

- 7. Include a nonrefundable application fee of \$1,000 with this application. Payment of the fee must be by cashier's check. A separate check must be issued for the nonrefundable application fee.
- 8. Include a refundable performance fee with this application equal to one-half of one percent (0.5%) of the qualified equity investment requested to be certified, not to exceed \$500,000. Payment of the fee must be by cashier's check. A separate check must be issued for the refundable performance fee.

Under penalties of perjury, I declare that the applicant's allocation agreement remains in effect and has not been revoked or canceled by the CDFI Fund; and that I have examined the application, including all accompanying documents and statements, and to the best of my knowledge and belief, it is true, correct and complete.

By: _____
Signature of executive officer of CDE Date

Print Name: _____

Title: _____

Department of Revenue Use Only

The application is approved _____

The application is not approved (see attached explanation) _____

By: _____ Date: _____

Mail to Department of Revenue, Division of Corporation Tax, Station 52, 501 High Street, Frankfort, KY 40601-2103.

INSTRUCTIONS—APPLICATION FOR CERTIFICATION OF QUALIFIED EQUITY INVESTMENTS ELIGIBLE FOR KENTUCKY NEW MARKETS DEVELOPMENT PROGRAM TAX CREDIT

A qualified community development entity (CDE) that seeks to have an equity investment or long-term debt security certified as a qualified equity investment and eligible for the tax credit permitted by KRS 141.434 shall file this application, Form 8874(K), with the Kentucky Department of Revenue (department).

The following fees shall be included with the application: (i) a nonrefundable application fee (payment must be by cashier's check) of \$1,000 (a separate check made payable to the Kentucky State Treasurer must be issued for the nonrefundable application fee); and (ii) a refundable performance fee (payment must be by cashier's check) equal to one-half of one percent (0.5%) of the qualified equity investment requested to be certified, not to exceed \$500,000 (a separate check made payable to the Kentucky State Treasurer must be issued for the refundable performance fee).

The department will notify you within thirty (30) days after receipt of the application whether the application is approved or denied. If the department intends to deny your application, you will be notified in writing (via certified mail) by the department of the reason for denial. Upon receipt of the notice of denial, the CDE has fifteen (15) days to provide the department with information necessary to correct any deficiencies in the application. Upon receipt of any additional information, the department shall have an additional thirty (30) days to either approve or deny the application.

If the CDE fails to provide the additional information required by the department or fails to complete its application within the fifteen (15) day period, the application shall be deemed denied and must be resubmitted in full with a new submission date. If the application is deemed denied, the department will refund the performance fee in full to the CDE.

If the department determines that the application is in compliance with the provisions of KRS 141.432 to 141.434, a copy of the application will be returned to you (via certified mail) containing the department's approval of the qualified equity investments and taxpayers eligible for tax credits under KRS 141.434. "Department's approval" means the department's certification as provided by KRS 141.433(3) of the proposed equity investments or long-term debt securities as qualified equity investments eligible for tax credits provided by KRS 141.432 to 141.434. If the tax credits are limited because of the \$10 million tax credit cap provided by KRS 141.434(4), the department will notify the CDE of the limitation and the CDE may either elect to withdraw its application or receive a partial credit. If the CDE elects to withdraw its application, the department will refund the performance fee in full to the CDE. If the CDE elects to receive a partial credit, the department will refund a portion of the performance fee, whereby only the fee applicable to the certified amount is retained.

If the taxpayers eligible to claim the credits change due to a transfer of a qualified equity investment or a change in an allocation pursuant to KRS 141.434(2), the CDE shall notify the department of such change.

Within ninety (90) days after receipt of the notice of certification by the department, the CDE shall issue the qualified equity investment and receive cash in the amount of the certified purchase price. The CDE shall provide the department with evidence of the receipt of the cash within ten (10) business days after receipt. If the CDE does not receive cash in exchange for the total amount of the qualified equity investment within ninety (90) days following receipt of the certification notice from the department, the certification shall lapse, and the entity may not issue the qualified equity investment without reapplying to the department for certification. In addition, the entire performance fee shall be forfeited.

The CDE shall complete Form 8874(K)-A, Notice of Kentucky New Markets Development Program Tax Credit and Certification, and file a copy with the department for each taxpayer as evidence of the receipt of cash for the qualified equity investment. If the department is satisfied that the cash amount of the qualified equity investment was received by the CDE from the qualified equity investor, the department shall return Form 8874(K)-A containing the department's approval of the tax credit to both the CDE and taxpayer.