28. Multiply line 27 by 30% (.30) | 28 | 00 | | |
| 29. Credit from pass-through entities | 29 | 00 | | |
| 30. Add lines 28 and 29 | 30 | 00 | | |
| 31. Qualified solar photovoltaic system-Watts of direct current (DC) _____ X \$3 | 31 | 00 | | |
| 32. Credit from pass-through entities | 32 | 00 | | |
| 33. Add lines 31 and 32 | 33 | 00 | | |
| 34. Enter the larger of line 30 or line 33 | 34 | | 00 | |
| 35. Maximum Credit amount | 35 | \$500 00 | | |
| 36. Enter the smaller of line 34 or line 35 | 36 | | 00 | |



Part II-Installation of Energy Efficiency Products (continued)

| | | | | |
|--|----|---------|----|----|
| Multifamily Residential Rental Unit or Commercial Property: | | | | |
| 37. Qualified active solar space-heating system | 37 | 00 | | |
| 38. Qualified passive solar space-heating system | 38 | 00 | | |
| 39. Qualified combined active solar space-heating and water-heating system | 39 | 00 | | |
| 40. Qualified solar water-heating system | 40 | 00 | | |
| 41. Qualified wind turbine or wind machine | 41 | 00 | | |
| 42. Add lines 37 through 41 | 42 | 00 | | |
| 43. Multiply line 42 by 30% (.30) | 43 | 00 | | |
| 44. Credit from pass-through entities | 44 | 00 | | |
| 45. Add lines 43 and 44 | 45 | 00 | | |
| 46. Qualified solar photovoltaic system-Watts of direct current (DC) _____ X \$3 | 46 | 00 | | |
| 47. Credit from pass-through entities | 47 | 00 | | |
| 48. Add lines 46 and 47 | 48 | 00 | | |
| 49. Enter the larger of line 45 or line 48 | 49 | 00 | | |
| 50. Maximum Credit amount | 50 | \$1,000 | 00 | |
| 51. Enter the smaller of line 49 or line 50 | 51 | | | 00 |
| Commercial Property: | | | | |
| 52. Qualified energy-efficient interior lighting system | 52 | 00 | | |
| 53. Multiply line 52 by 30% (.30) | 53 | 00 | | |
| 54. Credit from pass-through entities | 54 | 00 | | |
| 55. Add lines 53 and 54 | 55 | 00 | | |
| 56. Maximum Credit amount | 56 | \$500 | 00 | |
| 57. Enter the smaller of line 55 or line 56 | 57 | | | 00 |
| 58. Qualified energy-efficient heating, cooling, ventilation, or hot water system | 58 | 00 | | |
| 59. Multiply line 58 by 30% (.30) | 59 | 00 | | |
| 60. Credit from pass-through entities | 60 | 00 | | |
| 61. Add lines 59 and 60 | 61 | 00 | | |
| 62. Maximum Credit amount | 62 | \$500 | 00 | |
| 63. Enter the smaller of line 61 or line 62 | 63 | | | 00 |
| 64. Add lines 57 and 63 | 64 | | | 00 |
| 65. Add lines 21, 36, 51 and 64 | 65 | | | 00 |
| 66. Enter any unused Energy Efficiency Products Tax Credit earned in 2010, if applicable | 66 | | | 00 |
| 67. Add lines 65 and 66 | 67 | | | 00 |

Enter the amounts from Form 5695-K on the applicable tax return as follows:

Individual, estate or trust filing:

- Form 740-Enter the amount from Line 67 on Form 740, Section A, Line 18.
- Form 740-NP-Enter the amount from Line 67 on Form 740-NP, Section A, Line 18.
- Form 741-Enter the amount from Line 67 on Form 741, Line 18.

Corporation or pass-through entity filing:

- Form 720-Enter the amount from Line 67 on Schedule TCS, Line 16.
- Form 720S-Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 720S, Schedule K, Lines 27, 28, 29, 30, 31, 32, 33, 34 and 35, respectively; and the amount from Line 67 on Schedule TCS, Line 16.
- Form 725-Enter the amount from Line 67 on Schedule TCS, Line 16.
- Form 765-Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 765, Schedule K, Lines 28, 29, 30, 31, 32, 33, 34, 35 and 36, respectively; and the amount from Line 67 on Schedule TCS, Line 16.
- Form 765-GP-Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 765-GP, Schedule K, Lines 28, 29, 30, 31, 32, 33, 34, 35 and 36, respectively.

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Purpose of Form—This form is used by a taxpayer to claim a tax credit for installation of energy efficiency products for residential and commercial property as provided by KRS 141.436. The nonrefundable credit shall apply against tax imposed under KRS 141.020 or 141.040, and KRS 141.0401 for taxable years beginning after December 31, 2008, and before January 1, 2016. An unused tax credit may be carried forward one year.

PART I – QUALIFICATIONS

The tax credit provided by KRS 141.436 shall apply in the tax year in which the installation is complete. If the installation was completed before January 1, 2011, or after December 31, 2011, you do not qualify for this credit. If you have taken the ENERGY STAR home or the ENERGY STAR manufactured home tax credit provided by KRS 141.437, you do not qualify for this credit.

PART II – INSTALLATION OF ENERGY EFFICIENCY PRODUCTS

Taxpayer's Residence or Single-family or Multifamily Residential Rental Unit:

Line 1—Enter the installed cost of qualified upgraded insulation. KRS 141.435(15) provides that “upgraded insulation” means insulation with the following R-value ratings: (a) Attic insulation rated R-38 or higher; (b) Exterior wall, crawl space, and basement exterior wall insulation rated R-13 or higher; and (c) Floor insulation rated R-19 or higher.

Line 2—Enter the amount on Line 1 multiplied by 30 percent (.30).

Line 3—Enter the total of the amounts from Form 720S, Schedule K-1, Line 26 and Form 765 or Form 765-GP, Schedule K-1, Line 27.

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

Line 6—Enter the smaller of Line 4 or Line 5.

Line 7—Enter the installed cost of qualified energy-efficient windows and storm doors. KRS 141.435(8) provides that “energy-efficient windows and storm doors” means windows and storm doors that are: (a) ENERGY STAR-labeled; and (b) Certified by the National Fenestration Rating Council as meeting the North-Central U.S. climate zone performance standards for U-factor (nonsolar heat conductance), solar heat gain coefficient, air leakage, visible-light transmittance, and condensation resistance.

Line 8—Enter the amount on Line 7 multiplied by 30 percent (.30).

Line 9—Enter the total of the amounts from Form 720S, Schedule K-1, Line 27 and Form 765 or Form 765-GP, Schedule K-1, Line 28.

Line 10—Enter the total of Lines 8 and 9.

Line 12—Enter the smaller of Line 10 or Line 11.

Line 13—Enter the installed cost of qualified energy property. KRS 141.435(12) provides that “qualified energy property” means the following property that meets the performance, quality, and certification standards of and that would have been eligible for the federal tax credit for residential energy property expenditures under 26 U.S.C. § 25C, as it existed on December 31, 2007: (a) An electric heat pump water heater; (b) An electric heat pump; (c) A closed loop geothermal heat pump; (d) An open loop geothermal heat pump; (e) A direct expansion (DX) geothermal heat pump; (f) A central air conditioner; (g) A

natural gas, propane, or oil furnace or hot water heater; (h) A hot water boiler including outdoor wood-fired boiler units; or (i) An advanced main air circulating fan.

Line 14—Enter the amount on Line 13 multiplied by 30 percent (.30).

Line 15—Enter the total of the amounts from Form 720S, Schedule K-1, Line 28 and Form 765 or Form 765-GP, Schedule K-1, Line 29.

Line 16—Enter the total of Lines 14 and 15.

Line 18—Enter the smaller of Line 16 or Line 17.

Line 19—Enter the total of Lines 6, 12, and 18.

Line 21—Enter the smaller of Line 19 or Line 20.

Taxpayer's Residence or Single-family Residential Rental Unit:

Line 22—Enter the installed cost of a qualified active solar space-heating system. KRS 141.435(1) provides that “active solar space-heating system” means a system that: (a) Consists of solar energy collectors that collect and absorb solar radiation combined with electric fans or pumps to transfer and distribute that solar heat; (b) May include an energy storage space-heating system to provide heat when the sun is not shining; and (c) Is installed by a certified installer.

Line 23—Enter the installed cost of a qualified passive solar space-heating system. KRS 141.435(11) provides that “passive solar space-heating system” means a system that: (a) Takes advantage of the warmth of the sun through the use of design features such as large south-facing windows and materials in the floors or walls that absorb warmth during the day and release that warmth at night; (b) Includes one or more of the following designs: (i) Direct gain which stores and slowly releases heat energy collected from the sun shining directly into the building and warming materials such as tile or concrete; (ii) Indirect gain which uses materials that are located between the sun and the living space such as a wall to hold, store, and release heat; or (iii) Isolated gain which collects warmer air from an area that is remote from the living space, such as a sunroom attached to a house, and the warmer air flows naturally to the rest of the house; and (c) Meets the guidelines and technical requirements for passive solar design.

Line 24—Enter the installed cost of a qualified combined active solar space-heating and water-heating system. KRS 141.435(3) provides that a “combined active solar space-heating and water-heating system” means a system that meets the requirements of both an active solar space-heating system and a solar water-heating system and is installed by a certified installer.

Line 25—Enter the installed cost of a qualified solar water-heating system. KRS 141.435(14) provides that a “solar water-heating system” means a system that: (a) Uses solar-thermal energy to heat water; (b) Is an indirect pressurized glycol system that uses propylene glycol or an indirect drainback system that uses distilled water or propylene glycol; (c) Uses OG-100 solar thermal collectors that are certified by the Solar Rating and Certification Corporation and covered by a manufacturer's warranty of not less than five years; (d) Is installed by a certified installer; and (e) Is warranted by the certified installer for a period of not less than two years.

Line 26—Enter the installed cost of a qualified wind turbine or wind machine. KRS 141.435(16) provides that a “wind turbine” or “wind machine” means a turbine or machine used for generating

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electricity that: (a) Is certified as meeting the U.S. Wind Industry Consensus Standards developed by the American Wind Energy Association in partnership with the U.S. Department of Energy; (b) Is covered by a manufacturer's warranty of not less than five years; (c) Is in compliance with all relevant building codes, height restriction variances, other special code requirements, and zoning ordinances; (d) Has been installed in accordance with all building codes and all permits were received prior to the start of construction and installation; (e) Is in compliance with all applicable Federal Aviation Administration regulations; (f) Meets all requirements of Article 705 of the National Electrical Code for electrical components and installations; and (g) Is rated and listed by Underwriters Laboratories.

Line 27—Enter the total of Lines 22 through 26.

Line 28—Enter the amount on Line 27 multiplied by 30 percent (.30).

Line 29—Enter the total of the amounts from Form 720S, Schedule K-1, Line 29 and Form 765 or Form 765-GP, Schedule K-1, Line 30.

Line 30—Enter the total of Lines 28 and 29.

Line 31—Enter the total watts of direct current (DC) (enter watts in space provided on this line) of the rated capacity of a qualified solar photovoltaic system multiplied by \$3. KRS 141.435(13) provides that a "solar photovoltaic system" means a system for electricity generation that: (a) Includes solar photovoltaic panels, structural attachments, electric wiring, inverters for converting direct current output to alternating current, and appropriate controls and safety measures for output monitoring; (b) Meets the requirements of Article 690 of the National Electrical Code; (c) Uses solar photovoltaic panels and inverters that are rated and listed by Underwriters Laboratories; and (d) Is installed by a certified installer.

Line 32—Enter the total of the amounts from Form 720S, Schedule K-1, Line 30 and Form 765 or Form 765-GP, Schedule K-1, Line 31.

Line 33—Enter the total of Lines 31 and 32.

Line 34—Enter the larger of Line 30 or Line 33.

Line 36—Enter the smaller of Line 34 or Line 35.

Multifamily Residential Rental Unit or Commercial Property:

Line 37—Enter the installed cost of a qualified active solar space-heating system. See instructions for Line 22 to determine qualified cost.

Line 38—Enter the installed cost of a qualified passive solar space-heating system. See instructions for Line 23 to determine qualified cost.

Line 39—Enter the installed cost of a qualified combined active solar space-heating and water-heating system. See instructions for Line 24 to determine qualified cost.

Line 40—Enter the installed cost of a qualified solar water-heating system. See instructions for Line 25 to determine qualified cost.

Line 41—Enter the installed cost of a qualified wind turbine or wind machine. See instructions for Line 26 to determine qualified cost.

Line 42—Enter the total of Lines 37 through 41.

Line 43—Enter the amount on Line 42 multiplied by 30 percent (.30).

Line 44—Enter the total of the amounts from Form 720S, Schedule K-1, Line 31 and Form 765 or Form 765-GP, Schedule K-1, Line 32.

Line 45—Enter the total of Lines 43 and 44.

Line 46—Enter the total watts of direct current (DC) (enter watts in space provided on this line) of the rated capacity of a qualified solar photovoltaic system multiplied by \$3. See instructions for Line 31 to determine qualified cost.

Line 47—Enter the total of the amounts from Form 720S, Schedule K-1, Line 32 and Form 765 or Form 765-GP, Schedule K-1, Line 33.

Line 48—Enter the total of Lines 46 and 47.

Line 49—Enter the larger of Line 45 or Line 48.

Line 51—Enter the smaller of Line 49 or Line 50.

Commercial Property:

Line 52—Enter the installed cost of a qualified energy-efficient interior lighting system. KRS 141.435(6) provides that "energy-efficient interior lighting system" means an 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 in effect December 31, 2007.

Line 53—Enter the amount on Line 52 multiplied by 30 percent (.30).

Line 54—Enter the total of the amounts from Form 720S, Schedule K-1, Line 33 and Form 765 or Form 765-GP, Schedule K-1, Line 34.

Line 55—Enter the total of Lines 53 and 54.

Line 57—Enter the smaller of Line 55 or Line 56.

Line 58—Enter the installed cost of a qualified energy-efficient heating, cooling, ventilation, or hot water system. KRS 141.435(7) provides that "energy-efficient heating, cooling, ventilation, or hot water system" means a 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 in effect December 31, 2007.

Line 59—Enter the amount on Line 58 multiplied by 30 percent (.30).

Line 60—Enter the total of the amounts from Form 720S, Schedule K-1, Line 34 and Form 765 or Form 765-GP, Schedule K-1, Line 35.

Line 61—Enter the total of Lines 59 and 60.

Line 63—Enter the smaller of Line 61 or Line 62.

Line 64—Enter the total of Lines 57 and 63.

Line 65—Enter the total of Lines 21, 36, 51 and 64.

Line 66—Enter the carry forward balance of any Energy Efficiency Products Tax Credit earned in 2010, if applicable.

Line 67—Enter the total of Lines 65 and 66.

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Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2011

- See instructions.
- Attach to Form 720.

KENTUCKY
DOMESTIC PRODUCTION ACTIVITIES DEDUCTION

| | | |
|---------------------|-------------------------------|--|
| Name of Corporation | Federal Identification Number | Kentucky Corporation/LLET Account Number |
| _____ | _____ | _____ |

Expanded Affiliated Group (EAG) Member—Skip lines 1 through 6

| | | |
|--|----|----|
| 1. Domestic production gross receipts (DPGR)..... | 1 | 00 |
| 2. Allocable cost of goods sold. If you are using the small business simplified overall method, skip lines 2 and 3..... | 2 | 00 |
| 3. Enter deductions and losses allocable to DPGR (see instructions)..... | 3 | 00 |
| 4. If you are using the small business simplified overall method, enter the amount of cost of goods sold and other deductions or losses you ratably apportion to DPGR. All others, skip line 4 | 4 | 00 |
| 5. Add lines 2 through 4..... | 5 | 00 |
| 6. Subtract line 5 from line 1 | 6 | 00 |
| 7. Qualified production activities income from partnerships filed on Form 765 or 765-GP | 7 | 00 |
| 8. EAG: Member's Kentucky QPAI (see instructions)..... | 8 | 00 |
| 9. Qualified production activities income. Add lines 6 through 8. If zero or less, enter -0- here, skip lines 10 through 18 and enter -0- on line 19 | 9 | 00 |
| 10. Apportionment factor..... | 10 | % |
| 11. Apportioned qualified production activities income (line 9 multiplied by line 10)..... | 11 | 00 |
| 12. Income limitation (see instructions): | | |
| • Enter your Kentucky taxable income after Kentucky NOLD figured without the domestic production activities deduction | 12 | 00 |
| 13. Enter the smaller of line 11 or line 12. If zero or less, enter -0- here, skip lines 14 through 18, and enter -0- on line 19 | 13 | 00 |
| 14. Enter 6% of line 13..... | 14 | 00 |
| 15. Form W-2 wages (see instructions) | 15 | 00 |
| 16. Form W-2 wages from pass-through entities | 16 | 00 |
| 17. Add lines 15 and 16 | 17 | 00 |
| 18. Form W-2 wage limitation. Enter 50% of line 17 | 18 | 00 |
| 19. Enter the smaller of line 14 or line 18 | 19 | 00 |
| 20. Domestic production activities deduction from cooperatives. Enter deduction from Form 1099-PATR, box 6 multiplied by cooperative's apportionment factor | 20 | 00 |
| 21. Domestic production activities deduction. Combine lines 19 and 20. Enter here and on Form 720, Part III, line 24..... | 21 | 00 |

A cooperative must reduce the amount it enters on its return by the total deduction passed through to its patrons.

Purpose of Form—This form is used by a corporation as defined in KRS 141.010(24) filing Form 720, Kentucky Corporation Income Tax and LLET Return, to calculate its domestic production activities deduction (DPAD) for Kentucky corporation income tax purposes. The Kentucky DPAD may be different from the federal DPAD because of the differences in qualified production activities income or taxable income resulting from differences in Kentucky and federal tax laws as provided by KRS 141.010. In addition, for taxable years beginning on or after January 1, 2010, the Kentucky rate to be applied to the lesser of the qualified production activities income or taxable income shall be six percent (6%) in lieu of the rate provided by IRC §199(a). **KRS 141.010(13)**

KDPAD is limited by Kentucky apportioned taxable net income before the KDPAD and after the Kentucky net operating loss deduction (KNOLD).

Other definitions used in these instructions are as follows:

- (1) "DPGR" means the federal domestic productions gross receipts reported on line 1 of the federal Form 8903;
- (2) "KDPGR" means the portion of the DPGR that is derived from qualifying production activities as defined by Section 199(c)(4) of the Internal Revenue Code which are manufactured, produced, grown, or extracted in whole or in a significant part within the Commonwealth of Kentucky; and,
- (3) "QPAI" means qualified production activities income as defined by Section 199(c) of the Internal Revenue Code.

Individuals—When computing Kentucky net income, a full-year resident individual is allowed the federal DPAD adjusted using a six percent (6%) rate in lieu of the rate provided by IRC §199(a). A part-year resident or full-year nonresident individual is allowed a portion of the federal DPAD, determined by multiplying the federal DPAD, adjusted using a six percent (6%) rate in lieu of the rate provided by IRC §199(a), by a fraction, the numerator of which is the KDPGR and the denominator of which is the DPGR. The DPAD for a part-year resident or full-year nonresident individual cannot exceed 50% of the Kentucky W-2 wages allocable to DPGR. **KRS 141.010(11)**

Pass-Through Entities—A pass-through entity does not complete Form 8903-K but reports information on each shareholder's, partner's or member'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 shareholder, partner or member to compute their DPAD for Kentucky income tax purposes:

If the shareholder, partner or member is an individual (includes estates and trusts), include the following: (i) DPGR; (ii) 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 QPAI at the entity level, include the following: (i) QPAI 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, include the following: (i) DPGR; (ii) Cost of goods sold allocable to DPGR; (iii) Expenses allocable to DPGR; and (iv) Kentucky W-2 wages allocable to DPGR.

SPECIFIC LINE INSTRUCTIONS

Lines 1 through 6

Using the federal instructions for Form 8903, Lines 1 through 6, enter the federal amounts adjusted to reflect the differences in Kentucky and federal income tax law.

Line 7

Enter the QPAI amount from the information attached to Kentucky Schedule K-1 (Form 765 or Form 765-GP). This line applies only to a corporation filing Form 720 that is a partner or member of a partnership filing Kentucky Form 765 or Form 765-GP that was eligible and chose to figure QPAI at the entity level and allocated QPAI to its partners or members.

Line 8

If the corporation filing the return is a member of an expanded affiliated group (EAG), skip Lines 1 through 6. Enter the member's respective amount of Kentucky QPAI. Kentucky QPAI is computed in the same manner as federal QPAI except for the differences in QPAI resulting from differences in Kentucky and federal depreciation and expense deductions allowed under Sections 168 and 179 of the Internal Revenue Code and other Kentucky adjustments provided by KRS 141.010. Attach the following supporting information:

- (1) Federal Form 8903 of the EAG reporting member, federal QPAI computation schedule of the EAG and federal QPAI computation schedule of the member.
- (2) Kentucky QPAI computation schedule of the EAG. The Kentucky QPAI computation schedule of the EAG shall begin with federal QPAI and show all adjustment to arrive at Kentucky QPAI.
- (3) Member's Kentucky QPAI computation schedule. The Kentucky QPAI computation schedule of the member shall begin with federal QPAI and show all adjustments to arrive at Kentucky QPAI.

Line 10

Enter 100% or the apportionment factor from Schedule A, Section I, Line 12.

Line 12

Enter the taxable income from Form 720, Part III, Line 23.

Line 15

Form W-2 wages are computed pursuant to KRS 141.120(8) (b) and regulation 103 KAR 16:090 and include only Kentucky wages properly allocable to DPGR. Do not include wages reported on Line 16.

Line 16

Enter the Kentucky wages allocable to DPGR provided by a pass-through entity as an attachment to the Kentucky Schedule K-1.

Line 20

Enter the amount from box 6 of Form 1099-PATR, or if applicable, multiply box 6 of Form 1099-PATR by the cooperative's Kentucky apportionment factor from Schedule A, Section I, Line 12.

8908-K

41A720-S11 (10-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2011

KENTUCKY

ENERGY STAR (Homes and Manufactured Homes) Tax Credit

Attach to Form 720, 720S, 725, 765 or 765-GP.

Name of Entity, Federal Identification Number, Kentucky Corporation/LLET Account Number (if applicable)

Part I-Qualifications

Table with 3 columns: Question, Yes, No. Contains 4 qualification questions regarding ENERGY STAR home completion and tax credit history.

If you answered "yes" to any of the questions above, STOP; you do not qualify for this credit.

If you answered "no" to all of the questions above, go to Part II.

Part II-ENERGY STAR (Homes and Manufactured Homes)

Table with 3 columns: Description, Line Number, Amount. Contains 6 rows for calculating the tax credit based on the number of qualified homes and manufactured homes.

INSTRUCTIONS FOR FORM 8908-K

Purpose of Form—This form is used by a taxpayer to claim a tax credit on Forms 720, 720S, 725, 765 or 765-GP for the construction of an ENERGY STAR home...

PART I – QUALIFICATIONS

The tax credit provided by KRS 141.437 shall apply in the tax year in which the taxpayer completes construction of an ENERGY STAR home or sells an ENERGY STAR manufactured home.

PART II – ENERGY STAR (Homes and Manufactured Homes)

Line 1a—Enter the total number of qualified ENERGY STAR homes. KRS 141.437(1)(a) provides that an "ENERGY STAR home" means any single-family residence that qualifies for and receives the ENERGY STAR label...

Line 1b—Enter the number of qualified ENERGY STAR homes on Line 1a multiplied by \$800.

Line 2a—Enter the total number of qualified ENERGY STAR manufactured homes. KRS 141.437(1)(b) provides that an "ENERGY STAR manufactured home" means a manufactured home as defined in KRS 100.348 that meets the ENERGY STAR label under the ENERGY STAR Program administered by the U.S. Environment Protection Agency.

Line 2b—Enter the number of qualified ENERGY STAR manufactured homes on Line 2a multiplied by \$400.

Line 3—Enter the ENERGY STAR homes and ENERGY STAR manufactured home credits from pass-through entities, and attach copies of all Schedule(s) K-1.

Line 4—Enter the total of Lines 1b, 2b and 3 on this line. Also, enter the amount from Line 4 on the applicable form as follows:

- Form 720—Enter on Schedule TCS, Line 17.
Form 720S—Enter on Schedule TCS, Line 17.
Form 725—Enter on Schedule TCS, Line 17.
Form 765—Enter on Form 765, Schedule K, Line 37 and Schedule TCS, Line 17.
Form 765-GP—Enter on Form 765-GP, Schedule K, Line 37.

In accordance with the provisions of KRS 131.081(11), KRS 131.170, KRS 141.170, and Regulation 103 KAR 15:050, an extension of time to file a Kentucky corporation income tax and LLET return or a limited liability pass-through entity income and LLET return may be obtained by either:

- requesting an extension pursuant to KRS 141.170 before the date prescribed by KRS 141.160 for filing the return, i.e., the 15th day of the fourth month following the close of the taxable year. Use Kentucky Form 41A720SL, which is available at www.revenue.ky.gov; or
- submitting with your return a copy of federal Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns.

Federal Extension—A corporation or limited liability pass-through entity granted an extension of time for filing a federal income tax return will be granted the same extension of time for filing a Kentucky income and LLET return for the same taxable year provided a copy of the federal Form 7004 is attached to the Kentucky income and LLET return when it is filed. A copy of the federal Form 7004 shall not be mailed to the Department of Revenue before filing the return. **If submitting payment with extension, use Kentucky Form 41A720SL.**

Kentucky Extension—An extension of time to file a corporation or limited liability pass-through entity income and LLET 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 (Form 7004) submitted after the return is filed does not constitute a valid extension, and late filing penalties will be assessed. If a corporation or limited liability pass-through entity is making a payment with its extension, Kentucky Form 41A720SL must be used.**

A copy of either federal Form 7004 or Kentucky Form 41A720SL must be attached to the return when filed, and a copy should be retained for the corporation's or limited liability pass-through entity's records.

Consolidated Returns—An extension of time for filing a consolidated Kentucky corporation income tax and LLET return also constitutes an extension of time for filing for each member of the affiliated group.

Form 851-K listing all includible corporations must be submitted with the Form 41A720SL.

Payment of Tax—An extension of time to file a return does not extend the date prescribed for payment of tax. Therefore, a check made payable to the Kentucky State Treasurer for the amount of any unpaid tax should be submitted to the Department of Revenue along with Form 41A720SL on or before the 15th day of the fourth month following the close of the taxable year.

Electronic Funds Transfer (EFT)—LLET estimated tax payments are not permitted by EFT. The Department of Revenue is accepting electronically filed Corporation Income Tax/Limited Liability Entity Tax estimated tax voucher payments **only** for corporation income tax. Before filing by EFT, the corporation must have a valid six-digit Kentucky Corporation/LLET account number and have registered with the Department of Revenue to file EFT. Using an incorrect account number, such as an account number for withholding tax or sales and use tax, will result in the payment being credited to another corporation's account. For more information, contact the Department of Revenue at 1-800-839-4137 or (502) 564-6020. The EFT registration form is available at www.revenue.ky.gov. See E-File & E-Payment Options (click on **KY E-Tax**). The direct link is www.revenue.ky.gov/etax.htm.

EFT is not available for a corporation's or limited liability pass-through entity's LLET estimated tax payments, return payment or extension payment.

Penalty—A penalty of 2 percent of the tax due for each 30 days or fraction thereof may apply to any tax not paid by the 15th day of the fourth month following the close of the taxable year.

Interest—Interest at the tax interest rate plus 2% applies to any tax paid after the 15th day of the fourth month following the close of the taxable year.

When requesting an extension prior to filing a Kentucky return, this form must be used.

Make check(s) payable to Kentucky State Treasurer.
Mail extension with payment to Kentucky Department of Revenue, Frankfort, Kentucky 40620.

★ *Detach Here* ★

★ *Enclose Check and Extension Unattached* ★

41A720SL (6-10)
Department of Revenue

**APPLICATION FOR SIX-MONTH EXTENSION
OF TIME TO FILE KENTUCKY CORPORATION OR
LIMITED LIABILITY PASS-THROUGH ENTITY RETURN**

2 4
TRAN CODE

| | | | | | | | |
|--|-------|--|---|---|---|---|---|
| Federal Identification Number (FEIN) _____ - _____ | | Taxable Year Ending <table border="1" style="display: inline-table; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">M</td> <td style="width: 20px; height: 20px;">M</td> <td style="width: 20px; height: 20px;">Y</td> <td style="width: 20px; height: 20px;">Y</td> </tr> </table> | | M | M | Y | Y |
| M | M | Y | Y | | | | |
| Name of Entity (<i>Print or Type</i>) | | State and Date of Organization | | | | | |
| Number and Street | | | | | | | |
| City | State | ZIP Code | | | | | |
| Name of President, Partner or Member | | Telephone No. of Entity | | | | | |
| Form Type (<i>Check the box</i>): <input type="checkbox"/> Form 720 <input type="checkbox"/> Form 720S <input type="checkbox"/> Form 725 <input type="checkbox"/> Form 765 | | | | | | | |

Kentucky Corporation/LLET Account Number

| | | | | | | | | |
|---|--|--|--|--|--|--|--|--|
| Corporation Income Tax | <table border="0" style="width: 100%;"> <tr> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="width: 15%; height: 15px;"></td> </tr> </table> | | | | | | | |
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| Limited Liability Entity Tax | <table border="0" style="width: 100%;"> <tr> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="width: 15%; height: 15px;"></td> </tr> </table> | | | | | | | |
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| Total | <table border="0" style="width: 100%;"> <tr> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="border-right: 1px solid black; width: 15%; height: 15px;"></td> <td style="width: 15%; height: 15px;"></td> </tr> </table> <p style="text-align: center; margin-top: 5px;"><i>(Round to the nearest dollar)</i></p> | | | | | | | |
| | | | | | | | | |

_____ Date

Signature of Principal Officer or Chief Accounting Officer **or** Preparer Other Than Taxpayer



SCHEDULE TCS

41A720TCS (10-11)



For taxable year ended

____ / ____
Mo. Yr.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

TAX CREDIT SUMMARY SCHEDULE

- See instructions.
- Attach this schedule to Form 720, 720S, 725 or 765.

| | | |
|----------------|--|---|
| Name of Entity | Federal Identification Number _____ | Kentucky Corporation/LLET Account Number _____ |
|----------------|--|---|

PART I—Economic Development Tax Credit Summary (Only for Projects Approved by the Kentucky Economic Development Finance Authority or Bluegrass State Skills Corporation)

| | A Type of Project (KREDA, MCC, KSBIC, KIDA, KEOZ, KJRA, KIRA, KJDA, KBI, KRA, STICA, IEIA) | B Location of Project | C Project Number | D Allowable Credit from Each Schedule | E LLET Credit Claimed | F Corporation Credit Claimed |
|---|---|--------------------------|------------------------|--|--------------------------------|---------------------------------------|
| 1 | | | | 00 | 00 | 00 |
| 2 | | | | 00 | 00 | 00 |
| 3 | | | | 00 | 00 | 00 |
| 4 | | | | 00 | 00 | 00 |
| 5 | | | | 00 | 00 | 00 |
| 6 | Total of Economic Development Tax Credits (add lines 1 through 5) | | | | 00 | 00 |

PART II—Other Tax Credits

| | | | |
|---|----|----|----|
| 1. Certified rehabilitation tax credit (attach copy of certification(s)) | 1 | 00 | 00 |
| 2. Unemployment tax credit (attach Schedule UTC) | 2 | 00 | 00 |
| 3. Recycling/composting equipment tax credit (attach Schedule RC) | 3 | 00 | 00 |
| 4. Coal conversion tax credit (attach Schedule CC) | 4 | 00 | 00 |
| 5. Enterprise zone tax credit (attach Schedule EZC) | 5 | 00 | 00 |
| 6. Kentucky investment fund tax credit (attach KEDFA notification) | 6 | 00 | 00 |
| 7. Coal incentive tax credit (attach Schedule CI) | 7 | 00 | 00 |
| 8. Qualified research facility tax credit (attach Schedule QR) | 8 | 00 | 00 |
| 9. GED incentive tax credit (attach Form DAEL-31) | 9 | 00 | 00 |
| 10. Voluntary environmental remediation tax credit (attach Schedule VERB) | 10 | 00 | 00 |
| 11. Biodiesel tax credit (attach Schedule BIO) | 11 | 00 | 00 |
| 12. Environmental stewardship tax credit (attach Schedule KESA) | 12 | 00 | 00 |
| 13. Clean coal incentive tax credit (attach Schedule CCI) | 13 | 00 | 00 |
| 14. Ethanol tax credit (attach Schedule ETH) | 14 | 00 | 00 |
| 15. Cellulosic ethanol tax credit (attach Schedule CELL) | 15 | 00 | 00 |
| 16. Energy efficiency products tax credit (attach Form 5695-K) | 16 | 00 | 00 |
| 17. ENERGY STAR home or ENERGY STAR manufactured home tax credit (attach Form 8908-K) | 17 | 00 | 00 |
| 18. Railroad maintenance and improvement tax credit (attach Schedule RR-I) | 18 | 00 | 00 |
| 19. Railroad expansion tax credit (attach Schedule RR-E) | 19 | 00 | 00 |
| 20. Endow Kentucky tax credit (attach Schedule ENDOW) | 20 | 00 | 00 |
| 21. Total of Other Tax Credits (add lines 1 through 20) | 21 | 00 | 00 |

PART III—Total Tax Credits

| | | | |
|---|---|----|----|
| 1. Total LLET credits claimed (Total of Column E, Part I, line 6 and Part II, line 21). Enter this amount on Form 720, Part I, line 5; Form 720S, 725 or 765, Part II, line 5 | 1 | 00 | |
| 2. Total corporation tax credits claimed (Total of Column F, Part I, line 6 and Part II, line 21). Enter this amount on Form 720, Part II, line 7 | 2 | | 00 |

INSTRUCTIONS—SCHEDULE TCS

Schedule TCS is used by corporations and limited liability pass-through entities to apply tax credits against the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax imposed by KRS 141.0401. The amount of tax credit against each tax can be different.

PURPOSE OF SCHEDULE

This schedule is used by corporations to summarize all tax credits being claimed against income tax as provided by KRS 141.040 and used by corporations and limited liability pass-through entities to summarize all tax credits being claimed against the limited liability entity tax (LLET) as provided by KRS 141.0401.

Limited liability pass-through entities shall not enter income or LLET tax credits on Schedule TCS from Schedule KREDA-SP, Schedule KIDA-SP, Schedule KEOZ-SP, Schedule KJRA-SP, Schedule KIRA-SP, Schedule KJDA-SP, Schedule KBI-SP, Schedule KRA-SP or Schedule IEIA-SP. See instructions for those schedules.

GENERAL INSTRUCTIONS

If a taxpayer is entitled to more than one of the tax credits allowed against the taxes imposed by KRS 141.040 and KRS 141.0401, the priority of application and use of credits shall be determined in the order that the credits are listed on Schedule TCS (KRS 141.0205). Total credits taken against corporation income tax on Form 720 may not reduce the tax below zero. Total credits taken against LLET on Form 720, 720S, 725 or 765 may not reduce the tax below \$175.

Part I—Economic Development Tax Credit Summary

Corporation—This part is completed by a corporation having approved projects under the Kentucky Rural Economic Development Act (KREDA), Metropolitan College Consortium Tax Credit (MCC), Kentucky Small Business Investment Credit Program (KSBIC), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA), Skills Training Investment Credit Act (STICA) and Incentives for Energy Independence Act (IEIA).

Limited Liability Pass-Through Entity— This part is also completed by a limited liability pass-through entity having approved projects under the Metropolitan College Consortium Tax Credit (MCC), Kentucky Small Business Investment Credit Program (KSBIC) and Skills Training Investment Credit Act (STICA).

A corporation must complete the applicable tax credit schedule (Schedule KREDA, Schedule KIDA, Schedule KEOZ, Schedule KJRA, Schedule KIRA, Schedule KJDA, Schedule KBI, Schedule KRA and Schedule IEIA) for each project.

A corporation or limited liability pass-through entity claiming tax credits under the Metropolitan College Consortium Tax Credit (MCC) and Skills Training Investment Credit Act (STICA) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation or limited liability pass-through entity claiming a tax credit under the Kentucky Small Business Investment Credit Program (KSBIC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Complete a separate line for each project. Enter the appropriate information in Columns A, B and C, and enter in Column D the credit limitation from the applicable tax credit computation schedule for each project. Enter in Column E the amount of credit claimed for each project against the LLET, and in Column F the amount of credit claimed for each project against the corporation income tax.

There is no requirement to utilize credits from the economic development projects in any particular order.

Part II—Other Tax Credits

For all other tax credits, enter the amount claimed on the applicable line. Attach tax credit schedules or approved applications to tax returns.

Part III—Total Tax Credits

The totals from Part I and Part II, Column E cannot reduce the LLET below the \$175 minimum. The totals from Part I and Part II, Column F cannot reduce the corporation income tax liability below zero. If necessary, reduce the total amount of the credits beginning with the last credit listed. Enter the LLET credits (Column E) claimed on Form 720, Part I, Line 5; and Form 720S, 725 or 765, Part II, Line 5. Enter the corporation credits (Column F) claimed on Form 720, Part II, Line 7.

SCHEDULE VERB

41A720VERB (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



**VOLUNTARY ENVIRONMENTAL
REMEDATION TAX CREDIT**

KRS 141.418

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

| | |
|---|---|
| Name of Entity | Federal Identification Number _____ |
| Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Individual <input type="checkbox"/> Other _____ | Kentucky Corporation/LLET Account Number _____ |
| Location of Remediation Property | County Location |

Department of Revenue Use Only

PART I—Computation of Allowable Tax Credit

| | | | |
|---|---|-----|----|
| 1. Date certified | 1 | / / | |
| 2. Certified remediation expenditures (not to exceed \$150,000) | 2 | | 00 |
| 3. Maximum allowable tax credit each tax year (line 2 multiplied by 25% (.25)) .. | 3 | | 00 |

By: _____ Date: _____

PART II—Taxpayer’s Certification

I, the undersigned and authorized representative, declare under the penalties of perjury, that the expenditures incurred at the qualifying voluntary environmental remediation property were not financed through a public grant program or the petroleum storage tank environmental assurance fund.

Signature

Title

Date

PART III—Current Year Credit

| | | | |
|---|---|--|----|
| 1. LLET Credit—Enter on Schedule TCS, Part II, Column E | 1 | | 00 |
| 2. Corporation Income Tax Credit—Enter on Schedule TCS, Part II, Column F | 2 | | 00 |
| 3. Individual Income Tax Credit—Enter on Form 740, 740-NP or 741 | 3 | | 00 |

PART IV—Amount of Credit Claimed

| A Tax Year Credit Taken (Month/Year) | B Balance of VERB | | C Amount of Credit Used | |
|--|----------------------|------------|----------------------------|------------|
| | LLET | Income Tax | LLET | Income Tax |
| 1. ___/____ | 00 | 00 | 00 | 00 |
| 2. ___/____ | 00 | 00 | 00 | 00 |
| 3. ___/____ | 00 | 00 | 00 | 00 |
| 4. ___/____ | 00 | 00 | 00 | 00 |
| 5. ___/____ | 00 | 00 | 00 | 00 |
| 6. ___/____ | 00 | 00 | 00 | 00 |
| 7. ___/____ | 00 | 00 | 00 | 00 |
| 8. ___/____ | 00 | 00 | 00 | 00 |
| 9. ___/____ | 00 | 00 | 00 | 00 |
| 10. ___/____ | 00 | 00 | 00 | 00 |
| 11. ___/____ | 00 | 00 | 00 | 00 |

INSTRUCTIONS—VOLUNTARY ENVIRONMENTAL REMEDATION TAX CREDIT

The Voluntary Environmental Remediation Tax Credit is applied against the individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040 and the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of credit claimed against the corporation income tax and the LLET can be different.

The amount of credit claimed from Part I, Line 3 and the resulting balance of credit available must be calculated separately for income tax and the LLET. If the balance available for the income tax or the LLET reaches zero, no further credit is allowed against that tax liability. For example, any balance available for income tax cannot be used as a credit against the LLET nor can any balance available for the LLET be used as a credit against the income tax liability.

Purpose of Schedule—This schedule is used by taxpayers subject to the taxes under KRS 141.020, KRS 141.040 or KRS 141.0401 to claim a credit for expenditures made for a qualifying voluntary environmental remediation property.

“Qualifying voluntary environmental remediation property” means real property subject to the provisions of KRS 224.01-400, KRS 224.01-405 or KRS 224.60-135 where the Kentucky Energy and Environment Cabinet has made a determination that the property meets the requirements provided by KRS 141.418(1)(e).

A taxpayer claiming a credit as provided by KRS 141.418 shall submit receipts to the Kentucky Energy and Environment Cabinet as proof of the expenditures claimed. The Kentucky Energy and Environment Cabinet shall verify the receipts. After the receipts are verified, the Department of Revenue shall notify the taxpayer of eligibility for the credit. **KRS 141.418(5)**

The credit is on a dollar-per-dollar basis up to a maximum of \$150,000 in approved expenditures. The amount of the allowable credit for any taxable year is limited to 25 percent of the maximum credit approved (Part I, Line 2), and it may be carried forward 10 years. The taxpayer is eligible to claim the credit on the tax return in the taxable year the credit was certified.

General Instructions—If the entity type is not listed, check the “Other” box and list the entity type.

Part I — Computation of Allowable Tax Credit

This will be completed by the Department of Revenue and mailed to the taxpayer.

Line 1—This is the date the credit is certified by the Kentucky Energy and Environment Cabinet.

Line 2—This is the amount of expenditures certified by the Kentucky Energy and Environment Cabinet.

Line 3—This is the maximum amount of credit allowed for any one taxable year.

Part II — Taxpayer’s Certification

The taxpayer or the taxpayer’s representative must certify that the expenditures incurred at the qualifying voluntary environmental remediation property were not financed through a public grant program or the petroleum storage tank environmental assurance fund.

The certification shall be completed and a copy of Schedule VERB shall be attached to the applicable tax return each year that a taxpayer claims the voluntary environmental remediation tax credit against the tax imposed by KRS 141.020 or 141.040 and KRS 141.0401.

Part III — Current Year Credit

Line 1—LLET Credit—Enter the amount of current year credit claimed against the LLET. This credit cannot reduce the LLET below the \$175 minimum.

Line 2—Corporation Income Tax Credit—Enter the amount of the current year credit claimed against the corporation income tax.

Line 3—Individual Income Tax Credit—Enter the amount of the current year credit claimed against the individual income tax.

Part IV — Amount of Credit Claimed

This will be completed by the taxpayer and used as a tracking schedule for the credit taken.

Column A—Enter the month and year the tax credit is taken for this project.

Column B—Enter for year 1 the allowable credit from Part I, Line 2. Enter for each succeeding year the difference between Column B and Column C for the LLET and income tax.

Column C—Enter the amount of credit used for that year. If the amount is zero, enter zero (-0-).



KENTUCKY S CORPORATION INCOME TAX AND LLET RETURN 2011

See instructions.

Taxable period beginning _____, 201 __, and ending _____, 201 __.

Form header section containing identification numbers, company name, address, and filing status information.

Table for PART I - ORDINARY INCOME (LOSS) COMPUTATION with 10 rows of income and subtraction items.

Table for PART III - INCOME TAX COMPUTATION with 13 rows of tax calculation items.

TAX PAYMENT SUMMARY section with subtotals for LLET and INCOME, and instructions for payment.



SCHEDULE Q— KENTUCKY S CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4–10 must be completed by all S corporations. If this is the S corporation's initial return or if the S corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. Failure to do so may result in a request for a delinquent return.

1. Indicate whether: (a) [] new business; (b) [] successor to previously existing business which was organized as: (1) [] corporation; (2) [] partnership; (3) [] sole proprietorship; or (4) [] other _____ If successor to previously existing business, give name, address and federal I.D. number of the previous business organization. _____

2. List the following Kentucky account numbers. Enter N/A for any number not applicable. Employer Withholding _____ Sales and Use Tax Permit _____ Consumer Use Tax _____ Unemployment Insurance _____ Coal Severance and/or Processing Tax _____

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Has the officer information entered below changed from the last return filed? [] Yes [] No President's Name: _____ President's Home Address: _____

Treasurer's Name: _____ Treasurer's Home Address: _____ Treasurer's Social Security Number: _____

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of principal officer or chief accounting officer _____

Date _____

Name of person or firm preparing return _____

SSN, PTIN or FEIN _____ Date _____

May the DOR discuss this return with the preparer? [] Yes [] No Email Address: _____ Telephone No.: _____



SCHEDULE K—SHAREHOLDERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

| SECTION I | (a) Pro Rata Share Items | (b) Total Amount |
|--|--------------------------|------------------|
| Income (Loss) and Deductions | | |
| 1. Kentucky ordinary income (loss) from trade or business activities (page 1, Part I, line 10)..... | 1 | 00 |
| 2. Net income (loss) from rental real estate activities (attach federal Form 8825) | 2 | 00 |
| 3. (a) Gross income from other rental activities..... | 3(a) | 00 |
| (b) Less expenses from other rental activities (attach schedule)..... | (b) | 00 |
| (c) Net income (loss) from other rental activities (line 3a less line 3b) | 3(c) | 00 |
| 4. Portfolio income (loss): | | |
| (a) Interest income | 4(a) | 00 |
| (b) Dividend income..... | (b) | 00 |
| (c) Royalty income | (c) | 00 |
| (d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)..... | (d) | 00 |
| (e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)..... | (e) | 00 |
| (f) Other portfolio income (loss) (attach schedule) | (f) | 00 |
| 5. Section 1231 net gain (loss) (other than due to casualty or theft) (attach federal and Kentucky Forms 4797)..... | 5 | 00 |
| 6. Other income (loss) (attach schedule) | 6 | 00 |
| 7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)..... | 7 | 00 |
| 8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562) | 8 | 00 |
| 9. Deductions related to portfolio income (loss) (attach schedule) | 9 | 00 |
| 10. Other deductions (attach schedule) | 10 | 00 |
| Investment Interest | | |
| 11. (a) Interest expense on investment debts | 11(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 9 above | (2) | 00 |
| Tax Credits | | |
| 12. Kentucky Small Business Investment Tax Credit (attach KEDFA notification) | 12 | 00 |
| 13. Skills Training Investment Tax Credit (attach copy of certification(s)) | 13 | 00 |
| 14. Certified Rehabilitation Tax Credit (attach copy of certification(s))..... | 14 | 00 |
| 15. Kentucky Unemployment Tax Credit (attach Schedule UTC) | 15 | 00 |
| 16. Recycling/Composting Equipment Tax Credit (attach Schedule RC) | 16 | 00 |
| 17. Kentucky Investment Fund Tax Credit (attach KEDFA notification) | 17 | 00 |
| 18. Coal Incentive Tax Credit (attach Schedule CI) | 18 | 00 |
| 19. Qualified Research Facility Tax Credit (attach Schedule QR)..... | 19 | 00 |
| 20. GED Incentive Tax Credit (attach Form DAEL-31) | 20 | 00 |
| 21. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)..... | 21 | 00 |
| 22. Biodiesel Tax Credit (attach Schedule BIO)..... | 22 | 00 |
| 23. Environmental Stewardship Tax Credit (attach Schedule KESA)..... | 23 | 00 |



SCHEDULE K—SHAREHOLDERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

| SECTION I—continued | (a) Pro Rata Share Items | (b) Total Amount | |
|---|--------------------------|------------------|----|
| Tax Credits—continued | | | |
| 24. Clean Coal Incentive Tax Credit (attach Schedule CCI) | 24 | | 00 |
| 25. Ethanol Tax Credit (attach Schedule ETH)..... | 25 | | 00 |
| 26. Cellulosic Ethanol Tax Credit (attach Schedule CELL)..... | 26 | | 00 |
| Form 5695-K Pass-through Amounts (attach Form 5695-K) | | | |
| 27. Energy Efficiency Products Tax Credit from Form 5695-K, line 6 | 27 | | 00 |
| 28. Energy Efficiency Products Tax Credit from Form 5695-K, line 12 | 28 | | 00 |
| 29. Energy Efficiency Products Tax Credit from Form 5695-K, line 18 | 29 | | 00 |
| 30. Energy Efficiency Products Tax Credit from Form 5695-K, line 36 | 30 | | 00 |
| 31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36 | 31 | | 00 |
| 32. Energy Efficiency Products Tax Credit from Form 5695-K, line 51 | 32 | | 00 |
| 33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51 | 33 | | 00 |
| 34. Energy Efficiency Products Tax Credit from Form 5695-K, line 57 | 34 | | 00 |
| 35. Energy Efficiency Products Tax Credit from Form 5695-K, line 63 | 35 | | 00 |
| 36. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I) | 36 | | 00 |
| 37. Endow Kentucky Tax Credit (attach Schedule ENDOW)..... | 37 | | 00 |
| Other Items | | | |
| 38. (a) Type of Section 59(e)(2) expenditures ➤ _____ | 38(a) | | |
| (b) Amount of Section 59(e)(2) expenditures..... | (b) | | 00 |
| 39. Tax-exempt interest income | 39 | | 00 |
| 40. Other tax-exempt income | 40 | | 00 |
| 41. Nondeductible expenses | 41 | | 00 |
| 42. Total property distributions (including cash) other than dividends reported on line 42 below | 42 | | 00 |
| 43. Other items and amounts required to be reported separately to shareholders (attach schedule)..... | 43 | | |
| 44. Total dividend distributions paid from accumulated earnings and profits | 44 | | 00 |

SECTION II—Pass-through Items

| | | | |
|---|---|--|----|
| 1. S corporation’s Kentucky sales from Schedule A, Section I, line 1 | 1 | | 00 |
| 2. S corporation’s total sales from Schedule A, Section I, line 2 | 2 | | 00 |
| 3. S corporation’s Kentucky property from Schedule A, Section I, line 5 | 3 | | 00 |
| 4. S corporation’s total property from Schedule A, Section I, line 6 | 4 | | 00 |
| 5. S corporation’s Kentucky payroll from Schedule A, Section I, line 8 | 5 | | 00 |
| 6. S corporation’s total payroll from Schedule A, Section I, line 9 | 6 | | 00 |
| 7. S corporation’s Kentucky gross profits from Schedule LLET, Section A, Column A, line 5 | 7 | | 00 |
| 8. S corporation’s total gross profits from all sources from Schedule LLET, Section A, Column B, line 5 | 8 | | 00 |
| 9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less \$175 | 9 | | 00 |



INSTRUCTIONS

2011 KENTUCKY S CORPORATION INCOME TAX AND LLET RETURN

PURPOSE OF THE INSTRUCTIONS

These instructions have been designed for S corporations, both domestic and foreign, which are required by law to file a Kentucky S corporation income tax return.

Refer to the chart on page 2 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 18). They may also be obtained by writing FORMS, Department of Revenue, 501 High Street, Frankfort, KY 40601-2103, 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 or transferable credit against the taxes imposed by KRS 136.505 or 141.020 or 141.040 and 141.0401, with the ordering of credits provided in KRS 141.0205, for qualified rehabilitation expenses incurred by the taxpayer and used for substantial rehabilitation to a certified historic structure as provided by KRS 171.397.

KRS 171.397(1)(b) provides that for applications for preliminary approval received after April 30, 2010, the credit shall be refundable if the taxpayer makes an election under KRS 141.397(2)(b)2.a. KRS 171.397(2)(b)2 provides that the application shall include an irrevocable election by the taxpayer to: (a) use the credit, in which case, the credit shall be refundable; or (b) transfer the credit. KRS 171.397(8) provides that the certified rehabilitation credit permitted by KRS 141.382 may be transferred or assigned to any entity subject to the tax imposed by KRS 136.505 if an election is made to transfer the credit as provided by KRS 171.397(2)(b)2.b. for some or no consideration, along with any related benefits, rights, responsibilities and liabilities.

2010 Special Session of the Kentucky General Assembly

HB 2 – Provisions effective for tax years beginning on or after January 1, 2011

Kentucky Small Business Investment Credit Program – KRS 141.384 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401. A small business shall not be eligible to apply for credits and receive final approval for the credits until one year after the small business: (a) creates and fills one or more eligible positions over the base employment, and that position or positions are created and filled for twelve months; and (b) invests \$5,000 or more in qualifying equipment or technology. The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at \$3 million. The maximum amount of credit for each small business for each year shall not exceed \$25,000.

Endow Kentucky Tax Credit – KRS 141.438 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 for a taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, and meeting the requirements of KRS 141.438(7). The total amount of tax credit that may be awarded under this section shall be limited to \$500,000 in each fiscal year. The credit shall be equal to twenty percent (20%) of the value of the endowment gift provided by the taxpayer, not to exceed \$10,000.

New Markets Development Program Tax Credit – KRS 141.432 to 141.434 was created to encourage taxpayer investment in qualified low-income communities. A taxpayer that makes a qualified equity investment as provided by KRS 141.432(7) in a qualified community development entity as provided by KRS 141.432(6) shall be entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 137.370, 136.390 or 304.3-270. The total amount of tax credits that may be awarded by the department shall be limited to \$5 million. "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business made after June 4, 2010. With respect to any one qualified active low-income community business, the maximum amount of qualified active low-income community investments that may be made in the

business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under KRS 141.433 shall be \$10 million, whether made by one or several qualified community development entities.

The amount of the credit shall be equal to 39% of the purchase price of the qualified equity investment made by the taxpayer. A taxpayer is allowed to claim zero percent (0%) for each of the first two credit allowance dates, seven percent (7%) for the third allowance date, and eight percent (8%) for the next four allowance dates. "Credit allowance date" means with respect to any qualified equity investment: (a) the date on which the investment is initially made; and (b) each of the six anniversary dates of that date thereafter.

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

Corporations 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 2011 returns and fiscal year returns that begin in 2011, any corporation 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 corporation 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 720S 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 1120S, Line 14 and depreciation claimed on federal Form 1125-A or elsewhere (except for the Section 179 deduction) on Form 1120S must be included on Form 720S, Part I, Line 3. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached to Form 720S.**
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 corporation **must attach the Kentucky Form 4562** to Form 720S, and the amount from Kentucky Form 4562, Line 22 less the Section 179 deduction on Line 12 must be included on Form 720S, Part I, Line 8. The Section 179 deduction from the Form 4562, Line 12 must be included on Form 720S, Schedule K, Section I, Line 8. 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 corporation disposes of assets on which it has taken the special depreciation allowance or the additional Section 179 deduction for federal income tax purposes, the corporation will need to determine and report the difference in the amount of gain or loss on such assets as follows:

1. Convert **federal Schedule D (Form 1120S)** 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 720S, Schedule K, Section I, Line 4(d) or 6. Enter the amount from Kentucky Schedule D, Line 13 on Form 720S, Schedule K, Section I, Line 4(e) or 6. **Federal Schedule D (Form 1120S) filed with the federal return and the Kentucky Schedule D must be attached to Form 720S.**
2. If the amount reported on federal Form 1120S, Line 4 (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 1120S, Line 4 (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 720S.**

Tax Treatment of S Corporation and Shareholder(s)

A corporation which elects S corporation treatment for federal income tax purposes in accordance with Sections 1361(a) and 1361(b) of the IRC must file as an S corporation for Kentucky income tax purposes. For taxable years beginning on or after January 1, 2007, an S corporation is classified as a limited liability pass-through entity as provided by KRS 141.010(28). For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits as provided by KRS 141.0401(2), unless specifically excluded. See LLET Nonfiling Status Codes on page 8 of these instructions.

Also, an S Corporation for tax years beginning on or after January 1, 2007, is required: (1) to submit installments of tax on the recapture of LIFO reserves as provided by Section 1363(d) of the Internal Revenue Code; (2) pay tax on built-in gains as provided by Section 1374 of the Internal Revenue Code; and (3) pay tax on net passive investment income as provided by Section 1375 of the Internal Revenue Code. The tax rate imposed on the LIFO recapture, built-in gains, and net passive investment income shall be at the highest rate of tax for the taxable year, which is currently six percent (6%). **KRS 141.040(14)**

In determining tax as provided by KRS Chapter 141, a resident individual, estate, or trust that is a shareholder of an S corporation shall take into account the shareholder's total distributive share of the S corporation's items of income, loss, and deduction. In determining tax as provided by KRS Chapter 141, a nonresident individual, estate, or trust that is a shareholder of an S corporation shall take into account the shareholder's total distributive share of the S corporation's items of income, loss, and deduction multiplied by the apportionment fraction if applicable in KRS 141.206(12). **KRS 141.206(8) and (9)**

Resident and nonresident individual shareholders shall be entitled to a nonrefundable LLET credit against tax imposed under KRS 141.020 (Kentucky individual income tax). The nonrefundable LLET credit allowed shareholders shall be the shareholders' proportionate share of the LLET for the current year after the subtraction of any credits identified in KRS 141.0205 and reduced by \$175. The credit allowed shareholders shall be applied to the income tax assessed on income from the S corporation. Any remaining credit from the S corporation shall be disallowed. **KRS 141.0401(3)**

Banks and Savings and Loan Associations—KRS 141.040(1) excludes financial institutions (banks and savings and loan associations) as defined in KRS 136.500 from tax on taxable net income and KRS 141.0401(6)(a) and (b) excludes financial institutions from the LLET.

KRS 141.010(10)(j) excludes from the Kentucky adjusted gross income of the shareholders the distributive share of net income from an S corporation subject to tax under KRS 136.505, the bank franchise tax, or KRS 136.300, the savings and loan association capital stock tax. KRS 141.010(10)(j) also excludes from the Kentucky adjusted gross income of the shareholders the portion of the distributive share of net income from an S corporation related to a qualified S subsidiary subject to tax under KRS 136.505 or KRS 136.300.

An S corporation subject to tax under KRS 136.505 or KRS 136.300 should enter zero on Lines 1 through 10 of Form 720S, Schedule K. An S corporation related to a qualified S subsidiary

subject to tax under KRS 136.505 or KRS 136.300 should exclude from the amounts entered on Lines 1 through 10 of Form 720S, Schedule K the portion of these items related to the subsidiary. The net amount of the items of income and deductions excluded from Lines 1 through 10 of Form 720S, Schedule K should be entered on Line 40 of Form 720S, Schedule K. A statement should be attached to each shareholder's Form 720S, Schedule K-1 advising the shareholder that this income is excluded for Kentucky income tax purposes because the S corporation is subject to tax under either KRS 136.505 or KRS 136.300.

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. 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 shall apply. **KRS 141.010(3)**

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each corporation should complete a Kentucky Tax Registration Application, Revenue Form 10A100 to register for a Kentucky Corporation/LLET Account Number. This account number will be used for remitting the corporation income tax as required per KRS 141.040 and the LLET as required per KRS 141.0401. The application is available at KentuckyTaxpayer Service Centers (see page 18) or from the Department of Revenue, Taxpayer Registration Section, Frankfort, KY 40620 or at www.revenue.ky.gov (click on Business). The application may be faxed to (502) 227-0772.

Who Must File—**NOTE:** The limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272 do not apply to the limited liability entity tax imposed by KRS 141.0401. A Kentucky S Corporation Income Tax and LLET Return, Form 720S, must be filed by every S corporation: (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), KRS 141.040, KRS 141.0401 and KRS 141.206**

Disregarded Entities—A Qualified Sub Chapter S Subsidiary (QSSS) and a single member limited liability company (LLC) are treated for Kentucky income tax purposes in the same manner as they are treated for federal income tax purposes. Therefore, a QSSS or a single member LLC that is disregarded for federal income tax purposes shall be included in the return filed by its single member (parent entity). A single member filing Form 1120S for federal purposes must file Form 720S. **KRS 141.010(25), KRS 141.200(10) and 103 KAR 16:300**

Pass-through Entities—An S corporation doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 720S pursuant to the provisions of KRS 141.010, 141.120 and 141.206. (See Schedule A—Apportionment and Allocation Instructions and Schedule A—C Apportionment and Allocation Continuation Sheet.)

S Corporations Not Required to File—S corporations which are exempt by law from Kentucky income tax include financial institutions as defined in KRS 136.500, insurance companies, savings and loan associations, corporations exempted by IRC Section 501 and religious, educational, charitable and like corporations not conducted for profit. **KRS 141.040**

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(5) 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 Report and Composite Income Tax Return, a statement that the partner, member or shareholder is exempt from withholding as provided by KRS 141.206(7), 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(15) (a); or (d) the partner or member is a pass-through entity as provided by KRS 141.010(26).

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold Kentucky income tax as provided by KRS 141.206(5) shall make estimated tax payments if required by the provisions of KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

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(5); (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(16).

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(16) 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(16)).

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 Report and Composite Income Tax Return. The composite return box on the front of Form 740NP-WH must be checked to indicate that it 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. Form 740NP-WH and Copy A of Form PTE-WH shall be mailed to the Kentucky Department of Revenue with payment of tax due 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 included in the composite return.

For taxable years beginning on or after January 1, 2012, a pass-through entity filing a composite return shall make estimated tax payments if required by the provisions of KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

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.

Required Forms and Information—An S corporation must enter all applicable information on Form 720S, attach a schedule for each line item or line item instruction which states “attach schedule,” and attach the following forms or schedules, if applicable.

Kentucky Forms and Schedules

1. S Corporation Income Tax Return (Form 720S)
2. Kentucky Shareholder’s Share of Income, Credits, Deductions, Etc.—Schedule K-1 (Form 720S)
3. Apportionment and Allocation (Schedule A)
4. Apportionment and Allocation—Continuation Sheet (Schedule A-C)
5. Limited Liability Entity Tax (Schedule LLET)
6. Limited Liability Entity Tax—Continuation Sheet (Schedule LLET-C)
7. Application for Filing Extension (Form 41A720SL)
8. Tax Credit Summary Schedule (Schedule TCS)
9. Other Additions And Subtractions To/From Federal Ordinary Income (Schedule O-PTE)

Required Federal Forms and Schedules

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

1. Form 1120S, all pages
2. Form 1125-A—Cost of Goods Sold
3. Form 4797—Sales of Business Property
4. Schedule D—Capital Gains and Losses
5. Form 5884—Work Opportunity Credit
6. Schedules for items on Form 1120S, Schedule L, which state, “attach schedule.”
7. Form 4562—Depreciation and Amortization
8. Form 8825—Rental Real Estate Income and Expenses of a Partnership or an S Corporation

Electronic Funds Transfer (EFT)—LLET estimated tax payments are not permitted by EFT. The Department of Revenue is accepting electronically filed Corporation/LLET income tax estimated tax voucher payments **only** for corporation income tax. Before filing by EFT, the corporation must have a valid six-digit Kentucky Corporation/LLET Account Number and have registered with the Department of Revenue to file EFT. Using an incorrect account number, such as an account number for withholding or sales and use tax, will result in the payment being credited to another corporation’s account. For more information contact the Department of Revenue at 1-800-839-4137 or (502) 564-6020. The EFT registration form is available at www.revenue.ky.gov. See E-File & E-Payment Options (click on KY E-Tax). The direct link is www.revenue.ky.gov/etax.htm.

 **EFT is not available for a corporation’s LLET estimated tax payments, return payment or extension payment.**

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

Mailing/Payment—If including payments for other taxes in addition to corporation income tax or LLET, **send a separate check or money order for each type of tax.** Mail the Kentucky S Corporation Income Tax and LLET Return to the **Kentucky Department of Revenue, Frankfort, KY 40620.** Make the check(s) payable to the **Kentucky State Treasurer.**

Filing/Payment Date—An S corporation return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year.

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

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

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

S Corporation Estimated Taxes

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

NOTE: See www.revenue.ky.gov for information on the 2012 estimated tax payments.

Estimated Tax Payments—An S corporation must make estimated tax installments if its combined tax liability under KRS 141.040 and 141.0401 can reasonably be expected to exceed \$5,000. Estimated tax installments are required as follows:

If the estimated tax is reasonably expected to exceed \$5,000 before the 2nd day of the 6th month, 50% of the estimated tax must be paid by 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 6th month and before the 2nd day of the 9th month, 75% of the estimated tax must be paid by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 9th month, 100% of the estimated tax must be paid by the 15th day the 12th month.

Safe harbor: An S corporation can satisfy its declaration requirement if its estimated tax payments are equal to the combined tax liability under KRS 141.040 and 141.0401 for the prior tax year, and its combined tax liability for the prior tax year was equal to or less than \$25,000. If the estimated tax is based on the S corporation's combined tax liability for the prior tax year, 50% of the estimated tax must be paid by 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

Interest: Failure to pay estimated tax installments on or before the due date prescribed by KRS 141.042 and 141.044 shall result in an assessment of interest on the late payment or underpayment. The interest due on any late payment or underpayment shall be at the rate provided by KRS 131.183(1). **KRS 141.042(4) and KRS 141.985**

Penalty: Failure to pay estimated tax installments equal to the amount determined by subtracting \$5,000 from 70% of the total income tax liability imposed by KRS 141.040 as computed by the taxpayer on the return filed for the tax year will result in an underpayment penalty of 10% of the underpayment. The penalty will not apply, if the estimated tax installments are equal to the income tax liability imposed by KRS 141.040 for the prior tax year, and the income tax liability imposed by KRS 141.040 for the prior year was equal to or less than \$25,000. **KRS 131.180(3) and KRS 141.990(3)**

Other Information

Amended Return—To correct Form 720S as originally filed, file an amended Form 720S 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 shareholders, an amended Schedule K-1 (Form 720S) must also be filed with the amended Form 720S and a copy given to each shareholder. Check Item E(2) on each Schedule K-1 to indicate that it is an amended Schedule K-1.

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

Internal Revenue Service Audit Adjustments—An S corporation 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 720S for reporting federal audit adjustments and check the Amended Return box.

Interest—Interest at the tax interest rate is applied to corporation income tax and LLET liabilities not paid by the date prescribed by law for filing the return (determined without regard to extensions thereof). The tax interest rate for 2012 is available online at www.revenue.ky.gov, or you may contact the Department of Revenue at (502) 564-8139.

Penalties

Failure to file a Kentucky S Corporation Income Tax and LLET Return by the filing date including extensions—2 percent of

the tax due for each 30 days or fraction thereof that the return is late (maximum 20 percent). The minimum penalty is \$10 for each tax. **KRS 131.180(1)**

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

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

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

Failure or refusal to file a Kentucky S Corporation Income Tax and LLET Return or furnish information requested in writing—5 percent of the tax assessed for each 30 days or fraction thereof that the return is not filed or the information is not submitted (maximum 50 percent). The minimum penalty is \$100. **KRS 131.180(4)**

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

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

Cost of Collection Fees

- 25 percent on all taxes which become due and owing for any reporting period, regardless of when due. These collection fees are in addition to all other penalties provided by law. **KRS 131.440(1)(a)**
- 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before December 1, 2001. **KRS 131.440(1)(b)**
- 50 percent of any tax deficiency assessed after the amnesty period for nonfiled returns eligible for amnesty. **KRS 131.440(1)(c)**

FORM 720S—SPECIFIC INSTRUCTIONS

Period Covered—File the 2011 return for calendar year 2011 and fiscal years that begin in 2011. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 720S.

All S corporations must enter Taxable Year Ending at the top right of Form 720S and supporting forms and schedules to indicate the ending month and year for which the return is filed.

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

$$\frac{12}{\text{Mo.}}, \frac{11}{\text{Yr.}}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2012, would be entered as:

0 1 / 1 2
Mo. Yr.

- A 52/53-week year is a fiscal year that varies between 52 and 53 weeks. Example: A 52/53-week year ending the first week of January 2012, would be entered as:

1 2 / 1 1
Mo. Yr.

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

Item A—Enter the six-digit Kentucky Corporation/LLET Account Number on the applicable line at the top of each form and schedule and on all checks and correspondence. This number was included in correspondence received from the Department of Revenue at the time of registration. If the account number is not known, telephone (502) 564-8139.

Item B—Check the box indicating the method used in determining the amount of LLET due on the Schedule LLET, Section D, line 1.

LLET Nonfiling Status Code—Return Not Required

If the S corporation is not required to file an LLET return, enter one of the following two-digit codes in the space provided.

| REASON CODE | Reason |
|-------------|--|
| 10 | A public service corporation subject to tax under KRS 136.120. |
| 12 | A property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390. |
| 13 | An alcohol production facility as defined in KRS 247.910. |
| 18 | A personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code. |
| 21 | A qualified investment pass-through entity as defined in KRS 141.206(12). |

Item C—Income Tax Nonfiling Status Code—Return Not Required

If the S corporation is not required to file an income tax return, enter the following two-digit code in the space provided.

| REASON CODE | Reason |
|-------------|---|
| 22 | This return contains only the LLET as the corporation is exempt from income tax as provided by Public Law 86-272. |

Item D—Enter the S corporation’s federal identification number. See federal Publication 583 if the corporation has not obtained this number.

Name and Address—Print or type the corporation’s name as set forth in the charter. 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 corporation has a P.O. Box, show the box number instead of the street address.

Telephone Number—Enter the business telephone number of the principal officer or chief accounting officer signing this return.

State and Date of Incorporation—Enter the state and date of incorporation of the corporation filing this return.

Principal Business Activity in Kentucky—Enter the principal business activity of the corporation filing this return.

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

Item E—Check the applicable boxes:

- (a) *Qualified Investment Pass-through Entity*—Check the box to indicate the S corporation is a qualified investment pass-through entity as provided by KRS 141.206(15)(a).
- (b) *LLC*—Check this box if the S corporation is organized as a limited liability company (LLC).
- (c) *Initial Return*—Check this box if this is the corporation’s first time filing an S corporation income tax return in Kentucky. Complete questions 1, 2 and 3 on Schedule Q—Kentucky S Corporation Questionnaire.
- (d) *Final Return*—Check this box if this is the S corporation’s final return. The S corporation has dissolved or withdrawn. Submit an explanation.
- (e) *Short-period Return*—Check this box and submit an explanation for a short-period return that is not an initial return.
- (f) *Amended Return*—Check this box if this is an amended return. Attach statement giving explanation of changes to net income, apportionment factor and/or taxes.
- (g) *Change of Name*—Check this box if the corporation has changed its name.
- (h) *Change of Address*—Check this box if the corporation has changed its address.
- (i) *Change of Accounting Period*—Check this box if the corporation has changed its accounting period. Also complete Item 4 on Schedule Q—Kentucky S Corporation Questionnaire.

Item F—Enter the number of shareholders on the first line, and enter the number of QSSSs included on this return on the second line.

PART I—ORDINARY INCOME (LOSS) COMPUTATION

Line 1—Enter the amount from federal Form 1120S, Line 21, ordinary income (loss) from trade or business activities. **Attach Form 1120S, all pages.**

Additions to Federal Ordinary Income—Lines 2, 3, 4 and 5 itemize items of additional income or unallowed deductions which are differences between federal ordinary income and Kentucky ordinary income.

Line 2—Enter state taxes measured in whole or in part by gross or net income. “State” means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States or any foreign country or political subdivision thereof. Attach a schedule reflecting the total taxes deducted on federal Form 1120S. **KRS 141.010(11)(d)**

Line 3—Enter federal depreciation (do not include Section 179 deduction). See instructions on page 3 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 6—Enter the total of Lines 1, 2, 3, 4 and 5.

Subtractions from Federal Ordinary Income—Lines 7 through 9 itemize items of additional deductions allowed which are differences between federal ordinary income and Kentucky ordinary income.

Line 7—Enter the amount of the work opportunity credit reflected on federal Form 5884. For Kentucky purposes, the S corporation 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 3 regarding depreciation and Section 179 deduction differences, and if applicable, Kentucky Form 4562 must be attached.

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

Line 10—Subtract Lines 7, 8 and 9 from Line 6.

PART II — LLET COMPUTATION

Line 1—Enter the amount from Schedule LLET, Section D, Line 1. An S corporation must use Schedule LLET(K), Limited Liability Entity Tax (For a Limited Liability Pass-through Entity with Economic Development Project(s)), if the S corporation has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA) and Incentives for Energy Independence Act (IEIA).

Line 2—Enter the recycling/composting equipment LLET Credit recapture amount from Schedule RC—R, Line 12. **Attach Schedule RC—R, Recycling or Composting Equipment Tax Credit Recapture.**

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

Line 4—Enter the nonrefundable LLET credit from Kentucky Schedule(s) K-1 of which the S corporation is a partner or member. **Copies of Kentucky Schedule(s) K-1 must be attached to the S corporation return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E, Line 1.

Line 6—Enter the greater of Line 3 less Lines 4 and 5, or \$175.

Line 7—Enter the total estimated LLET payments made for the taxable year. Do not include the amount credited from the prior year.

Line 8—Enter the refundable certified rehabilitation tax credit (attach the Kentucky Heritage Council certification(s) or Kentucky Schedule(s) K-1 (Form 765-GP)).

Line 9—Enter the refundable film industry tax credit (attach the Kentucky Film Office certification(s) or Kentucky Schedule(s) K-1 (Form 765-GP)).

Line 10—Enter the amount of LLET paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation or Limited Liability Pass-Through Entity Return.

Line 11—Enter the amount credited to 2011 LLET from Form 720S, Part II, Line 16 of the 2010 return.

Line 12—Enter the 2011 income tax overpayment from Part III, Line 11 credited to the 2011 LLET.

Line 13—If Line 6 is greater than the total of Lines 7 through 12, enter the difference on this line and enter the amount in the Tax Payment Summary.

Line 14—If Line 6 is less than the total of Lines 7 through 12, enter the difference on this line.

Line 15—Enter the portion of Line 14 to be credited to the 2011 income tax. Enter the amount on this line and on Part III, Line 8.

Line 16—Enter the portion of Line 14 to be credited to 2012 LLET.

Line 17—Enter the portion of Line 14 to be refunded (Line 14 less Lines 15 and 16).

PART III – INCOME TAX COMPUTATION

Line 1—Enter tax from the Excess Net Passive Income Tax Worksheet, Line 13. (See instructions and worksheet on page 14.)

If the corporation has accumulated earnings and profits (AE&P) at the close of its tax year, has passive investment income for the tax year that is in excess of 25% of gross receipts, and has excess passive income, the corporation must pay a tax on the

excess net passive income as provided by KRS 141.040(14)(c). Complete Lines 1 through 3 and Line 9 of the worksheet on page 14 to make this determination. If Line 2 is greater than Line 3 and the corporation has taxable income (see instructions for Line 9 of worksheet), it must pay the tax. **Attach completed worksheet to the return.**

Line 2—Enter the built-in gains tax from the Built-In Gains Tax Worksheet, Line 8. **Attach completed worksheet to the return.** (See instructions and worksheet on page 14.)

If the corporation for the taxable year has built-in gains as provided by Section 1374 of the Internal Revenue Code, the corporation must pay a built-in gains tax as provided by KRS 141.040(14)(c).

Section 1374 of the Internal Revenue Code provides that the built-in gains tax may apply to the following S corporations: (i) An S corporation that was a C corporation before it elected to be an S corporation; or (ii) An S corporation that acquired an asset with a basis determined (in whole or in part) by reference to its basis (or the basis of any other property) in the hands of a C corporation as provided by Section 1374(d)(8) of the Internal Revenue Code.

An S corporation may owe tax if it has net recognized built-in gain during the applicable recognition period. The applicable recognition period is the ten (10) year period beginning: (i) For an asset held when the S corporation was a C corporation, on the first day of the first tax year for which the corporation is an S corporation; or (ii) For an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of the C corporation, on the date the asset was acquired by the S corporation.

A corporation must compute the built-in gains tax separately for the group of assets it held at the time its S election became effective and for each group of assets it acquired from a C corporation with the basis determined (in whole or in part) by reference to the basis of the asset (or any other property) in hands of the C corporation. For details, see Section 1.1374-8 of the Treasury Regulations.

Line 3—Enter the tax installment on LIFO recapture. The first installment is paid on the C corporation's final return, and the remaining three installments are paid on the S corporation's first three tax returns. **Attach a schedule showing the amounts and dates of the installments paid by the corporation.**

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

Line 5—Enter the total of the estimated income tax payments made for the taxable year. Do not include the amount credited from the prior year. Check the box if Form 2220-K is attached.

Line 6—Enter the amount of income tax paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation or Limited Liability Pass-Through Entity Return.

Line 7—Enter the amount credited to the 2011 income tax from Form 720S, Section III, Line 12 of the 2010 return.

Line 8—Enter the 2011 LLET overpayment credited to the 2011 income tax from Part II, Line 15.

Line 9—If Line 4 is greater than the total of Lines 5 through 8, enter the difference on this line and enter the amount on the Tax Payment Summary.

Line 10—If Line 4 is less than the total of Lines 5 through 8, enter the difference on this line.

Line 11—Enter the portion of Line 10 to be credited to the 2011 LLET. Enter the amount on this line and on Part II, Line 12.

Line 12—Enter the portion of Line 10 to be credited to 2012 corporation income tax.

Line 13—Enter the portion of Line 10 to be refunded (Line 10 less Lines 11 and 12).

SCHEDULE K (FORM 720S)

General Instructions—Complete all applicable lines entering the total pro rata share amount for each item listed. Federal instructions for Form 1120S and federal Schedule K provide additional information which will assist the S corporation in completing Schedule K, Form 720S.

An S corporation must use Form 41A720S(K), Kentucky Schedule K For S Corporations With Economic Development Project(s), if the S Corporation has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA) and Incentives for Energy Independence Act (IEIA).

NOTE: Banks and savings and loan associations see special instructions under Tax Treatment of S Corporation and Shareholder(s) on page 4 of these instructions.

Section I—Income (Loss) and Deductions

Line 1—Enter Kentucky ordinary income (loss) from Form 720S, Part I, Line 10.

Line 2—Enter net income (loss) from rental real estate activities reported on federal Schedule K, Form 1120S, 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 1120S.

Line 3(b)—Enter the expenses from other rental activities reported on federal Schedule K, Form 1120S, 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 1120S, 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 1120S.

Line 4(d)—See page 3 of the 2011 Form 720S instructions 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 6, Schedule K, Form 720S. **Kentucky Schedule D must be attached to Form 720S.** Otherwise, enter the amount from Line 6 of the federal Schedule D (Form 1120S) that is portfolio income.

Line 4(e)—See page 3 of the 2011 Form 720S instructions 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 6, Schedule K, Form 720S. **Kentucky Schedule D must be attached to Form 720S.** Otherwise, enter the amount from Line 13 of the federal Schedule D (Form 1120S) that is portfolio income.

Line 4(f)—Enter any other portfolio income not reported on Lines 4(a) through 4(e), Schedule K, Form 720S.

Line 5—See page 3 of the 2011 Form 720S instructions 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 720S.** 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 6.

Line 6—Enter all other items of income (loss) of the S corporation not included on Lines 1 through 5. See federal instructions for Schedule K, Form 1120S.

Line 7—Enter total contributions paid by the S corporation 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 the 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 8—See page 3 of the 2011 Form 720S instructions 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 9—Enter the expenses related to portfolio income reported on federal Schedule K, Form 1120S, adjusted to exclude expenses related to tax-exempt interest income and other exempt income.

Line 10—Enter any other deductions of the S corporation not included on Lines 7, 8 and 9. See federal instructions for Schedule K, Form 1120S.

Line 11(a)—Enter the S corporation'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 1120S, 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 11(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 720S, and only the investment expenses related thereto included on Line 9, Schedule K, Form 720S. See federal instructions for Schedule K, Form 1120S.

Line 12—Enter the Kentucky Small Business Investment Credit Program (KSBIC) tax credit as provided by KRS 141.384 and attach a copy of the Kentucky Economic Development Finance Authority notification.

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

Line 14—Enter the Certified Rehabilitation Tax Credit as provided by KRS 171.397 and attach a copy of 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/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 41A720KESA).

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 Railroad Maintenance and Improvement Tax Credit as provided by KRS 141.385 and attach Schedule RR-I (Form 41A720 RR-I).

Line 37—Enter the Endow Kentucky Tax Credit as provided by KRS 141.438 and attach a copy of Kentucky Schedule ENDOW (Form 41A720-S86).

Line 38(a)—Enter the information provided on federal Schedule K, Form 1120S, Line 12c(1).

Line 38(b)—Enter the amount reported on federal Schedule K, Form 1120S, Line 12c(2).

Line 39—Enter the total amount of interest income of the S corporation from U.S. government bonds and securities and obligations of Kentucky and its political subdivisions.

Line 40—Enter the total amount of any other type of income of the S corporation on which the shareholder is exempt from Kentucky income tax.

Line 41—Enter the total amount of nondeductible expenses paid or incurred by the S corporation 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 720S, capital expenditures or items the deductions for which are deferred to a later year.

Line 42—Enter the amount reported on federal Schedule K, Form 1120S, Line 16d adjusted to reflect any differences in Kentucky and federal income tax laws, such as depreciation.

Line 43—Attach schedules to report the S corporation's total income, expenses and other information applicable to items not included on Lines 1 through 11 and lines 38 through 42 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 shareholders to figure the allowable depletion deduction, and any other information the shareholders need to prepare their Kentucky income tax returns. See federal instructions for Schedule K, Form 1120S, Line 12d.

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 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 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).

Line 44—Enter the amount reported on federal Schedule K, Form 1120S, Line 17c adjusted to reflect any differences in Kentucky and federal income tax laws, such as depreciation.

Section II—LLET Pass-through Items

Lines 1 through 8 of this section do not need to be completed unless the S corporation has a shareholder that is a single member individually owned limited liability company disregarded for federal tax purposes. In order to enter correct amounts on lines 1 through 8, Schedule A (Form 41A720A) must be completed and attached to the return.

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

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

Line 3—Enter the S corporation’s Kentucky property from Schedule A, Section I, Line 5.

Line 4—Enter the S corporation’s total property from Schedule A, Section I, Line 6.

Line 5—Enter the S corporation’s Kentucky payroll from Schedule A, Section I, Line 8.

Line 6—Enter the S corporation’s total payroll from Schedule A, Section I, Line 9.

Line 7—Enter the S corporation’s Kentucky gross profits from Schedule LLET, Section A, Column A, Line 5.

Line 8—Enter the S corporation’s total gross profits from Schedule LLET, Section A, Column B, Line 5.

Line 9—Enter the limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of Lines 4 and 6, less \$175.

Tax Payment Summary

The payment due with Form 720S must be itemized. Enter the amount of LLET payment due from Part II, Line 13 and/or corporation income tax payment due from Part III, Line 9 on the applicable tax payment lines in addition to the respective amounts of penalties and interest. Subtotal each and enter the total payment due on the Total Payment line.



Signature—Form 720S must be signed by an authorized corporate officer. Failure by corporate officers 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 720S)—KENTUCKY SHAREHOLDER’S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

General Instructions

Schedule K-1 (Form 720S) shows each shareholder’s pro rata share of the S corporation’s income, deductions, credits, etc. On each Schedule K-1 (Form 720S) enter the names, addresses and identifying numbers of the shareholder and S corporation, and complete items A, B, C, D and E. All shareholders’ names, Social Security or identifying numbers and other shareholder information must be complete and legible. Schedule K-1 (Form 720S) must be completed and given to each shareholder with instructions on or before the day on which Form 720S is filed with the Department of Revenue.

A copy of each shareholder’s K-1 (Form 720S) must be attached to Form 720S filed with the Department of Revenue, and a copy kept as part of the S corporation’s records.

Photocopies of Schedule K-1 (Form 720S) 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 1120S) explain the rules for allocating items of income (loss), deductions, credits, etc., to each shareholder. The total share items reported on all Schedules K-1, Column (b), Lines 1 through 44 must equal the amounts reported on Schedule K, Lines 1 through 44. The total share items reported on all Schedules K-1, Column (b), Lines 45 through 53 must equal the amounts reported on the comparable lines of Schedule K, Section II, Lines 1 through 9. Schedule K-1, Column (b), Lines 54 through 56 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 720S), the S corporation must provide information for each activity to its shareholders. See **Passive Activity Reporting Requirements** in the instructions for Schedule K-1 (Form 1120S) for details on the information to be provided on an attachment to Schedule K-1 (Form 720S) for each activity.

At-Risk Activities—If the S corporation is involved in one or more at-risk activities for which a loss is reported on Schedule K-1 (Form 720S), the S corporation 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 1120S) for details on the information to be provided on an attachment to Schedule K-1 (Form 720S) for each at-risk activity.

Lines 1 through 53—Enter the shareholder’s total pro rata share of each item listed on Schedule K, Form 720S. **Do not multiply these amounts by the percentage entered on Item B(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 720S).

Enter on attached schedules the supplemental information required to be reported separately to each shareholder for Lines 1 through 53 and any other information or items and amounts not included on Schedule K-1 (Form 720S) for which the shareholder 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 shareholder to figure the allowable depletion deduction, etc. See instructions for federal Schedule K-1 (Form 1120S), Line 17.

Lines 54 through 56—The amounts in Column (b) are to be entered by the shareholder, not the S corporation.

Instructions for Excess Net Passive Income Tax Worksheet:

1. Enter the gross receipts for the tax year. Also see Section 1362(d)(3)(B) of the Internal Revenue Code. Income on Line 1 is from total operations for the year and includes income from Form 720S, Part I as well as income reported separately on Schedule K.
2. Enter the passive investment income as defined in Section 1362(d)(3)(C) of the Internal Revenue Code. Deductions on Line 2 are from total operations for the year and include deductions from Form 720S, Part I as well as those reported separately on Schedule K. See Section 1375(b)(4) of the Internal Revenue Code for an exception regarding this line.
3. Enter 25% of the amount on Line 1 (If Line 2 is less than Line 3, stop here. You are not liable for this tax.)
4. Enter the amount of Line 2 less Line 3.
5. Enter deductions directly connected with the production of income on Line 2 (See Section 1375(b)(2) of the Internal Revenue Code). Deductions on Line 5 are from total operations for the year and include deductions from Form 720S, Part I as well as those reported separately on Schedule K. See Section 1375(b)(4) of the Internal Revenue Code for an exception regarding this line.
6. Enter the amount of Line 2 less Line 5. This is your Net Passive Income.
7. Enter the amount of Line 4 divided by the amount on Line 2.
8. Enter the amount of Line 6 multiplied by Line 7. This is your Excess Net Passive Income.
9. Enter taxable income as defined in Section 1.1374-1A(d) of the Treasury Regulations. Figure this income by completing Form 720, Part III, lines 1 through 18. Include the Form 720 computation with the worksheet computation you attach to Form 720S. You do not have to attach the schedules, etc., called for on Form 720. However, you may want to complete certain Form 720 schedules, such as Kentucky converted Schedule D, if you have capital gains or losses.
10. Enter the lesser of the amount from Line 8 or Line 9.
11. Enter 100% or if taxable in Kentucky and taxable in another state, the apportionment factor from Schedule A, Section I, Line 12.
12. Enter the amount on Line 10 multiplied by the percentage on Line 11.
13. Excess net passive income tax—enter 6% of Line 12. Enter here and on Form 720S, Part III, Line 1.

**Excess Net Passive Income Tax Worksheet
(Attach this Worksheet to Form 720S)**

1. Enter gross income receipts for the tax year as defined in IRC Section 1362(d)(3)(B)
2. Enter passive investment income as defined in IRC Section 1362(d)(3)(C)
3. Enter 25% of line 1 (If line 2 is less than line 3, stop here. You are not liable for the tax.).....
4. Enter line 2 less line 3 (This is your excess passive investment income.)
5. Enter deduction directly connected with the production of income on line 2 (see instructions).....
6. Enter line 2 less line 5 (This is your net passive income.)
7. Line 4 divided by the amount on line 2
8. Multiply line 6 by line 7 (This is your excess net passive income.)
9. Enter taxable income (see instructions).....
10. Enter the lesser of the amount on line 8 or line 9.....
11. Enter 100% or the apportionment factor from Schedule A, Section I, line 12
12. Multiply the amount on Line 10 by the percentage on line 11
13. Enter 6% of line 12 on this line and on Form 720S, Part III, line 1.....

Instructions for Built-in Gains Tax Worksheet:

1. Enter the amount that would be the taxable income of the corporation for the tax year if only recognized built-in gains (including any carryover of gain under Section 1374(d)(2)(B) of the Internal Revenue Code) and recognized built-in losses were taken into account.
2. Figure taxable income by completing Form 720, Part III, Lines 1 through 18. Follow the instructions for Form 720. Enter the amount from Form 720, Part III, Line 18 on Line 2 of the Built-in Gains Tax Worksheet.
3. Enter the lesser of the amount from Line 1 or Line 2. If for any year the amount on Line 1 exceeds the taxable amount on Line 2, the excess is treated as a recognized built-in gain in the succeeding tax year.
4. Enter the IRC Section 1374(b)(2) deduction. Generally, this is any net operating loss carryforward (to the extent of net capital gain included in recognized built-in-gain for the tax year) arising in tax years for which the corporation was a C corporation. See Section 1374(b)(2) of the Internal Revenue Code and Section 1.1374-5 of the Treasury Regulations.
5. Enter the amount of Line 3 less Line 4. If zero or less, enter zero here and on Line 8.
6. Enter 100% or the apportionment factor from the last C corporation return, Schedule A, Section I, Line 12.
7. Enter the amount on Line 5 multiplied by the percentage on Line 6.
8. Multiply the amount on Line 7 by 6% and enter the amount on this line and on Form 720S, Part III, Line 2, and attach computation to Form 720S.

**Built-in Gains Tax Worksheet
(Attach this Worksheet to Form 720S)**

1. Excess of recognized built-in gains over recognized built-in losses (see instructions).....
2. Taxable income (see instructions)
3. Net recognized built-in gains. Enter the lesser of Line 1 or Line 2
4. Section 1374(b)(2) deduction
5. Enter Line 3 less Line 4. If zero or less enter zero here and on Line 8
6. Enter 100% or the apportionment factor from the last C corporation return, Schedule A, Section I, Line 12.....
7. Multiply the amount on Line 5 by the percentage on Line 6, and enter the amount.....
8. Enter 6% of Line 7 on this line and on Form 720S, Part III, Line 2.....

Tax Credit Summary Schedule—Schedule TCS

Schedule TCS is used by corporations and limited liability pass-through entities to apply tax credits for entities subject to the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different. *Taxpayer* as used in this section refers to corporations and limited liability pass-through entities.

Economic Development Tax Credits—This section is completed only if a limited liability pass-through entity has been approved for one of more of the credits authorized by the: (i) Metropolitan College Consortium Tax Credit (MCC – KRS 141.381); (ii) Kentucky Small Business Investment Credit Program (KSBIC – KRS 141.384); or (iii) Skills Training Investment Credit Act (STICA – KRS 154.12).

A limited liability pass-through entity shall not enter income or LLET tax credits on Schedule TCS from: (i) Kentucky Rural Economic Development Act (KREDA – KRS 154.22); (ii) Kentucky Industrial Development Act (KIDA – KRS 154.28); (iii) Kentucky Economic Opportunity Zone Act (KEOZ – KRS 154.23); (iv) Kentucky Jobs Retention Agreement (KJRA – KRS 154.25); (v) Kentucky Industrial Revitalization Act (KIRA – KRS 154.26); (vi) Kentucky Jobs Development Act (KJDA – KRS 154.24); (vii) Kentucky Business Investment Program (KBI – KRS 154.32); (viii) Kentucky Reinvestment Act (KRA – KRS 154.34); or (ix) Incentives for Energy Independence Act (IEIA – KRS 154.27).

A limited liability pass-through entity shall file Schedule KREDA-SP, Schedule KIDA-SP, Schedule KEOZ-SP, Schedule KJRA-SP, Schedule KIRA-SP, Schedule KJDA-SP, Schedule KBI-SP, Schedule KRA-SP or Schedule IEIA-SP to compute the tax credits for these programs.

To claim the STICA or MCC credit, a copy of the tax credit certification(s) received from Bluegrass State Skills Corporation reflecting the amount of credit awarded shall be attached to the tax return. The credit for either the STICA or MCC shall be claimed on the tax return filed for the taxable year during which the final authorizing resolution is adopted by Bluegrass State Skills Corporation. The STICA credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward three successive years; the MCC credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward to tax years ending before April 15, 2013. If a STICA or MCC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year and the balance of the credit.

To claim the KSBIC credit, a copy of the tax credit notification received from Kentucky Economic Development Finance Authority (KEDFA) reflecting the amount of credit awarded shall be attached to the tax return. The credit for the KSBIC shall be claimed on the tax return for the taxable year during which the credit was approved by KEDFA. The tax credit not used during the year of approval by KEDFA may be carried forward up to five years. If a KSBIC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year and the balance of the credit.

Economic development tax credits are allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department for Financial Incentives (telephone: 502-564-4554) or Bluegrass State Skills Corporation (telephone: 502-564-2021).

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**

Coal Conversion Tax Credit—A corporation which converts boilers from other fuels to Kentucky coal or which substitutes Kentucky coal for other fuels in a boiler capable of burning coal and other fuels to produce energy for specific purposes may be entitled to a credit against the taxes imposed by KRS

141.040 and KRS 141.0401 equal to 4.5 percent of expenditures for Kentucky coal (less transportation costs). Unused portions of this credit may not be carried forward or back. Schedule CC must be attached to the tax return claiming this credit. **KRS 141.041**

Enterprise Zone Tax Credit—The last enterprise zone expired on December 31, 2007. Previous tax credit carryforwards are allowed for enterprise zones that previously expired. **Schedule EZC must be attached. KRS 154.45-090**

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**

Endow Kentucky Tax Credit – A taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, is entitled to a tax credit equal to twenty percent (20%) of the endowment gift, not to exceed \$10,000. The nonrefundable tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 and if not use in the year the tax credit is awarded may be carried forward for a period not to exceed five years. The department shall issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation as provided by KRS 141.438(7). Schedule ENDOW must be attached to the taxpayer’s tax return each year to claim the credit. A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S, 765 or 765-GP to the partner’s, member’s or shareholder’s tax return each year to claim the tax credit.

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
501 High Street
Frankfort, KY 40601–2103
(502) 564-3658



Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov

Information:

Division of Corporation Tax
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) 564-4581 (*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.

SCHEDULE O-PTE

41A720S-O (11-11)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



For taxable year ended

____ / ____
Mo. Yr.

**OTHER ADDITIONS AND SUBTRACTIONS
TO/FROM FEDERAL ORDINARY INCOME**

► **Attach to Form 720S, 765 or 765-GP.**

| | | |
|-----------------------------|-------------------------------|--|
| Name of Pass-through Entity | Federal Identification Number | Kentucky Corporation/LLET Account Number |
| _____ | ____-____ | _____ |

PART I—ADDITIONS TO FEDERAL ORDINARY INCOME (FORM 720S, 765 OR 765-GP, PART I, LINE 5)

| | | |
|--|---|----|
| 1. Loss from Form 4797 found on federal Form 1120S, line 4 or federal Form 1065, line 6..... | 1 | 00 |
| 2. Gain from Kentucky Form 4797, line 17 | 2 | 00 |
| 3. Federal allowable depletion from Form 1120S, line 15 or Form 1065, line 17..... | 3 | 00 |
| 4. Other additions (attach explanation) | 4 | 00 |
| 5. Total of lines 1 through 4 (enter on Form 720S, 765 or 765-GP, Part I, line 5) | 5 | 00 |

PART II—SUBTRACTIONS FROM FEDERAL ORDINARY INCOME (FORM 720S, 765 OR 765-GP, PART I, LINE 9)

| | | |
|---|---|----|
| 1. Gain from Form 4797 found on federal Form 1120S, line 4 or federal Form 1065, line 6 | 1 | 00 |
| 2. Loss from Kentucky Form 4797, line 17 | 2 | 00 |
| 3. Kentucky allowable depletion | 3 | 00 |
| 4. Amounts received from Tobacco Master Settlement Agreement, Phase II Settlement..... | 4 | 00 |
| 5. Amounts received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program..... | 5 | 00 |
| 6. Amounts received as a result of a tobacco quota buydown program | 6 | 00 |
| 7. State Phase II payments received by a producer of tobacco or a tobacco quota owner | 7 | 00 |
| 8. Other subtractions (attach explanation) | 8 | 00 |
| 9. Total of lines 1 through 8 (enter on Form 720S, 765 or 765-GP, Part I, line 9) | 9 | 00 |

Schedule O-PTE is used by an S corporation filing Kentucky Form 720S or a partnership filing Kentucky Form 765 or 765-GP to show other additions to and other subtractions from federal ordinary income.

Part I—ADDITIONS TO FEDERAL ORDINARY INCOME

Line 1—Enter the federal loss from federal Form 1120S, Line 4 or federal Form 1065, Line 6. If the loss from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 2—Enter the Kentucky gain from Kentucky Form 4797, Line 17. If the gain from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 3—Enter federal allowable depletion from federal Form 1120S, Line 15 or federal Form 1065, Line 17. Do not deduct depletion for oil and gas properties as each partner, member or shareholder figures depletion on oil and gas properties. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income and deductions.**

Line 4—Enter any other additions to federal income not reported on Lines 1 through 3, and attach an explanation of any other additions to the tax return. Kentucky has adopted the Internal Revenue Code in effect on December 31, 2006; include additions equal to the excess of Kentucky income over federal income resulting from amendments to the Internal Revenue Code subsequent to December 31, 2006.

Part II—SUBTRACTIONS FROM FEDERAL ORDINARY INCOME

Line 1—Enter the federal gain from federal Form 1120S, Line 4 or federal Form 1065, Line 6. If the gain from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 2—Enter the Kentucky loss from Kentucky Form 4797, Line 17. If the loss from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 3—Enter Kentucky allowable depletion using Kentucky taxable income and deductions. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations provided by the IRC must be applied using Kentucky taxable income and deductions.**

Line 4—Enter amounts received by a producer or a tobacco quota owner from the Tobacco Master Settlement Agreement.

Line 5—Enter amounts received from the Commodity Credit Corporation for the Tobacco Loss Assistance Program.

Line 6—Enter amounts received by a producer or a tobacco quota owner from the tobacco quota buydown program.

Line 7—Enter amounts received by a producer or a tobacco quota owner from state Phase II.

Line 8—Enter any other subtractions from federal income not reported on Lines 1 through 7, and attach an explanation of any other subtractions to the tax return. Kentucky has adopted the Internal Revenue Code in effect on December 31, 2006; include subtractions equal to the excess of federal income over Kentucky income resulting from amendments to the Internal Revenue Code subsequent to December 31, 2006.

(Form 720S)
KENTUCKY
SCHEDULE K-1
41A720S(K-1)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2011

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

See instructions.

For calendar year 2011 or fiscal year beginning _____, 2011, and ending _____, 201 ____.

Shareholder's identifying number, S corporation's FEIN, Kentucky Corporation/LLET Account Number, Shareholder's name, address and ZIP code, S corporation's name, address and ZIP code

- A. Shareholder's percentage of stock ownership for tax year
B. (1) Resident shareholder's taxable percentage of pro rata share items
(2) Nonresident shareholder's taxable percentage of pro rata share items
C. What type of entity is this shareholder?
D. Check the box if nonresident shareholder's income is reported on:
E. Check if applicable: (1) Final K-1 (2) Amended K-1

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

Table with columns (a) Pro Rata Share Items and (b) Amount. Rows include Income (Loss), Deductions, Investment Interest, and Tax Credits.



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

| (a) Pro Rata Share Items (continued) | | (b) Amount |
|---|-------|------------|
| Tax Credits – continued | | |
| 18. Coal Incentive Tax Credit..... | 18 | |
| 19. Qualified Research Facility Tax Credit..... | 19 | |
| 20. GED Incentive Tax Credit..... | 20 | |
| 21. Voluntary Environmental Remediation Tax Credit..... | 21 | |
| 22. Biodiesel Tax Credit..... | 22 | |
| 23. Environmental Stewardship Tax Credit..... | 23 | |
| 24. Clean Coal Incentive Tax Credit..... | 24 | |
| 25. Ethanol Tax Credit..... | 25 | |
| 26. Cellulosic Ethanol Tax Credit..... | 26 | |
| Form 5695-K Pass-through Amounts | | |
| 27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)..... | 27 | |
| 28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)..... | 28 | |
| 29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)..... | 29 | |
| 30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)..... | 30 | |
| 31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)..... | 31 | |
| 32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)..... | 32 | |
| 33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)..... | 33 | |
| 34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)..... | 34 | |
| 35. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)..... | 35 | |
| 36. Railroad Maintenance and Improvement Tax Credit..... | 36 | |
| 37. Endow Kentucky Tax Credit..... | 37 | |
| Other Items | | |
| 38. (a) Type of Section 59(e)(2) expenditures ▶ | 38(a) | |
| (b) Amount of Section 59(e)(2) expenditures..... | (b) | |
| 39. Tax-exempt interest income..... | 39 | |
| 40. Other tax-exempt income..... | 40 | |
| 41. Nondeductible expenses..... | 41 | |
| 42. Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV.... | 42 | |
| 43. Supplemental information required to be reported to each shareholder (attach schedules)..... | 43 | |
| 44. Total dividend distributions paid from accumulated earnings and profits..... | 44 | |
| LLET Pass-through Items | | |
| 45. Shareholder's share of S corporation's Kentucky sales from Schedule K, Section II, line 1..... | 45 | |
| 46. Shareholder's share of S corporation's total sales from Schedule K, Section II, line 2..... | 46 | |
| 47. Shareholder's share of S corporation's Kentucky property from Schedule K, Section II, line 3..... | 47 | |
| 48. Shareholder's share of S corporation's total property from Schedule K, Section II, line 4..... | 48 | |
| 49. Shareholder's share of S corporation's Kentucky payroll from Schedule K, Section II, line 5..... | 49 | |
| 50. Shareholder's share of S corporation's total payroll from Schedule K, Section II, line 6..... | 50 | |
| 51. Shareholder's share of Kentucky gross profits from Schedule K, Section II, line 7..... | 51 | |
| 52. Shareholder's share of total gross profits from all sources from Schedule K, Section II, line 8..... | 52 | |
| 53. Shareholder's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9..... | 53 | |
| Resident Shareholder Adjustment | | |
| 54. Combination of Kentucky Schedule K-1, lines 1 through 5, 8 and portions of lines 6 and 10. Add income amounts and subtract (loss) and deduction amounts (see instructions)..... | 54 | |
| 55. Combination of federal Schedule K-1, lines 1 through 9, 11 and portions of lines 10 and 12. Add income amounts and subtract (loss) and deduction amounts (see instructions)..... | 55 | |
| 56. Enter the difference of lines 54 and 55 here and on appropriate line on Schedule M (see instructions)..... | 56 | |

PURPOSE—Schedule K-1 (Form 41A720S (K-1)) is used to report to each shareholder the shareholder's pro rata share of income, credits, deductions, etc. A shareholder is liable for Kentucky individual income tax as provided by KRS 141.020 on the shareholder's pro rata share of the S corporation's income, whether distributed or undistributed.

GENERAL INSTRUCTIONS—Schedule K-1 (Form 720S) will help when preparing your Kentucky income tax return. Where "(attach schedule)" appears next to a line on Schedule K-1, it means the S corporation will have attached a statement to Schedule K-1 to show information for the line item, if applicable. If you believe the S corporation has made an error on your Schedule K-1 (Form 720S), notify the S corporation and ask for a corrected schedule. Do not change any item on your copy.

Schedule K-1 (Form 720S) does not show the amount of actual dividend distributions the S corporation paid to you. The S corporation must report such amounts to you on Form 1099-DIV. You report actual dividend distributions on federal Schedule B (Form 1040). Refer to the shareholder instructions you received for federal Schedule K-1 (Form 1120S) for information concerning your basis in corporate stock, elections to be made by you separately on your income tax return and not by the S corporation, etc.

Every individual, including estates and trusts, who is a resident of Kentucky and is a shareholder in an S corporation is required to report 100 percent of his or her share of income (loss), credits, deductions, etc. for Kentucky individual income tax purposes. **A nonresident shareholder must report the portion of his or her share of income attributable to the S corporation's business in Kentucky.** A **resident** is an individual domiciled within Kentucky or an individual who is not domiciled in Kentucky but maintains a place of abode in Kentucky and spends in the aggregate more than 183 days of the taxable year in Kentucky. A **nonresident** is any individual not a resident of Kentucky.

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 S corporation and you, the shareholder, 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 or could actually lose in the activity, whichever is less. To help you complete Form 6198, if required, the S corporation has provided a schedule showing your share of income, expenses, etc., for each at-risk activity.

Passive Activity Limitations—The passive activity limitations in IRC Section 469 are figured at the shareholder 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 720S). Refer to the federal Shareholder's Instructions for Schedule K-1 (Form 1120S) to determine if the passive activity limitations apply to your share of loss(es) reported on Schedule K-1 (Form 720S) and if you must file Form 8582-K, Kentucky Passive Activity Loss Limitations. When applicable, the passive activity limitations on losses are applied after the limitations on losses for a shareholder's at-risk amount.

SPECIFIC INSTRUCTIONS—Kentucky Resident Shareholders (Form 740 Filers)—You, as the shareholder, will need to determine

the net difference between your federal Schedule K-1 amounts and your Kentucky Schedule K-1 amounts. 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. To determine this difference, complete Lines 54 through 56.

Line 54—Include on this line the Kentucky Schedule K-1 amounts from Lines 1 through 5 and 8. Also include the amounts from Lines 6 and 10 that do not pass through to Schedule A as itemized deductions.

Line 55—Include on this line the federal Schedule K-1 amounts from Lines 1 through 9 and 11. Also include the amounts from Lines 10 and 12 that do not pass through to Schedule A as itemized deductions.

NOTE: If Form 8582-K is required, adjust the amounts entered on Lines 54, 55 and 56 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 7 and/or Line 19.**

If amounts on Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include on Lines 54 and 55. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 56—Enter difference of Lines 54 and 55. If Line 54 is greater than Line 55, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 3. If Line 55 is greater than Line 54, enter the difference as a subtraction on Schedule M, Line 15.

Caution: If the amount on Line 54 is a (loss) and Line 55 is a (loss), 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 Line 54 is a (loss) and Line 55 is an income amount, or the amount on Line 54 is an income amount and Line 55 is a (loss), the income amount is the greater amount; therefore, add the two amounts to determine the difference.

Nonresident Shareholders (Form 740-NP Filers)—A nonresident individual who is required to file Form 740-NP, Kentucky Individual Income Tax Return Nonresident or Part-Year Resident, or who elects to file Form 740-NP to take advantage of capital loss and net operating loss carryovers shall enter the amounts from Schedule K-1, Column (b) as follows:

If the percentage in Item B(2) is "100%," the amounts on Lines 1 through 5 and 8, portions of Lines 6 and 10 and the portion of Line 38(b) actually deducted for the current year must be entered on the appropriate lines of Form 740-NP and related schedules.

If the percentage in Item B(2) is less than 100 percent, the amounts on Lines 1 through 5 and 8, portions of Lines 6 and 10 and the portion of line 38(b) actually deducted for the current year must be multiplied by this percentage and entered on the appropriate lines of Form 740-NP and related schedules. Amounts on Line 11(a) and the portions of Lines 6 and 10 which pass through to Schedule A (Form 740-NP) should not be multiplied by the

percentage in Item B(2) since these amounts will be multiplied by the percentage on Form 740-NP, Section D, Line 36 (Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income).

Refer to specific instructions below and federal Shareholder's Instructions for Schedule K-1 (Form 1120S).

Lines 1 through 3—Enter on federal Schedule E using Kentucky amounts or on 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 Shareholder's Instructions for Schedule K-1 (Form 1120S)).

Line 5—Enter on federal Form 4797.

Line 6—Enter on applicable lines of your return (see federal Shareholder's Instructions for Schedule K-1 (Form 1120S)).

Line 7—Enter on Schedule A, Form 740-NP.

Line 8—Enter on federal Schedule E using Kentucky amounts.

Line 9—Enter on Schedule A, Form 740-NP.

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

For All Shareholders

Lines 11 and 38 through 44—See federal Shareholder's Instructions for Lines 12, 16 and 17, Schedule K-1 (Form 1120S).

Individual Partners—Enter the net distributive share income from Kentucky Schedule K-1 (Form 720S), Lines 1 through 5, 8 and portions of Lines 6 and 10 (multiplied by the percentage in Item B(2) for **nonresident** individual partners) on Line 2 of the Kentucky Limited Liability Tax Credit Worksheet (located in Form 740, Form 740-NP or Form 741 instructions under Business Incentives and Other Tax Credits). If net distributive share income includes losses subject to passive activity or capital loss limitations, net distributive share income must be adjusted to include only amounts allowed to be deducted on the applicable Kentucky tax return.

Enter the amount from Line 53 on Line 7 of the Kentucky Limited Liability Tax Credit Worksheet.

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 Shareholder's Instructions for Schedule K-1 (Form 1120S).



Department of Revenue

**KENTUCKY SINGLE MEMBER LLC
INDIVIDUALLY OWNED
LLET RETURN** **2011**

► See instructions.

Taxable period beginning _____, 201 __, and ending _____, 201 __.

| | | | |
|---|--|---|---|
| B Check applicable box(es): LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter Code _____ | C Federal Identification Number _____ Social Security Number _____ | Taxable Year Ending _____ / _____ Mo. Yr. | |
| | Name of LLC _____ | | State and Date of Organization _____ |
| | Name of Owner _____ | | Principal Business Activity in KY _____ |
| | Number and Street _____ | | NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov) _____ |
| | City _____ | State _____ | ZIP Code _____ Telephone Number _____ |
| D Check if applicable: <input type="checkbox"/> Qualified investment pass-through entity <input type="checkbox"/> Initial return <input type="checkbox"/> Final return (attach explanation) <input type="checkbox"/> Amended return <input type="checkbox"/> Short-period return (attach explanation) <input type="checkbox"/> Change of name <input type="checkbox"/> Change of address <input type="checkbox"/> Change of accounting period | | | |
| E Check applicable box: <input type="checkbox"/> Composite return <input type="checkbox"/> Single return | | | |

| PART I—KENTUCKY NET DISTRIBUTABLE INCOME | | | | PART II—LLET COMPUTATION | | | |
|--|---|----|----|--------------------------|--|----|----|
| 1. | Ordinary income (loss) | 1 | 00 | 1. | Schedule LLET, Section D, line 1... | 1 | 00 |
| 2. | Net income (loss) from rental real estate activities | 2 | 00 | 2. | Recycling/composting equipment tax credit recapture..... | 2 | 00 |
| 3. | Net income (loss) from other rental activities..... | 3 | 00 | 3. | Total (add lines 1 and 2) | 3 | 00 |
| 4. | Interest income | 4 | 00 | 4. | Nonrefundable LLET credit from Kentucky Schedule(s) K-1 | 4 | 00 |
| 5. | Dividend income..... | 5 | 00 | 5. | Nonrefundable tax credits (Schedule TCS) | 5 | 00 |
| 6. | Royalty income | 6 | 00 | 6. | LLET liability (greater of line 3 less lines 4 and 5 or \$175 minimum) | 6 | 00 |
| 7. | Net short-term and long-term capital gain (loss). If net (loss), do not include more than (\$3,000) | 7 | 00 | 7. | Estimated tax payments..... | 7 | 00 |
| 8. | Section 1231 net gain (loss) | 8 | 00 | 8. | Certified rehabilitation tax credit.. | 8 | 00 |
| 9. | Other income (attach schedule) | 9 | 00 | 9. | Film industry tax credit..... | 9 | 00 |
| 10. | Other deductions (attach schedule) | 10 | 00 | 10. | Extension payment..... | 10 | 00 |
| 11. | Total net distributable income (lines 1 through 9 less line 10) | 11 | 00 | 11. | Prior year's tax credit..... | 11 | 00 |
| 12. | Enter 100% or the apportionment fraction from Schedule A, Section I, line 12 (attach schedule) | 12 | % | 12. | LLET due (line 6 less lines 7 through 11) | 12 | 00 |
| | | | | 13. | LLET overpayment (lines 7 through 11 less line 6)..... | 13 | |
| | | | | 14. | Credited to 2012 LLET | 14 | 00 |
| | | | | 15. | Amount to be refunded | 15 | 00 |

| PART III—LLET CREDIT FOR MEMBER | | | |
|---------------------------------|---|---|--------|
| | 1. LLET liability (Part II, the total of lines 4 and 6) | 1 | 00 |
| | 2. Minimum tax | 2 | 175 00 |
| | 3. Member's LLET credit (line 1 less line 2) | 3 | 00 |

| TAX PAYMENT SUMMARY (Round to nearest dollar) | |
|--|----------|
| LLET | |
| 1. LLET due (Part II, line 12) | \$ _____ |
| 2. Penalty | \$ _____ |
| 3. Interest | \$ _____ |
| 4. Total Payment | \$ _____ |

► **Federal Schedules C, E and F, and any other supporting federal forms and schedules must be attached.**

**Make check payable to:
Kentucky State Treasurer**

**Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620**



SCHEDULE Q—SINGLE MEMBER LIMITED LIABILITY COMPANY QUESTIONNAIRE

IMPORTANT: Questions 1—9 must be completed by the limited liability company.

1. Single member's (owner) name, address and Social Security number or federal I.D. number _____

2. List the following **Kentucky** account numbers. Enter N/A for any number not applicable.

Employer Withholding _____
Sales and Use Tax Permit _____
Consumer Use Tax _____
Unemployment Insurance _____
Coal Severance and/or Processing Tax _____

3. If a foreign limited liability company, enter the date qualified to do business in Kentucky. ___ / ___ / ___

4. The limited liability company's books are in care of: (name and address)

5. Are disregarded entities included in this return?
 Yes No
If yes, list name, address and federal I.D. number of the entity(ies).

6. Was the limited liability company a partner in a pass-through entity doing business in Kentucky for the tax year being reported? Yes No

If yes, list name and federal I.D. of the pass-through entity(ies).

Was the limited liability company doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? Yes No

7. Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other _____

8. Did the limited liability company file a Kentucky tangible personal property tax return for January 1, 2012?
 Yes No

9. Is the single member limited liability company currently under audit by the Internal Revenue Service? Yes No

If yes, enter years under audit

If the Internal Revenue Service has made final and unappealable adjustments to the limited liability company's taxable income which have not been reported to this department, check here and file Form 740X for tax years 2005 through 2011 or Form 740-XP for 2004 and prior tax years, whichever is applicable, and file an amended Form 725 for each year adjusted. Attach a copy of the final determination to each amended return.

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of member (owner)

SSN or FEIN Date

Name of person or firm preparing return

SSN, PTIN or FEIN Date

May the DOR discuss this return with the preparer?
 Yes No
Email Address:

Telephone No.:



INSTRUCTIONS

2011 KENTUCKY SINGLE MEMBER LLC INDIVIDUALLY OWNED LLET RETURN

PURPOSE OF INSTRUCTIONS

These instructions have been designed for a single member limited liability company (single member LLC) whose single member is an individual, estate, trust or general partnership. A single member LLC is an entity that affords its member, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity. A single member LLC is required by law to file a Kentucky Single Member LLC Individually Owned LLET Return (Form 725).

Refer to the chart on page 2 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 12). 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 or transferable credit against the taxes imposed by KRS 136.505 or 141.020 or 141.040 and 141.0401, with the ordering of credits provided in KRS 141.0205, for qualified rehabilitation expenses incurred by the taxpayer and used for substantial rehabilitation to a certified historic structure as provided by KRS 171.397.

KRS 171.397(1)(b) provides that for applications for preliminary approval received after April 30, 2010, the credit shall be refundable if the taxpayer makes an election under KRS 141.397(2)(b)2.a. KRS 171.397(2)(b)2 provides that the application shall include an irrevocable election by the taxpayer to: (a) use the credit, in which case, the credit shall be refundable; or (b) transfer the credit. KRS 171.397(8) provides that the certified rehabilitation credit permitted by KRS 141.382 may be transferred or assigned to any entity subject to the tax imposed by KRS 136.505 if an election is made to transfer the credit as provided by KRS 171.397(2)(b)2.b. for some or no consideration, along with any related benefits, rights, responsibilities and liabilities.

2010 Special Session of the Kentucky General Assembly

HB 2 – Provisions effective for tax years beginning on or after January 1, 2011

Kentucky Small Business Investment Credit Program – KRS 141.384 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401. A small business shall not be eligible to apply for credits and receive final approval for the credits until one year after the small business: (a) creates and fills one or more eligible positions over the base employment, and that position or positions are created and filled for twelve months; and (b) invests \$5,000 or more in qualifying equipment or technology. The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at \$3 million. The maximum amount of credit for each small business for each year shall not exceed \$25,000.

Endow Kentucky Tax Credit – KRS 141.438 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 for a taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, and meeting the requirements of KRS 141.438(7). The total amount of tax credit that may be awarded under this section shall be limited to \$500,000 in each fiscal year. The credit shall be equal to twenty percent (20%) of the value of the endowment gift provided by the taxpayer, not to exceed \$10,000.

New Markets Development Program Tax Credit – KRS 141.432 to 141.434 was created to encourage taxpayer investment in qualified low-income communities. A taxpayer that makes a qualified equity investment as provided by KRS 141.432(7) in a qualified community development entity as provided by KRS 141.432(6) shall be entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 137.370, 136.390 or 304.3-270. The total amount of tax credits that may be awarded by the department shall be limited to \$5 million. “Qualified low-income community investment” means any capital or equity investment in, or loan to, any qualified active low-income community business made after June 4, 2010. With respect to any one qualified active low-income community business, the maximum amount of qualified active low-income community

investments that may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under KRS 141.433 shall be \$10 million, whether made by one or several qualified community development entities.

The amount of the credit shall be equal to 39% of the purchase price of the qualified equity investment made by the taxpayer. A taxpayer is allowed to claim zero percent (0%) for each of the first two credit allowance dates, seven percent (7%) for the third allowance date, and eight percent (8%) for the next four allowance dates. “Credit allowance date” means with respect to any qualified equity investment: (a) the date on which the investment is initially made; and (b) each of the six anniversary dates of that date thereafter.

| 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).**

Tax Treatment of an Individually Owned Single Member Limited Liability Company and the Individual Owner

For taxable years beginning on or after January 1, 2007, a limited liability company that affords its single member, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity is classified as a limited liability pass-through entity as provided by KRS 141.010(28). Also, for taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits as provided by KRS 141.0401(2), unless specifically excluded. See LLET nonfiling status codes on page 6 of these instructions.

A single member LLC whose single member is an individual shall file a Kentucky Single Member LLC Individually Owned LLET Return (Form 725). A single member LLC and any lower-tier single member LLC shall be treated as one entity in determining the limited liability tax. An individual who owns more than one single member LLC can file Schedule CP, Kentucky Single Member LLC Individually Owned Composite Return Schedule rather than filing multiple forms (Form 725). See instructions on page 8 regarding Schedule CP.

A resident or nonresident individual single member shall be entitled to a nonrefundable LLET credit against income tax imposed by KRS 141.020 (Kentucky individual income tax). The nonrefundable LLET credit allowed a member shall be the LLET for the current year after the subtraction of any credits identified in KRS 141.0205 and reduced by \$175. The credit allowed a member shall be applied to the income tax assessed on income from the single member LLC. Any remaining credit from the single member LLC 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)**

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each single member LLC should complete a Kentucky Tax Registration Application, Revenue Form 10A100. The application is available at Kentucky Taxpayer Service Centers (see page 12), from the Taxpayer Registration Section, Department of Revenue, Frankfort, KY 40620, or at www.revenue.ky.gov (click on Business). The application may be faxed to (502) 227-0772.

Who Must File—**NOTE:** The limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272 do not apply to the limited liability entity tax imposed by KRS 141.0401. A Kentucky Single Member LLC Individually Owned LLET Return (Form 725) must be filed by every single member limited liability company (single member LLC) whose single

member is an individual, estate, trust or general partnership, that is doing business in this state which includes but is not limited to: (a) being organized under the laws of this state; (b) having a commercial domicile in this state; (c) owning or leasing property in this state; (d) having one or more individuals performing services in this state; (e) maintaining an interest in a 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), KRS 141.0401, KRS 141.200 and KRS 141.206**

Disregarded Entities—A single member LLC owned by an individual, estate, trust or general partnership is treated in the same manner as it is treated for federal income tax purposes. Consequently, an individual, estate, trust or general partnership filing a Kentucky tax return will include the activity of any single member LLC when filing the applicable Kentucky return. However, a single member LLC is classified as a limited liability pass-through entity as provided by KRS 141.010(28) and is subject to the limited liability entity tax as provided by KRS 141.0401(2). A single member LLC whose single member is an individual, estate, trust or general partnership must file a Kentucky Single Member LLC Individually Owned LLET Return (Form 725) to report and pay any LLET that is due.

Pass-through Entity—A single member LLC owned by an individual, estate, trust or general partnership that is doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 725 pursuant to the provisions of KRS 141.010, 141.0401 and 141.206. (See Schedule A—Apportionment and Allocations Instructions and Schedule A-C—Apportionment and Allocation—Continuation Sheet).

Nonresident Withholding (Form 740NP-WH)

Withholding

An S corporation or partnership partner, member or shareholder is a pass-through entity not subject to withholding.

KRS 141.206(5) 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 Report and Composite Income Tax Return, a statement that the partner, member or shareholder is exempt from withholding as provided by KRS 141.206(7), 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(15)(a); or (d) the partner or member is a pass-through entity as provided by KRS 141.010(26).

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold Kentucky income tax as provided by KRS 141.206(5) shall make estimated tax payments if required by the provisions of KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

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(5); (ii) whose only source of distributive share income within this state is from one or more pass-through entities; and (iii) that elect to be included in a composite return as provided by KRS 141.206(16).

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(16) 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(16)).

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 Report and Composite Income Tax Return. The composite return box on the front of Form 740NP-WH must be checked to indicate that it 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 the PTE-WH is a result of a composite return. Form 740NP-WH and Copy A of Form PTE-WH shall be mailed to the Kentucky Department of Revenue with payment of tax due 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 included in the composite return.

For taxable years beginning on or after January 1, 2012, a pass-through entity filing a composite return shall make estimated tax payments if required by the provisions of KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

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.

Required Forms and Information—A single member LLC must enter all applicable information on Form 725, attach a schedule for each line item or line item instruction which states "attach schedule," and attach the following forms or schedules, if applicable.

Kentucky Forms and Schedules

1. Kentucky Single Member LLC Individually Owned LLET Return (Form 725)
2. Kentucky Single Member LLC Individually Owned Composite Return Schedule (Schedule CP)
3. Apportionment and Allocation (Schedule A)
4. Apportionment and Allocation—Continuation Sheet (Schedule A-C)
5. Limited Liability Entity Tax (Schedule LLET)
6. Limited Liability Entity Tax—Continuation Sheet (Schedule LLET-C)
7. Application for Filing Extension (Form 41A720SL)
8. Tax Credit Summary Schedule (Schedule TCS)

Required Federal Form and Schedules

All single member LLC entities **must** provide a copy of the following federal forms which were submitted to the Internal Revenue Service:

1. Form 1040, 1041 or 1065 (all pages)
2. Schedule C—Profit or Loss from Business
3. Schedule D—Capital Gains and Losses
4. Schedule E—Supplemental Income and Loss

5. Schedule F—Profit or Loss from Farming
6. Form 4562—Depreciation and Amortization (if required to be filed)
7. Form 4797—Sales of Business Property
8. Form 4835—Farm Rental Income and Expenses

Electronic Funds Transfer (EFT)

EFT is not available for a single member limited liability company's LLET payments, estimated tax payments, return payment or extension payment.

Accounting Procedures—Kentucky income tax law requires a taxpayer 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**

Filing/Payment Date—A Kentucky Single Member LLC Individually Owned LLET Return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year. **KRS 141.160, KRS 141.220 and 103 KAR 15:050**

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

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

Extensions—An extension of time to file a Kentucky Single Member LLC Individually Owned LLET Return (Form 725) may be obtained by either making a specific request to the Department of Revenue on Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation or Limited Liability Pass-through Entity Return, or attaching either a copy of the Kentucky individual extension (Form 40A102) or a copy of the federal individual extension (Form 4868) to the return when filed. **A copy of the federal extension submitted after the return is filed does not constitute a valid extension, and late filing penalties will be assessed.** If the single member LLC is making a payment with its extension, Form 41A720SL must be used. For further information, see the instructions for Form 41A720SL. **103 KAR 15:050**

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

LLET Estimated Taxes

The Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher, Form 720-ES, is used to submit estimated tax payments for LLET. If the single member LLC is required to make estimated LLET payments but did not receive Form 720-ES, contact the Department of Revenue at (502) 564-3658 or visit the website at www.revenue.ky.gov.

NOTE: See www.revenue.ky.gov for information on the 2012 estimated tax payments.

Estimated Tax Payments—A single member LLC must make estimated tax installments if its tax liability under KRS 141.0401 can reasonably be expected to exceed \$5,000. Estimated tax installments are required as follows:

If the estimated tax is reasonably expected to exceed \$5,000 before the 2nd day of the 6th month, 50% of the estimated tax must be paid by 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 6th month and before the 2nd day of the 9th month, 75% of the estimated tax must be paid by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 9th month, 100% of the estimated tax must be paid by the 15th day the 12th month.

Safe harbor: A single member LLC can satisfy its declaration requirement if its estimated tax payments are equal to the tax liability under KRS 141.0401 for the prior tax year, and its tax liability for the prior tax year was equal to or less than \$25,000. If the estimated tax is based on the single member's tax liability for the prior tax year, 50% of the estimated tax must be paid by 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

Interest: Failure to pay estimated tax installments on or before the due date prescribed by KRS 141.042 and 141.044 shall result in an assessment of interest on the late payment or underpayment. The interest due on any late payment or underpayment shall be at the rate provided by KRS 131.183(1). **KRS 141.042(4) and KRS 141.985**

Other Information

Amended Return—To correct Form 725 as originally filed, file an amended Form 725 and check the appropriate box on page 1.

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

Internal Revenue Service Audit Adjustments—A Kentucky individually owned single member LLC 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 725 for reporting federal audit adjustments and check the Amended Return box.

Interest—Interest at the tax interest rate is applied to the LLET liability not paid by the date prescribed by law for filing the return (determined without regard to extensions thereof). The tax interest rate for 2012 is available online at www.revenue.ky.gov or you may contact the Department of Revenue at (502) 564-8139 to obtain the tax interest rate.

Penalties

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

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

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

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

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

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

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

Cost of Collection Fees

- (a) 25 percent on all taxes which become due and owing for any reporting period, regardless of when due. These collection fees are in addition to all other penalties provided by law. **KRS 131.440(1)(a)**
- (b) 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before December 1, 2001. **KRS 131.440(1)(b)**
- (c) 50 percent of any tax deficiency assessed after the amnesty period for nonfiled returns eligible for amnesty. **KRS 131.440(1)(c)**

FORM 725—SPECIFIC INSTRUCTIONS

Period Covered

File the 2011 return for calendar year 2011 and fiscal years that begin in 2011. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 725.

All Kentucky individually owned single member LLCs must enter Taxable Year Ending at the top right of Form 725 and supporting forms and schedules to indicate the ending month and year for which the return is filed.

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

1 2 / 1 1
Mo. Yr.

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2012, would be entered as:

0 1 / 1 2
Mo. Yr.

- A 52/53-week year is a fiscal year that varies between 52 and 53 weeks. Example: A 52/53-week year ending the first week of January 2012, would be entered as:

1 2 / 1 1
Mo. Yr.

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

Item A—Enter the six-digit Kentucky Corporation/LLET Account Number on the applicable line at the top of each form and schedule and also on all checks and correspondence. This number was included in correspondence received from the Department of Revenue at the time of registration. **If a composite return (Schedule CP) is being filed, leave account number blank.**

If the Kentucky Corporation/LLET Account Number is not known, telephone (502) 564-8139.

Item B—Check the box indicating the method used in determining the amount of LLET due on Schedule LLET, Section D, Line 1. **If a composite return (Schedule CP) is being filed, do not complete Item B.**

LLET Nonfiling Status Code—Return not Required

If the single member LLC is not required to file an LLET return, enter one of the following two-digit codes in the space provided.

| REASON CODE | Reason |
|-------------|--|
| 12 | A property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390. |
| 13 | An alcohol production facility as defined in KRS 247.910. |
| 21 | A qualified investment pass-through entity as defined in KRS 141.206(12). |

Item C—If Schedule CP is being filed, see Specific Instructions on page 8 of these instructions on what information should be completed on Item C.

If filing a Form 725, Kentucky Single Member LLC Individually Owned LLET Return, enter the following:

Federal Identification Number—Enter the federal identification number, if the single member LLC has obtained this number.

Name and Address—Print or type the name of the single member LLC as set forth in the Articles of Organization. For the address, include the suite, room or other unit number after the street address. If the U.S. Postal Service does not deliver mail to the street address and the single member LLC has a P.O. Box, show the box number instead of the street address.

Telephone Number—Enter the business telephone number of the member.

State and Date of Organization—Enter the entity's state and date of organization.

Principal Business Activity in KY—Enter the entity's principal business activity in Kentucky.

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 at www.census.gov.

Item D—Check the applicable boxes:

- (a) *Qualified Investment Pass-through Entity*—Check this box if the single member LLC is a qualified investment pass-through entity as provided by KRS 141.206(15).
- (b) *Initial Return*—Check this box if this is the single member LLC's first time filing a single member LLC return in Kentucky.
- (c) *Final Return*—Check this box if this is the single member LLC's final return. If the organization has dissolved or withdrawn, attach an explanation.
- (d) *Amended Return*—Check this box if this is an amended return. Attach statement giving explanation of changes to income and LLET.
- (e) *Short-period Return*—Check this box and submit an explanation for a short-period that is not an initial return.
- (f) *Change of Name*—Check this box if the single member LLC has changed its name.
- (g) *Change of Address*—Check this box if the single member LLC has changed its address.
- (h) *Change of Accounting Period*—Check this box if the single member LLC has changed its accounting period.

Item E—Check applicable box to indicate whether the single member is filing a composite return or a single return.

PART I—KENTUCKY NET DISTRIBUTABLE INCOME

Line 1—Enter the ordinary income from Form 1040, 1041 or 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule C (Form 1040), Schedule F (Form 1040), Schedule E (Form 1040), Form 1065 or other applicable forms to return. If Schedule C, Schedule F, Schedule E, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only the activity of the single member LLC.

Line 2—Enter the net income (loss) from rental real estate activities from Form 1040, 1041 or 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule E (Form 1040), 4835, 1065 or other applicable forms to return. If Schedule E, 4835, 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 3—Enter the net income (loss) from other rental activities from Form 1040, 1041 or 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule C (Form 1040), Form 1065 or other applicable forms to return. If Schedule C, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 4—Enter the interest income earned by the single member LLC (attach schedule).

Line 5—Enter the dividend income earned by the single member LLC (attach schedule).

Line 6—Enter the royalty income from Form 1040, 1041 or 1065,

adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule E (Form 1040), Form 1065 or other applicable forms to return. If Schedule E, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 7—Enter the short-term and long-term capital gain (loss) from Form 1040, 1041 or 1065, adjusted to reflect differences in federal and Kentucky tax laws. If a net (loss), do not include more than \$3,000. Attach Schedule D (Form 1040), Schedule D (Form 1041), Schedule D (Form 1065) or other applicable forms to return. If Schedule D or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 8—Enter the Section 1231 gain or (loss) from Form 4797 or Form 1065 adjusted to reflect differences in federal and Kentucky tax laws. Attach Form 4797, Form 1065 or other applicable forms to return. If Form 4797, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 9—Enter the total of any other income (attach schedule).

Line 10—Enter the total of deductions not included on Lines 1 through 9, if any (attach schedule).

Line 11—Enter the total of Lines 1 through 9 less Line 10.

Line 12—Enter 100 percent if the single member limited liability company is doing business only in Kentucky or the percentage from Schedule A (Form 41A720A), Section I, Line 12 if the single member limited liability company is doing business within and without Kentucky. Attach Schedule A to Form 725 filed with the department.

For purposes of determining the income to enter on Line 2 of the Kentucky Limited Liability Entity Tax Credit Worksheet included in the instructions for Forms 740, 740-NP or 741, multiply Line 11 by the percentage on Line 12.

Note: If Form 8582-K is required, adjust the amount entered on Line 11 to exclude any income, loss, deduction or expense related to a passive activity. If the amount on Line 7 (Net short-term and long-term capital loss) is subject to a capital loss limitation, adjust the amount entered on Line 11 to exclude the loss not allowed.

PART II—LLET COMPUTATION

Line 1—Enter the amount from Schedule LLET, Section D, Line 1. A single member LLC must use Schedule LLET(K), Limited Liability Entity Tax (For a Limited Liability Pass-through Entity with Economic Development Project(s)), if the single member LLC has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA) and Incentives for Energy Independence Act (IEIA).

Line 2—Enter the recycling/composting equipment LLET credit recapture amount from Schedule RC-R, Line 12. **Attach Schedule RC-R, Recycling or Composting Equipment Tax Credit Recapture.**

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

Line 4—Enter nonrefundable LLET credit from Schedule(s) Kentucky K-1. **Copies of Kentucky Schedule(s) K-1 must be attached to the tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E, Line 1.

Line 6—Enter the greater of Line 3 less Lines 4 and 5, or \$175.

Line 7—Enter the total estimated LLET payments made for the taxable year. Do not include the amount credited from the prior year.

Line 8—Enter the refundable certified rehabilitation tax credit (attach the Kentucky Heritage Council certification(s) or Kentucky Schedule(s) K-1 (Form 765-GP)).

Line 9—Enter the refundable film industry tax credit (attach the Kentucky Film Office certification(s) or Kentucky Schedule(s) K-1 (Form 765-GP)).

Line 10—Enter the amount of LLET paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation or Limited Liability Pass-Through Entity Return.

Line 11—Enter the amount credited to 2011 from Form 725, Part II, Line 14 of the 2010 tax return.

Line 12—If Line 6 is greater than the total of Lines 7 through 11, enter the difference on this line and enter the amount in the Tax Payment Summary.

Line 13—If Line 6 is less than the total of Lines 7 through 11, enter the difference on this line.

Line 14—Enter the portion of Line 13 to be credited to 2012 LLET.

Line 15—Enter the portion of Line 13 to be refunded (Line 13 less Line 14).

PART III—LLET CREDIT FOR MEMBER

Line 1—Enter the LLET paid from Part II, the total of Lines 4 and 6.

Line 2—Minimum tax \$175.

Line 3—Enter Line 1 less Line 2.

Tax Payment Summary—The payment due with Form 725 must be itemized. Enter the amount of the tax payment due from Part II, Line 12, on the LLET due line, the amount of penalty due on the Penalty line, the amount of interest due on the Interest line, and the total payment due on the Total Payment line.

SCHEDULE CP—SPECIFIC INSTRUCTIONS

The Kentucky Single Member LLC Individually Owned Composite Return Schedule (Schedule CP) is designed for a single member individual that owns multiple single member limited liability companies. Schedule CP can be used in lieu of filing multiple Kentucky Single Member LLC Individually Owned LLET Return(s) (Form 725). Schedule CP (and if needed, additional Schedule(s) CP) should be attached to Form 725. **If Schedule CP is being filed, complete only the following items on Form 725:**

Item C—Enter the single member individual's Social Security number, name, address and telephone number in applicable box.

Item E—Check the box to indicate that a composite return (Schedule CP) is being filed.

After completing Items C and E and Schedule(s) CP, the signature block on the bottom of Form 725, page 2 must be completed

and signed by the member (owner).

After completing the applicable information on Form 725, Schedule CP should be completed as follows:

In the first column of Schedule CP, enter the owner's name and Social Security number in the applicable blocks.

Schedule CP has four columns, one column for each single member LLC owned. If you have more than four single member LLC entities, attach additional Schedule(s) CP as needed. Enter the following information in each column:

Item A—Enter the six-digit Kentucky Corporation/LLET Account Number on the applicable line at the top of each column and schedule and also on all checks and correspondence.

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

Item B—Check the box indicating the method used in determining the amount of LLET due on the Schedule LLET, Section D, Line 1.

LLET Nonfiling Status Code—Return Not Required

If the single member LLC is not required to file an LLET return, enter one of the following two-digit codes in the space provided.

| REASON CODE | Reason |
|-------------|--|
| 12 | A property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390. |
| 13 | An alcohol production facility as defined in KRS 247.910. |
| 21 | A qualified investment pass-through entity as defined in KRS 141.206(12). |

Item C—Enter the name and federal identification number of the single member LLC.

Item D—Check the applicable boxes to indicate that the single member LLC is a qualified investment pass-through entity as provided by KRS 141.206(15), filing an initial return or filing a final return.

Item E—Check the box to indicate whether disregarded single member LLC(s) are included in the return and attach a schedule of these disregarded entities.

For each Kentucky single member LLC listed, complete applicable lines of Part I through Part III using the instructions for Form 725, Part I through Part III on pages 7 and 8 of these instructions.

Tax Payment Summary—Schedule(s) CP

Complete the Tax Payment Summary for each Kentucky single member LLC listed. One payment can be submitted with Schedule(s) CP for all taxes, interest and penalty due. **Each entity is a separate entity and a refund from one entity cannot be used to reduce the liability of another entity. Do not enter tax payment information on Form 725.**



Signature—Form 725 must be signed by an owner (member). **Failure by an owner (member) to sign the return, to complete all applicable lines on any required Kentucky form, to attach all applicable schedules including copies of federal forms, or to complete all information on the questionnaire will delay the processing of tax returns and may result in the assessment of penalties.**

Tax Credit Summary Schedule—Schedule TCS

Schedule TCS is used by corporations and limited liability pass-through entities to apply tax credits for entities subject to the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different. *Taxpayer* as used in this section refers to corporations and limited liability pass-through entities.

Economic Development Tax Credits—This section is completed only if a limited liability pass-through entity has been approved for one of more of the credits authorized by the: (i) Metropolitan College Consortium Tax Credit (MCC – KRS 141.381); (ii) Kentucky Small Business Investment Credit Program (KSBIC – KRS 141.384); or (iii) Skills Training Investment Credit Act (STICA – KRS 154.12).

A limited liability pass-through entity shall not enter income or LLET tax credits on Schedule TCS from: (i) Kentucky Rural Economic Development Act (KREDA – KRS 154.22); (ii) Kentucky Industrial Development Act (KIDA – KRS 154.28); (iii) Kentucky Economic Opportunity Zone Act (KEOZ – KRS 154.23); (iv) Kentucky Jobs Retention Agreement (KJRA – KRS 154.25); (v) Kentucky Industrial Revitalization Act (KIRA – KRS 154.26); (vi) Kentucky Jobs Development Act (KJDA – KRS 154.24); (vii) Kentucky Business Investment Program (KBI – KRS 154.32); (viii) Kentucky Reinvestment Act (KRA – KRS 154.34); or (ix) Incentives for Energy Independence Act (IEIA – KRS 154.27).

A limited liability pass-through entity shall file Schedule KREDA-SP, Schedule KIDA-SP, Schedule KEOZ-SP, Schedule KJRA-SP, Schedule KIRA-SP, Schedule KJDA-SP, Schedule KBI-SP, Schedule KRA-SP or Schedule IEIA-SP to compute the tax credits for these programs.

To claim the STICA or MCC credit, a copy of the tax credit certification(s) received from Bluegrass State Skills Corporation reflecting the amount of credit awarded shall be attached to the tax return. The credit for either the STICA or MCC shall be claimed on the tax return filed for the taxable year during which the final authorizing resolution is adopted by Bluegrass State Skills Corporation. The STICA credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward three successive years; the MCC credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward to tax years ending before April 15, 2013. If a STICA or MCC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year and the balance of the credit.

To claim the KSBIC credit, a copy of the tax credit notification received from Kentucky Economic Development Finance Authority (KEDFA) reflecting the amount of credit awarded shall be attached to the tax return. The credit for the KSBIC shall be claimed on the tax return for the taxable year during which the credit was approved by KEDFA. The tax credit not used during the year of approval by KEDFA may be carried forward up to five years. If a KSBIC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year and the balance of the credit.

Economic development tax credits are allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department for Financial Incentives (telephone: 502-564-4554)

or Bluegrass State Skills Corporation (telephone: 502-564-2021).

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**

Coal Conversion Tax Credit—A corporation which converts boilers from other fuels to Kentucky coal or which substitutes Kentucky coal for other fuels in a boiler capable of burning coal and other fuels to produce energy for specific purposes may be entitled to a credit against the taxes imposed by KRS 141.040 and KRS 141.0401 equal to 4.5 percent of expenditures for Kentucky coal (less transportation costs). Unused portions of this credit may not be carried forward or back. Schedule CC must be attached to the tax return claiming this credit. **KRS 141.041**

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 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 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**

Endow Kentucky Tax Credit—A taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, is entitled to a tax credit equal to twenty percent (20%) of the endowment gift, not to exceed \$10,000. The nonrefundable tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 and if not use in the year the tax credit is awarded may be carried forward for a period not to exceed five years. The department shall issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation as provided by KRS 141.438(7). Schedule ENDOW must be attached to the taxpayer’s tax return each year to claim the credit. A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S, 765 or 765-GP to the partner’s, member’s or shareholder’s tax return each year to claim the tax credit.

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 personal property 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.

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
501 High Street
Frankfort, KY 40601-2103
(502) 564-3658
Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov



Information:

Division of Corporation Tax
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) 564-4581 (*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

SCHEDULE CP

Form 725 (2011)

41A725CP

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2011

305

Taxable Year Ending

____/____
Mo. Yr.

Taxable period beginning _____, 201 ____,
and ending _____, 201 ____.

**KENTUCKY SINGLE MEMBER LLC
INDIVIDUALLY OWNED COMPOSITE RETURN SCHEDULE**

| | | | | |
|--|---|---|---|---|
| Name of Owner | A KY Corp/LLET Acct No. | A KY Corp/LLET Acct No. | A KY Corp/LLET Acct No. | A KY Corp/LLET Acct No. |
| | B Check applicable box(es): LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter code _____ | B Check applicable box(es): LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter code _____ | B Check applicable box(es): LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter code _____ | B Check applicable box(es): LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter code _____ |
| Social Security Number | C Name _____ FEIN _____ | C Name _____ FEIN _____ | C Name _____ FEIN _____ | C Name _____ FEIN _____ |
| Check box if: | D Qualified investment pass-through entity <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> | D Qualified investment pass-through entity <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> | D Qualified investment pass-through entity <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> | D Qualified investment pass-through entity <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> |
| Check box if: Disregarded entities included (Attach schedule) | E <input type="checkbox"/> | E <input type="checkbox"/> | E <input type="checkbox"/> | E <input type="checkbox"/> |

| Part I | | | | | | | | |
|---|----|----|----|----|----|----|----|----|
| Kentucky Net Distributable Income | | | | | | | | |
| 1. Ordinary income (loss) | 1 | 00 | 1 | 00 | 1 | 00 | 1 | 00 |
| 2. Net income (loss) from rental real estate activities.. | 2 | 00 | 2 | 00 | 2 | 00 | 2 | 00 |
| 3. Net income (loss) from other rental activities | 3 | 00 | 3 | 00 | 3 | 00 | 3 | 00 |
| 4. Interest income..... | 4 | 00 | 4 | 00 | 4 | 00 | 4 | 00 |
| 5. Dividend income | 5 | 00 | 5 | 00 | 5 | 00 | 5 | 00 |
| 6. Royalty income | 6 | 00 | 6 | 00 | 6 | 00 | 6 | 00 |
| 7. Net short-term and long-term capital gain (loss). If net (loss), do not include more than (\$3,000)..... | 7 | 00 | 7 | 00 | 7 | 00 | 7 | 00 |
| 8. Section 1231 net gain (loss)..... | 8 | 00 | 8 | 00 | 8 | 00 | 8 | 00 |
| 9. Other income (attach schedule)..... | 9 | 00 | 9 | 00 | 9 | 00 | 9 | 00 |
| 10. Other deductions (attach schedule) | 10 | 00 | 10 | 00 | 10 | 00 | 10 | 00 |
| 11. Total net distributable income (lines 1 through 9 less line 10)..... | 11 | 00 | 11 | 00 | 11 | 00 | 11 | 00 |
| 12. Enter 100% or the apportionment fraction from Schedule A, Section I, line 12..... | 12 | % | 12 | % | 12 | % | 12 | % |



| | | | | |
|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Name of Owner | A KY Corp/LLET Acct No. | A KY Corp/LLET Acct No. | A KY Corp/LLET Acct No. | A KY Corp/LLET Acct No. |
| | B | B | B | B |
| Social Security Number | Name _____ | Name _____ | Name _____ | Name _____ |
| | FEIN _____ | FEIN _____ | FEIN _____ | FEIN _____ |

| Part II—LLET Computation | | | | | |
|--|----|-------|-------|-------|----|
| 1. Schedule LLET, Section D, line 1 | 1 | 00 1 | 00 1 | 00 1 | 00 |
| 2. Recycling/composting equipment tax credit recapture | 2 | 00 2 | 00 2 | 00 2 | 00 |
| 3. Total (add lines 1 and 2)..... | 3 | 00 3 | 00 3 | 00 3 | 00 |
| 4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1..... | 4 | 00 4 | 00 4 | 00 4 | 00 |
| 5. Nonrefundable tax credits (Schedule TCS)..... | 5 | 00 5 | 00 5 | 00 5 | 00 |
| 6. LLET liability (greater of line 3 less lines 4 and 5 or \$175 minimum)..... | 6 | 00 6 | 00 6 | 00 6 | 00 |
| 7. Estimated tax payments | 7 | 00 7 | 00 7 | 00 7 | 00 |
| 8. Certified rehabilitation tax credit..... | 8 | 00 8 | 00 8 | 00 8 | 00 |
| 9. Film industry tax credit..... | 9 | 00 9 | 00 9 | 00 9 | 00 |
| 10. Extension payment | 10 | 00 10 | 00 10 | 00 10 | 00 |
| 11. Prior year's tax credit | 11 | 00 11 | 00 11 | 00 11 | 00 |
| 12. LLET due (line 6 less lines 7 through 11) | 12 | 00 12 | 00 12 | 00 12 | 00 |
| 13. LLET overpayment (lines 7 through 11 less line 6) | 13 | 00 13 | 00 13 | 00 13 | 00 |
| 14. Credited to 2012 LLET | 14 | 00 14 | 00 14 | 00 14 | 00 |
| 15. Amount to be refunded | 15 | 00 15 | 00 15 | 00 15 | 00 |

| Part III—LLET Credit | | | | | |
|--|---|----------|----------|----------|--------|
| 1. LLET liability (Part II, the total of lines 4 and 6)..... | 1 | 00 1 | 00 1 | 00 1 | 00 |
| 2. Minimum tax | 2 | 175 00 2 | 175 00 2 | 175 00 2 | 175 00 |
| 3. Member's LLET credit (line 1 less line 2)..... | 3 | 00 3 | 00 3 | 00 3 | 00 |

| Tax Payment Summary | | | | | |
|--------------------------------|---|---------|---------|---------|----|
| 1. LLET due (Part II, line 12) | 1 | \$ 00 1 | \$ 00 1 | \$ 00 1 | 00 |
| 2. Penalty | 2 | \$ 00 2 | \$ 00 2 | \$ 00 2 | 00 |
| 3. Interest | 3 | \$ 00 3 | \$ 00 3 | \$ 00 3 | 00 |
| 4. Total Payment | 4 | \$ 00 4 | \$ 00 4 | \$ 00 4 | 00 |



2011

► See instructions.

Taxable period beginning _____, 201 __, and ending _____, 201 __.

KENTUCKY PARTNERSHIP INCOME AND LLET RETURN

| | | | |
|--|---|---|--|
| B Check applicable box(es): LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter Code _____ | D Federal Identification Number _____ - _____ Name of Partnership _____ Number and Street _____ City _____ State _____ ZIP Code _____ Telephone Number _____ | Taxable Year Ending ____ / ____ Mo. Yr. | State and Date of Organization _____ Principal Business Activity in KY _____ NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov) _____ |
| | E Check if applicable: <input type="checkbox"/> LLC <input type="checkbox"/> LP <input type="checkbox"/> LLP <input type="checkbox"/> Qualified investment pass-through entity <input type="checkbox"/> Amended return <input type="checkbox"/> Initial return <input type="checkbox"/> Final return (attach explanation) <input type="checkbox"/> Change of Address <input type="checkbox"/> Short-period return (attach explanation) <input type="checkbox"/> Change of Name <input type="checkbox"/> Change of Accounting Period | | |
| | F Number of Partners (Attach K-1s) ► _____ | | |
| | C Income Return Nonfiling Status Code Enter Code _____ | | |

| PART I—ORDINARY INCOME (LOSS) COMPUTATION | | | PART II—LLET COMPUTATION | | |
|--|----|----|---|----|----|
| 1. Federal ordinary income (loss) (see instructions)..... | 1 | 00 | 1. Schedule LLET, Section D, line 1 | 1 | 00 |
| ADDITIONS | | | 2. Recycling/composting equipment tax credit recapture..... | 2 | 00 |
| 2. State taxes based on net/gross income | 2 | 00 | 3. Total (add lines 1 and 2) | 3 | 00 |
| 3. Federal depreciation (do not include Section 179 expense deduction)..... | 3 | 00 | 4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1 | 4 | 00 |
| 4. Related party expenses | 4 | 00 | 5. Nonrefundable tax credits (Schedule TCS)..... | 5 | 00 |
| 5. Other (attach Schedule O-PTE)..... | 5 | 00 | 6. LLET liability (greater of line 3 less lines 4 and 5 or \$175 minimum) | 6 | 00 |
| 6. Total (add lines 1 through 5) | 6 | 00 | 7. Estimated tax payments..... | 7 | 00 |
| SUBTRACTIONS | | | 8. Certified rehabilitation tax credit.... | 8 | 00 |
| 7. Federal work opportunity credit | 7 | 00 | 9. Film industry tax credit..... | 9 | 00 |
| 8. Kentucky depreciation (do not include Section 179 expense deduction)..... | 8 | 00 | 10. Extension payment..... | 10 | 00 |
| 9. Other (attach Schedule O-PTE)..... | 9 | 00 | 11. Prior year's tax credit | 11 | 00 |
| 10. Kentucky ordinary income (loss) (line 6 less lines 7 through 9) | 10 | 00 | 12. LLET due (line 6 less lines 7 through 11) | 12 | 00 |
| | | | 13. LLET overpayment (lines 7 through 11 less line 6)..... | 13 | 00 |
| | | | 14. Credited to 2012 LLET | 14 | 00 |
| | | | 15. Amount to be refunded | 15 | 00 |

► Federal Form 1065, all pages and any supporting schedules must be attached.

TAX PAYMENT SUMMARY
(Round to nearest dollar)

| | |
|--|--|
| <p>Make check payable to: Kentucky State Treasurer</p> <p>Mail return with payment to: Kentucky Department of Revenue Frankfort, Kentucky 40620</p> | <p>LLET</p> <p>1. LLET due (Part II, line 12) \$ _____</p> <p>2. Penalty \$ _____</p> <p>3. Interest \$ _____</p> <p>4. Total Payment \$ _____</p> |
|--|--|



SCHEDULE Q—KENTUCKY PARTNERSHIP QUESTIONNAIRE

IMPORTANT: Questions 4–10 must be completed by all partnerships. If this is the partnership’s initial return or if the partnership did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. **Failure to do so may result in a request for a delinquent return.**

New Year End:
Month _____ and day of week _____
If a 52/53 week filer: (Choose one of the options below.)
i. Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.
ii. Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.

1. Indicate whether: (a) new business; (b) successor to previously existing business which was organized as: (1) corporation; (2) partnership; (3) sole proprietorship; or (4) other _____

If successor to previously existing business, give name, address and federal I.D. number of the previous business organization. _____

2. List the following **Kentucky** account numbers. Enter N/A for any number not applicable.

Employer Withholding _____
Sales and Use Tax Permit _____
Consumer Use Tax _____
Unemployment Insurance _____
Coal Severance and/or Processing Tax _____

3. If a foreign partnership, enter the date qualified to do business in Kentucky. ___ / ___ / ___

4. If change of accounting period, Item E on page 1, is checked, complete the following information:

Year End before the change:
Month _____ and Day _____

- a. Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)
- b. Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
New Year End:
Month _____ and Day _____
- c. Change from a Fiscal Year to a Calendar Year (52/53 week filer):
New Year End: December and day of week _____
- d. Change from a Calendar Year to a Fiscal Year (52/53 week filer):

5. The partnership’s books are in care of: (name and address)

6. Are disregarded entities included in this return?
 Yes No. If yes, list name, address and federal I.D. number of each entity. _____

7. For the taxable period being reported, was the partnership a partner in a pass-through entity doing business in Kentucky? Yes No

If yes, list name and federal I.D. number of the pass-through entity(ies). _____

For the taxable period being reported, was the partnership doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? Yes No

8. Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other _____

9. Did the partnership file a Kentucky tangible personal property tax return for January 1, 2012? Yes No

10. Is the partnership currently under audit by the Internal Revenue Service? Yes No

If yes, enter years under audit _____

If the Internal Revenue Service has made final and unappealable adjustments to the partnership’s taxable income which have not been reported to the department, check here and file an amended Form 765 for each year adjusted. Attach a copy of the final determination to each amended return.

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of partner or member

SSN or FEIN

Date

Name of person or firm preparing return

SSN, PTIN or FEIN

Date

May the DOR discuss this return with the preparer?
 Yes No
Email Address:
Telephone No.:



SCHEDULE K—PARTNERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

| SECTION I | (a) Distributive Share Items | (b) Total Amount | |
|--|------------------------------|------------------|----|
| Income (Loss) and Deductions | | | |
| 1. Kentucky ordinary income (loss) from trade or business activities (page 1, Part I, line 10)..... | 1 | | 00 |
| 2. Net income (loss) from rental real estate activities (attach federal Form 8825) | 2 | | 00 |
| 3. (a) Gross income from other rental activities | 3(a) | 00 | |
| (b) Less expenses from other rental activities (attach schedule) | (b) | 00 | |
| (c) Net income (loss) from other rental activities (line 3a less line 3b) | 3(c) | | 00 |
| 4. Portfolio income (loss): | | | |
| (a) Interest income | 4(a) | | 00 |
| (b) Dividend income..... | (b) | | 00 |
| (c) Royalty income | (c) | | 00 |
| (d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)..... | (d) | | 00 |
| (e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)..... | (e) | | 00 |
| (f) Other portfolio income (loss) (attach schedule) | (f) | | 00 |
| 5. Guaranteed payments to partners | 5 | | 00 |
| 6. Section 1231 net gain (loss) (other than due to casualty or theft)(attach federal and Kentucky Forms 4797)..... | 6 | | 00 |
| 7. Other income (loss) (attach schedule) | 7 | | 00 |
| 8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)..... | 8 | | 00 |
| 9. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)..... | 9 | | 00 |
| 10. Deductions related to portfolio income (loss) (attach schedule)..... | 10 | | 00 |
| 11. Other deductions (attach schedule)..... | 11 | | 00 |
| Investment Interest | | | |
| 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 |
| Tax Credits | | | |
| 13. Kentucky Small Business Investment Tax Credit (attach KEDFA notification) | 13 | | 00 |
| 14. Skills Training Investment Tax Credit (attach copy of certification(s)) | 14 | | 00 |
| 15. Certified Rehabilitation Tax Credit (attach copy of certification(s))..... | 15 | | 00 |
| 16. Kentucky Unemployment Tax Credit (attach Schedule UTC) | 16 | | 00 |
| 17. Recycling/Composting Equipment Tax Credit (attach Schedule RC) | 17 | | 00 |
| 18. Kentucky Investment Fund Tax Credit (attach KEDFA notification) | 18 | | 00 |
| 19. Coal Incentive Tax Credit (attach Schedule CI) | 19 | | 00 |
| 20. Qualified Research Facility Tax Credit (attach Schedule QR)..... | 20 | | 00 |
| 21. GED Incentive Tax Credit (attach Form DAEL-31) | 21 | | 00 |
| 22. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)..... | 22 | | 00 |
| 23. Biodiesel Tax Credit (attach Schedule BIO)..... | 23 | | 00 |
| 24. Environmental Stewardship Tax Credit (attach Schedule KESA) | 24 | | 00 |
| 25. Clean Coal Incentive Tax Credit (attach Schedule CCI) | 25 | | 00 |
| 26. Ethanol Tax Credit (attach Schedule ETH) | 26 | | 00 |
| 27. Cellulosic Ethanol Tax Credit (attach Schedule CELL)..... | 27 | | 00 |



SCHEDULE K – PARTNERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

| SECTION I – continued | (a) Distributive Share Items | (b) Total Amount |
|-----------------------|------------------------------|------------------|
|-----------------------|------------------------------|------------------|

Form 5695-K Pass-through Amounts (attach Form 5695-K)

| | | |
|--|----|----|
| 28. Energy Efficiency Products Tax Credit from Form 5695-K, line 6..... | 28 | 00 |
| 29. Energy Efficiency Products Tax Credit from Form 5695-K, line 12..... | 29 | 00 |
| 30. Energy Efficiency Products Tax Credit from Form 5695-K, line 18..... | 30 | 00 |
| 31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36..... | 31 | 00 |
| 32. Energy Efficiency Products Tax Credit from Form 5695-K, line 36..... | 32 | 00 |
| 33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51..... | 33 | 00 |
| 34. Energy Efficiency Products Tax Credit from Form 5695-K, line 51..... | 34 | 00 |
| 35. Energy Efficiency Products Tax Credit from Form 5695-K, line 57..... | 35 | 00 |
| 36. Energy Efficiency Products Tax Credit from Form 5695-K, line 63..... | 36 | 00 |
| 37. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit (attach Form 8908-K) | 37 | 00 |
| 38. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-1) | 38 | 00 |
| 39. Railroad Expansion Tax Credit (attach Schedule RR-E)..... | 39 | 00 |
| 40. Endow Kentucky Tax Credit (attach Schedule ENDOW) | 40 | 00 |

Other Items

| | | |
|--|-------|----|
| 41. (a) Type of Section 59(e)(2) expenditures ► _____ | 41(a) | |
| (b) Amount of Section 59(e)(2) expenditures | (b) | 00 |
| 42. Tax-exempt interest income | 42 | 00 |
| 43. Other tax-exempt income | 43 | 00 |
| 44. Nondeductible expenses | 44 | 00 |
| 45. Total property distributions (including cash) | 45 | 00 |
| 46. Other items and amounts required to be reported separately to partners (attach schedule)..... | 46 | 00 |

SECTION II – Pass-through Items

| | | |
|--|---|----|
| 1. Partnership’s Kentucky sales from Schedule A, Section I, line 1 | 1 | 00 |
| 2. Partnership’s total sales from Schedule A, Section I, line 2 | 2 | 00 |
| 3. Partnership’s Kentucky property from Schedule A, Section I, line 5 | 3 | 00 |
| 4. Partnership’s total property from Schedule A, Section I, line 6 | 4 | 00 |
| 5. Partnership’s Kentucky payroll from Schedule A, Section I, line 8..... | 5 | 00 |
| 6. Partnership’s total payroll from Schedule A, Section I, line 9..... | 6 | 00 |
| 7. Partnership’s Kentucky gross profits from Schedule LLET, Section A, Column A, line 5 | 7 | 00 |
| 8. Partnership’s total gross profits from all sources from Schedule LLET, Section A, Column B, line 5 | 8 | 00 |
| 9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less \$175..... | 9 | 00 |



INSTRUCTIONS

2011 KENTUCKY PARTNERSHIP INCOME AND LLET RETURN

PURPOSE OF INSTRUCTIONS

These instructions have been designed for Kentucky partnerships that afford their partners or members, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity. These partnerships are required by law to file a Kentucky Partnership Income and LLET Return (Form 765).

Refer to the chart on page 2 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 16). They may also be obtained by writing FORMS, Department of Revenue, 501 High Street, Frankfort, KY 40601-2103, 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 or transferable credit against the taxes imposed by KRS 136.505 or 141.020 or 141.040 and 141.0401, with the ordering of credits provided in KRS 141.0205, for qualified rehabilitation expenses incurred by the taxpayer and used for substantial rehabilitation to a certified historic structure as provided by KRS 171.397.

KRS 171.397(1)(b) provides that for applications for preliminary approval received after April 30, 2010, the credit shall be refundable if the taxpayer makes an election under KRS 141.397(2)(b)2.a. KRS 171.397(2)(b)2 provides that the application shall include an irrevocable election by the taxpayer to: (a) use the credit, in which case, the credit shall be refundable; or (b) transfer the credit. KRS 171.397(8) provides that the certified rehabilitation credit permitted by KRS 141.382 may be transferred or assigned to any entity subject to the tax imposed by KRS 136.505 if an election is made to transfer the credit as provided by KRS 171.397(2)(b)2.b. for some or no consideration, along with any related benefits, rights, responsibilities and liabilities.

2010 Special Session of the Kentucky General Assembly

HB 2 – Provisions effective for tax years beginning on or after January 1, 2011

Kentucky Small Business Investment Credit Program – KRS 141.384 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401. A small business shall not be eligible to apply for credits and receive final approval for the credits until one year after the small business: (a) creates and fills one or more eligible positions over the base employment, and that position or positions are created and filled for twelve months; and (b) invests \$5,000 or more in qualifying equipment or technology. The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at \$3 million. The maximum amount of credit for each small business for each year shall not exceed \$25,000.

Endow Kentucky Tax Credit—KRS 141.438 was created to provide a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 for a taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, and meeting the requirements of KRS 141.438(7). The total amount of tax credit that may be awarded under this section shall be limited to \$500,000 in each fiscal year. The credit shall be equal to twenty percent (20%) of the value of the endowment gift provided by the taxpayer, not to exceed \$10,000.

New Markets Development Program Tax Credit – KRS 141.432 to 141.434 was created to encourage taxpayer investment in qualified low-income communities. A taxpayer that makes a qualified equity investment as provided by KRS 141.432(7) in a qualified community development entity as provided by KRS 141.432(6) shall be entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 137.370, 136.390 or 304.3-270. The total amount of tax credits that may be awarded by the department shall be limited to \$5 million. “Qualified low-income community investment” means any capital or equity investment in, or loan to, any qualified active low-income community business made after June 4, 2010. With respect to any one qualified active low-income community business, the maximum amount of qualified active low-income community investments that

may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under KRS 141.433 shall be \$10 million, whether made by one or several qualified community development entities.

The amount of the credit shall be equal to 39% of the purchase price of the qualified equity investment made by the taxpayer. A taxpayer is allowed to claim zero percent (0%) for each of the first two credit allowance dates, seven percent (7%) for the third allowance date, and eight percent (8%) for the next four allowance dates. “Credit allowance date” means with respect to any qualified equity investment: (a) the date on which the investment is initially made; and (b) each of the six anniversary dates of that date thereafter.

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

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 2011 returns and fiscal year returns that begin in 2011, 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 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 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, Part 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.**
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, and the amount from Kentucky Form 4562, Line 22 less the Section 179 deduction on Line 12 must be included on Form 765, Part I, Line 8. The Section 179 deduction from the converted Form 4562, Line 12 must be included on Form 765, 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 partnership disposes of assets on which it has taken the special depreciation allowance or the additional Section 179 deduction for federal income tax purposes, the corporation will need to determine and report the difference in the amount of gain or loss on such assets as follows:

1. Convert **federal Schedule D (Form 1065)** and other applicable federal forms to Kentucky forms by entering **Kentucky** at the top center of the form, and compute the Kentucky capital gain or (loss) from the disposal of assets using Kentucky basis. Enter the amount from Kentucky Schedule D, Line 6 on Form 765, Schedule K, Section I, Line 4(d) or 7. Enter the amount from Kentucky converted Schedule D, Line 13 on Form 765, 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.**
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.**

Tax Treatment of a Partnership (Afforded Limited Liability Protection) and Partners or Members

For taxable years beginning on or after January 1, 2007, a partnership that affords any of its partners or members, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity is classified as limited liability pass-through entity as provided by KRS 141.010(28). Also, for taxable years beginning on after January 1, 2007, an annual limited liability entity tax (LLET) shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits as provided by KRS 141.0401(2), unless specifically excluded. See LLET nonfiling status codes on page 7 of these instructions.

In determining tax as provided by KRS Chapter 141, a resident individual, estate or trust that is a partner or member of a partnership classified as a limited liability pass-through entity shall take into account the partner's or member's total distributive share of the partnership's items of income, loss and deduction. In determining tax as provided by KRS Chapter 141, a nonresident individual, estate or trust that is a partner or member of a partnership shall take into account: (1) if the partnership is doing business only in this state, the partner's or member's total distributive share of the partnership's items of income, loss and deduction; or (2) if the partnership is doing business both within and without this state, the partner's or member's total distributive share of the partnership's items of income, loss and deduction multiplied by the apportionment fraction as provided by KRS 141.206(12). **KRS 141.206(8) and (9)**

In determining tax as provided by KRS Chapter 141, a corporation that is a partner or member of a partnership shall take into account its total distributive share of the partnership's items of income, loss and deduction. **KRS 141.206(10)**

A corporation that owns an interest in a partnership classified as a limited liability pass-through entity or that owns an interest in a general partnership organized or formed as a general partnership after January 1, 2006, shall include the proportionate share of the sales, property and payroll of the partnership classified as a limited liability pass-through entity or general partnership in computing its own apportionment factor. **KRS 141.206(10)**

The LLET credit allowed partners or members of a partnership classified as a limited liability pass-through entity shall be the partners' or members' proportionate share of the LLET for the current year after the subtraction of any credits identified in KRS 141.0205 and reduced by \$175. The credit allowed partners or members shall be applied to the income tax assessed on income from the partnership. Any remaining credit from the partnership 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)**

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each partnership should complete a Kentucky Tax Registration Application, Revenue Form 10A100. The application is available at Kentucky Taxpayer Service Centers (see page

16) or from the Taxpayer Registration Section, Department of Revenue, Frankfort, KY 40620 or at www.revenue.ky.gov (click on Business). The application may be faxed to (502) 227-0772.

Who Must File—NOTE: The limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272 do not apply to the limited liability entity tax imposed by KRS 141.0401. A Kentucky Partnership Income and LLET Return, Form 765, must be filed by every partnership: (a) being organized under the laws of this state; (b) having a commercial domicile in this state; (c) owning or leasing property in this state; (d) having one or more individuals performing services in this state; (e) maintaining an interest in a 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), KRS 141.040, KRS 141.0401 and KRS 141.206**

Disregarded Entities—A limited liability company (LLC) is treated for Kentucky income tax purposes in the same manner as it is treated for federal income tax purposes. Therefore, a single member LLC that is disregarded for federal income tax purposes shall be included in the return filed by its single member (owner). **KRS 141.010(25) and 103 KAR 16:300**

Pass-through Entities—A pass-through entity doing business in Kentucky solely as a partner in a pass-through entity will file Form 765 pursuant to the provisions of KRS 141.010, 141.120 and 141.206. (See Schedule A—Apportionment and Allocation Instructions and Schedule A-C—Apportionment and Allocation-Continuation Sheet).

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(5) 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 Report and Composite Income Tax Return, a statement that the partner, member or shareholder is exempt from withholding as provided by KRS 141.206(7), 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(15)(a); or (d) the partner or member is a pass-through entity as provided by KRS 141.010(26).

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold Kentucky income tax as provided by KRS 141.206(5) shall make estimated tax payments if required by KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

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(5); (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(16).

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(16) 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(16)).

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 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.

For taxable years beginning on or after January 1, 2012, a pass-through entity filing a composite return shall make estimated tax payments if required by KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Vouchers).

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.

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

Kentucky Forms and Schedules

1. Kentucky Partnership Income and LLET Return (Form 765)
2. Kentucky Partner's Share of Income, Credits, Deductions, Etc.—Schedule K-1 (Form 765)
3. Apportionment and Allocation (Schedule A)
4. Apportionment and Allocation—Continuation Sheet (Schedule A-C)
5. Limited Liability Entity Tax (Schedule LLET)
6. Limited Liability Entity Tax—Continuation Sheet (Schedule LLET-C)
7. Application for Filing Extension (Form 41A720SL)
8. Tax Credit Summary Schedule (Schedule TCS)
9. Other Additions And Subtractions To/From Federal Ordinary 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 1125-A—Cost of Goods Sold
3. Form 4797—Sales of Business Property
4. Schedule D—Capital Gains and Losses
5. Form 5884—Work Opportunity Credit
6. Schedules for items on Form 1065, Schedule L, which state, "attach schedule."
7. Form 4562—Depreciation and Amortization
8. Form 8825—Rental Real Estate Income and Expenses of a Partnership or an S Corporation

Electronic Funds Transfer (EFT)

EFT is not available for a partnership's LLET payments, estimated tax payments, return payment or extension payment.

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

Filing/Payment Date—A partnership return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year. **KRS 141.160, KRS 141.220 and 103 KAR 15:050**

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

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

Extensions—An extension of time to file a partnership income and LLET return may be obtained by either making a specific request to the Department of Revenue or attaching a copy of the federal extension to the return when filed. **A copy of the federal extension submitted after the return is filed does not constitute a valid extension, and late filing penalties will be assessed.**

If the partnership is making a payment with its extension, Kentucky Form 41A720SL must be used. For further information, see the instructions for Form 41A720SL. **103 KAR 15:050**

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

LLET Estimated Taxes

The Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher, Form 720-ES, is used to submit estimated tax payments for LLET. If the partnership is required to make estimated LLET payments but did not receive Form 720-ES, contact the Department of Revenue at (502) 564-3658 or visit the website at www.revenue.ky.gov.

NOTE: See www.revenue.ky.gov for information on the 2012 estimated tax payments.

Estimated Tax Payments—A partnership must make estimated tax installments if its tax liability under KRS 141.0401 can reasonably be expected to exceed \$5,000. Estimated tax installments are required as follows:

If the estimated tax is reasonably expected to exceed \$5,000 before the 2nd day of the 6th month, 50% of the estimated tax must be paid by 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 6th month and before the 2nd day of the 9th month, 75% of the estimated tax must be paid by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 9th month, 100% of the estimated tax must be paid by the 15th day the 12th month.

Safe harbor: A partnership can satisfy its declaration requirement if its estimated tax payments are equal to the tax liability under KRS 141.0401 for the prior tax year, and its tax liability for the prior tax year was equal to or less than \$25,000. If the estimated tax is based on the partnership's tax liability for the prior tax year, 50% of the estimated tax must be paid by 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day the 12th month.

Interest: Failure to pay estimated tax installments on or before the due date prescribed by KRS 141.042 and 141.044 shall result in an assessment of interest on the late payment or underpayment. The interest due on any late payment or underpayment shall be at the rate provided by KRS 131.183(1). **KRS 141.042(4) and KRS 141.985**

Other Information

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

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

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

Interest—Interest at the tax interest rate is applied to LLET liability not paid by the date prescribed by law for filing the return (determined without regard to extensions thereof). The tax interest rate for 2012 is available online at www.revenue.ky.gov, or you may contact the Department of Revenue at (502) 564-8139 to obtain it.

Penalties

Failure to file a Kentucky Income and LLET Return by the filing date including extensions—2 percent of the LLET due for each 30 days or fraction thereof that the return is late (maximum 20 percent). The minimum penalty is \$10. **KRS 131.180(1)**

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

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

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

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

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

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

Cost of Collection Fees

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

- (b) 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before December 1, 2001. **KRS 131.440(1)(b)**
- (c) 50 percent of any tax deficiency assessed after the amnesty period for nonfiled returns eligible for amnesty. **KRS 131.440(1)(c)**

FORM 765—SPECIFIC INSTRUCTIONS

Period Covered

File the 2011 return for calendar year 2011 and fiscal years that begin in 2011. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 765.

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

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

| | | | | |
|-----|---|---|-----|---|
| 1 | 2 | / | 1 | 1 |
| Mo. | | | Yr. | |

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2012, would be entered as:

| | | | | |
|-----|---|---|-----|---|
| 0 | 1 | / | 1 | 2 |
| Mo. | | | Yr. | |

- A 52/53-week year is a fiscal year that varies between 52 and 53 weeks. Example: A 52/53-week year ending the first week of January 2012, would be entered as:

| | | | | |
|-----|---|---|-----|---|
| 1 | 2 | / | 1 | 1 |
| Mo. | | | Yr. | |

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

Item A—Enter the six-digit Kentucky Corporation/LLET Account Number on the applicable line at the top of each form and schedule and on all checks and correspondence. This number was included in correspondence received from the Department of Revenue at the time of registration.

Item B—Check the box indicating the method used in determining the amount of LLET due on the Schedule LLET, Section D, Line 1.

LLET Nonfiling Status Code—Return Not Required

If the partnership is not required to file an LLET return, enter one of the following two-digit codes in the space provided.

| REASON CODE | Reason |
|-------------|---|
| 12 | A property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390. |
| 13 | An alcohol production facility as defined in KRS 247.910. |
| 20 | A publicly traded partnership as defined in Section 7704(b) of the Internal Revenue Code that is treated as a partnership for federal tax purposes under Section 7704(c) of the Internal Revenue Code, or its publicly traded partnership affiliates. "Publicly traded partnership affiliates" shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership. |
| 21 | A qualified investment pass-through entity as defined in KRS 141.206(12). |

Item C—Income Return Nonfiling Status Code—Return Not Required

If the partnership is not required to file a Kentucky partnership income return, enter the following two-digit code in the space provided.

| REASON CODE | Reason |
|-------------|--|
| 22 | This return contains only the LLET as the partnership is exempt from filing a Kentucky income return as provided by Public Law 86-272. |

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

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

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

State and Date of Organization—Enter the entity's state and date of organization.

Principal Business Activity in Kentucky—Enter the entity's principal business activity in Kentucky.

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 at www.census.gov.

Item E—Check the applicable boxes:

- (a) *LLC*—Check this box if the partnership is organized as a limited liability company (LLC).
- (b) *LP*—Check this box if the partnership is organized as a limited partnership (LP).
- (c) *LLP*—Check this box if the partnership is organized as a limited liability partnership (LLP).
- (d) *Qualified Investment Pass-through Entity*—Check this box if the partnership is a qualified investment pass-through entity as provided by KRS 141.206(15)(a).
- (e) *Amended Return*—Check this box if this is an amended return. Attach statement giving explanation of changes to income, apportionment factor, and/or taxes.
- (f) *Initial Return*—Check this box if this is the partnership's first time filing a partnership return in Kentucky. Complete questions 1, 2 and 3 on Schedule Q—Kentucky Partnership Questionnaire.
- (g) *Final Return*—Check this box if this is the partnership's final return. If the partnership has dissolved or withdrawn, attach an explanation.
- (h) *Change of Address*—Check this box if the partnership has changed its address.
- (i) *Short-period Return*—Check this box and submit an explanation for the short-period return that is not an initial return.
- (j) *Change of Name*—Check this box if the partnership has changed its name.
- (k) *Change of Accounting Period*—Check this box if the partnership has changed its accounting period. Also complete Item 4 on Schedule Q—Kentucky Partnership Questionnaire.

Item F—Enter the number of partners (Attach K-1s).

PART I—ORDINARY INCOME (LOSS) COMPUTATION

Line 1—Enter the amount from federal Form 1065, Line 22, ordinary business income (loss) from trade or business activities. **Attach Form 1065, all pages.**

Additions to Federal Ordinary Income—Lines 2, 3, 4 and 5 itemize items of additional income or unallowed deductions which are differences between federal ordinary income and Kentucky ordinary income.

Line 2—Enter state taxes measured in whole or in part by gross or net income. "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States or any foreign country or political subdivision thereof. Attach a schedule reflecting the total taxes deducted on Form 1065. **KRS 141.010(11)(d)**

Line 3—Enter federal depreciation (do not include Section 179 deduction). See instructions on page 3 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 6—Enter the total of Lines 1, 2, 3, 4 and 5.

Subtractions from Federal Ordinary Income—Lines 7 through 9 itemize items of additional deductions allowed which are differences between federal ordinary income and Kentucky ordinary income.

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 3 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.

Line 10—Subtract Lines 7, 8 and 9 from Line 6.

PART II—LLET COMPUTATION

Line 1—Enter the amount from Schedule LLET, Section D, Line 1. A partnership must use Schedule LLET(K), Limited Liability Entity Tax (For a Limited Liability Pass-through Entity 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 Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA) and Incentives for Energy Independence Act (IEIA).

Line 2—Enter the recycling/composting equipment LLET credit recapture amount from Schedule RC-R, Line 12. **Attach Schedule RC-R, Recycling or Composting Equipment Tax Credit Recapture.**

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

Line 4—Enter nonrefundable LLET credit from Kentucky Schedule(s) K-1. **Copies of Kentucky Schedule(s) K-1 must be attached to the tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E, Line 1.

Line 6—Enter the greater of Line 3 less Lines 4 and 5, or \$175.

Line 7—Enter the total estimated LLET payments made for the taxable year. Do not include the amount credited from the prior year.

Line 8—Enter the refundable certified rehabilitation tax credit (attach the Kentucky Heritage Council certification(s) or Kentucky Schedule(s) K-1 (Form 765-GP)).

Line 9—Enter the refundable film industry tax credit (attach the Kentucky Film Office certification(s) or Kentucky Schedule(s) K-1 (Form 765-GP)).

Line 10—Enter the amount of LLET paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation or Limited Liability Pass-Through Entity Return.

Line 11—Enter the amount credited to 2011 from Form 765, Part II, Line 14 of the 2010 tax return.

Line 12—If Line 6 is greater than the total of Lines 7 through 11, enter the difference on this line and enter the amount in the Tax Payment Summary.

Line 13—If Line 6 is less than the total of Lines 7 through 11, enter the difference on this line.

Line 14—Enter the portion of Line 13 to be credited to 2012 LLET.

Line 15—Enter the portion of Line 13 to be refunded (Line 13 less Line 14).

SCHEDULE K (FORM 765)

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

A partnership must use Form 765(K), Kentucky Schedule K For 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 Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA) and Incentives for Energy Independence Act (IEIA).

Section I—Income (Loss) and Deductions

Line 1—Enter Kentucky ordinary income (loss) from trade or business activities reported on Form 765, Part I, Line 10.

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 page 3 of the 2011 Form 765 instructions 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. **Kentucky Schedule D must be attached to Form 765.** Otherwise,

enter the amount from Line 6 of the federal Schedule D (Form 1065) that is portfolio income.

Line 4(e)—See page 3 of the 2011 Form 765 instructions 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. **Kentucky Schedule D must be attached to Form 765.** 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 Lines 4(a) through 4(e), Schedule K, Form 765.

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

Line 6—See page 3 of the 2011 Form 765 instructions regarding **differences in gain or loss from disposition of assets**. If applicable, enter the amount from Line 7 of the Kentucky Form 4797, and **Kentucky Form 4797 must be attached to Form 765.** Otherwise, enter net gain (loss) under Section 1231 from federal Form 4797. Do not include net gains (losses) from involuntary conversions due to casualties or thefts on this line. Instead, report them on Line 7.

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

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

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

Line 9—See page 3 of the 2011 Form 765 instructions regarding **depreciation and Section 179 deduction differences**, and if applicable, include the amount from Line 12 of the Kentucky Form 4562. **Kentucky Form 4562 must be attached.** Otherwise, enter Section 179 deduction from federal Form 4562.

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

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

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

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

Line 13—Enter the Kentucky Small Business Investment Credit Program (KSBIC) tax credit as provided by KRS 141.384 and attach a copy of the Kentucky Economic Development Finance

Authority notification.

Line 14—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 15—Enter the Certified Rehabilitation Tax Credit as provided by KRS 171.397 and attach the Kentucky Heritage Council certification(s).

Line 16—Enter the Kentucky Unemployment Tax Credit as provided by KRS 141.065 and attach Kentucky Schedule UTC (Form 42A740-UTC).

Line 17—Enter the Recycling/Composting Equipment Tax Credit as provided by KRS 141.390 and attach Kentucky Schedule RC (Form 41A720RC).

Line 18—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 19—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 20—Enter the Qualified Research Facility Tax Credit as provided by KRS 141.395 and attach Kentucky Schedule QR (Form 41A720QR).

Line 21—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 22—Enter the Voluntary Environmental Remediation Tax Credit as provided by KRS 141.418 and attach Kentucky Schedule VERB (Form 41A720VERB).

Line 23—Enter the Biodiesel Tax Credit as provided by KRS 141.424 and attach Kentucky Schedule BIO (41A720BIO).

Line 24—Enter the Environmental Stewardship Tax Credit as provided by KRS 141.430 and attach Kentucky Schedule KESA (41A720KESA).

Line 25—Enter the Clean Coal Incentive Tax Credit as provided by KRS 141.428 and attach Kentucky Schedule CCI (41A720-CCI)

Line 26—Enter the Ethanol Tax Credit as provided by KRS 141.4242 and attach Kentucky Schedule ETH (Form 41A720ETH).

Line 27—Enter the Cellulosic Ethanol Tax Credit as provided by KRS 141.4244 and attach Kentucky Schedule CELL (Form 41A720CELL).

Line 28—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 6 and attach Form 5695-K.

Line 29—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 12 and attach Form 5695-K.

Line 30—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 18 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 36 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 51 and attach Form 5695-K.

Line 35—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 57 and attach Form 5695-K.

Line 36—Enter the Energy Efficiency Products Tax Credit from Form 5695-K, Line 63 and attach Form 5695-K.

Line 37—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 38—Enter the Railroad Maintenance and Improvement Tax Credit as provided by KRS 141.385 and attach Kentucky Schedule RR-I (Form 41A720RR-I).

Line 39—Enter the Railroad Expansion Tax Credit as provided by KRS 141.386 and attach Kentucky Schedule RR-E (Form 41A720RR-E).

Line 40—Enter the Endow Kentucky Tax Credit as provided by KRS 141.438 and attach a copy of Kentucky Schedule ENDOW (Form 41A720-S86).

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

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

Line 46—Attach schedules to report the 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 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—LLET 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 partnership’s Kentucky sales from Schedule A, Section I, Line 1.

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

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

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

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

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

Line 7—Enter the partnership’s Kentucky gross profits from Schedule LLET, Section A, Column A, Line 5.

Line 8—Enter the partnership’s total gross profits from Schedule LLET, Section A, Column B, Line 5.

Line 9—Enter the limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of Lines 4 and 6, less \$175.

Tax Payment Summary

The payment due with Form 765 must be itemized. Enter the LLET payment due from page 1, Part II, Line 12 on the applicable tax payment line in addition to the respective amount of penalty and interest. Enter the total payment due on the Total Payment line.



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

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

General Instructions

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

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

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

Specific Instructions

Federal instructions for Schedule K-1 (Form 1065) explain the rules for allocating items of income (loss), deductions, credits, etc., to each partner. The 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 55 must equal the amounts reported on comparable lines of Schedule K, Section II, Lines 1 through 9. Schedule K-1, Column (b), Lines 56 through 58 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), the partnership must provide information for each activity to its partners. See **Passive Activity Reporting Requirements** in the instructions for Schedule K-1 (Form 1065) for details on the information to be provided on an attachment to Schedule K-1 (Form 765) for each activity.

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

Lines 1 through 55—Enter the partner’s total pro rata share of each item listed on Schedule K, Form 765. **Do not multiply these amounts by the percentage entered on Item D(2).** Attach schedules showing separately the required information for each IRC Section 469 passive activity and each Section 465 at-risk activity. Other schedules are to be attached for line items where requested on Schedule K-1 (Form 765).

Enter on attached schedules the supplemental information required to be reported separately to each partner for Lines 1 through 55 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 56 through 58—The amounts in Column (b) are to be entered by the partner, not the partnership.

Tax Credit Summary Schedule—Schedule TCS

Schedule TCS is used by corporations and limited liability pass-through entities to apply tax credits for entities subject to the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different. *Taxpayer* as used in this section refers to corporations and limited liability pass-through entities.

Economic Development Tax Credits—This section is completed only if a limited liability pass-through entity has been approved for one of more of the credits authorized by the: (i) Metropolitan College Consortium Tax Credit (MCC – KRS 141.381); (ii) Kentucky Small Business Investment Credit Program (KSBIC – KRS 141.384); or (iii) Skills Training Investment Credit Act (STICA – KRS 154.12).

A limited liability pass-through entity shall not enter income or LLET tax credits on Schedule TCS from: (i) Kentucky Rural Economic Development Act (KREDA – KRS 154.22); (ii) Kentucky Industrial Development Act (KIDA – KRS 154.28); (iii) Kentucky Economic Opportunity Zone Act (KEOZ – KRS 154.23); (iv) Kentucky Jobs Retention Agreement (KJRA – KRS 154.25); (v) Kentucky Industrial Revitalization Act (KIRA – KRS 154.26); (vi) Kentucky Jobs Development Act (KJDA – KRS 154.24); (vii) Kentucky Business Investment Program (KBI – KRS 154.32); (viii) Kentucky Reinvestment Act (KRA – KRS 154.34); or (ix) Incentives for Energy Independence Act (IEIA – KRS 154.27).

A limited liability pass-through entity shall file Schedule KREDA-SP, Schedule KIDA-SP, Schedule KEOZ-SP, Schedule KJRA-SP, Schedule KIRA-SP, Schedule KJDA-SP, Schedule KBI-SP, Schedule KRA-SP or Schedule IEIA-SP to compute the tax credits for these programs.

To claim the STICA or MCC credit, a copy of the tax credit certification(s) received from Bluegrass State Skills Corporation reflecting the amount of credit awarded shall be attached to the tax return. The credit for either the STICA or MCC shall be claimed on the tax return filed for the taxable year during which the final authorizing resolution is adopted by Bluegrass State Skills Corporation. The STICA credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward three successive years; the MCC credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward to tax years ending before April 15, 2013. If a STICA or MCC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year and the balance of the credit.

To claim the KSBIC credit, a copy of the tax credit notification received from Kentucky Economic Development Finance Authority (KEDFA) reflecting the amount of credit awarded shall be attached to the tax return. The credit for the KSBIC shall be claimed on the tax return for the taxable year during which the credit was approved by KEDFA. The tax credit not used during the year of approval by KEDFA may be carried forward up to five years. If a KSBIC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year and the balance of the credit.

Economic development tax credits are allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department for Financial Incentives (telephone: 502-564-4554) or Bluegrass State Skills Corporation (telephone: 502-564-2021).

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**

Coal Conversion Tax Credit—A corporation which converts boilers from other fuels to Kentucky coal or which substitutes Kentucky coal for other fuels in a boiler capable of burning coal and other fuels to produce energy for specific purposes may be entitled to a credit against the taxes imposed by KRS 141.040 and KRS 141.0401 equal to 4.5 percent of expenditures for Kentucky coal (less transportation costs). Unused portions of this credit may not be carried forward or back. Schedule CC must be attached to the tax return claiming this credit. **KRS 141.041**

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 Cl, 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 the 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**

Endow Kentucky Tax Credit—A taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, is entitled to a tax credit equal to twenty percent (20%) of the endowment gift, not to exceed \$10,000.

The nonrefundable tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 and if not use in the year the tax credit is awarded may be carried forward for a period not to exceed five years. The department shall issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation as provided by KRS 141.438(7). Schedule ENDOW must be attached to the taxpayer's tax return each year to claim the credit. A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S, 765 or 765-GP to the partner's, member's or shareholder's tax return each year to claim the tax credit.

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
501 High Street
Frankfort, KY 40601-2103
(502) 564-3658



Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov

Information:

Division of Corporation Tax
Department of Revenue
501 High Street
Frankfort, KY 40601-2103
(502) 564-8139



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 personal property 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 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) 564-4581 (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

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.



► **See instructions.**

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

For calendar year 2011 or fiscal year beginning _____, 2011, and ending _____, 201 ____.

| Partner's identifying number ► | Partnership's FEIN ► | Kentucky Corporation/LLET Account Number ► | | | | | | | | | | | | |
|---|----------------------------------|---|--|----------------------------------|------------------|----------------------|---|---|-------------------|---|---|---------------------------|---|---|
| Partner's name, address and ZIP code | | Partnership's name, address and ZIP code <i>Check if applicable:</i> <input type="checkbox"/> Qualified investment pass-through entity | | | | | | | | | | | | |
| <p>A This partner is a <input type="checkbox"/> general partner <input type="checkbox"/> limited partner <input type="checkbox"/> limited liability company member</p> <p>B Partner's share of liabilities:</p> <p>Nonrecourse \$ _____</p> <p>Qualified nonrecourse financing..... \$ _____</p> <p>Other..... \$ _____</p> <p>C What type of entity is this partner?</p> <p><input type="checkbox"/> Individual <input type="checkbox"/> Estate <input type="checkbox"/> Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> General Partnership <input type="checkbox"/> Trust <input type="checkbox"/> Other Pass-through Entity</p> <p>D Partner's taxable percentage of partnership's distributive share items below (see instructions)</p> <p>(1) Resident partner 100%</p> <p>(2) Nonresident partner (see Schedule A, Section I, line 12)..... ► _____ %</p> <p>E Check box if nonresident partner's income is reported on:</p> <p><input type="checkbox"/> Kentucky Nonresident Income Tax Withholding on Distributive Share Income Transmittal Report and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)</p> | | <p>F Enter partner's percentage of:</p> <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">(i) Before change or termination</th> <th style="text-align: center;">(ii) End of year</th> </tr> </thead> <tbody> <tr> <td>Profit sharing</td> <td style="text-align: center;">%</td> <td style="text-align: center;">%</td> </tr> <tr> <td>Loss sharing.....</td> <td style="text-align: center;">%</td> <td style="text-align: center;">%</td> </tr> <tr> <td>Ownership of capital.....</td> <td style="text-align: center;">%</td> <td style="text-align: center;">%</td> </tr> </tbody> </table> | | (i) Before change or termination | (ii) End of year | Profit sharing | % | % | Loss sharing..... | % | % | Ownership of capital..... | % | % |
| | (i) Before change or termination | (ii) End of year | | | | | | | | | | | | |
| Profit sharing | % | % | | | | | | | | | | | | |
| Loss sharing..... | % | % | | | | | | | | | | | | |
| Ownership of capital..... | % | % | | | | | | | | | | | | |
| | | <input type="checkbox"/> Final K-1 <input type="checkbox"/> Amended K-1 | | | | | | | | | | | | |

| (a) Distributive Share Items | (b) Amount |
|------------------------------|------------|
|------------------------------|------------|

| Income (Loss) | | | |
|--|------|--|----|
| 1. Ordinary income (loss) from trade or business activities..... | 1 | | 00 |
| 2. Net income (loss) from rental real estate activities..... | 2 | | 00 |
| 3. Net income (loss) from other rental activities | 3 | | 00 |
| 4. Portfolio income (loss): | | | |
| (a) Interest | 4(a) | | 00 |
| (b) Dividends..... | (b) | | 00 |
| (c) Royalties | (c) | | 00 |
| (d) Net short-term capital gain (loss) | (d) | | 00 |
| (e) Net long-term capital gain (loss)..... | (e) | | 00 |
| (f) Other portfolio income (loss) (attach schedule)..... | (f) | | 00 |
| 5. Guaranteed payments to partners..... | 5 | | 00 |
| 6. Section 1231 net gain (loss)(other than due to casualty or theft) | 6 | | 00 |
| 7. Other income (loss) (attach schedule) | 7 | | 00 |

| Deductions | | | |
|--|----|--|----|
| 8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)..... | 8 | | 00 |
| 9. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562) | 9 | | 00 |
| 10. Deductions related to portfolio income (loss) (attach schedule)..... | 10 | | 00 |
| 11. Other deductions (attach schedule) | 11 | | 00 |

| Investment Interest | | | |
|---|--------|--|----|
| 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 |



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

| (a) Distributive Share Items—continued | | (b) Amount | |
|---|---|------------|----|
| Tax Credits | | | |
| 13. | Kentucky Small Business Investment Tax Credit | 13 | 00 |
| 14. | Skills Training Investment Tax Credit..... | 14 | 00 |
| 15. | Certified Rehabilitation Tax Credit..... | 15 | 00 |
| 16. | Kentucky Unemployment Tax Credit..... | 16 | 00 |
| 17. | Recycling/Composting Equipment Tax Credit..... | 17 | 00 |
| 18. | Kentucky Investment Fund Tax Credit..... | 18 | 00 |
| 19. | Coal Incentive Tax Credit..... | 19 | 00 |
| 20. | Qualified Research Facility Tax Credit..... | 20 | 00 |
| 21. | GED Incentive Tax Credit..... | 21 | 00 |
| 22. | Voluntary Environmental Remediation Tax Credit..... | 22 | 00 |
| 23. | Biodiesel Tax Credit | 23 | 00 |
| 24. | Environmental Stewardship Tax Credit..... | 24 | 00 |
| 25. | Clean Coal Incentive Tax Credit | 25 | 00 |
| 26. | Ethanol Tax Credit..... | 26 | 00 |
| 27. | Cellulosic Ethanol Tax Credit | 27 | 00 |
| Form 5695-K Pass-through Amounts | | | |
| 28. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)..... | 28 | 00 |
| 29. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)..... | 29 | 00 |
| 30. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)..... | 30 | 00 |
| 31. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)..... | 31 | 00 |
| 32. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)..... | 32 | 00 |
| 33. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)..... | 33 | 00 |
| 34. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)..... | 34 | 00 |
| 35. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)..... | 35 | 00 |
| 36. | Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)..... | 36 | 00 |
| 37. | ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit..... | 37 | 00 |
| 38. | Railroad Maintenance and Improvement Tax Credit | 38 | 00 |
| 39. | Railroad Expansion Tax Credit..... | 39 | 00 |
| 40. | Endow Kentucky Tax Credit..... | 40 | 00 |
| Other Items | | | |
| 41. | (a) Type of Section 59(e)(2) expenditures ► | 41(a) | |
| | (b) Amount of Section 59(e)(2) expenditures | (b) | 00 |
| 42. | Tax-exempt interest income | 42 | 00 |
| 43. | Other tax-exempt income | 43 | 00 |
| 44. | Non deductible expenses | 44 | 00 |
| 45. | Property distributions (including cash) | 45 | 00 |
| 46. | Supplemental information required to be reported to each partner (attach schedules)..... | 46 | |
| LLET Pass-through Items | | | |
| 47. | Partner's share of partnership's Kentucky sales from Schedule K, Section II, line 1 | 47 | 00 |
| 48. | Partner's share of partnership's total sales from Schedule K, Section II, line 2 | 48 | 00 |
| 49. | Partner's share of partnership's Kentucky property from Schedule K, Section II, line 3 | 49 | 00 |
| 50. | Partner's share of partnership's total property from Schedule K, Section II, line 4 | 50 | 00 |
| 51. | Partner's share of partnership's Kentucky payroll from Schedule K, Section II, line 5 | 51 | 00 |
| 52. | Partner's share of partnership's total payroll from Schedule K, Section II, line 6..... | 52 | 00 |
| 53. | Partner's share of Kentucky gross profits from Schedule K, Section II, line 7..... | 53 | 00 |
| 54. | Partner's share of total gross profits from all sources from Schedule K, Section II, line 8..... | 54 | 00 |
| 55. | Partner's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9.... | 55 | 00 |



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

| (a) Distributive Share Items—continued | (b) Amount | |
|--|------------|----|
| Resident Partner Adjustment | | |
| 56. 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)..... | 56 | 00 |
| 57. 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)..... | 57 | 00 |
| 58. Enter difference of lines 56 and 57 here and on appropriate line on Schedule M (see instructions)..... | 58 | 00 |

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

Who Must File—The partners or members 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 from self-employment exceeding the threshold amount determined under KRS 141.066 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) 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, 2011, you must take the items listed on Schedule K-1 (Form 765) into account on your tax return for calendar year 2011.

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 7 and/or Line 19.

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). 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) 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 56, 57 and 58. 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 56—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 57—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 56 and 57 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 7 and/or Line 19.**

If amounts on Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include on Lines 56 and 57. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 58—Enter difference of Lines 56 and 57. If Line 56 is greater than Line 57, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 3. If Line 57 is greater than Line 56, enter the difference as a subtraction on Schedule M, Line 15.

Caution: If the amount on Line 56 is a (loss) and Line 57 is a (loss), the smaller amount of the (loss) is the greater amount, and to determine the difference, subtract the smaller dollar amount from the larger dollar amount. If the amount on Line 56 is an income amount and Line 57 is

KENTUCKY SCHEDULE K-1
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

a (loss), or if Line 57 is an income amount and the amount on Line 56 is a (loss), the income amount is the greater amount; therefore, add the two amounts to determine the difference.

Nonresident Individual Partners (Form 740-NP Filers)—A nonresident individual who is required to file Form 740-NP, Kentucky Individual Income Tax Return Nonresident or Part-Year Resident, or who elects to file Form 740-NP to take advantage of capital loss and net operating loss carryovers shall enter the amounts from Schedule K-1, Column (b) as follows:

If the percentage in Item D(2) is "100%," the amounts on Lines 1 through 6 and 9, portions of Lines 7 and 11 and the portion of Line 41(b) actually deducted for the current year must be entered on the appropriate lines of Form 740-NP and related schedules.

If the percentage in Item D(2) is less than 100 percent, the amounts on Lines 1 through 6 and 9, portions of Lines 7 and 11 and the portion of line 41(b) actually deducted for the current year must be multiplied by this percentage and entered on the appropriate lines of Form 740-NP and related schedules. Amounts on Line 12(a) and the portions of Lines 7 and 11 which pass through to Schedule A (Form 740-NP) should not be multiplied by the percentage in Item D(2) since these amounts will be multiplied by the percentage on Form 740-NP, Section D, Line 36 (Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income).

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

Lines 12 and 41 through 46—See federal partner's instructions for Lines 13, 19 and 20, Schedule K-1 (Form 1065).

Individual and Corporate Partners—Enter the net distributive share income from the Kentucky Schedule K-1 (Form 765), Lines 1 through 6, 9 and portions of Lines 7 and 11 (multiplied by the percentage in Item D(2) if a **nonresident individual partner** or the apportionment fraction from Schedule A, Section I, Line 12 if a corporate partner that is taxable in Kentucky and taxable in another state) on Line 2 of the Kentucky Limited Liability Tax Credit Worksheet (located in Form 740, Form 740-NP or Form 741 instructions under Business Incentives and Other Tax Credits) for Forms 740, 740-NP or 741; or Line 2 of the LLET Corporation Income Tax Worksheet (located in Form 720 instructions under Part II—Income Tax Computation) for Form 720. If net distributive share income includes losses subject to passive activity or capital loss limitations, net distributive share income must be adjusted to include only amounts allowed to be deducted on the applicable Kentucky tax return.

Enter the amount from Line 55 on Line 7 of the Kentucky Limited Liability Tax Credit Worksheet or Line 7 of the LLET Corporation Income Tax Worksheet.

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).

**KENTUCKY TAX
REGISTRATION APPLICATION**

| | | |
|---------------------|------------|-------------------|
| FOR OFFICE USE ONLY | | |
| CRIS | Coded | |
| CTS CASE# | Date Coded | |
| CTS Person ID # | Data Entry | |
| NAICS | SIC | Date Data Entered |

- Incomplete or illegible applications will delay processing and will be returned.
- Print or type the application using blue or black ink only.
- Please see instructions for questions regarding completion of the application.
- **Need Help?** Call (502) 564-3306 or visit www.revenue.ky.gov

SECTION A REASON FOR COMPLETING THIS APPLICATION (Must Be Completed)

1. Effective Date ___/___/___

- Opened new business
- Resumption of business
- Hired employees working in Kentucky
- Hired employees working out-of-state with a KY residence
- Applying for additional tax accounts/Began new taxable activity
- Bidding for State Government Contract (State Vendor or Affiliates)
- Other (Specify) _____

Change in Ownership

- Ownership type change—Previous type _____
- Purchased an existing business (See Instructions)

To update information for your existing account(s) or report opening a new location of your current business, use Form 10A104, Update or Cancellation of Kentucky Tax Accounts.

2. Previous Account Numbers (If Applicable)

- Kentucky Withholding Tax _____
- Kentucky Sales and Use Tax _____
- Kentucky Corporation Income Tax _____
- Kentucky Limited Liability Entity Tax _____
- Kentucky Coal Severance Tax _____
- Federal ID Number (FEIN) _____

3. Current Account Numbers (If Applicable)

- Kentucky Withholding Tax _____
- Kentucky Sales and Use Tax _____
- Kentucky Corporation Income Tax _____
- Kentucky Limited Liability Entity Tax _____
- Kentucky Coal Severance Tax _____

SECTION B BUSINESS / RESPONSIBLE PARTY / CONTACT INFORMATION (Must Be Completed)

4. Legal Business Name _____

5. Doing Business As (See Instructions) _____

6. Federal Employer Identification Number (FEIN)

(Required, complete prior to submitting)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| □ | □ | — | □ | □ | □ | □ | □ | □ | □ |
|---|---|---|---|---|---|---|---|---|---|

7. Kentucky Secretary of State Organization Number

(If applicable)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| □ | □ | □ | □ | □ | □ | □ | □ |
|---|---|---|---|---|---|---|---|

8. Business Location

9. Location of Business Records

- Use the same address as listed in Item 8

| | | | | | |
|---|-------------------------|----------|---|-------------------------|----------|
| Street Address (<u>DO NOT</u> List a PO Box) | | | Street Address (<u>DO NOT</u> List a PO Box) | | |
| City | State | Zip Code | City | State | Zip Code |
| Telephone Number () - | County (if in Kentucky) | | Telephone Number () - | County (if in Kentucky) | |

10. Accounting Period Calendar Year (year ending December 31st) Fiscal Year (year ending ___/___ (mm/dd))

11. Ownership Type

- | | | | |
|--|--|--|---|
| <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Association | <input type="checkbox"/> Real Estate Investment Trust | <input type="checkbox"/> Cooperative |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Homeowner's Association | <input type="checkbox"/> Estate | <input type="checkbox"/> Other (See Instructions) |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> Joint Venture | <input type="checkbox"/> Limited Partnership | |
| <input type="checkbox"/> S Corporation | <input type="checkbox"/> Trust | <input type="checkbox"/> Limited Liability Partnership (LLP or LLLP) | |
| <input type="checkbox"/> Government | <input type="checkbox"/> Non-Profit | <input type="checkbox"/> Limited Liability Company (LLC) | |

12. If "LIMITED LIABILITY COMPANY" is Checked Above, How Will You be Taxed for Federal Purposes?

- A. Partnership
- B. Corporation
- C. S Corporation
- D. Non-Profit
- Single Member-Disregarded Entity, member taxed as:**
 - E. Individual
 - F. Other (Specify) _____

13-14. OWNERSHIP DISCLOSURE—RESPONSIBLE PARTIES (REQUIRED FOR ALL OWNERSHIP TYPES)

| | | | | | |
|---------------------------------------|--------------------------------|----------|---------------------------------------|--------------------------------|----------|
| Full Legal Name (Last, First, Middle) | | | Full Legal Name (Last, First, Middle) | | |
| Residence Address | | | Residence Address | | |
| City | State | Zip Code | City | State | Zip Code |
| Social Security Number (REQUIRED) | Telephone Number () - | | Social Security Number (REQUIRED) | Telephone Number () - | |
| Business Title | Effective Date of Title / / | | Business Title | Effective Date of Title / / | |

15. Person to contact regarding this application:

| | | | |
|---|-------|----------------------------|-----------|
| Name (Last, First, Middle) | Title | Daytime Telephone () - | Extension |
| E-mail: (By supplying your e-mail address you give the Department of Revenue permission to contact you via E-mail.) | | | |

SECTION C TELL US ABOUT YOUR BUSINESS OR ORGANIZATION (Must Be Completed)

- 16. A. Describe the nature of your business activity in Kentucky, including any services provided. _____
- B. If you make sales in Kentucky, list the products sold. _____
- C. Describe the nature of your business activity outside Kentucky, including any services provided. _____

- 17. Do you have or will you hire employees to work in Kentucky within the next 6 months? Yes No
(An employee is anyone to whom you pay wages, including part-time help and family members.)
- 18. Do you wish to voluntarily withhold on Kentucky residents who work outside Kentucky or withhold on pension and retirement plans? Yes No
- 19. If your business is a corporation or limited liability company choosing taxation as a corporation for Federal purposes, will the Kentucky officers receive compensation other than dividends? Yes No

If you answered "YES" to ANY of questions 17 through 19, you must complete SECTION D.

- 20. Will you make retail and/or wholesale sales of tangible personal property or digital property in Kentucky? Yes No
(Examples: prepared food, internet sales, downloaded music and books. See instructions for more.)
- 21. Will you repair, install replacement parts, produce, fabricate, process, print or imprint tangible personal property? Yes No
(Examples: automotive repairs and window tinting, sign making, embroidery, and engraving. See instructions for more.)
- 22. Will you rent/lease tangible personal property to others, including related companies? Yes No
- 23. Will you charge taxable admissions? Yes No
- 24. Will you rent temporary lodging to others? Yes No
- 25. Will you sell for or are you a manufacturer's agent soliciting orders for a nonresident seller not registered in Kentucky? Yes No
- 26. Will you receive receipts from the breeding of a stallion to a mare in Kentucky? Yes No
- 27. Will you make sales of motor vehicles to residents of AZ, CA, FL, IN, MA, MI, SC, or WA? Yes No
- 28. Will you make sales of aviation/jet fuel? Yes No
- 29. Are you a manufacturing fee processor or a contract miner located in Kentucky? Yes No
- 30. Will you sell any of the following?

- | | | | | | |
|--------------------------|--------------------------|--------------------------------------|--------------------------|--------------------------|---|
| Yes | No | | Yes | No | |
| <input type="checkbox"/> | <input type="checkbox"/> | A. Coal or other minerals | <input type="checkbox"/> | <input type="checkbox"/> | E. Sewer services |
| <input type="checkbox"/> | <input type="checkbox"/> | B. Water utilities | <input type="checkbox"/> | <input type="checkbox"/> | F. Communication services |
| <input type="checkbox"/> | <input type="checkbox"/> | C. Natural, artificial, or mixed gas | <input type="checkbox"/> | <input type="checkbox"/> | G. Multichannel video programming services* |
| <input type="checkbox"/> | <input type="checkbox"/> | D. Electricity | | | *(see instructions) |

If you answered "YES" to ANY of questions 20 through 30 (except 30 G), you must complete SECTION E and you may SKIP questions 31 and 32.

If you answered "YES" to ANY of questions 30 B through 30 G, you must ALSO complete SECTION H.

- 31. Are you a construction company/contractor that will bring into this state construction materials or supplies on which no Kentucky sales tax or equivalent has been paid? Yes No
- 32. Will you make purchases from out-of-state vendors and not pay Kentucky sales or use tax to the seller on those purchases? (IF YOU ARE A PROFESSIONAL SERVICE BUSINESS, PLEASE SEE INSTRUCTIONS FOR IMPORTANT ADDITIONAL DETAILS) Yes No

If you answered "YES" to EITHER of questions 31 or 32, you must complete SECTION F.

- 33. Is your business/organization a corporation, S corporation, professional service corporation, limited partnership (LP), limited liability partnership (LLP or LLLP), professional limited liability partnership (PLLP or PLLLP), limited liability company (LLC), professional limited liability company (PLLC), association, homeowners' association, real estate investment trust (REIT), regulated investment company (RIC), real estate mortgage investment conduit (REMIC), or similar entity created with limited liability for the partners, members or shareholders? Yes No

If you answered "YES" to question 33, you MUST answer questions 34 through 41. Sole Proprietorships and General Partnerships may SKIP questions 34 through 41.

- 34. Is your corporation incorporated or limited liability entity organized under the laws of Kentucky with the Kentucky Secretary of State's Office? Yes No
- 35. Will your corporation/limited liability entity have its commercial domicile in Kentucky? Yes No
- 36. Will your corporation/limited liability entity own/lease any real or tangible personal property located in Kentucky? Yes No
- 37. Will your corporation/limited liability entity have one or more individuals performing services in Kentucky? Yes No
- 38. Will your corporation/limited liability entity maintain an interest in a pass-through entity doing business in Kentucky? Yes No
- 39. Will your corporation/limited liability entity derive income from or attributable to sources within Kentucky, including income derived directly/indirectly from a trust/single member limited liability company doing business in Kentucky? Yes No
- 40. Will your corporation/limited liability entity direct activities at Kentucky customers for the purpose of selling them goods or services? Yes No
- 41. Will your corporation/limited liability entity own/lease any intangible property or receive payments from a related member as defined in KRS 141.205(1)(g) or an unrelated party for the use of intangible property in Kentucky such as royalties, franchise agreements, patents, trademarks, etc.? Yes No

If you answered "YES" to ANY of questions 34 through 41, you MUST complete SECTION G.

- 42. Will you mine coal that you own or possess the mineral rights to, either by deed, lease, consent, etc.? Yes No
- 43. Does your company perform one or more of the following activities:
 - A. Purchase coal for the purpose of processing and resale? Yes No
 - B. Process refuse coal? Yes No
 (Processing means cleaning, breaking, sizing, dust allaying, treating to prevent freezing, or loading or unloading for any purpose.)
 - C. Purchase and sell coal as a coal broker? Yes No

If you answered "YES" to EITHER of questions 42 or 43, you must complete SECTION E and SECTION I.

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| | | | | | |
|-------------|----------------------|------------------|------------------|----------------|-------------|
| WH # | SU # or USE # | CP/LLET # | TELECOM # | UGRLT # | CT # |
| | | | | | |

SECTION D

EMPLOYER'S WITHHOLDING TAX ACCOUNT

Must be completed if you answered "YES" to ANY of the questions 17 through 19.

44. Number of Kentucky employees _____
45. Date wages/pensions first paid or will be paid (REQUIRED)
 ___ / ___ / _____
46. Estimated annual withholding in Kentucky:
 \$0.00-\$399.99 \$2,000.00-\$49,999.99
 \$400.00-\$1,999.99 \$50,000.00 or more
47. *Employer's Withholding Tax* returns should be mailed to:
 Use the same address as listed on Page 1, Section B, Item 8

| | | |
|---|-------|-------------------------|
| c/o or Attn. | | |
| Address | | |
| | | |
| City | State | Zip Code |
| Mailing Telephone Number () - | | County (if in Kentucky) |

SECTION E

SALES AND USE TAX ACCOUNT

TRANSIENT ROOM TAX ACCOUNT AND MOTOR VEHICLE TIRE FEE ACCOUNT

Must be completed if you answered "YES" to ANY of the questions 20 through 30 (except 30 G).

48. Date sales began or will begin (REQUIRED)
 ___ / ___ / _____
49. Accounting Method **Cash** **Accrual**
50. **Do you rent temporary lodging to others?** **Yes** **No**
51. **Do you sell new tires for motor vehicles?** **Yes** **No**
52. Estimated gross monthly sales tax in Kentucky:
 \$0.00-\$1,199.99 \$1,200.00 or more

53. *Sales and Use Tax* returns should be mailed to:
 Use the same address as listed on Page 1, Section B, Item 8

| | | |
|---|-------|-------------------------|
| c/o or Attn. | | |
| Address | | |
| | | |
| City | State | Zip Code |
| Mailing Telephone Number () - | | County (if in Kentucky) |

SECTION F

CONSUMER'S USE TAX ACCOUNT

Must be completed if you answered "YES" to EITHER question 31 or 32.

54. Date purchases began or will begin (REQUIRED)
 ___ / ___ / _____
- * If you make a one-time purchase only, see the Instructions**
55. *Consumers Use Tax* returns should be mailed to:
 Use the same address as listed on Page 1, Section B, Item 8

| | | |
|---|-------|-------------------------|
| c/o or Attn. | | |
| Address | | |
| | | |
| City | State | Zip Code |
| Mailing Telephone Number () - | | County (if in Kentucky) |

SECTION G

CORPORATION INCOME AND/OR LIMITED LIABILITY ENTITY TAX ACCOUNT

Must be completed if you answered "YES" to ANY of the questions 34 through 41.

56. Date of incorporation or organization
 ___ / ___ / _____
57. State of incorporation or organization _____
58. Date of qualification with the Kentucky Secretary of State's Office
 ___ / ___ / _____
59. If a foreign entity, date that activity or receipt of pass through income began or will begin in Kentucky.
 ___ / ___ / _____
60. If a foreign entity, is your Kentucky activity limited to the mere solicitation of the sale of tangible personal property? **Yes** **No**
61. Is your entity an exempt organization under Kentucky law?
 Yes **No**
 If yes, list the exemption type: _____

62. *Corporation Income and/or Limited Liability Entity Tax* returns should be mailed to:
 Use the same address as listed on Page 1, Section B, Item 8

| | | |
|---|-------|-------------------------|
| c/o or Attn. | | |
| Address | | |
| | | |
| City | State | Zip Code |
| Mailing Telephone Number () - | | County (if in Kentucky) |

SECTION H TELECOMMUNICATIONS TAX ACCOUNT AND/OR UTILITY GROSS RECEIPTS LICENSE TAX ACCOUNT

Must be completed if you answered "YES" to ANY questions 30 B through 30 G.

63. Date sales of communications or utilities began or will begin (REQUIRED)

___/___/___

Once the account for *Telecommunications Tax* is assigned, use the following web site to set up account for filing of returns.

<http://revenue.ky.gov/business/Telecom.htm>

64. Telephone

() -

Once the account for *Utility Gross Receipts License Tax* is assigned, use the following web site to set up account for filing of returns.

<http://revenue.ky.gov/business/utillschool.htm>

SECTION I COAL SEVERANCE/PROCESSING TAX ACCOUNT and/or COAL SELLER/PURCHASER CERTIFICATE ID #

Must be completed if you answered "YES" to EITHER question 42 or 43.

65. Date mining/processing or coal brokering operations began or will begin (REQUIRED)

___/___/___

| | | |
|-----------------------------------|-------|-------------------------|
| c/o or Attn. | | |
| Address | | |
| | | |
| City | State | Zip Code |
| Mailing Telephone Number () - | | County (if in Kentucky) |

66. *Coal Severance & Processing Tax* returns should be mailed to:

Use the same address as listed on Page 1, Section B, Item 8

IMPORTANT: THIS APPLICATION MUST BE SIGNED BELOW:

The statements contained in this application and any accompanying schedules are hereby certified to be correct to the best knowledge and belief of the undersigned who is duly authorized to sign the application.

Signed: _____

Signed: _____

Phone Number: _____

Phone Number: _____

Title: _____ Date: ___/___/___ (mm/dd/yyyy)

Title: _____ Date: ___/___/___ (mm/dd/yyyy)

For assistance in completing the application, please call the **Taxpayer Registration Section** at (502) 564-3306, Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m., Eastern time, or you may contact one of the Kentucky Taxpayer Service Centers or use the Telecommunications Device for the Deaf. Each office is open Monday through Friday, 8:00 a.m. to 5:00 p.m., local time. For a list of Taxpayer Service Centers and phone numbers, see the Instructions.

MAIL completed application to: **KENTUCKY DEPARTMENT OF REVENUE** or **FAX to: 502-227-0772**
P.O. BOX 299, STATION 20
FRANKFORT, KENTUCKY 40602-0299

See **Form 10A100-I, Instructions for Kentucky Tax Registration Application**, for step-by-step instructions and additional information in completing this application.

If you are applying for a withholding account and/or a sales and use tax account and would like to receive a packet to register for Electronic Funds Transfer (EFT), please call (502) 564-6020.

To register for cigarette tax, minerals or natural gas severance tax, motor fuels tax, or any other miscellaneous taxes or fees administered by the Department of Revenue, please visit the Department's Web site at www.revenue.ky.gov.

This form does not include registration with the Secretary of State, Unemployment Insurance, or Workers' Compensation Insurance. For assistance please contact those offices at the numbers below.

| | | | | | |
|--------------------|----------------|------------------------|----------------|-----------------------|----------------|
| Secretary of State | (502) 564-3490 | Unemployment Insurance | (502) 564-2272 | Workers' Compensation | (502) 564-5550 |
| IRS--FEIN | (800) 829-4933 | | | | |

For assistance with other questions about starting a business in Kentucky, including special licensing and permitting requirements, business structure registration, employer responsibilities, and business development resources, visit the Business Information Clearinghouse online at www.thinkkentucky.com/BIC or call toll free 1-800-626-2250.



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.

INSTRUCTIONS

KENTUCKY TAX REGISTRATION APPLICATION



This application is used to apply for an Employer's Withholding Tax Account, Sales and Use Tax Account/Permit, Transient Room Tax Account, Motor Vehicle Tire Fee Account, Consumer's Use Tax Account, Corporation Income Tax Account, Limited Liability Entity Tax Account, Telecommunications Tax Account, Utility Gross Receipts License Tax Account, Coal Severance and Processing Tax Account, and/or Coal Seller/Purchaser Certificate ID Number. Refer to Page 4 of the application for information concerning other applicable registrations.

TO UPDATE INFORMATION SUCH AS BUSINESS NAME, LOCATION OR MAILING ADDRESSES, PHONE NUMBERS, ACCOUNTING PERIOD, RESPONSIBLE PARTY INFORMATION, TO REPORT A CHANGE IN TAXING ELECTION WITH THE IRS, OR TO REQUEST THE CANCELLATION OF ACCOUNTS, USE FORM 10A104, UPDATE OR CANCELLATION OF KENTUCKY TAX ACCOUNT(S).

For assistance in completing the application, please call the Taxpayer Registration Section at (502) 564-3306, Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m., Eastern Time, or you may contact one of the following Kentucky Taxpayer Service Centers or the Telecommunications Device for the Deaf. Each office is open Monday through Friday, 8:00 a.m. to 5:00 p.m., local time.

| | | | | | |
|-------------------------|----------------|--------------------------|----------------|---------------------------------|----------------|
| Ashland | (606) 920-2037 | Hopkinsville | (270) 889-6521 | Paducah | (270) 575-7148 |
| Bowling Green | (270) 746-7470 | Louisville | (502) 595-4512 | Pikeville | (606) 433-7675 |
| Central Kentucky | (502) 564-5930 | Northern Kentucky | (859) 371-9049 | Telecommunication Device | (502) 564-3058 |
| Corbin | (606) 528-3322 | Owensboro | (270) 687-7301 | for the Deaf | |

The Department of Revenue has an Ombudsman to serve as your advocate and is available to make sure your rights are protected. You may contact the Ombudsman at (502) 564-7822.

SECTION A—REASON FOR FILING THIS APPLICATION

- Effective Date**—Enter the effective date of the application. Check the box which corresponds to why the application is being completed.
 - Opened New Business/Resumption of Business/Hired employees working in Kentucky/Hired employees with a Kentucky residence working out-of-state**—Complete Sections A, B, and C, to determine the accounts for which you are required to apply. For *Resumption of Business*, list your previous account numbers in Section A, question 2.
 - Applying for Additional Accounts (Began new Taxable Activity)**—If you require an account type that is not currently assigned to you, list the current Kentucky account number(s) in Section A, question 3, and complete Sections B and C to determine the accounts for which you are required to apply. If the questions in Section C lead you to complete a Section for which you already have the listed account type, do not complete the Section and instead write your current account number in the Date Began field.
 - Bidding for State Government Contract (State Vendor or Affiliates)**—Any vendor who contracts to sell, install, or provide services to the Commonwealth of Kentucky or one of its agencies, or any affiliate of a company who contracts to sell, install, or provide services to the Commonwealth, is required to register for Kentucky sales and use tax pursuant to KRS 45A, and collect and remit the sales and use tax imposed by KRS Chapter 139. Complete Sections A, B, and C to determine the accounts for which you are required to apply.

Change in Ownership—This will include a business previously owned by a family member.

- Ownership Type Change**—Provide the effective date of the new ownership type and list the previous business structure. Since you are converting your business from one entity type to another, you must apply for new account numbers. List your old account numbers in Section A, question 2, and complete Sections A, B, and C, to determine the accounts for which you are required to apply.

Note: Any business converting to a limited liability company is required to apply for new account(s). In addition, new accounts are required if a sole proprietorship or a partnership is converted to a corporation (including an S corporation) and vice versa.

- Purchase of Existing Business**—Provide the effective date of the purchase and:

If the business you purchased was a sole proprietorship, joint venture, partnership for federal purposes taxed as general, limited or limited liability, or limited liability company (for federal purposes taxed as an individual, partnership, or a single member disregarded entity), then you will need to apply for new accounts. List the previous owner's accounts in Section A, question 2, and complete Sections A, B, and C, to determine the account for which you are required to re-apply.

If the business you purchased was a corporation, S corporation, or limited liability company (for federal purposes taxed as a corporation or S corporation), do not use the Kentucky Tax Registration Application. You must use Form 10A104, Update or Cancellation of Kentucky Tax Account(s), to provide the updated business and responsible party information.

Note to persons buying a business: Any person buying a business may incur a sales tax liability on the purchase of the business assets or become personally liable for the prior sales tax liability of the seller. It may be necessary for the purchaser to withhold a portion of the sales price until verification has been furnished by the seller that tax liabilities have been paid or do not exist. Therefore, it is important that anyone purchasing a business obtain a copy of Kentucky Revised Statutes 139.670 and 139.680 to determine the tax consequences and potential liability in such transactions. Copies are available at www.revenue.ky.gov, by writing the Office of Sales and Excise Taxes, Department of Revenue, PO Box 1274, Frankfort, Kentucky 40602-1274, by calling (502) 564-5170, or by contacting any Kentucky Taxpayer Service Center listed above.

- Previous Kentucky Account Numbers**—If you have purchased an existing business, list the previous owner's accounts, if available. If your current business has changed ownership types and your company must apply for new accounts or you have resumed an old business, list your old accounts. **A request in writing from the previous owner is required to cancel previous accounts if still active.**
- Current Kentucky Account Numbers**—If your company is already registered for tax accounts and you are filing this application to apply for additional accounts, then list your account numbers.

SECTION B—BUSINESS/RESPONSIBLE PARTY/CONTACT INFORMATION

- Legal Business Name**—Enter the complete legal business name for your business or organization.
- Doing Business As (DBA)**—If your business or organization has a "doing business as" name, enter the name.
- Federal Employer Identification Number (FEIN)**—Enter the FEIN assigned to your business or organization by the Internal Revenue Service. Apply for a FEIN online at www.irs.gov or contact the IRS at (800) 829-4933. Sole Proprietorships and Disregarded Entities that do not have employees or file certain federal excise tax returns may not be required to hold a FEIN for Federal purposes. However, all businesses applying for Kentucky tax accounts are encouraged to obtain a FEIN. An FEIN helps distinguish a business from others with similar names and for certain documents may be an alternative to using a personal social security number.
- Secretary of State Organization Number**—Enter the Organization Number assigned to your entity by the Kentucky Secretary of State's Office. (Sole Proprietorships and General Partnerships are not required to register with the Secretary of State).
- Business Location**—List the street address, city, state and Zip code for the location for which you are requesting registration. **Do not list a PO Box** for a business location address. For out-of-state businesses that do not have a Kentucky location, use the principal location address in your home state. If your location is in Kentucky, enter county name. If out-of-state, leave blank. Enter the telephone number for the listed location; include the area code. **If you have multiple Kentucky locations, attach a separate sheet which includes the information found in questions 4, 5, 6, 8, and 16 for each location.**
- Location of Business Records**—Give the address where business records concerning your taxes are located using the same entry criteria listed in question 8.

10. **Accounting Period**—Check the box that corresponds to when your business or organization's accounting period ends. If you choose the fiscal year filing box, enter the month and day when your year ends. **Note:** *Most businesses operate under a calendar year basis (year end December 31).*

11. **Ownership Type**—Check the box for the organizational structure type you have selected for your business. The **Other** selection should be used if your business is a RIC or REMIC. Enter the structure type on the blank provided.

Ownership Type Definitions—

- **Sole Proprietor**—One single person owning and/or operating a business, solely responsible for all debts and liabilities incurred by the business.
 - **General Partnership**—Two or more individuals owning and/or operating a business. All partners jointly share profits and losses and are individually responsible for debts incurred.
 - **Corporation**—An association of individuals chartered by law and operating under the direction of duly elected officers.
 - **S Corporation**—A legally chartered corporation made up of less than one hundred stockholders. S-corporation status is an election made with the Internal Revenue Service.
 - **Government**—City, county, state, and federal agencies.
 - **Association**—An unincorporated group joined together for a common purpose. However, associations are treated as corporations for Department of Revenue purposes.
 - **Homeowner's Association**—A membership organization formed to own and maintain common green areas, streets, sidewalks and to enforce covenants to preserve the appearance of a development. See IRS Code to apply for exempt status.
 - **Joint Venture**—A business entity that is short lived, generally common to construction related activities, where two or more individuals or businesses come together temporarily to participate in a profit making activity. Usually, each venturer specializes in a specific field of expertise or has resources not available to the other venturer(s).
 - **Trust**—A legal entity that acts as fiduciary, agent or trustee on behalf of a person or business entity for the purpose of administration, management and the eventual transfer of assets to a beneficial party.
 - **Non-Profit**—An organization chartered for other than profit-making activities. Non-profit corporations must provide a copy of the "501" letter of determination from the IRS to the Department.
 - **Real Estate Investment Trust**—A tax designation for a corporation, association or trust that is organized to hold title to real estate. See IRS Code § 856-860 for specific regulations.
 - **Estate**—An estate is the total property, real and personal, owned by an individual prior to distribution through a trust or will.
 - **Limited Partnership (LP)/Limited Liability Partnership (LLP)/ Limited Liability Limited Partnership (LLLL)**—A partnership formed by two or more persons having one or more general partners and one or more limited partners. The limited partner(s) have restricted liability for the business debts, while the general partner(s) are fully liable.
 - **Limited Liability Company (LLC)**—An organization of individuals chartered by law and operating under the direction of members or managers. For US federal taxation purposes an LLC can be taxed as a single member disregarded entity, partnership, S corporation, non-profit or as a corporation.
 - **Cooperative**—A group of individuals who have supplied their own capital at their own risk, who democratically direct and manage the enterprise, and who themselves receive the fruits of their cooperative endeavors, through the allocation of the excess among themselves.
 - **Other**—Any ownership not elsewhere classified.
12. **Limited Liability Companies (LLC)** must indicate how they have chosen to be taxed for Federal purposes. If "Single Member, Disregarded Entity, Other" is selected, list what type of entity the single member is and how it is taxed.
13. – 14. **Ownership Disclosure—Responsible Parties**—Enter the full name, residence address, city, state, Zip code, Social Security Number, telephone number, business title and the date for when the title became effective for the information that corresponds to your business ownership type. **Note:** *Social Security Numbers for responsible parties are required by law.*

- **For a Sole Proprietorship or an LLC (for Federal Purposes Taxed as an Individual)**—Enter owner's information.
- **For an LLC (for Federal Purposes Taxed as a Single Member Disregarded Entity)**—Enter the single member's company information in question 13. If the LLC has managers, their full information can be entered in Question 14. Attach a separate sheet for more LLC managers. **Note:** *Single Member-Disregarded Entity—If an election is not made by a single member LLC to be taxed as a corporation, the LLC is disregarded and therefore all income and expenses are shown on the member's (owner's) tax return.*
- **For a Joint Venture, General Partnership, Limited Partnership, LLP, LLLP, or LLC (for Federal Purposes Taxed as a Partnership, Corporation, S Corporation, or Non-profit)**—Enter the partners'/ members' information. If more than two partners/members; attach a separate sheet. **Note:** *For any entity taxed as a partnership at least two partners/members must be listed.*
- **For a Corporation, S Corporation, Government, Association, REIT, RIC, REMIC, Trust or Non-profit**—Enter the officers' information. If more than two officers; attach a separate sheet.

15. **Person to contact regarding this application**—Enter the name, title, daytime telephone number, extension, fax number and e-mail address for the person to contact with questions about this application.

SECTION C—TELL US ABOUT YOUR BUSINESS—Answer questions 16 through 43 to determine accounts for which your business or organization is required to apply.

16. **Business Activity Description—**

- A. **Kentucky Activity**—Give a description of the nature of your Kentucky business activity including a description of any services provided.
- B. **List Products Sold**—If you make sales, list the type(s) of products that you sell in Kentucky.
- C. **Primary Activity Outside Kentucky**—Give a description of the nature of your primary business activity outside the state of Kentucky, including a description of any services provided.

17. An employee is anyone to whom you pay wages, including part-time help and family members.
18. Kentucky withholding is not required from wages of Kentucky residents that work entirely outside the state or payments of pensions/retirements but your business may choose to voluntarily register to withhold.
19. Kentucky officers who receive compensation, other than dividends, are legally considered employees for withholding purposes.
20. All businesses or organizations making regular and continuous sales of Tangible Personal Property or Digital Property within Kentucky, including those via Internet and at flea markets and antique malls, are required to register for a Sales and Use Tax Account.

Tangible Personal Property (KRS 139.010(22)) "means personal property which may be seen, weighed, measured, felt or touched, or which is in any way or manner perceptible to the senses, regardless of the method of delivery, and includes natural, artificial, and mixed gas, electricity, water, steam, and prewritten computer software."
Digital Property (KRS 139.010(8)) "means any of the following which is transferred electronically: digital audio work, digital books, finished artwork, digital photographs, periodicals, newspapers, magazines, video greeting cards, audio greeting cards, video games, electronic games, or any digital code related to this property. Digital Property does not include audio-visual works or satellite radio programming.

Effective April 1, 2009, the **sale of packaged liquor**, including beer, wine and distilled spirits, will be subject to the 6% Kentucky Sales and Use Tax.

21. A repairer or reconditioner of tangible personal property is a retailer of parts and materials furnished in connection with repair work and as such must collect sales and use tax (see 103 KAR 27:150). Charges, including labor charges, for producing, fabricating, processing, printing, or imprinting tangible personal property are subject to sales and use tax (see 103 KAR 28:030).
22. Rental of tangible personal property is a taxable activity. Additionally, if you have formed a separate business to hold title to equipment, machinery, or other tangible personal property for lease back to another business you own, you will be required to charge sales tax on those transactions (see 103 KAR 28:050).

23. In general, spectator admissions (theaters, concerts, amusement parks, fairgrounds, baseball parks, etc.) are subject to sales tax. Non-spectator admissions (swimming pools, skating rinks, pay lakes, etc.) are not subject to sales tax (see 103 KAR 28:010).
24. Temporary rental of rooms, lodgings or accommodations by any hotel, motel, inn or tourist camp are subject to sales tax.
25. You as the agent are required to hold a Kentucky Sales and Use Tax Permit, if the manufacturer for whom you sell does not hold a valid Kentucky Sales and Use Tax Permit.
26. Effective June 1, 2005, all receipts collected from the sales and use tax on the fees paid for breeding a stallion to a mare will be deposited into a fund, which will be administered by the Kentucky Horse Racing Authority to enhance the breeding industry in the state. Taxpayers who report sales tax on breeding fees are required to complete the Sales and Use Tax Equine Breeders Supplementary Schedule (Form 51A132) with their sales and use tax returns in accordance with 103 KAR 27:240. **Note:** Copies of this supplemental schedule are available at www.revenue.ky.gov or for more information contact the Division of Sales and Use Tax, Department of Revenue, PO Box 181, Station 53, Frankfort, Kentucky 40620, or call (502) 564-5170.
27. Effective August 1, 2006, Kentucky motor vehicle dealers who make sales of vehicles to residents of Arizona, California, Florida, Indiana, Massachusetts, Michigan, South Carolina or Washington must collect Kentucky sales tax on the selling price of the vehicle, less the trade-in allowance for like-kind exchanges. These receipts are to be reported and paid with the filing of the dealer's regular sales and use tax return. Taxpayers who report such sales are required to complete and file a Kentucky Sales Tax Motor Vehicle Sales Supplementary Schedule (Form 51A135) which provides a breakdown for the portion of total sales that relates specifically to sales of motor vehicles to those nonresident customers. The supplementary schedule is due on the same date as the sales and use tax return and may be filed online at www.revenue.ky.gov. **Note:** For more information contact the Division of Sales and Use Tax, Department of Revenue, PO Box 181, Station 53, Frankfort, Kentucky 40620, or call (502) 564-5170.
28. All receipts collected from the sales and use tax for aviation/jet fuel will be deposited into the Kentucky Aviation Economic Development Fund, which is administered by the Kentucky Transportation Cabinet to enhance the aviation industry in the state. Taxpayers who report sales tax on aviation/jet fuel sales are required to complete the Sales and Use Tax Monthly Aviation Fuel Dealer Supplementary Schedule (Form 51A131) with their sales and use tax returns. **Note:** Copies of this supplemental schedule are available at www.revenue.ky.gov or for more information, contact the Division of Sales and Use Tax, Department of Revenue, PO Box 181, Station 53, Frankfort, Kentucky 40620, or call (502) 564-5170.
29. A contract miner or a fee processor is an independent party to whom a manufacturer/industrial processor pays a fee to perform a step or series of steps in the manufacturing or mining process. Contract miners and fee processors may issue resale certificates for materials, supplies, and industrial tools used directly in the manufacturing/mining process provided the tools have a useful life of less than one year. Resale certificates cannot be issued for repair, replacement or spare parts.
30. All businesses engaged in selling coal and natural resources are required to obtain a Sales and Use Tax account. Sales of water, gas, electricity or sewer services to nonresidential customers are subject to sales tax. Communication services are also subject to sales and use tax.
- *While the sale of cable, satellite broadcast and internet protocol television services are not subject to sales tax, cable services, satellite broadcast services, internet protocol television services and communication services are subject to telecommunications tax. Also, cable services, satellite broadcast services, internet protocol television services, communication services and the other utility services listed above are subject to utility gross receipts license tax.
- Note:** For more information concerning telecommunications tax, contact the Division of Sales and Use Tax, Department of Revenue, PO Box 181, Station 53, Frankfort, Kentucky 40620, or call (502) 564-5170. For more information concerning utility gross receipts license tax, contact the Financial Tax Section, Department of Revenue, PO Box 181, Station 61, Frankfort, Kentucky 40620, or call (502) 564-4810 (see KRS 136.600-136.660 and KRS 160.613.)
31. These purchases are subject to Kentucky use tax.
32. These purchases are subject to Kentucky use tax. All professional service providers must apply for a Consumer's Use Tax account.
33. These entities must register for a Kentucky Corporation Income Tax and/or a Limited Liability Entity Tax Account. (see KRS 141.040 and KRS 141.0401).
34. For assistance, contact the Kentucky Secretary of State's Office at (502) 564-2848, or visit them online at <http://sos.ky.gov>.
35. A Commercial Domicile is the principal place from which the trade or business of the corporation is managed.
36. See definition in Instruction 20.
37. Corporations and Limited Liability Entities with individuals performing services in Kentucky are subject to Kentucky corporation income tax and/or limited liability entity tax. Services do not include the mere solicitation of the sale of tangible personal property.
38. A Pass-through Entity is any partnership, S corporation, limited liability company, limited liability partnership, limited partnership, or similar entity recognized by the laws of this state that is not taxed for federal purposes at the entity level, but instead passes to each partner, member, shareholder, or owner their proportionate share of income, deductions, gains, losses, credits, and any other similar attributes. You are required to register for a Kentucky Corporation Income Tax Account and/or a Limited Liability Entity Tax Account to report the income generated from this pass-through entity.
39. You are required to register for a Kentucky Corporation Income Tax and/or a Limited Liability Entity Tax Account to report the income derived from or attributable to sources in Kentucky.
40. Directing activities at Kentucky customers for the purpose of selling goods or services is taxable in Kentucky.
41. Intangible property is subject to Kentucky corporate income tax and/or limited liability entity tax.
- For Corporation Income Tax, nothing in questions 34 through 41 shall be interpreted in a manner that goes beyond the limitations imposed and protections provided by the United States Constitution or Public Law No. 86-272. Public Law No. 86-272 does not apply to the Limited Liability Entity Tax.**
42. – 43B. Every person engaged in severing and/or processing coal, including refuse coal, must file an application to obtain a Certificate of Registration and Coal Seller/Purchaser Certificate ID Number with Kentucky Department of Revenue **prior** to severing and/or processing coal in Kentucky. Processing includes cleaning, breaking, sizing, dust allaying, treating to prevent freezing, or loading or unloading for any purpose. **This is limited to persons who own or have an economic interest in the coal and does not include a contract miner.** Persons who only receive an arm's length royalty are not considered as having an economic interest and are not required to register.
- Note:** Persons required to obtain a Certificate of Registration for coal severance and processing tax must also apply for a sales and use tax permit in Section E of this application.
- 43C. Coal Brokers while not subject to coal tax will be issued a Coal Seller/Purchaser Certificate ID Number that must be used in all sales and purchases of coal on Form 55A004.
- SECTION D—EMPLOYER'S WITHHOLDING ACCOUNT**
44. **Number of Employees**—Enter the total number of full-time and part-time persons expected to be employed yearly **in Kentucky**; including Kentucky residents that perform work outside the state of Kentucky. For Kentucky businesses, who are for federal purposes electing taxation as corporations, include officers who will be receiving compensation.
45. **Date Wages or Pension First Paid**—Enter the date wages or pensions were or will be paid to employees.
46. **Estimated Annual Withholding**—Check the estimated dollar amount of withholding you will be remitting to the Department of Revenue on an annual basis.
47. **Send Mail Related to This Account to**—If your mailing address is the same as the Business Location Address listed on Page 1, Section B, Item 8, then check the appropriate box.
- If you want tax returns and correspondence to be sent somewhere other than the location address listed on Page 1, Section B, Item 8, complete the mailing address, city, state, Zip code, county if mailing address is in Kentucky, and the telephone number for this address in this section. **You may include a PO Box here.**

SECTION E—SALES AND USE TAX ACCOUNT (Including Transient Room Tax Account and Motor Vehicle Tire Fee Account)

48. **Date Sales Began or Will Begin**—Give the date that sales, repairs, rentals, leases, lodgings, or admissions began or will begin in Kentucky.
49. **Accounting Method**—Check the box corresponding to the accounting method your company uses.
- **Cash Basis**—The business elects to report receipts in the accounting period that payment is actually or constructively received from the customer, even though the customer may take possession of the product prior to actually paying for it.
 - **Accrual Basis**—The business elects to report receipts in the accounting period that the sale actually occurs, regardless of when the customer makes payment for such purchases.
50. **Renting Temporary Lodging**—Do you rent temporary lodging to others? Hotels, motels, inns, tourist camps or other businesses that rent temporary lodging or accommodations in Kentucky are subject to the transient room tax. If you are required to register for this tax, mark this question “Yes.” The transient room tax adds a 1 percent tax of the rent in addition to the current 6 percent sales tax. **Note:** For more information, contact the Excise Tax Section, Department of Revenue, PO Box 1303, Station 62, Frankfort, Kentucky 40620, or call (502) 564-6823 (see KRS 142.400).
51. **Sale of New Tires for Motor Vehicles**—Do you make retail sales of new tires for motor vehicles within Kentucky? **Note:** Retail businesses which sell new tires for motor vehicles are subject to the Motor Vehicle Tire Fee. If you are required to register for this fee, mark this question “Yes.” For more information, contact the Excise Tax Section, Department of Revenue, PO Box 1303, Station 62, Frankfort, Kentucky 40620, or call (502) 564-6823.
52. **Estimated Gross Monthly Sales Tax**—Check estimated amount of monthly sales tax in Kentucky.
53. See Instruction 47 in Section D of these Instructions.

SECTION F—CONSUMER’S USE TAX ACCOUNT

Pursuant to KRS 139.330, a 6 percent use tax is due if you make out-of-state purchases of tangible personal property for storage, use, or other consumption in Kentucky and did not pay at least 6 percent state sales tax to the seller at the time of purchase. For example, if you order from catalogs, make purchases through the Internet, or shop outside Kentucky for items such as construction supplies, construction equipment, office furniture, computer equipment, medical equipment, software, office supplies, books, or subscribe to magazines or professional journals, you will owe use tax to Kentucky. This list is not all inclusive. It is important to remember that use tax applies only to items purchased outside Kentucky, including another country, which would have been taxed if purchased in Kentucky.

54. **Date Purchases Began or Will Begin**—Give the date that purchases of tangible personal property began or will begin.
- Note:** If your business did make or will make a one time only out-of-state purchase or will not regularly make these types of purchases, you will need to complete Form 51A113(O), Consumer’s Use Tax Return, to report and pay the applicable use tax. Do not complete this section to apply for a Consumer’s Use Tax Account. To obtain Form 51A113(O), call the Division of Sales and Use Tax at (502) 564-5170 or download the form from our Web site at www.revenue.ky.gov.
55. See Instruction 47 in Section D of these Instructions.

SECTION G—CORPORATION INCOME TAX ACCOUNT AND/OR LIMITED LIABILITY ENTITY TAX ACCOUNT

Note: All corporations and all limited liability entities should be registered with the Kentucky Secretary of State’s Office. You may contact their office at (502) 564-3490, or visit their Web site at <http://sos.ky.gov>.

If your company is a corporation, S corporation, or an entity that has elected to be taxed as a corporation or S corporation for federal income tax purposes, you qualify for both a corporation income tax account number and a limited liability entity tax account number, unless otherwise exempt by statute.

—OR—

If your company is a limited partnership (LP), limited liability partnership (LLP), Limited Liability Limited Partnership (LLLLP), limited liability company (LLC), professional limited liability company (PLLC), or similar entity that affords any of its partners, members, shareholders, or owners, through function of the laws of Kentucky or laws recognized by Kentucky, protection from general liability for actions of the entity and have not elected to be taxed as a corporation or S corporation for federal income tax purposes,

you qualify for a limited liability entity tax account number, unless otherwise exempt by statute.

—OR—

If your company is a **qualified** homeowner’s association, PSC, REIT, RIC, REMIC, or other entity not subject to tax imposed by KRS 141.0401(6), you qualify for a corporation income tax account number, unless otherwise exempt by statute.

Note to corporations exempt from federal income taxation: Corporations which are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, must attach a copy of the determination of exemption letter issued by the IRS.

56. **Date of Incorporation/Organization**—Enter the month, day and year your corporation was incorporated or your limited liability entity was organized.
57. **State of Incorporation/Organization**—Enter the state in which your business or organization was incorporated or organized.
58. **Qualification Date**—For out-of-state businesses, enter the month, day and year you qualified with the Secretary of State to do business in Kentucky.
59. **Date Activity Began for Foreign Entities**—Enter the date that your business or organization began business activities in Kentucky or began receiving pass-through income from Kentucky sources.
60. **Mere Solicitation**—If you are a foreign entity, check if your activity in Kentucky is mere solicitation of the sales of tangible personal property which is protected under Public Law 86-272.
61. **Exempt Organizations**—Indicate whether your business or organization is exempt from Corporation Income Tax and/or Limited Liability Entity Tax by Kentucky Statute. If yes selected, list the exemption type.

Organizations statutorily exempt from Corporation Income Tax are: Financial institutions (bank, credit union); Savings and loan associations; Banks for cooperatives; Production credit associations; Insurance Providers; non-profit entities with 501(c)(3) status with the IRS; Religious, educational, charitable organizations; corporations whose only owned or leased property located in Kentucky is located at the premises of a printer with which it has contracted for printing; and Qualified Investment Partnership (QIPs).

Organizations statutorily exempt from Limited Liability Entity Tax are all those listed above as well as: Public service corporations; Open-end registered investment companies; Property or facility certified as a fluidized bed energy production facility; Alcohol production facilities; REIT; RIC; REMIC; Personal service corporations; Cooperatives (such as: farming, advertising, purchasing); Homeowner’s Associations; Political Associations/Organizations; Rural Electric and Rural Telephone Cooperatives; Publicly traded partnerships.

62. See Instruction 47 in Section D of these Instructions.

SECTION H—TELECOMMUNICATIONS TAX ACCOUNT AND/OR UTILITY GROSS RECEIPTS LICENSE TAX ACCOUNT

63. **Date Sales of Communications or Utilities Began or Will Begin**—Give the date sales of communications and/or multichannel video programming services; water utilities; natural, artificial, or mixed gas, electricity, or sewer services began or will begin in Kentucky.
64. **Telephone Number**—List the telephone number for the business.

Tax returns for Telecommunications Tax and Utility Gross Receipts License Tax are required to be filed online. See the application for the Web site addresses to use to register for online filing.

SECTION I—COAL SEVERANCE/PROCESSING TAX AND/OR COAL SELLER/PURCHASER CERTIFICATE ID NUMBER

65. **Date Mining/Processing and/or Coal Brokering Began or Will Begin**—Give the date mining/mining processing and/or coal brokering began or will begin in Kentucky.
66. See Instruction 47 in Section D of these Instructions.

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.

**KENTUCKY INCOME TAX
FORMS REQUISITION**



**FROM: Department of Revenue
Frankfort, KY 40620**

The label at right will be used to mail your forms. **Do not detach.**
Please prepare a duplicate address below for our files.

Name _____
Street _____
City, State and ZIP _____
Phone () _____
Date Ordered _____

TO: Name _____
Street _____
City, State and ZIP Code _____

Check one: Individual Attorney CPA Tax Practitioner Other _____

| FORMS | ISSUANCE NO. | QUANTITY |
|---|-----------------|----------|
| 740/740-EZ—Kentucky Individual Income Tax Packet (Maximum 10) | 42A740 | |
| 740-NP—Nonresident or Part-Year Resident Income Tax Packet (Maximum 10) | 42A740-NP | |
| 740-ES—2012 Estimated Tax Voucher | 42A740-ES | |
| 740-ES—Instructions | 42A740-S4 | |
| Kentucky Individual Income Tax Installment Agreement Request | 12A200 | |
| 765-GP—Kentucky General Partnership Income Return | 42A765-GP | |
| 765-GP(I)—Instructions | 42A765-GP(I) | |
| Schedule K-1 (765-GP)—Partner’s Share of Income, Credits, Deductions, etc. | 42A765-GP (K-1) | |
| 720—Kentucky Corporation Income Tax and LLET Return | 41A720 | |
| 720(I)—Instructions | 41A720(I) | |
| 720S—Kentucky S Corporation Income Tax and LLET Return | 41A720S | |
| 720S(I)—Instructions | 41A720S(I) | |
| Schedule K-1 (720S)—Shareholder’s Share of Income, Credits, Deductions, etc. | 41A720S (K-1) | |
| 725—Kentucky Single Member LLC Individually Owned LLET Return | 41A725 | |
| 725(I)—Instructions | 41A725(I) | |
| 725CP—Kentucky Single Member LLC Individually Owned Composite Return Schedule | 41A725CP | |
| 765—Kentucky Partnership Income and LLET Return | 41A765 | |
| 765(I)—Instructions | 41A765(I) | |
| Schedule K-1 (765)—Partner’s Share of Income, Credits, Deductions, etc. | 41A765 (K-1) | |
| | | |
| | | |
| | | |
| | | |

Total Forms ➤

ENVELOPES (Available in groups of 100 only)

Refund 6" x 9" Blue—Enter number of groups here ➤ _____
 Payment 6" x 9" Yellow—Enter number of groups here ➤ _____
 Envelopes _____ x \$5.00 per group of 100..... _____
 Subtotal..... _____
 Sales Tax (6%) (Kentucky residents only) _____
TOTAL ➤

Make check payable to:
Kentucky State Treasurer

Mail order form and check to: Kentucky Department of Revenue
FORMS
P.O. Box 518
Frankfort, Kentucky 40602-0518



All income tax and limited liability entity tax (LLET) forms are available
at www.revenue.ky.gov (click on Tax Forms).



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.

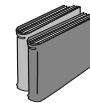
Interest


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

501 High Street
Frankfort 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)

Corbin Taxpayer Service Center

15100 North US25E, Suite 2, 40701-6188
(606) 528-3322

Hopkinsville Taxpayer Service Center

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

Louisville Taxpayer Service Center

600 West Cedar Street, 2nd Floor West, 40202-2310
(502) 595-4512

Northern Kentucky Taxpayer Service Center

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

Owensboro Taxpayer Service Center

401 Frederica Street, Building C, Suite 201, 42301-6295
(270) 687-7301

Paducah Taxpayer Service Center

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

* * * * *

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.

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Printing costs paid from state funds.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

10F100 (10-10)

Kentucky
UNBRIEDED SPIRIT

Forms

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

Information

Refund Inquiries (502) 564-1600

Forms and Information on the Internet

www.revenue.ky.gov

KENTUCKY TAXPAYER SERVICE CENTERS

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Kentucky Department of Revenue Mission Statement

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