



720S

41A720S

Revenue Cabinet

Kentucky S Corporation Income and License Tax Return

1999

Taxable Year Ending

MMYY

See separate instructions.

Taxable period beginning _____, 1999, and ending _____, _____.

A Check applicable box(es).

Income Tax Return

Return not required

License Tax Return

Separate entity

Consolidated

Return not required

B Federal Identification Number

Identification Number input field

C Kentucky Account Number

Account Number input field

Name of S Corporation, State and Date of Incorporation, Number and Street, Principal Business Activity in KY, City, State, ZIP Code, Telephone Number, Kentucky Business Code No., D Name of Common Parent, Kentucky Account Number, Federal Business Code Number

E Check if applicable: LLC Initial return Final return Amended return Short-period return Change of name/address

PART I—ORDINARY INCOME (LOSS) COMPUTATION

Table with 3 columns: Description, Amount, and another column. Rows include Federal ordinary income (loss), ADDITIONS (State taxes, Other), SUBTRACTIONS (Federal work opportunity credit, Other), and Ordinary income (loss).

Table with 3 columns: Description, Amount, and another column. Rows include Estimated payments, Extension payment, Prior year's credit, License tax overpayment, Income tax due, Income tax overpayment, Credited to 1999 license tax, Credited to 2000, Refunded.

PART II—INCOME TAX COMPUTATION

Table with 3 columns: Description, Amount, and another column. Rows include Taxable income, Less statutory exemption (\$25,000), Net capital gain, Less statutory exemption (\$25,000), Apportionment fraction, Taxable income, Taxable Net Income table, Income tax liability, Enterprise zone tax credit, Net income tax liability.

Table with 3 columns: Description, Amount, and another column. Rows include Capital stock, Additional paid-in capital (surplus), Retained earnings (surplus), Adjustments to shareholders' equity (surplus), Mortgages, notes payable in less than 1 year, Advances by affiliated companies, Mortgages, notes payable in 1 year or more, Other liabilities, Intercompany accounts, Other capital accounts, Less monies borrowed for inventory, Less KRS 136.071 deduction, Total capital, Apportionment fraction, Capital employed subject to tax, Tax before credit, License tax credit, License tax liability, Extension payment, Income tax overpayment, License tax due, License tax overpayment, Credited to 1999 income tax, Credited to 2000, Refunded.

TAX PAYMENT SUMMARY (Round to Nearest Dollar)

Income

Income input field

Penalty

Penalty input field

Interest

Interest input field

41A720S9913

License

License input field

TOTAL (Including Penalty and Interest)

TOTAL input field

Federal Form 1120S, pages 1, 3 and 4, must be attached.

SCHEDULE Q—KENTUCKY S CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4—11 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 _____

3. If a foreign S corporation, enter the date qualified to do business in Kentucky. ___ / ___ / ___

4. The S corporation's books are in care of: (name and address)

5. Did the S corporation at any time during the taxable year own 50 percent or more of the voting stock of another corporation, either domestic or foreign? Yes No

6. Did any corporation, individual, partnership, trust or association at any time during the taxable year own 50 percent or more of the S corporation's voting stock? Yes No
If yes, attach a schedule listing the name, address and federal I.D. number of the entity.

7. Is the S corporation a partner in a partnership doing business in Kentucky? Yes No
If yes, list name and federal I.D. number of the partnership _____

Did the S corporation have property or payroll in Kentucky, other than partnership property or payroll? Yes No

8. Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other _____

9. Is the S corporation a public service corporation subject to taxation under KRS 136.120? Yes No

10. (a) Did the S corporation file a Kentucky intangible property tax return for January 1, 2000? Yes No
(b) Did the S corporation file a Kentucky tangible personal property tax return for January 1, 2000? Yes No

11. Is the S 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 S corporation's income which have not been reported to this Cabinet, check here , file an amended Form 720S, Kentucky S Corporation Income and License Tax Return, for each year adjusted and attach a copy of the final determination.

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: _____ Treasurer's Name: _____

President's Home Address: _____ Treasurer's Home Address: _____

President's Social Security Number: _____ Treasurer's Social Security Number: _____

Vice President's Name: _____ Secretary's Name: _____

Vice President's Home Address: _____ Secretary's Home Address: _____

Vice President's Social Security Number: _____ Secretary's Social Security Number: _____

Make check(s) payable to Kentucky State Treasurer. Mail return with payment to Kentucky Revenue Cabinet, Frankfort, Kentucky 40620.

I, the undersigned, declare under the penalties of perjury, that I have examined these returns, including all accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete.

41A720S9923



Signature of principal officer or chief accounting officer

Date

Name and Social Security or federal identification number of person or firm preparing return

SCHEDULE K—SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC. (See Specific Instructions for Each Line Item)

SECTION I	(a) Pro Rata Share Items	(b) Total Amount
Income (Loss) and Deductions		
1.	Ordinary income (loss) from trade or business activities (page 1, Part I, line 7)	1
2.	Net income (loss) from rental real estate activities (attach federal Form 8825)	2
3.	(a) Gross income from other rental activities	3(a)
	(b) Less expenses (attach schedule)	(b)
	(c) Net income (loss) from other rental activities	(c)
4.	Portfolio income (loss):	
	(a) Interest income	4(a)
	(b) Dividend income	(b)
	(c) Royalty income	(c)
	(d) Net short-term capital gain (loss) (attach federal Schedule D (Form 1120S))	(d)
	(e) Net long-term capital gain (loss) (attach federal Schedule D (Form 1120S))	(e)
	(f) Other portfolio income (loss) (attach schedule)	(f)
5.	Net gain (loss) under Section 1231 (other than due to casualty or theft) (attach federal Form 4797)	5
6.	Other income (loss) (attach schedule)	6
7.	Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	7
8.	Section 179 expense deduction (attach federal Form 4562)	8
9.	Deductions related to portfolio income (loss) (attach schedule)	9
10.	Other deductions (attach schedule)	10
Investment Interest		
11.	(a) Interest expense on investment debts	11(a)
	(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)
	(2) Investment expenses included on line 9 above	(2)
Credits		
12.	Kentucky Unemployment Tax Credit (attach Schedule UTC)	12
13.	Recycling and Composting Equipment Tax Credit (attach <i>approved</i> Schedule RC)	13
14.	Kentucky Investment Fund Tax Credit	14
Other Items		
15.	(a) Type of Section 59(e)(2) expenditures ▶	15(a)
	(b) Amount of Section 59(e)(2) expenditures	(b)
16.	Tax-exempt interest income	16
17.	Other tax-exempt income	17
18.	Nondeductible expenses	18
19.	Total property distributions (including cash) other than dividends reported on line 21 below	19
20.	Other items and amounts required to be reported separately to shareholders (attach schedule)	20
21.	Total dividend distributions paid from accumulated earnings and profits	21
SECTION II—Computation of Nonresident Shareholders' Taxable Percentage		
1.	S corporation's Kentucky gross receipts	1
2.	S corporation's total gross receipts	2
3.	Nonresident shareholders' taxable percentage (line 1 divided by line 2)	3

SCHEDULE K INSTRUCTIONS

General Instructions—Schedule K, Form 720S, is a summary schedule of all the shareholders' shares of the S corporation's income, deductions, credits, etc. Shareholders are liable for income tax on their share of the corporation's income (reduced by any federal tax paid by the S corporation on the income). 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.

NOTE: Banks and savings and loan associations see special instructions under Tax Treatment of S Corporation and Shareholder(s) on the front page of the 720S packet.

Passive Activity Limitations—IRC Section 469 provides for limitations on losses and deductions that shareholders may claim from "passive activities." The limitations apply to the shareholders of the S corporation and not the S corporation itself.

Generally, a passive activity is any activity of the S corporation which involves the conduct of any trade or business in which a shareholder does not materially participate and any rental activity even if the shareholder materially participates. The passive activity rules provide that losses from passive activities can generally be applied only against income from passive activities. Thus, passive losses cannot be applied against income from salaries, wages, professional fees, or a business in which the shareholder materially participates; or against portfolio income.

41A720S9933



Generally, portfolio income includes all gross income, other than income derived in the ordinary and regular course of a trade or business, that is attributable to interest; dividends; royalties; income from a real estate investment trust, a regulated investment company, a real estate mortgage investment conduit, a common trust fund, a controlled foreign corporation, a qualified electing fund, or a cooperative; income from the disposition of property that produces income of a type defined as portfolio income; and income from the disposition of property held for investment.

Section I—Specific Instructions

Line 1—Enter ordinary income (loss) from trade or business activities reported on Form 720S, Part I, Line 7.

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 rental expenses reported on federal Schedule K, Form 1120S, adjusted to reflect any differences in Kentucky and federal income tax laws.

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)—Enter net short-term capital gain (loss) from federal Schedule D (Form 1120S) that is portfolio income. Report any gain or loss that is not portfolio income on Line 6, Schedule K, Form 720S.

Line 4(e)—Enter net long-term capital gain (loss) from federal Schedule D (Form 1120S) that is portfolio income. Report any gain or loss that is not portfolio income on Line 6, Schedule K, Form 720S.

Line 4(f)—Enter any other portfolio income not reported on Lines 4(a) through 4(e), Schedule K, Form 720S.

Line 5—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 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—Enter IRC Section 179 expense 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 amount from Schedule UTC, Unemployment Tax Credit, Line 38.

Line 13—Enter the amount from Schedule RC, Application for Income Tax Credit for Recycling and/or Composting Equipment, Part II, Line 2.

Line 14—Enter the amount of credit approved by KEDFA on investments made in a qualified fund approved by KEDFA in accordance with the Kentucky Investment Fund Act. Attach a copy of form received from KEDFA that shows the amount of the approved credit.

Line 15(a)—Enter the information provided on federal Schedule K, Form 1120S, Line 16(a).

Line 15(b)—Enter the amount reported on federal Schedule K, Form 1120S, Line 16(b).

Line 16—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 17—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 18—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 19—Enter the amount reported on federal Schedule K, Form 1120S, Line 20.

Line 20—Attach schedules to report the S corporation's total income, expenses and other information applicable to items not included on Lines 1 through 19 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, and any other information the shareholders need to prepare their Kentucky income tax returns. See federal instructions for Schedule K, Form 1120S, Line 20.

Line 21—Enter the amount reported on federal Schedule K, Form 1120S, Line 22.

Section II

An S corporation which has all of its property and payroll within Kentucky does not make the computation in Section II and must enter 100 percent on each shareholder's Schedule K-1 (Form 720S), Item D(2). An S corporation which has property or payroll both within and without Kentucky must compute the percentage of its gross receipts from sales or services in Kentucky to its gross receipts from sales or services everywhere during the tax year and enter the percentage on each shareholder's Schedule K-1 (Form 720S), Item D(2).

The terms "sales" or "services" mean all gross receipts derived from transactions or activities in the ordinary and regular course of the S corporation's trade or business and which are includable in its gross income. Interest, dividends, royalties and gains or losses on the disposition of property acquired, held, owned or used in the ordinary or regular course of the S corporation's business are gross receipts used to determine the business ratio. Gross receipts of this kind are included in the Kentucky receipts portion (numerator) of the business ratio if the S corporation is domiciled in Kentucky or the source of such income is in Kentucky. If the S corporation is domiciled outside of Kentucky but the source of such income is in Kentucky, the gross receipts are in the numerator of the business ratio. The denominator of the business ratio is the total gross receipts in the ordinary or regular course of the S corporation's trade or business.

Gross receipts, for determining the business ratio, do not include in either the numerator or the denominator interest, dividends, royalties and gains or losses on the disposition of property held for other than trade or business purposes.

NOTE: The receipts reported on Lines 1 and 2 may not be the same as reported by an S corporation on Schedule A.