SCHEDULE KRA–SP

41A720–S36 (10–16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ **See instructions.**

➤ **Attach to Form 720S, 765 or 765–GP.**

Taxable Year Ending

Mo. Yr.

TAX COMPUTATION SCHEDULE
(FOR A KRA PROJECT OF A PASS–THROUGH ENTITY)
KRS 154.34–010 to 120

Name of Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
Location of Project City County	Activation Date of KRA Incentive Agreement Mo. Day Yr.	Economic Development Project Number

PART I—Computation of KRA Tax Credit and Tax Due

1.	Kentucky taxable income on KRA project (see instructions)	1	00
2.	Net operating loss deduction on KRA project	2	( ) 00
3.	Kentucky taxable income on KRA project after net operating loss deduction (line 1 less line 2)	3	00
4.	Income tax on amount from line 3:		

	Taxable Net Income		Rate	Tax
(a) First $3,000		x	2%	00
(b) Next $1,000		x	3%	00
(c) Next $1,000		x	4%	00
(d) Next $3,000		x	5%	00
(e) Over $8,000 up to $75,000		x	5.8%	00
(f) Over $75,000		x	6%	00

	(g) Total income tax liability of KRA project (add lines 4(a) through 4(f))	4(g)	00
5.	LLET on KRA project (see instructions). **Not applicable for Form 765–GP**	5	00
6.	LLET credit allowed (line 5 less $175, but not more than line 4(g)). **Not applicable for Form 765–GP**	6	00
7.	Total tax on KRA project (lines 4(g) and 5 less line 6)	7	00
8.	Limitation (Column B from Schedule KRA–T)	8	00
9.	Enter the limitation as provided by KRS 154.34–120(5) (see instructions)	9	00
10.	Enter the lesser of line 7, 8 or 9 as either:		
	(a) KRA tax credit	10(a)	00
	or		
	(b) Estimated tax payment and complete election in Part II	10(b)	00
11.	If line 7 is larger than line 10(a) or 10(b), enter difference here as a **liability** of the pass–through entity. (Any pass–through entity reflecting a tax liability, complete Tax Payment Summary below and remit payment.)	11	00

PART II—Estimated Tax Election

In accordance with KRS 141.415(4)(b), ______________________________
Name of Pass–through Entity

elects for the taxable year ended ______________, in lieu of the KRA tax credit, to have an amount equal to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤

Signature of Shareholder, Partner or Member Date

TAX PAYMENT SUMMARY (Make check payable to Kentucky State Treasurer.)

Tax ____________ Interest ____________ Penalty ____________ **TOTAL** ____________

INSTRUCTIONS–SCHEDULE KRA–SP

PURPOSE OF SCHEDULE—This schedule is used by any pass–through entity which has entered into a tax incentive agreement for a Kentucky Reinvestment Act (KRA) project to determine the credit allowed against the Kentucky income tax and LLET in accordance with KRS 141.415 on the income and Kentucky gross receipts or Kentucky gross profits from the project.

Pass–through entities should first complete Form 720S, 765 or 765–GP to determine net income (loss), deductions, etc., from the entire operations of the pass–through entity. The pass–through entity should then complete Schedule KRA–SP to determine the KRA tax credit and the tax due, if any, from the KRA project. A pass–through entity is subject to tax as provided by KRS 141.020 and KRS 141.0401 on the net income and the Kentucky gross receipts or Kentucky gross profits from the project and the KRA credit is applied against the tax of the KRA project. Consequently, the pass–through entity must use Form 720S(K), Form 765(K) or Form 765–GP(K) in lieu of Schedule K (Form 720S), Schedule K (Form 765) or Schedule K (Form 765–GP) in order to exclude the net income from the KRA project from the partners, members or shareholders' distributive share income, and Schedule LLET(K) in lieu of Schedule LLET in order to exclude the Kentucky gross receipts or the Kentucky gross profits of the KRA project from the LLET at the entity level.

Multiple Projects—A pass–through entity with multiple economic development projects must complete an applicable schedule (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 determine the credit and net tax liability, if any, for each project.

Line 1—If the pass–through entity's only operation is the KRA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765 or 765–GP. If the pass–through entity has operations other than the KRA project, a schedule must be attached reflecting the computation of the net income (loss) from the KRA project in accordance with the following instructions, and such amount entered on Line 1.

Separate Facility—In accordance with KRS 141.415(6), if the KRA project is a totally separate facility, net income, Kentucky gross receipts, and Kentucky gross profits attributable to the project shall be determined by a separate accounting method.

Expansion of Existing Facility—In accordance with KRS 141.415(7), if the KRA project is an expansion to a previously existing facility, the net income, Kentucky gross receipts and Kentucky gross profits shall be determined under a separate accounting method reflecting the entire facility, and the net income, Kentucky gross receipts and Kentucky gross profits shall be determined by apportioning the net income, Kentucky gross receipts and Kentucky gross profits of the entire facility to the economic development project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the formula must be attached to the schedule.**

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

Separate Accounting—If the economic development project is a totally separate facility, net income shall reflect only the gross income, deductions, expenses, gains and losses allowed under this chapter directly attributable to the facility and overhead expenses apportioned to the facility; and Kentucky gross receipts or Kentucky gross profits shall reflect only Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

If the economic development project is an expansion to a previously existing facility, net income of the entire facility shall reflect only the gross income, deductions, expenses, gains and losses allowed under this chapter directly attributable to the facility and overhead expenses apportioned to the facility; and Kentucky gross receipts and Kentucky gross profits shall reflect only Kentucky gross receipts and Kentucky gross profits directly attributable to the facility. Net income, Kentucky gross receipts and Kentucky gross profits of the entire facility attributable to the economic development project shall be determined by apportioning the net income, Kentucky gross receipts and Kentucky gross profits by a formula approved by the Department of Revenue.

Line 2—Enter the net operating loss from the KRA project, if any, being carried forward from previous years.

Note: Just as the income from a KRA project does not flow through to partners, members or shareholders, neither do the losses. The project's net operating loss from prior years must be subtracted from the project income before calculating the KRA credit.

General Partnership—Lines 5 and 6 of this schedule shall not be completed by a general partnership as a general partnership is not subject to LLET.

Line 5—Using Schedule LLET, create a new Schedule LLET to compute the LLET of the KRA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter **"KRA"** at the top center of the Schedule LLET and attach it to the tax return.

Limitation—For an approved company which received preliminary approval for a reinvestment project prior to February 1, 2010, the amount of incentives allowed in any tax year shall not exceed the lesser of: (i) the tax liability of the approved company related to the reinvestment project for that taxable year, or (ii) the approved costs that have not yet been recovered.

For an approved company which received preliminary approval for a reinvestment project on or after February 1, 2010, the amount of incentives allowed in any tax year shall not exceed the lesser of: (i) the tax liability of the approved company related to the reinvestment project for that taxable year, (ii) twenty percent (20%) of the total amount of the approved costs, or (iii) the approved costs that have not yet been recovered.

Line 9—Enter: (i) the total amount of the approved costs, if the company received preliminary approval for the project prior to February 1, 2010; or (ii) twenty percent (20%) of the total amount of the approved costs, if the company received preliminary approval for the project on or after February 1, 2010.

Line 10—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment shall be in satisfaction of the tax liability of the partners, members or shareholders of the pass–through entity, and shall be paid on behalf of the partners, members or shareholders. Enter an amount on either (a) or (b), but in no case shall there be an entry on both (a) and (b). In accordance with KRS 141.415(5), this estimated tax payment is excluded in determining each partner, member or shareholder's distributive share income or credit from a pass–through entity. Accordingly, the partners, members or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.