

**SCHEDULE KIRA-SP**

41A720-S26  
(10-00)

Commonwealth of Kentucky  
REVENUE CABINET

**TAX COMPUTATION SCHEDULE**  
**(FOR A KIRA PROJECT OF**  
**S CORPORATIONS OR PARTNERSHIPS)**

For taxable year ended

\_\_\_ / \_\_\_  
Mo. Yr.

Name of S Corporation or Partnership	Federal Identification Number ____ - _____	Kentucky Account Number (if applicable) _____
Location of Project City _____ County _____	Date KIRA Revitalization Agreement was Executed ___ / ___ / ___ Mo. Day Yr.	Economic Development Project Number _____

**PART I. Computation of KIRA Tax Credit and Tax Due**

1. Kentucky taxable net income from KIRA project (see instructions) .....	1	
2. Compute tax on amount from line 1:		
<b>Taxable Net Income</b>	<b>Rate</b>	<b>Tax</b>
(a) First \$3,000 .....	x 2%	_____
(b) Next \$1,000 .....	x 3%	_____
(c) Next \$1,000 .....	x 4%	_____
(d) Next \$3,000 .....	x 5%	_____
(e) All over \$8,000 .....	x 6%	_____
(f) Total income tax liability of KIRA project (add lines 2(a) through 2(e)) .....	2(f)	_____
3. Limitation (Column D from Schedule KIRA-T) .....	3	
4. Enter lesser of line 2(f) or line 3 as either:		
(a) KIRA tax credit .....	4(a)	
<i>or</i>		
(b) Estimated tax payment and complete election in Part II .....	4(b)	
5. If line 2(f) is larger than line 4(a) or 4(b), enter difference here as the <b>net income tax liability</b> of the S corporation or partnership. (Any partnership reflecting a tax liability complete Tax Payment Summary below and remit payment. Any S corporation reflecting a tax liability enter this amount on Form 720S, Part II, line 10, and remit payment.) .....	5	

**PART II. Estimated Tax Election**

In accordance with KRS 141.403(4)(b), \_\_\_\_\_  
Name of S Corporation or Partnership

elects for the taxable year ended \_\_\_\_\_, in lieu of the KIRA tax credit, to have an amount equal to the lesser of line 2(f) or line 3 above applied as an estimated tax payment.

➤  
Signature of Corporate Officer or General Partner \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

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

Tax \_\_\_\_\_ Interest \_\_\_\_\_ Penalty \_\_\_\_\_ **TOTAL** \_\_\_\_\_



Form 720S, Kentucky S Corporation Income and License Tax Return, or Form 765, Kentucky Partnership Income Return, including this schedule *must be mailed* to Economic Development Tax Credits, Corporation Income Tax Section, Revenue Cabinet, P.O. Box 181, Frankfort, Kentucky 40602-0181.

## INSTRUCTIONS—SCHEDULE KIRA-SP

**PURPOSE OF SCHEDULE**—This schedule is to be used by any S corporation or partnership which has entered into a financing agreement for a Kentucky Industrial Revitalization Act (KIRA) project to determine the credit allowed against the Kentucky income tax liability in accordance with KRS 141.403 on the income from the project.

### GENERAL INSTRUCTIONS

S corporations and partnerships generally are not subject to Kentucky income tax at the entity level; rather, the shareholders or partners of such entities are subject to Kentucky income tax in their individual or corporate capacity on their distributive share of the entity's net income. However, for purposes of determining the KIRA income tax credit, S corporations and partnerships are subject to tax on net income from the project, and the credit is applied against the entity's tax liability. The net income subject to tax at the entity level and the credit are excluded from the shareholders' or partners' distributive share of income or credits.

The S corporation or partnership should first complete Form 720S, Kentucky S Corporation Income and License Tax Return, or Form 765, Kentucky Partnership Income Return, to determine net income (loss), deductions, etc., from the entire operations of the S corporation or partnership. The S corporation or partnership should then complete Schedule KIRA-SP to determine the KIRA tax credit and the tax due, if any, by the S corporation or partnership after application of the credit.

**License Tax**—This credit applies only to income tax and cannot be applied against the corporation license tax.

**Multiple Projects**—An S corporation or partnership with multiple economic development projects must complete an applicable schedule (Schedule KREDA-SP, Schedule KIDA-SP, Schedule KJDA-SP or Schedule KIRA-SP) to determine the credit and net tax liability, if any, for each project.

### PART I INSTRUCTIONS

**Line 1**—If the S corporation's or partnership's only operation is the KIRA project, the amount entered on line 1 would be the net of both separately stated and non-separately stated income and deduction items from Form 720S or Form 765, respectively. If the corporation has operations other than the KIRA project, schedules must be attached reflecting the computation of the net income from the KIRA project in accordance with the following instructions, and such amount entered on line 1.

**Separate Facility**—In accordance with KRS 141.403(6), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.

**Expansion of Existing Facility**—In accordance with KRS 141.403(7), if the KIRA project is an expansion to an existing facility, the net income of the entire facility shall be determined by the separate accounting method and multiplied by a percentage approved by the Kentucky Revenue Cabinet to determine net income attributable to the project. **A copy of the letter from the Revenue Cabinet approving the percentage must be attached to this schedule.**

**Alternative Methods**—In accordance with KRS 141.403(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 separate accounting to determine net income from the facility at which the project is located, the approved company shall determine net income attributable to the project using an alternative method approved by the Revenue Cabinet. **Thus, if any method other than separate accounting is used to determine the net income from the project, a copy of the letter from the Revenue Cabinet approving the alternative method must be attached to this schedule.**

**Computing Net Income by Separate Accounting**—To compute net income from the facility by separate accounting, gross income directly attributable to the facility shall be reduced by expenses directly attributable to the facility and overhead expenses apportioned to the facility. The amounts of gross receipts and expenses to be included in this separate accounting computation should be determined in accordance with KRS 141.010 in effect for the year.

All gross receipts generated by the sale of product(s) produced by the facility as well as any miscellaneous income generated by the facility shall be included as gross income directly attributable to the facility.

Expenses directly attributable to the facility include, but are not limited to: cost of goods sold, labor, rent, depreciation, interest, supplies, maintenance, legal fees and selling expenses.

Overhead expenses apportioned to the facility are general corporate expenses that are not directly attributable to a specific facility. Overhead expenses shall be reduced by income items such as interest, royalties, etc., that are not directly attributable to a specific facility before being apportioned to the facility. The net expenses shall be apportioned to the facility by a ratio of total receipts of the facility over total receipts of the corporation.

**Line 4**—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. Enter an amount on either (a) or (b); **in no case should there be an entry on both (a) and (b).**