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Frankfort, KY 40620

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2016

PACKAGE K

Kentucky

Individual

Income Tax

and

Corporation

Income Tax

Forms

**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, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

2016 PACKAGE K CONTENTS

Your Rights as a Kentucky Taxpayer.....	Page 1-2
---	-------------

FORMS/SCHEDULES—INDIVIDUAL

Tax Tables for 2016	3-6
---------------------------	-----

740 Packet Instructions

What's New for 2016	7
740, General Information	9-11
Federal/Kentucky Individual Income Tax Differences.....	12
Instructions for 740.....	13-27
Instructions for Sch. M	28-29
Instructions for Sch. A	30-35

740-NP Packet Instructions

What's New for Nonresidents.....	37
Instructions for 740-NP.....	39-55

740/740-EZ

Form 740, Kentucky Individual Income Tax Return	57-59
Form 740-EZ, Kentucky Individual Income Tax Return..	61-62
Schedule A, Kentucky Itemized Deductions.....	63-64
Schedule J, Kentucky Farm Income Averaging	65-66
Schedule KNOL, Kentucky Net Operating Loss Schedule.....	67
Schedule M, Kentucky Federal Adjusted Gross Income Modifications	69
Schedule P, Kentucky Pension Income Exclusion.....	71-72
Schedule UTC, Unemployment Tax Credit.....	73-74
Form 740-X, Amended Kentucky Individual Income Tax Return.....	75-76

740-NP

Form 740-NP, Nonresident or Part-Year Resident Kentucky Individual Income Tax Return.....	77-80
Schedule A, Kentucky Itemized Deductions.....	81-82
Schedule ME, Moving Expense and Reimbursement.....	83
Form 740-NP-R, Kentucky Income Tax Return, Nonresident—Reciprocal State.....	85

741

Form 741, Kentucky Fiduciary Income Tax Return.....	87-88
Instructions for Form 741	89-92
Schedule D, Kentucky Capital Gains & Losses.....	93-94
Schedule K-1, Kentucky Beneficiary's Share of Income, Deductions, Credits, Etc.....	95-96

765-GP

Form 765-GP, Kentucky General Partnership Income Return	97-100
Instructions for Form 765-GP.....	101-114
Schedule K-1, Partner's Share of Income, Credits, Deductions, Etc.....	115-118

	Page
--	------

Other—Individual Forms/Schedules

Form 2210-K, Underpayment of Estimated Tax By Individuals.....	119-121
42A740-S4, Instructions for Filing Estimated Tax Vouchers (worksheet included).....	123-124
Form 4972-K, Kentucky Tax on Lump-Sum Distributions	125
Form 8582-K, Kentucky Passive Activity Loss Limitations.....	127-128
Form 8863-K, Kentucky Education Tuition Tax Credit.....	129-131
Form 8879-K, Kentucky Individual Income Tax Declaration for Electronic Filing.....	133-135
Form 8948-K, Preparer Explanation For Not Filing Electronically.....	137
40A100, Application for Refund of Income Taxes and LLET	139
40A102, Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky	141
Form PTE-WH (40A200), Kentucky Nonresident Income Tax Withholding on Distributive Share Income	143
Form 740NP-WH (40A201), Kentucky Nonresident Income Tax Withholding on Distributive Share Income Report and Composite Income Tax Return.....	145-147
Form 740NP-WH-ES (40A201ES), 2017 Pass- Through Entity Nonresident Distributive Share Withholding Report and Composite Income Tax Return Voucher	149-150
Form 40A201NP-WH-SL, Extension of Time to File Kentucky Form 740NP-WH.....	151
Form 740NP-WH-P (40A201-WHP) Underpayment and Late Payment of Estimated Tax on Form 740NP-WH	153-158

FORMS/SCHEDULES—CORPORATION

720

Form 720, Kentucky Corporation Income Tax and LLET Return	159-161
Instructions for Form 720.....	163-179
Schedule A, Apportionment and Allocation	181-182
Schedule A-C, Apportionment and Allocation (Continuation Sheet).....	183-185
Schedule A-N, Apportionment Factor Schedule	187-188
Schedule BIO, Application and Credit Certificate of Income Tax/LLET Credit—Biodiesel	189-190
Schedule CC, Coal Conversion Tax Credit.....	191-193
Schedule CCI, Application and Credit Certificate of Clean Coal Incentive Tax Credit.....	195-196
Schedule CELL, Application and Credit Certificate of Income Tax/LLET Credit —Cellulosic Ethanol	197-198
Schedule CI, Application for Coal Incentive Tax Credit.....	199-200
Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold.....	201-202

	Page
Schedule CR (Form 720), Pro Forma Federal Consolidated Return Schedule.....	203-204
Schedule CR-C, (Form 720) Pro Forma Federal Consolidated Return Schedule (Continuation Sheet).....	205
Schedule DS, Distilled Spirits Tax Credit.....	207-208
Schedule DS-R, Distilled Spirits Tax Credit Recapture.....	209-210
Schedule ENDOW, Notice of Endow Kentucky Tax Credit and Certification.....	211-212
Schedule ETH, Application and Credit Certificate of Income Tax/LLET Credit—Ethanol.....	213-214
Schedule FD, Food Donation Tax Credit.....	215-217
Schedule HH, Kentucky Housing for Homeless Families Deduction	219
Schedule KCR (Form 720), Kentucky Consolidated Return Schedule	221-222
Schedule KCR-C (Form 720), Kentucky Consolidated Return Schedule (Continuation Sheet).....	223
Schedule LLET, Limited Liability Entity Tax	225-226
Schedule LLET-C, Limited Liability Entity Tax (Continuation Sheet).....	227-229
Schedule LLET(K), Limited Liability Entity Tax (For a Limited Liability Pass-through Entity with Economic Development Project(s)).....	231-232
Schedule LLET(K)-C, Limited Liability Entity Tax (For a Limited Liability Pass-through Entity with Economic Development Project(s)) (Continuation Sheet).....	233-235
Schedule NOL (Form 720), Net Operating Loss Schedule	237-239
Schedule NOL-CF, Kentucky NOL Carryforward Schedule	241
Schedule O-720, Other Additions and Subtractions To/From Federal Taxable Income	243-245
Schedule QR, Qualified Research Facility Tax Credit.....	247-248
Schedule RC, Application for Income Tax/LLET Credit for Recycling and/or Composting Equipment or Major Recycling Project.....	249-250
Instructions for Schedule RC	251-253
Schedule RC-C, Part I Continuation	255
Schedule RC-R, Recycling or Composting Equipment Tax Credit Recapture	257-258
Schedule RPC, Related Party Costs Disclosure Statement	259-263
Schedule RR-E, Application and Credit Certificate of Income Tax/LLET Credit Railroad Expansion	265-266
Schedule RR-I, Railroad Maintenance and Improvement Tax Credit.....	267-268
Schedule TCS, Tax Credit Summary Schedule	269-270
Schedule VERB, Voluntary Environmental Remediation Tax Credit	271-272

720S

Form 720S, Kentucky S Corporation Income Tax and LLET Return.....	273-277
Instructions for Form 720S	279-299
Schedule K-1 (Form 720S), Shareholder's Share of Income, Credits, Deductions, Etc.....	301-304
Schedule O-PTE, Other Additions and Subtractions To/From Federal Ordinary Income	305-306

725

Form 725, Kentucky Single Member LLC Individually Owned Income and LLET Return.....	307-309
Instructions for Form 725.....	311-326
Schedule CP (Form 725), Kentucky Single Member LLC Individually Owned Composite Return Schedule	327-328

765

Form 765, Kentucky Partnership Income and LLET Return	329-333
Instructions for Form 765	335-353
Schedule K-1 (Form 765), Partner's Share of Income, Credits, Deductions, Etc.....	355-358

Other—Corporation Tax Forms/Schedules

Form 720-ES (41A720ES), 2017 Corporation Income/ Limited Liability Entity Tax Estimated Tax Voucher	359
Instructions for Form 720-ES	361-362
Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET Return	363
Form 720-V (41A720-S12), Electronic Filing Payment Voucher.....	365
Form 851-K, Kentucky Affiliations and Payment Schedule	367-368
Form 2220-K, Underpayment and Late Payment of Estimated Income Tax and LLET	369-372
Form 8879(C)-K, Kentucky Corporation or Pass-through Entity Tax Return Declaration for Electronic Filing	373-375
Form 8903-K, Kentucky Domestic Production Activities Deduction	377-378

MISCELLANEOUS

10A100(P), Kentucky Tax Registration Application and Instructions.....	379-405
40A727, Forms Requisition.....	407



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. If you file a timely protest, you have a right to a conference to discuss the matter. (See reverse for procedure to file a protest.)

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.

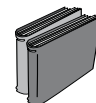
Interest

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;




2

- ✓ 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;
- ✓ 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; and
- ✓ notify you by certified mail 20 days prior to submitting name to the relevant agency for the revocation or denial of professional license, driver's license or motor vehicle registration.

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
1539 Greenup Avenue, 41101-7695
(606) 920-2037

Bowling Green Taxpayer Service Center
201 West Professional Park Court, 42104-3278
(270) 746-7470

Corbin Taxpayer Service Center
15100 North US25E, Suite 2, 40701-6188
(606) 528-3322

Frankfort Taxpayer Service Center
501 High Street, 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)

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 131.041-131.083. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.1817, 131.183, 131.190, 131.500, 131.654, 133.120, 133.130, 134.580 and 134.590.

The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

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Commonwealth of Kentucky
DEPARTMENT OF REVENUE

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TAX TABLE—2016 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 But Not Tax			If Taxable Income But Not Tax			If Taxable Income But Not Tax			If Taxable Income But Not Tax		
Is Over	Over	Tax	Is Over	Over	Tax	Is Over	Over	Tax	Is Over	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—2016 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 But Not Is Over Over Tax			If Taxable Income But Not Is Over Over Tax			If Taxable Income But Not Is Over Over Tax			If Taxable Income But Not Is Over 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—2016 KENTUCKY INDIVIDUAL INCOME TAX

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If Taxable Income But Not Is Over Over Tax			If Taxable Income But Not Is Over Over Tax			If Taxable Income But Not Is Over Over Tax			If Taxable Income But Not Is Over 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

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If Taxable Income But Not Is Over Over Tax			If Taxable Income But Not Is Over Over Tax			If Taxable Income But Not Is Over Over Tax			If Taxable Income But Not Is Over 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	Plus 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			

740 packet – 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 2016 threshold amount is \$11,880 for a family size of one, \$16,020 for a family of two, \$20,160 for a family of three and \$24,300 for a family of four or more.

STANDARD DEDUCTION—For 2016, the standard deduction is \$2,460.

SIGNING YOUR RETURN—In addition to signing the tax return, the Department of Revenue is requesting that taxpayers also include a driver’s license or state issued identification number. This additional information will assist the Department of Revenue’s efforts to protect the taxpayer and their identity. Kentucky has implemented many internal measures along with partnering with outside sources to prevent tax fraud and identity theft. Safeguarding tax information is very important to the Department of Revenue.

INDIVIDUAL INCOME TAX REFUND CONTRIBUTIONS—An individual income taxpayer required to file a return under KRS 141.180 who is entitled to an income tax refund may designate an amount, not to exceed the amount of the refund, to be paid to a selected fund. Effective for taxable years beginning on or after Jan. 1, 2016, new options have been added to the Kentucky Individual Income Tax Return which allow a designation of all or portion of an individual’s refund to be contributed to the taxpayer’s fund(s) of choice. The new options are as follows:

SPECIAL OLYMPICS KENTUCKY—KRS 141.443 allows an individual’s refund to be contributed to Special Olympics Kentucky. Designated funds support health, education and athletic programs serving children and adults with intellectual disabilities in the Special Olympics Kentucky program.

PEDIATRIC CANCER RESEARCH TRUST FUND—KRS 141.445 allows an individual’s refund to be contributed to the Pediatric Cancer Research Trust Fund. Designated funds support pediatric cancer research and treatment for Kentucky patients.

RAPE CRISIS CENTER TRUST FUND—KRS 141.447 allows an individual’s refund to be contributed to the Rape Crisis Center Trust Fund. Designated funds support centers which serve victims of rape and their families by providing counseling and other support.

KENTUCKY ENERGY EFFICIENCY PRODUCTS TAX CREDIT (FORM 5695-K)—This nonrefundable credit was established by HB 2 in the 2008 General Assembly for tax periods beginning after Dec. 31, 2008, and before Jan. 1, 2016. The nonrefundable credit may be applied against tax imposed under KRS 141.020 or 141.040 and KRS 141.0401. Any unused credit may be carried forward one year. Thus, for tax year 2016 this credit has expired and the only allowable Kentucky Energy Efficiency Products Tax Credit will be any unused credit carryforward from 2015 income tax returns.

PREPAID DEBIT CARD AVAILABLE AS REFUND OPTION—Taxpayers may choose to receive their refund on a prepaid debit card issued by Bank of America by checking the appropriate box under Refund Options. Taxpayers also have the option of receiving the debit card disclosure material in Spanish.

FORM EPAY—This new form was created in order to authorize the Kentucky Department of Revenue and its designated Financial Agent to initiate an ACH electronic funds withdrawal to the financial institution account indicated by the taxpayer for payment of taxes and estimated tax other than at the time of filing the individual income tax return. If the request is being made at the time of filing the individual income tax return, Form 8879-K, Kentucky Individual Income Tax Declaration For Electronic Filing should be completed.

ANGEL INVESTOR TAX CREDIT—Effective for taxable years beginning on or after January 1, 2015, KRS 141.396 makes available a nonrefundable personal income tax credit under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies.

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 2016.
- 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, P. O. Box 518, Frankfort, KY 40602-0518, 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

You may check the status of your refund at www.revenue.ky.gov or by calling our automated line at (502) 564-1600. These systems are available 24 hours a day, 7 days a week, and are updated nightly. The following information from your return will be required:

- Your Social Security Number shown on the return.
- The **exact** whole-dollar amount to be refunded to you.

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).

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 2016, 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 2016 and you did not remarry in 2016, you can file jointly or separately on a combined return. The return should show your spouse's 2016 income before death and your income for all of 2016. You can also file jointly or separately on a combined return if your spouse died in 2017 before filing a 2016 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 year 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 2017

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 2017 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/Withholding/Pages/Employer-Payroll-Withholding.aspx>, the Department of Revenue's Web site.

2017 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 2017 may be made through withholding, a credit forward of a 2016 overpayment or estimated tax installment payments.

Estimated tax installments may now be made electronically using Form EPAY, or when electronically filing your return using Form 8879-K, or through mailing a 740-ES with payment.

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, P. O. Box 518, Frankfort, KY 40602-0518, or any Kentucky Taxpayer Service Center, or by calling (502) 564-3658.

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, P. O. Box 518, Frankfort, KY 40602-0518. 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 18 may request an extension. Taxpayers may elect to file this request electronically or by mailing the extension 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—2016” 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—2016” 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, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

2016 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2013. 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:		-----
Commonwealth of Kentucky Retirement Systems	Taxable	Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
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 per taxpayer; 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. Domestic Production Activities Deduction	Deductible	Deductible; may be limited
27. Active Duty Military Pay	Taxable	Exempt
28. Certain Business Expenses of Reservists	Deductible	Nondeductible

INSTRUCTIONS

2016 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 \$ 2,960
Single Person— Age 65 or over or blind.....	and \$ 4,960
Single Person— Age 65 or over and blind.....	and \$ 6,460
Taxpayer and Spouse— Both under age 65.....	and \$ 3,460
Taxpayer and Spouse— One age 65 or over	and \$ 5,460
Taxpayer and Spouse— Both age 65 or over	and \$ 6,760

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 \$11,880
Two.....	and \$16,020
Three.....	and \$20,160
Four or More	and \$24,300

 **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 2016 must be postmarked or submitted electronically no later than April 18, 2017, to avoid penalties and interest. Mail to:

APRIL 2017						
S	M	T	W	T	F	S
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
P. O. Box 856970
Louisville, KY 40285-6970

Pay Returns

Kentucky Department of Revenue
P. O. Box 856980
Louisville, KY 40285-6980

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.

Social Security Number—You are required to provide your social security number per Section 405, Title 42, of the United States Code. This information will be used to establish your identity for tax purposes only.

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 taxpayer and spouse 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. 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 taxpayer and spouse 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—Taxpayers may elect to itemize deductions or elect to use the standard deduction of \$2,460. *If one spouse itemizes deductions, the other must itemize.* See specific instructions for Schedule A.

Itemizers, complete Schedule A and enter allowable deductions on Line 10.

Nonitemizers, enter the standard deduction of \$2,460. If married filing separately on a combined return, enter \$2,460 in both Columns A and B. **If filing a joint return, only one \$2,460 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.

Distilled Spirits Recapture—Enter amount from Schedule DS-R and check the box.

Angel Investor Recapture—Enter amount of Angel investor income tax credit recapture and check the box.

If Form 4972-K, Schedule RC-R, Schedule DS-R and/or you had an angel investor recapture, add the amounts together and enter the total on Line 13.

LINE 15—Enter amounts from page 3, 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 \$32,319 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	
2016	\$ ---	\$ 11,880	\$ ---	\$ 16,020	\$ ---	\$ 20,160	\$ ---	\$ 24,300	100
	11,880	12,355	16,020	16,661	20,160	20,966	24,300	25,272	90
	12,355	12,830	16,661	17,302	20,966	21,773	25,272	26,244	80
	12,830	13,306	17,302	17,942	21,773	22,579	26,244	27,216	70
	13,306	13,781	17,942	18,583	22,579	23,386	27,216	28,188	60
	13,781	14,256	18,583	19,224	23,386	24,192	28,188	29,160	50
	14,256	14,731	19,224	19,865	24,192	24,998	29,160	30,132	40
	14,731	15,088	19,865	20,345	24,998	25,603	30,132	30,861	30
	15,088	15,444	20,345	20,826	25,603	26,208	30,861	31,590	20
	15,444	15,800	20,826	21,307	26,208	26,813	31,590	32,319	10
15,800	---	21,307	---	26,813	---	32,319	---	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.

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.

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

Voluntary Refund Contributions

LINE 30(a), Tax Withheld—Enter the amount of 2016 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, 2017. 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 2016 and amounts credited from the 2015 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 2016 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

LINE 30(d), Film Industry Tax Credit—Enter 2016 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 37. For instructions on payment, see Line 40, 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, the Breast Cancer Research and Education Trust Fund, the Farms to Food Banks Trust Fund, Local History Trust Fund, Special Olympics Kentucky, Pediatric Cancer Research Trust Fund, Rape Crisis Center Trust Fund and/or credit all or part of it toward your 2017 estimated tax.

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(a), Nature and Wildlife Fund—Contributions will 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; and acquire the most naturally outstanding forests, wetlands and prairies in order to provide a home for Kentucky's unique and diverse wildlife. Your tax deductible contributions play a critical role in protecting the wildlands that make Kentucky famous. *Contributions may also be made directly to the Nature and Wildlife Fund, c/o the Kentucky State Nature Preserves Commission, or c/o the Kentucky Department of Fish and Wildlife Resources, Frankfort, KY 40601.*



Help keep the Bluegrass state green!

*Kentucky Department of Fish and Wildlife Resources:
<http://www.fw.ky.gov>*

*Kentucky State Nature Preserves Commission:
<http://naturepreserves.ky.gov>*

LINE 33(b), Child Victims' Trust Fund (CVTF)—Contributions to this fund finance regional and statewide prevention programs which utilize innovative strategies to provide children with personal safety skills, teach adults how to keep children safe from child sexual abuse and exploitation, and inform the public about mandatory reporting of suspected child abuse. The CVTF also provides partial reimbursement for child sexual abuse medical exams at Children's Advocacy Centers across the state. This fund is administered through the Attorney General's office and relies on tax-deductible contributions and private donations. *Contributions may be made directly to the Child Victims' Trust Fund, Office of Victims Advocacy, 1024 Capital Center Drive, Suite 200, Frankfort, KY 40601. For more information call (502) 696-5312.*



LINE 33(c), Veterans' Program Trust Fund—Contributions to this fund are administered by a Board of Directors. 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, transportation for disabled veterans and other veteran related projects. *Contributions may also be made directly to the Kentucky Veterans' Program Trust Fund, 1111B Louisville Road, Frankfort, KY 40601.*



LINE 33(d), 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 33(e), Farms to Food Banks Trust Fund Contribution—Contributions to this fund are used to offset farmers' costs for providing surplus Kentucky-grown fruits and vegetables to food banks. Cash flow for farmers is strengthened while access to healthy food among struggling Kentuckians is increased. This fund is administered by the Kentucky Department of Agriculture. Contributions can also be made directly to the Farms to Food Banks Trust Fund, c/o the Kentucky Department of Agriculture, 500 Mero Street, Capital Plaza Tower, 7th Floor, Frankfort, KY 40601, (502) 564-4696.



LINE 33(f), Local History Trust Fund—Contributions to this fund support grants for local history organizations—museums, cemetery preservation groups, educators, genealogical societies and more—that help preserve their communities' heritage as well as share their role in Kentucky's development and the lasting impact they have made on our commonwealth and nation. The fund is administered through the Kentucky Historical Society. Contributions may also be made directly to the Local History Trust Fund, Kentucky Historical Society, 100 W. Broadway, Frankfort, KY 40601.

LINE 33(g), Special Olympics Kentucky—Contributions will help Special Olympics Kentucky provide confidence and self-esteem building sports programs for more than 7,800 athletes with intellectual disabilities in Kentucky. They will also help Special Olympics Kentucky provide more than 1,000 free medical screenings through our Healthy Athletes Program and give small children with intellectual disabilities a head start through our Young Athletes program. Contributions will also support our school-based programs that help build bridges and foster understanding between students with intellectual disabilities and their peers. Contributions can also be made directly to Special Olympics Kentucky, 105 Lakeview Ct., Frankfort, KY 40601.



Help Special Olympics Kentucky Change Lives!

Special Olympics Kentucky
<http://www.soky.org>

LINE 33(h), Pediatric Cancer Research Trust Fund—Contributions will be used to fund pediatric cancer research and treatment for Kentucky patients. Additional information may be obtained from the Division of Prevention and Quality Improvement, (502) 564-7996 or at <http://chfs.ky.gov/dph/info/dpqi/cd>. Contributions may also be made directly to the Pediatric Cancer Research Trust Fund, Department



for Public Health, Division of Prevention and Quality Improvement, Chronic Disease Prevention Branch, 275 East Main Street, HS2WE, Frankfort, KY 40621.

LINE 33(i), Rape Crisis Center Trust Fund—Contributions to this fund are used to provide direct services to Kentucky citizens who have experienced sexual violence, sexual assault, or rape at any time in their lifetime as well as serving their family and friends. It is also used to provide programs to prevent perpetration of sexual assault against Kentucky's youth. Services and programs are provided by Kentucky's 13 regional rape crisis centers designated by the Cabinet for Health and Family Services, Department for Community Based Services. Contributions can also be made directly to Family Violence Prevention Branch, 275 East Main Street 3E-A, Frankfort, KY 40621, (502) 564-9433. Additional information on how to access services or programs can be viewed at www.kasap.org

LINE 35, Estimated Tax—You may credit all or part of the overpayment toward your estimated tax liability for 2017. Enter the amount you want credited on Line 35.

LINE 36—Subtract amounts entered on Lines 34 and 35 from Line 32. Enter the difference, if any, on Line 36. This amount will be refunded to you. If the total of Lines 34 and 35 equals the amount on Line 32, enter a zero on Line 36. Taxpayers may elect to receive their refund on a Bank of America Prepaid Debit Card.

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

Penalties and Interest

LINE 38(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 38(a). Enter the amount of the penalty on Line 38(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 18, 2017, or any tax due on the return is paid after April 18, 2017, you may be subject to additional penalties and interest.

LINE 38(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 38(c), Late Payment Penalty—If the amount of tax due as shown on Line 37 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 38(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 40, Amount You Owe—When filing the return, you must pay any tax due shown on Line 40.

Your 2016 individual income tax liability may be paid using any of the following options:

- Form EPAY (42A740), if supported by your software vendor, may be used to make an electronic payment of tax due separately from filing your tax return. Refer to the Form EPAY (42A740) instructions for additional information.
- Form 8879-K, for use when simultaneously making an electronic payment and filing your return.
- Pay by Credit Card or ACH Debit through April 18, 2017. Kentucky accepts MasterCard, VISA, Discover or American Express. Access the Department of Revenue’s secure Web site (www.revenue.ky.gov) to make electronic payments.
- Pay by check using Form 740-V if you filed your return electronically. Make check payable to Kentucky State Treasurer, write “KY Income Tax-2016” and your Social Security number on the face of the check. Enclose the check and Form 740-V in the same envelope.

If you need assistance with payment options, you may call the Department of Revenue at (502) 564-4581.

Note: If you cannot pay your tax in full, file your return and pay as much as possible by April 18. 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 Tax 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 December 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 January 1, 2009 and before January 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 32.....
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 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.

Line 6, Employer's Unemployment Tax Credit—If you hired unemployed Kentucky residents to work for you during the last six months of 2015 or during 2016, 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 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—A company that owns and operates an alternative fuel facility or a gasification facility as defined in KRS 154.27-010 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 164.0062 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—Enter any unused credit from 2015.

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 January 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.

Line 21, New Markets Development Program Tax Credit—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 \$10 million credit cap each fiscal year, by completing Form 8874(K)-A.

Line 22, Food Donation Credit—For taxable years beginning on or after January 1, 2014, but before January 1, 2018, a qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, in an amount equal to ten percent (10%) of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. For more information, see KRS 141.392.

Attach a copy of the Schedule(s) FD. If this credit cannot be taken in full in the year of the donation you may carry the credit forward four (4) years.

Line 23, Distilled Spirits Credit—Nonrefundable and nontransferable distilled spirits ad valorem tax credit may be claimed by income taxpayers who pay Kentucky property tax on distilled spirits. If the taxpayer is a pass-through entity, such as a partnership or limited liability company classified as a partnership for Kentucky income tax purposes, the taxpayer may apply the credit against the

LLET and pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through. For tax year 2016, the distilled spirits credit is equal to forty percent (40%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis on or after January 1, 2016. For more information, see KRS 141.389.

Line 24, Angel Investor Credit—Effective for taxable years beginning on or after January 1, 2015, a nonrefundable personal income tax credit is available under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies.

The maximum amount of credit that may be claimed by a taxpayer in any taxable year shall not exceed fifty percent (50%) of the total amount of credit awarded or transferred to the taxpayer.

Any amount of credit that a taxpayer is unable to utilize during a taxable year may be carried forward for use in a succeeding taxable year for a period not to exceed fifteen (15) years. Any amount of credit not used within fifteen (15) years shall be lost. No amount of credit may be carried back by any taxpayer. For more information, see KRS 141.396.

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 eleven boxes under four separate headings. Always check the box under “Check Regular” to claim a tax credit for yourself. *If 65 or older*, also check the next four boxes on the line. *If legally blind*, also check the next four boxes on the line.

If you’re a member of the Kentucky National Guard on December 31, 2016, also check the last two boxes on Line 1(a). Kentucky law specifically restricts this credit to Kentucky National Guard members; military reserve members are not eligible.

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 four boxes. *If your spouse was legally blind at the end of the taxable year*, also check the next four boxes on Line 1(b). If your spouse was a member of the Kentucky National Guard on December 31, 2016, 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.

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 taxpayer who is 65 and a spouse who is 60 are filing separately on a combined return. The taxpayer must claim five credits (one regular and four for being 65 or older), and the spouse must claim one.

Example II—A taxpayer and spouse have two dependents. The taxpayer must claim his/her regular credit, and the spouse must claim his/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 \$10 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 taxpayer and spouse. Returns that are not signed may be returned to you for signature.

Enter Driver’s License/State issued ID number.

Enter a daytime telephone number where you can be reached. 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 2016 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:

- Reservists and National Guard expenses reported on federal Form 1040, line 24;
- 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 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 2016 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 taxpayer and spouse 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 2016. 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, Line 1 enter the Kentucky limit of \$25,000 and in Part I, Line 3 enter the Kentucky phase-out amount 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 2016, 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 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 tobacco quota buyout;
- income received as a result of the MasterTobacco 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 \$2,460, it will benefit you to itemize. If you do not itemize, you may elect to take the standard deduction of \$2,460.

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.

Limitations on Itemized Deductions for High-Income Taxpayers—If your adjusted gross income on Form 740, Line 9, exceeds \$184,850 (\$92,425 if married filing separately on a combined return or separate returns), your itemized deductions are reduced by the lesser of:

- (a) 3 percent of the amount by which your adjusted gross income exceeds \$184,850 (\$92,425 if married filing separately on a combined return or separate returns), or
- (b) 80 percent of your total itemized deductions except medical and dental expenses, casualty and theft losses, gambling losses and investment interest.

The limitations are computed on page 2, Part II, Schedule A (Form 740).

Lines 1 through 4—Medical and Dental Expenses

You may deduct only your medical and dental expenses that exceed 10 percent of Line 9, Form 740, but if you or your spouse was born before January 2, 1952, then you may only deduct your medical and dental expenses that exceed 7.5 percent of Line 9, Form 740. Include all amounts you paid during 2016 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 \$4,050 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. The mileage rate is 19 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 5 through 9—Taxes

Taxes You MAY Deduct

Line 5, 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 6, 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 7, Personal Property Taxes—Enter property taxes paid on automobiles, intangible property (accounts receivable, bonds, etc.) or other personal property.

Line 8, 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 10 through 15—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 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 of individual to whom interest was paid.

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 2016. 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 13, Qualified Mortgage Insurance Premiums— Premiums that you pay or accrue for “qualified mortgage insurance” during 2016 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 13 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 2016 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 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 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 13		8. _____

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 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 2015.

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

Lines 16 through 20—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 contributions exceed 50 percent of Line 9, Form 740,

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

Line 17—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 18—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 19—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.

Line 21 through 24—Casualty and Theft Losses

Line 21—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 27, 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 25 through 31—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 30.

Generally, the 2 percent limit applies to job-related expenses you paid for which you were not reimbursed (Line 25). The limit also applies to certain expenses you paid to produce or collect taxable income (Line 27). See the instructions for Lines 25 and 27 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 32. The Line 32 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 25—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 25.

Enter the amount of unreimbursed employee business expense from Form 2106 or 2106-EZ on Line 25 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 25.

Examples of expenses to include on Line 25 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 26—Use this line to report tax return preparation fees paid during the taxable year including fees paid for filing your return electronically.

Line 27—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 27. 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 32—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 32.

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 32. 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 33—Total Itemized Deductions

If the amount on Form 740, Line 9, exceeds \$184,850 (\$92,425 if married filing separately on a combined return or separate returns), skip Part I and complete Part II on page 2.

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.

740-NP packet – 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 2016 threshold amount is \$11,880 for a family size of one, \$16,020 for a family of two, \$20,160 for a family of three and \$24,300 for a family of four or more.

STANDARD DEDUCTION—For 2016, the standard deduction is \$2,460.

MILITARY SPOUSE—A check box for Military Spouse has been added at the top left of the 740-NP Nonresident or Part-Year Resident return. The Military Spouses Residency Relief Act 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 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 check the Military Spouse box at the top left of the return.

SIGNING YOUR RETURN—In addition to signing the tax return, the Department of Revenue is requesting that taxpayers also include a driver’s license or state issued identification number. This additional information will assist the Department of Revenue’s efforts to protect the taxpayer and their identity. Kentucky has implemented many internal measures along with partnering with outside sources to prevent tax fraud and identity theft. Safeguarding tax information is very important to the Department of Revenue.

INDIVIDUAL INCOME TAX REFUND CONTRIBUTIONS—An individual income taxpayer required to file a return under KRS 141.180 who is entitled to an income tax refund may designate an amount, not to exceed the amount of the refund, to be paid to a selected fund. Effective for taxable years beginning on or after Jan. 1, 2016, new options have been added to the Kentucky Individual Income Tax Return which allow a designation of all or portion of an individual’s refund to be contributed to the taxpayer’s fund(s) of choice. The new options are as follows:

SPECIAL OLYMPICS KENTUCKY—KRS 141.443 allows an individual’s refund to be contributed to Special Olympics Kentucky. Designated funds support health, education and athletic programs serving children and adults with intellectual disabilities in the Special Olympics Kentucky program.

PEDIATRIC CANCER RESEARCH TRUST FUND—KRS 141.445 allows an individual’s refund to be contributed to the Pediatric Cancer Research Trust Fund. Designated funds support pediatric cancer research and treatment for Kentucky patients.

RAPE CRISIS CENTER TRUST FUND—KRS 141.447 allows an individual’s refund to be contributed to the Rape Crisis Center Trust Fund. Designated funds support centers which serve victims of rape and their families by providing counseling and other support.

KENTUCKY ENERGY EFFICIENCY PRODUCTS TAX CREDIT (FORM 5695-K)—This nonrefundable credit was established by HB 2 in the 2008 General Assembly for tax periods beginning after Dec. 31, 2008, and before Jan. 1, 2016. The nonrefundable credit may be applied against tax imposed under KRS 141.020 or 141.040 and KRS 141.0401. Any unused credit may be carried forward one year. Thus, for tax year 2016 this credit has expired and the only allowable Kentucky Energy Efficiency Products Tax Credit will be any unused credit carryforward from 2015 income tax returns.

PREPAID DEBIT CARD AVAILABLE AS REFUND OPTION—Taxpayers may choose to receive their refund on a prepaid debit card issued by Bank of America by checking the appropriate box under Refund Options. Taxpayers also have the option of receiving the debit card disclosure material in Spanish.

FORM EPAY—This new form was created in order to authorize the Kentucky Department of Revenue and its designated Financial Agent to initiate an ACH electronic funds withdrawal to the financial institution account indicated by the taxpayer for payment of taxes and estimated tax other than at the time of filing the individual income tax return. If the request is being made at the time of filing the individual income tax return, Form 8879-K, Kentucky Individual Income Tax Declaration For Electronic Filing should be completed.

ANGEL INVESTOR TAX CREDIT—Effective for taxable years beginning on or after January 1, 2015, KRS 141.396 makes available a nonrefundable personal income tax credit under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies.

**INSTRUCTIONS FOR 2016 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 5.

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 check the MILITARY SPOUSE box at the top of the return. 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.

If Your Family Size is:	Your <i>Modified Gross Income</i> is greater than:
One.....	<i>and</i> \$ 11,880
Two	<i>and</i> \$ 16,020
Three.....	<i>and</i> \$20,160
Four or More	<i>and</i> \$24,300

WHEN TO FILE—April 18, 2017, is the filing deadline for persons reporting income for calendar year 2016. To avoid penalties and interest, returns must be postmarked no later than April 18, 2017.

Social Security Number—You are required to provide your Social Security number per Section 405, Title 42, of the United States Code. This information will be used to establish your identity for tax purposes only.

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.

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 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 taxpayer and spouse 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 taxpayer's income is reported on one tax form, the spouse'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

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, Line 1 enter the Kentucky limit of \$25,000 and in Part I, Line 3 enter the Kentucky phase-out amount 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 State or 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. Do not include state income tax refunds.

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 Income and 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 per taxpayer **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 (SM LLCs) that file on Schedules C, E, or F for federal income tax shall file Form 725, Kentucky Single Member LLC Individually Owned Income and 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—Do not include 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, with the exception of military and qualifying military spouse income, 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.

Nonresident military members filing to report nonmilitary income to Kentucky must subtract their military income on Line 33, Column A with a notation "nonresident military income." The qualifying spouse of a military member who has nonmilitary income should subtract their income on Line 33, Column A with a notation "military spouse income." Nonresident military and qualifying military spouse income is not limited to the percentage of Kentucky total income to federal total income.

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 \$2,460. If filing a joint return, only one \$2,460 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 \$2,460 and your filing status is 1 or 2, you should elect to 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.

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.

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.

Also enter on this line any recycling composting income tax credit recapture (attach Schedule RC-R), distilled spirits income tax credit recapture (attach Schedule DS-R), and/or angel investor income tax credit recapture.

Line 15—Enter amount from page 3, Section A, Line 25. 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 \$32,319 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	
2016	\$ ---	\$ 11,880	\$ ---	\$ 16,020	\$ ---	\$ 20,160	\$ ---	\$ 24,300	100
	11,880	12,355	16,020	16,661	20,160	20,966	24,300	25,272	90
	12,355	12,830	16,661	17,302	20,966	21,773	25,272	26,244	80
	12,830	13,306	17,302	17,942	21,773	22,579	26,244	27,216	70
	13,306	13,781	17,942	18,583	22,579	23,386	27,216	28,188	60
	13,781	14,256	18,583	19,224	23,386	24,192	28,188	29,160	50
	14,256	14,731	19,224	19,865	24,192	24,998	29,160	30,132	40
	14,731	15,088	19,865	20,345	24,998	25,603	30,132	30,861	30
	15,088	15,444	20,345	20,826	25,603	26,208	30,861	31,590	20
	15,444	15,800	20,826	21,307	26,208	26,813	31,590	32,319	10
	15,800	---	21,307	---	26,813	---	32,319	---	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..... **x .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 2016 **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, 2017. 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 2016 and amounts credited from the 2015 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 2016 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

Line 30(d), Film Industry Tax Credit—Enter 2016 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 37. For instructions on payment, see Line 40, **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 36, and/or you may credit all or part of it toward your 2017 Kentucky estimated income tax on Line 35.

You may also contribute all or a portion of your overpayment to the following funds on Line 33: (a) **Nature and Wildlife Fund** for the purpose of acquiring land to preserve habitat for wildlife and natural areas of historic or scenic value; (b) **Child Victims' Trust Fund** to support local programs designed to prevent sexual abuse and exploitation of children; (c) **Veterans' Program Trust Fund** which was created solely for the benefit of veterans' programs; (d) **Breast Cancer Research and Education Trust Fund** which was created to fund breast cancer research and provide public education about breast cancer; (e) **Farms to Food Banks Trust Fund** which was created to offset farmers' cost for providing surplus Kentucky grown fruits and vegetables to food banks; (f) **Local History Trust Fund** which was created to support grants for local history organizations that help preserve their communities' heritage; (g) **Special Olympics Kentucky** to help provide confidence and self-esteem building sports programs for athletes with intellectual disabilities in Kentucky; (h) **Pediatric Cancer Research Trust Fund** to support pediatric cancer research and treatment for Kentucky patients; or (i) **Rape Crisis Center Trust Fund** to help provide direct services to Kentucky citizens who have experienced sexual violence, sexual assault, or rape at any time in their lifetime. *Amounts contributed on Line 34 and/or credited on Line 35 must be subtracted from the overpayment and cannot exceed it.*

Line 37, Additional Tax Due—This is your additional tax due before penalties and interest.

Penalties and Interest

Line 38(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 38(a). Enter the amount of the penalty on Line 38(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 18, 2017, or any tax due on the return is paid after April 18, 2017; you may be subject to additional penalties and interest.

Line 38(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 38(c), Late Payment Penalty—If the amount of tax due as shown on Line 37 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 38(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 40, Amount You Owe—When filing the return, you must pay any tax due shown on Line 40.

Your 2016 individual income tax liability may be paid using any of the following options:

- Form EPAY (42A740), if supported by your software vendor, may be used to make an electronic payment of tax due separately from filing your tax return. Refer to the Form EPAY (42A740) instructions for additional information.
- Form 8879-K, for use when simultaneously making an electronic payment and filing your return.
- Pay by Credit Card or ACH Debit through April 18, 2017. Kentucky accepts MasterCard, VISA, Discover or American Express. Access the Department of Revenue's secure Web site (www.revenue.ky.gov) to make electronic payments.
- Pay by check using Form 740-V if you filed your return electronically. Make check payable to Kentucky State Treasurer, write "KY Income Tax-2016" and your Social Security number on the face of the check. Enclose the check and Form 740-V in the same envelope.

If you need assistance with payment options, you may call the Department of Revenue at (502) 564-4581.

Note: If you cannot pay your tax in full, file your return and pay as much as possible by April 18. Contact the Department of Revenue for additional payment information.

WHEN AND WHERE TO FILE—The income tax return for calendar year 2016 must be postmarked no later than April 18, 2017, to avoid penalties and interest. Mail to:

Refund/Other Returns

Kentucky Department of Revenue
P. O. Box 856970
Louisville, KY 40285-6970

Pay Returns

Kentucky Department of Revenue
P. O. Box 856980
Louisville, KY 40285-6980

ESTIMATED TAX— 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 2017 may be made through withholding, a credit forward of a 2016 overpayment or estimated tax installment payments.

Estimated tax installments may now be made electronically using Form EPAY, or when electronically filing your return using Form 8879-K, or through mailing a 740-ES with payment.

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, P. O. Box 518, Frankfort, KY 40602-0518, or any Kentucky Taxpayer Service Center, or by calling (502) 564-3658.

EXTENSION OF TIME TO FILE

Taxpayers who are unable to file a return by April 18, 2017, may request an extension. Taxpayers may elect to file this request electronically or by mailing the extension to the Department of

Revenue on or before the due date of the return. 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—2016" 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.**

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-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 Tax 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 December 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 January 1, 2009 and before January 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 2015 or during 2016, 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. 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—A company that owns and operates an alternative fuel facility or a gasification facility as defined in KRS 154.27-010 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 164.0062 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—Enter any unused credit from 2015.

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 January 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.

Line 21, New Markets Development Tax Credit—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 \$10 million credit cap each fiscal year, by completing Form 8874(K)-A.

Line 22, Food Donation Credit—For taxable years beginning on or after January 1, 2014, but before January 1, 2018, a qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, in an amount equal to ten percent (10%) of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. For more information, see KRS 141.392.

Attach a copy of the Schedule(s) FD. If this credit cannot be taken in full in the year of the donation you may carry the credit forward four (4) years.

Line 23, Distilled Spirits Credit—Nonrefundable and nontransferable distilled spirits ad valorem tax credit may be claimed by income taxpayers who pay Kentucky property tax on distilled spirits. If the taxpayer is a pass-through entity, such as a partnership or limited liability company classified as a partnership for Kentucky income tax purposes, the taxpayer may apply the credit against the LLET and pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through. For tax year 2016, the distilled spirits credit is equal to forty percent (40%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis on or after January 1, 2016. For more information, see KRS 141.389.

Line 24, Angel Investor Credit—Effective for taxable years beginning on or after January 1, 2015, a nonrefundable personal income tax credit is available under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies.

The maximum amount of credit that may be claimed by a taxpayer in any taxable year shall not exceed fifty percent (50%) of the total amount of credit awarded or transferred to the taxpayer.

Any amount of credit that a taxpayer is unable to utilize during a taxable year may be carried forward for use in a succeeding taxable year for a period not to exceed fifteen (15) years. Any

amount of credit not used within fifteen (15) years shall be lost. No amount of credit may be carried back by any taxpayer. For more information, see KRS 141.396.

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 eleven boxes under four separate headings. Always check the box under “Check Regular” to claim a tax credit for yourself. *If 65 or older*, also check the next four boxes on the line. *If legally blind*, also check the next four boxes on the line.

If you’re a member of the Kentucky National Guard on December 31, 2016, also check the last two boxes on Line 1(a). Kentucky law specifically restricts this credit to Kentucky National Guard members; military reserve members are not eligible.

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 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 four boxes. *If your spouse was legally blind at the end of the taxable year*, also check the next four boxes on the line. If your spouse was a member of the Kentucky National Guard on December 31, 2016, also check the last two boxes on the line.

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.

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 returns must be signed by both taxpayer and spouse. Returns that are not signed may be returned to you for signature.

Enter Driver's License/State Issued ID number.

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, you may elect to take a standard deduction of \$2,460 and it 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 \$2,460.

Limitations on Itemized Deductions for High-Income Taxpayers—If your adjusted gross income from Form 740-NP, Line 8, exceeds \$184,850 (\$92,425 if married filing separate returns), your itemized deductions are reduced by the lesser of:

- (a) 3 percent of the amount by which your adjusted gross income exceeds \$184,850 (\$92,425 if married filing separate returns), or
- (b) 80 percent of your total itemized deductions except medical and dental expenses, casualty and theft losses, gambling losses and investment interest.

Complete the itemized deductions limitation schedule on the reverse of Schedule A (Form 740-NP).

MEDICAL AND DENTAL EXPENSES

Federal rules apply. You may deduct only your medical and dental expenses that exceed 10 percent of Form 740-NP, Line 8, but if you or your spouse was born before January 2, 1952, then you may only deduct your medical and dental expenses that exceed 7.5 percent of 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 2016. 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 2016 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 2016 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 2015.

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 non-business 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 Kentucky 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

If the amount on Form 740-NP, Line 9, exceeds \$184,850 (\$92,425 if married filing separate returns), skip Lines 33 through 36 and complete the limitation schedule.

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.



KENTUCKY INDIVIDUAL INCOME TAX RETURN Full-Year Residents Only



For calendar year or other taxable year beginning _____, 2016, and ending _____, 20_____.

A. Spouse's Social Security Number

B. Your Social Security Number

Grid for Spouse's Social Security Number

Grid for Your Social Security Number

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)

Grid for Name

Mailing Address (Number and Street including Apartment Number or P.O. Box)

Grid for Mailing Address

City, Town or Post Office

State

ZIP Code

Grid for City, Town or Post Office

Grid for State

Grid for 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.

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

INCOME/TAX

- 5 Enter amount from federal Form 1040, line 37; 1040A, line 21 or 1040EZ, line 4. (If total of Columns A and B is \$32,319 or less, you may qualify for the Family Size Tax Credit. See instructions.)
6 Additions from Schedule M, line 8
7 Add lines 5 and 6
8 Subtractions from Schedule M, line 20
9 Subtract line 8 from line 7. This is your Kentucky Adjusted Gross Income
10 Itemizers: Enter itemized deductions from Kentucky Schedule A. Nonitemizers: Enter \$2,460 in Columns A and/or B
11 Subtract line 10 from line 9. This is your Taxable Income
12 Enter tax from Tax Table, Computation or Schedule J. Check if from Schedule J
13 Enter tax from Form 4972-K; Schedule RC-R; Schedule DS-R; Angel Investor Recapture
14 Add lines 12 and 13 and enter total here
15 Enter amounts from page 3, Section A, lines 25A and 25B
16 Subtract line 15 from line 14. If line 15 is larger than line 14, enter zero
17 Enter personal tax credit amounts from page 3, Section B, lines 4A and 4B
18 Subtract line 17 from line 16. If line 17 is larger than line 16, enter zero
19 Add tax amount(s) in Columns A and B, line 18 and enter here
20 Check the box that represents your total family size
21 Multiply line 19 by Family Size Tax Credit decimal amount
22 Subtract line 21 from line 19
23 Enter the Education Tuition Tax Credit from Form 8863-K
24 Subtract line 23 from line 22
25 Enter Child and Dependent Care Credit from federal Form 2441, line 9 x 20% (.20)
26 Income Tax Liability. Subtract line 25 from line 24. If line 25 is larger than line 24, enter zero
27 Enter KENTUCKY USE TAX due on Internet, mail order, or other out-of-state purchases
28 Add lines 26 and 27. Enter here and on page 2, line 29

A. Spouse (Use if Filing Status 2 is checked.)

B. Yourself (or Joint)

Table with 4 columns: Line number, Column A amount, Column B amount, and Total amount. Rows 5-28.

Attach Form W-2(s) and Other Supporting Statement(s) here. Enclose payment but Do Not Staple.



REFUND/TAX PAYMENT SUMMARY

Table with 4 columns: Line number, Description, Amount, and Total. Includes rows for Total Tax Liability, Kentucky income tax withheld, AMOUNT OVERPAID, and ADDITIONAL TAX DUE.

- Visit www.revenue.ky.gov for electronic payment options; or
Make check payable to Kentucky State Treasurer, include your Social Security number and "KY Income Tax—2016:"

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Table with 5 columns: Line number, Description, A. Spouse, B. Yourself, and Total. Lists various tax credits like limited liability entity credit, small business tax 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-1).....	19	00	19	00
20	Enter Endow Kentucky credit (attach Schedule ENDOW)	20	00	20	00
21	Enter New Markets Development Program credit	21	00	21	00
22	Enter food donation credit (attach Schedule FD).....	22	00	22	00
23	Enter distilled spirits credit (attach Schedule DS)	23	00	23	00
24	Enter angel investor credit	24	00	24	00
25	Add lines 1 through 24, Columns A and B. Enter here and on page 1, line 15 ..	25	00	25	00

SECTION B—PERSONAL TAX CREDITS

	Check Regular	Check all four if 65 or over	Check all four if blind	Check both for Kentucky National Guard	
1 (a) Credits for yourself:	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	1 Enter number of boxes checked on line 1
(b) Credits for spouse:	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="text"/>

2 Dependents:

First and 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"/>

2 Enter number of dependents who:

- 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.....

4 Multiply credits on line 3A by \$10 and enter on line 4A. Multiply credits on line 3B by \$10 and enter on line 4B. Enter here and on page 1, line 17, Columns A and B

Spouse	Yourself
3A	3B
x \$10	x \$10
4A	4B

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 and Last Name	Social Security number	First and 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.)	_____ Driver's License/State Issued ID No.	_____ Date Signed	() Telephone Number (daytime)
_____ Spouse's Signature	_____ Driver's License/State Issued ID No.	_____ Date Signed	
_____ 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, P. O. Box 856970, Louisville, KY 40285-6970.
PAYMENTS Kentucky Department of Revenue, P. O. Box 856980, Louisville, KY 40285-6980.



740-EZ

Single Persons With No Dependents

42A740-EZ
Department of Revenue



KENTUCKY
INDIVIDUAL INCOME TAX RETURN



Your Social Security Number

Grid for Social Security Number

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)

Grid for Name

Mailing Address (Number and Street including Apartment Number or P.O. Box)

Grid for Mailing Address

City, Town or Post Office

State

ZIP Code

Grid for City, State, and ZIP Code

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.

Boxes 1, 2, 3 for Political Party Fund

Main table with 16 rows for income, deductions, and taxes. Includes sub-section 13 for various funds.

Attach Form W-2, Wage and Tax Statement(s), here. Enclose payment but Do Not Staple.

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.

Signature line with fields for Signature, Driver's License/State Issued ID No., Date Signed, Telephone Number (daytime)

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

Mail to: REFUNDS Kentucky Department of Revenue, P. O. Box 856970, Louisville, KY 40285-6970. PAYMENTS Kentucky Department of Revenue, P. O. Box 856980, Louisville, KY 40285-6980

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 2016; 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 2016 Form 740-EZ must be postmarked no later than April 18, 2017, to avoid penalties and interest.

Social Security Number—You are required to provide your social security number per Section 405, Title 42, of the United States Code. This information will be used to establish your identity for tax purposes only.

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 \$15,800 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 \$2,460 has been preprinted. If your itemized deductions exceed \$2,460, 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.

<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

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 \$15,800. If over \$15,800, you do not qualify for this tax credit. Skip Line 7.

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

Family Size One		Percent of Tax as Family Size Tax Credit	
If the Kentucky modified gross income (Line 1) is:		Enter decimal amount on Line 7	
over	but not over		
\$ 0	\$11,880	1.00	(100%)
\$11,880	\$12,355	0.90	(90%)
\$12,355	\$12,830	0.80	(80%)
\$12,830	\$13,306	0.70	(70%)
\$13,306	\$13,781	0.60	(60%)
\$13,781	\$14,256	0.50	(50%)
\$14,256	\$14,731	0.40	(40%)
\$14,731	\$15,088	0.30	(30%)
\$15,088	\$15,444	0.20	(20%)
\$15,444	\$15,800	0.10	(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 2016 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**, (d) the **Breast Cancer Research and Education Trust Fund**, (e) the **Farms to Food Banks Trust Fund**, (f) the **Local History Trust Fund**, (g) **Special Olympics Kentucky**, (h) the **Pediatric Cancer Research Trust Fund**, and/or (i) the **Rape Crisis Center 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) through 13(i). 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-2016" 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 18, 2017 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.

SCHEDULE A

Form 740

42A740-A

Department of Revenue



KENTUCKY ITEMIZED DEDUCTIONS

➤ See instructions.
➤ Attach to Form 740.

2016

Enter name(s) as shown on Form 740, page 1.

Your Social Security Number

Do not include expenses reimbursed or paid by others.				
Medical and Dental Expenses	1. Medical and dental expenses..... 1		00	
	2. Enter combined totals from Form 740, line 9..... 2		00	
	3. Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (.075) instead..... 3		00	
	4. Total medical and dental. Subtract line 3 from line 1. If zero or less, enter -0-..... ➤ 4			00
Taxes <i>Note: Sales and use taxes and new motor vehicle taxes are not deductible.</i>	5. Local income taxes (do not include state income tax)..... 5		00	
	6. Real estate taxes..... 6		00	
	7. Personal property taxes..... 7		00	
	8. Other taxes (list) _____ 8		00	
9. Total taxes. Add lines 5 through 8. Enter here..... ➤ 9			00	
Interest Expense <i>Note: Personal interest is not deductible.</i>	10. Home mortgage interest and points reported to you on federal Form 1098..... 10		00	
	11. 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) _____ 11		00	
	See instructions for lines 12 and 13.			
	12. Points not reported to you on federal Form 1098..... 12		00	
	13. Qualified mortgage insurance premiums 13		00	
14. Investment interest (attach federal Form 4952 if required) 14		00		
15. Total interest. Add lines 10 through 14. Enter here ➤ 15			00	
Contributions <i>Note: For any contribution of \$250 or more, see instructions.</i>	16. Contributions by cash or check..... 16		00	
	17. Other than cash or check (attach federal Form 8283 if over \$500)..... 17		00	
	18. Artistic charitable contributions deduction (attach copy of appraisal) 18		00	
	19. Carryover from prior year..... 19		00	
20. Total contributions. Add lines 16 through 19. Enter here ➤ 20			00	
Casualty and Theft Losses	21. Enter amount from attached federal Form 4684, Section A, line 16..... 21		00	
	22. Enter combined totals from Form 740, line 9..... 22		00	
	23. Multiply line 22 by 10% (.10)..... 23		00	
	24. Total casualty or theft loss(es). Subtract line 23 from line 21. If zero or less, enter -0-..... ➤ 24			00
Job Expenses and Most Other Miscellaneous Deductions	25. Unreimbursed employee expenses—job travel, union dues, job education, etc. (attach Form 2106 or 2106-EZ if applicable) list _____ 25		00	
	26. Tax preparation fees..... 26		00	
	27. Other (investment, safe deposit box, etc.) list _____ 27		00	
	28. Add the amounts on lines 25, 26 and 27. Enter here 28		00	
	29. Enter combined totals from Form 740, line 9..... 29		00	
	30. Multiply line 29 by 2% (.02)..... 30		00	
31. Total. Subtract line 30 from line 28. If zero or less, enter -0-..... ➤ 31			00	
Other Miscellaneous Deductions	32. Other (see instructions) _____ ➤ 32			00
Total Itemized Deductions	33. Add lines 4, 9, 15, 20, 24, 31 and 32. Enter here ➤ 33			00

★ If single or married filing jointly and your income for Form 740, line 9, column B does not exceed \$184,850, enter total itemized deductions on Form 740, line 10, column B.
★ All others go to page 2.



If the combined totals on Form 740, line 9, exceeds \$184,850 (\$92,425 if married filing separately on a combined return or separate returns), skip Part I and complete Part II.

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 33.....	_____	.00
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)	_____	.00
5. Percent on line 3 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column B)	_____	.00

PART II—ITEMIZED DEDUCTIONS LIMITATION SCHEDULE

Use this schedule if the adjusted gross income on Form 740, line 9, exceeds \$184,850 (\$92,425 if married filing separately on a combined return or separate returns).

	A. Spouse	B. Yourself (or Joint)
<ul style="list-style-type: none"> If married filing separately on a combined return, enter in Column A the percent of income (Form 740, line 9, Column A) to total income (Form 740, total of line 9, Columns A and B); enter in Column B the percent of income (Form 740, line 9, Column B) to total income (Form 740, total of line 9, Columns A and B). If single, married filing a joint return or married filing separate returns, enter 100% in Column B. 	_____ %	_____ %
1. Multiply the amount on Schedule A, line 33, by the percent of income shown in Columns A and/or B	1. _____ .00	1. _____ .00
2. Add the amounts on Schedule A, lines 4, 14 and 24, plus any gambling losses included on line 32 and multiply by the percent of income shown in Columns A and/or B.....	2. _____ .00	2. _____ .00
<i>Note: Be sure your total gambling losses are clearly identified on line 32.</i>		
3. Subtract the amount on line 2 from the amount on line 1. If the result is zero or less, enter -0-	3. _____ .00	3. _____ .00
4. Multiply the amount on line 3 above by 80% (.80).....	4. _____ .00	4. _____ .00
5. Enter the amount from Form 740, line 9	5. _____ .00	5. _____ .00
6. Enter \$184,850 (\$92,425 if married filing separately on a combined return or separate returns)	6. _____ .00	6. _____ .00
7. Subtract the amount on line 6 from the amount on line 5. If the result is zero or less, enter -0-	7. _____ .00	7. _____ .00
8. Multiply the amount on line 7 above by 3% (.03).....	8. _____ .00	8. _____ .00
9. Compare the amounts on lines 4 and 8 above. Enter the smaller of the two amounts here	9. _____ .00	9. _____ .00
10. Total itemized deductions. Subtract the amount on line 9 from the amount on line 1. Enter the result here and on Form 740, line 10	10. _____ .00	10. _____ .00

SCHEDULE J



2016

Form 740

42A740-J (10-16)

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		00
2. Enter your elected farm income. Do not exceed amount on federal Schedule J, line 2a*	2		00
3. Subtract line 2 from line 1. If zero or less, enter -0-.....	3		00
4. Compute the tax on the amount on line 3 using the 2016 tax rate or tax rate schedule	4		00
5. If you used Schedule J to figure your tax for:			
• 2015, enter the amount from your 2015 Schedule J, line 11.			
• 2014 but not 2015, enter the amount from your 2014 Schedule J, line 15.			
• 2013 but not 2014 or 2015, enter the amount from your 2013 Schedule J, line 3.....	5		00
Otherwise, enter the taxable income from your 2013 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		00
7. Add lines 5 and 6. If zero or less, enter -0-.....	7		00
8. Compute the tax on the amount on line 7 using the 2013 tax rate or tax rate schedule	8		00
9. If you used Schedule J to figure your tax for:			
• 2015, enter the amount from your 2015 Schedule J, line 15.			
• 2014 but not 2015, enter the amount from your 2014 Schedule J, line 3.....	9		00
Otherwise, enter the taxable income from your 2014 Form 740, line 11 or Form 740-EZ, line 3. If zero or less, see instructions.			
10. Enter the amount from line 6.....	10		00
11. Add lines 9 and 10. If less than zero, enter as a negative amount.....	11		00
12. Compute the tax on the amount on line 11 using the 2014 tax rate or tax rate schedule.....	12		00
13. If you used Schedule J to figure your tax for 2015, enter the amount from your 2015 Schedule J, line 3. Otherwise, enter the taxable income from your 2015 Form 740, line 11 or Form 740-EZ, line 3. If zero or less, see instructions.....	13		00
14. Enter the amount from line 6.....	14		00
15. Add lines 13 and 14. If less than zero, enter as a negative amount.....	15		00
16. Compute the tax on the amount on line 15 using the 2015 tax rate or tax rate schedule	16		00
17. Add lines 4, 8, 12 and 16.....	17		00
18. If you used Schedule J to figure your tax for:			
• 2015, enter the amount from your 2015 Schedule J, line 12.			
• 2014 but not 2015, enter the amount from your 2014 Schedule J, line 16.			
• 2013 but not 2014 or 2015, enter the amount from your 2013 Schedule J, line 4. Otherwise, enter the tax from your 2013 Form 740, line 12 or Form 740-EZ, line 4	18		00
19. If you used Schedule J to figure your tax for:			
• 2015, enter the amount from your 2015 Schedule J, line 16.			
• 2014 but not 2015, enter the amount from your 2014 Schedule J, line 4. Otherwise, enter the tax from your 2014 Form 740, line 12 or Form 740-EZ, line 4	19		00
20. If you used Schedule J to figure your tax for 2015, enter the amount from your 2015 Schedule J, line 4. Otherwise, enter the tax from your 2015 Form 740, line 12 or Form 740-EZ, line 4.....	20		00
21. Add lines 18 through 20	21		00
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		00

* **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 2016 Kentucky income tax by averaging, over the previous 3 years, all or part of your 2016 Kentucky taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2016 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 2013, 2014 and 2015 to figure your tax on Kentucky Schedule J.
- Keep a copy of your 2016 income tax return to use for your income averaging in 2017, 2018 or 2019.
- 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 2016 tax table or by using the tax rate schedule above.

Line 5—If you used Schedule J to figure your tax for:

- 2015 (that is, you entered the amount from the 2015 Schedule J, line 22 on line 12 of your 2015 Form 740), enter on line 5 the amount from your 2015 Schedule J, line 11.
- 2014 but not 2015, enter on line 5 the amount from your 2014 Schedule J, line 15.
- 2013 but not 2014 or 2015, enter on line 5 the amount from your 2013 Schedule J, line 3.

Otherwise, enter the taxable income from your **2013** 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 2013 tax table or by using the tax rate schedule above.

Line 9—If you used Schedule J to figure your tax for:

- 2015 (that is, you entered the amount from the 2015 Schedule J, line 22 on line 12 of your 2015 Form 740), enter on line 9 the amount from your 2015 Schedule J, line 15.
- 2014 but not 2015, enter on line 9 the amount from your 2014 Schedule J, line 3.

Otherwise, enter the taxable income from your **2014** 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 2014 tax table or by using the tax rate schedule above.

Line 13—If you used Schedule J to figure your tax for:

- 2015 (that is, you entered the amount from the 2015 Schedule J, line 22 on line 12 of your 2015 Form 740), enter on line 13 the amount from your 2015 Schedule J, line 3.

Otherwise, enter the taxable income from your **2015** 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 2015 tax table or by using the tax rate schedule above.

Line 18—If you used Schedule J to figure your tax for:

- 2015, enter the amount from your 2015 Schedule J, line 12.
- 2014 but not 2015, enter the amount from your 2014 Schedule J, line 16.
- 2013 but not 2014 or 2015, enter the amount from your 2013 Schedule J, line 4.

Otherwise, enter the tax from your **2013** Form 740, line 12 or Form 740-EZ, line 4.

Line 19—If you used Schedule J to figure your tax for:

- 2015, enter the amount from your 2015 Schedule J, line 16.
- 2014 but not 2015, enter the amount from your 2014 Schedule J, line 4.

Otherwise, enter the tax from your **2014** Form 740, line 12 or Form 740-EZ, line 4.

Line 20—If you used Schedule J to figure your tax for:

- 2015, enter the amount from your 2015 Schedule J, line 4.

Otherwise, enter the tax from your **2015** Form 740, line 12 or Form 740-EZ, line 4.

SCHEDULE KNOL

42A740-KNOL
Department of Revenue



KENTUCKY

NET OPERATING LOSS SCHEDULE

► Attach to Form 740, Form 740-NP or Form 741.

2016

67

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).....	1		00
2. Enter deductions from Form 740, line 10 (Form 740-NP, line 10 or 12).....	2	(00)
3. Combine lines 1 and 2 (estates and trusts, enter taxable income).....	3		00

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) .	4		00
5. Enter your nonbusiness capital gains (see federal 1045 instructions).	5		00
6. If line 4 is more than line 5, enter difference; otherwise, enter -0-.	6		00
7. If line 5 is more than line 4, enter difference; otherwise, enter -0-.	7		00
8. Nonbusiness deductions	8		00
9. Nonbusiness income (other than capital gains)	9		00
10. Add lines 7 and 9	10		00
11. If line 8 is more than line 10, enter difference; otherwise, enter -0-	11		00
12. If line 10 is more than line 8, enter difference (but do not enter more than line 7); otherwise, enter -0-	12		00
13. Enter your business capital losses (enter as a positive number) ...	13		00
14. Enter your business capital gains	14		00
15. Add lines 12 and 14	15		00
16. If line 13 is more than line 15, enter difference; otherwise, enter -0-	16		00
17. Add lines 6 and 16	17		00
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	18		00
19. Enter Section 1202 exclusion. Enter as a positive number	19		00
20. Subtract line 19 from line 18.....	20		00
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	21		00
22. If line 20 is more than line 21, enter the difference; otherwise, enter -0-	22		00
23. If line 21 is more than line 20, enter the difference; otherwise, enter -0-	23		00
24. Subtract line 22 from line 17.....	24		00
25. Domestic production activities deduction from Kentucky Form 740, 740-NP or 741	25		00
26. Net operating losses from other years (enter as a positive number)	26		00
27. Add lines 11, 19, 23, 24, 25 and 26.....	27		00
28. Combine lines 3 and 27. This is your net operating loss to be claimed in subsequent years.....	28		00

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.

Line 25—Enter domestic production activities deduction from Kentucky Form 740 (Schedule M, line 18), Form 740-NP (Section D, Column B, line 30) or Form 741 (Schedule M, Part II, line 7).

Note: Attach statement reflecting amount of original net operating loss and amount(s) utilized each prior year.

SCHEDULE M



2016 69

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.....
- 2 Enter self-employed health insurance deduction from federal Form 1040, line 29.....
- 3 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1.....
- 4 Enter federal depreciation from Form 4562.....
- 5 Enter federal Net Operating Loss.....
- 6 Enter federal domestic production activities deduction from federal Form 8903, line 25.....
- 7 Other additions (list and enter total):
(a) _____
(b) _____
(c) _____
- 8 Total Additions. Enter here and on Form 740, page 1, line 6.....

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.....
- 10 Enter interest income from U.S. government bonds and securities.....
- 11 Enter excludable amount of retirement income (attach Schedule P if more than \$41,110 per taxpayer).....
- 12 Enter taxable amount of Social Security and Railroad Retirement Board benefits from federal Form 1040, line 20(b) (1040A, line 14(b)).....
- 13 Enter long-term care insurance premiums.....
- 14 Enter health insurance premiums not previously deducted from income. Do not include premiums paid with pretax dollars (cafeteria plan).....
- 15 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1.....
- 16 Enter Kentucky depreciation from revised Form 4562.....
- 17 Enter Kentucky Net Operating Loss.....
- 18 Enter Kentucky domestic production activities deduction (see instructions).....
- 19 Other subtractions (list and enter total):
(a) _____
(b) _____
(c) _____
- 20 Total Subtractions. Enter here and on Form 740, page 1, line 8.....

SCHEDULE P

42A740-P

Department of Revenue



Use this form to calculate
excludable retirement income.

2016 ⁷¹

**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, 740-NP, or 741 if:

1. taxable pension and retirement income from all sources is **greater than \$41,110** per taxpayer; 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, , 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.

Names of Payers	Date of Retirement	A. Spouse		B. Yourself	
			00		00
			00		00
			00		00
Total ►			00		00

(b) If date of retirement is **after December 31, 1997**, see the instructions.

Names of Payers	Date of Retirement	Taxable Pension	Exempt Percentage	A. Spouse		B. Yourself	
					00		00
					00		00
					00		00
Total ►					00		00

(c) Add lines 1(a) and 1(b)..... (c) 00 00

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						
					00		00

PART III—TOTAL TO BE EXCLUDED THIS YEAR

3. Enter the lesser of line 2 or \$41,110	3						
					00		00
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				00		00

Joint filers—Combine lines 4(a) and 4(b) and enter on appropriate form.

Stop here unless you have a lump-sum distribution reported on Form 4972-K.

Form 4972-K Filers—If line 3 is less than \$41,110, enter the amount on Form 4972-K, Part II, line 2.

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 taxpayer and spouse 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 2016 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 (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year
Ending

73

____ / ____
Mo. Yr.

► See instructions.

► Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

UNEMPLOYMENT TAX CREDIT KRS 141.065

Name of Entity			Social Security Number ____-____-____		
Street Address		Apt. Number	Federal Identification 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.									
7.									
8.									
9.									
10.									
11.									
12.									
13.									
14.									
15.									
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.

740-X

42A740-X (11-16)
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 columns: I-As Originally Reported or Adjusted, II-Net Change Increase or Decrease, III-Correct Amount. Rows include: 1. KENTUCKY ADJUSTED GROSS INCOME, 2. ITEMIZED DEDUCTIONS / STANDARD DEDUCTION, 3. TAXABLE INCOME.

TAX LIABILITY table with columns: I-As Originally Reported or Adjusted, II-Net Change Increase or Decrease, III-Correct Amount. Rows include: 4. Enter tax from Form 740, line 14 or Form 740-EZ, line 4., 5. Business Incentive Credits, 6. Personal Tax Credits, 7. Subtract lines 5 and 6 from line 4., 8. Add line 7, Columns A and B and enter here, 9. Family Size Tax Credit, 10. Education Tuition Tax Credit, 11. Child and Dependent Care Credit, 12. RESERVED, 13. Income Tax Liability, 14. Kentucky Use Tax, 15. Total Tax Liability.

PAYMENTS AND CREDITS table with columns: I-As Originally Reported or Adjusted, II-Net Change Increase or Decrease, III-Correct Amount. Rows include: 16. Kentucky Income Tax Withheld, 17. Kentucky Estimated Tax Payments, 18. Refundable Kentucky Corporation Tax Credit, 19. Refundable certified rehabilitation credit, 20. Film industry tax credit, 21. Amount paid with original return, plus additional payments made after it was filed, 22. Total of lines 16 through 21, Column III.

REFUND OR AMOUNT DUE table with columns: I-As Originally Reported or Adjusted, II-Net Change Increase or Decrease, III-Correct Amount. Rows include: 23. Overpayment, if any, shown on original return, Form 740 or Form 740-EZ, 24. Subtract line 23 from line 22 and enter the result, 25. If line 15, Column III, is more than line 24, enter amount due, 26. Compute interest on the amount due from the due date until paid. Use Interest Rate Chart on Page 2, Part IV when calculating interest, 27. Add lines 25 and 26. Pay in full with this return, 28. 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 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 or more <input type="checkbox"/>
5. Total Family Size claimed on this return	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 or more <input type="checkbox"/>

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 26.

Jan. 1, 2017–Dec. 31, 2017	–	5%
Jan. 1, 2016–Dec. 31, 2016	–	6%
Jan. 1, 2015–Dec. 31, 2015	–	6%
Jan. 1, 2014–Dec. 31, 2014	–	6%
Jan. 1, 2013–Dec. 31, 2013	–	6%

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 return or combined, both must sign.) Driver's License/State Issued ID No. Date Signed ()
Telephone Number (daytime)

Spouse's Signature Driver's License/State Issued ID No. Date Signed

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

Make check payable to:
Kentucky State Treasurer.

REFUNDS

Mail to: Kentucky Department of Revenue, P. O. Box 856970, Louisville, KY 40285-6970.

PAYMENTS

Mail to: Kentucky Department of Revenue, P. O. Box 856980, Louisville, KY 40285-6980.

740-NP

42A740-NP

Department of Revenue

Check if applicable:

Amended (Attach copy of original return.)

Military Spouse



KENTUCKY INDIVIDUAL INCOME TAX RETURN



2016

For calendar year or other taxable year beginning _____, 2016, and ending _____, 20_____.

Nonresident or Part-Year Resident

A. Spouse's Social Security Number

B. Your Social Security Number

Grid for Spouse's Social Security Number

Grid for Your Social Security Number

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)

Grid for Name

Mailing Address (Number and Street including Apartment Number or P.O. Box)

Grid for Mailing Address

City, Town or Post Office

State

ZIP Code

Grid for City, Town or Post Office

Grid for State

Grid for ZIP Code

FILING STATUS and RESIDENCY STATUS sections with checkboxes and text input fields.

POLITICAL PARTY FUND section with checkboxes for Democratic, Republican, and No Designation.

Attach Form W-2(s) and Other Supporting Statement(s) Here. Enclose Payment but Do Not Staple.

COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 28.

OFFICIAL USE ONLY 1 2 3 4 5

Main table with 28 rows for INCOME/TAX calculations and 5 columns for official use only.



REFUND/TAX PAYMENT SUMMARY

Table with columns for line number, description, amount, and total. Includes sections for Total Tax Liability, Kentucky income tax withheld, AMOUNT OVERPAID, FUND CONTRIBUTIONS, CREDIT FORWARD, REFUND, ADDITIONAL TAX DUE, and AMOUNT YOU OWE.

- Visit www.revenue.ky.gov for electronic payment options; or
Make check payable to Kentucky State Treasurer, include your Social Security number and "KY Income Tax—2016."

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Table with columns for line number, description, amount, and total. Lists various tax credits such as nonrefundable limited liability entity credit, Kentucky small business tax credit, skills training investment credit, etc.



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	Enter New Markets Development Program credit	21	00
22	Enter food donation credit (attach Schedule FD).....	22	00
23	Enter distilled spirits credit (attach Schedule DS)	23	00
24	Enter angel investor credit	24	00
25	Add lines 1 through 24. Enter here and on page 1, line 15	25	00

SECTION B – PERSONAL TAX CREDITS

	Check Regular	Check all four if 65 or over	Check all four if blind	Check both for Kentucky National Guard
1 (a) Credits for yourself:	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
(b) Credits for spouse:	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>

1 Enter number of boxes checked on line 1

2 Dependents:

First and 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"/>

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.....

4 Multiply credits on line 3 by \$10. Enter here and on page 1, line 17

x \$10

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 and Last Name	Social Security number	First and 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.)	Driver's License/State Issued ID No.	Date Signed	() Telephone Number (daytime)
Spouse's Signature	Driver's License/State Issued ID No.	Date Signed	
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, P. O. Box 856970, Louisville, KY 40285-6970.



PAYMENTS Kentucky Department of Revenue, P. O. Box 856980, Louisville, KY 40285-6980.

SCHEDULE A

Form 740-NP

42A740-NP-A

Department of Revenue

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



KENTUCKY

2016

ITEMIZED DEDUCTIONS

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

Social Security Number

Medical and Dental Expenses	Do not include expenses reimbursed or paid by others.				
	1. Medical and dental expenses	1		00	
	2. Enter amount from Form 740-NP, page 1, line 8.....	2		00	
	3. Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1952, multiply by 7.5% (.075) instead.....	3		00	
4. Total medical and dental. Subtract line 3 from line 1. If zero or less, enter -0-.....	▶ 4			00	
Taxes <i>Note: Sales and use taxes and new motor vehicle taxes are not deductible.</i>	5. Local income taxes (do not include state income tax)	5		00	
	6. Real estate taxes	6		00	
	7. Personal property taxes.....	7		00	
	8. Other taxes (list)	8		00	
	9. Total taxes. Add the amounts on lines 5 through 8. Enter here.....	▶ 9			00
Interest Expense <i>Note: Personal interest is not deductible.</i>	10. Home mortgage interest and points reported to you on federal Form 1098	10		00	
	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		00	
	See instructions for lines 12 and 13.				
	12. Points not reported to you on federal Form 1098	12		00	
	13. Qualified mortgage insurance premiums	13		00	
	14. Investment interest (attach federal Form 4952 if required)	14		00	
15. Total interest. Add the amounts on lines 10 through 14. Enter here	▶ 15			00	
Contributions <i>Note: For any contribution of \$250 or more, see instructions.</i>	16. Contributions by cash or check.....	16		00	
	17. Other than cash or check (attach federal Form 8283 if over \$500).....	17		00	
	18. Carryover from prior year	18		00	
	19. Total contributions. Add the amounts on lines 16 through 18. Enter here	▶ 19			00
Casualty and Theft Losses	20. Enter amount from attached federal Form 4684, Section A, line 16	20		00	
	21. Enter amount from Form 740-NP, page 1, line 8.....	21		00	
	22. Multiply the amount on line 21 by 10% (.10). Enter result.....	22		00	
	23. Total casualty or theft loss(es). Subtract line 22 from line 20. If zero or less, enter -0-.....	▶ 23			00
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		00	
	25. Tax preparation fees	25		00	
	26. Other (investment, safe deposit box, etc.) list	26		00	
	27. Add the amounts on lines 24, 25 and 26. Enter here	27		00	
	28. Enter amount from Form 740-NP, page 1, line 8.....	28		00	
	29. Multiply the amount on line 28 by 2% (.02). Enter result	29		00	
30. Total. Subtract line 29 from line 27. If zero or less, enter -0-.....	▶ 30			00	
Other Miscellaneous Deductions	31. Other (see instructions)	▶ 31			00
Total Itemized Deductions	32. Add the amounts on lines 4, 9, 15, 19, 23, 30 and 31. Enter here.....	▶ 32			00
<ul style="list-style-type: none"> • If the amount on Form 740-NP, line 8, exceeds \$184,850 (\$92,425 if married filing separate returns), skip lines 33 through 36 and complete the limitation schedule on the reverse of this form; or • 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		00		
34. Enter joint or combined <i>federal</i> Adjusted Gross Income.....	34		00		
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				00



ITEMIZED DEDUCTIONS LIMITATION SCHEDULE—Use this schedule if the federal adjusted gross income on Form 740-NP, line 8, exceeds \$184,850 (\$92,425 if married filing separate returns).

- If married filing separate returns but combining itemized deductions on one Schedule A, enter the percent of your separate income (Form 740-NP, line 8) to joint or combined federal adjusted gross income.
- If single, married filing a joint return or married filing separate Schedules A, enter 100%. _____ %

1. Multiply the amount on Schedule A, line 32, by the percent of income shown above.....	1.	_____	.00
2. Add the amounts on Schedule A, lines 4, 14 and 23, plus any gambling losses included on line 31 and multiply by the percent of income shown above	2.	_____	.00
Note: Be sure your total gambling losses are clearly identified on line 31.			
3. Subtract the amount on line 2 from the amount on line 1. If the result is zero or less, enter -0-.....	3.	_____	.00
4. Multiply the amount on line 3 above by 80% (.80).....	4.	_____	.00
5. Enter the amount from Form 740-NP, line 8.....	5.	_____	.00
6. Enter \$184,850 (\$92,425 if married filing separate returns).....	6.	_____	.00
7. Subtract the amount on line 6 from the amount on line 5. If the result is zero or less, enter -0-.....	7.	_____	.00
8. Multiply the amount on line 7 above by 3% (.03).....	8.	_____	.00
9. Compare the amounts on lines 4 and 8 above. Enter the smaller of the two amounts here	9.	_____	.00
10. Total itemized deductions. Subtract the amount on line 9 from the amount on line 1. Enter the result here and on Form 740-NP, line 11	10.	_____	.00

SCHEDULE ME

Form 740-NP

42A740-NP-ME

Commonwealth of Kentucky
Department of Revenue

➤ **Attach to Form 740-NP.**



2016 83

**MOVING EXPENSE
AND REIMBURSEMENT**

Enter name(s) as shown on Form 740-NP, page 1.	Your Social Security Number
1. Enter total Kentucky earned income (do not include moving expense reimbursement)	1 00
2. Enter total earned income from federal return (do not include moving expense reimbursement)	2 00
3. Divide line 1 by line 2. Enter result. If amount is equal to or greater than 100%, enter 100%	3 _____. ____%
4. (a) Enter moving expense reimbursement included in wages	4(a) 00
(b) Subtract federal Form 3903, line 3, from federal Form 3903, line 4, and enter result. If zero or less, enter -0-	4(b) 00
(c) Add lines 4(a) and 4(b) and enter result here and on Form 740-NP, page 4, line 2, Column A	4(c) 00
5. Multiply line 4(c) by line 3. Enter result here and on Form 740-NP, page 4, line 2, Column B. This is your moving expense reimbursement for Kentucky	5 00
6. Enter moving expense deduction from federal Form 3903, line 5, here and on Form 740-NP, page 4, line 21, Column A	6 00
7. Multiply line 6 by percentage on line 3. Enter here and on Form 740-NP, page 4, line 21, Column B. This is your allowable Kentucky moving expense	7 00

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. These payments will be included in wages (box 1) or will be shown separately on the wage and tax statements.

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. *The amount which must be reported to Kentucky as income is based on the percentage of Kentucky earned income to total earned income.*

For the computation of this percentage, earned income is income you received for services you provided. It includes wages, salaries, tips, etc. It also includes income earned from self-employment (Schedules C, C-EZ and F and partnerships).

Line 1—Enter earned income received from Kentucky sources while a nonresident and from all sources while a resident of Kentucky. Do not include moving expense reimbursement reflected on the wage and tax statements (box 1).

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. If zero or less, enter -0-.

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

740-NP-R

42A740-NP-R

Department of Revenue



KENTUCKY INCOME TAX RETURN Nonresident—Reciprocal State



2016

Name—Last, First, Middle Initial

Your Social Security Number

Name input field

SSN input field

Mailing Address (Number and Street including Apartment Number or P.O. Box)

Mailing address input field

City, Town or Post Office

State

ZIP Code

City input field

State input field

ZIP code input field

Did you file a Kentucky income tax return for 2015? Yes No If no, give reason:

INSTRUCTIONS This form may be used by qualifying full-year nonresidents to claim a refund of Kentucky income taxes withheld during 2016. To determine if you qualify, you must check "Yes" or "No" for the applicable statements below. If eligible, complete lines 1-11. 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 2016. Yes No

B. My only 2016 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.

C. For Virginia residents only: 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

Address

City

State

ZIP code

Table with 11 rows for tax withheld and contributions. Row 1: Enter total Kentucky income tax withheld. Row 2-10: Nature and Wildlife Fund Contribution, Child Victims' Trust Fund Contribution, Veterans' Program Trust Fund Contribution, Breast Cancer Research/Education Trust Fund Contribution, Farms to Food Banks Trust Fund Contribution, Local History Trust Fund Contribution, Special Olympics Kentucky, Pediatric Cancer Research Trust Fund, Rape Crisis Center Trust Fund. Row 11: From line 1, subtract lines 2 through 10. Amount to be REFUNDED.

ATTACH A COPY OF THE 2016 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

Driver's License/State Issued ID No.

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, P. O. Box 856970, Louisville, KY 40285-6970

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

Form 741

42A741
Department of Revenue



KENTUCKY
FIDUCIARY INCOME TAX RETURN

2016

For calendar year or other taxable year beginning _____, 2016, and ending _____, 2017.

Check applicable box:
Name of Estate or Trust
Federal Employer Identification Number
Name and Title of Fiduciary
Date Entity Created
Address of Fiduciary (Number and Street or P.O. Box)
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 3 columns: Line number, Description, and Amount. Lines 1-14 detailing income and deductions.

INTANGIBLE INCOME ATTRIBUTABLE TO NONRESIDENTS INCLUDED IN LINE 14

Table with 3 columns: Line number, Description, and Amount. Lines 15-16 for intangible income.

TAX COMPUTATION

Table with 3 columns: Line number, Description, and Amount. Lines 17-22 for tax calculation.

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.

1. Kentucky taxable income that was paid or set aside for charitable purposes and was not reported on federal Form 1041, Schedule A, including additional capital gains. Enter here and include on Schedule M, line 7	1	
2. Kentucky tax-exempt income that was paid or set aside for charitable purposes that was reported on federal Form 1041, Schedule A. Enter here and include on Schedule M, line 3.....	2	

SCHEDULE B—INCOME DISTRIBUTION DEDUCTION (See federal instructions.)

1. Adjusted total income (enter amount from page 1, line 9)	1	
2. Adjusted tax-exempt interest.....	2	
3. Net gain shown on Schedule D, Form 741, column 1, line 19 (if net loss, enter zero)	3	
4. Enter amount included from federal Schedule A, line 4	4	
5. Enter net capital gains included on Kentucky Schedule A, line 1 or line 2.....	5	
6. Enter any Kentucky gains included on page 1, line 9 as a negative figure. If capital loss, enter as a positive figure. (Kentucky gain/loss includes federal figures plus Kentucky adjustments.).....	6	
7. Distributable net income (combine lines 1 through 6).....	7	
8. If complex trust, enter accounting income for tax years as determined under the governing instrument and applicable law.....	8	
9. Amount of income required to be distributed currently.....	9	
10. Other amounts paid, credited or otherwise required to be distributed	10	
11. Total distributions (add lines 9 and 10) (If greater than line 8, see federal instructions.)	11	
12. Enter the amount of tax-exempt income included on line 11.....	12	
13. Tentative income distribution deduction (subtract line 12 from line 11).....	13	
14. Tentative income distribution deduction (subtract line 2 from line 7).....	14	
15. Income distribution deduction (enter the smaller of line 13 or line 14 here and on page 1, line 10).....	15	

SCHEDULE M (FORM 741)

Part I—Additions to Federal Adjusted Total Income

1. Enter interest from bonds issued by other states and their political subdivisions	1	
2. Enter additions from partnerships, fiduciaries and S corporations (attach schedule).....	2	
3. Other additions (attach schedule).....	3	
4. Total additions. Enter here and on page 1, line 2.....	4	

Part II—Subtractions from Federal Adjusted Total Income

5. Enter interest from U.S. government obligations (attach schedule).....	5	
6. Enter subtractions from partnerships, fiduciaries and S corporations (attach schedule).....	6	
7. Other subtractions (attach schedule).....	7	
8. Total subtractions. Enter here and on page 1, line 6.....	8	

ADDITIONAL INFORMATION REQUIRED

- Was a Kentucky fiduciary income tax return filed for 2015?
 Yes No. If "No," state reason.

- If the fiduciary has income not taxed by Kentucky, have you deducted only that portion of expenses allocable to taxable income? Yes No. If "Yes," attach computation.
- Did the estate or trust have any passive activity loss(es)?
 Yes No. (If "Yes," enter the loss(es) on Form 8582-K, Kentucky Passive Activity Loss Limitations, to determine the allowable loss.)

- 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.
- During the taxable year did you make an accumulation distribution as defined in Sec. 665(b), Internal Revenue Code? Yes No. If "Yes," attach federal Schedule J (Form 1041).
- If this is an amended return, check the appropriate box on page 1. Explain changes below. Attach a separate page if necessary.

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, 2013. 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.

Recycling Composting Recapture—Enter amount from Schedule RC-R.

Distilled Spirits Recapture—Enter amount from Schedule DS-R.

Angel Investor Recapture—Enter amount of Angel investor income tax credit recapture.

Line 17(c)—Add the amounts from Lines 17(a) and (b), and enter total on Line 17(c).

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 tax 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 (2015 carryover)
- railroad maintenance and improvement tax credit
- Endow Kentucky credit
- New Markets Development Program credit
- food donation credit
- distilled spirits credit
- angel investor 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 2016 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

Line 21(d)—Enter 2016 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.

SCHEDULE D

Form 741

42A741-D

Department of Revenue



2016

93

**KENTUCKY
CAPITAL GAINS AND LOSSES**

► **Use Form 8949 to list your Kentucky transactions for lines 1b, 2, 3, 8b, 9 and 10.**

► **Attach to Form 741.**

Name of estate or trust	Federal Employer Identification Number
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PART I—SHORT-TERM CAPITAL GAINS AND LOSSES (Assets Held One Year or Less)

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
See instructions for how to figure the amounts to enter on the lines below.				
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b.				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked.....				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked.....				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked.....				
4. Short-term capital gain or (loss) from federal Forms 4684, 6252, 6781 and 8824				4
5. Enter net short-term gain or (loss) from partnerships, S corporations and other fiduciaries				5
6. Short-term capital loss carryover from 2015 Schedule D, line 29				6 ()
7. Net short-term gain or (loss), combine lines 1a through 6 in column (h). Enter here and on line 17.....				7

PART II—LONG-TERM CAPITAL GAINS AND LOSSES (Assets Held More Than One Year)

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
See instructions for how to figure the amounts to enter on the lines below.				
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b.				
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked.....				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked.....				
11. Long-term capital gain or (loss) from federal Forms 2439, 4684, 6252, 6781 and 8824.....				11
12. Enter net long-term gain or (loss) from partnerships, S corporations and other fiduciaries				12
13. Capital gain distributions.....				13
14. Enter gain, if applicable, from federal Form 4797				14
15. Long-term capital loss carryover from 2015 Schedule D, line 36.....				15 ()
16. Net long-term gain or (loss), combine lines 8a through 15 in column (h). Enter here and on line 18.....				16



PART III—SUMMARY OF PARTS I AND II	1. Beneficiaries	2. Estates or Trusts	3. Total
17. Net short-term gain or (loss) from line 7..... 17			
18. Net long-term gain or (loss) from line 16..... 18			
19. Total net gain or (loss) 19			

Enter on Form 741, Schedule M, line 3, the net gain shown on line 19, column 3 above that is not reported on federal Form 1041. If net (loss) on line 19, column 3 above, complete Part IV.

PART IV—COMPUTATION OF CAPITAL LOSS LIMITATION

20. Enter the smaller of: (i) The net loss on line 19, column 3; or (ii) \$3,000 20	()
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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 19, column 3, is more than \$3,000, complete Part V to determine your capital loss carryover.

PART V—COMPUTATION OF CAPITAL LOSS CARRYOVERS FROM 2016 TO 2017

SECTION A—Computation of Carryover Limit

21. Enter taxable income or (loss) for 2016 from Form 741..... 21	
22. Enter loss from line 20, above, as a positive amount..... 22	
23. Adjusted taxable income (combine lines 21 and 22; do not enter less than zero) 23	
24. Enter the lesser of lines 22 or 23..... 24	

SECTION B—Short-Term Capital Loss Carryover

(Complete this section only if there is a loss on line 7, and line 19, column 3.)

25. Enter loss shown on line 7, Schedule D, Part I, as a positive amount..... 25	
26. Enter gain, if any, from line 16. (If that line is blank or shows a loss, enter zero.) 26	
27. Enter amount from line 24, above 27	
28. Add lines 26 and 27..... 28	
29. Subtract line 28 from line 25. If zero or less, enter zero. This is your short-term capital loss carryover from 2016 to 2017 29	

SECTION C—Long-Term Capital Loss Carryover

(Complete this section only if there is a loss on line 16 and line 19, column 3.)

30. Enter loss from line 16 as a positive amount 30	
31. Enter gain, if any, from line 7, Schedule D, Part I. (If that line is blank or shows a loss, enter zero.) 31	
32. Enter amount from line 24, above 32	
33. Enter amount, if any, from line 25, above 33	
34. Subtract line 33 from line 32. If zero or less, enter zero..... 34	
35. Add lines 31 and 34..... 35	
36. Subtract line 35 from line 30. If zero or less, enter zero. This is your long-term capital loss carryover from 2016 to 2017 36	

SCHEDULE K-1

FORM 741

42A741(K-1)

Department of Revenue



2016

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 _____, 2016, and ending _____, 2017.

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

If Your Family Size is:	Your Modified Gross Income is greater than:
One.....	<i>and</i> \$11,880
Two.....	<i>and</i> \$16,020
Three.....	<i>and</i> \$20,160
Four or More	<i>and</i> \$24,300

Chart B

If Your Filing Status is:	Your Kentucky Adjusted Gross Income is greater than:
Single Person— Under age 65.....	<i>and</i> \$ 2,960
Single Person— Age 65 or over or blind.....	<i>and</i> \$ 4,960
Single Person— Age 65 or over and blind.....	<i>and</i> \$ 6,460
Taxpayer and Spouse— Both under age 65.....	<i>and</i> \$ 3,460
Taxpayer and Spouse— One age 65 or over	<i>and</i> \$ 5,460
Taxpayer and Spouse— Both age 65 or over	<i>and</i> \$ 6,760

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, 2016, you must take the items listed on Schedule K-1 (Form 741) into account on your tax return for calendar year 2016.

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.



See instructions.

KENTUCKY GENERAL PARTNERSHIP INCOME RETURN

Taxable period beginning _____, 201 __, and ending _____, 201 __.

Form fields for A through F: Date business commenced, Federal Identification Number, Number of partners, Name of General Partnership, NAICS business code number, Partnership telephone number, and Check applicable boxes.

PART I - ORDINARY INCOME (LOSS) COMPUTATION

Table with 3 columns: Description, Line Number, and Amount. Rows include Federal ordinary income, 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 and name fields for partner and preparer, including SSN or FEIN and 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.



PART II—EXPLANATION OF FINAL RETURN AND/OR SHORT-PERIOD RETURN

- | | |
|---|--|
| <input type="checkbox"/> Ceased operations in Kentucky | <input type="checkbox"/> Change in filing status |
| <input type="checkbox"/> Change of ownership | <input type="checkbox"/> Merger |
| <input type="checkbox"/> Successor to previous business | <input type="checkbox"/> Other _____ |

PART III—EXPLANATION OF AMENDED RETURN CHANGES

SCHEDULE Q—KENTUCKY GENERAL PARTNERSHIP QUESTIONNAIRE

IMPORTANT: Questions 4—10 must be completed by all general partnerships. If this is the general partnership's initial return or if the general 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.**

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.

- Nonresident Income Tax Withholding _____
- Employer Withholding _____
- Sales and Use Tax Permit _____
- Consumer Use Tax _____
- Unemployment Insurance _____
- Coal Severance and/or Processing Tax _____

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

4. The general partnership'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 each entity. _____

6(a) For the taxable period being reported, was the general 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). _____

6(b) For the taxable period being reported, was the general partnership doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? Yes No

7. Are related party costs as defined in KRS 141.205(1)(l) included in this return? Yes No. If yes, attach Schedule RPC, Related Party Costs Disclosure Statement, and enter any related party cost additions on Page 1, Line 4.

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

9. Did the general partnership file a Kentucky tangible personal property tax return for January 1, 2017? Yes No

If yes, list name and federal I.D. number of entity(ies) filing return(s): _____

10. Is the general 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 general partnership's taxable income which have not been reported to the department, check here and file an amended Form 765-GP for each year adjusted. **Attach a copy of the final determination to each amended return.**



Schedule K—PARTNERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	Distributive Share Items	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 Form 4797 and Kentucky Form 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
(b) (2) Investment expenses included on line 10 above	(b)(2)	00
Tax Credits—Nonrefundable		
13. Kentucky Small Business 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	Distributive Share Items	Total Amount	
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Tax Credits—Nonrefundable—continued

28. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	28		00
29. Railroad Expansion Tax Credit (attach Schedule RR-E).....	29		00
30. Endow Kentucky Tax Credit (attach Schedule ENDOW).....	30		00
31. New Markets Development Program Tax Credit (attach Form 8874(K)-A)	31		00
32. Food Donation Tax Credit (attach Schedule FD)	32		00
33. Distilled Spirits Tax Credit (attach Schedule DS).....	33		00

Tax Credits—Refundable

34. Certified Rehabilitation Tax Credit (attach Kentucky Heritage Council certification(s))..	34		00
35. Film Industry Tax Credit (attach Kentucky Film Office certification(s)).....	35		00

Other Items

36. (a) Type of Section 59(e)(2) expenditures ▶	36(a)		
(b) Amount of Section 59(e)(2) expenditures.....	(b)		00
37. Tax-exempt interest income	37		00
38. Other tax-exempt income.....	38		00
39. Nondeductible expenses	39		00
40. Total property distributions (including cash).....	40		00
41. Other items and amounts required to be reported separately to partners (attach schedule).....	41		

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



INSTRUCTIONS

2016 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 3 to determine what tax form your business needs to file.

KENTUCKY TAX LAW CHANGES

Enacted by the 2016 Regular Session of the General Assembly

Internal Revenue Code Update—House Bill 80 updates the Internal Revenue Code (IRC) reference date from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. The Code update applies to taxable years beginning on or after April 27, 2016. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. Any taxable differences related to the IRC update should be entered on the other additions and/or other subtractions line(s) of the applicable tax return or schedule. The IRC updates will apply to the calendar year-end taxpayers beginning January 1, 2017.

Enacted by the 2014 Regular Session of the General Assembly

Endow Kentucky Tax Credit—For fiscal years beginning on or after July 1, 2016, House Bill 208 amends KRS 141.438 to increase the total amount of tax credit that may be awarded from \$500,000 to \$1 million for each fiscal year.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2017 tax interest rate has been set at three percent (3%). The rate charged by the Kentucky Department of Revenue on unpaid taxes shall be five percent (5%) and when interest is due on a refund, the rate shall be one percent (1%).

HOW TO OBTAIN ADDITIONAL FORMS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (see page 14). They may also be obtained by writing FORMS, Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or by calling (502) 564-3658. Forms can be downloaded from www.revenue.ky.gov.

KENTUCKY FORM CHANGES

Form 5695-K—Not applicable for tax year 2016 due to expiration of the Energy Efficiency Products Tax Credit. Any unused credit from tax year 2015 may be carried forward and reflected on Schedule TCS line 16.

Form 8908-K—Not applicable for tax year 2016 due to expiration of the Energy Star Home or Energy Star Manufactured Home Tax Credit.

Note: Expiration of the energy credits changed line references on several forms including Form 720S, 765, 765-GP and related schedule K's and K-1's.

Forms 720S, 765, 725 and 740NP-WH—Additional lines were added to page 1 to accommodate for money paid or overpaid on the original return. These lines are applicable when filing an amended return.

Schedule TCS—Line 16 changed to allow for reporting of any unused Energy Efficiency Products Tax Credit carried forward from tax year 2015.

Note: The credit formally referred to as the "Kentucky Small Business Investment Credit" is now referred to as "Kentucky Small Business Tax Credit" in order to conform with statute. There has been no change in the credit.

Schedule FD—Qualification questions were added in Part I to clarify who is entitled to claim the credit. A carryforward worksheet was added in order to track any unused credit to be carried forward.

Schedule O-720—Lines 12 and 18 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Schedule O-PTE—Lines 5 and 9 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Electronic Filing FAQs and Helpful Tips

- If your return is rejected for an invalid Kentucky Corporation/LLET Account Number or Federal Employer Identification Number (FEIN), please contact our **Registration Section at 502-564-3306**.
- If your e-filed return has been **REJECTED, DO NOT** submit a 720-V voucher at that time. You will get a **NEW** 720-V voucher once you have successfully submitted an accepted Kentucky return. (Note: The Submission ID number will change each time your return is sent to the Kentucky Department of Revenue.)
- To determine which forms are supported by your software, please check with the company that develops your software.
- To find the Kentucky Department of Revenue's listing of approved software vendors and developers, please visit our electronic filing webpage at <http://revenue.ky.gov/Software-Developer/Pages/Substitute-Forms-Design.aspx>.
- **New for tax year 2016:** Ability to file Forms 725 and 720 Kentucky Mandatory Nexus consolidated returns and their supporting schedules.

Filing Tips and Checkpoints

The following list of filing tips is provided for your convenience to help ensure that returns are processed accurately and promptly. To avoid processing problems, please note the following:

- Only a general partnership should file Form 765-GP. All other partnerships should file Form 765.
- No money is due with a Form 765-GP.
- Always ensure the correct Federal Identification Number is used on the return being filed.
- Extensions are for filing purposes only; late filing penalties may apply to returns filed after the original due date.
- Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the general partnership has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- Additional errors that delay processing returns or create adjustments include:
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end

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 (nexus consolidated group as provided by KRS 141.200(11))	720	Yes	Yes
3. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720	Yes	Yes
4. S corporation	720S	Yes*	Yes
5. Single member limited liability company whose single member is an individual	725	No	Yes
6. Limited liability company (two or more members)	765	No	Yes
7. Limited partnership	765	No	Yes
8. Limited liability partnership	765	No	Yes
9. General partnership	765-GP	No	No
10. 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

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 Internal Revenue Code in effect on December 31, 2001. For calendar year 2016 returns and fiscal year returns that begin in 2016, any general partnership that for federal purposes elects in the current taxable year or has elected in past taxable years any of the following will have a different depreciation and Section 179 expense deduction for Kentucky:

- MACRS bonus depreciation; or
- Section 179 expense deduction in excess of \$25,000.

If a general partnership has taken MACRS bonus depreciation or Section 179 expense deduction in excess of \$25,000 for any year, federal and Kentucky differences will exist, and the differences will continue through the life of the assets.

Important: If a general partnership has not taken MACRS bonus depreciation or the Section 179 expense deduction in excess of \$25,000 for any 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 substantiate that no adjustment is 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, 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–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 general 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, Part 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 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 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 7 on Form 765–GP, Schedule K, Section I, Line 4(d) or 7. Enter the amount from Kentucky Schedule D, Line 15 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 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 listing 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.**

Tax Treatment of Kentucky General Partnerships and Partners

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 general 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 tax years beginning on or before April 26, 2016 the IRC reference date is December 31, 2013 for purposes of computing corporation income tax, except for depreciation differences contained in KRS 141.0101. For tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. Attach a schedule to the tax return showing the detail of the addition, including the related IRC section(s).

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 7.

Nonresident Withholding and Composite Return (Form 740NP-WH)

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 or file a composite return on the distributive share, whether distributed or undistributed, of each nonresident individual (**includes an estate or trust**) 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 and composite filing shall be at the maximum rate as provided in KRS 141.020 or KRS 141.040.

Withholding shall not be required if: (a) the partner, member or shareholder is exempt from withholding as provided by KRS 141.206(7)(a); (b) the partner or member is exempt from Kentucky income tax as provided by KRS 141.040(1); (c) the pass-through entity is a qualified investment partnership as provided by KRS 141.206(15), and the partner, member or shareholder is an individual; or (d) the partner or member is a pass-through entity.

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold or file a Composite return on 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 Voucher).

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 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 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 of any 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. Form 740NP-WH and Form PTE-WH are available at www.revenue.ky.gov.

Note: Composite returns apply to nonresidents only.

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. Cost of Goods Sold (Schedule COGS)
6. Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky (Form 40A102)
7. Related Party Costs Disclosure Statement (Schedule RPC)
8. 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—A six-month 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, Section F. 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 2016 return for calendar year 2016 and fiscal years that begin in 2016. 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 F** if a change in name or address has occurred).

Change of Name/Address—Check the applicable box(es) if the general partnership’s name and/or address has changed since the filing of the prior year Kentucky tax return. For a change of name, attach a statement to the tax return providing the general partnership’s name reflected on the prior year Kentucky tax return.

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—Check the applicable boxes:

- (a) *Initial Return*—This return is the general partnership’s initial return.
- (b) *Short-period Return*—This return is for a period of less than one year and not an initial return or final return. Check the appropriate box in Part II – Explanation of Final Return and/or Short-Period Return.
- (c) *Publicly Traded Partnership*—This partnership is a publicly traded partnership as provided by KRS 141.0401(6)(r).
- (d) *Amended Return*—This is an amended tax return. Provide an explanation of all changes in Part III – Explanation of Amended Return Changes.
- (e) *Final Return*—This is the general partnership’s final Kentucky tax return. Check the appropriate box in Part II – Explanation of Final Return and/or Short-Period Return.
- (f) *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 (IRC) in effect December 31, 2013 for tax years beginning on or before April 26, 2016 and December 31, 2015 for tax years beginning on or after April 27, 2016 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 MACRS bonus depreciation or Section 179 expense deduction in excess of \$25,000.

For additional instructions for reporting income and deductions, see federal instructions, Form 1065.

PART I – ORDINARY INCOME (LOSS) COMPUTATION

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.

Reporting Depreciation Differences—Important: Use Lines 3 and 8 **only** if the general 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—See instructions on page 4 regarding depreciation and Section 179 deduction differences, and if applicable, include the depreciation amount from Line 16a of Form 1065 (do not include the Section 179 deduction). **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached.**

Line 4—Enter related party cost additions from Schedule RPC, Part II, Section B, Line 1.

Line 5— Enter the amount from Schedule O–PTE, Part I, Line 7.

Line 7—Enter the amount of the work opportunity credit reflected on federal Form 5884. For Kentucky purposes, the general 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 4 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 11.

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 by 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), Incentives for Energy Independence Act (IEIA) or Farming Operation Networking Project (FON).

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 4 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 7 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 7 of the federal Schedule D (Form 1065) that is portfolio income.

Line 4(e)—See instructions on page 4 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 15 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 15 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–GP.

Line 5—Enter guaranteed payments to partners from federal Schedule K, Form 1065.

Line 6—See instructions on page 4 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 4 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 Tax Credit Program (KSBTC) 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 Railroad Maintenance and Improvement Tax Credit as provided by KRS 141.385 and attach Kentucky Schedule RR–I (Form 41A720RR–I).

Line 29—Enter the Railroad Expansion Tax Credit as provided by KRS 141.386 and attach Kentucky Schedule RR–E (Form 41A720RR–E).

Line 30—Enter the ENDOW Kentucky Tax Credit as provided by KRS 141.438 and attach Kentucky Schedule ENDOW (Form 41A720–S86).

Line 31—Enter the New Markets Program Tax Credit as provided by KRS 141.434 and attach Kentucky Form 8874(K)–A (Form 41A720–S81).

Line 32—Enter the Food Donation Tax Credit as provided by KRS 141.392 and attach Kentucky Schedule FD (Form 41A720FD).

Line 33—Enter the Distilled Spirits Tax Credit as provided by KRS 141.389 and attach Kentucky Schedule DS (Form 41A720DS).

Line 34—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 35—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 36(a)—Enter the information provided on federal Schedule K, Form 1065, Line 13c(1).

Line 36(b)—Enter the amount reported on federal Schedule K, Form 1065, Line 13c(2).

Line 37—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 38—Enter the total amount of any other type of income of the partnership where the partner is exempt from Kentucky income tax.

Line 39—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 40—Enter the amount reported on federal Schedule K, Form 1065, Line 19a and 19b.

Line 41—Attach schedules to report the general partnership's total income, expenses and other information applicable to items not included on Lines 1 through 40 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 48; or Form 725, page 2, 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 Kentucky Schedules K-1, Lines 1 through 41 must equal the amounts reported on Kentucky Schedule K, Lines 1 through 41; the distributive share items reported on all Schedules K-1, Lines 42 through 49 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, Lines 50 and 51 must equal the amounts reported on comparable lines of Schedule K, Section III, Lines 1 and 2. Schedule K-1, Lines 52 and 53 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 51—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 41 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 52 through 54—The amounts are to be entered by the general partner and not by the general partnership.

Tax Credit Summary

Kentucky Small Business Tax Credit Program—KRS 141.384 provides a (Kentucky Small Business Tax Credit Program (KSBTC)) 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 KSBTC 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 171.3961 and 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 ($\$400,000 \times 10\% \times 50\%$).*

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 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 164.0062**

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—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**

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 used 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. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—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 \$10 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. **KRS 141.432 to 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2014, but before January 1, 2018, a qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, in an amount equal to ten percent (10%) of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. **KRS 141.392**

Distilled Spirits Tax Credit—For taxable years beginning on or after January 1, 2015, a nonrefundable and nontransferable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, for taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to: 40 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2016; 60 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2017; 80 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2018; and 100 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2019.

The amount of the credit is contingent on the costs associated with the following capital improvements at the premises of the distiller: construction, replacement, or remodeling of warehouses or facilities; purchases of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses; acquisition, construction, or installation of equipment for the use in the manufacture, bottling, or shipment of distilled spirits; addition or replacement of access roads or parking facilities; and construction, replacement, or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center. **KRS 141.389**

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
P. O. Box 518
Frankfort, KY 40602-0518
(502) 564-3658
Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov



Information:

Pass-Through Entity Branch
Department of Revenue
501 High Street, Station 69
Frankfort, KY 40601-2103
(502) 564-8139



Mail the return to:

Kentucky Department of Revenue
Frankfort, KY 40620



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.

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The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

KENTUCKY TAXPAYER SERVICE CENTERS

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities.

- Ashland**, 1539 Greenup Avenue, 41101-7695
(606) 920-2037
- Bowling Green**, 201 West Professional Park Court, 42104-3278
(270) 746-7470
- Corbin**, 15100 North US 25E, Suite 2, 40701-6188
(606) 528-3322
- Frankfort**, 501 High Street, 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)
- 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



See instructions.

PARTNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

Taxable period beginning _____, 201__, and ending _____, 201__.

Partner's identifying number, Partnership's FEIN, Partner's name, address and ZIP Code, Partnership's name, address and ZIP Code, Check if applicable: Qualified investment pass-through entity, Partnership formed after January 1, 2006, A Partner's share of liabilities, B What type of entity is this partner?, C Partner's taxable percentage of partnership's distributive share items below, D Check box if nonresident partner's income is reported on.

Distributive Share Items Amount

Table with 3 columns: Description, Line Number, Amount. Rows include Ordinary income (loss) from trade or business activities, Net income (loss) from rental real estate activities, Net income (loss) from other rental activities, Portfolio income (loss), Guaranteed payments to partners, Section 1231 net gain (loss), Other income (loss).

Table with 3 columns: Description, Line Number, Amount. Rows include Charitable contributions (attach schedule) and housing for homeless deduction, IRC Section 179 expense deduction, Deductions related to portfolio income (loss), Other deductions (attach schedule).

Table with 3 columns: Description, Line Number, Amount. Rows include Interest expense on investment debts, Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above, Investment expenses included on line 10 above.

Table with 3 columns: Description, Line Number, Amount. Rows include Kentucky Small Business Tax Credit, Skills Training Investment Tax Credit, Certified Rehabilitation Tax Credit, Kentucky Unemployment Tax Credit.



PARTNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

Distributive Share Items - continued		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
28.	Railroad Maintenance and Improvement Tax Credit	28	00
29.	Railroad Expansion Tax Credit	29	00
30.	Endow Kentucky Tax Credit	30	00
31.	New Markets Development Program Tax Credit	31	00
32.	Food Donation Tax Credit	32	00
33.	Distilled Spirits Tax Credit	33	00
Tax Credits—Refundable			
34.	Certified Rehabilitation Tax Credit	34	00
35.	Film Industry Tax Credit	35	00
Other Items			
36.	(a) Type of Section 59(e)(2) expenditures ▶ _____	36(a)	
	(b) Amount of Section 59(e)(2) expenditures	(b)	00
37.	Tax-exempt interest income	37	00
38.	Other tax-exempt income	38	00
39.	Nondeductible expenses	39	00
40.	Property distributions (including cash)	40	00
41.	Supplemental information required to be reported to each partner (attach schedule(s)).....	41	
General Partnership Pass-through Items			
42.	Partner's share of partnership's Kentucky sales from Schedule K, Section II, line 1	42	00
43.	Partner's share of partnership's total sales from Schedule K, Section II, line 2	43	00
44.	Partner's share of partnership's Kentucky property from Schedule K, Section II, line 3	44	00
45.	Partner's share of partnership's total property from Schedule K, Section II, line 4	45	00
46.	Partner's share of partnership's Kentucky payroll from Schedule K, Section II, line 5	46	00
47.	Partner's share of partnership's total payroll from Schedule K, Section II, line 6	47	00
48.	Partner's share of Kentucky gross profits from Schedule K, Section II, line 7	48	00
49.	Partner's share of total gross profits from all sources from Schedule K, Section II, line 8	49	00
Limited Liability Entity Tax (LLET) Pass-through Items			
50.	Partner's share of net distributive income from limited liability pass-through entities	50	00
51.	Partner's share of limited liability entity tax (LLET) nonrefundable credit	51	00
Resident Partner Adjustment			
52.	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).....	52	00
53.	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).....	53	00
54.	Enter difference of lines 52 and 53 here and on appropriate line on Schedule M (see instructions).....	54	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, 2016, you must take the items listed on Schedule K-1 (Form 765-GP) into account on your tax return for calendar year 2016.

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 will provide 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 52, 53 and 54. This will adjust the items of income, loss and deductions used to compute your federal adjusted gross income to the Kentucky amounts shown on the Kentucky Schedule K-1.

Line 52—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 the Form 740 or 740-NP Schedule A as itemized deductions.

Line 53—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 the Form 740 or 740-NP Schedule A as itemized deductions.

NOTE: If Form 8582-K is required, adjust the amounts entered on Lines 52 and 53 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 52 and 53. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 54—Enter difference of Lines 52 and 53. If Line 52 is greater than Line 53, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 3. If Line 53 is greater than Line 52, enter the difference as a subtraction on Schedule M, Line 15.

Caution: If the amounts on both Lines 52 and 53 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 52 or 53 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 the Kentucky Schedule K-1 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 36(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 36(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 36 through 41—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 50 on Line 2 of the Kentucky Limited Liability Entity 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 Corporation LLET Credit Worksheet (located in Form 720 instructions under Part II—Income Tax Computation) for Form 720.

Enter the amount from Line 51 on Line 7 of the Kentucky Limited Liability Entity Tax Credit Worksheet or Line 7 of the Corporation LLET Credit Worksheet.

Estates and Trusts (Form 741 Filers)—Estates or trusts report the amounts shown on the Kentucky Schedule K-1 on Form 741, Kentucky Fiduciary Income Tax Return, and related schedules. See federal Partner's Instructions for Schedule K-1 (Form 1065).



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 box(es), complete any necessary blank(s) and check the "Form 2210-K attached" box on Form 740, line 38a (Form 740-NP, line 38a). **If none of the exceptions apply, go to Part II.**

Check applicable box(es).

- 1. The taxpayer died during the taxable year.
- 2. The declaration was not required until after September 1, 2016, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2017.
- 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, 2017; **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.....	00
b. Multiply by $\frac{2}{3}$ (.67)	00
c. Enter gross income from farming.....	00

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 2015 return, Form 740 or Form 740-NP, page 1, line 26.....
 - b. Enter amount from the 2016 Form 740, line 31 (Form 740-NP, page 2, line 31)*.....

	00
	00

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 2016 income tax liability from Form 740, line 26 (Form 740-NP, page 1, line 26) ... 1a		00
b. Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)..... 1b		00
c. Total (add lines 1a and 1b) 1c		00
2. Percentage of liability required to be prepaid is 70% 2	x .7	
3. Multiply line 1c by line 2..... 3		00
4. a. Enter the amount from Form 740, line 31 (Form 740-NP, page 2, line 31)* 4a		00
b. Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)..... 4b		00
c. Total (add lines 4a and 4b) 4c		00
5. Subtract line 4c from line 3 (If line 4c exceeds line 3, no penalty applies.)..... 5		00
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		00
8. Enter interest amount due from Form 2210-K, page 2, line 22..... 8		00
9. Add lines 7 and 8. Enter here and on Form 740 or Form 740-NP, line 38(a). Also check the "Form 2210-K attached" box 9		00

➡ 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 2016 income tax liability: (Form 740 or Form 740-NP, page 1, line 26).....	1		00
2. Enter 2016 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 30a, 30c and 30d)	2		00
3. Enter 2016 nonresident withholding: (Form 740-NP, page 2, line 30e)	3		00
4. Add lines 2 and 3. Enter total here	4		00
5. Subtract line 4 from line 1. (If the result is \$500 or less, stop here. Do not compute this schedule.).....	5		00
6. Enter 2015 income tax liability: (2015 Form 740 or Form 740-NP, page 1, line 26).....	6		00
7. Required annual payment. Enter the smaller of line 1 or line 6.....	7		00

Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.

PAYMENT DUE DATES

	A 4-15-16	B 6-15-16	C 9-15-16	D 1-15-17
8. Required Installments. Enter 1/4 (.25) of line 7 in each column..... 8	00	00	00	00
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	00	00	00	00
10. Enter amount, if any, from line 17 of previous column 10		00	00	00
11. Add lines 9 and 10. Enter here 11		00	00	00
12. Enter the amount from line 16 of previous column. 12		00	00	00
13. Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9..... 13	00	00	00	00
14. If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero..... 14		00	00	00
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	00	00	00	00
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	00	00	00	00
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	00	00	00	00

FIGURING THE INTEREST

	A 6-15-16	B 9-15-16	C 1-15-17	D 4-15-17
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	.06	.06	.06	.05
21. Underpayment Number of from line 16 X <u>days from line 19</u> X APR on line 20 365 21	00	00	00	00
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				00

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.

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 box(es), complete the lines associated with the exception and check the “Form 2210-K attached” box on Form 740, line 38a (Form 740-NP, line 38a). 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, 2016, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2017.
- Two-thirds (2/3) or more of the gross income was from farming; this return is being filed on or before March 1, 2017; 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 34 percent (.34) and enter in column B then multiply line 7 by 33 percent (.33) and enter in columns C and 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 4–15–16 to 6–15–16 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 6–15–16 until 9–15–16 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 years 2016 is 6 percent and 2017 is 5 percent. The interest calculation for the required third installment payment may be calculated using two different interest rates.

**INSTRUCTIONS FOR FILING
ESTIMATED TAX VOUCHERS**

WHAT'S NEW FOR 2017—The standard deduction will increase to **\$2,480.00** for 2017. Individuals who electronically file their return will now have the option to have their estimated tax payment(s) debited from their bank account.

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 2017 are due April 18, June 15, September 15, 2017, and January 16, 2018. Any credit from a 2016 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 18, 2017	4
April 2–June 1	June 15, 2017	3
June 2–September 1	September 15, 2017	2
September 2–December 31*	January 16, 2018	1

**If the change occurs after September 1, 2017, the voucher is not required if the 2017 Kentucky income tax return is filed and the tax shown to be due is paid on or before January 31, 2018.*

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 \$32,319 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 16, 2018; or (3) the 2017 income tax return is filed and total tax is paid on or before March 1, 2018.

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.” If you file electronically you can now elect to have your estimated tax payments debited from your bank account; see Form 8879-K for additional information. You may authorize the Kentucky Department of Revenue to debit up to all four of your installments on the dates due. This option must be initiated at the time of filing.

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 \$2,480.00	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 below. ENTERTAX HERE.....	8		
a. If line 7 is \$3,000 or less, your tax is 2% of line 7.			
b. If line 7 is over \$3,000 but not over \$4,000, your tax is 3% of line 7, less \$30.			
c. If line 7 is over \$4,000 but not over \$5,000, your tax is 4% of line 7, less \$70.			
d. If line 7 is over \$5,000 but not over \$8,000, your tax is 5% of line 7, less \$120.			
e. If line 7 is over \$8,000 but not over \$75,000, your tax is 5.8% of line 7, less \$184.			
f. If line 7 is over \$75,000, your tax is 6% of line 7, less \$334.			
9. Enter your tax credits (\$10 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 2017. 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 2017. 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 2016 table is provided for your convenience.

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
2016	\$ ---	\$11,880	\$ ---	\$16,020	\$ ---	\$20,160	\$ ---	\$24,300	100
	11,880	12,355	16,020	16,661	20,160	20,966	24,300	25,272	90
	12,355	12,830	16,661	17,302	20,966	21,773	25,272	26,244	80
	12,830	13,306	17,302	17,942	21,773	22,579	26,244	27,216	70
	13,306	13,781	17,942	18,583	22,579	23,386	27,216	28,188	60
	13,781	14,256	18,583	19,224	23,386	24,192	28,188	29,160	50
	14,256	14,731	19,224	19,865	24,192	24,998	29,160	30,132	40
	14,731	15,088	19,865	20,345	24,998	25,603	30,132	30,861	30
	15,088	15,444	20,345	20,826	25,603	26,208	30,861	31,590	20
	15,444	15,800	20,826	21,307	26,208	26,813	31,590	32,319	10
15,800	---	21,307	---	26,813	---	32,319	---	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 2016 overpayment credited to 2017 estimated tax.....	
(b) Payments made on 2017 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 2016 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.	2016 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.



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. See instructions for
 Schedule M, line 11 (Form 740-NP, page 4, line 10(b)).

PART II—Excludable Lump-Sum Income—Complete this part after you have completed Schedule P.

2. Enter the amount from Schedule P, line 3	2	00
3. Subtract line 2 from \$41,110.....	3	00
4. Enter the amount from line 8(a) plus line 9	4	00
5. Enter the lesser of line 3 or line 4	5	00
6. Amount of line 5 to be applied to capital gain distributions. Enter here and on line 8(b).....	6	00
7. Amount of line 5 to be applied to regular lump-sum distributions. Subtract line 6 from line 5. Enter here and on line 12	7	00

PART III—Complete this part only if you chose the 20% federal capital gain election.

8. (a) Capital gain part from Box 3, Form 1099-R	8(a)	00
(b) Enter the exclusion from line 6	8(b)	00
(c) Subtract line 8(b) from line 8(a). Enter here and include on Schedule M, line 7 (Form 740-NP, page 4, line 16, Column B or Form 741, Schedule M, line 3)	8(c)	00

PART IV—Complete this part to choose the 10-year option.

9. Ordinary income from Form 1099-R, Box 2a minus Box 3. If you did not complete Part III, enter the amount from Box 2a of Form 1099-R (taxable amount) (see federal instructions)	9	00
10. Death benefit exclusion for a beneficiary of a plan participant who died before August 21, 1996.....	10	00
11. Subtract line 10 from line 9 (total federal taxable amount).....	11	00
12. Enter the exclusion from line 7.....	12	00
13. Subtract line 12 from line 11 (total Kentucky taxable amount)	13	00
14. Current actuarial value of annuity, if applicable (from Form 1099-R, Box 8)	14	00
15. Add lines 13 and 14 (adjusted total taxable amount). If this amount is \$70,000 or more, skip lines 16 through 19, and enter this amount on line 20	15	00
16. Multiply line 15 by 50% (.50), but do not enter more than \$10,000.....	16	00
17. Subtract \$20,000 from line 15. Enter difference. If line 15 is \$20,000 or less, enter zero.....	17	00
18. Multiply line 17 by 20% (.20).....	18	00
19. Subtract line 18 from line 16 (minimum distribution allowance)	19	00
20. Subtract line 19 from line 15	20	00
21. Federal estate tax attributable to lump-sum distribution. Do not deduct on Form 740, Form 740-NP or Form 741 the amount attributable to the ordinary income entered on line 9 (see federal instructions).....	21	00
22. Subtract line 21 from line 20..... <i>If line 14 is blank, skip lines 23 through 25 and go to line 26.</i>	22	00
23. Divide line 14 by line 15 and enter the result as a decimal (round to four places).....	23	
24. Multiply line 19 by the decimal amount on line 23	24	00
25. Subtract line 24 from line 14.....	25	00
26. Multiply line 22 by 10% (.10)	26	00
27. Tax on amount on line 26. Use the tax rate schedule in the instructions.....	27	00
28. Multiply line 27 by 10. If no entry on line 14, skip lines 29 through 31, and enter this amount on line 32	28	00
29. Multiply line 25 by 10% (.10)	29	00
30. Tax on amount on line 29. Use the tax rate schedule in the instructions.....	30	00
31. Multiply line 30 by 10.....	31	00
32. Tax on lump-sum distribution. Subtract line 31 from line 28. Enter here and on Form 740, line 13 or Form 741, line 17(b). Form 740-NP, include tax in the amount on Form 740-NP, page 1, line 14. (multiple recipients, see federal instructions)	32	00



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—2016 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: (a) Activities with net income, (b) Activities with net loss, (c) Prior year unallowed losses, (d) Combine lines 1(a) through 1(c). Columns for description, line number, and amount.

Commercial Revitalization Deductions From Rental Real Estate Activities

Table with 3 rows: (a) Commercial revitalization deductions, (b) Prior year unallowed commercial revitalization deductions, (c) Add lines 2(a) and 2(b). Columns for description, line number, and amount.

All Other Passive Activities

Table with 4 rows: (a) Activities with net income, (b) Activities with net loss, (c) Prior year unallowed losses, (d) Combine lines 3(a) through 3(c). Columns for description, line number, and amount.

Line 4: Combine lines 1(d), 2(c) and 3(d). If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1(c), 2(b) or 3(c). Do not complete Form 8582-K. Report the losses on the forms and schedules normally used.

- If line 4 is a loss and:
• line 1(d) is a loss, go to Part II.
• line 2(c) is a loss (and line 1(d) is zero or more), skip Part II and go to Part III.
• line 3(d) is a loss (and lines 1(d) and 2(c) 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 for special allowance calculation. Columns for description, line number, and amount.

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 for special allowance calculation. Columns for description, line number, and amount.

PART IV—Total Losses Allowed

Table with 2 rows: 15. Add the income, if any, on lines 1(a) and 3(a) and enter the total. 16. Total losses allowed from all passive activities for 2016.

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 T—taxpayer, S—spouse 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.....		00	
B. Enter as a positive amount federal allowable losses from federal Form 8582**		00	
C. Enter as a positive amount Kentucky passive income from line 15, Form 8582-K.....		00	
D. Enter as a negative amount federal passive income from federal Form 8582**		00	
E. Passive income or loss adjustment. Combine lines A, B, C and D			00

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

Caution: You cannot take the 2016 Kentucky Education Tuition Tax Credit if you are not eligible for the Federal Education Credits. You must attach the federal Form 8863.

Carryforward Information: If you have an unused credit from prior year(s), complete Page 2, Part V to determine your carry-forward amount. You must have completed Form 8863-K in prior years to claim any allowable unused credit carryforward.

PART I - Qualifications

Table with 2 columns: Question, Yes, No. Questions include: Are all expenses claimed on this form for an eligible educational institution located within the Commonwealth of Kentucky? Are all of the expenses claimed on this form for undergraduate studies? Is your Kentucky filing status single; married filing separately on a combined return; or married filing a joint return?

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 - American Opportunity Credit (List only expenses for undergraduate studies from Kentucky institutions)

Table for American Opportunity Credit entry 1. Columns: (a) Student Name SSN, (c) Qualified Expenses, (d) Subtract \$2,000 from column (c); if zero or less enter -0-, (e) Multiply column (d) by 25% (.25), (f) If column (d) is zero enter the amount from column (c); otherwise, add \$2,000 to column (e) and enter result.

(b) Institution Name and Address

Table for American Opportunity Credit entry 2. Columns: (a) Student Name SSN, (c) Qualified Expenses, (d) Subtract \$2,000 from column (c); if zero or less enter -0-, (e) Multiply column (d) by 25% (.25), (f) If column (d) is zero enter the amount from column (c); otherwise, add \$2,000 to column (e) and enter result.

(b) Institution Name and Address

Summary table with 2 columns: Description, Amount. Rows: 2. Add the amounts on line 1, column (f) (Amount: .00); 3. Enter the decimal amount from line 6 of the federal Form 8863 (Amount: .); 4. Tentative American Opportunity Credit (Amount: .00).



PART III—Lifetime Learning Credit (List only expenses for undergraduate studies from Kentucky institutions)

5.	(a) Student Name	(b) Student SSN	(c) Name and Address of Kentucky Institution	(d) Qualified Expenses (See instructions)
			-----	.00
			-----	.00
6.	Add the amounts on line 5, column (d) and enter total here.....			6 .00
7.	Enter the smaller of line 6 or \$10,000			7 .00
8.	Multiply line 7 by 20% (.20) and enter here.....			8 .00
9.	Enter the decimal amount from line 17 of the federal Form 8863. If this line is blank, enter -0- and go to line 10; you cannot take any Lifetime Learning Credit.....			9 .00
10.	Tentative Lifetime Learning Credit. Multiply line 8 by line 9 and enter here (Note: The result on line 10 cannot exceed the amount of the federal Form 8863, line 18)			10 .00
11.	Total Tentative Kentucky Education Tuition Tax Credits. Add lines 4 and 10.			11 .00

PART IV—Allowable Education Credits

12.	Multiply the amount on line 11 by 25% (.25) and enter total here	12	.00
13.	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	13	.00
14.	Enter amount from Part V, line 34. If Part V, line 34 is blank, enter -0-.....	14	.00
15.	Subtract line 14 from line 13.....	15	.00
16.	Enter the smaller of line 15 or line 12	16	.00
17.	Add lines 14 and 16. Enter here and on Form 740 or Form 740-NP, line 23. This is your allowable 2016 Kentucky Education Tuition Tax Credit	17	.00
18.	If line 15 is smaller than line 12, subtract line 15 from line 12. This is the amount of unused credit carryforward from 2016 to 2017. Enter here and on the 2016 Carryforward Worksheet, Line E, provided below	18	.00

PART V—Credit Carryforward from Prior Years

19.	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	19	.00
20.	Enter your credit carryforward from 2011.....	20	.00
21.	Enter your credit carryforward from 2012	21	.00
22.	Enter your credit carryforward from 2013	22	.00
23.	Enter your credit carryforward from 2014	23	.00
24.	Enter your credit carryforward from 2015	24	.00
25.	Add lines 20 through 24 and enter total here	25	.00
26.	Subtract line 20 from line 19. If zero or less, enter -0-.....	26	.00
27.	Enter 2012 credit carryforward to 2017. Subtract line 26 from line 21. If zero or less, enter -0-.....	27	.00
28.	Subtract line 21 from line 26. If zero or less, enter -0-.....	28	.00
29.	Enter 2013 credit carryforward to 2017. Subtract line 28 from line 22. If zero or less, enter -0-.....	29	.00
30.	Subtract line 22 from line 28. If zero or less, enter -0-.....	30	.00
31.	Enter 2014 credit carryforward to 2017. Subtract line 30 from line 23. If zero or less, enter -0-.....	31	.00
32.	Subtract line 23 from line 30. If zero or less, enter -0-.....	32	.00
33.	Enter 2015 credit carryforward to 2017. Subtract line 32 from line 24. If zero or less, enter -0-.....	33	.00
34.	Enter the smaller of line 19 or line 25	34	.00

2016 Carryforward Worksheet

A.	From Part V, Line 27, 2012 to 2017	.00
B.	From Part V, Line 29, 2013 to 2017	.00
C.	From Part V, Line 31, 2014 to 2017	.00
D.	From Part V, Line 33, 2015 to 2017	.00
E.	From Part IV, Line 18, 2016 to 2017	.00

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 2016 education tuition tax credits. The education credits are: the American Opportunity Credit and the Lifetime Learning Credit. These credits are based on qualified undergraduate 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.

Part I, Qualifications—All questions in Part I must be answered “Yes” to be eligible to claim the Kentucky education tuition tax credit.

Qualified Education Expenses—See the federal instructions to determine the qualified expenses for the American Opportunity Credit and the Lifetime Learning Credit. The allowable expenses may be different for each credit.

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. The institution must be eligible to participate in a student aid program administered by the Department of Education. **The institution attended must be physically located in Kentucky to qualify.**

Part II, American Opportunity Credit—You must enter the student’s name and Social Security number, the name and address of the Kentucky institution, and the qualified expenses. Use the federal instructions to determine if each student meets the qualifications. **For Kentucky, the credit is limited to 25% of the allowable federal credit with a maximum amount allowed of \$625 for each qualifying student.**

Part III, Lifetime Learning Credit—You must enter the student’s name and Social Security number, the name and address of the Kentucky institution, and the qualified expenses. Use the federal instructions to determine if each student meets the qualifications. **For Kentucky, the credit is limited to 25% of the allowable federal credit with a maximum allowed of \$500 per return.**

Part IV, Allowable Education Credits—

Line 12—Multiply Line 11 by 25% (.25). This is your tentative Kentucky allowable credit.

Line 13—Enter the tentative tax from Form 740 or Form 740-NP, page 1, Line 22.

Line 14—Enter the amount from page 2, Part V, Line 34. This is the allowable credit carryforward from prior year(s). If there is no carryforward, enter zero.

Line 15—Subtract Line 14 from Line 13.

Line 16—Enter the smaller of Line 15 or Line 12.

Line 17—Add Lines 14 and 16. **Enter here and on Form 740 or Form 740-NP, Line 23.** This is your allowable 2016 education credit.

Line 18—If Line 15 is smaller than Line 12, subtract Line 15 from Line 12. This is the amount of unused credit carryforward from 2016 to 2017. 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(s) in which you are claiming a credit carryforward.



KENTUCKY INDIVIDUAL INCOME TAX DECLARATION FOR ELECTRONIC FILING

Submission Identification Number (SID) ▶

Table with 2 columns: Taxpayer's Name, Spouse's Name and Taxpayer's Social Security number, Spouse's Social Security number.

PART I—Tax Return Information (Whole Dollars Only)

Table with 5 rows of tax return information and 2 columns: A Spouse, B Taxpayer.

KENTUCKY

PART II— Direct Deposit of Refund Direct Debit of Tax Amount Due Direct Debit of Estimate Tax

Form for Part II including routing transit number (RTN), depositor account number (DAN), type of account, tax due debit amount, and authorization questions.

PART III—Declaration of Taxpayer (Sign only after Part I is completed.)

- 11. I consent that my refund be directly deposited as designated in Part II...
12. I do not want direct deposit of my refund or am not receiving a refund.
13. I authorize the Kentucky Department of Revenue and its designated Financial Agent to initiate an ACH electronic funds withdrawal entry to the financial institution account indicated above...

If I have filed a balance due return, I understand that if the Kentucky Department of Revenue does not receive my full and timely payment of my tax liability, I will remain liable for the tax liability and all applicable interest and penalties.

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 2016 Kentucky income tax return.

Signature lines for Your Signature, Spouse's Signature, Telephone Number (daytime), and Date Signed.

PART IV—Declaration and Signature of Electronic Return Originator and Paid Preparer

I declare that I have reviewed the above taxpayer's return and that the entries on Form 8879-K are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on this return.

Check if also paid preparer. Check if self-employed.

ERO's Use Only

Signature, Date, I.D. Number of ERO, FEIN, ZIP code fields for ERO.

Paid Preparer's Use Only

Check if self-employed.

Preparer's Signature, Date, I.D. Number of Preparer, FEIN, ZIP code fields for Paid Preparer.

Attach Copy of Forms W-2, W-2G and 1099-R Here

Instructions for Form 8879-K

Kentucky Individual Income Tax Declaration for Electronic Filing

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 or amended 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.

Submission Identification Number (SID)

Enter the 20-digit Submission Identification Number (SID) assigned to the tax return, after the taxpayer completes Part II.

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 Form 8879-K with your tax return. Do not mail.

ERO Responsibilities

The ERO must:

- Complete Form 8879-K and retain for three years.
- 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.

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, Direct Debit of Tax Amount Due and Direct Debit of Estimate Tax

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. Nonresident filers and amended return filers may not choose direct deposit as a method of receiving their refund.

Payment of Balance Due—Penalty and interest will begin to accrue on any tax due that has not been paid by April 18, 2017.

If there is an amount on **Line 5** (Amount you owe), the taxpayer can choose from the following methods of payment:

- (1) **Pay by Direct Debit when Filing Your Return**—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 18, 2017).

Note: Select any date until April 18 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.

- (2) **Pay by Credit Card or ACH Debit**—Pay your 2016 Kentucky individual income tax by Mastercard, VISA or Discover credit cards or by ACH Debit through April 18, 2017. 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) **Form EPAY (42A740)**, if supported by your software vendor, may be used to make an electronic payment of tax due separately from when you filed your tax return. Refer to the Form EPAY (42A740) instructions for additional information.
- (4) **Pay by check or money order**—Taxpayers should submit their payment using Form 740-V, Kentucky Electronic Payment Voucher.

Payment of Estimate Tax—The taxpayer may choose to pay estimate tax by completing Part II, Lines 6 through 10 and checking the boxes for Direct Debit of Estimate Tax box in Part II and line 13 in Part III. Taxpayers may select to direct debit estimate tax regardless of their choice of direct deposit or direct debit of tax amount due.

Instructions for Form 8879-K, *continued*

The taxpayer must ensure that the following information related 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.

The taxpayer may schedule up to four debit dates with the electronic filing of their 2016 tax return: April 18, 2017, June 15, 2017, September 15, 2017 and January 16, 2018. The financial institution routing number, account number and type of account cannot be different from that of the direct deposit or direct debit of tax amount due transaction. Actual withdrawal of the funds may be later than the scheduled date, but will be considered timely.

Form EPAY (42A740), if supported by your software vendor, may be used to make an electronic payment of estimate tax separately from when you filed your tax return. Refer to the Form EPAY (42A740) instructions for additional information.

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 may be up to 17 digits. If fewer than 17 digits, 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 8—Select the appropriate box to indicate the type of account for Direct Deposit or Direct Debit.

Line 9—

- Tax due debit amount: enter the amount you owe from 8879-K, Part 1, line 5.
- Debit date: enter the date to have payment debited from your account.
- Estimate tax debit amount: enter the amount of each payment that will be

debited from your account. You can choose one to four equal payments depending upon the debit dates selected.

- Debit date: select each date on which you want the estimate tax payment amount debited from your account. Up to four equal payments may be selected by choosing the appropriate boxes.

Line 10—Due to 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. In addition, by using a computer system and software to prepare and transmit the return electronically, the taxpayer consents to the disclosure to the Kentucky Department of Revenue of all information pertaining to the use of the system and software and to the transmission of the tax return electronically.

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—You may check the status of your refund online at www.revenue.ky.gov or by calling our automated line at (502) 564-1600. These systems are available 24 hours a day, 7 days a week.



For Use by Individuals,
Fiduciaries, Corporations, and
Pass-Through Entities

Under the provisions of KRS 141.235 and Regulation 103 KAR 15:040, the undersigned taxpayer requests a refund of Income Tax/Limited Liability Entity Tax (LLET) paid as shown below:

Kentucky Income Tax &/or LLET 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 pass-through entity

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 justification for refund request (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 taxpayer(s) or authorized person Date

Spouse's signature if tax paid by joint return Date

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 (10-16)		<input type="checkbox"/> Amended <input type="checkbox"/> Composite	KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME		Taxable Year Ending ___ / ___ Mo. / Yr.	
(1) Pass-through entity's FEIN			(6) Kentucky distributive share income subject to withholding/income tax .. <input type="checkbox"/> Exempt (see instructions)	6		00
(2) Pass-through entity's Kentucky NRWH Acct. No.			(7) Tax before credit (line 6 multiplied by .06 (6%)).....	7		00
(3) Pass-through entity's name, address and ZIP Code			(8) Enter partner's, member's or shareholder's credits (see instructions)	8		00
(4) Partner's, member's or shareholder's Social Security Number or FEIN <input type="checkbox"/> Check Box if a Corporation			(9) Kentucky income tax withheld/paid	9		00
			Copy A – For Kentucky Department of Revenue Attach to Form 740NP-WH			
(5) Partner's, member's or shareholder's name, address and ZIP Code						

PTE-WH 40A200 (10-16)		<input type="checkbox"/> Amended <input type="checkbox"/> Composite	KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME		Taxable Year Ending ___ / ___ Mo. / Yr.	
(1) Pass-through entity's FEIN			(6) Kentucky distributive share income subject to withholding/income tax .. <input type="checkbox"/> Exempt (see instructions)	6		00
(2) Pass-through entity's Kentucky NRWH Acct. No.			(7) Tax before credit (line 6 multiplied by .06 (6%)).....	7		00
(3) Pass-through entity's name, address and ZIP Code			(8) Enter partner's, member's or shareholder's credits (see instructions)	8		00
(4) Partner's, member's or shareholder's Social Security Number or FEIN <input type="checkbox"/> Check Box if a Corporation			(9) Kentucky income tax withheld/paid	9		00
			Copy B – File With Individual's or Corporation's Income Tax Return			
(5) Partner's, member's or shareholder's name, address and ZIP Code						

PTE-WH 40A200 (10-16)		<input type="checkbox"/> Amended <input type="checkbox"/> Composite	KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME		Taxable Year Ending ___ / ___ Mo. / Yr.	
(1) Pass-through entity's FEIN			(6) Kentucky distributive share income subject to withholding/income tax .. <input type="checkbox"/> Exempt (see instructions)	6		00
(2) Pass-through entity's Kentucky NRWH Acct. No.			(7) Tax before credit (line 6 multiplied by .06 (6%)).....	7		00
(3) Pass-through entity's name, address and ZIP Code			(8) Enter partner's, member's or shareholder's credits (see instructions)	8		00
(4) Partner's, member's or shareholder's Social Security Number or FEIN <input type="checkbox"/> Check Box if a Corporation			(9) Kentucky income tax withheld/paid	9		00
			Copy C – Keep With Individual's or Corporation's Records			
(5) Partner's, member's or shareholder's name, address and ZIP Code						

PTE-WH 40A200 (10-16)		<input type="checkbox"/> Amended <input type="checkbox"/> Composite	KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME		Taxable Year Ending ___ / ___ Mo. / Yr.	
(1) Pass-through entity's FEIN			(6) Kentucky distributive share income subject to withholding/income tax .. <input type="checkbox"/> Exempt (see instructions)	6		00
(2) Pass-through entity's Kentucky NRWH Acct. No.			(7) Tax before credit (line 6 multiplied by .06 (6%)).....	7		00
(3) Pass-through entity's name, address and ZIP Code			(8) Enter partner's, member's or shareholder's credits (see instructions)	8		00
(4) Partner's, member's or shareholder's Social Security Number or FEIN <input type="checkbox"/> Check Box if a Corporation			(9) Kentucky income tax withheld/paid	9		00
			Copy D – For Pass-through Entity's Records			
(5) Partner's, member's or shareholder's name, address and ZIP Code						

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

Check applicable box if an amended or composite return, and enter the taxable year ending.

- (1) Enter the pass-through entity's Federal Employer Identification Number (FEIN).
- (2) Enter the pass-through entity's Kentucky Nonresident Income Tax Withholding (NRWH) Acct. No. **If the account number is not known, contact Registration at (502) 564-3306.**
- (3) Enter the pass-through entity's name, address and ZIP Code.
- (4) Enter the partner, member or shareholder's Social Security Number or FEIN. Check the box if a corporation.
- (5) Enter the partner, member or shareholder's name, address and ZIP Code.
- (6) Enter the partner, member or shareholder's distributive share income (Kentucky Schedule K-1, combine income and loss items and multiply by the apportionment factor). If the partner, member or shareholder is exempt from withholding check the Exempt box and skip Lines (7) through (9).
- (7) Enter the amount on Line 6 multiplied by six percent (6%).
- (8) Enter the partner, member or shareholder's allowable nonrefundable tax credits from Schedule K-1.
- (9) Enter the amount on Line (7) less Line (8).

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

Check applicable box if an amended or composite return, and enter the taxable year ending.

- (1) Enter the pass-through entity's Federal Employer Identification Number (FEIN).
- (2) Enter the pass-through entity's Kentucky Nonresident Income Tax Withholding (NRWH) Acct. No. **If the account number is not known, contact Registration at (502) 564-3306.**
- (3) Enter the pass-through entity's name, address and ZIP Code.
- (4) Enter the partner, member or shareholder's Social Security Number or FEIN. Check the box if a corporation.
- (5) Enter the partner, member or shareholder's name, address and ZIP Code.
- (6) Enter the partner, member or shareholder's distributive share income (Kentucky Schedule K-1, combine income and loss items and multiply by the apportionment factor). If the partner, member or shareholder is exempt from withholding check the Exempt box and skip Lines (7) through (9).
- (7) Enter the amount on Line 6 multiplied by six percent (6%).
- (8) Enter the partner, member or shareholder's allowable nonrefundable tax credits from Schedule K-1.
- (9) Enter the amount on Line (7) less Line (8).



Commonwealth of Kentucky
DEPARTMENT OF REVENUE

**KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON
DISTRIBUTIVE SHARE INCOME REPORT AND COMPOSITE INCOME TAX RETURN**
(To be completed by a Pass-through Entity Only)

Taxable Year Ending
____/____
Mo. Yr.

➤ See instructions.

KRS 141.206

Taxable period beginning ____/____/201____, and ending ____/____/201____.

A Name of Pass-through Entity <input type="checkbox"/> Change of Name			B Federal Identification Number ____-____-____
Number and Street <input type="checkbox"/> Change of Address			C Kentucky NRWH Account Number ____-____-____
City	State	ZIP Code	

D Check applicable box: Nonresident Income Tax Withholding on Distributive Share Income Report and/or Composite Income Tax Return
 Amended-Nonresident Income Tax Withholding on Distributive Share Income Report and/or Composite Income Tax Return

E Check applicable box(es): Change of accounting period Final return

(1) Number of nonresident individuals, estates, trusts and corporations included in this withholding	1	
(2) Number of nonresident individuals, estates, trusts and corporations exempt from this withholding	2	
(3) Number of nonresident individuals, estates, and trusts included in this composite income tax return	3	
(4) Net distributive share income subject to withholding/composite return before apportionment	4	00
(5) 100% or the apportionment fraction from the pass-through entity's Schedule A, Section I, line 12	5	%
(6) Kentucky distributive share income subject to withholding/composite return (line 4 multiplied by line 5)	6	00
(7) Tax before tax credits (line 6 multiplied by .06 (6%))	7	00
(8) Enter the partners', members' or shareholders' nonrefundable tax credits	8	00
(9) Kentucky income tax liability (line 7 less line 8)	9	00
(10) Estimated tax payments <input type="checkbox"/> Check if Form 740NP-WH-P attached	10	00
(11) Extension payment	11	00
(12) Prior year's tax credit	12	00
(13) Total Tax Paid on original return	13	00
(14) Total Payments (lines 10 through 13)	14	00
(15) Tax overpayment on original return	15	00
(16) Income Tax Due (line 9 and 15 less line 14) TAX DUE	16	00
(17) Income tax overpayment (line 14 less line 9 and 15)	17	00
(18) Credited to 2016 Interest	18	00
(19) Credited to 2016 Penalty	19	00
(20) Credited to 2017 NRWH	20	00
(21) Amount to be refunded (line 17 less lines 18 through 20) REFUND	21	00

OFFICIAL USE ONLY		Make check(s) or money order(s) payable to: Kentucky State Treasurer	TAX PAYMENT SUMMARY		
V A L #			1. Tax (Line 16) (Additional Tax Paid)	\$ _____	.00
P W 2 0 4		Mail to: Kentucky Department of Revenue Frankfort, KY 40619-0006	2. Interest	\$ _____	.00
			3. Penalty	\$ _____	.00
			4. Total Payment	\$ _____	.00

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? <input type="checkbox"/> Yes <input type="checkbox"/> No
Email Address:
Telephone No.:

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.

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 income tax withheld on the PTE-WH forms, Line 9 must equal the amount on 740NP-WH, Line 9. Also, see the instructions on PTE-WH.

NOTE: Filing Form 740NP-WH on behalf of a nonresident (withholding or composite) will satisfy the nonresident filing requirement if the only Kentucky source income is through its ownership interest in a pass-through entity.

Estimated Payments—Effective for taxable years beginning on or after January 1, 2012, every pass-through entity required to withhold Kentucky income tax as provided by KRS 141.206(5) or 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 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. **Complete Form 740NP-WH-P to compute the penalty and interest for late payment or underpayment of estimated tax installments.**

Penalties

Failure to file return by the filing date—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)**

Failure to pay income 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)**

SPECIFIC INSTRUCTIONS

Enter taxable year ending at the top right of Form 740NP-WH. The taxable year ending is the same as the pass-through entity’s taxable year.

Item A – Enter the pass-through entity’s name and address. Check the box to indicate a change of name and/or address, if applicable.

Item B – Enter the pass-through entity’s Federal Employer Identification Number.

Item C – Enter the pass-through entity’s Kentucky Nonresident Income Tax Withholding (NRWH) Account Number. **If the account number is not known, contact Registration at (502) 564-3306.**

Item D – Check the box to indicate the type of return the pass-through entity is filing.

Item E – Check the applicable box(es) to indicate a change of accounting period and/or final return.

LINE-BY-LINE-INSTRUCTIONS

Line 1 – If filing a nonresident distributive share income withholding report, enter the number of nonresident individuals,

estates, trusts and corporations included in this withholding on distributive share income report that are not exempt.

Line 2 – If filing a nonresident distributive share income withholding report, enter the number of nonresident individuals, estates, trusts and corporations exempt from withholding on distributive share income. Only include members exempt as provided by KRS 141.206.

Line 3 – If filing a composite income tax return, enter the number of nonresident individuals, estates and trusts included in this composite income tax return.

Line 4 – Enter the distributive share income of the nonresident individuals, estates, trusts and corporations included on Line 1, and/or the distributive share income of nonresident individuals, estates and trusts included on Line 3.

Line 5 – Enter the apportionment fraction from the pass-through entity’s Schedule A, Section I, Line 12.

Line 6 – Enter the amount of Line 4 multiplied by Line 5.

Line 7 – Enter the amount of Line 6 multiplied by .06 (6%).

Line 8 – Enter the partners', members' or shareholders' nonrefundable tax credits from Schedules K-1. **Note: Allowable tax credits are allowed only if the credits are reasonably expected to be claimed in the current taxable year. Carryforward tax credits not included on the current Schedule(s) K-1 shall not be allowed.**

Line 9 – Enter the amount on Line 7 less Line 8.

Line 10 – Enter the total estimated tax payments (Form 740NP-WH-ES Vouchers) made for the taxable year. Do not include the amount credited from the prior year.

Line 11 – Enter the tax payment made with Form 40A201NP-WH-SL, Extension of Time to File Kentucky Form 740NP-WH (40A201).

Line 12 – Enter the amount credited to 2016 from Form 740NP-WH, Line (18) of the 2015 return.

Line 13 – Enter the amount of tax paid on the original return. **This line is only used when filing an amended return.**

Line 14 – Enter the total payments listed on Lines 10 through 13.

Line 15 – Enter the tax overpayment on the original return. **This line is used only when filing an amended return.**

Line 16 – If the total of Lines 9 and 15 is greater than Line 14, enter the difference on this line and enter the amount in the Tax Payment Summary.

Line 17 – If the total of Lines 9 and 15 is less than Line 14, enter the difference on this line.

Line 18 – Enter the portion of Line 17 to be credited to 2016 Interest.

Line 19 – Enter the portion of Line 17 to be credited to 2016 Penalty.

Line 20 – Enter the portion of Line 17 to be credited to 2017 NRW.

Line 21 – Enter the portion of Line 17 to be refunded (Line 17 less Lines 18 through 20).

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.

FORM 40A201NP-WH-SL INSTRUCTIONS

General—In accordance with the provisions of KRS 131.081(11), KRS 131.170, KRS 141.170 and administrative regulation 103 KAR 15:050, a six-month extension of time to file a Form 740NP-WH, Kentucky Nonresident Income Tax Withholding on Distributive Share Income Report and Composite Income Tax Return, may be obtained by using **ONE** of the following methods:

1. 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 Form 40A201NP-WH-SL, Extension of Time to File Kentucky Form 740NP-WH;

Note: Enter the Kentucky Nonresident Income Tax Withholding (NRWH) Account Number issued by the Department of Revenue. **If the account number is not known, contact Registration at (502) 564-3306.**
2. Submitting with Form 740NP-WH a copy of Kentucky Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET Return;
3. Submitting with Form 740NP-WH a copy of Kentucky Form 40A102, Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky; **OR**
4. Submitting with Form 740NP-WH a copy of the federal Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns.

Federal Extension—A pass-through entity granted a six-month extension of time for filing its federal income return will be granted the same extension of time for filing its Form 740NP-WH for the same taxable year provided a copy of the federal Form 7004 is attached to the Form 740NP-WH when it is filed. A copy of federal Form 7004 shall not be mailed to the Department of Revenue before

filing Form 740NP-WH. **If submitting payment with the extension, use Kentucky Form 40A201NP-WH-SL.**

Kentucky Extension—A pass-through entity granted a six-month extension of time for filing its Kentucky income return (Kentucky Form 41A720SL or 40A102) will be granted the same extension of time for filing its Form 740NP-WH for the same taxable year provided a copy of the Kentucky extension is attached to the Form 740NP-WH when it is filed. **If submitting a payment with the extension, use Kentucky Form 40A201NP-WH-SL.**

A copy of federal Form 7004 or Kentucky Form 41A720SL, 40A102 or 40A201NP-WH-SL must be attached to Form 740NP-WH when filed, and a copy shall be retained for the pass-through entity's records.

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 40A201NP-WH-SL on or before the 15th day of the fourth month following the close of the taxable year.

Electronic Funds Transfer (EFT)—EFT is **not** available for Kentucky Nonresident Income Tax Withholding on Distributive Share Income Report and Composite Income Tax Return estimated tax payments, extension payment or return payment.

Penalty—A penalty of 2 percent of the tax due for each 30 days or fraction thereof shall apply to any tax not paid by the 15 day of the fourth month following the close of the taxable year. **KRS 131.180(1)**

Interest—Interest at the tax interest rate plus 2 percent shall apply to any tax paid after the 15th day of the fourth month following the close of the taxable year. **KRS 131.183(2)**

⚡ 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 40619-0006.

★ **CHECKS ONLY - DO NOT INCLUDE CHECK STUBS** ★

★ **Enclose Check and Extension Unattached** ★

Federal Identification Number (FEIN) _____	0 9 RETURN TYPE	EXTENSION OF TIME TO FILE KENTUCKY FORM 740NP-WH Taxable Year Ending <table style="margin: 0 auto; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 20px; height: 20px; text-align: center;"> </td> <td style="border: 1px solid black; width: 20px; height: 20px; text-align: center;"> </td> <td style="border: 1px solid black; width: 20px; height: 20px; text-align: center;"> </td> <td style="border: 1px solid black; width: 20px; height: 20px; text-align: center;"> </td> </tr> <tr> <td style="text-align: center; font-size: 8px;">M</td> <td style="text-align: center; font-size: 8px;">M</td> <td style="text-align: center; font-size: 8px;">Y</td> <td style="text-align: center; font-size: 8px;">Y</td> </tr> </table>					M	M	Y	Y	40A201NP-WH-SL (10-16) Department of Revenue															
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OFFICIAL USE ONLY	
V A L #	

 Signature of Principal Officer or Chief Accounting Officer or Preparer Other Than Taxpayer

_____ Date

740NP-WH-P

40A201-WHP (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

Mo. / Yr.

UNDERPAYMENT AND LATE PAYMENT
OF ESTIMATED TAX ON FORM 740NP-WH

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

Name of Pass-through Entity	Federal Identification Number	Kentucky NRWH Account Number
	_____	_____

PART I— FIGURING THE UNDERPAYMENT AND PENALTY

(1) Enter the number of individual partners, members or shareholders whose income tax liability on Form 740NP-WH, line 9 exceeds \$500	1		
(2) Enter the number of corporate partners or members whose income tax liability on Form 740NP-WH, line 9 exceeds \$5,000	2		
(3) Enter the income tax liability from Form 740NP-WH, line 9	3		00
(4) Percentage of liability required to be prepaid is 70%	4	x.70	
(5) Multiply line 3 by line 4	5		00
(6) Statutory exemption (number of corporate partners or members on line 2 multiplied by \$5,000).....	6		00
(7) Enter the total tax payments from Form 740NP-WH, lines 10 and 12	7		00
(8) Line 5 less lines 6 and 7	8		00
(9) Penalty percentage is 10%.....	9	x.10	
(10) Multiply line 8 by line 9. This is the amount of the penalty for underpayment of estimated tax (minimum penalty \$25). Enter on this line and on the Form 740NP-WH (see instructions)	10		00



TO CALCULATE INTEREST FOR INDIVIDUAL PARTNERS, MEMBERS OR SHAREHOLDERS

➤ See instructions.

PART II—LATE PAYMENT INTEREST FOR INDIVIDUAL PARTNERS, MEMBERS OR SHAREHOLDERS									
(1)	Enter from Form 740NP-WH, line 9 the total tax liability of individual partners, members or shareholders whose liability exceeds \$500	1							00
PAYMENT DUE DATES		A	B	C	D				
		4/15/2016	6/15/2016	9/15/2016	1/15/2017				
(2)	Required individual installments: Enter 25% of line 1 in columns A, B, C and D	2	00	00	00				00
(3)	Estimated tax paid for each period. For column A only, enter the amount from line 3 on line 7	3	00	00	00				00
(4)	Enter the amount, if any, from line 10 of the preceding column.....	4		00	00				00
(5)	Add lines 3 and 4.....	5		00	00				00
(6)	Add amounts, if any, from lines 8 and 9 of the preceding column	6		00	00				00
(7)	Subtract line 6 from line 5. If zero or less, enter -0-.....	7		00	00				00
(8)	If the amount on line 7 is zero, subtract line 5 from line 6. Otherwise, enter -0-	8		00	00				00
(9)	Underpayment. If line 7 is less than or equal to line 2, subtract line 7 from line 2.....	9		00	00				00
(10)	Overpayment. If line 2 is less than line 7, subtract line 2 from line 7	10		00	00				00
(11)	Enter date the underpayment on line 9 was paid or the 15th day of the 4th month after the close of the taxable year, whichever is earlier	11							
(12)	Interest on tax underpayment on line 9.....	12		00	00				00
(13)	INTEREST DUE: Add amounts on line 12, columns A through D.....	13							00



TO CALCULATE INTEREST FOR CORPORATE PARTNERS OR MEMBERS

► See instructions.

PART III—LATE PAYMENT INTEREST FOR CORPORATE PARTNERS OR MEMBERS									
(1)	Enter from Form 740NP-WH, line 9 the total tax liability of corporate partners and members whose liability exceeds \$5,000.....	1							00
(2)	Multiply the number of corporate partners or members included on Part III, line 1 by \$5,000	2							00
(3)	Enter line 1 less line 2	3							00
PAYMENT DUE DATES		A 6/15/2016		B 9/15/2016		C 12/15/2016			
(4)	Required corporate installments: Enter 50% of line 3 in column A and 25% of line 3 in columns B and C	4							00
(5)	Estimated tax paid for each period. For column A only, enter the amount from line 5 on line 9.....	5							00
(6)	Enter the amount, if any, from lines 12 of preceding column	6							00
(7)	Add lines 5 and 6.....	7							00
(8)	Add amounts, if any, from lines 10 and 11 of preceding column	8							00
(9)	Subtract line 8 from line 7. If zero or less, enter -0-.....	9							00
(10)	If the amount on line 9 is zero, subtract line 7 from line 8. Otherwise, enter -0-	10							00
(11)	Underpayment. If line 9 is less than or equal to line 4, subtract line 9 from line 4.....	11							00
(12)	Overpayment. If line 4 is less than line 9, subtract line 4 from line 9 .	12							00
(13)	Enter date the underpayment on line 11 was paid or the 15th day of the 4th month after the close of the taxable year, whichever is earlier	13							
(14)	Interest on tax underpayment on line 11	14							00
(15)	INTEREST DUE: Add amounts on line 14, columns A through C.....	15							00
PART IV—INTEREST SUMMARY									
(1)	Add the amounts from Part II, line 13 and Part III, line 15 and enter on this line and on the 740NP-WH (see instructions).....	1							00

Purpose of Form—This form is to be used by a pass-through entity required to make a declaration and payment of estimated tax for the taxable year as provided by KRS 141.206(6) and KRS 141.207 to: (i) compute the underpayment penalty as provided by 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.

General Instructions

Enter the Kentucky Nonresident Income Tax Withholding (NRWH) Account Number issued by the Department of Revenue. **If the account number is not known, contact Registration at (502) 564-3306.**

PART I — FIGURING THE UNDERPAYMENT AND PENALTY

KRS 141.207(4) provides that a pass-through entity required to make a declaration and payment of estimated tax shall be subject to the penalty provisions of KRS 131.180 and 141.990.

Line 1—Enter the number of individual partners, members or shareholders whose income tax liability on Form 740NP-WH, Line 9 exceeds \$500. **“Individual” means an individual, estate or trust.**

Line 2—Enter the number of corporate partners or members whose income tax liability on Form 740NP-WH, Line 9 exceeds \$5,000.

Line 3—Enter from Form 740NP-WH, Line 9 the total tax liability of individual partners, members or shareholders whose liability exceeds \$500 and corporate partners or members whose liability exceeds \$5,000.

Line 5—Multiply Line 3 by the percentage on Line 4.

Line 6—Multiply \$5,000 by the number of corporate partners or members on Line 2.

Line 7—Enter the total estimated tax payments from Form 740NP-WH, Lines 10 and 12.

Line 8—Enter the amount from Line 5 less the amounts on Lines 6 and 7.

Line 10—Multiply the amount on Line 8 by the percentage on Line 9. Enter the amount on this line and on Form 740NP-WH. If there is an income tax overpayment on Line 15 of Form 740NP-WH, enter this amount on Form 740NP-WH, Line 17. If there is an income tax due on Line 14 of Form 740NP-WH, enter this amount on the Tax Payment Summary, Line 3.

PART II — LATE PAYMENT INTEREST FOR INDIVIDUAL PARTNERS, MEMBERS OR SHAREHOLDERS

KRS 141.985 provides that if the tax imposed by this chapter on any installment or portion of the tax is not paid on or before the date prescribed for its payment, there shall be collected, as part of the tax, interest upon the unpaid amount at the tax interest rate as defined in KRS 131.010(6) from the date prescribed for its payment until payment is actually made to the department.

Line 1—Enter from Form 740NP-WH, Line 9 the total tax liability of individual partners, members or shareholders whose liability exceeds \$500. **“Individual” means an individual, estate or trust.**

Line 2—Enter 25% of the amount on Part II, Line 1 in Columns A, B, C and D.

Line 3—Enter the total estimated tax paid for each installment period included on Form 740NP-WH, lines 10 and 12.

For a calendar year taxpayer, enter estimated tax payments as follows: (i) if the declaration payment was made on or before April 15 of the taxable year, enter the payment in Column A; (ii) if the declaration payment was made after April 15 but on or before June 15 of the taxable year, enter the payment in Column B; (iii) if the declaration payment was made after June 15 but on or before September 15 of the taxable year, enter the payment in Column C; (iv) if the declaration payment was made after September 15 but on or before January 15 of the succeeding taxable year, enter the payment in Column D; or (v) if the declaration payment was made after January 15 of the succeeding taxable year, do not enter the payment on Line 3. **Note:** *If a payment date falls on a holiday or weekend, the applicable payment date is the next business day.*

Fiscal Year: If Form 740NP-WH is for a fiscal year, enter the estimated tax payments as follows: (i) if the declaration payment was made on or before the 15th day of the 4th month, enter the payment in Column A; (ii) if the declaration payment was made after the 15th day of the 4th month but on or before the 15th day of the 6th month, enter the payment in Column B; (iii) if the declaration payment was made after the 15th day of the 6th month but on or before the 15th day of the 9th month, enter the payment in Column C; (iv) if the declaration payment was made after the 15th day of the 9th month but on or before the 15th day of the 1st month in the succeeding taxable fiscal year, enter the payment in Column D; (v) if the declaration payment was made after the 15th day of the 1st month in the succeeding taxable fiscal year, do not enter the payment on Line 3.

740NP-WH-P

40A201-WHP (10-16)

For Column A only, enter the amount from Line 3 on Line 7.

Line 4—Enter the amount from Line 10 of the preceding column. This line does not apply to the first installment.

Line 5—Enter the total of lines 3 and 4. This line does not apply to the first installment.

Line 6—Enter the total of Lines 8 and 9 of the preceding column. This line does not apply to the first installment.

Line 7—Enter the amount of Line 5 less Line 6. If zero or less enter zero (-0-). For the first installment, enter the amount from Line 3.

Line 8—If the amount on Line 7 is zero, enter the amount of Line 6 less Line 5; otherwise, enter zero (-0-). This line does not apply to the first installment.

Line 9—If the amount on Line 7 is less than or equal to Line 2, enter the amount on Line 2 less Line 7.

Line 10—If the amount on Line 2 is less than Line 7, enter the amount on Line 7 less Line 2.

Line 11—Enter the date the underpayment on Line 9 was paid or the 15th day of the fourth month after the close of the taxable 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. **Note:** *If the 15th day of the fourth month after the close of the taxable year falls on a holiday or weekend, the applicable date is the next business day.*

Line 12—Enter the interest due on the tax underpayment on Line 9, Columns A through D. If the 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 2017.

Line 13—Enter the total of the amounts on Line 12, Columns A through D. Enter on this line and on Form 740NP-WH. If there is an income tax overpayment on Line 15 of Form 740NP-WH, enter this amount on Form 740NP-WH, Line 16. If there is an income tax due on Line 14 of the Form 740NP-WH, enter this amount on the Tax Payment Summary, Line 2.

PART III — LATE PAYMENT INTEREST FOR CORPORATE PARTNERS OR MEMBERS

Line 1—Enter from Form 740NP-WH, Line 9 the total tax liability of corporate partners or members whose liability exceeds \$5,000.

Line 2—Multiply the number of corporate partners or members included on Part III, Line 1 by \$5,000.

Line 3—Enter Line 1 less Line 2.

Line 4—Enter 50% of the amount on Line 3 in Column A, and 25% of the amount on Line 1 in Columns B and C.

Line 5—Enter the total estimated tax paid for each installment period included on Form 740NP-WH, lines 10 and 12.

For a calendar year taxpayer, enter estimated tax payments as follows: (i) if the declaration payment was made after April 15 but on or before June 15 of the taxable year, enter the payment in Column A; (ii) if the declaration payment was made after June 15 but on or before September 15 of the taxable year, enter the payment in Column B; (iii) if the declaration payment was made after September 15 but on or before December 15 of the taxable year, enter the payment in Column C; (iv) if the declaration payment was made after December 15 of the taxable year, do not enter the payment on Line 5. **Note:** *If a payment date falls on a holiday or weekend, the applicable payment date is the next business day.*

Fiscal Year: If Form 740NP-WH is for a fiscal year, enter the estimated tax payments as follows: (i) if the declaration payment was made after the 15th day of the 4th month but on or before the 15th day of the 6th month, enter the payment in Column A; (ii) if the declaration payment was made after the 15th day of the 6th month but on or before the 15th day of the 9th month, enter the payment in Column B; (iii) if the declaration payment was made after the 15th day of the 9th month but on or before the 15th day of the 12th month, enter the payment in Column C; (iv) if the declaration payment was made after the 15th day of the 12th month in the taxable fiscal year, do not enter the payment on Line 5.

For Column A only, enter the amount from Line 5 on Line 9.

Line 6—Enter the amount, if any, from line 12 of the preceding column. This line does not apply to the first installment.

Line 7—Enter the total of Lines 5 and 6. This line does not apply to the first installment.

Line 8—Enter the total of Lines 10 and 11 of the preceding column. This line does not apply to the first installment.

Line 9—Enter the amount of Line 7 less Line 8. If zero or less enter zero (-0-). For the first installment, enter the amount from Line 5.

Line 10—If the amount on Line 9 is zero, enter the amount of Line 8 less Line 7; otherwise enter zero (-0-). This line does not apply to the first installment.

Line 11—If the amount on Line 9 is less than or equal to Line 4, enter the amount on Line 4 less Line 9.

Line 12—If the amount on Line 4 is less than Line 9, enter the amount on Line 9 less Line 4.

Line 13—Enter the date the underpayment on Line 11 was paid or the 15th day of the fourth month after the close of the taxable 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. Note: If the 15th day of the fourth month after the close of the taxable year falls on a holiday or weekend, the applicable date is the next business day.

Line 14—Enter the interest due on the tax underpayment on Line 11, Columns A through C. If the 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 2017.

Line 15—Enter the total of the amounts on Line 14, Columns A through C. Enter on this line and on Form 740NP-WH. If there is an income tax overpayment on Line 15 of Form 740NP-WH, enter this amount on Form 740NP-WH, Line 16. If there is an income tax due on Line 14 of the Form 740NP-WH, enter this amount on the Tax Payment Summary, Line 2.

PART IV — INTEREST SUMMARY

Line 1—Enter the total of Part II, Line 13 and Part III, Line 15 here and on the 740NP-WH.



KENTUCKY CORPORATION INCOME TAX AND LLET RETURN 2016

See instructions.

Taxable period beginning _____, 201 ____, and ending _____, 201 ____.

Form header section containing: B Check applicable box(es); LLET Receipts Method; Nonfiling Status Code; Enter Code; D Federal Identification Number; Taxable Year Ending; Name of Corporation; Change of Name; Change of Address; Number and Street; City; State; ZIP Code; Telephone Number; E Name of Common Parent; Kentucky Corporation/LLET Account Number; F Check if applicable; G Check if applicable; Provide explanation of changes in Part V.

Table with two main sections: PART I - LLET COMPUTATION and PART II - INCOME TAX COMPUTATION. Each section has 22 rows of calculations with columns for line number, amount, and total.

TAX PAYMENT SUMMARY (Round to nearest dollar) and OFFICIAL USE ONLY section. Includes columns for LLET, INCOME, and P W 2 0 0 4 V A L #.



PART III - TAXABLE INCOME COMPUTATION

Table with 5 columns: Line number, Description, Amount, Line number, Amount. Rows include Federal taxable income, ADDITIONS (Interest income, State taxes, etc.), and SUBTRACTIONS (Interest income, Dividend income, etc.).

PART IV - EXPLANATION OF FINAL RETURN AND/OR SHORT-PERIOD RETURN

- Change of ownership, Successor to previous business, Ceased operations in Kentucky, Change in filing status, Merger, Other

PART V - EXPLANATION OF AMENDED RETURN CHANGES

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? 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.

Signature of principal officer or chief accounting officer, Date, Printed name of principal officer or chief accounting officer, Name of person or firm preparing return, SSN, PTIN or FEIN

Federal Form 1120, all pages and any supporting schedules must be attached.

May the DOR discuss this return with the preparer? Yes No

Make check payable to: Kentucky State Treasurer

Email Address: Telephone No.:

Mail to: REFUNDS OR NO TAX DUE

Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905



PAYMENTS

Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910



SCHEDULE Q—KENTUCKY CORPORATION/LLET QUESTIONNAIRE

IMPORTANT: Questions 4—15 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. The corporation'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 each entity. _____

6. (a) Was the corporation a partner or member 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).

6. (b) Was the corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? Yes No

7. Are related party costs as defined in KRS 141.205(1)(l) included in this return? Yes No. If yes, attach Schedule RPC, Related Party Costs Disclosure Statement, and enter any related party cost additions on Part III, Line 6.

8. 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. _____

9. 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. _____

10. The federal tax return attached to this Kentucky tax return is:
 a pro forma federal tax return a copy of the federal tax return filed with the Internal Revenue Service

11. Is the entity filing this Kentucky tax return or any entity included in the tax return organized as a limited cooperative association as provided by KRS Chapter 272A? Yes No. If yes, and this is a nexus consolidated return, enter each limited cooperative association's name, address and federal I.D. number included in the return: _____

12. Is the entity filing this Kentucky tax return or any entity included in this tax return organized as a statutory trust or a series statutory trust as provided by KRS Chapter 386A? Yes No
If yes, is the entity filing this Kentucky tax return or any entity included in this tax return a series within a statutory trust?
 Yes No
If yes, for each series within a statutory trust, enter the name, address and federal I.D. number of the statutory trust registered with the Kentucky Secretary of State: _____

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

14. Did the corporation file a Kentucky tangible personal property tax return for January 1, 2017? Yes No
If yes, list name and federal I.D. number of entity(ies) filing return(s): _____

15. 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 2016 Kentucky Corporation Income Tax and LLET Return instructions for information regarding amended returns. Attach a copy of the final determination to each amended return.**



2016 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 4 to determine what tax form your business needs to file.

KENTUCKY TAX LAW CHANGES

Enacted by the 2016 Regular Session of the General Assembly

Internal Revenue Code Update—House Bill 80 updates the Internal Revenue Code (IRC) reference date from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. The Code update applies to taxable years beginning on or after April 27, 2016. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. Any taxable differences related to the IRC update should be entered on the other additions and/or other subtractions line(s) of the applicable tax return or schedule. The IRC updates will apply to the calendar year-end taxpayers beginning January 1, 2017.

Enacted by the 2014 Regular Session of the General Assembly

Endow Kentucky Tax Credit—For fiscal years beginning on or after July 1, 2016, House Bill 208 amends KRS 141.438 to increase the total amount of tax credit that may be awarded from \$500,000 to \$1 million for each fiscal year.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2017 tax interest rate has been set at three percent (3%). The rate charged by the Kentucky Department of Revenue on unpaid taxes shall be five percent (5%) and when interest is due on a refund, the rate shall be one percent (1%).

HOW TO OBTAIN FORMS AND INSTRUCTIONS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (page 17). They may also be obtained by writing FORMS, Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or by calling (502) 564-3658. Forms can be downloaded from www.revenue.ky.gov.

KENTUCKY FORM CHANGES

Form 5695-K—Not applicable for tax year 2016 due to expiration of the Energy Efficiency Products Tax Credit. Any unused credit from tax year 2015 may be carried forward and reflected on Schedule TCS line 16.

Form 8908-K—Not applicable for tax year 2016 due to expiration of the Energy Star Home or Energy Star Manufactured Home Tax Credit.

Note: Expiration of the energy credits changed line references on several forms including Form 720S, 765, 765-GP and related schedule K's and K-1's.

Forms 720S, 765, 725 and 740NP-WH—Additional lines were added to page 1 to accommodate for money paid or overpaid on the original return. These lines are applicable when filing an amended return.

Schedule TCS—Line 16 changed to allow for reporting of any unused Energy Efficiency Products Tax Credit carried forward from tax year 2015.

Note: The credit formally referred to as the "Kentucky Small Business Investment Credit" is now referred to as "Kentucky Small Business Tax Credit" in order to conform with statute. There has been no change in the credit.

Schedule FD—Qualification questions were added in Part I to clarify who is entitled to claim the credit. A carryforward worksheet was added in order to track any unused credit to be carried forward.

Schedule O-720—Lines 12 and 18 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent

to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Schedule O-PTE—Lines 5 and 9 were updated to report additions to and subtractions from federal taxable

income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Electronic Filing FAQs and Helpful Tips

- If your return is rejected for an invalid Kentucky Corporation/LLET Account Number or Federal Employer Identification Number (FEIN), please contact our **Registration Section at 502-564-3306**.
- Direct debit is an option for electronically filed forms; however, direct deposit is not.
- If your e-filed return has been **REJECTED, DO NOT** submit a 720-V voucher at that time. You will get a **NEW** 720-V voucher once you have successfully submitted an accepted Kentucky return. (Note: The Submission ID number will change each time your return is sent to the Kentucky Department of Revenue.)
- To determine which forms are supported by your software, please check with the company that develops your software.
- To find the Kentucky Department of Revenue's listing of approved software vendors and developers, please visit our electronic filing webpage at <http://revenue.ky.gov/Software-Developer/Pages/Substitute-Forms-Design.aspx>.
- **New for tax year 2016:** Ability to file Forms 725 and 720 Kentucky Mandatory Nexus consolidated returns and their supporting schedules.

Filing Tips and Checkpoints

The following list of filing tips is provided for your convenience to help ensure that returns are processed accurately and promptly. To avoid processing problems, please note the following:

- **Schedule COGS**—If the company is computing its LLET based on gross profits, the Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to Form 720. Failure to include this schedule may result in a tax adjustment and assessment.
- **Nexus**—Once an account is established, a return is required to be filed for Kentucky corporations and foreign corporations that have Kentucky nexus.
- **Account Closure**—When ceasing operations and closing an account, there are different requirements for Secretary of State and the Department of Revenue.
- **Account Number**—Always ensure the correct Kentucky Corporation/LLET account number is used on the return being filed.
- **Payments**—Place payments on the front of the return so they are clearly visible when the return is processed.
- **Payments**—Do not leave check stubs attached to checks when sending in a payment. Check stubs delay the machines that sort incoming mail, which causes longer processing times.
- **Schedule LLET**—Note that Schedule LLET does not constitute a valid extension of time in which to file the required tax return. This schedule is always used as an attachment to a tax return and should never be submitted in lieu of a return.
- **Form 851-K/Schedule A-N**—When completing these forms only include subsidiaries in which the parent company owns 80% or more of the voting stock and are doing business in Kentucky.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty and interest. When making EFT payments online, input the Taxable Year Ending NOT the due date of the payment.
- **Form 720-V**—Form 720-V is a payment voucher, NOT an extension form. To extend a filing date, use Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for filing purposes only; late payment penalties and interest apply to payments made after the original due date.
- **Schedule A**—Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the corporation has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- **Additional errors that delay processing returns or create adjustments include:**
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - More than one box checked for receipts method
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 41A720-SL when paying with an extension

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 (nexus consolidated group as provided by KRS 141.200(11))	720	Yes	Yes
3. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720	Yes	Yes
4. S corporation	720S	Yes *	Yes
5. Single member limited liability company whose single member is an individual	725	No	Yes
6. Limited liability company (two or more members)	765	No	Yes
7. Limited partnership	765	No	Yes
8. Limited liability partnership	765	No	Yes
9. General partnership	765-GP	No	No
10. 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 Internal Revenue Code in effect on December 31, 2001. For calendar year 2016 returns and fiscal year returns that begin in 2016, any corporation that for federal purposes elects in the current taxable year or has elected in past taxable years any of the following will have a different depreciation and Section 179 expense deduction for Kentucky:

- MACRS bonus depreciation; or
- Section 179 expense deduction in excess of \$25,000.

If a corporation has taken MACRS bonus depreciation or Section 179 expense deduction in excess of \$25,000 for any year, federal and Kentucky differences will exist, and the differences will continue through the life of the assets.

Important: If a corporation has not taken MACRS bonus depreciation or the Section 179 expense deduction in excess of \$25,000 for any 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 substantiate that no adjustment is 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 or (loss) from the disposal of assets using Kentucky basis. Enter the capital gain from Kentucky Schedule D, Line 18 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 federal 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 tax years beginning on or before April 26, 2016 the IRC reference date is December 31, 2013 for purposes of computing corporation income tax, except for depreciation differences contained in KRS 141.0101. For tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. Attach a schedule to the tax return showing the detail of the addition, including the related IRC section(s).

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.

Register your business online at <http://onestop.ky.gov> using the One Stop Business Services link.

1. Go to onestop.ky.gov.
2. Click on the link for One Stop Business Services. The One Stop Business Services login page provides information on creating a user account as well as portal security. You will also find overview information for the services the portal currently provides. This information is updated to reflect new services and when additional agencies join the portal.
3. If you do not already have a One Stop user account, click on the link labeled Click here to create a user account. Once a user account has been created, an e-mail will be sent to you with further instructions to activate the account and login.
4. Once logged in, click on Business Registration to register a new business.

The paper application is available by calling the Department of Revenue, Division of Registration and Data Integrity at (502) 564-3306, or can be downloaded at www.revenue.ky.gov (click on Business, go to the Business home page for Business Tax Registration). The application may be faxed to (502) 227-0772 or e-mailed to DOR.WEBResponseRegistration@ky.gov

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.

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" (if required by IRS)

Electronic Funds Transfer (EFT)—The Department of Revenue is accepting electronically filed Corporation Income Tax/Limited Liability Entity Tax estimated tax voucher payments and extension payments for corporation income tax and limited liability entity 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, may result in the payment being credited to another taxpayer's account.** When making EFT payments online, input the taxable year ending, NOT the due date of the payment.

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. The direct link is <http://www.revenue.ky.gov/collections/Pages/Efile-Payment-Options.aspx>.

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. Check the applicable box on page 1, Section F and 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 return to:

Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910. Make the check(s) payable to the **Kentucky State Treasurer.**

Mail returns with no tax due or refund requests to: Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905.

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—A six-month 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 tax and LLET. See **Electronic Funds Transfer (EFT)**. If the corporation is required to make estimated tax payments and needs Form 720-ES vouchers, contact the Department of Revenue at (502) 564-3658.

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 the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of 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 of 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 of 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 the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of 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 combined tax liability due under KRS 141.040 and KRS 141.0401 as computed by the taxpayer on the return filed for the taxable year will result in an underpayment penalty of 10% of the underpayment. The underpayment penalty will not apply if the estimated tax payments are equal to or greater than the combined tax liability due under KRS 141.040 and KRS 141.0401 for the previous taxable year, and the combined tax liability due under KRS 141.040 and KRS 141.0401 for the previous taxable 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 - 2016	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 page 12 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 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). See page 1 for the current year rate.

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)(b)**
- (b) 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before October 1, 2011. **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)(b)**

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 2016 return for calendar year 2016 and fiscal years that begin in 2016. 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:

$$\begin{array}{r} 12,16 \\ \text{Mo.} \quad \text{Yr.} \end{array}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2017, would be entered as:

$$\begin{array}{r} 01,17 \\ \text{Mo.} \quad \text{Yr.} \end{array}$$

- 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 2017, would be entered as:

$$\begin{array}{r} 12,16 \\ \text{Mo.} \quad \text{Yr.} \end{array}$$

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: KRS 141.200(10) provides that every corporation doing business in this state except those exempt from taxation under KRS 141.040(1)(a) to (i) shall, each taxable year, file a separate return unless the corporation was, for any part of the taxable year: (a) an includible corporation in an affiliated group; (b) a common parent corporation doing business in this state; (c) a qualified subchapter S subsidiary that is included in the return filed by the Subchapter S parent corporation; (d) a qualified real estate investment trust subsidiary that is included in the return filed by the real estate investment trust parent; or (e) a disregarded entity that is included in the return filed by its parent entity.

KRS 141.200(11)(a) provides that an affiliated group, whether or not filing a federal consolidated return, shall file a mandatory nexus consolidated return which includes all includible corporations as defined in KRS 141.200(9)(e).

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.

Using an incorrect account number, such as an account number for withholding or sales and use tax, may result in the payment and/or return being credited to another taxpayer's account.

If the Kentucky Corporation/LLET Account Number is not known, contact Registration at (502) 564-3306.

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. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

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—Check the box to indicate whether the corporation is filing a separate return or a mandatory nexus consolidated return.

Separate Return—A corporation shall file a separate return unless it is an includible corporation in an affiliate group as provided by KRS 141.200(11). **KRS 141.200(10)**

Mandatory Nexus Consolidated Return—An affiliated group shall file a mandatory nexus consolidated return as provided by KRS 141.200(11) which will include all includible corporations. The mandatory nexus consolidated return will consist of the common parent that is doing business in this state and any includible corporation(s) doing business in this state. **KRS 141.200(9) to 141.200(14)**

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. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

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.

Change of Name/Address—Check the applicable box(es) if the corporation's name and/or address has changed since the filing of the prior year Kentucky tax return. For a change of name, attach a statement to the tax return providing the corporation's name reflected on the prior year Kentucky tax return.

Telephone Number—Enter the business telephone number of the principal officer or chief accounting officer signing this return.

Kentucky Secretary of State Organization Number—Enter the corporation's Organization Number with the Kentucky Secretary of State. To find the corporation's organization number, go to www.sos.ky.gov and click on Search Businesses under Online Business Services. This is NOT the same number as the Kentucky Corporation/LLET Account Number in Section A of Form 720.

Note: This may not be applicable for foreign corporations. If the foreign corporation is not currently registered with the Secretary of State, leave this box blank.

State and Date of Incorporation—Enter the state and date of incorporation in Kentucky.

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—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:

- (a) *Short-period Return*—This return is for a period of less than one year and not an initial return or a final return. Check the appropriate box in Part IV—Explanation of Final Return and/ or Short-Period Return.
- (b) *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.
- (c) *Change of Accounting Period*—The corporation has changed its accounting period since it filed its prior year Kentucky tax return. Attach a statement to the tax return

showing the corporation's taxable year end before the change and its new taxable year end. If the corporation received written approval from the Internal Revenue Service to change its taxable year, attach a copy of the letter.

- (d) **Final Return**—This is the corporation's final Kentucky tax return. Check the appropriate box in Part IV—Explanation of Final Return and/or Short-Period Return.

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 sum of all recapture amounts from Schedule RC-R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS-R, Line 10. **Attach Schedule RC-R, Form 8874(K)-B and/or Schedule DS-R.**

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 tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E, Line 1 (**attach Schedule TCS**).

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, Line 9. **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, Extension of Time to File Kentucky Corporation/LLET Return.

Line 12—Enter the amount credited to the 2016 LLET from Form 720, Part I, Line 21 of the 2015 return.

Line 13—Enter the income tax overpayment from Part II, Line 17 credited to the 2016 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 Line 1 of the LLET 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 2016 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 2016 LLET interest.

Line 20—Enter the portion of Line 17 to be credited to 2016 LLET penalty.

Line 21—Enter the portion of Line 17 to be credited to 2017 LLET. **If filing an amended return, do not enter an amount on this line.**

Line 22—Enter the portion of Line 17 to be refunded (Line 17 less Lines 18 through 21).

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 divide 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 sum of all recapture amounts from Schedule RC-R, Line 13, Form 8874(K)-B, Line 3 and/or Schedule DS-R, Line 11. **Attach Schedule RC-R, Form 8874(K)-B or Schedule DS-R.**

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 the amount 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 (**attach Schedule TCS**).

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, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to the 2016 income tax from Form 720, Part II, Line 20 of the 2015 return.

Line 12—Enter the 2016 LLET overpayment from Part I, Line 18 credited to the 2016 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 Line 1 of the Income 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 2016 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 2016 corporation income tax interest.

Line 19—Enter the portion of Line 16 to be credited to 2016 corporation income tax penalty.

Line 20—Enter the portion of Line 16 to be credited to 2016 corporation income tax. **If filing an amended return, do not enter an amount on this line.**

Line 21—Enter the portion of Line 16 to be refunded (Line 16 less Lines 17 through 20).

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) **Mandatory Nexus Consolidated Return**—Attach a pro forma federal Form 1120 and supporting Schedule CR and Schedule(s) CR-C showing the federal income and deductions of each member of the mandatory nexus consolidated group and the consolidated totals. Enter the amounts from Schedule CR and Schedule(s) CR-C, Line 28 on Schedule KCR and Schedule(s) KCR-C, Line 1. Enter the statutory additions and subtractions from federal taxable income of each member of the nexus consolidated group and the consolidated totals. Enter the consolidated totals from Schedule KCR Lines 1 through 18 on Form 720, Part III, Lines 1 through 18.

Attach Form 851-K and an organizational chart showing the ownership percentages and indicating which entities have Kentucky nexus.

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 5 regarding depreciation and Section 179 deduction differences, and if applicable, include the total of depreciation amounts from Line 20 of Form 1120, Form 1125-A and elsewhere on the return. **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 related party cost additions from Schedule RPC, Part II, Section B, Line 1.

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 14.

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 5 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 20.

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 6 or 7, as applicable. Line 6 is the current net operating loss disallowed and is added to net income. Enter this amount as a positive. Line 7 is the net operating loss carryforward and is subtracted from net income. Enter this amount as a negative. Separate entity 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 a multistate corporation, 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 interest and penalties. 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 Tax Credit Program (KSBTC – 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, 2017. 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 KSBTC 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 KSBTC 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 KSBTC 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).

Farming Operation Networking Tax Credit—A qualified farming operation which has a farm operation networking project approved by the Cabinet for Economic Development as provided by KRS 141.410 to 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or 141.020 and KRS 141.0401

attributable to the project in accordance with KRS 141.412. The annual tax credit shall be available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit shall be equal to the approved costs incurred by the qualified farming operation during the tax year and shall not exceed the income, Kentucky gross profits or Kentucky gross receipts, as the case may be, of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project. Schedule FON must be attached to the tax return claiming the credit. **KRS 141.412**

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 171.3961 and 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 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 164.0062**

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—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**

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 used 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. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—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 \$10 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. **KRS 141.432 to 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2014, but before January 1, 2018, a qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, in an amount equal to ten percent (10%) of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. **KRS 141.392**

Distilled Spirits Tax Credit—For taxable years beginning on or after January 1, 2015, a nonrefundable and nontransferable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, for taxpayers who pay Kentucky property tax on

distilled spirits.

The distilled spirits credit is equal to: 40 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2016; 60 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2017; 80 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2018; and 100 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2019.

The amount of the credit is contingent on the costs associated with the following capital improvements at the premises of the distiller: construction, replacement, or remodeling of warehouses or facilities; purchases of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses; acquisition, construction, or installation of equipment for the use in the manufacture, bottling, or shipment of distilled spirits; addition or replacement of access roads or parking facilities; and construction, replacement, or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center. **KRS 141.389**

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, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
P. O. Box 518
Frankfort, KY 40602-0518
(502) 564-3658



Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov

Information:

Division of Corporation Tax
Department of Revenue
501 High Street, Station 52
Frankfort, KY 40601-2103
(502) 564-8139



Mailing/Payment:



Mail the return to:

*Kentucky Department of Revenue, P. O. Box 856910,
Louisville, KY 40285-6910. Make the check(s) payable to the
Kentucky State Treasurer.*

*Mail returns with no tax due or refund requests to: Kentucky
Department of Revenue, P. O. Box 856905, Louisville, KY
40285-6905.*

KENTUCKY TAXPAYER SERVICE CENTERS

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities.

Ashland, 1539 Greenup Avenue, 41101-7695
(606) 920-2037

Bowling Green, 201 West Professional Park Court, 42104-3278
(270) 746-7470

Corbin, 15100 North US 25E, Suite 2, 40701-6188
(606) 528-3322

Frankfort, 501 High Street, 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)

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

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SCHEDULE A

41A720A (10-16)

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
2. Total sales 2		00
3. Sales factor (line 1 divided by line 2)..... 3	%	
4. Double-weighted Sales factor (line 3 multiplied by 2) 4	%	
5. Average value of Kentucky real/tangible property (Section III)..... 5	00	
6. Average value of total real/tangible property (Section IV)..... 6	00	
7. Property factor (line 5 divided by line 6)..... 7	%	
8. Kentucky payrolls 8	00	
9. Total payrolls 9	00	
10. Payroll factor (line 8 divided by line 9)..... 10	%	
11. Total (add lines 4, 7 and 10)..... 11	%	
12. Apportionment fraction—line 11 divided by 4 or number of factors present (sales representing 2 factors) 12	%	
	1. Net income (from Form 720, Part III, line 20)..... 1	00
	2. Deduct nonbusiness income (if applicable):	
	(a) Interest 2(a)	00
	(b) Rents..... 2(b)	00
	(c) Royalties..... 2(c)	00
	(d) Net gain or loss on sale or exchange of capital assets..... 2(d)	00
	(e) Total (lines (a) through (d)) 2(e)	00
	(f) Less related expenses (attach schedule)..... 2(f) (00)
	3. Net nonbusiness income..... 3	00
	4. Business income (line 1 less line 3)..... 4	00
	5. Business income apportioned to Kentucky (line 4 multiplied by Section I, line 12) 5	00
	6. Add Kentucky nonbusiness income (if applicable):	
	(a) Interest 6(a)	00
	(b) Rents..... 6(b)	00
	(c) Royalties..... 6(c)	00
	(d) Net gain or loss on sale or exchange of capital assets..... 6(d)	00
	(e) Total (lines (a) through (d)) 6(e)	00
	(f) Less Kentucky related expenses (attach schedule) 6(f) (00)
	7. Kentucky net nonbusiness income..... 7	00
	8. Taxable net income (line 5 plus line 7) (enter here and on Form 720, Part III, line 21)..... 8	00

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 Section I, line 5) 9			9. Total (lines 7 and 8) (enter on Section I, line 6) 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.

Mandatory Nexus Consolidated Returns—An affiliated group filing a mandatory nexus 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 or any corporation in an affiliated group 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 (10-16)
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/LET Account Number			
	-----	-----	-----	-----	-----	-----
	Corporation or Pass-through Entity filing the return		Name _____ FEIN _____ KY Corp/LET Acct. No. _____	Name _____ FEIN _____ KY Corp/LET Acct. No. _____	Name _____ FEIN _____ KY Corp/LET Acct. No. _____	Name _____ FEIN _____ KY Corp/LET Acct. No. _____
Total	1	00	00	00	00	00
1. Kentucky sales.....	1	00	00	00	00	00
2. Total sales.....	2	00	00	00	00	00
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)						
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.						



SCHEDULE A-C

41A720A-C (10-16)
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



		Name		Name		Name		Name	
		FEIN	FEIN	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.	
1.	Kentucky sales.....	1	00	00	00	00	00	00	00
2.	Total sales.....	2	00	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.....	5	00	00	00	00	00	00	00
6.	Average value of total real/tangible property	6	00	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.....	8	00	00	00	00	00	00	00
9.	Total payrolls.....	9	00	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 a 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.

If filing a mandatory nexus consolidated tax return, Schedule A-C is required if any corporation in the affiliated group 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 limited liability pass-through entity's or general partnership's Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls applicable to each corporation in the affiliate group shall be combined with its Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls on the Schedule A-N, Apportionment Factor Schedule (For a Nexus Consolidated Tax Return).

Schedule(s) 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)(b) 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 of which 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, identifying 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 (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

APPORTIONMENT FACTOR SCHEDULE

(For a Nexus Consolidated Tax Return)

Taxable Year Ending

__ / __ Mo. Yr.

Page ____ of ____

➤ See instructions.

➤ Attach to Form 720.



Name	Federal Identification Number	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	Total Payrolls
Intercompany Eliminations								
Subtotal for this page only								
Total of Each Column (for all pages)								

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 Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls on Schedule A, Section I. If any corporation in the affiliated group 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 Kentucky sales, total sales, average value of Kentucky real/tangible property, average value of total real/tangible property, Kentucky payrolls and total payrolls applicable to the corporation from Schedule A-C should be included with 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 on Schedule A-N.

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/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 of the corporation and each of its subsidiaries included in the computation of the sales factor, property factor and payroll factor.

Intercompany Eliminations—As provided by KRS 141.200(1)(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, attach additional copies of Schedule A-N.

Subtotal for this page only—Enter the total of each column on this line for each separate page.

Total of Each Column—Enter the total of each column on this line which includes the amounts from all pages of Schedule A-N. This is only for page 1.

SCHEDULE BIO

41A720BIO (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2016

189

APPLICATION AND CREDIT CERTIFICATE OF INCOME TAX/LLET CREDIT
BIODIESEL

See instructions.

Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

KRS 141.422 to 141.425
103 KAR 15:140

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

By: Date:

TAXPAYER USE ONLY

Part IV - Biodiesel Credit Used By Taxpayer

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 all other entities, 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.

A pass-through entity shall include on each Schedule K-1 the partner's, member's, shareholder's or beneficiary's pro rata share of the approved credit. In addition, a pass-through entity shall notify the department electronically of all partners, members, shareholders or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in the following manner may constitute the forfeiture of available credits to all partners, members, shareholders or beneficiaries in the pass-through entity.

Email address:
KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

The electronic mail shall contain a separate attachment in plain format text or plain ASCII format that includes each partner's, member's, shareholder's or beneficiary's: (a) Name; (b) Address; (c) Telephone number; (d) Identification number; and (e) Distributive share of the tax credit.

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 (10-16)

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

41A720CCI (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____/____/____
Mo. Yr.

➤ See instructions.

**APPLICATION AND CREDIT CERTIFICATE
OF CLEAN COAL INCENTIVE TAX CREDIT**

➤ For Coal Purchased During Calendar Year

KRS 141.428

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.**

STOP			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

(a) Any electric power company subject to tax under KRS 136.120 and certified as a clean coal facility or any taxpayer that owns or operates a clean coal facility and purchases eligible coal that is used by the taxpayer in a certified clean coal facility; or

(b) A parent company of an entity identified in paragraph (a) if the subsidiary is wholly owned.

Amount of Credit—The credit is equal to \$2 for each ton of qualifying 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
501 High Street, Station 33
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.

A pass-through entity shall include on each Schedule K-1 the partner's, member's or shareholder's pro rata share of the approved credit. In addition, a pass-through entity shall notify the department electronically of all partners, members or shareholders who may claim any amount of the approved credit. Failure to provide information to the department in the following manner may constitute the forfeiture of available credits to all partners, members or shareholders in the pass-through entity.

Email address:

KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

The electronic mail shall contain a separate attachment in plain format text or plain ASCII format that includes each partner's, member's or shareholder's: (a) Name; (b) Address; (c) Telephone number; (d) Identification number; and (e) Distributive share of the tax credit.

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 (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2016

APPLICATION AND CREDIT CERTIFICATE OF INCOME TAX/LLET CREDIT
CELLULOSIC 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 15:120

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 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, 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) (b) Total approved credit for cellulosic ethanol producer (denominator) (b) Approved Credit

By: Date:

* 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 all other entities, 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.

A pass-through entity shall include on each Schedule K-1 the partner's, member's, shareholder's or beneficiary's pro rata share of the approved credit. In addition, a pass-through entity shall notify the department electronically of all partners, members, shareholders or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in the following manner may constitute the forfeiture of available credits to all partners, members, shareholders or beneficiaries in the pass-through entity.

Email address:
KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

The electronic mail shall contain a separate attachment in plain format text or plain ASCII format that includes each partner's, member's, shareholder's or beneficiary's: (a) Name; (b) Address; (c) Telephone number; (d) Identification number; and (e) Distributive share of the tax credit.

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



41A720CI (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Taxable Year Ending

Mo. / Yr.

See instructions.

For Coal Purchased During Calendar Year

APPLICATION FOR COAL INCENTIVE TAX CREDIT

KRS 141.0405

Name of Entity, Federal Identification Number, Number and Street, Kentucky Corporation/LLET Account Number, City, State, ZIP Code, Telephone Number

Type of Entity (check applicable box): Corporation, Limited Liability Pass-through Entity, General Partnership, Other

Kentucky Group Notice Code (GNC) Number

PART I - Qualifying Tons of Coal Purchased During the Base Year (Calendar Year 1999)

Table with 4 columns: A (Name of Supplier), B (Name and Kentucky Coal Severance Tax Account Number), C (Qualifying Tons of Coal Purchased), D (For Department of Revenue Use Only Approved Tons Purchased). Rows 1-10.

11. Total Approved Tons for the Base Year

PART II - Qualifying Tons of Coal Purchased During the Current Calendar Year

Table with 4 columns: A (Name of Supplier), B (Name and Kentucky Coal Severance Tax Account Number), C (Qualifying Tons of Coal Purchased), D (For Department of Revenue Use Only Approved Tons Purchased). Rows 1-10.

11. Total Approved Tons for the Current Calendar Year

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) 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 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 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
501 High Street, Station 33
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)

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

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.

A pass-through entity shall include on each Schedule K-1 the partner’s, member’s or shareholder’s pro rata share of the approved credit.

SCHEDULE COGS

41A720COGS (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____ / ____
Mo. Yr.

**LIMITED LIABILITY ENTITY TAX
COST OF GOODS SOLD**

➤ See instructions.

➤ Attach to Form 720, 720S, 725 or 765.

KRS 141.0401(1)

Name of Entity		Federal Identification Number		Kentucky Corporation/LLET Account Number			
		_____		_____			
		Federal Form 1125-A Cost of Goods Sold	Limited Liability Entity Tax				
			Column A Kentucky Cost of Goods Sold	Column B Total Cost of Goods Sold			
1. Inventory at beginning of year	1	00	00	00	00	00	
2. Purchases.....	2	00	00	00	00	00	
3. Cost of labor	3	00	00	00	00	00	
4. Additional section 263A costs.....	4	00	00	00	00	00	
5. Other costs	5	00	00	00	00	00	
6. Total. Add lines 1 through 5	6	00	00	00	00	00	
7. Inventory at end of year	7	00	00	00	00	00	
8. Cost of goods sold. Subtract line 7 from line 6.....	8	00	00	00	00	00	
9. Detail of purchases on line 2:							
(a)	(a)	00	00	00	00	00	
(b)	(b)	00	00	00	00	00	
(c)	(c)	00	00	00	00	00	
(d)	(d)	00	00	00	00	00	
(e)	(e)	00	00	00	00	00	
(f)	(f)	00	00	00	00	00	
(g)	(g)	00	00	00	00	00	
(h)	(h)	00	00	00	00	00	
(i)	(i)	00	00	00	00	00	
(j)	(j)	00	00	00	00	00	
(k)	(k)	00	00	00	00	00	
10. Detail of additional section 263A costs on line 4:							
(a)	(a)	00	00	00	00	00	
(b)	(b)	00	00	00	00	00	
(c)	(c)	00	00	00	00	00	
(d)	(d)	00	00	00	00	00	
(e)	(e)	00	00	00	00	00	
(f)	(f)	00	00	00	00	00	
(g)	(g)	00	00	00	00	00	
(h)	(h)	00	00	00	00	00	
(i)	(i)	00	00	00	00	00	
(j)	(j)	00	00	00	00	00	
(k)	(k)	00	00	00	00	00	
11. Detail of other costs on line 5:							
(a)	(a)	00	00	00	00	00	
(b)	(b)	00	00	00	00	00	
(c)	(c)	00	00	00	00	00	
(d)	(d)	00	00	00	00	00	
(e)	(e)	00	00	00	00	00	
(f)	(f)	00	00	00	00	00	
(g)	(g)	00	00	00	00	00	
(h)	(h)	00	00	00	00	00	
(i)	(i)	00	00	00	00	00	
(j)	(j)	00	00	00	00	00	
(k)	(k)	00	00	00	00	00	

INSTRUCTIONS — SCHEDULE COGS

If the company is computing its LLET based on gross profits, Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to the applicable tax return.

KRS 141.0401(1)(d)3 provides that for any activity other than manufacturing, producing, reselling, retailing or wholesaling, no costs shall be included in costs of goods sold. Therefore, taxpayers that provide services or sell intangibles are not allowed to compute cost of goods sold for purposes of computing the limited liability entity tax (LLET).

For taxpayers who are engaged in manufacturing, producing, reselling, retailing or wholesaling, KRS 141.0401(1)(d)2 provides that amounts allowable as cost of goods sold must be directly incurred in acquiring or producing a tangible product generating the Kentucky gross receipts. Tangible product means both real and tangible personal property.

Purpose of Schedule—This schedule is used by a corporation or a limited liability pass-through entity to compute its Kentucky cost of goods sold and its total cost of goods sold from all sources for purposes of computing the LLET on gross profits.

Lines 1 through 8—In the Federal Form 1125-A Cost of Goods Sold column, enter the amounts from federal Form 1125-A on Lines 1 through 8.

In Columns A and B, enter on Lines 1 through 8 the cost of goods sold amounts as provided by KRS 141.0401(1) attributable to Kentucky gross receipts and to gross receipts from all sources, respectively.

“Purchases” means only direct materials that are incorporated into the tangible product sold or manufactured.

“Direct labor” means labor that is incorporated into the tangible product sold or is an integral part of the manufacturing process.

“Additional section 263A costs” means only direct material costs as provided by section 263A of the Internal Revenue Code.

“Other costs” means only direct materials that are incorporated into the tangible product sold or manufactured.

Line 9—Enter on Lines (a) through (k) the detail of purchases included on Line 2 of each column. The total of the amounts

on Lines (a) through (k) of each column should equal the amount included on Line 2 of each column. If Lines (a) through (k) are not sufficient to include the detail of all purchases, attach a three column schedule listing the detail of the additional purchases.

Line 10—Enter on Lines (a) through (k) the detail of additional section 263A costs included on Line 4 of each column. The total of the amounts on Lines (a) through (k) of each column should equal the amount included on Line 4 of each column. If Lines (a) through (k) are not sufficient to include the detail of all additional section 263A costs, attach a three column schedule listing the detail of the additional section 263A costs.

Line 11—Enter on Lines (a) through (k) the detail of other costs included on Line 5 of each column. The total of the amounts on Lines (a) through (k) of each column should equal the amount included on Line 5 of each column. If Lines (a) through (k) are not sufficient to include the detail of all other costs, attach a three column schedule listing the detail of the additional other costs.

Alternate Method—In completing the Schedule COGS, KRS 141.0401(1)(d) requires separate accounting when computing Kentucky cost of goods sold. However, if separate accounting is not possible for the taxpayer, a supporting statement must be attached to the Schedule COGS explaining why separate accounting cannot be used. In such instances, as an alternative to separate accounting, the taxpayer must then take the following four steps in filling out Schedule COGS:

1. Complete the column entitled Federal Form 1125-A Cost of Goods Sold, in its entirety.
2. Complete Column B, Total Costs of Goods Sold, in its entirety. Please note that the beginning and ending inventories may be different from the amounts reported on Federal Form 1125-A because of costs excluded by KRS 141.0401(1)(d) from the cost of goods sold calculation.
3. Multiply the amount on Column B, Total Cost of Goods Sold, Line 8 by the taxpayer’s Kentucky sales factor (Schedule A, Section I, Line 3).
4. Enter the result of step 3 on Column A, Kentucky Cost of Goods Sold, Line 8.

SCHEDULE CR

Form 720

41A720CR (10-16)

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/LEET Account Number

	Consolidated Totals	Intercompany Eliminations	Parent	Name		Name	
				FEIN KY Corp./LEET Acct. No.	00	FEIN KY Corp./LEET Acct. No.	00
1. (a) Gross receipts or sales.....	1(a) 00				00		00
(b) Less returns and allowances.....	1(b) 00				00		00
(c) Balance.....	1(c) 00				00		00
2. Cost of goods sold.....	2 00				00		00
3. Gross profit.....	3 00				00		00
4. Dividends.....	4 00				00		00
5. Interest.....	5 00				00		00
6. Gross rents.....	6 00				00		00
7. Gross royalties.....	7 00				00		00
8. Capital gain net income.....	8 00				00		00
9. Net gain or (loss) from Form 4797.....	9 00				00		00
10. Other income.....	10 00				00		00
11. Total income	11 00				00		00
12. Compensation of officers.....	12 00				00		00
13. Salaries and wages.....	13 00				00		00
14. Repairs and maintenance.....	14 00				00		00
15. Bad debts.....	15 00				00		00
16. Rents.....	16 00				00		00
17. Taxes and licenses.....	17 00				00		00
18. Interest.....	18 00				00		00
19. Charitable contributions.....	19 00				00		00
20. Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return.....	20 00				00		00
21. Depletion.....	21 00				00		00
22. Advertising.....	22 00				00		00
23. Pension, profit-sharing, etc., plans.....	23 00				00		00
24. Employee benefit programs.....	24 00				00		00
25. Domestic production activities deduction.....	25 00				00		00
26. Other deductions.....	26 00				00		00
27. Total deductions	27 00				00		00
28. Taxable income before NOL deduction and special deductions.....	28 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 the federal consolidated net income of an affiliated group filing a mandatory nexus consolidated Kentucky tax return as provided by KRS 141.200(11). Schedule CR and, if applicable, Schedule(s) CR-C must be attached to Form 720, Kentucky Corporation Income Tax and LLET Return, filed with the Kentucky Department of Revenue.

Specific Instructions—For each subsidiary, enter the name, federal employer identification number (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.

41A720CR-C (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

(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. (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 deduction and special deductions	28	00	00	00	00



SCHEDULE DS

41A720DS (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

___ / ___ / ___
Mo. Yr.

➤ See instructions.

DISTILLED SPIRITS TAX CREDIT

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

KRS 141.389

Name of Entity	Federal Identification Number _____	Kentucky Corporation/LLET Account Number (if applicable) _____
Location Address of Capital Improvements	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—Capital Improvements

1. Construction, replacement or remodeling of warehouses or facilities.....	1		00
2. Purchase of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses	2		00
3. Acquisition, construction or installation of equipment for the use in the manufacture, bottling or shipment of distilled spirits.....	3		00
4. Addition or replacement of access roads or parking facilities.....	4		00
5. Construction, replacement or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center.....	5		00
6. Total Capital Improvements (Add lines 1 through 5).....	6		00

Part II—Computation of the Credit

For all years of accumulated ad valorem tax list: 1) ad valorem taxable year ending, 2) date the ad valorem tax was assessed, 3) date the ad valorem tax was paid, 4) amount of ad valorem tax paid, and 5) allowable percentage (see chart below). Enter the total of line 6 in the Total column.

Ad valorem Taxable Year Ending	1.	___ / ___ / ___	___ / ___ / ___	___ / ___ / ___	___ / ___ / ___		Total
Date ad valorem tax was assessed	2.	___ / ___ / ___	___ / ___ / ___	___ / ___ / ___	___ / ___ / ___		
Date ad valorem tax was paid	3.	___ / ___ / ___	___ / ___ / ___	___ / ___ / ___	___ / ___ / ___		
Amount of ad valorem tax paid	4.	00	00	00	00		
Allowable Percentage (see chart)	5.						
Line 4 multiplied by Line 5	6.	00	00	00	00	6	
7. Enter the lesser of Part I, line 6 or Part II, line 6. This is the allowable distilled spirits tax credit	7.					7	00

Table—Allowable Tax Credit Percentage Based on the Ad Valorem Taxable Year			
Taxable years beginning on or after	<i>and</i>	Taxable years beginning before	Percentage
January 1, 2015		December 31, 2015	20%
January 1, 2016		December 31, 2016	40%
January 1, 2017		December 31, 2017	60%
January 1, 2018		December 31, 2018	80%
January 1, 2019		Forward	100%

INSTRUCTIONS FOR SCHEDULE DS

The distilled spirits credit is a nonrefundable and nontransferable credit that may be claimed against income taxes imposed by KRS 141.020 or KRS 141.040 and the limited liability entity tax imposed by KRS 141.0401 by taxpayers that pay Kentucky property tax on distilled spirits pursuant to KRS 132.160. If the taxpayer is a pass-through entity, such as a partnership, S-corporation or limited liability company classified as a pass-through entity for Kentucky income tax purposes, the taxpayer may apply the credit against the LLET, and pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.

Purpose of Schedule—The schedule shall be used to report the capital improvements for which the credit is claimed, up to the amount of distilled spirits ad valorem tax paid during the period the capital improvements were made. The credit must be claimed on the return filed for the year during which the credits were used, which is the year the capital improvements are completed.

How to File—Schedule DS must be attached to the tax return.

Maintaining Records—The taxpayer must maintain records reflecting the verification of the capital improvements made that are associated with the credit for a period of five years.

SPECIFIC INSTRUCTIONS

General Information—KRS 141.389(3) provides that the distilled spirits credit may be accumulated for multiple taxable years, and shall be claimed on the return of the taxpayer filed for the taxable year during which the credits were used for capital improvements as provided by KRS 141.389(2). If the distilled spirits ad valorem tax is for multiple taxable years, attach a schedule providing the information on Part II of this Schedule for each taxable year.

Part I—Capital Improvements

Lines 1 to 5—Enter the capital improvement amounts at the premises of the distiller licensed pursuant to KRS Chapter 243 for each of the categories provided on Lines 1 through 5 that were completed and specifically associated with the ad valorem tax on Part II, Line 3.

Line 6—Enter the total of Lines 1 through 5.

Part II—Computation of the Credit

Line 1—Enter the ad valorem taxable year ending. Enter the 2-digit month and 2-digit year. Begin with the earliest taxable year ending date.

Line 2—Enter the date the ad valorem tax was assessed pursuant to KRS 132.160.

Line 3—Enter the date the ad valorem tax was paid pursuant to KRS 132.180.

Line 4—Enter the amount of the ad valorem tax that was assessed and paid on the dates entered on Lines 2 and 3, respectively.

Line 5—Enter the applicable percentage for the taxable year as follows:

- For taxable years beginning on or after January 1, 2015, and before December 31, 2015, the credit shall be equal to twenty percent (20%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2016, and before December 31, 2016, the credit shall be equal to forty percent (40%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2017, and before December 31, 2017, the credit shall be equal to sixty percent (60%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2018, and before December 31, 2018, the credit shall be equal to eighty percent (80%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2019, the credit shall be equal to one hundred percent (100%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.

Line 6—Enter the amount on Line 4 multiplied by the percentage on Line 5. Enter the total of line 6 in the Total column.

Line 7—Enter the lesser of Part I, line 6 or Part II, line 6; this is the allowable distilled spirits tax credit.

SCHEDULE DS-R

41A720DS-R (10-16)
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.

**DISTILLED SPIRITS
TAX CREDIT RECAPTURE
KRS 141.389**

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable)
	_____	_____
Location Address of Capital Improvements	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 _____	

Section A—Description of Property Sold or Disposed of Before the End of the Recapture Period

Item	Description of Capital Improvements
A	
B	
C	
D	
E	

Section B—Computation of Tax Credit Recapture

1. Taxable year end date the tax credit was claimed.....	1	/	/
2. Date the capital improvement was sold or disposed of	2	/	/
3. Total amount of tax credit associated with the dates referenced above.....	3		00
4. Cost of capital improvement sold or disposed of	4		00
5. Total cost of all capital improvements associated with the credit reported on line 3.....	5		00
6. Divide line 4 by the amount on line 5 (see instructions)	6	---	%
7. Multiply line 3 by line 6 and enter here.....	7		00
8. Enter the amount of credit claimed against LLET for the taxable year referenced on line 1.....	8		00
9. Enter the amount of credit claimed against income tax for the taxable year referenced on line 1	9		00
10. LLET credit recapture: If the amount on line 8 is greater than line 7, enter the difference	10		00
11. Income tax credit recapture: If the amount on line 9 is greater than line 7, enter the difference.....	11		00

**INSTRUCTIONS—DISTILLED SPIRITS
TAX CREDIT RECAPTURE****SPECIFIC INSTRUCTIONS**

Purpose of Schedule—A taxpayer required to recapture a distilled spirits tax credit shall attach this schedule to the applicable tax return for the taxable year. If the taxpayer is a pass-through entity, the taxpayer shall apply the recapture of the distilled spirits tax credit to the limited liability entity tax imposed by KRS 141.0401, and shall pass the tax credit recapture to its partners, members or shareholders. A copy of Schedule DS-R shall be attached to each partner's, member's or shareholder's Kentucky Schedule K-1. A partner, member or shareholder shall enter its pro rata share of the information from the Schedule DS-R when completing the partner's, member's or shareholder's Schedule DS-R to be attached to the partner's, member's or shareholder's applicable tax return.

General Information—KRS 141.389(4)(b) provides that the distilled spirits credit allowed shall be recaptured if the capital improvement associated with the credit is sold or otherwise disposed of prior to the exhaustion of the useful life of the asset for Kentucky depreciation purposes. If the distilled spirits credit recapture is for multiple taxable years, attach a schedule providing the information on this Schedule for each taxable year.

Section A – Description of Property Sold or Disposed of Before the End of the Recapture Period

For each item of capital improvements sold, transferred or disposed of before the end of its useful life, enter a description of each item of capital improvement on Lines A, B, C, D and E. If the taxpayer disposed of more than five items of capital improvements during the tax year, attach additional Schedules DS-R as needed.

Section B—Computation of the Tax Credit Recapture

Line 1—Enter the year end of the taxable year that the distilled spirits tax credit was claimed.

Line 2—Enter the date the capital improvement was sold or disposed of.

Line 3—Enter the amount of the distilled spirits tax credit claimed on the tax return for the taxable year entered on Line 1.

Line 4—Enter the cost of the capital improvement sold or disposed of on the date entered on Line 2.

Line 5—Enter the total cost of all capital improvements associated with the distilled spirits tax credit on Line 3.

Line 6—Divide the amount on Line 4 by the amount on Line 5 and convert to a percentage carried out to four decimal places.

Line 7—Multiply the amount on Line 3 by the percentage on Line 6.

Line 8—Enter the amount of the distilled spirits tax credit on Line 3 claimed against LLET for the taxable year referenced on Line 1.

Line 9—Enter the amount of the distilled spirits tax credit on Line 3 claimed against income tax for the taxable year referenced on Line 1.

Line 10—If the amount on Line 8 is greater than Line 7, enter the difference on this line. This is the amount of the LLET credit recapture.

Line 11—If the amount on Line 9 is greater than Line 7, enter the difference on this line. This is the amount of the income tax credit recapture.

Schedule ENDOW

41A720-S86 (2-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



**NOTICE OF ENDOW KENTUCKY TAX
CREDIT AND CERTIFICATION
KRS 141.438**

➤ See instructions.

➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP

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 ___ / ___ / ___ Mo. Day Yr.		F Amount of Endowment Gift		G Date of the Department's Preliminary Authorization of Credit ___ / ___ / ___ 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					
<p>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.</p> <p>By: _____ Date _____ Signature of Foundation Officer (or designee)</p> <p>Print Name: _____</p> <p>Title: _____</p>					
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.

SCHEDULE ETH

41A720ETH (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2016

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 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 - Ethanol Gallons Approved

1. Ethanol gallons approved by Department of Revenue 1

Part III - Ethanol Approved Credit Certificate

1. (a) Approved credit for ethanol producer (numerator) (a), (b) Total approved credit for ethanol producer (denominator) (b), (a/b) x *\$ = Approved Credit

By: Date:

* 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 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 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 all other entities, 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.

A pass-through entity shall include on each Schedule K-1 the partner's, member's, shareholder's or beneficiary's pro rata share of the approved credit. In addition, a pass-through entity shall notify the department electronically of all partners, members, shareholders or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in the following manner may constitute the forfeiture of available credits to all partners, members, shareholders or beneficiaries in the pass-through entity.

Email address:
KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

The electronic mail shall contain a separate attachment in plain format text or plain ASCII format that includes each partner's, member's, shareholder's or beneficiary's: (a) Name; (b) Address; (c) Telephone number; (d) Identification number; and (e) Distributive share of the tax credit.

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 FD

41A720FD (06-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____ / ____
Mo. Yr.

FOOD DONATION TAX CREDIT

KRS 141.392

► Attach to Form 720, 720S, 725, 740, 740-NP, 741, 765 or 765-GP.

Name of Entity (Donor)	Identification Number (SSN or FEIN)	Kentucky Corporation/LLET Account Number (if applicable)
Address (Number, Street, and Room or Suite No.)	City, State and Zip Code	

Part I - Qualifications

- Are you a person responsible for and deriving income from:
 1. Growing fruits, vegetables, or other edible agricultural products; or
 2. Raising beef, poultry, pork, fish, or other edible agricultural products? YES NO
- Was the edible agricultural products that is intended for and fit for human consumption raised or grown in Kentucky? YES NO
- Was the edible agricultural products provided free of fee or charge to a nonprofit food program operating in Kentucky? YES NO

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 - Information on Donated Food - To be completed by taxpayer making the donation and/or donee

- Fruits Vegetables Beef Poultry
 Pork Fish Other edible product _____

	A Description of Donated Food	B Date Donated	C Quantity of Donation	D Fair Market Price Per Unit of Measure	E Fair Market Value (multiply Column C by Column D)	
1.					1	00
2.					2	00
3.					3	00
4.					4	00
5.					5	00
6.					6	00
7.	Total fair market value of donation (add Column E, lines 1 through 6).....				7	00
8.	Reimbursements received from all sources				8	00
9.	Total fair market value of donation less reimbursements (subtract line 8 from line 7)				9	00
10.	Credit percentage				10	10%
11.	Credit amount. Multiply line 9 by line 10				11	00
12.	Enter the unused prior year carryforward amount from the total line of the Carryforward Worksheet				12	00
13.	Total credit amount (add lines 11 and 12). Enter result here and on applicable form or schedule				13	00

Part III - Taxpayer (Donor) Statement

I, the undersigned, declare under the penalties of perjury, that to the best of my knowledge and belief, the information and fair market values included in Part I are true, correct and complete.

Signature of Taxpayer (Donor) _____ Date _____

Type Name and Title of Person Signing This Document

**Part IV - Donee Acknowledgement - To be completed by the charitable organization**

I, the undersigned, declare under the penalties of perjury, that this charitable organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, that it operates a surplus food collection and distribution program as defined in KRS 141.392(1)(c), and that I have examined this schedule, and to the best of my knowledge and belief, it is true, correct and complete.

Name of Charitable Organization (Donee)	Employer Identification Number	
Address (Number, Street, and Room or Suite No.)	City, State and Zip Code	
Authorized Signature	Title	Date

INSTRUCTIONS—SCHEDULE FD

PURPOSE OF SCHEDULE—This schedule is used by a qualified taxpayer (donor) who provides free of fee or charge edible agriculture products to a nonprofit food program operating in Kentucky as provided by KRS 141.392.

For taxable years beginning on or after January 1, 2014, but before January 1, 2018, any donor shall be allowed a nonrefundable credit (food donation tax credit) against the tax imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided by KRS 141.0205, in the amount equal to ten percent (10%) of the value of the donated edible agricultural products. A qualified taxpayer claiming the food donation tax credit shall attach this schedule to the applicable tax return.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. KRS 141.392

A qualified taxpayer that is a pass-through entity not subject to the tax imposed by KRS 141.040 shall apply the food donation tax credit against the limited liability entity tax imposed by KRS 141.0401, and shall distribute the amount of the approved tax credit to each partner, member or shareholder based on the partner's, member's or shareholder's distributive share of income as determined for the taxable year during which the tax credit is approved, with the ordering of credits as provided by KRS 141.0205.

A tax credit not used by a qualified taxpayer in the current taxable year may be carried forward for up to four (4) succeeding years.

GENERAL INSTRUCTIONS**Part I – Qualifications**

Answer the questions provided in Part I and proceed to Part II if applicable.

Part II – Information on Donated Food

Check the box that best describes the donated food. If the box for "Other edible product" is checked, describe the product in the space provided.

Lines 1 through 6—Enter the following: Column A, the description of the item of food being donated; Column B, the date donated; Column C, the quantity of the food item; Column D, the fair market price of each unit of measure; and Column E, the total fair market value.

Attach a separate schedule if more than 6 items are being donated.

KRS 141.392(3)(b) provides that a donor shall determine the value of the donated edible agriculture products as follows: (i) if there was a previous sale of the edible agriculture products to a buyer, the donor shall retain a copy of an invoice or other statement identifying the price received by the donor for the edible agriculture products of comparable grade and quality; or (ii) If there is no previous sale to a buyer, the donor shall on the date of the donation, determine the value of the donated edible agriculture products based on the fair market value as

determined by average weekly regional produce auction prices or United States Department of Agriculture prices for meat, fish and dairy products.

Line 7—Add Lines 1 through 6.

Line 8—Reimbursements received from all sources, such as any reimbursed costs of picking or transporting the donated food.

Line 9—Subtract Line 8 from Line 7.

Line 11—Multiply Line 9 by Line 10.

Line 12— Enter the unused prior year carryforward amount from the total line of the Carryforward Worksheet.

Carryforward Worksheet

The Kentucky food donation tax credit can be carried forward for up to 4 years if unused during the preceding tax year(s). You must have completed Schedule FD for any prior year(s) in which you are claiming a credit carryforward.

<u>2016 Carryforward Worksheet</u>	
A. Credit carryforward from 2014 to 2016 _____	
B. Credit carryforward from 2015 to 2016 _____	
C. Total carryforward _____	

Line 13—Add Lines 11 and 12. Enter the amount on this line and the applicable tax form or schedule. In order to claim the credit, this schedule must be attached to the applicable tax return.

Part III – Taxpayer (Donor) Statement

The taxpayer (donor) or the representative of the taxpayer shall certify that the information and fair market values included in Part I are true, correct and complete. Enter the date signed, and type the name and title of person signing this document in the spaces provided. Failure to sign the schedule or to provide all information may result in the disallowance of the tax credit.

Part IV – Donee Acknowledgement

The representative of the charitable organization (donee) shall certify that the charitable organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, certify that it operates a surplus food collection and distribution program as defined in KRS 141.392(1)(c), and certify that the information included in the schedule is true, correct and complete. Enter the name, Employer Identification Number, and address of the charitable organization in the spaces provided. Also, enter the title of person signing this document and the date in the spaces provided. Failure to sign the schedule or to provide all information may result in the disallowance of the tax credit.

SCHEDULE HH

41A720HH (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____ / ____
Mo. Yr.

**KENTUCKY HOUSING FOR
HOMELESS FAMILIES DEDUCTION
KRS 141.0202**

► 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:

- the homeless family has demonstrated a need for a fixed, regular and adequate night time residence; and
- 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:

- 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
- 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 1/5/12 to 1/15/12
Family 2—from 1/25/12 to 2/28/12, 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 (10-16)

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/LLET Account Number

	Consolidated Totals	Intercompany Eliminations	Parent	Name FEIN KY Corp./LLET Acct. No.	Name FEIN KY Corp./LLET Acct. No.
1. Federal taxable income (Schedule CR, line 28)	00	00	00		00
Additions					
2. Interest income (state and local obligations)	00	00	00		00
3. State taxes based on net/gross income	00	00	00		00
4. Depreciation adjustment	00	00	00		00
5. Deductions attributable to nontaxable income	00	00	00		00
6. Related party expenses	00	00	00		00
7. Dividend paid deduction (REIT)	00	00	00		00
8. Domestic production activities deduction	00	00	00		00
9. Other (attach schedule)	00	00	00		00
10. Revenue Agent Report (RAR)	00	00	00		00
11. Total (add lines 1 through 10)	00	00	00		00
Subtractions					
12. Interest income (U.S. obligations)	00	00	00		00
13. Dividend income	00	00	00		00
14. Federal work opportunity credit	00	00	00		00
15. Depreciation adjustment	00	00	00		00
16. Other (attach schedule)	00	00	00		00
17. Revenue Agent Report (RAR)	00	00	00		00
18. Net income (line 11 less lines 12 through 17)	00	00	00		00
19. Net nonbusiness income	00	00	00		00
20. Kentucky net nonbusiness income	00	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 filing a mandatory nexus consolidated Kentucky tax return as provided by KRS 141.200(11). Schedule KCR and, if applicable, Schedule(s) KCR-C must be attached to 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.

Name of Corporation

Federal Identification Number

Kentucky Corporation/LET Account Number

	Name FEIN KY Corp./LET Acct. No.	Name FEIN KY Corp./LET Acct. No.	Name FEIN KY Corp./LET Acct. No.	Name FEIN KY Corp./LET Acct. No.	Name FEIN KY Corp./LET Acct. No.
1. Federal taxable income (Schedule CR-C, line 28).....					
Additions					
2. Interest income (state and local obligations).....					
3. State taxes based on net/gross income.....					
4. Depreciation adjustment.....					
5. Deductions attributable to nontaxable income.....					
6. Related party expenses.....					
7. Dividend paid deduction (REIT)....					
8. Domestic production activities deduction.....					
9. Other (attach schedule).....					
10. Revenue Agent Report (RAR).....					
11. Total (add lines 1 through 10).....					
Subtractions					
12. Interest income (U.S. obligations)					
13. Dividend income.....					
14. Federal work opportunity credit...					
15. Depreciation adjustment.....					
16. Other (attach schedule).....					
17. Revenue Agent Report (RAR).....					
18. Net income (line 11 less lines 12 through 17).....					
19. Net nonbusiness income.....					
20. Kentucky net nonbusiness income.....					

SCHEDULE LLET

41A720LLET (10-16)
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 (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky. Enter the total amounts from Schedule LLET-C in Section A of this schedule.

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 empty 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 empty column. Rows include conditions for gross receipts from all sources and calculations for amounts greater than \$3,000,000.

Section C—Computation of Gross Profits LLET

Table with 4 rows and 4 columns: Description, Column A Kentucky, Column B Total, and an empty column. Rows include conditions for gross profits from all sources and calculations for amounts greater than \$3,000,000.

Section D—Computation of LLET

Table with 1 row and 4 columns: Description, Column A Kentucky, Column B Total, and an empty column. Row 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 or 720S, Part I, line 1; or Form 725 or 765, Part II, line 1.



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:

If the company is computing its LLET based on gross profits, Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to the applicable tax return.

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 Kentucky Cost of Goods Sold and Total Cost of Goods Sold from Schedule COGS, Columns A and B, Line 8 on Columns A and B, Line 4, respectively. 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: $(\text{Column A, Line 3} \times 0.00095) - (\$2,850 \times ((\$6,000,000 - \text{Column A, Line 3}) / \$3,000,000))$, 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: $\text{Column A, Line 3} \times 0.00095$.

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: $(\text{Column A, Line 5} \times 0.0075) - (\$22,500 \times ((\$6,000,000 - \text{Column A, Line 5}) / \$3,000,000))$, 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: $\text{Column A, Line 5} \times 0.0075$.

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 or 720S, Part I, Line 1; or Form 725 or 765, Part II, Line 1.

SCHEDULE LLET-C

41A720LLET-C (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

LIMITED LIABILITY ENTITY TAX — Continuation Sheet

KRS 141.0401

Taxable Year Ending

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

	Corporation or Limited Liability Pass-through Entity Filing Return	Name FEIN KY Corp./LLET Acct. No.	Name FEIN KY Corp./LLET Acct. No.	Name FEIN KY Corp./LLET Acct. No.	Total
Section A — Total from Kentucky Sources					

1. Kentucky gross receipts.....	1	00				
2. Kentucky returns and allowances.....	2	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.....	3	00				00
4. Kentucky cost of goods sold (attach Schedule COGS).	4	00				
5. Kentucky gross profits (line 3 less line 4). Enter the total on Schedule LLET, Section A, Column A, Line 5.....	5	00				00



Section B — Total from All Sources

1. Gross receipts.....	1	00				
2. Returns and allowances.....	2	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.....	3	00				00
4. Cost of goods sold (attach Schedule COGS).....	4	00				
5. Gross profits (line 3 less line 4). Enter the total on Schedule LLET, Section A, Column B, Line 5.....	5	00				00

SCHEDULE LLET-C

41A720LLET-C (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

LIMITED LIABILITY ENTITY TAX — Continuation Sheet

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



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 (attach Schedule COGS).
5. Kentucky gross profits (line 3 less line 4). **Enter the total on Schedule LLET, Section A, Column A, Line 5**

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 (attach Schedule COGS).....
5. Gross profits (line 3 less line 4). **Enter the total on Schedule LLET, Section A, Column B, Line 5.....**

	Federal Identification Number		Kentucky Corporation/LLET Account Number	
1				
2				
3	00	00	00	00
4				
5	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.

If the company is computing its LLET based on gross profits, Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to the applicable tax return.

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 Kentucky Cost of Goods Sold from Schedule COGS, Column A, Line 8.
- 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 Total Cost of Goods Sold from Schedule COGS, Column B, Line 8.
- 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) (10-16)

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

➤ **See instructions.**

➤ **Attach to Form 720S, 725 or 765.**

KRS 141.0401

_____ **Reason Code**

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 (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky. Enter the total amounts from Schedule LLET(K)-C in Section A of this schedule.

Section A – Computation of Gross Receipts and Gross Profits Excluding Economic Development Project(s)

	Column A Kentucky	Column B Total
1. Gross receipts after returns and allowances of the pass-through entity	00	00
2. Economic development project's gross receipts after returns and allowances.....	00	
3. Gross receipts excluding the economic development project(s) (line 1 less line 2 or amount from Schedule LLET(K)-C).....	00	00
4. (a) Cost of goods sold of the pass-through entity (attach Schedule COGS) ...	00	00
(b) Economic development project's cost of goods sold.....	00	
(c) Cost of goods sold excluding the economic development project(s) (line 4(a) less line 4(b))	00	00
5. Gross profits excluding the economic development project(s)(line 3 less line 4(c) or amount from Schedule LLET(K)-C)	00	00

Section B – Computation of Gross Receipts LLET

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.....	1		
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	2	00	
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	3	00	
4. Enter the amount from line 2 or line 3.....	4	00	

Section C – Computation of Gross Profits LLET

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.....	1		
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	2	00	
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	3	00	
4. Enter the amount from line 2 or line 3.....	4	00	

Section D – Computation of LLET

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 or 720S, Part I, line 1; or Form 725 or 765, Part II, line 1	1	00	
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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), Incentives for Energy Independence Act (IEIA) or Farming Operation Networking Project (FON) 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:

If the company is computing its LLET based on gross profits, Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to the applicable tax return.

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 Kentucky Cost of Goods Sold and Total Cost of Goods Sold from Schedule COGS, Columns A and B, Line 8 on Columns A and B, Line 4(a), respectively. 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 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 720 or 720S, Part I, Line 1; or Form 725 or 765, Part II, Line 1.

SCHEDULE LLET(K)-C

LIMITED LIABILITY ENTITY TAX — Continuation Sheet
(For a Limited Liability Pass-through Entity with Economic Development Project(s))

Taxable Year Ending

Mo. / Yr.

41A720LLET(K)-C (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

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	2	3	4(a)	4(b)	4(c)	5
1. Kentucky gross receipts after returns and allowances...	00						
2. Economic development project's gross receipts after returns and allowances	00						
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	00		00				00
4. (a) Kentucky cost of goods sold (attach Schedule COGS)							
(b) Economic development project's cost of goods sold					00		
(c) Kentucky cost of goods sold excluding the economic development project(s) (line 4(a) less line 4(b))						00	
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							00

Section B — Total from All Sources

	1	2	3	4(a)	4(b)	4(c)	5
1. Gross receipts after returns and allowances	00						
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			00				00
4. (a) Cost of goods sold (attach Schedule COGS)							
(b) Economic development project's cost of goods sold					00		
(c) Cost of goods sold (line 4(a) less line 4(b))						00	
5. Gross profits (line 3 less line 4(c)). Enter the total on Schedule LLET(K), Section A, Column B, line 5							00

SCHEDULE LLET(K)-C

41A720LLET(K)-C (10-16)

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...	1					
2. Economic development project's gross receipts after returns and allowances	2					
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	3	00	00	00	00	00
4. (a) Kentucky cost of goods sold (attach Schedule COGS)	4(a)					
(b) Economic development project's cost of goods sold	4(b)					
(c) Kentucky cost of goods sold excluding the economic development project(s) (line 4(a) less line 4(b))	4(c)					
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	5	00	00	00	00	00

Section B – Total from All Sources

1. Gross receipts after returns and allowances	1					
2. Economic development project's gross receipts after returns and allowances	2					
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	3	00	00	00	00	00
4. (a) Cost of goods sold (attach Schedule COGS)	4(a)					
(b) Economic development project's cost of goods sold	4(b)					
(c) Cost of goods sold (line 4(a) less line 4(b))	4(c)					
5. Gross profits (line 3 less line 4(c)). Enter the total on Schedule LLET(K), Section A, Column B, line 5	5	00	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), Incentives for Energy Independence Act (IEIA) or Farming Operation Networking Project (FON).

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.

If the company is computing its LLET based on gross profits, Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to the applicable tax return.

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 Kentucky Cost of Goods Sold from Schedule COGS, Column A, Line 8.

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 Total Cost of Goods Sold from Schedule COGS, Column B, Line 8.

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 (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

Mo. / Yr.

- See instructions.
- Attach to Form 720.

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 _____
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PART I—MANDATORY NEXUS CONSOLIDATED RETURN

Section A—Current Net Operating Loss Adjustment		A		Includible Corporations			
				B		C	
Name	Kentucky Corporation/LLET Account Number	Prior Year's NOL Carryforward		Kentucky Net Income		Kentucky Net Losses (Enter as a Positive)	
1. Parent			00		00		00
2. Subsidiaries							
a			00		00		00
b			00		00		00
c			00		00		00
d			00		00		00
e			00		00		00
f			00		00		00
g			00		00		00
h			00		00		00
i			00		00		00
j			00		00		00
k			00		00		00
l			00		00		00
m			00		00		00
3. Totals (add Columns A, B and C)	3		00		00		00
4. Limitation—Income (Column B, line 3 multiplied by 50%)				4			00
5. Total NOL (add Column A, line 3 and Column C, line 3)				5			00
Complete line 6 only if Column C, line 3 is greater than line 4.							
6. Disallowed loss, Column C, line 3, less line 4. Enter here and on Form 720, Part III, line 19 (see instructions)				6			00
Complete line 7 only if line 4 is greater than Column C, line 3.							
7. Additional NOLD (see worksheet in instructions). Enter as a negative amount here and on Form 720, Part III, line 19				7			00

Section B—NOL Carryforward (Mandatory Nexus Consolidated)

1. Total current year and prior year NOL (Enter amount from Section A, line 5)	1		00
2. Limitation (Enter amount from Section A, line 4)	2		00
3. Total NOL carryforward (Section B, line 1 less Section B, line 2) If less than zero, enter -0-	3		00

PART II—SEPARATE ENTITY RETURN

NOL Carryforward (Enter all amounts as a positive)

1. Carryforward from prior year (2015 Schedule NOL, Part II, line 4)	1		00
2. Current year NOL from Form 720, Part III, line 21	2		00
3. NOLD from Form 720, Part III, line 22	3		00
4. Total NOL carryforward to 2017 (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) 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, 50 percent (50%) of the income realized by the remaining includible corporations that did not realize a net operating loss.

Any prior year NOL carryforward is utilized first in meeting the fifty percent (50%) limitation.

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 carry the NOL carryforward as an apportioned amount.

If the corporation does not convert an apportioned NOL carryforward to a pre-apportioned amount, the apportioned NOL carryforward is binding for all future years. Should the corporation wish to convert the apportioned NOL carryforward to a pre-apportioned NOL carryforward in a future year, all tax returns filed which included the apportioned NOL carryforward must be amended. Also, using an apportioned NOL carryforward does not affect the 50 percent (50%) 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 and 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.

Section A – Current Net Operating Loss Adjustment

Enter the name and Kentucky Corporation/LLET account number of the parent and subsidiaries.

Column A—Enter the prior year’s NOL carryforward of the parent and each subsidiary.

Column B—Enter only Kentucky net income of includible corporations from Schedule KCR (Form 720), Line 18. The amounts entered should be net of intercompany eliminations.

Column C—Enter only Kentucky net losses of includible corporations from Schedule KCR (Form 720), Line 18. The amounts entered should be net of intercompany eliminations. **Enter as a positive amount.**

Line 3—Enter the totals for Columns A, B and C. Reflect all columns as positive amounts. Attach Schedule NOL-CF if required (see instructions above).

Line 4—Multiply Column B, Line 3 by 50 percent (.50). This is the limitation provided by KRS 141.200(11)(b).

Line 5—Add Column A, Line 3 and Column C, Line 3. This is the total of the prior year NOL carryforward and current year loss(es). Enter as a positive amount.

Line 6—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 6, skip to Section B. **Use worksheet below.**

Worksheet—Line 6	
1. Amount from Column C, Line 3.....	\$ _____
2. Amount from Line 4.....	\$ _____
3. Line 1 less Line 2. Enter here and on Part I, Section A, Line 6 (If less than zero, skip and complete Line 7).....	\$ _____

Line 7—If the amount of loss limitation on Line 4 is greater than the net operating loss(es) on Column C, Line 3, a prior year NOL carryforward can be used to meet the 50 percent loss limitation. Enter the lesser of Line 4 less Column C, Line 3, or the amount entered on Column A, Line 3. If the amount of Line 4 less Column C, Line 3, is greater than Column A, Line 3, enter the amount from Column A, Line 3. Enter the amount on Form 720, Part III, Line 19. This is a deduction in computing Kentucky net income. **Use worksheet below.**

Worksheet—Line 7	
1. Amount from Line 4.....	\$ _____
2. Amount from Column C, Line 3.....	\$ _____
3. Line 1 less Line 2. (If less than zero, skip and complete Line 6 above).....	\$ _____
4. Amount from Column A, Line 3.....	\$ _____
5. Lesser of Line 3 or Line 4. Enter here and on Part I, Section A, Line 7.....	\$ _____

Section B – NOL Carryforward (Mandatory Nexus Consolidated)

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 3.

Part II – Separate Entity Return

NOL Carryforward

General Instructions – Part II is used by a corporation filing a separate entity return as provided by KRS 141.200(10) to track any available net operating loss carryforward. Follow the instructions on Lines 1 through 4.

SCHEDULE NOL-CF

41A720NOL-CF (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____/____
Mo. Yr.

**KENTUCKY
NOL CARRYFORWARD SCHEDULE**

- See instructions.
- Attach to Form 720.

Name of Corporation	Federal Identification Number ____-____-____	Kentucky Corporation/LLET Account Number ____-____-____
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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 (12-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____ / ____
Mo. Yr.

**OTHER ADDITIONS AND SUBTRACTIONS
TO/FROM FEDERAL TAXABLE INCOME**

- See instructions.
- Attach to Form 720.

Name of Corporation	Federal Identification Number ____ - _____	Kentucky Corporation/LLET Account Number _____
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PART I—ADDITIONS TO FEDERAL TAXABLE INCOME (FORM 720, PART III, LINE 9)

1. Kentucky capital gain from Kentucky Schedule D, line 18.....	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. Enter additions to federal taxable income from Kentucky Schedule(s) K-1.....	11		00
12. Internal Revenue Code amendments (see instructions).....	12		00
13. Other additions (attach explanation).....	13		00
14. Total of lines 1 through 13 (enter on Form 720, Part III, line 9).....	14		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. Enter subtractions from federal taxable income from Kentucky Schedule(s) K-1.....	17		00
18. Internal Revenue Code amendments (see instructions).....	18		00
19. Other subtractions (attach explanation).....	19		00
20. Total of lines 1 through 19 (enter on Form 720, Part III, line 16).....	20		00

INSTRUCTIONS for SCHEDULE O-720**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 18. If the capital gain from federal Schedule D, Line 18 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 Internal Revenue Code 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 Internal Revenue Code 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 the difference of the Kentucky distributive share income amounts from Kentucky Schedule(s) K-1 in excess of federal distributive share amounts from federal Schedule(s) K-1.

Line 12—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2013 for fiscal years beginning on or before April 26, 2016. On April 27, 2016, the IRC reference date was updated from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. The IRC update will apply to calendar year taxpayers beginning in 2017.

Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. Attach a schedule to the tax return showing the detail of the addition, including the related IRC section(s).

Line 13—Enter any other additions to federal income not reported on Lines 1 through 12, and attach an explanation.

Line 14—Enter the total of Lines 1 through 13 (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 Internal Revenue Code 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 Internal Revenue Code 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 the difference of the federal distributive share income amounts from federal Schedule(s) K-1 in excess of Kentucky distributive share amounts from Kentucky Schedule(s) K-1.

Line 18—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2013 for fiscal years beginning on or before April 26, 2016. On April 27, 2016, the IRC reference date was updated from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. The IRC update will apply to calendar year taxpayers beginning in 2017.

Enter the subtraction from federal taxable income equal to the excess of federal taxable income over Kentucky taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. Attach a schedule to the tax return showing the detail of the subtraction, including the related IRC section(s).

Line 19—Enter any other subtractions from federal income not reported on Lines 1 through 18, and attach an explanation to the tax return.

Line 20—Enter the total of Lines 1 through 19 (enter on Form 720, Part III, Line 16).

SCHEDULE QR

41A720QR (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

247

____/____
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 Taxable 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 qualified research facilities.*

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.

A pass-through entity shall include on each Schedule K-1 the partner's, member's or shareholder's pro rata share of the approved credit.

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 (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



If major recycling project, check here and complete Part I and page 2.

For equipment purchased (installed) during taxable year beginning _____, 20____, and ending _____, 20____.

APPLICATION FOR INCOMETAX/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	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.) (see instructions)	Purchase Price	Installation Cost	For Department of Revenue Use Only Approved Amounts from Col. E and F
				00	00	00
Identify the Equipment and Use (see instructions for Schedule RC)						
				00	00	00
Identify the Equipment and Use (see instructions for Schedule RC)						

PART II—Credit Approved		<i>(For Department of Revenue Use Only)</i>
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 _____
			Department of Revenue Representative _____	Date _____





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 _____
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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?.....	1	
2. Were there more than 750 full-time employees with an average hourly wage of more than 300 percent of the federal minimum wage?.....	2	
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?	3	
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 Taxable Year Credit Taken (Month/Year)	B Balance of Major Recycling Project 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

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 the conditions below are 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 or composting equipment shall be used exclusively within this state for recycling or composting postconsumer waste materials.
- (2) Recycling equipment or composting equipment is limited to the purchase and installation cost of equipment and does not include repairs, including major repairs which are capitalized and depreciated.
- (3) Recycling equipment or composting equipment does not include an equipment lease required to be capitalized and depreciated by the lessee for federal income tax purposes.
- (4) Manufacturing equipment used exclusively to produce finished products composed of "substantial" postconsumer waste means the finished product shall contain postconsumer waste of at least fifty percent (50%) or more.

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. **Only one application must be filed 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.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

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.

Identify the Equipment and Use—For the item of equipment listed, attach copies of vendor invoices or other documentation showing the purchase price and installation cost of the equipment. Also, describe how the equipment will be used for recycling or composting postconsumer waste materials.

Vendor invoices and other documentation must be reconciled to the cost of each item of equipment and the installation cost of each item of equipment included on Schedule RC and Schedule RC-C. If the department is unable to reconcile the vendor invoices and other documentation to each item of equipment or the installation cost of each item of equipment included on Schedule RC and Schedule RC-C, the application will not be approved until all information is received. To assist in the reconciliation, a spreadsheet showing each item of cost for each item of equipment should be attached to Schedule RC and Schedule RC-C.

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 (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



For equipment purchased (installed)
during taxable year beginning _____, 20____,
and ending _____, 20____.

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 Schedule RC instructions)</i>	Purchase Price		Installation Cost		For Department of Revenue Use Only Approved Amounts from Col. E and F	
					00		00		00
Identify the Equipment and Use (see instructions for Schedule RC)									
					00		00		00
Identify the Equipment and Use (see instructions for Schedule RC)									
					00		00		00
Identify the Equipment and Use (see instructions for Schedule RC)									
					00		00		00
Identify the Equipment and Use (see instructions for Schedule RC)									
					00		00		00
Identify the Equipment and Use (see instructions for Schedule RC)									
					00		00		00
Identify the Equipment and Use (see instructions for Schedule RC)									
					00		00		00
Identify the Equipment and Use (see instructions for Schedule RC)									
					00		00		00
Identify the Equipment and Use (see instructions for Schedule RC)									
Page Total									00



SCHEDULE RC-R

41A720RC-R (10-16)
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
KRS 141.390**

Name of Entity	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

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 taken 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(2), for the taxable year in which the sale, transfer or disposition occurs. Any tax credit balance not used in the taxable year in which the sale, transfer or disposition occurs cannot be carried forward to another taxable year.

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 I, 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 recycling or composting equipment tax credit balances for LLET and income tax on Schedule RC, Part III or Part VI shall be reduced as follows: (i) for LLET by the total of Lines 10 and 14 less Line 12, and (ii) for income tax by the total of Lines 11 and 14 less Line 13.

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. A partner, member or shareholder shall reduce the recycling or composting equipment tax credit balances for LLET and income tax on Schedule RC, Part III or Part VI as follows: (i) for LLET by the total of Lines 10 and 14 less Line 12, and (ii) for income tax by the total of Lines 11 and 14 less Line 13.

SCHEDULE RPC

41A720RPC (6-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

259

____ / ____
Mo. Yr.

**RELATED PARTY COSTS
DISCLOSURE STATEMENT**

KRS 141.205 and 103 KAR 16:230

➤ See instructions.

➤ Attach to Form 720, 720S, 765 or 765-GP.

Name of Entity	Federal Identification Number _____	Kentucky Corporation/LLET Account Number (if applicable) _____
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Schedule RPC, Related Party Costs Disclosure Statement, shall be completed by an entity that paid, accrued or incurred intangible expenses, intangible interest expense or management fees to a related member.

To be entitled to an exception from the add back of expenses and a corresponding deduction from net income, the taxpayer must complete and attach this schedule to the applicable Kentucky tax return (Form 720, 720S, 765 or 765-GP).

Failure to complete Schedule RPC and attach all supporting documentation will result in disallowance of the exception(s).

PART I – REQUIRED ADD BACK

All intangible expenses, intangible interest expenses or management fees that are paid, accrued or incurred to a related member must be added back to income unless one or more of the statutory exceptions are met.

Section A – Intangible Expenses

1. Total intangible expenses paid to a related member: Do not include any interest expense or costs related to intangible interest expense	1		00
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Section B – Intangible Interest Expenses

1. Total intangible interest expenses paid to a related member	1		00
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Section C – Management Fees

1. Total management fees paid to a related member	1		00
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Section D – Total Required Add Back

1. Add Section A, line 1, Section B, line 1 and Section C, line 1. Enter here	1		00
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PART II – EXCEPTIONS TO ADD BACK

Section A – Exceptions to Expenses

1. Enter amount from Part III, Section A, line 6	1		00
2. Enter amount from Part III, Section B, line 5	2		00
3. Enter amount from Part III, Section C, line 5	3		00
4. Enter amount from Part III, Section D, line 1	4		00
5. Enter amount from Part III, Section E, line 1	5		00
6. Total Exceptions: Add lines 1 through 5 and enter here	6		00

Section B – Total Related Party Cost Add Back After Exceptions

1. Total: Part I, Section D, line 1 less Part II, Section A, line 6. Enter here and on Form 720, Part III, line 6; Form 720S, Part III, line 4; or Form 765 or 765-GP, Part I, line 4	1		00
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PART III – DETAIL OF EXCEPTIONS TO ADD BACK

Section A – Exception for intangible expenses, intangible interest expenses or management fees paid to related members that are included in the same consolidated Kentucky corporation income tax return for this taxable year.

	Name of Related Member	Federal Identification Number	Kentucky Corp./LLET Account Number	Amount Deducted
1.				00
2.				00
3.				00
4.				00
5.				00
6.	Total of lines 1 through 5. Enter here and on PART II, Section A, line 1			00

Section B – Exception for intangible expenses, intangible interest expenses or management fees paid to related members who are subject to tax in their state of domicile.

A.	Were any intangible expenses, intangible interest expenses or management fees paid, accrued or incurred to a recipient where the expense or payment was subject to, in the related member's state of commercial domicile, a net income tax, or a franchise tax measured by, in whole or in part, net income?	<input type="checkbox"/> Yes <input type="checkbox"/> No
B.	Is the recipient engaged in substantial business activities separate and apart from the acquisition, use, licensing, management, ownership, sale, exchange, or any other disposition of intangible property, or in the financing of related members, as evidenced by the maintenance of permanent office space and full-time employees dedicated to the maintenance and protection of intangible property?	<input type="checkbox"/> Yes <input type="checkbox"/> No
C.	Is the transaction giving rise to the intangible expenses, intangible interest expenses or management fees between the taxpayer and the recipient made at a commercially reasonable rate and at terms comparable to an arm's length transaction?	<input type="checkbox"/> Yes <input type="checkbox"/> No

If the answers to Questions A, B and C above are all "Yes," complete the following schedule and attach a copy of the pertinent parts of the contract or other documentation that support this exception. **Failure to provide the requested information will result in a denial of the exception.** If any of the answers are "No," the taxpayer does not qualify for this exception.

	Name of Related Member	Federal Identification Number	State of Commercial Domicile	Name of Tax	Amount Deducted
1.					00
2.					00
3.					00
4.					00
5.	Total of lines 1 through 4. Enter here and on PART II, Section A, line 2				00



Section C – Exception for intangible expenses, intangible interest expenses or management fees paid to related members located in a country or countries with which the United States has a comprehensive income tax treaty(ies).

A.	Were any intangible expenses, intangible interest expenses or management fees paid, accrued or incurred to a related member in a foreign nation which has in force a comprehensive income tax treaty with the United States?	<input type="checkbox"/> Yes <input type="checkbox"/> No
B.	Is the recipient engaged in substantial business activities separate and apart from the acquisition, use, licensing, management, ownership, sale, exchange, or any other disposition of intangible property, or in the financing of related members, as evidenced by the maintenance of permanent office space and full-time employees dedicated to the maintenance and protection of intangible property?	<input type="checkbox"/> Yes <input type="checkbox"/> No
C.	Is the transaction giving rise to the intangible expenses, intangible interest expenses or management fees between the taxpayer and the recipient made at a commercially reasonable rate and at terms comparable to an arm’s length transaction?	<input type="checkbox"/> Yes <input type="checkbox"/> No

If the answer to Questions A, B and C above are all “Yes,” complete the following schedule and attach a copy of the pertinent parts of the contract or other documentation that support this exception. **Failure to provide the requested information will result in a denial of the exception.** If any of the answers are “No,” the taxpayer does not qualify for this exception.

	Name of Related Member	Name of Foreign Nation	Description of Treaty	Amount Deducted
1.				00
2.				00
3.				00
4.				00
5.	Total of lines 1 through 4. Enter here and on PART II, Section A, line 3			00

Section D – Exception for intangible expenses, intangible interest expenses or management fees where the recipient regularly engages in transactions with one (1) or more unrelated parties on terms identical to that of the subject transaction.

A.	Has the recipient regularly engaged in transactions with one (1) or more unrelated parties on terms identical to that of the subject transaction (giving rise to the intangible expense, intangible interest expense or management fee)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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If the answer to Question A is “Yes,” complete line 1 below and attach copies of the written agreements between the taxpayer and the recipient and the recipient and the unrelated party. **Failure to attach the written agreements will result in a denial of the exception.** If the answer is “No,” the taxpayer does not qualify for this exception.

1.	Exception amount. Enter here and on PART II, Section A, line 4	00
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Section E – Exception for intangible expenses, intangible interest expenses or management fees where the taxpayer and department have agreed in writing to the application or use of an alternative method of apportionment under KRS 141.120(9).

A.	Is there a written agreement between the taxpayer and the Department which provides for use of an alternative method of apportionment under KRS 141.120(9)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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If the answer to Question A is “Yes,” complete line 1 below and attach a copy of the written agreement. **Failure to attach the written agreement will result in a denial of the exception.** If the answer is “No,” the taxpayer is not eligible for this exception.

1.	Exception amount. Enter here and on PART II, Section A, line 5	00
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INSTRUCTIONS FOR RELATED PARTY COSTS

KRS 141.205(1)(l) states that “**related party costs**” means intangible expense, intangible interest expense, management fees and any costs or expenses associated with other related party transactions.

KRS 141.205(1)(h) states that “**recipient**” means a related member or foreign corporation to whom the item of income that corresponds to the intangible interest expense, the intangible expense, or the management fees, is paid.

KRS 141.205(1)(b) states that “**intangible expenses**” includes the following only to the extent that the amounts are allowed as deductions or costs in determining taxable net income before the application of any net operating loss deduction provided under Chapter 1 of the Internal Revenue Code: (i) Expenses, losses, and costs for, related to, or in connection directly or indirectly with the direct or indirect acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property; (ii) Losses, related to, or incurred in connection directly or indirectly with, factoring transactions or discounting transactions; (iii) Royalty, patent, technical, and copyright fees; (iv) Licensing fees; and (v) Other similar expenses and costs.

KRS 141.205(1)(c) states that “**intangible interest expense**” means only those amounts which are directly or indirectly allowed as deduction under Section 163 of the Internal Revenue Code for purposes of determining taxable income under that code, to the extent that the amounts are directly or indirectly for, related to, or connected to the direct or indirect acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property.

KRS 141.205(1)(d) states that “**management fees**” includes but is not limited to expenses and costs paid for services pertaining to accounts receivable and payable, employee benefit plans, insurance, legal, payroll, data processing, purchasing, tax, financial and securities, accounting, reporting and compliance services or similar services, only to the extent that the amounts are allowed as a deduction or cost in determining taxable net income before the application of net operating loss deduction for the taxable year provided under Chapter 1 of the Internal Revenue Code.

PART I—REQUIRED ADD BACK

Section A—Intangible Expenses

Line 1—Enter the total of all intangible expenses paid to a related member. Do not include any interest expense or costs related to intangible interest expense.

Section B—Intangible Interest Expenses

Line 1—Enter the total of all intangible interest expenses paid to a related member.

Section C—Management Fees

Line 1—Enter the total of all management fees paid to a related member.

Section D—Total Required Add Back

Line 1—Enter the total of Section A, Line 1, Section B, Line 1 and Section C, Line 1.

PART II—EXCEPTIONS TO ADD BACK

Section A—Exceptions to Expenses

Line 1—Enter the amount from Part III, Section A, Line 6.

Line 2—Enter the amount from Part III, Section B, Line 5.

Line 3—Enter the amount from Part III, Section C, Line 5.

Line 4—Enter the amount from Part III, Section D, Line 1.

Line 5—Enter the amount from Part III, Section E, Line 1.

Line 6—Enter the total of Lines 1 through 5.

Section B—Total Related Party Cost Add Back After Exceptions

Line 1—Enter the amount from Part I, Section D, Line 1 less the amount on Part II, Section A, Line 6. Also, enter the amount on Form 720, Part III, Line 6; Form 720S, Part III, Line 4; Form 765, Part I, Line 4; or Form 765-GP, Part I, Line 4.

PART III—DETAIL OF EXCEPTIONS TO ADD BACK

Section A—Exception for intangible expenses, intangible interest expenses or management fees paid to related members that are included in the same consolidated Kentucky corporation income tax return for this taxable year.

Lines 1 to 5—For each related member include the name, Federal Identification Number, Kentucky Corporation/LLET Account Number and the amount deducted by the taxpayer. If there are more than five related members, attach a statement with the information for each member and enter the total on Line 1.

Line 6—Enter the total of Lines 1 through 5. Also enter the total on Part II, Section A, Line 1.

Section B—Exception for intangible expenses, intangible interest expenses or management fees paid to related members who are subject to tax in their state of domicile.

Questions A to C—Answer the questions A through C. If the answers are all Yes, complete Lines 1 through 5 and attach a copy of the pertinent parts of the contract or other documentation that support this exception.

Lines 1 to 4—For each related member include the name, Federal Identification Number, state of commercial domicile,

name of tax and the amount deducted by the taxpayer. If there are more than four related members, attach a statement with the information for each member and enter the total on Line 1.

Line 5—Enter the total of Lines 1 through 4. Also enter the total on Part II, Section A, Line 2.

Section C—Exception for intangible expenses, intangible interest expenses or management fees paid to related members located in a country or countries with which the United States has a comprehensive income tax treaty(ies).

Questions A to C—Answer the questions A through C. If the answers are all Yes, complete Lines 1 through 5 and attach a copy of the pertinent parts of the contract or other documentation that support this exception.

Lines 1 to 4—For each related member include the name, name of foreign nation, description of treaty and the amount deducted by the taxpayer. If there are more than four related members, attach a statement with the information for each member and enter the total on Line 1.

Line 5—Enter the total of Lines 1 through 4. Also enter the total on Part II, Section A, Line 3.

Section D—Exception for intangible expenses, intangible interest expenses or management fees where the recipient regularly engages in transactions with one (1) or more unrelated parties on terms identical to that of the subject transaction.

Question A—If the answer is Yes, attach a schedule or spreadsheet that identifies the unrelated party and the amount paid to the recipient. Include the rate charged by the recipient to the unrelated party for the intangible expense, intangible interest or management fee. Complete Line 1 and include copies of the written agreements between the taxpayer and the recipient, as well as, the recipient and the unrelated party.

Line 1—Enter the total amount deducted by the taxpayer for intangible expenses, intangible interest expenses or management fees paid to related parties that are based on terms identical to that of unrelated parties. Also enter the total on Part II, Section A, Line 4.

Section E—Exception for intangible expenses, intangible interest expenses or management fees where the taxpayer and department have agreed in writing to the application or use of an alternative method of apportionment under KRS 141.120(9).

Question A—Answer question A. If the answer is Yes, complete Line 1 and attach a copy of the written agreement between the taxpayer and the department.

Line 1—Enter the total amount deducted by the taxpayer for intangible expenses, intangible interest expenses or management fees where the taxpayer and department have agreed in writing to the application or use of an alternative method of apportionment under KRS 141.120(9). Also enter the total on Part II, Section A, Line 5.

SCHEDULE RR-E

41A720RR-E (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2016

APPLICATION AND CREDIT CERTIFICATE OF INCOME TAX/LLET CREDIT
RAILROAD EXPANSION

See instructions.

Attach to Form 720, 720S, 765 or 765-GP.

KRS 141.386 and 141.387

Name of Entity, Mailing Address, Location Address, Federal Identification Number, Kentucky Corporation/LLET Account Number, Entity: Corporation, Railway Company taxed under KRS 136.120

Part I - Qualifications

Table with 2 columns: Question, Yes, No. Questions about qualified expenditures and tax credits.

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 rows: 1. Enter the qualified expenditures paid or incurred... 2. Enter 25% of line 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, 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) ... x \$1,000,000 =

Approved Credit

By: Date:

TAXPAYER USE ONLY

Part IV - Railroad Expansion Credit Used By Taxpayer

Table with 2 rows: 1. LLET Credit... 2. Corporation Income Tax 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.

A pass-through entity shall include on each Schedule K-1 the partner’s or member’s pro rata share of the approved credit.

SCHEDULE RR-I

41A720RR-I (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

Mo. / Yr.

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

Form with fields for Name of Entity, Mailing Address, Location Address, Federal Identification Number, Kentucky Corporation/LLET Account Number, and Taxed as options (Corporation, Limited Liability Pass-through Entity, General Partnership, Individual, Other).

Part I - Qualifications

Table with 3 columns: Question, Yes, No. Contains 3 qualification questions regarding expenditures and tax credits.

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 7 rows for computation of credit, including fields for amount of expenditures, 50% of line 1, miles of track, and final credit amount.

Part III - Railroad Maintenance and Improvement Credit Used By Taxpayer

Table with 3 rows for reporting credit used by taxpayer: LLET Credit, Corporation Income Tax Credit, and Individual Income Tax Credit.

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.

A pass-through entity shall include on each Schedule K-1 the partner's, member's or shareholder's pro rata share of the approved credit.

Attach Schedule RR-I to the tax return claiming the credit.

SCHEDULE TCS

41A720TCS (10-16)



Taxable Year Ending

Mo. / Yr.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

TAX CREDIT SUMMARY SCHEDULE

- See instructions.
Attach this schedule to Form 720, 720S, 725 or 765.

Table with 3 columns: 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)

Table with 6 columns: A (Type of Project), B (Location of Project), C (Project Number), D (Allowable Credit from Each Schedule), E (LLET Credit Claimed), F (Corporation Credit Claimed)

PART II - Other Tax Credits

Table with 23 rows listing various tax credits (1-23) and their corresponding amounts in columns 1, 2, and 3.

PART III - Total Tax Credits

Table with 2 rows summarizing total LLET credits claimed and total corporation tax credits claimed.

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, Schedule IEIA-SP or Schedule FON-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 Tax Credit Program (KSBTC), 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 Tax Credit Program (KSBTC) 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 Tax Credit Program (KSBTC) 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 or 720S, Part I, Line 5; or Form 725 or 765, Part II, Line 5. Enter the corporation credits (Column F) claimed on Form 720, Part II, Line 7.

SCHEDULE VERB

41A720VERB (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

271

___ / ___
Mo. Yr.

**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 Taxable 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 ten (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.

A pass-through entity shall include on each Schedule K-1 the partner’s, member’s or shareholder’s pro rata share of the approved credit.

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 2016

See instructions.

Taxable period beginning _____, 201 __, and ending _____, 201 __.

Form sections B, C, D, E, F containing LLET Receipts Method, Nonfiling Status Code, Federal Identification Number, Taxable Year Ending, and various checkboxes for return types.

Table with two main columns: PART I - LLET COMPUTATION and PART II - INCOME TAX COMPUTATION. Rows 1-21 detailing various tax credits, payments, and liabilities.

TAX PAYMENT SUMMARY (Round to nearest dollar) and OFFICIAL USE ONLY section. Includes subtotals for LLET and INCOME, and a vertical column for PW204 VAL #.



PART III— ORDINARY INCOME (LOSS) COMPUTATION

1. Federal ordinary income (loss) (see instructions)	1	00
ADDITIONS		
2. State taxes based on net/gross income	2	00
3. Federal depreciation (do not include Section 179 expense deduction).....	3	00
4. Related party expenses (attach Schedule RPC).....	4	00
5. Other (attach Schedule O-PTE).....	5	00
6. Total (add lines 1 through 5)	6	00
SUBTRACTIONS		
7. Federal work opportunity credit.....	7	00
8. Kentucky depreciation (do not include Section 179 expense deduction).....	8	00
9. Other (attach Schedule O-PTE).....	9	00
10. Kentucky ordinary income (loss) (line 6 less lines 7 through 9)	10	00

PART IV— EXPLANATION OF FINAL RETURN AND/OR SHORT-PERIOD RETURN

- Ceased operations in Kentucky
- Change of ownership
- Successor to previous business
- Change in filing status
- Merger
- Other _____

PART V— EXPLANATION OF AMENDED RETURN CHANGES

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.



Signature of principal officer or chief accounting officer _____

Date _____

Printed name of principal officer or chief accounting officer _____

Name of person or firm preparing return _____

SSN, PTIN or FEIN _____

Federal Form 1120S, all pages and any supporting schedules must be attached.

May the DOR discuss this return with the preparer?

Yes No

Email Address: _____

Telephone No.: _____

**Make check payable to:
Kentucky State Treasurer**

Mail to:

REFUNDS OR NO TAX DUE

Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905



PAYMENTS

Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910



SCHEDULE Q— KENTUCKY S CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4–12 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.

Nonresident Income Tax Withholding _____
 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. Are disregarded entities included in this return?
 Yes No. If yes, list name, address and federal I.D. number of each entity.

6(a) Was the S corporation a partner or member in a pass-through entity doing business in Kentucky? Yes No. If yes, list name and federal I.D. number of each pass-through entity.

6(b) Was the S corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? Yes No

7. Are related party costs as defined in KRS 141.205(1)(l) included in this return ? Yes No. If yes, attach Schedule RPC, Related Party Costs Disclosure Statement, and enter any related party cost additions on Part I, Line 4.

8. Is the entity filing this Kentucky tax return organized as a limited cooperative association as provided by KRS Chapter 272A? Yes No

9. Is the entity filing this Kentucky tax return organized as a statutory trust or a series statutory trust as provided by KRS Chapter 386A? Yes No

If yes, is the entity filing this Kentucky tax return a series within a statutory trust? Yes No

If yes, enter the name, address and federal I.D. number of the statutory trust registered with the Kentucky Secretary of State:

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

11. Did the S corporation file a Kentucky tangible personal property tax return for January 1, 2017? Yes No

If yes, list the name and federal I.D. number of entity(ies) filing return(s): _____

12. 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 corporation’s taxable income which have not been reported to the department, check here and file an amended Form 720S for each year adjusted. **Attach a copy of the final determination to each amended return.**



SCHEDULE K—SHAREHOLDERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	Pro Rata Share Items	Total Amount	
Income (Loss) and Deductions			
1. Kentucky ordinary income (loss) from trade or business activities (page 2, Part III, 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 Form 4797 and Kentucky Form 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
(b) (2) Investment expenses included on line 9 above	(b)(2)		00
Tax Credits			
12. Kentucky Small Business 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	Pro Rata Share Items	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
27. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	27	00
28. Endow Kentucky Tax Credit (attach Schedule ENDOW).....	28	00
29. New Markets Development Program Tax Credit (attach Form 8874(K)-A).....	29	00
30. Food Donation Tax Credit (attach Schedule FD)	30	00
31. Distilled Spirits Tax Credit (attach Schedule DS).....	31	00

Other Items

32. (a) Type of Section 59(e)(2) expenditures ► _____	32(a)	
(b) Amount of Section 59(e)(2) expenditures.....	(b)	00
33. Tax-exempt interest income	33	00
34. Other tax-exempt income	34	00
35. Nondeductible expenses	35	00
36. Total property distributions (including cash) other than dividends reported on line 38 below	36	00
37. Other items and amounts required to be reported separately to shareholders (attach schedule).....	37	00
38. Total dividend distributions paid from accumulated earnings and profits	38	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 I, the total of lines 4 and 6, less \$175	9	00

INSTRUCTIONS



2016 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 4 to determine what tax form your business needs to file.

KENTUCKY TAX LAW CHANGES

Enacted by the 2016 Regular Session of the General Assembly

Internal Revenue Code Update—House Bill 80 updates the Internal Revenue Code (IRC) reference date from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. The Code update applies to taxable years beginning on or after April 27, 2016. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. Any taxable differences related to the IRC update should be entered on the other additions and/or other subtractions line(s) of the applicable tax return or schedule. The IRC updates will apply to the calendar year-end taxpayers beginning January 1, 2017.

Enacted by the 2014 Regular Session of the General Assembly

Endow Kentucky Tax Credit—For fiscal years beginning on or after July 1, 2016, House Bill 208 amends KRS 141.438 to increase the total amount of tax credit that may be awarded from \$500,000 to \$1 million for each fiscal year.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2017 tax interest rate has been set at three percent (3%). The rate charged by the Kentucky Department of Revenue on unpaid taxes shall be five percent (5%) and when interest is due on a refund, the rate shall be one percent (1%).

HOW TO OBTAIN ADDITIONAL FORMS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (see page 21). They may also be obtained by writing FORMS, Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or by calling (502) 564-3658. Forms can be downloaded from www.revenue.ky.gov.

KENTUCKY FORM CHANGES

Form 5695-K—Not applicable for tax year 2016 due to expiration of the Energy Efficiency Products Tax Credit. Any unused credit from tax year 2015 may be carried forward and reflected on Schedule TCS line 16.

Form 8908-K—Not applicable for tax year 2016 due to expiration of the Energy Star Home or Energy Star Manufactured Home Tax Credit.

Note: Expiration of the energy credits changed line references on several forms including Form 720S, 765, 765-GP and related schedule K's and K-1's.

Forms 720S, 765, 725 and 740NP-WH—Additional lines were added to page 1 to accommodate for money paid or overpaid on the original return. These lines are applicable when filing an amended return.

Schedule TCS—Line 16 changed to allow for reporting of any unused Energy Efficiency Products Tax Credit carried forward from tax year 2015.

Note: The credit formally referred to as the "Kentucky Small Business Investment Credit" is now referred to as "Kentucky Small Business Tax Credit" in order to conform with statute. There has been no change in the credit.

Schedule FD—Qualification questions were added in Part I to clarify who is entitled to claim the credit. A carryforward worksheet was added in order to track any unused credit to be carried forward.

Schedule O-720—Lines 12 and 18 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Schedule O-PTE—Lines 5 and 9 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Electronic Filing FAQs and Helpful Tips

- If your return is rejected for an invalid Kentucky Corporation/LLET Account Number or Federal Employer Identification Number (FEIN), please contact our **Registration Section at 502-564-3306**.
- Direct debit is an option for electronically filed forms; however, direct deposit is not.
- If your e-filed return has been **REJECTED, DO NOT** submit a 720-V voucher at that time. You will get a **NEW** 720-V voucher once you have successfully submitted an accepted Kentucky return. (Note: The Submission ID number will change each time your return is sent to the Kentucky Department of Revenue.)
- To determine which forms are supported by your software, please check with the company that develops your software.
- To find the Kentucky Department of Revenue's listing of approved software vendors and developers, please visit our electronic filing webpage at <http://revenue.ky.gov/Software-Developer/Pages/Substitute-Forms-Design.aspx>.
- **New for tax year 2016:** Ability to file Forms 725 and 720 Kentucky Mandatory Nexus consolidated returns and their supporting schedules.

Filing Tips and Checkpoints

The following list of filing tips is provided for your convenience to help ensure that returns are processed accurately and promptly. To avoid processing problems, please note the following:

- **Schedule COGS**—If the company is computing its LLET based on gross profits, the Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to Form 720S. Failure to include this schedule may result in a tax adjustment and assessment.
- **Nexus**—Once an account is established, a return is required to be filed for Kentucky corporations and foreign corporations that have Kentucky nexus.
- **Account Closure**—When ceasing operations and closing an account, there are different requirements for Secretary of State and the Department of Revenue.
- **Account Number**—Always ensure the correct Kentucky Corporation/LLET account number is used on the return being filed.
- **Payments**—Place payments on the front of the return so they are clearly visible when the return is processed.
- **Payments**—Do not leave check stubs attached to checks when sending in a payment. Check stubs delay the machines that sort incoming mail, which causes longer processing times.
- **Schedule LLET**—Note that Schedule LLET does not constitute a valid extension of time in which to file the required tax return. This schedule is always used as an attachment to a tax return and should never be submitted in lieu of a return.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty and interest. When making EFT payments online, input the Taxable Year Ending, NOT the due date of the payment.
- **Form 720-V**—Form 720-V is a payment voucher, NOT an extension form. To extend a filing date, use Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for filing purposes only; late payment penalties and interest apply to payments made after the original due date.
- **Corrected K-1's**—Adjustments to LLET or distributive share require that corrected Kentucky K-1's are sent to all partners, members or shareholders for proper compliance by taxpayers.
- **Schedule A**—Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the corporation has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- **Additional errors that delay processing returns or create adjustments include:**
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - More than one box checked for receipts method
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 41A720-SL when paying with an extension

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 (nexus consolidated group as provided by KRS 141.200(11))	720	Yes	Yes
3. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720	Yes	Yes
4. S corporation	720S	Yes*	Yes
5. Single member limited liability company whose single member is an individual	725	No	Yes
6. Limited liability company (two or more members)	765	No	Yes
7. Limited partnership	765	No	Yes
8. Limited liability partnership	765	No	Yes
9. General partnership	765-GP	No	No
10. 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 Internal Revenue Code in effect on December 31, 2001. For calendar year 2016 returns and fiscal year returns that begin in 2016, any corporation that for federal purposes elects in the current taxable year or has elected in past taxable years any of the following will have a different depreciation and Section 179 expense deduction for Kentucky:

- MACRS bonus depreciation; or
- Section 179 expense deduction in excess of \$25,000.

If a corporation has taken MACRS bonus depreciation or Section 179 expense deduction in excess of \$25,000 for any year, federal and Kentucky differences will exist, and the differences will continue through the life of the assets.

Important: If a corporation has not taken MACRS bonus depreciation or the Section 179 expense deduction in excess of \$25,000 for any 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 substantiate that no adjustment is 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 III, 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 III, Line 8. The Section 179 deduction from the Kentucky 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 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. 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 7 on Form 720S, Schedule K, Section I, Line 4(d) or 6. Enter the amount from Kentucky Schedule D, Line 15 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 listing 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 10 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) exclude 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 34 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 tax years beginning on or before April 26, 2016 the IRC reference date is December 31, 2013 for purposes of computing corporation income tax, except for depreciation differences contained in KRS 141.0101. For tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. Attach a schedule to the tax return showing the detail of the addition, including the related IRC section(s).

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.

Register your business online at <http://onestop.ky.gov> using the One Stop Business Services link.

1. Go to onestop.ky.gov.
2. Click on the link for One Stop Business Services. The One Stop Business Services login page provides information on creating a user account as well as portal security. You will also find overview information for the services the portal currently provides. This information is updated to reflect new services and when additional agencies join the portal.
3. If you do not already have a One Stop user account, click on the link labeled Click here to create a user account. Once a user account has been created, an e-mail will be sent to you with further instructions to activate the account and login.
4. Once logged in, click on Business Registration to register a new business.

The paper application is available by calling the Department of Revenue, Division of Registration and Data Integrity at (502) 564-3306, or can be downloaded at www.revenue.ky.gov (click on Business, go to the Business home page for Business Tax Registration). The application may be faxed to (502) 227-0772 or e-mailed to DOR.WEBResponseRegistration@ky.gov

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.)

Nonresident Withholding and Composite Return (Form 740NP-WH)

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 or file a composite return on the distributive share, whether distributed or undistributed, of each nonresident individual (**includes an estate or trust**) 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 and composite filing shall be at the maximum rate as provided in KRS 141.020 or KRS 141.040.

Withholding shall not be required if: (a) the partner, member or shareholder is exempt from withholding as provided by KRS

141.206(7)(a); (b) the partner or member is exempt from Kentucky income tax as provided by KRS 141.040(1); (c) the pass-through entity is a qualified investment partnership as provided by KRS 141.206(15), and the partner, member or shareholder is an individual; or (d) the partner or member is a pass-through entity.

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold or file a composite return on 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 Voucher).

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 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 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 of any 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. Form 740NP-WH and Form PTE-WH are available at www.revenue.ky.gov.

Note: Composite returns apply to nonresidents only.

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. Cost of Goods Sold (Schedule COGS)
8. Application for Filing Extension (Form 41A720SL)
9. Tax Credit Summary Schedule (Schedule TCS)
10. Underpayment and Late Payment of Estimated Income Tax and LLET (Form 2220-K)
11. Related Party Costs Disclosure Statement (Schedule RPC)
12. 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)—The Department of Revenue is accepting electronically filed Corporation Income Tax/Limited Liability Entity Tax estimated tax voucher payments and extension payments for corporation income tax and limited liability entity 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, may result in the payment being credited to another taxpayer’s account.** When making EFT payments online, input the Taxable Year Ending, NOT the due date of the payment.

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. The direct link is <http://revenue.ky.gov/collections/Pages/Efile-Payments-Options.aspx>.

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. Check the applicable box on page 1, Section E, and 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 return to:

Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910. Make the check(s) payable to the **Kentucky State Treasurer.**

Mail returns with no tax due or refund requests to: Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905.

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—A six-month 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).** If the S corporation is required to make estimated tax payments and needs Form 720-ES vouchers, contact the Department of Revenue at (502) 564-3658.

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 the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of 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 of 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 of 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 the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of 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 combined tax liability due under KRS 141.040 and KRS 141.0401 as computed by the taxpayer on the return filed for the taxable year will result in an underpayment penalty of 10% of the underpayment. The underpayment penalty will not apply if the estimated tax payments are equal to or greater than the combined tax liability due under KRS 141.040 and KRS 141.0401 for the previous taxable year, and the combined tax liability due under KRS 141.040 and KRS 141.0401 for the previous taxable 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, Section E. 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). See page 1 for the current year rate.

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

- (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)(b)**
- (b) 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before October 1, 2011. **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)(b)**

FORM 720S—SPECIFIC INSTRUCTIONS

Period Covered

File the 2016 return for calendar year 2016 and fiscal years that begin in 2016. 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:

$$\frac{12}{\text{Mo.}} / \frac{16}{\text{Yr.}}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2017, would be entered as:

$$\frac{01}{\text{Mo.}} / \frac{17}{\text{Yr.}}$$

- 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 2017, would be entered as:

$$\frac{12}{\text{Mo.}} / \frac{16}{\text{Yr.}}$$

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.

Using an incorrect account number, such as an account number for withholding or sales and use tax, may result in the payment and/or return being credited to another taxpayer's account.

If the Kentucky Corporation/LLET Account Number is not known, contact Registration at (502) 564-3306.

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. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

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(15).

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. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

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.

Change of Name/Address—Check the applicable box(es) if the corporation's name and/or address has changed since the filing of the prior year Kentucky tax return. For a change of name, attach

a statement to the tax return providing the corporation's name reflected on the prior year Kentucky tax return.

Telephone Number—Enter the business telephone number of the principal officer or chief accounting officer signing this return.

Kentucky Secretary of State Organization Number—Enter the corporation's Organization Number with the Kentucky Secretary of State. To find the corporation's organization number, go to www.sos.ky.gov and click on Search Businesses under Online Business Services. This is NOT the same number as the Kentucky Corporation/LLET Account Number in Section A of Form 720S.

Note: This may not be applicable for foreign entities. If the foreign entity is not currently registered with the Secretary of State, leave this box blank.

State and Date of Incorporation—Enter the state and date of incorporation of the S corporation filing this return.

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) *Qualified Investment Pass-through Entity*—The S corporation is a qualified investment pass-through entity as provided by KRS 141.206(15)(a).
- (b) *Initial Return*—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.
- (c) *LLC*—The S corporation is organized as a limited liability company (LLC).
- (d) *Final Return*—This is the S corporation's final Kentucky tax return. Check the appropriate box in Part IV—Explanation of Final Return and/or Short-Period Return.
- (e) *Short-period Return*—This return is for a period of less than one year and not an initial return or a final return. Check the appropriate box in Part IV—Explanation of Final Return and/or Short-Period Return.
- (f) *Amended Return*—This is an amended tax return. Provide an explanation of all changes in Part V—Explanation of Amended Return Changes.
- (g) *Change of Accounting Period*—The S corporation has changed its accounting period since it filed its prior year Kentucky tax return. Attach a statement to the tax return showing the S corporation's taxable year end before the change and its new taxable year end. If the S corporation received written approval from the Internal Revenue Service to change its taxable year, attach a copy of the letter.

Item F—Enter the number of shareholders on the first line, and enter the number of Qualified Subchapter S Subsidiaries (QSSSs) included on this return on the second line.

PART I – 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), Incentives for Energy Independence Act (IEIA) or Farming Operation Networking Project (FON).

Line 2—Enter the sum of all recapture amounts from Schedule RC-R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS-R, Line 10. **Attach Schedule RC-R, Form 8874(K)-B and/or Schedule DS-R.**

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 tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E, Line 1 (**attach Schedule TCS**).

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, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to 2016 LLET from Form 720S, Part I, Line 18 of the 2015 return.

Line 12—Enter the 2016 income tax overpayment from Part II, Line 13 credited to the 2016 LLET. If filing an amended return, enter the amount from the original return.

Line 13—Enter the LLET paid on the original return. **This line is used only when filing an amended return.**

Line 14—Enter the LLET overpayment on the original return. **This line is used only when filing an amended return.**

Line 15—If the total of Lines 6 and 14 is greater than the total of Lines 7 through 13, enter the difference on this line and enter the amount on Line 1 of the LLET Payment Summary.

Line 16—If the total of Lines 6 and 14 is less than the total of Lines 7 through 13, enter the difference on this line.

Line 17—Enter the portion of Line 16 to be credited to the 2016 income tax. Enter the amount on this line and on Part II, Line 8.

Line 18—Enter the portion of Line 16 to be credited to 2016 LLET interest due.

Line 19—Enter the portion of Line 16 to be credited to the 2016 LLET penalty due.

Line 20—Enter the portion of Line 16 to be credited to 2017 LLET.

Line 21—Enter the portion of Line 16 to be refunded (Line 16 less Lines 17 through 20).

PART II – INCOME TAX COMPUTATION

Line 1—Enter tax from the Excess Net Passive Income Tax Worksheet, Line 13. (See instructions and worksheet on page 16.)

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 16 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 16.)

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, Extension of Time to File Kentucky Corporation/LLET Return.

Line 7—Enter the amount credited to the 2016 income tax from Form 720S, Part II, Line 14 of the 2015 return.

Line 8—Enter the 2016 LLET overpayment credited to the 2016 income tax from Part I, Line 17. If filing an amended return, enter the amount from the original return.

Line 9—Enter the income tax paid on the original return. **This line is used only when filing an amended return.**

Line 10—Enter the income tax overpayment on the original return. **This line is used only when filing an amended return.**

Line 11—If the total of Lines 4 and 10 is greater than the total of Lines 5 through 9, enter the difference on this line and enter the amount on Line 1 of the Income Tax Payment Summary.

Line 12—If the total of Lines 4 and 10 is less than the total of Lines 5 through 9, enter the difference on this line.

Line 13—Enter the portion of Line 12 to be credited to the 2016 LLET. Enter the amount on this line and on Part I, Line 12.

Line 14—Enter the portion of Line 12 to be credited to 2016 corporation income tax interest due.

Line 15—Enter the portion of Line 12 to be credited to the 2016 corporation income tax penalty due.

Line 16—Enter the portion of Line 12 to be credited to 2017 corporation income tax.

Line 17—Enter the portion of Line 12 to be refunded (Line 12 less Lines 13 through 16).

PART III—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 through 5 itemize 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— See instructions on page 5 regarding depreciation and Section 179 deduction differences, and if applicable, include the total of depreciation amounts from Line 14 of Form 1120S, Form 1125-A and elsewhere on the return (do not include the Section 179 deduction). **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached.**

Line 4—Enter related party cost additions from Schedule RPC, Part II, Section B, Line 1.

Line 5—Enter the amount from Schedule O-PTE, Part I, Line 7.

Line 6—Enter the total of Lines 1 through 5.

Subtractions from Federal Ordinary Income—Lines 7 through 9 itemize 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 5 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 11.

Line 10—Subtract Lines 7, 8 and 9 from Line 6.

SCHEDULE K (FORM 720S)

General Instructions—Complete all applicable lines by 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), Incentives for Energy Independence Act (IEIA) or Farming Operation Networking Project (FON).

NOTE: Banks and savings and loan associations see special instructions under Tax Treatment of S Corporation and Shareholder(s) on page 6 of these instructions.

Section I—Income (Loss) and Deductions

Line 1—Enter Kentucky ordinary income (loss) from Form 720S, Part III, 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 instructions on page 5 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 7 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 7 of the federal Schedule D (Form 1120S) that is portfolio income.

Line 4(e)—See instructions on page 5 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 15 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 15 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 instructions on page 5 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 instructions on page 5 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 Tax Credit Program (KSBTC) 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 Railroad Maintenance and Improvement Tax Credit as provided by KRS 141.385 and attach Schedule RR-I (Form 41A720 RR-I).

Line 28—Enter the ENDOW Kentucky Tax Credit as provided by KRS 141.438 and attach Kentucky Schedule ENDOW (Form 41A720-S86).

Line 29—Enter the New Markets Development Program Tax Credit as provided by KRS 141.434 and attach Kentucky Form 8874(K)-A (Form 41A720-S81).

Line 30—Enter Food Donation Tax Credit as provided by KRS 141.392 and attach Kentucky Schedule FD (Form 41A720FD).

Line 31—Enter the Distilled Spirits Tax Credit as provided by KRS 141.389 and attach Schedule DS (Form 41A720DS).

Line 32(a)—Enter the information provided on federal Schedule K, Form 1120S, Line 12c(1).

Line 32(b)—Enter the amount reported on federal Schedule K, Form 1120S, Line 12c(2).

Line 33—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 34—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 35—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 36—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 37—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 32 through 36 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 38—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.

LLET Credit

Line 9—Enter the limited liability entity tax (LLET) nonrefundable credit from page 1, Part I, 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 I, Line 15 and/or corporation income tax payment due from Part II, Line 11 on the applicable tax payment lines in addition to the respective amounts of interest and penalties. 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 Kentucky Schedules K-1, Lines 1 through 38 must equal the amounts reported on Kentucky Schedule K, Lines 1 through 38. The total share items reported on all Schedules K-1, Lines 39 through 47 must equal the amounts reported on the comparable lines of Schedule K, Section II, Lines 1 through 9. Schedule K-1, Lines 48 through 50 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 47—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 38 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 48 through 50—The amounts 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 III 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 III 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 III 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 II, 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. Enter 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 II, 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 II, 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.....
8. Enter 6% of line 7 on this line and on Form 720S, Part II, 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 Tax Credit Program (KSBTC – 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); (ix) Incentives for Energy Independence Act (IEIA – KRS 154.27) or (x) Farming Operation Networking Project (FON – KRS 141.412).

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, Schedule IEIA-SP or Schedule FON-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, 2017. 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 KSBTC 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 KSBTC 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 KSBTC 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 171.3961 and 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 164.0062**

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—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**

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. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—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 \$10 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. **KRS 141.432 to 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2014, but before January 1, 2018, a qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, in an amount equal to ten percent (10%) of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. **KRS 141.392**

Distilled Spirits Tax Credit—For taxable years beginning on or after January 1, 2015, a nonrefundable and nontransferable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, for taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to: 40 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2016; 60 percent of the property tax assessed

and timely paid for taxable years beginning on or after January 1, 2017; 80 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2018; and 100 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2019.

The amount of the credit is contingent on the costs associated with the following capital improvements at the premises of the distiller: construction, replacement, or remodeling of warehouses or facilities; purchases of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses; acquisition, construction, or installation of equipment for the use in the manufacture, bottling, or shipment of distilled spirits; addition or replacement of access roads or parking facilities; and construction, replacement, or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center. **KRS 141.389**

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, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
P. O. Box 518
Frankfort, KY 40602-0518
(502) 564-3658



Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov

Information:

Pass-through Entity Branch
Department of Revenue
501 High Street, Station 69
Frankfort, KY 40601-2103
(502) 564-8139



Mailing/Payment:

Mail the return to:



Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910. Make the check(s) payable to the **Kentucky State Treasurer**.

Mail returns with no tax due or refund requests to: Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905.

KENTUCKY TAXPAYER SERVICE CENTERS

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities.

Ashland, 1539 Greenup Avenue, 41101-7695
(606) 920-2037

Bowling Green, 201 West Professional Park Court, 42104-3278
(270) 746-7470

Corbin, 15100 North US 25E, Suite 2, 40701-6188
(606) 528-3322

Frankfort, 501 High Street, 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)

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

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(Form 720S) KENTUCKY SCHEDULE K-1

41A720S(K-1) Commonwealth of Kentucky DEPARTMENT OF REVENUE



2016

SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

See instructions.

Taxable period beginning _____, 201____, and ending _____, 201____.

Table with 3 columns: Shareholder's identifying number, S corporation's FEIN, Kentucky Corporation/LLET Account Number

Table with 2 columns: Shareholder's name, address and ZIP code; S corporation's name, address and ZIP code

- A. Shareholder's percentage of stock ownership... B. (1) Resident shareholder's taxable percentage... C. What type of entity is this shareholder? D. Check the box if nonresident shareholder's income is reported on: E. Check if applicable:

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

Table with 2 columns: Pro Rata Share Items, Amount

Income (Loss)

Table with 3 columns: Description, Line Number, Amount

Deductions

Table with 3 columns: Description, Line Number, Amount

Investment Interest

Table with 3 columns: Description, Line Number, Amount

Tax Credits

Table with 3 columns: Description, Line Number, Amount



SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

Pro Rata Share Items (continued)		Amount	
Tax Credits—continued			
18.	Coal Incentive Tax Credit.....	18	00
19.	Qualified Research Facility Tax Credit.....	19	00
20.	GED Incentive Tax Credit.....	20	00
21.	Voluntary Environmental Remediation Tax Credit.....	21	00
22.	Biodiesel Tax Credit.....	22	00
23.	Environmental Stewardship Tax Credit.....	23	00
24.	Clean Coal Incentive Tax Credit.....	24	00
25.	Ethanol Tax Credit.....	25	00
26.	Cellulosic Ethanol Tax Credit.....	26	00
27.	Railroad Maintenance and Improvement Tax Credit.....	27	00
28.	Endow Kentucky Tax Credit.....	28	00
29.	New Markets Development Program Tax Credit.....	29	00
30.	Food Donation Tax Credit.....	30	00
31.	Distilled Spirits Tax Credit.....	31	00
Other Items			
32.	(a) Type of Section 59(e)(2) expenditures ➤.....	32(a)	
	(b) Amount of Section 59(e)(2) expenditures.....	(b)	00
33.	Tax-exempt interest income.....	33	00
34.	Other tax-exempt income.....	34	00
35.	Nondeductible expenses.....	35	00
36.	Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV....	36	00
37.	Supplemental information required to be reported to each shareholder (attach schedule(s)).....	37	
38.	Total dividend distributions paid from accumulated earnings and profits.....	38	00
LLET Pass-through Items			
39.	Shareholder's share of S corporation's Kentucky sales from Schedule K, Section II, line 1.....	39	00
40.	Shareholder's share of S corporation's total sales from Schedule K, Section II, line 2.....	40	00
41.	Shareholder's share of S corporation's Kentucky property from Schedule K, Section II, line 3.....	41	00
42.	Shareholder's share of S corporation's total property from Schedule K, Section II, line 4.....	42	00
43.	Shareholder's share of S corporation's Kentucky payroll from Schedule K, Section II, line 5.....	43	00
44.	Shareholder's share of S corporation's total payroll from Schedule K, Section II, line 6.....	44	00
45.	Shareholder's share of Kentucky gross profits from Schedule K, Section II, line 7.....	45	00
46.	Shareholder's share of total gross profits from all sources from Schedule K, Section II, line 8.....	46	00
47.	Shareholder's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9.....	47	00
Resident Shareholder Adjustment			
48.	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).....	48	00
49.	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).....	49	00
50.	Enter the difference of lines 48 and 49 here and on appropriate line on Schedule M (see instructions).....	50	00

SHAREHOLDER'S INSTRUCTIONS FOR SCHEDULE K-1 (FORM 720S)

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 will provide 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 on Schedule K-1. To determine this difference, complete Lines 48 through 50.

Line 48—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 Form 740 or 740-NP, Schedule A as itemized deductions.

Line 49—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 Form 740 or 740-NP, Schedule A as itemized deductions.

NOTE: If Form 8582-K is required, adjust the amounts entered on Lines 48, 49 and 50 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 48 and 49. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 50—Enter difference of Lines 48 and 49. If Line 48 is greater than Line 49, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 3. If Line 49 is greater than Line 48, enter the difference as a subtraction on Schedule M, Line 15.

Caution: If the amount on Line 48 is a (loss) and Line 49 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 48 is a (loss) and Line 49 is an income amount, or the amount on Line 48 is an income amount and Line 49 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 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 32(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 32(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 32 through 38—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 Entity 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 47 on Line 7 of the Kentucky Limited Liability Entity Tax Credit Worksheet.

Estates and Trusts (Form 741 Filers)—Estates or trusts report the amounts shown on Schedule K-1 on Form 741, Kentucky Fiduciary Income Tax Return, and related schedules. See federal Shareholder's Instructions for Schedule K-1 (Form 1120S).

SCHEDULE O-PTE

41A720S-O (11-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____ / ____
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 _____
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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. Enter additions to federal taxable income from Kentucky Schedule(s) K-1	4	00
5. Internal Revenue Code amendments (see instructions)	5	00
6. Other additions (attach explanation)	6	00
7. Total of lines 1 through 6 (enter on Form 720S, Part III, line 5; or Form 765 or 765-GP, Part I, line 5)	7	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. Enter subtractions from federal taxable income from Kentucky Schedule(s) K-1	8	00
9. Internal Revenue Code amendments (see instructions)	9	00
10. Other subtractions (attach explanation)	10	00
11. Total of lines 1 through 10 (enter on Form 720S, Part III, line 9; or Form 765 or 765-GP, Part I, line 9)	11	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.

Line 4—Enter the difference of the Kentucky distributive share income amounts from Kentucky Schedule(s) K-1 in excess of federal distributive share amounts from federal Schedule(s) K-1.

Line 5—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2013 for fiscal years beginning on or before April 26, 2016. On April 27, 2016, the IRC reference date was updated from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. The IRC update will apply to calendar year taxpayers beginning in 2017.

Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. Attach a schedule to the tax return showing the detail of the addition, including the related IRC section(s).

Line 6—Enter any other additions to federal income not reported on Lines 1 through 5, and attach an explanation to the tax return.

Line 7—Enter the total of Lines 1 through 6 (enter on Form 720S, Part III, Line 5; or Form 765 or 765-GP, Part I, Line 5).

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 Internal Revenue Code 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 the difference of the federal distributive share income amounts from federal Schedule(s) K-1 in excess of Kentucky distributive share amounts from Kentucky Schedule(s) K-1.

Line 9—Kentucky's Internal Revenue Code (IRC) reference date is December 31, 2013 for fiscal years beginning on or before April 26, 2016. On April 27, 2016, the IRC reference date was updated from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. The IRC update will apply to calendar year taxpayers beginning in 2017.

Enter the subtraction from federal taxable income equal to the excess of federal taxable income over Kentucky income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to applicable IRC date. Attach a schedule to the tax return showing the detail of the subtraction, including the related IRC section(s).

Line 10—Enter any other subtractions from federal income not reported on Lines 1 through 9, and attach an explanation to the tax return.

Line 11—Enter the total of Lines 1 through 10 (enter on Form 720S, Part III, Line 9; or Form 765 or 765-GP, Part I, Line 9).



**KENTUCKY SINGLE MEMBER LLC
INDIVIDUALLY OWNED INCOME
AND LLET RETURN** **2016**

➤ 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 _____ <input type="checkbox"/> Change of Name		Kentucky Secretary of State Organization Number
	Name of Owner _____		State and Date of Organization
	Number and Street _____ <input type="checkbox"/> Change of Address		Principal Business Activity in KY
	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 (Complete Part IV) <input type="checkbox"/> Amended return (Complete Part V) <input type="checkbox"/> Short-period return (Complete Part IV) <input type="checkbox"/> Change of accounting period	
E Check applicable box: <input type="checkbox"/> Composite return (attach Schedule CP) <input type="checkbox"/> Single return			NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

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. 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 (attach 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 paid on original return.....	12		00
				13. LLET overpayment on original return.....	13		00
				14. LLET due (lines 6 and 13 less lines 7 through 12).....	14		00
				15. LLET overpayment (lines 7 through 12 less lines 6 and 13).....	15		00
				16. Credited to 2016 Interest.....	16		00
				17. Credited to 2016 Penalty.....	17		00
				18. Credited to 2017 LLET.....	18		00
				19. Amount to be refunded	19		00

TAX PAYMENT SUMMARY (Round to nearest dollar)		OFFICIAL USE ONLY	
LLET		P W 2 0 4	
1. LLET due (Part II, line 14)	\$.00	V A L	
2. Interest	\$.00	#	
3. Penalty	\$.00		
4. Total Payment	\$.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

PART IV – EXPLANATION OF FINAL RETURN AND/OR SHORT-PERIOD RETURN

- | | |
|---|--|
| <input type="checkbox"/> Ceased operations in Kentucky | <input type="checkbox"/> Change in filing status |
| <input type="checkbox"/> Change of ownership | <input type="checkbox"/> Merger |
| <input type="checkbox"/> Successor to previous business | <input type="checkbox"/> Other _____ |

PART V – EXPLANATION OF AMENDED RETURN CHANGES

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 member (owner) SSN or FEIN

Printed name of member (owner)

_____ Date _____
Name of person or firm preparing return SSN, PTIN or FEIN

All supporting federal forms and schedules must be attached, including Federal Schedule(s) C, E and/or F.

May the DOR discuss this return with the preparer?
 Yes No
 Email Address: _____
 Telephone No.: _____

**Make check payable to:
Kentucky State Treasurer**

Mail to: **REFUNDS OR NO TAX DUE**



PAYMENTS

Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905

Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910



SCHEDULE Q—SINGLE MEMBER LIMITED LIABILITY COMPANY QUESTIONNAIRE

IMPORTANT: Questions 4—10 must be completed by all single member limited liability companies (LLC). If this is the single member LLC's initial return or if the single member LLC 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. 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.

Nonresident Income Tax Withholding _____
 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(a) 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).

6(b) 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. Is the entity filing this Kentucky tax return organized as a statutory trust or a series statutory trust as provided by KRS Chapter 386A? Yes No

If yes, is the entity filing this Kentucky tax return a series within a statutory trust? Yes No

If yes, enter the name, address and federal I.D. number of the statutory trust registered with the Kentucky Secretary of State: _____

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

9. Did the limited liability company file a Kentucky tangible personal property tax return for January 1, 2017?
 Yes No

If yes, list the name and federal I.D. number of entity(ies) filing return(s): _____

10. 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 LLC's taxable income which have not been reported to this department, check here and file an amended Form 725 for each year adjusted. **Attach a copy of the final determination to each amended return.**

INSTRUCTIONS



2016 KENTUCKY SINGLE MEMBER LLC INDIVIDUALLY OWNED INCOME AND 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 Income and LLET Return (Form 725).

Refer to the chart on page 4 to determine what tax form your business needs to file.

KENTUCKY TAX LAW CHANGES

Enacted by the 2016 Regular Session of the General Assembly

Internal Revenue Code Update—House Bill 80 updates the Internal Revenue Code (IRC) reference date from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. The Code update applies to taxable years beginning on or after April 27, 2016. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. Any taxable differences related to the IRC update should be entered on the other additions and/or other subtractions line(s) of the applicable tax return or schedule. The IRC updates will apply to the calendar year-end taxpayers beginning January 1, 2017.

Enacted by the 2014 Regular Session of the General Assembly

Endow Kentucky Tax Credit—For fiscal years beginning on or after July 1, 2016, House Bill 208 amends KRS 141.438 to increase the total amount of tax credit that may be awarded from \$500,000 to \$1 million for each fiscal year.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2017 tax interest rate has been set at three percent (3%). The rate charged by the Kentucky Department of Revenue on unpaid taxes shall be five percent (5%) and when interest is due on a refund, the rate shall be one percent (1%).

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, P. O. Box 518, Frankfort, KY 40602-0518, or by calling (502) 564-3658. Forms can be downloaded from www.revenue.ky.gov.

KENTUCKY FORM CHANGES

Form 5695-K—Not applicable for tax year 2016 due to expiration of the Energy Efficiency Products Tax Credit. Any unused credit from tax year 2015 may be carried forward and reflected on Schedule TCS line 16.

Form 8908-K—Not applicable for tax year 2016 due to expiration of the Energy Star Home or Energy Star Manufactured Home Tax Credit.

Note: Expiration of the energy credits changed line references on several forms including Form 720S, 765, 765-GP and related schedule K's and K-1's.

Forms 720S, 765, 725 and 740NP-WH—Additional lines were added to page 1 to accommodate for money paid or overpaid on the original return. These lines are applicable when filing an amended return.

Schedule TCS—Line 16 changed to allow for reporting of any unused Energy Efficiency Products Tax Credit carried forward from tax year 2015.

Note: The credit formally referred to as the "Kentucky Small Business Investment Credit" is now referred to as "Kentucky Small Business Tax Credit" in order to conform with statute. There has been no change in the credit.

Schedule FD—Qualification questions were added in Part I to clarify who is entitled to claim the credit. A carryforward worksheet was added in order to track any unused credit to be carried forward.

Schedule O-720—Lines 12 and 18 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Schedule O-PTE—Lines 5 and 9 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Electronic Filing FAQs and Helpful Tips

- If your return is rejected for an invalid Kentucky Corporation/LLET Account Number or Federal Employer Identification Number (FEIN), please contact our **Registration Section at 502-564-3306**.
- Direct debit is an option for electronically filed forms; however, direct deposit is not.
- If your e-filed return has been **REJECTED, DO NOT** submit a 720-V voucher at that time. You will get a **NEW** 720-V voucher once you have successfully submitted an accepted Kentucky return. (Note: The Submission ID number will change each time your return is sent to the Kentucky Department of Revenue.)
- To determine which forms are supported by your software, please check with the company that develops your software.
- To find the Kentucky Department of Revenue's listing of approved software vendors and developers, please visit our electronic filing webpage at <http://revenue.ky.gov/Software-Developers/Pages/Substitute-Forms-Design.aspx>.
- **New for tax year 2015:** Ability to file Forms 725 and 720 Kentucky Mandatory Nexus consolidated returns and their supporting schedules.

Filing Tips and Checkpoints

The following list of filing tips is provided for your convenience to help ensure that returns are processed accurately and promptly. To avoid processing problems, please note the following:

- **Schedule COGS**—If the company is computing its LLET based on gross profits, the Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to Form 725. Failure to include this schedule may result in a tax adjustment and assessment.
- **Nexus**—Once an account is established, a return is required to be filed for single member LLCs that have Kentucky nexus.
- **Account Closure**—When ceasing operations and closing an account, there are different requirements for Secretary of State and the Department of Revenue.
- **Account Number**—Always ensure the correct Kentucky Corporation/LLET account number is used on the return being filed.
- **Payments**—Place payments on the front of the return so they are clearly visible when the return is processed.
- **Payments**—Do not leave check stubs attached to checks when sending in a payment. Check stubs delay the machines that sort incoming mail, which causes longer processing times.
- **Schedule LLET**—Note that Schedule LLET does not constitute a valid extension of time in which to file the required tax return. This schedule is always used as an attachment to a tax return and should never be submitted in lieu of a return.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty and interest. When making EFT payments online, input the Taxable Year Ending, NOT the due date of the payment.
- **Form 720-V**—Form 720-V is a payment voucher, NOT an extension form. To extend a filing date, use Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for filing purposes only; late payment penalties and interest apply to payments made after the original due date.
- **Schedule A**—Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the single member LLC has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- **Additional errors that delay processing returns or create adjustments include:**
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - More than one box checked for receipts method
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 41A720-SL when paying with an extension

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 (nexus consolidated group as provided by KRS 141.200(11))	720	Yes	Yes
3. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720	Yes	Yes
4. S corporation	720S	Yes*	Yes
5. Single member limited liability company whose single member is an individual	725	No	Yes
6. Limited liability company (two or more members)	765	No	Yes
7. Limited partnership	765	No	Yes
8. Limited liability partnership	765	No	Yes
9. General partnership	765-GP	No	No
10. 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.

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 9 of these instructions.

A single member LLC whose single member is an individual shall file a Kentucky Single Member LLC Individually Owned Income and 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 11 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 tax years beginning on or before April 26, 2016 the IRC reference date is December 31, 2013 for purposes of computing corporation income tax, except for depreciation differences contained in KRS 141.0101. For tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. Attach a schedule to the tax return showing the detail of the addition, including the related IRC section(s).

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each entity 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.

Register your business online at <http://onestop.ky.gov> using the One Stop Business Services link.

1. Go to onestop.ky.gov.
2. Click on the link for One Stop Business Services. The One Stop Business Services login page provides information on

creating a user account as well as portal security. You will also find overview information for the services the portal currently provides. This information is updated to reflect new services and when additional agencies join the portal.

3. If you do not already have a One Stop user account, click on the link labeled Click here to create a user account. Once a user account has been created, an e-mail will be sent to you with further instructions to activate the account and login.
4. Once logged in, click on Business Registration to register a new business.

The paper application is available by calling the Department of Revenue, Division of Registration and Data Integrity at (502) 564-3306, or can be downloaded at www.revenue.ky.gov (click on Business, go to the Business home page for Business Tax Registration). The application may be faxed to (502) 227-0772 or e-mailed to DOR.WEBResponseRegistration@ky.gov

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 Income and 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 Income and 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 and Composite return (Form 740NP-WH)

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 or file a composite return on the distributive share, whether distributed or undistributed, of each nonresident individual (includes an estate or trust) 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 and composite filing shall be at the maximum rate as provided in KRS 141.020 or KRS 141.040.

Withholding shall not be required if: (a) the partner, member or shareholder is exempt from withholding as provided by KRS 141.206(7)(a); (b) the partner or member is exempt from Kentucky income tax as provided by KRS 141.040(1); (c) the pass-through entity is a qualified investment partnership as provided by KRS 141.206(15), and the partner, member or shareholder is an individual; or (d) the partner or member is a pass-through entity.

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold or file a composite return on 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 Voucher).

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 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 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.

Note: Composite returns apply to nonresidents only.

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 Income and 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)—The Department of Revenue is accepting electronically filed Corporation Income Tax/Limited Liability Entity Tax estimated tax voucher payments and extension payments for corporation income tax and limited liability entity tax. Before filing by EFT, the single member LLC 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, may result in the payment being credited to another taxpayer's account.** When making EFT payments online, input the taxable year ending, NOT the due date of the payment.

For more information contact the Department of Revenue at (800) 839-4137 or (502) 564-6020. The EFT registration form is available at www.revenue.ky.gov. The direct link is <http://www.revenue.ky.gov/collections/Pages/Efile-Payment-Options.aspx>.

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. Check the applicable box on page 1, Section D and 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 Income 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)**

Mailing/Payment—If including payments for other taxes in addition to LLET, **send a separate check or money order for each type of tax.**

Mail the return to:

Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910. Make the check(s) payable to the **Kentucky State Treasurer.**

Mail returns with no tax due or refund requests to: Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905.

Extensions—A six-month extension of time to file a Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725) may be obtained by either making a specific request to the Department of Revenue on Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET 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. See **Electronic Funds Transfer (EFT).** If the single member LLC is required to make estimated LLET payments and needs Form 720-ES vouchers, contact the Department of Revenue at (502) 564-3658.

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 the 15th day of the 6th month, 25% by the 15th

day of the 9th month, and 25% by the 15th day of 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 of 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 of 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 the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of 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 combined tax liability due under KRS 141.040 and KRS 141.0401 as computed by the taxpayer on the return filed for the taxable year will result in an underpayment penalty of 10% of the underpayment. The underpayment penalty will not apply if the estimated tax payments are equal to or greater than the combined tax liability due under KRS 141.040 and KRS 141.0401 for the previous taxable year, and the combined tax liability due under KRS 141.040 and KRS 141.0401 for the previous taxable 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 725 as originally filed, file an amended Form 725 and check the appropriate box on page 1, Section D.

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). See page 1 for the current year 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)(b)**
- (b) 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before October 1, 2011. **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)(b)**

FORM 725—SPECIFIC INSTRUCTIONS

Period Covered

File the 2016 return for calendar year 2016 and fiscal years that begin in 2016. 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 the Taxable Year Ending at the top right of Form 725 and supporting forms and schedules to indicate the ending month and the 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:

$$\frac{12}{\text{Mo.}} / \frac{16}{\text{Yr.}}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2017, would be entered as:

$$\frac{01}{\text{Mo.}} / \frac{17}{\text{Yr.}}$$

- 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 2017, would be entered as:

$$\frac{12}{\text{Mo.}} / \frac{16}{\text{Yr.}}$$

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.**

Using an incorrect account number, such as an account number for withholding or sales and use tax, may result in the payment and/or return being credited to another taxpayer's account.

If the Kentucky Corporation/LLET Account Number is not known, contact Registration at (502) 564-3306.

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. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

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(15).

Item C—If Schedule CP is being filed, see Specific Instructions on page 11 of these instructions on what information should be completed on Item C.

If filing a Form 725, Kentucky Single Member LLC Individually Owned Income and LLET Return, enter the following:

Federal Identification Number—Enter the federal identification number, if the single member LLC has obtained this number.

Social Security Number—Enter the single member individual’s Social Security 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.

Change of Name/Address—Check the applicable box(es) if the entity’s name and/or address has changed since the filing of the prior year Kentucky tax return. For a change of name, attach a statement to the tax return providing the entity’s name reflected on the prior year Kentucky tax return.

Telephone Number—Enter the business telephone number of the member.

Kentucky Secretary of State Organization Number—Enter the single member LLC’s Organization Number with the Kentucky Secretary of State. To find the single member LLC’s organization number, go to www.sos.ky.gov and click on Search Businesses under Online Business Services. This is NOT the same number as the Kentucky Corporation/LLET Account Number in Section A of Form 725.

Note: This may not be applicable for foreign entities. If the foreign entity is not registered with the Secretary of State, leave this box blank.

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*—The single member LLC is a qualified investment pass-through entity as provided by KRS 141.206(15).
- (b) *Initial Return*—This is the single member LLC’s first time filing a single member LLC return in Kentucky.
- (c) *Final Return*—This is the single member LLC’s final Kentucky tax return. Check the appropriate box in Part IV – Explanation of Final Return and/or Short-Period Return.
- (d) *Amended Return*—This is an amended tax return. Provide an explanation of all changes in Part V – Explanation of Amended Return Changes.
- (e) *Short-period Return*—This return is for a period of less than one year and not an initial return or final return. Check the appropriate box in Part IV – Explanation of Final Return and/or Short-Period Return.
- (f) *Change of Accounting Period*—The single member LLC has changed its accounting period since it filed its prior year Kentucky tax return. Attach a statement to the tax return showing the single member’s taxable year end before the change and its new taxable year end. If the single member received written approval from the Internal Revenue Service to change its taxable year, attach a copy of the letter.

Item E—Check applicable box to indicate whether the single member is filing a composite return or a single return.

If Schedule CP is being filed, see Specific Instructions on page 11 of these instructions on what information should be completed on Item E.

PART I—KENTUCKY NET DISTRIBUTABLE INCOME

Line 1—Enter the ordinary income (loss) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (i) Form 1040 for an individual; (ii) Form 1041 for an estate or trust; (iii) Form 1065 for a general partnership; and (iv) Schedule(s) K-1. Attach Schedule C (Form 1040), Schedule F (Form 1040), Schedule E (Form 1040), Form 1065, Schedule(s) K-1 or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

Line 2—Enter the net income (loss) from rental real estate adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (i) Form 1040 for an individual; (ii) Form 1041 for an estate or trust; (iii) Form 1065 for a general partnership; and (iv) Schedule(s) K-1. Attach Schedule E (Form 1040), Form 4835, Form 1065, Schedule(s) K-1 or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

Line 3—Enter the net income (loss) from other rental activities adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (i) Form 1040 for an individual; (ii) Form 1041 for an estate or trust; (iii) Form 1065 for a general partnership; and (iv) Schedule(s) K-1. Attach Schedule C (Form 1040), Schedule E (Form 1040), Form 1065, Schedule(s) K-1 or other applicable forms or schedules to the return. If any

form or schedule contains activity of both the single member LLC and the individual, estate, trust or general partnership, prepare a pro forma form or schedule which contains only the 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 (loss) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (i) Form 1040 for an individual; (ii) Form 1041 for an estate or trust; (iii) Form 1065 for a general partnership; and (iv) Schedule(s) K-1. Attach Schedule C (Form 1040), Schedule E (Form 1040), Form 1065, Schedule(s) K-1 or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

Line 7—Enter the short-term and long-term capital gains (losses) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (i) Form 1040 for an individual; (ii) Form 1041 for an estate or trust; (iii) Form 1065 for a general partnership; and (iv) Schedule(s) K-1. Attach Schedule D (Form 1040), Schedule D (Form 1041), Schedule D (Form 1065), Schedule(s) K-1 or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

Line 8—Enter the Section 1231 gain (loss) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (i) Form 1040 for an individual; (ii) Form 1041 for an estate or trust; (iii) Form 1065 for a general partnership; and (iv) Schedule(s) K-1. Attach Schedule 4797, Schedule(s) K-1 or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust or general partnership, prepare a pro forma form or schedule which contains only the 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), Incentives for Energy Independence Act (IEIA) or Farming Operation Networking Project (FON).

Line 2—Enter the sum of all recapture amounts from Schedule RC-R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS-R, Line 10. **Attach Schedule RC-R, Form 8874(K)-B and/or Schedule DS-R.**

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 tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E, Line 1 (**attach Schedule TCS**).

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, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to 2016 from Form 725, Part II, Line 16 of the 2015 tax return.

Line 12—Enter the LLET paid on the original return. **This line is used only when filing an amended return.**

Line 13—Enter the LLET overpayment on the original return. **This line is used only when filing an amended return.**

Line 14—If the total of Lines 6 and 13 is greater than the total of Lines 7 through 12, enter the difference on this line and on Line 1 of the LLET Payment Summary.

Line 15—If the total of Lines 6 and 13 is less than the total of Lines 7 through 12, enter the difference on this line.

Line 16—Enter the portion of Line 15 to be credited to 2016 LLET interest.

Line 17—Enter the portion of Line 15 to be credited to 2016 LLET penalty.

Line 18—Enter the portion of Line 15 to be credited to 2017 LLET.

Line 19—Enter the portion of Line 15 to be refunded (Line 15 less Lines 16 through 18).

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 14, 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

Schedule(s) CP must be attached to a Form 725 that has been signed by the owner (member). Failure to attach Schedule(s) CP to a signed Form 725 will delay processing and may result in the assessment of penalties.

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 Income and 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 the applicable boxes.

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 boxes.

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 Kentucky Corporation/LLET Account Number is not known, contact Registration at (502) 564–3306.

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. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

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(15).

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 9, 10 and 11 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 Tax Credit Program (KSBTC – 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); (ix) Incentives for Energy Independence Act (IEIA – KRS 154.27) or (x) Farming Operation Networking Project (FON – KRS 141.412).

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, Schedule IEIA-SP or Schedule FON-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, 2017. 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 KSBTC 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 KSBTC 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 KSBTC 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 171.3961 and 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 164.0062**

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—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**

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 used 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. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—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 \$10 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. **KRS 141.432 to 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2014, but before January 1, 2018, a qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, in an amount equal to ten percent (10%) of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. **KRS 141.392**

Distilled Spirits Tax Credit—For taxable years beginning on or after January 1, 2015, a nonrefundable and nontransferable

credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, for taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to: 40 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2016; 60 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2017; 80 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2018; and 100 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2019.

The amount of the credit is contingent on the costs associated with the following capital improvements at the premises of the distiller: construction, replacement, or remodeling of warehouses or facilities; purchases of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses; acquisition, construction, or installation of equipment for the use in the manufacture, bottling, or shipment of distilled spirits; addition or replacement of access roads or parking facilities; and construction, replacement, or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center. **KRS 141.389**

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, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
P. O. Box 518
Frankfort, KY 40602-0518
(502) 564-3658
Website: www.revenue.ky.gov
Email: Financerevenueformsandenvelopes@ky.gov



Information:

Pass-through Entity Branch
Department of Revenue
501 High Street, Station 69
Frankfort, KY 40601-2103
(502) 564-8139



Mailing/Payment:

Mail the return to:



Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910. Make the check(s) payable to the **Kentucky State Treasurer**.

Mail returns with no tax due or refund requests to: Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905.

KENTUCKY TAXPAYER SERVICE CENTERS

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities.

Ashland, 1539 Greenup Avenue, 41101-7695
(606) 920-2037

Bowling Green, 201 West Professional Park Court, 42104-3278
(270) 746-7470

Corbin, 15100 North US 25E, Suite 2, 40701-6188
(606) 528-3322

Frankfort, 501 High Street, 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)

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



► **Attach to Form 725.**

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 <i>Check applicable box(es):</i> LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter code _____	B <i>Check applicable box(es):</i> LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter code _____	B <i>Check applicable box(es):</i> LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input type="checkbox"/> \$175 minimum Nonfiling Status Code Enter code _____	B <i>Check applicable box(es):</i> 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
2. Net income (loss) from rental real estate activities..	2	00	2	00
3. Net income (loss) from other rental activities	3	00	3	00
4. Interest income.....	4	00	4	00
5. Dividend income	5	00	5	00
6. Royalty income	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
8. Section 1231 net gain (loss)	8	00	8	00
9. Other income (attach schedule)	9	00	9	00
10. Other deductions (attach schedule)	10	00	10	00
11. Total net distributable income (lines 1 through 9 less line 10)	11	00	11	00
12. Enter 100% or the apportionment fraction from Schedule A, Section I, line 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.	
Social Security Number	B Name _____ FEIN _____		B Name _____ FEIN _____		B Name _____ FEIN _____		B Name _____ FEIN _____	
Part II—LLET Computation								
1. Schedule LLET, Section D, line 1.....	1	00	1	00	1	00	1	00
2. 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 (attach 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 paid on original return	12	00	12	00	12	00	12	00
13. LLET overpayment on original return.....	13	00	13	00	13	00	13	00
14. LLET due (lines 6 and 13 less lines 7 through 12)	14	00	14	00	14	00	14	00
15. LLET overpayment (lines 7 through 12 less lines 6 and 13)	15	00	15	00	15	00	15	00
16. Credited to 2016 Interest.....	16	00	16	00	16	00	16	00
17. Credited to 2016 Penalty	17	00	17	00	17	00	17	00
18. Credited to 2017 LLET	18	00	18	00	18	00	18	00
19. Amount to be refunded	19	00	19	00	19	00	19	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	2	175	2	175	2	175
3. Member's LLET credit (line 1 less line 2).....	3	00	3	00	3	00	3	00
Tax Payment Summary								
1. <i>LLET due</i> (Part II, line 14)	1	\$	1	\$	1	\$	1	\$
2. <i>Interest</i>	2	\$	2	\$	2	\$	2	\$
3. <i>Penalty</i>	3	\$	3	\$	3	\$	3	\$
4. Total Payment	4	\$	4	\$	4	\$	4	\$



2016

See instructions.

KENTUCKY PARTNERSHIP INCOME AND LLET RETURN

Taxable period beginning _____, 201 __, and ending _____, 201 __.

Form sections B, D, E, and F containing identification numbers, partnership details, and filing information.

Table with two main columns: PART I - ORDINARY INCOME (LOSS) COMPUTATION and PART II - LLET COMPUTATION. Includes rows for federal ordinary income, state taxes, depreciation, and LLET liability.

TAX PAYMENT SUMMARY table with rows for LLET due, interest, penalty, and total payment.

OFFICIAL USE ONLY table with columns for PW204, VAL, and #.



PART III—EXPLANATION OF FINAL RETURN AND/OR SHORT-PERIOD RETURN

- Ceased operations in Kentucky
- Change of ownership
- Successor to previous business
- Change in filing status
- Merger
- Other _____

PART IV—EXPLANATION OF AMENDED RETURN CHANGES

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

Printed name of partner or member

Name of person or firm preparing return

SSN, PTIN or FEIN

Date

Federal Form 1065, all pages and any supporting schedules must be attached.

May the DOR discuss this return with the preparer?	
<input type="checkbox"/> Yes	<input type="checkbox"/> No
Email Address:	
Telephone No.:	

**Make check payable to:
Kentucky State Treasurer**

Mail to: **REFUNDS OR NO TAX DUE**

Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285



PAYMENTS

Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285



SCHEDULE Q—KENTUCKY PARTNERSHIP QUESTIONNAIRE

IMPORTANT: Questions 4–12 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.**

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.

Nonresident Income Tax Withholding _____

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. The partnership’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 each entity. _____

6(a) 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). _____

6(b) 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

7. Are related party costs as defined in KRS 141.205(1)(I) included in this return? Yes No. If yes, attach Schedule RPC, Related Party Costs Disclosure Statement, and enter any related party cost additions on Part I, Line 4.

8. Is the entity filing this Kentucky tax return organized as a limited cooperative association as provided by KRS Chapter 272A? Yes No

9. Is the entity filing this Kentucky tax return organized as a statutory trust or a series statutory trust as provided by KRS Chapter 386A? Yes No. If yes, is the entity filing this Kentucky tax return a series within a statutory trust? Yes No. If yes, enter the name, address and federal I.D. number of the statutory trust registered with the Kentucky Secretary of State:

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

11. Did the partnership file a Kentucky tangible personal property tax return for January 1, 2017? Yes No

If yes, list name and federal I.D. number of entity(ies) filing return(s): _____

12. 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.**



SCHEDULE K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	Distributive Share Items	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 Form 4797 and Kentucky Form 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
(b) (2) Investment expenses included on line 10 above	(b)(2)	00
Tax Credits		
13. Kentucky Small Business 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	Distributive Share Items	Total Amount	
28. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	28		00
29. Railroad Expansion Tax Credit (attach Schedule RR-E).....	29		00
30. Endow Kentucky Tax Credit (attach Schedule ENDOW).....	30		00
31. New Markets Development Program Tax Credit (attach Form 8874(K)-A).....	31		00
32. Food Donation Tax Credit (attach Schedule FD).....	32		00
33. Distilled Spirits Tax Credit (attach Schedule DS).....	33		00
Other Items			
34. (a) Type of Section 59(e)(2) expenditures <input type="checkbox"/>	34(a)		
(b) Amount of Section 59(e)(2) expenditures.....	(b)		00
35. Tax-exempt interest income	35		00
36. Other tax-exempt income	36		00
37. Nondeductible expenses	37		00
38. Total property distributions (including cash).....	38		00
39. Other items and amounts required to be reported separately to partners (attach schedule).....	39		
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



2016 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 4 to determine what tax form your business needs to file.

KENTUCKY TAX LAW CHANGES

Enacted by the 2016 Regular Session of the General Assembly

Internal Revenue Code Update—House Bill 80 updates the Internal Revenue Code (IRC) reference date from December 31, 2013 to December 31, 2015, for purposes of computing corporation and individual income tax, except for depreciation differences contained in KRS 141.0101. The Code update applies to taxable years beginning on or after April 27, 2016. For fiscal year-end taxpayers with tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015. Any taxable differences related to the IRC update should be entered on the other additions and/or other subtractions line(s) of the applicable tax return or schedule. The IRC updates will apply to the calendar year-end taxpayers beginning January 1, 2017.

Enacted by the 2014 Regular Session of the General Assembly

Endow Kentucky Tax Credit—For fiscal years beginning on or after July 1, 2016, House Bill 208 amends KRS 141.438 to increase the total amount of tax credit that may be awarded from \$500,000 to \$1 million for each fiscal year.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2017 tax interest rate has been set at three percent (3%). The rate charged by the Kentucky Department of Revenue on unpaid taxes shall be five percent (5%) and when interest is due on a refund, the rate shall be one percent (1%).

HOW TO OBTAIN ADDITIONAL FORMS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (see page 19). They may also be obtained by writing FORMS, Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or by calling (502) 564-3658. Forms can be downloaded from www.revenue.ky.gov.

KENTUCKY FORM CHANGES

Form 5695-K—Not applicable for tax year 2016 due to expiration of the Energy Efficiency Products Tax Credit. Any unused credit from tax year 2015 may be carried forward and reflected on Schedule TCS line 16.

Form 8908-K—Not applicable for tax year 2016 due to expiration of the Energy Star Home or Energy Star Manufactured Home Tax Credit.

Note: Expiration of the energy credits changed line references on several forms including Form 720S, 765, 765-GP and related schedule K's and K-1's.

Forms 720S, 765, 725 and 740NP-WH—Additional lines were added to page 1 to accommodate for money paid or overpaid on the original return. These lines are applicable when filing an amended return.

Schedule TCS—Line 16 changed to allow for reporting of any unused Energy Efficiency Products Tax Credit carried forward from tax year 2015.

Note: The credit formally referred to as the "Kentucky Small Business Investment Credit" is now referred to as "Kentucky Small Business Tax Credit" in order to conform with statute. There has been no change in the credit.

Schedule FD—Qualification questions were added in Part I to clarify who is entitled to claim the credit. A carryforward worksheet was added in order to track any unused credit to be carried forward.

Schedule O-720—Lines 12 and 18 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Schedule O-PTE—Lines 5 and 9 were updated to report additions to and subtractions from federal taxable income resulting from amendments to the Internal Revenue Code (IRC) (excluding amendments affecting depreciation and the IRC § 179 deduction) subsequent to the applicable IRC date. Kentucky's IRC reference date is December 31, 2013 for the 2016 calendar year and fiscal years beginning on or before April 26, 2016. For fiscal years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

Electronic Filing FAQs and Helpful Tips

- If your return is rejected for an invalid Kentucky Corporation/LLET Account Number or Federal Employer Identification Number (FEIN), please contact our **Registration Section at 502-564-3306**.
- Direct debit is an option for electronically filed forms; however, direct deposit is not.
- If your e-filed return has been **REJECTED, DO NOT** submit a 720-V voucher at that time. You will get a **NEW** 720-V voucher once you have successfully submitted an accepted Kentucky return. (Note: The Submission ID number will change each time your return is sent to the Kentucky Department of Revenue.)
- To determine which forms are supported by your software, please check with the company that develops your software.
- To find the Kentucky Department of Revenue's listing of approved software vendors and developers, please visit our electronic filing webpage at <http://revenue.ky.gov/Software-Developer/Pages/Substitute-Forms-Design.aspx>.
- **New for tax year 2016:** Ability to file Forms 725 and 720 Kentucky Mandatory Nexus consolidated returns and their supporting schedules.

Filing Tips and Checkpoints

The following list of filing tips is provided for your convenience to help ensure that returns are processed accurately and promptly. To avoid processing problems, please note the following:

- **Schedule COGS**—If the company is computing its LLET based on gross profits, the new Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to Form 765. Failure to include this schedule may result in a tax adjustment and assessment.
- **Nexus**—Once an account is established, a return is required to be filed for partnerships that have Kentucky nexus.
- **Account Closure**—When ceasing operations and closing an account, there are different requirements for Secretary of State and the Department of Revenue.
- **Account Number**—Always ensure the correct Kentucky Corporation/LLET account number is used on the return being filed.
- **Payments**—Place payments on the front of the return so they are clearly visible when the return is processed.
- **Payments**—Do not leave check stubs attached to checks when sending in a payment. Check stubs delay the machines that sort incoming mail, which causes longer processing times.
- **Schedule LLET**—Note that Schedule LLET does not constitute a valid extension of time in which to file the required tax return. This schedule is always used as an attachment to a tax return and should never be submitted in lieu of a return.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty and interest. When making EFT payments online, input the Taxable Year Ending, NOT the due date of the payment.
- **Form 720-V**—Form 720-V is a payment voucher, NOT an extension form. To extend a filing date, use Form 41A720SL, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for filing purposes only; late payment penalties and interest apply to payments made after the original due date.
- **Corrected K-1's**—Adjustments to LLET or distributive share require that corrected Kentucky K-1's are sent to all partners, members or shareholders for proper compliance by taxpayers.
- **Schedule A**—Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the partnership has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- **Additional errors that delay processing returns or create adjustments include:**
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - More than one box checked for receipts method
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 41A720-SL when paying with an extension

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 (nexus consolidated group as provided by KRS 141.200(11))	720	Yes	Yes
3. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720	Yes	Yes
4. S corporation	720S	Yes*	Yes
5. Single member limited liability company whose single member is an individual	725	No	Yes
6. Limited liability company (two or more members)	765	No	Yes
7. Limited partnership	765	No	Yes
8. Limited liability partnership	765	No	Yes
9. General partnership	765-GP	No	No
10. 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

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 Internal Revenue Code in effect on December 31, 2001. For calendar year 2016 returns and fiscal year returns that begin in 2016, any partnership that for federal purposes elects in the current taxable year or has elected in past taxable years any of the following will have a different depreciation and Section 179 expense deduction for Kentucky:

- MACRS bonus depreciation; or
- Section 179 expense deduction in excess of \$25,000.

If a partnership has taken MACRS bonus depreciation or Section 179 expense deduction in excess of \$25,000 for any year, federal and Kentucky differences will exist, and the differences will continue through the life of the assets.

Important: If a partnership has not taken MACRS bonus depreciation or the Section 179 expense deduction in excess of \$25,000 for any 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 substantiate that no adjustment is 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 Kentucky 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 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 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 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 7 on Form 765, Schedule K, Section I, Line 4(d) or 7. Enter the amount from Kentucky Schedule D, Line 15 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 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 listing 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). 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 9 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)**

If a pass-through entity is doing business both within and without this state and is a partner or member in another pass-through entity, the pass-through entity shall include its pro rata share of the sales, property and payroll of the other pass-through entity in computing its own apportionment factor. **KRS 141.206(11)**

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 tax years beginning on or before April 26, 2016 the IRC reference date is December 31, 2013 for purposes of computing corporation income tax, except for depreciation differences contained in KRS 141.0101. For tax years beginning on or after April 27, 2016, the

applicable IRC reference date is December 31, 2015.

Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. Attach a schedule to the tax return showing the detail of the addition, including the related IRC section(s).

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each entity 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.

Register your business online at <http://onestop.ky.gov> using the One Stop Business Services link.

1. Go to onestop.ky.gov.
2. Click on the link for One Stop Business Services. The One Stop Business Services login page provides information on creating a user account as well as portal security. You will also find overview information for the services the portal currently provides. This information is updated to reflect new services and when additional agencies join the portal.
3. If you do not already have a One Stop user account, click on the link labeled Click here to create a user account. Once a user account has been created, an e-mail will be sent to you with further instructions to activate the account and login.
4. Once logged in, click on Business Registration to register a new business.

The paper application is available by calling the Department of Revenue, Division of Registration and Data Integrity at (502) 564-3306, or can be downloaded at www.revenue.ky.gov (click on Business, go to the Business home page for Business Tax Registration). The application may be faxed to (502) 227-0772 or e-mailed to DOR.WEBResponseRegistration@ky.gov

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 or member 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 and Composite return (Form 740NP-WH)

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 or file a composite return on the distributive share, whether distributed or undistributed, of each nonresident individual (**includes an estate or trust**) 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 and composite filing shall be at the maximum rate as provided in KRS 141.020 or KRS 141.040.

Withholding shall not be required if: (a) the partner, member or shareholder is exempt from withholding as provided by KRS 141.206(7)(a); (b) the partner or member is exempt from Kentucky income tax as provided by KRS 141.040(1); (c) the pass-through entity is a qualified investment partnership as provided by KRS 141.206(15), and the partner, member or shareholder is an individual; or (d) the partner or member is a pass-through entity.

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold or file a composite return on 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 Voucher).

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 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 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 of any 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. Form 740NP-WH and Form PTE-WH are available at www.revenue.ky.gov.

Note: Composite returns apply to nonresidents only.

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. Cost of Goods Sold (Schedule COGS)
8. Application for Filing Extension (Form 41A720SL)
9. Tax Credit Summary Schedule (Schedule TCS)
10. Related Party Costs Disclosure Statement (Schedule RPC)
11. 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)—The Department of Revenue is accepting electronically filed Corporation Income Tax/Limited Liability Entity Tax estimated tax voucher payments and extension payments for corporation income tax and limited liability entity tax. Before filing by EFT, the partnership 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, may result in the payment being credited to another taxpayer's account.** When making payments online, input the taxable year ending, NOT the due date of the payment.

For more information contact the Department of Revenue at (800) 839-4137 or (502) 564-6020. The EFT registration form is available at www.revenue.ky.gov. The direct link is <http://revenue.ky.gov/collections/Pages/Efile-Payment-Options.aspx>.

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. Check the applicable box on page 1, Section E and 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—If including payment for other taxes in addition to LLET, send a separate check or money order for each tax type.

Mail return to:

Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910. Make the check(s) payable to **Kentucky State Treasurer**.

Mail returns with no tax due or refund requests to: Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905.

Extensions—A six-month 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. See **Electronic Funds Transfer (EFT)**. If the partnership is required to make estimated LLET payments and needs Form 720-ES vouchers, contact the Department of Revenue at (502) 564-3658.

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 the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of 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 of 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 of 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 of 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 tax liability due under KRS 141.0401 as computed by the taxpayer on the return filed for the taxable year will result in an underpayment penalty of 10% of the underpayment. The underpayment penalty will not apply if the estimated tax payments are equal to or greater than the tax liability due under KRS 141.0401 for the previous taxable year, and the tax liability due under KRS 141.0401 for the previous taxable 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 765 as originally filed, file an amended Form 765 and check the appropriate box on page 1, Section E. 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). See page 1 for the current year rate.

Penalties

Failure to file a Kentucky Partnership 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)(b)**
- (b) 25 percent on all taxes assessed and collected by the Department of Revenue for taxable periods ending before October 1, 2011. **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)(b)**

FORM 765—SPECIFIC INSTRUCTIONS

Period Covered

File the 2016 return for calendar year 2016 and fiscal years that begin in 2016. 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 6
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, 2017, would be entered as:

0 1 / 1 7
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 2017, would be entered as:

1 2 / 1 6
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.

Using an incorrect account number, such as an account number for withholding or sales and use tax, may result in the payment and/or return being credited to another taxpayer's account.

If the Kentucky Corporation/LLET Account Number is not known, contact Registration at (502) 564-3306.

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. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

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(15).

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. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

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.

Change of Name/Address—Check the applicable box(es) if the partnership's name and/or address has changed since the filing of the prior year Kentucky tax return. For a change of name, attach a statement to the tax return providing the partnership's name reflected on the prior year Kentucky tax return.

Telephone Number—Enter the business telephone number of the partner or member signing the return.

Kentucky Secretary of State Organization Number—Enter the partnership's Organization Number with the Kentucky Secretary of State. To find the partnership's organization number, go to www.sos.ky.gov and click on Search Businesses under Online Business Services. This is NOT the same number as the Kentucky Corporation/LLET Account Number in Section A of Form 765.

Note: This may not be applicable for foreign entities. If the foreign entity is not currently registered with the Secretary of State, leave this box blank.

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*—The partnership is organized as a limited liability company (LLC).
- (b) *LP*—The partnership is organized as a limited partnership (LP).
- (c) *LLP*—The partnership is organized as a limited liability partnership (LLP).
- (d) *Qualified Investment Pass-through Entity*—The partnership is a qualified investment pass-through entity as provided by KRS 141.206(15)(a).
- (e) *Initial Return*—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.
- (f) *Final Return*—This is the partnership's final Kentucky tax return. Check the appropriate box in Part III – Explanation of Final Return and/or Short-Period Return.
- (g) *Short-period Return*—This return is for a period of less than one year and not an initial return or final return. Check the appropriate box in Part III – Explanation of Final Return and/or Short-Period Return.
- (h) *Change of Accounting Period*—The partnership has changed its accounting period since it filed its prior year Kentucky tax return. Attach a statement to the tax return showing the partnership's taxable year end before the change and its new taxable year end. If the partnership received written approval from the Internal Revenue Service to change its taxable year, attach a copy of the letter.

- (i) *Amended Return*—This is an amended tax return. Provide an explanation of all changes in Part IV – Explanation of Amended Return Changes.

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 through 5 itemize 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—See instructions on page 5 regarding depreciation and Section 179 deduction differences, and if applicable, include the depreciation amount from Line 16a of Form 1065 (do not include the Section 179 deduction). **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached.**

Line 4—Enter related party cost additions from Schedule RPC, Part II, Section B, Line 1.

Line 5—Enter the amount from Schedule O–PTE, Part I, Line 7.

Line 6—Enter the total of Lines 1 through 5.

Subtractions from Federal Ordinary Income—Lines 7 through 9 itemize 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 5 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 11.

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), Incentives for Energy Independence Act (IEIA) or Farming Operation Networking Project (FON).

Line 2—Enter the sum of all recapture amounts from Schedule RC–R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS-R, Line 10. **Attach Schedule RC–R, Form 8874(K)-B and/or Schedule DS-R.**

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 tax return in order to claim the credit.**

Line 5—Enter the total tax credits from Schedule TCS, Part III, Column E, Line 1 (**attach Schedule TCS**).

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, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to 2016 from Form 765, Part II, Line 16 of the 2015 tax return.

Line 12—Enter the LLET paid on the original return. **This line is used when filing an amended return.**

Line 13—Enter the LLET overpayment on the original return. **This line is used when filing an amended return.**

Line 14—If the total of Lines 6 and 13 is greater than the total of Lines 7 through 12, enter the difference on this line and enter the amount on Line 1 of the LLET Payment Summary.

Line 15—If the total of Lines 6 and 13 is less than the total of Lines 7 through 12, enter the difference on this line.

Line 16—Enter the portion of Line 15 to be credited to 2016 LLET interest due.

Line 17—Enter the portion of Line 15 to be credited to 2016 LLET penalty due.

Line 18—Enter the portion of Line 15 to be credited to 2017 LLET.

Line 19—Enter the portion of Line 15 to be refunded (Line 15 less Lines 16 through 18).

SCHEDULE K (FORM 765)

General Instructions—Complete all applicable lines by 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), Incentives for Energy Independence Act (IEIA) or Farming Operation Networking Project (FON).

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 instructions on page 5 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 7 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 7 of the federal Schedule D (Form 1065) that is portfolio income.

Line 4(e)—See instructions on page 5 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 15 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 15 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 instructions on page 5 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 instructions on page 5 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 Tax Credit Program (KSBTC) tax credit as provided by KRS 141.384 and attach a copy of the Kentucky Economic Development Finance Authority (KEDFA) 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 Railroad Maintenance and Improvement Tax Credit as provided by KRS 141.385 and attach Kentucky Schedule RR-I (Form 41A720RR-I).

Line 29—Enter the Railroad Expansion Tax Credit as provided by KRS 141.386 and attach Kentucky Schedule RR-E (Form 41A720RR-E).

Line 30—Enter the ENDOW Kentucky Tax Credit as provided by KRS 141.438 and attach Kentucky Schedule ENDOW (Form 41A720-S86).

Line 31—Enter the New Markets Program Tax Credit as provided by KRS 141.434 and attach Kentucky Form 8874(K)-A (Form 41A720-S81).

Line 32—Enter the Food Donation Tax Credit as provided by KRS 141.392 and attach Kentucky Schedule FD (Form 41A720FD).

Line 33—Enter the Distilled Spirits Tax Credit as provided by KRS 141.389 and attach Kentucky Schedule DS (Form 41A720DS).

Line 34(a)—Enter the information provided on federal Schedule K, Form 1065, Line 13c(1).

Line 34(b)—Enter the amount reported on federal Schedule K, Form 1065, Line 13c(2).

Line 35—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 36—Enter the total amount of any other type of income of the partnership where the partner is exempt from Kentucky income tax.

Line 37—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 38—Enter the amount reported on federal Schedule K, Form 1065, Line 19a and 19b.

Line 39—Attach schedules to report the partnership's total income, expenses and other information applicable to items not included on Lines 1 through 38 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.

LLET Credit

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 14 on the applicable tax payment line in addition to the respective amount of interest and penalty. 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 Kentucky Schedules K-1, Lines 1 through 39 must equal the amounts reported on Kentucky Schedule K, Lines 1 through 39. The distributive share items reported on all Schedules K-1, Lines 40 through 48 must equal the amounts reported on comparable lines of Schedule K, Section II, Lines 1 through 9. Schedule K-1, Lines 49 through 51 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 48—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 39 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 49 through 51—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 Tax Credit Program (KSBTC – 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); (ix) Incentives for Energy Independence Act (IEIA – KRS 154.27) or (x) Farming Operation Networking Project (FON – KRS 141.412).

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, Schedule IEIA-SP or Schedule FON-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, 2017. 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 KSBTC 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 KSBTC 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 KSBTC 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 171.3961 and 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 164.0062**

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—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**

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 used 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. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—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 \$10 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. **KRS 141.432 to 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2014, but before January 1, 2018, a qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, in an amount equal to ten percent (10%) of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. **KRS 141.392**

Distilled Spirits Tax Credit—For taxable years beginning on or after January 1, 2015, a nonrefundable and nontransferable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, for taxpayers who pay Kentucky property tax on

distilled spirits.

The distilled spirits credit is equal to: 40 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2016; 60 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2017; 80 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2018; and 100 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2019.

The amount of the credit is contingent on the costs associated with the following capital improvements at the premises of the distiller: construction, replacement, or remodeling of warehouses or facilities; purchases of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses; acquisition, construction, or installation of equipment for the use in the manufacture, bottling, or shipment of distilled spirits; addition or replacement of access roads or parking facilities; and construction, replacement, or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center. **KRS 141.389**

TAXPAYER ASSISTANCE

Forms:

Operations and Support Services Branches
 P. O. Box 518
 Frankfort, KY 40602-0518
 (502) 564-3658
 Website: www.revenue.ky.gov
 Email: Financerevenueformsandenvelopes@ky.gov



Information:

Pass-Through Entity Branch
 Department of Revenue
 501 High Street, Station 69
 Frankfort, KY 40601-2103
 (502) 564-8139



Mailing/Payment:



Mail the return to:

*Kentucky Department of Revenue, P. O. Box 856910, Louisville, KY 40285-6910. Make the check payable to **Kentucky State Treasurer.***

Mail returns with no tax due or refund requests to:

Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905.

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.

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The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

KENTUCKY TAXPAYER SERVICE CENTERS

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities.

- Ashland**, 1539 Greenup Avenue, 41101-7695
(606) 920-2037
- Bowling Green**, 201 West Professional Park Court, 42104-3278
(270) 746-7470
- Corbin**, 15100 North US 25E, Suite 2, 40701-6188
(606) 528-3322
- Frankfort**, 501 High Street, 40601-2103
(502) 564-4581 (*Taxpayer Assistance*)
- 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

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(FORM 765)
KENTUCKY SCHEDULE K-1

41A765 (K-1)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2016 355

➤ **See instructions.**

Taxable period beginning _____, 201 __, and ending _____, 201 __.

**PARTNER'S SHARE OF INCOME,
CREDITS, DEDUCTIONS, ETC.**

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</p> <p><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 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												

Distributive Share Items	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
(b) (2) Investment expenses included on line 10 above	(b)(2)	00



PARTNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

Distributive Share Items—continued		Amount	
Tax Credits			
13.	Kentucky Small Business 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
28.	Railroad Maintenance and Improvement Tax Credit	28	00
29.	Railroad Expansion Tax Credit	29	00
30.	Endow Kentucky Tax Credit	30	00
31.	New Markets Development Program Tax Credit	31	00
32.	Food Donation Tax Credit	32	00
33.	Distilled Spirits Tax Credit	33	00
Other Items			
34.	(a) Type of Section 59(e)(2) expenditures <input type="checkbox"/> _____	34(a)	
	(b) Amount of Section 59(e)(2) expenditures	(b)	00
35.	Tax-exempt interest income	35	00
36.	Other tax-exempt income	36	00
37.	Nondeductible expenses	37	00
38.	Property distributions (including cash)	38	00
39.	Supplemental information required to be reported to each partner (attach schedule(s)).....	39	
LLET Pass-through Items			
40.	Partner's share of partnership's Kentucky sales from Schedule K, Section II, line 1	40	00
41.	Partner's share of partnership's total sales from Schedule K, Section II, line 2	41	00
42.	Partner's share of partnership's Kentucky property from Schedule K, Section II, line 3	42	00
43.	Partner's share of partnership's total property from Schedule K, Section II, line 4	43	00
44.	Partner's share of partnership's Kentucky payroll from Schedule K, Section II, line 5	44	00
45.	Partner's share of partnership's total payroll from Schedule K, Section II, line 6	45	00
46.	Partner's share of Kentucky gross profits from Schedule K, Section II, line 7	46	00
47.	Partner's share of total gross profits from all sources from Schedule K, Section II, line 8	47	00
48.	Partner's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9 ...	48	00
Resident Partner Adjustment			
49.	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).....	49	00
50.	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).....	50	00
51.	Enter difference of lines 49 and 50 here and on appropriate line on Schedule M (see instructions).....	51	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, 2016, you must take the items listed on Schedule K-1 (Form 765) into account on your tax return for calendar year 2016.

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 will provide 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 49, 50 and 51. This

will adjust the items of income, loss and deductions used to compute your federal adjusted gross income to the Kentucky amounts shown on Form 765, Schedule K-1.

Line 49—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 Form 740 or 740-NP, Schedule A as itemized deductions.

Line 50—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 Form 740 or 740-NP, Schedule A as itemized deductions.

NOTE: If Form 8582-K is required, adjust the amounts entered on Lines 49 and 50 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 49 and 50. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 51—Enter difference of Lines 49 and 50. If Line 49 is greater than Line 50, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 3. If Line 50 is greater than Line 49, enter the difference as a subtraction on Schedule M, Line 15.

Caution: If the amount on Line 49 is a (loss) and Line 50 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 49 is an income amount and Line 50 is a (loss), or if Line 50 is an income amount and the amount on Line 49 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 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 34(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 34(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 34 through 39—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 Entity 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 Corporation LLET Credit 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 48 on Line 7 of the Kentucky Limited Liability Entity Tax Credit Worksheet or Line 7 of the Corporation LLET Credit Worksheet.

Estates and Trusts (Form 741 Filers)—Estates or trusts report the amounts shown on the Schedule K-1 on Form 741, Kentucky Fiduciary Income Tax Return, and related schedules. See federal Partner's Instructions for Schedule K-1 (Form 1065).

F720 ES FRM

DO NOT REPRODUCE



★ DO NOT include Check Stubs ★

★ Enclose Check and Voucher Unattached ★

Form 720-ES
KENTUCKY
ESTIMATED TAX VOUCHER

2017 CORPORATION INCOME/LIMITED LIABILITY ENTITY TAX

INSTALLMENT
1 2 3

KY Corporation / LLET Account No.

Taxable Year Ending (MMYY)

20
TRAN CODE

Entity Name

Entity Name grid

Dollars

Cents

Federal Identification Number _____	
Number and Street _____	
City, State ZIP Code	Telephone Number

Corporation
Income Tax

Limited Liability
Entity Tax

Total

										0	0
										0	0
										0	0

Print or Type
Name of Responsible Party _____

41A720ES0003

Mail to:
KY Department of Revenue
Frankfort, KY 40620-0021



41A720ES(I) (06-16)

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. DO NOT USE the Secretary of State Organization Number for the Kentucky Corporation/LLET Account Number.

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%

Installment Vouchers—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 2.

Electronic Funds Transfer (EFT)—Kentucky estimated payments may be made by EFT for corporation income tax and LLET. 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 40620-0021**

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, farming operation networking tax credit, 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, railroad maintenance and improvement tax credit, railroad expansion tax credit, ENDOW Kentucky tax credit, new markets development program tax credit, food donation tax credit and distilled spirits tax credit.

RECORD OF ESTIMATED TAX PAYMENTS SCHEDULE

Installment 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	A	_____	A	A
	B-Corporation	B		B	B
2	A-LLET	_____	A	A	A
	B-Corporation		B	B	B
3	A-LLET	_____	A	A	A
	B-Corporation		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)		

FORM 41A720SL INSTRUCTIONS

General - In accordance with the provisions of KRS 131.081(11), KRS 131.170, KRS 141.170 and Regulation 103 KAR 15:050, a **six-month extension of time** to file a Kentucky corporation income tax and LLET return or limited liability pass-through entity and LLET return may be obtained by either:

1. 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, or
2. Submitting with the tax 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.

Note: If submitting payment with extension, use Kentucky Form 41A720SL. For Kentucky purposes, do not file federal Form 7004 if filing Kentucky Form 41A720SL.

Kentucky Extension - A six-month 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.**

Filing Tip: 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.

Kentucky Corporation/LLET Account Number - If you use an invalid Kentucky Corporation/LLET account number, the processing of your payment will result in the wrong account being credited. To obtain your valid Kentucky Corporation/LLET account number, please contact the Department of Revenue at (502) 564-3306.

Mandatory Nexus Consolidated Returns - A six-month extension of time for filing a mandatory nexus consolidated Kentucky corporation income tax and LLET return also constitutes an extension of time for filing for each member of the affiliated group.

Payment of Tax - A six-month 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) - The Department of Revenue is accepting electronically filed Corporation Income Tax/LLET extension payments for corporation income tax and limited liability entity 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 or a Secretary of State Organization Number, will result in the payment being credited to another corporation's account. For more information or for online registration, contact the Department of Revenue at (800) 839-4137 or (502) 564-6020.

To submit payment online, visit <https://secure.kentucky.gov/DOR/payment/web>.

File Extension Electronically and Pay By Mail - To file an extension electronically and submit payment by mail, send check or money order to Kentucky Department of Revenue, Frankfort, KY 40620-0021. Reference "Corporation Income/LLET Extension - 2016" and Kentucky Corporation/LLET account number on the check or money order. Do not send a copy of the electronically filed extension with the payment. This may result in duplicate extensions applied to the account.

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. KRS 131.180(1)

Interest - Interest at the tax interest rate plus 2 percent applies to any tax paid after the 15th day of the fourth month following the close of the taxable year. KRS 131.183(2)

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, KY 40620-0021
--	--



★ DO NOT include Check Stubs ★

★ Enclose Check and Extension Unattached ★

41A720SL (6/16)
Department of Revenue

EXTENSION OF TIME TO FILE KENTUCKY CORPORATION / LLET RETURN

KY Corporation / LLET Account No.

Taxable Year Ending (MMYY)

24
TRAN CODE

Entity Name

--	--	--	--

Federal Identification Number

Dollars

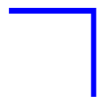
Cents

Number and Street		State and Date of Organization	
City	State	ZIP Code	
Name of President, Partner or Member		Telephone No. of Entity	
Form Type (Check the box): <input type="checkbox"/> Form 720 <input type="checkbox"/> Form 720S <input type="checkbox"/> Form 725 <input type="checkbox"/> Form 765			

Corporation Income Tax	00		00
Limited Liability Entity Tax	00		00
Total	00		00

41A720SL0003

Mail to:
KY Department of Revenue
Frankfort, KY 40620-0021



Signature of Principle Officer or Chief Accounting Officer OR Preparer Other than Taxpayer

Date

Instructions for Form 720-V Electronic Filing Payment Voucher

2016

Do I need to use a payment voucher?

- Form 720-V, Electronic Filing Payment Voucher, is used by an entity filing an electronic Kentucky tax return (Form 720, 720S, 725 or 765) to pay the balance of tax due.
- If the 2016 electronic tax return shows a refund or no tax due, do not use this payment voucher.
- This is NOT an extension form. Please use Form 41A720SL to file an extension.

Why use a payment voucher?

- The Department of Revenue does not issue a notice of tax due prior to the deadline for payment.
- For balance due returns, taxpayers should complete Form 720-V and submit it along with payment. To avoid penalties and interest, the balance due must be paid on or before the 15th day of the fourth month following the close of the taxable year.
- The use of Form 720-V identifies the payment as a payment for a Kentucky electronic filed tax return. DO NOT send a copy of the electronically filed return with the payment of tax due.

How do I prepare the payment?


- Make the check or money order payable to the **Kentucky State Treasurer**. Do not send cash.
- If the name and address of the entity are not printed on the check or money order, write them on the check or money order.
- Write the Federal Identification Number on the check or money order.

How do I prepare the payment voucher?

- Enter the entity's Kentucky Corporation/LLET Account Number. Do not use the Secretary of State Organization Number.
- Enter the entity's taxable year ending.
- Enter the entity's Federal Identification Number.
- Enter the entity's name and address.
- Enter the entity's contact name and telephone number.
- Enter the corporation income tax payment on Line 1.
- Enter the income interest and penalty (if applicable) on Line 2.
- Enter the limited liability entity tax payment on Line 3.
- Enter the limited liability entity tax interest and penalty (if applicable) on Line 4.
- Enter the total amount of the payment on Line 5.

How do I send in the voucher with payment?

- Detach the payment voucher at the dotted line below. Mail with payment to Kentucky Department of Revenue, Frankfort, KY 40620-0021.
- **DO NOT attach check or money order to the payment voucher.**
- **DO NOT leave check stubs attached to checks.**


Make check or money order payable to: Kentucky State Treasurer
Mail voucher with payment to: Kentucky Department of Revenue, Frankfort, KY 40620-0021



★ DO NOT include Check Stubs ★

★ Enclose Check and Voucher Unattached ★

41A720-S12(10-16)
Department of Revenue

23
TRAN CODE

**720-V ELECTRONIC FILING
PAYMENT VOUCHER**

DO NOT send a copy of the electronically filed return with payment of tax due.
Please use Form 720-V to submit payment.

2016

KY Corporation / LLET Account No.

Taxable Year Ending (MMYY)

Grid for KY Corporation / LLET Account No.

Grid for Taxable Year Ending (MMYY)

Federal Identification Number

Grid for Federal Identification Number

Name of Entity (Print or Type)

Number and Street

City State ZIP Code

Contact Name and Telephone Number

1. Corporation Income Tax
2. Income Interest and Penalty
3. Limited Liability Entity Tax
4. LLET Interest and Penalty
5. Total

	Dollars	Cents
1. Corporation Income Tax		
2. Income Interest and Penalty		
3. Limited Liability Entity Tax		
4. LLET Interest and Penalty		
5. Total		

41A720S120003



851-K

41A720-S4 (10-16)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

**KENTUCKY AFFILIATIONS
AND PAYMENT SCHEDULE**

Taxable Year Ending
Mo. ____ / Yr. ____

- See instructions.
- Attach to the mandatory nexus consolidated income tax return (Form 720).

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	Subsidiary(ies) Tax Payments			Stock Ownership Information		Owned by Corp. No.
				Prior Year Credit	Estimated Payment(s)	Extension Payment	Percent of Value	Percent of Voting Power	
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									



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) if the corporation is filing a mandatory nexus consolidated tax return as provided by KRS 141.200(11).

The information requested on this form identifies the parent of the affiliated group, each subsidiary included in the mandatory nexus consolidated return and their respective payments. This information 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.

Mandatory Nexus Consolidated Return—For tax years beginning on or after January 1, 2005, an affiliated group shall file a mandatory 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).

General Instructions

Enter the name, federal identification number and Kentucky Corporation/LLET Account Number of the parent corporation and each subsidiary included in the mandatory nexus consolidated tax return. If the parent corporation has more than nine (9) subsidiaries, attach additional Forms 851-K as needed.

Tax Payments

Line 1—Enter the total limited liability entity tax and corporation income tax paid by the parent, including the overpayments applied from the prior year, estimated tax payments and amounts paid with extension Form 41A720SL.

Lines 2-10—Enter the total limited liability entity tax and corporation income tax paid, including overpayments applied from the prior year, estimated tax payments and amounts paid with extension Form 41A720SL, by each subsidiary included in the mandatory nexus consolidated return.

Stock Ownership Information

Lines 2-10—Enter the following values for each subsidiary:

- **Percent of Value**—Enter the percent of value owned by a corporation or corporations included in the affiliated group.
- **Percent of Voting Power**—Enter the percent of voting power owned by a corporation or corporations included in the affiliated group.
- **Owned by Corporation No.**—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 corporation numbers 1, 7 and 10, enter 1, 7, 10.

2220-K



2016

41A720-S6 (10-16)

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 combined tax liability was equal to or less than \$25,000 and estimated tax payments equal or exceed the prior year combined 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 combined tax liability and the prior year combined 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 combined tax liability from the 2015 tax return: Form 720, Part I, line 6 and Part II, line 8; Form 720S, Part I, line 6 and Part II, line 4; or Form 725 or 765, Part II, line 6.....	1	
2. Enter the total tax payments from the 2016 tax return: Form 720, the total of Part I, lines 7, 8, 9, 10 and 12 and Part II, lines 9 and 11; Form 720S, Part I, lines 7, 8, 9 and 11 and Part II, lines 5 and 7; or Form 725 or 765, Part II, lines 7, 8, 9 and 11.....	2	

PART II—FIGURING THE UNDERPAYMENT AND PENALTY

1. Enter the LLET liability from the 2016 tax return: Form 720 or 720S, Part I, line 6; or Form 725 or 765, Part II, line 6	1	
2. Enter the income tax liability from the 2016 tax return: Form 720, Part II, line 8; or Form 720S, Part II, line 4	2	
3. Enter the total of lines 1 and 2.....	3	
4. Enter 70% (0.70) of line 3	4	
5. Statutory exemption	5	\$5,000
6. Enter the total tax payments from the 2016 tax return: Form 720, the total of Part I, lines 7, 8, 9, 10 and 12 and Part II, lines 9 and 11; Form 720S, Part I, lines 7, 8, 9 and 11 and Part II, lines 5 and 7; or Form 725 or 765, Part II, lines 7, 8, 9 and 11	6	
7. Line 4 less lines 5 and 6.....	7	
8. Penalty percentage is 10%.....	8	x .1
9. Multiply line 7 by line 8 and enter the greater of this amount or \$25	9	
10. LLET penalty (multiply the amount on line 9 by a percentage, the numerator of which is the amount on line 1 and the denominator of which is the amount on line 3), and enter the amount on this line and on the LLET Payment Summary of the applicable form	10	
11. Income tax penalty (multiply the amount on line 9 by a percentage, the numerator of which is the amount on line 2 and the denominator of which is the amount on line 3), and enter the amount on this line and on the Income Tax Payment Summary of the applicable form.....	11	



41A720-S6 (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

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	00	00
2. Enter statutory exemption	2	00	00	00	\$5,000	00
3. Line 1 less line 2	3	00	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		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		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		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	00		00
14. Overpayment. If line 6 is less than line 11, subtract line 6 from line 11	14	00	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 (see worksheet on page 4)	16	00	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		00
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2220-K

41A720-S6 (10-16)

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 corporation or limited liability pass-through entity required by KRS 141.042 to file a declaration of estimated tax and required to pay the declaration of estimated tax by the installment method prescribed by KRS 141.044(1) shall not be subject to the penalty as provided in KRS 131.180 if the estimated tax payments made under KRS 141.044(1) are equal to the combined tax liability due under KRS 141.040 and KRS 141.0401 for the previous taxable year, and the combined tax liability due under KRS 141.040 and KRS 141.0401 for the previous taxable 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 combined tax liability for the previous taxable year and the estimated tax payments for the current taxable year.

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 or limited liability pass-through entity required by KRS 141.042 to file a declaration of estimated tax and required to pay the declaration of estimated tax by the installment method prescribed by KRS 141.044(1) shall be subject to a penalty as provided in KRS 131.180 if the corporation or limited liability pass-through entity has a declaration underpayment. Declaration underpayment is determined by subtracting \$5,000 and the declaration payments actually made from 70% of the combined tax liability due under KRS 141.040 and KRS 141.0401 as computed by the taxpayer on the tax return filed for the taxable year. If the corporation or limited liability pass-through entity has a declaration underpayment, complete Lines 1 through 11.

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 2016 LLET liability from Form 720 or 720S, Part I, Line 6; or Form 725 or 765, Part II, Line 6; and enter on Line 1, Column (b) the 2016 income tax liability from Form 720, Part II, Line 8 or from Form 720S, Part II, 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 2015 LLET liability from Form 720 or 720S, Part I, Line 6 or from Form 725 or 765, Part II, Line 6; and enter on Line 1, Column (b) the 2015 income tax liability from Form 720, Part II, Line 8 or from Form 720S, Part II, 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 in Columns (a), (b) and (c) the 15th day of the sixth month, 15th day of the ninth month and 15th day of the twelfth month of the entity's taxable year, respectively.

Note: If a payment date falls on a holiday or weekend, the applicable payment date is the next business day.

41A720-S6 (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

INSTRUCTIONS FOR FORM 2220-K, continued

Line 6—Enter the amount of the estimated tax due (estimated tax due equals Line 3, Column (c)) for the taxable year as follows: Enter 50% of the estimated tax due under Column (a), 25% under Column (b) and 25% under Column (c).

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.*

Enter estimated tax payments as follows: (i) if the payment was made on or before the 15th day of the sixth month, enter the payment under Column (a); (ii) if the payment was made after the 15th day of the sixth month but on or before the 15th day of the ninth month, enter the payment under Column (b); (iii) if the payment was made after the 15th day of the ninth month but on or before the 15th day of the twelfth month, enter the payment under Column (c); or (iv) if the payment was made after the 15th day of the twelfth month, 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 tax computation for each payment. The interest rate is 5 percent for calendar year 2017.

Worksheet for Interest Calculation

Complete a separate worksheet for each underpayment period.

1. Interest calculation
payment date ____/____/____
 2. Number of days from
the payment due date
shown on Part III, Line 5
to the date the amount
on Line 13 was paid, or
the date shown for that
column on Part III, Line
15, whichever is earlier..... _____
 3. Annual Percentage Rate (APR) _____ **.05**
 - 4.
- | | | | | | |
|---|---|---|---|--|---------|
| Underpayment
from Part III,
Line 13 | X | Number of
days from Line 2
<u>of this worksheet</u> | X | APR on
Line 3
of this
worksheet | = _____ |
| | | 365 | | | |

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.

8879(C)-K

Kentucky Corporation or Pass-through Entity Tax Return Declaration For Electronic Filing

Taxable Year Ending

41A720-S8 (10-16)

Commonwealth of Kentucky DEPARTMENT OF REVENUE

Mo. / Yr.



RETAIN FOR YOUR RECORDS DO NOT MAIL THIS FORM



See instructions.

Submission ID#

Name of Entity, Federal Identification Number, Kentucky Corporation/LLET Account Number, Address, City, State and ZIP Code

PART I - Please check the appropriate box indicating which tax return is being electronically filed: 720 720S 725 765 765-GP

Section A - Tax return information for form 720. Table with columns for LLET and Corporate Income.

Section B - Tax return information for form 720S. Table with columns for LLET and Corporate Income.

Section C - Tax return information for form 725. Table with columns for LLET and Income.

Section D - Tax return information for form 765. Table with columns for LLET and Income.

Section E - Tax return information for form 765-GP. Table with columns for LLET and Income.

RETAIN FOR YOUR RECORDS - DO NOT MAIL THIS FORM

PART II - Direct Debit of Tax Amount Due (See Instructions) Not available for form 765-GP

Routing transit number (RTN), Depositor account number (DAN), Type of account, Debit amount, In order to comply with electronic banking regulations...

PART III - Declaration of Authorized Representative of Entity (Sign only after Parts I and II are completed.)

- I authorize the Kentucky Department of Revenue and its designated Financial Agent to initiate an ACH electronic funds withdrawal entry to the financial institution account indicated above for payment of the state taxes owed on this return. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.

If this is a balance due return, I understand that if the Department of Revenue does not receive the full and timely payment of the tax liability, the entity will remain liable for the tax liability and all applicable interest and penalties.

I, the undersigned, declare under the penalties of perjury, that I am an officer of the above corporation, partner or member of the above limited liability pass-through entity, or partner of the above general partnership and that I have examined a copy of the corporation's, limited liability pass-through entity's, or general partnership's electronic tax return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true correct and complete. I further declare that the amounts in Part I above are the amounts shown on the copy of the Form 720, 720S, 725, 765 or 765-GP electronic tax return.

Signature of Authorized Representative _____ Date _____

Type or Print the Name and Title
of the Authorized Representative Signing this Document _____

PART IV - Declaration and Signature of Electronic Return Originator (ERO) and Paid Preparer

I, the undersigned, declare that I have reviewed the above tax return and that the entries on Part I above are correct and complete. If I am only the ERO, I am not responsible for reviewing the tax return and only declare that this tax return accurately reflects the data on the tax return. The corporate officer of the above corporation, partner or member of the above limited liability pass-through entity, or partner of the above general partnership will have signed this form before I submit the tax return. I will give the corporate officer of the above corporation, partner or member of the above limited liability pass-through entity, or partner of the above general partnership all forms, including accompanying schedules and statements, filed with the Kentucky Department of Revenue. If I am also the paid preparer, I declare under the penalties of perjury that I have examined this tax return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Check if also a paid preparer.

Check if self-employed.

ERO's signature _____ Date _____ I.D. Number of ERO _____

Firm's name (or your
name if self-employed) _____ FEIN _____

Address _____ ZIP Code _____

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

Preparer's signature _____ Date _____ I.D. Number of Preparer _____

Firm's name (or your
name if self-employed) _____ FEIN _____

Address _____ ZIP Code _____

INSTRUCTIONS – Form 8879(C)-K

PURPOSE OF SCHEDULE

An authorized representative of the entity and the electronic return originator (ERO) shall use Form 8879(C)-K as a declaration document and signature authorization for an electronic filing (e-file) of a Kentucky Form 720, 720S, 725, 765 or 765-GP filed by an ERO.

Do not send this form to the Kentucky Department of Revenue. The ERO shall retain Form 8879(C)-K for 4 years from the return due date or the Kentucky Department of Revenue receipt date, whichever is later.

ERO RESPONSIBILITIES

The ERO will:

- Enter the name, Federal Identification Number, Kentucky Corporation/LLET Account Number (if applicable), address and ZIP code of the entity at the top of the form.
- Check the appropriate box indicating which tax return is being electronically filed.
- Complete Part I using the amounts from the entity's Kentucky tax return.
- Complete Part II using the entity's Routing transit number (RTN) and Depositor account number (DAN).
- Check the box in Part IV if the ERO is also the paid preparer.
- Check the box in Part IV if the ERO is self-employed.
- Complete Part IV including a signature, date and I.D. Number of ERO.
- Enter in Part IV the ERO's firm name (NOT the individual preparing the return), FEIN, address and ZIP code.
- If the ERO is not the preparer, have the preparer complete Part IV including the signature, date and I.D. Number of Preparer. Enter in Part IV the preparer's firm name (or the preparer's name if self-employed), FEIN, address and ZIP code.
- Give the authorized representative of the entity Form 8879(C)-K for completion and review – this can be done by hand delivery, U.S. mail, private delivery service, email or Internet website.
- Provide the authorized representative of the entity with a corrected copy of the Form 8879(C)-K if changes are made to the tax return (for example, based on the authorized representative's review).
- Provide the authorized representative of the entity with a copy of the signed Form 8879(C)-K upon request.

AUTHORIZED REPRESENTATIVE OF ENTITY RESPONSIBILITIES

The authorized representative will:

- Verify the accuracy of the entity's Kentucky tax return.
- Verify the amounts in Part I using the amounts from the entity's Kentucky tax return.
- Verify the entity's Routing transit number (RTN) and Depositor account number (DAN) in Part II.
- Sign and date Form 8879(C)-K in Part III.

- Type or print authorized representative's name and title in Part III.
- Return the completed Form 8879(C)-K to the ERO by hand delivery, U.S. mail, private delivery service or fax.

The Kentucky entity's tax return shall not be transmitted to the Kentucky Department of Revenue until the ERO receives the authorized representative's signed Form 8879(C)-K.

PART I – Tax Return Information

Enter the required data from Kentucky Form 720, 720S, 725, 765 or 765-GP in Section A - Form 720, Section B - Form 720S, Section C - Form 725, Section D - Form 765 or Section E- Form 765-GP.

PART II – Direct Debit of Tax Amount Due

The entity can choose to pay the amount due by completing Part II, Lines 1 through 5, and checking the box on Part III. The entity can choose direct debit for Kentucky regardless of the choice for federal purposes. The entity must ensure that the following information relating to the financial institution's account is provided in the tax preparation software: Routing transit number (RTN), Depositor account number (DAN), Type of account (Savings or Checking) and Debit amount.

The payment amount will be processed (debited from the designated bank account) upon acceptance of the tax return for processing. Direct debit is not available for Form 765-GP.

PART III – Declaration of Authorized Representative of Entity

The authorized representative of the entity shall sign and date Form 8879(C)-K after reviewing the tax return and before it is transmitted to the Kentucky Department of Revenue.

PART IV – Declaration and Signature of Electronic Return Originator (ERO) and Paid Preparer

The ERO shall sign and date Form 8879(C)-K.

If the ERO is also the paid preparer, the ERO must check the paid preparer box, but is not required to complete and sign the paid preparer's section. If self-employed, check the self-employed box.

A paid preparer who is not the ERO must complete and sign the paid preparer's section.

If the ERO cannot obtain the paid preparer's signature on Form 8879(C)-K, a copy of the tax return with the paid preparer's signature should be attached to the 8879(C)-K.

8903-K

41A720-S9 (10-16)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2016 377

- 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.

Kentucky Tax Registration Application and Instructions



www.revenue.ky.gov

Employer's Withholding Tax Account

Sales and Use Tax Account/Permit

Transient Room Tax Account

Motor Vehicle Tire Fee Account

Commercial Mobile Radio Service (CMRS) Prepaid Service Charge Account

Utility Gross Receipts License Tax Account

Telecommunications Tax Account

Consumer's Use Tax Account

Corporation Income Tax Account

Limited Liability Entity Tax Account

Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax Account

Coal Severance and Processing Tax Account

Coal Seller/Purchaser Certificate ID Number

KENTUCKY TAX REGISTRATION APPLICATION

For faster service, apply online at
<http://onestop.ky.gov>

- **Incomplete or illegible applications will delay processing and will be returned.**
- **See instructions for questions regarding completion of the application.**
- **Need Help?** Call (502) 564-3306 or
Email DOR.WEBResponseRegistration@ky.gov

FOR OFFICE USE ONLY	
<input type="checkbox"/> WH	<input type="checkbox"/> SU
<input type="checkbox"/> TR	<input type="checkbox"/> UTL
<input type="checkbox"/> TF	<input type="checkbox"/> CMRS
<input type="checkbox"/> TEL	<input type="checkbox"/> CU
<input type="checkbox"/> CT	<input type="checkbox"/> CP
<input type="checkbox"/> CID	<input type="checkbox"/> LL
<input type="checkbox"/> NRWH	
CBI #	
FEIN	
CRIS #	
RCS Flag	NAICS
Coded/Date Coded	Data Entry/Data Entered

SECTION A REASON FOR COMPLETING THIS APPLICATION (Must Be Completed)



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 Account(s)*.

1. **Effective Date** ___/___/_____

- Opened new business/Began activity in Kentucky
- Resumption of business
- Hired employees working outside KY who have a KY residence
- Applying for other accounts/Began a new taxable activity
- Bidding for state government contract (State Vendor or Affiliates)
- Purchased an existing business (*See instructions*)
- Business structure change or conversion
(Specify *previous type*; *See instructions*)

- Change of Federal Identification Number (FEIN), Kentucky Secretary of State Organization Number, or Commonwealth Business Identifier (CBI)
- Other (*Specify*) _____

3. **Previous Account Numbers (If applicable)**

- Kentucky Employer's Withholding Tax _____
- Kentucky Sales and Use Tax _____
- Kentucky Telecommunications Tax _____
- Kentucky Utilities Gross Receipts License Tax _____
- Kentucky Consumer's Use Tax _____
- Kentucky Corporation Income Tax and/or Limited Liability Entity Tax _____
- Kentucky Coal Severance & Processing Tax _____
- Kentucky Pass-Through Non-Resident Withholding _____
- Federal ID Number (FEIN) _____
- Kentucky Secretary of State Organization Number _____
- Commonwealth Business Identifier (CBI) _____

2. **A. Did you receive correspondence from the Division of Registration and Data Integrity requesting registration of this business?**
 Yes No

B. If "Yes", enter the File Number located at the top of the letter you received.

File Number

SECTION B BUSINESS / RESPONSIBLE PARTY / CONTACT INFORMATION (Must Be Completed)

4. **Legal Business Name** _____

5. **Doing Business As (DBA) Name (See instructions)** _____

6. **Federal Employer Identification Number (FEIN)**
(Required, complete prior to submitting)

7. **Kentucky Commonwealth Business Identifier**
(if already assigned)

8. **Secretary of State Information (if applicable)**

Kentucky Secretary of State Organization Number 	
Date of Incorporation/Organization ___/___/_____	State of Incorporation/Organization _____
If you are an Out-of-State Entity, Date of Qualification with the Kentucky Secretary of State's Office ___/___/_____	

9. Primary Business Location

Form for Primary Business Location with fields for Street Address, City, State, Zip Code, Telephone Number, and County.

11. Accounting Period

- Accounting Period options: Calendar Year, Fiscal Year, 52/53 Week Calendar Year, 52/53 Week Fiscal Year.

12. Accounting Method

- Accounting Method options: Cash, Accrual.

10. Business Operations are Primarily

- Business Operations options: Home Based, Web Based, Office/Store Based, Transient.

13. Business Structure

- Business Structure options: Profit Limited Liability Company, Non-Profit Limited Liability Company, Professional Limited Liability Company, Series of a Limited Liability Company, Profit Corporation, Non-Profit Corporation, Professional Service Corporation, Cooperative Corporation, Limited Cooperative Association, Association, Statutory Trust, Series of a Statutory Trust, Business Trust, Trust (Non-statutory), Limited Partnership (LP), Limited Liability Partnership (LLP), Limited Liability Limited Partnership (LLLLP), Series of a Partnership, General Partnership, Joint Venture, Estate, Government, Unincorporated Non-profit Association, Sole Proprietorship, Home Care Service Recipient (HCSR), Qualified Joint Venture (Married Couple), Protected Cell Company (PCC), Cell of a Protected Cell Company, Other (Specify).

14. How Will You be Taxed for Federal Purposes?

(Sole Proprietorships, HCSRs, Qualified Joint Ventures, Estates, Governments, and Unincorporated Non-Profits SKIP question 14)

- Taxation options: Partnership, Corporation, S-Corporation, Cooperative, Trust, Single Member Disregarded Entity, Individual Sole Proprietorship, General Partnership/Joint Venture, Estate, Trust (Non-statutory)/Business Trust, Other (Specify how the Member is federally taxed).

15-16. OWNERSHIP DISCLOSURE-RESPONSIBLE PARTIES (REQUIRED FOR ALL BUSINESS STRUCTURES)



See instructions regarding required responsible parties for your business structure

Ownership Disclosure table with columns for Full Legal Name, Social Security Number, FEIN, Driver's License Number, Business Title, Effective Date of Title, Residence Address, City, State, Zip Code, Telephone Number, and County.

17. Person to contact about this application:

Name (First Middle Last)	Title	Daytime Telephone () -	Extension
E-mail: (By supplying your e-mail address you grant the Department of Revenue permission to contact you via e-mail.)			

SECTION C TELL US ABOUT YOUR BUSINESS OR ORGANIZATION (Must Be Completed)

18. Describe the nature of your business activity in Kentucky, including products sold.

The following questions will determine your need for an Employer's Withholding Tax Account.

- | | Yes | No |
|---|--------------------------|--------------------------|
| 19. Do you have or will you hire employees to work in Kentucky within the next 6 months? | <input type="checkbox"/> | <input type="checkbox"/> |
| TIP An employee is anyone to whom you pay wages, including part-time help and family members. Kentucky corporate officers receiving compensation other than dividends are also considered employees. | | |
| 20. Do you wish to voluntarily withhold on Kentucky residents who work outside Kentucky?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 21. Do you wish to voluntarily withhold on pension and retirement payments? | <input type="checkbox"/> | <input type="checkbox"/> |
| 22. Will your business be registered to make charitable or other lawful gaming payouts in Kentucky and be required to withhold federal tax from those payouts? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered "Yes" to any of questions 19 through 22, you must complete SECTION D.



The following questions will determine your need for a Sales and Use Tax Account, the schedules you may need to file, and/or your need for a Transient Room Tax Account, Motor Vehicle Tire Fee Account, Commercial Mobile Radio Service (CMRS) Prepaid Service Charge Account, Utility Gross Receipts License Tax Account, and/or Telecommunications Tax Account.

Sales and Use Tax Account

- | | Yes | No |
|--|--------------------------|--------------------------|
| 23. Will you make retail and/or wholesale sales of tangible or digital property in Kentucky? | <input type="checkbox"/> | <input type="checkbox"/> |
| TIP Examples: prepared food, internet sales, downloaded music and books (see instructions for more). | | |
| 24. Will you install replacement parts for the repair or recondition of tangible property?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| TIP Examples: automotive repairs, computer or electronics repair, furniture repair (see instructions for more). | | |
| 25. Will you produce, fabricate, process, print or imprint tangible property? | <input type="checkbox"/> | <input type="checkbox"/> |
| TIP Examples: sign making, window tinting, embroidery, screen printing, engraving (see instructions for more). | | |
| 26. Will you rent or lease tangible or digital property to others, including related companies?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 27. Will you charge taxable admissions? | <input type="checkbox"/> | <input type="checkbox"/> |
| 28. Are you a manufacturer's agent soliciting orders for a nonresident seller not registered in Kentucky?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 29. Are you a manufacturing fee processor or a contract miner operating in Kentucky?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 30. Are you bidding on a contract with Kentucky state government? | <input type="checkbox"/> | <input type="checkbox"/> |
| 31. Are you an affiliate of a company who has been awarded a Kentucky state government contract?..... | <input type="checkbox"/> | <input type="checkbox"/> |

Sales and Use Tax Account Schedules

- | | | |
|---|--------------------------|--------------------------|
| 32. Will you receive receipts from the breeding of a stallion to a mare in Kentucky?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 33. Will you make sales of aviation jet fuel? | <input type="checkbox"/> | <input type="checkbox"/> |
| 34. Will you make sales of motor vehicles to residents of Arizona, California, Florida, Indiana, Massachusetts, Michigan, South Carolina, or Washington?..... | <input type="checkbox"/> | <input type="checkbox"/> |

CONTINUED ON NEXT PAGE

Transient Room Tax Account

35. Will you rent temporary lodging to others? (See instructions for definition of "temporary.") Yes No

Motor Vehicle Tire Fee Account

36. Will you sell new tires for motor vehicles? Yes No

Commercial Mobile Radio Service (CMRS) Prepaid Service Charge Account

37. Will you sell cellular phones with preloaded minutes, prepaid cellular phone cards, or recharge cellular phones and cards with minutes? Yes No

Utility Gross Receipts License Tax Account and/or Telecommunications Tax Account

38. Were you approved for an Energy Direct Pay Authorization with a Utility Gross Receipts License Tax Exemption? (Attach a copy of your official UGRLT Exemption Authorization.) Yes No

39. Will you sell any of the following?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	A. Water utilities	<input type="checkbox"/> Yes	<input type="checkbox"/> No	E. Communications services
<input type="checkbox"/>	<input type="checkbox"/>	B. Natural, artificial, or mixed gas utilities	<input type="checkbox"/>	<input type="checkbox"/>	F. Multichannel video programming services *(see instructions)
<input type="checkbox"/>	<input type="checkbox"/>	C. Electricity	<input type="checkbox"/>	<input type="checkbox"/>	G. Direct broadcast satellite services *(see instructions)
<input type="checkbox"/>	<input type="checkbox"/>	D. Sewer services			

If you answered "Yes" to any of questions 23 through 39 E, you must complete SECTION E.

If you answered "Yes" to any of questions 38 through 39 F, you must complete SECTION F.

If you answered "Yes" to any of questions 39 E through 39 G, you must complete SECTION G.



The following question will determine your need for a Consumer's Use Tax Account.

Skip question 40 if you must complete Section E.

40. Will you make purchases from out-of-state vendors and not pay Kentucky Sales or Use Tax to the seller on those purchases? Yes No

TIP If you are a **PROFESSIONAL SERVICE** business or if your business will make a one-time purchase only, please see instructions for important additional details.

If you answered "Yes" to question 40, you must complete SECTION H.



The following questions will determine your need for a Corporation Income Tax Account and/or a Limited Liability Entity Tax Account.

If your answer to **questions 13 and 14** was NOT Sole Proprietorship, HCSR, Qualified Joint Venture, Estate, Government, General Partnership taxed as a Partnership, or Joint Venture taxed as a Partnership, you must complete **questions 41 through 47.**

41. Are you organized under the laws of Kentucky with the Kentucky Secretary of State's Office? Yes No

42. Will your business have its commercial domicile in Kentucky? Yes No

43. Will your business own or lease any real or tangible property in Kentucky? Yes No

44. Will your business have one or more individuals performing services in Kentucky? Yes No

45. Will your business maintain an interest in a pass-through entity or derive income from Kentucky sources? Yes No

46. Will you direct activities toward Kentucky customers for the purpose of selling them goods and/or services? Yes No

47. Will your business 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 41 through 47, you must complete SECTION I.



The following questions will determine your need for a Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax Account.

48. Is the business considered a pass-through entity as defined in KRS 141.010(26)? Yes No

If you answered "Yes" to question 48, you must answer questions 49 A and 49 B.

49. Does your pass-through entity have nonresident: A. Individual partner(s), shareholder(s), or member(s) receiving Kentucky distributive share income from your pass-through entity? B. Corporate partner(s) or member(s) receiving Kentucky distributive share income from your pass-through entity?

TIP "Individual" includes estates and trusts.

If you answered "Yes" to questions 49 A and/or 49 B, you must complete SECTION J.



The following questions will determine your need for a Coal Severance/Processing Tax Account and/or a Coal Seller Purchaser Certificate ID#.

50. Will you mine coal you own or possess the mineral rights to? 51. Will you purchase coal for the purpose of processing and resale, or do you process refuse coal? 52. Will you purchase and sell coal as a coal broker?

TIP Processing means cleaning, breaking, sizing, dust allaying, treating to prevent freezing, or loading or unloading for any purpose.

If you answered "Yes" to any of questions 50 through 52, you must complete SECTION K and SECTION E.

SECTION D EMPLOYER'S WITHHOLDING TAX ACCOUNT Must be completed if you answered "Yes" to any of questions 19 through 22.

53. A. Has a Kentucky Employer's Withholding Tax Account already been assigned to this business? B. If "Yes", list the Employer's Withholding Tax Account Number

54. Number of Kentucky employees 55. Date wages/pensions first paid or will be paid (REQUIRED)

58. Employer's Withholding Tax returns should be mailed to: Use the same address as your location address Use the same address as Tax Account

56. Estimated total annual tax withheld in Kentucky: \$0.00-\$399.99 \$2,000.00-\$49,999.99 \$400.00-\$1,999.99 \$50,000.00 or more

Form with fields for c/o or Attn., Address, City, State, Zip Code, Mailing Telephone Number, and County (if in Kentucky).

57. A. Is the withholding for your employees reported by a Common Paymaster or a Common Pay Agent? Yes No



Most payroll processors do NOT operate as Common Paymasters/Pay Agents. If using a payroll processor, check with them to determine if you should answer yes to the question above.

B. If "Yes", attach a separate sheet listing which you use, Common Paymaster or Common Pay Agent, and provide their Business Name, FEIN, and Kentucky Employer's Withholding Tax Account Number.

**SECTION E SALES AND USE TAX ACCOUNT
TRANSIENT ROOM TAX ACCOUNT
MOTOR VEHICLE TIRE FEE ACCOUNT
COMMERCIAL MOBILE RADIO SERVICE (CMRS) PREPAID SERVICE CHARGE ACCOUNT**
Must be completed if you answered "Yes" to any of questions 23 through 39 E or any of questions 50 through 52.

59. A. Has a Kentucky Sales and Use Tax Account already been assigned to this business? Yes No

B. If "Yes", list the Sales and Use Tax Account Number

60. Date sales began or will begin (REQUIRED)

___ / ___ / ___

63. Sales and Use Tax returns should be mailed to:

- Use the same address as your location address
- Use the same address as _____ Tax Account

61. Estimated gross monthly sales tax collected in Kentucky:

- \$0.00-\$1,199.99
- \$1,200.00 or more

62. A. Does this business have additional locations in Kentucky other than the Primary Business Location? Yes No

B. If "Yes", attach a listing of all additional Kentucky locations. For each location, the attachment should include: doing business as (DBA) name, physical location address, phone number, date location was opened, and a description of the location's business activity.

c/o or Attn.		
Address		
City	State	Zip Code
Mailing Telephone Number () - _____	County (if in Kentucky)	

SECTION F UTILITY GROSS RECEIPTS LICENSE TAX ACCOUNT
Must be completed if you answered "Yes" to any of questions 38 through 39 F.

64. A. Has a Kentucky Utility Gross Receipts License Tax Account already been assigned to this business? Yes No

B. If "Yes", list the Utility Gross Receipts License Tax Account Number

65. Date sales of utilities began or will begin (REQUIRED)

___ / ___ / ___



Once the account for Utility Gross Receipts License Tax is assigned, use the website below to set up account for e-file.

66. Telephone Number

() - _____

<http://revenue.ky.gov/business/utillschool.htm>

SECTION G TELECOMMUNICATIONS TAX ACCOUNT
Must be completed if you answered "Yes" to any of questions 39 E through 39 G.

67. A. Has a Kentucky Telecommunications Tax Account already been assigned to this business? Yes No

B. If "Yes", list the Telecommunications Tax Account Number

68. Does your organization have tangible personal property located within the Commonwealth of Kentucky? Yes No

69. Date sales of communications began or will begin (REQUIRED)

___ / ___ / ___



Once the account for Telecommunications Tax is assigned, use the website below to set up account for e-file.

70. Telephone Number

() - _____

<http://revenue.ky.gov/business/Telecom.htm>

SECTION H CONSUMER'S USE TAX ACCOUNT
Must be completed if you answered "Yes" to question 40.

71. A. Has a Consumer's Use Tax Account already been assigned to this business? Yes No

B. If "Yes", list the Consumer's Use Tax Account Number

72. Date purchases began or will begin (REQUIRED)

___ / ___ / ___

73. Consumer's Use Tax returns should be mailed to:

- Use the same address as your location address
- Use the same address as _____ Tax Account

c/o or Attn.		
Address		
City	State	Zip Code
Mailing Telephone Number () -	County (if in Kentucky)	

SECTION I CORPORATION INCOME AND/OR LIMITED LIABILITY ENTITY TAX ACCOUNT
Must be completed if you answered "Yes" to any of questions 41 through 47.

74. A. Has a Corporation Income and/or Limited Liability Entity Tax Account already been assigned to this business? Yes No

B. If "Yes", list the Corporation Income or Limited Liability Entity Tax Account Number

75. A. Is this entity treated federally as a division of a parent company and not separately taxed as its own entity? Yes No

B. If "Yes", select the division type below:

- Qualified Subchapter S-corporation Subsidiary (QSUB)
- Qualified Real Estate Investment Trust Subsidiary (QRS)

76. If an out-of-state entity, is your Kentucky activity limited to the mere solicitation of the sale of tangible personal property and exempt from Corporation Income tax due to Public Law 86-272? Yes No

77. If an out-of-state entity, date activity or receipt of pass through income began or will begin in Kentucky

___ / ___ / ___

79. Corporation Income and/or Limited Liability Entity Tax correspondence should be mailed to:

- Use the same address as your location address
- Use the same address as _____ Tax Account

c/o or Attn.		
Address		
City	State	Zip Code
Mailing Telephone Number () -	County (if in Kentucky)	

78. A. Is your entity exempt from Corporation Income Tax and/or Limited Liability Entity Tax under Kentucky law? Yes No

B. If "Yes", see **Exemption Table 1** in the instructions to provide the code for your Exemption Type. _____

C. If **Political Organization** selected above, are you required to file federal Form 1120-POL? Yes No

SECTION J KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME TAX ACCOUNT

Must be completed if you answered "Yes" to question 49 A and/or 49 B.

80. A. Has a Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax Account already been assigned to this business? Yes No

B. If "Yes", list the Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax Account Number

81. Date first nonresident corporation or individual became a partner, member, or shareholder (REQUIRED)

___/___/___

83. Nonresident Distributive Share Withholding Tax correspondence should be mailed to:

- Use the same address as your location address
- Use the same address as _____ Tax Account

82. A. Is your entity exempt from Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax under Kentucky law? Yes No

B. If "Yes", see Exemption Table 2 in the instructions to provide the code for your Exemption Type.

c/o or Attn.		
Address		
City	State	Zip Code
Mailing Telephone Number () -	County (if in Kentucky)	

SECTION K COAL SEVERANCE/PROCESSING TAX ACCOUNT and/or COAL SELLER/PURCHASER CERTIFICATE ID #

Must be completed if you answered "Yes" to any of questions 50 through 52.

84. A. Has a Coal Severance Tax Account and/or a Coal Seller/Purchaser Certificate ID # already been assigned to this business? Yes No

B. If "Yes", list the Coal Severance Tax Account Number

C. If "Yes", list the Coal Seller/Purchaser Certificate ID Number

85. Date mining/processing or coal brokering operations began or will begin (REQUIRED)

___/___/___

86. Coal Severance & Processing Tax returns should be mailed to:

- Use the same address as your location address
- Use the same address as _____ Tax Account

c/o or Attn.		
Address		
City	State	Zip Code
Mailing Telephone Number () -	County (if in Kentucky)	

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 this 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 **Division of Registration** 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 use the Telecommunications Device for the Deaf at (502) 564-3058.

SEND completed application to: **KENTUCKY DEPARTMENT OF REVENUE**
 DIVISION OF REGISTRATION
 P.O. BOX 299, STATION 20
 FRANKFORT, KENTUCKY 40602-0299

FAX: **502-227-0772**

E-MAIL: **DOR.WEBResponseRegistration@ky.gov**

If you would like to register for **Electronic Funds Transfer (EFT)**, visit the Kentucky Department of Revenue website at <http://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, call the Business Information Clearinghouse at 1-800-626-2250 or visit the Kentucky Business One Stop website at <http://onestop.ky.gov>.

FOR OFFICE USE ONLY		
CRIS#	CBI#	
WH#	SU#	TR#
TF#	CMRS#	TEL#
UTL#	CU#	CP/LL#
NRWH#	CT#	CID#



The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

INSTRUCTIONS

INSTRUCTIONS

KENTUCKY TAX REGISTRATION APPLICATION

WHAT IS THE PURPOSE OF THE KENTUCKY TAX REGISTRATION APPLICATION?

This application is used to apply for any of the following: Employer's Withholding Tax Account, Sales and Use Tax Account/Permit, Transient Room Tax Account, Motor Vehicle Tire Fee Account, Commercial Mobile Radio Service (CMRS) Prepaid Service Charge Account, Telecommunications Tax Account, Utility Gross Receipts License Tax Account, Consumer's Use Tax Account, Corporation Income Tax Account, Limited Liability Entity Tax Account, Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax Account, Coal Severance and Processing Tax Account, and/or Coal Seller/Purchaser Certificate ID Number.

DO I HAVE ANY OTHER DEPARTMENT OF REVENUE TAX REGISTRATION REQUIREMENTS?

Depending on the product or service your business provides, there may be other state taxes that apply to your business. Most of these require that you file a special application/registration. **To register for Tobacco Tax, Minerals or Natural Gas Severance Tax, Motor Fuels Tax, Bank Franchise Tax, or any other miscellaneous taxes or fees administered by the Department of Revenue,** visit the Department's web site at <http://revenue.ky.gov>.

I ALREADY HAVE TAX ACCOUNTS, HOW DO I UPDATE MY ACCOUNT INFORMATION?

Complete **FORM 10A104, UPDATE OR CANCELLATION OF KENTUCKY TAX ACCOUNT(S)**, to update information such as business name, location or mailing addresses, phone numbers, accounting period, responsible party information, and to report a taxing election change with the IRS or to request cancellation of your accounts. Visit <http://revenue.ky.gov> to obtain the form.

You may also update certain business and tax account information for the Department of Revenue and the Kentucky Secretary of State's Office online. If you do not already have online access to your business, follow the steps below.

1. Go to <http://onestop.ky.gov>.

2. Click on the link for **One Stop Business Services**.

Note: *The One Stop Business Services login page provides information on creating a user account as well as portal security. You will also find overview information for the services the portal currently provides. This information is updated regularly to reflect new services and notify you when additional agencies join the portal.*

3. If you do not already have a One Stop user account, click on the link labeled **Click here to create a user account**. Once a user account has been created, an e-mail will be sent to you with further instructions to activate the account and login.

4. Once logged in, go to the **Link My Business** option. Click on the link provided within that web page to obtain the Commonwealth Business Identifier (CBI) for the business.

Note: *You will be able to provide information to gain immediate access to the business or request a letter be mailed which contains your CBI. To gain secure access to the portal, each business has been assigned a unique **Commonwealth Business Identifier (CBI)**, which is an enhanced security feature of the portal. The CBI is private and should be treated like your personal social security number.*

5. Once you have the CBI for the business, the **Link My Business** option will require you name at least one "**One-Stop Portal Business Administrator**" (most likely the business owner or representative).

Note: *The administrator can then **delegate access** to other individuals—for example, an attorney, accountant or manager. The administrator also determines the appropriate authority level for delegates to make changes—this could range from filing annual reports with the Secretary of State's Office to changing the business address to filing and paying taxes. Only the One Stop business administrator(s) can grant, approve, withdraw or revoke access to the business.*

For more information about registering and using the portal, visit <http://onestop.ky.gov>. For questions, please call the **Kentucky Business One Stop Help Line** at (502) 564-5053.

WHO CAN I CALL WITH QUESTIONS ABOUT REGISTRATION?

For help completing the application, please call the Division of Registration at (502) 564-3306, Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m., Eastern Time.

You may also use the Telecommunications Device for the Deaf, (502) 564-3058.

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.

WHEN SHOULD I FILE MY APPLICATION?

You are required to complete the application and file it with the Kentucky Department of Revenue, at least **30 days before** engaging in an activity that requires the establishment of the following:

- Employer's Withholding Tax Account (KRS 141.310)
- Sales and Use Tax Account (KRS 139.200, 139.240)
- Transient Room Tax Account (KRS 142.400)
- Motor Vehicle Tire Fee Account (KRS 224.50-868)
- Commercial Mobile Radio Service Prepaid Service Charge Account (KRS 65.7634)
- Consumer's Use Tax Account (KRS 139.310)
- Utility Gross Receipts License Tax Account (KRS 160.613)
- Telecommunications Tax Account (KRS 136.604 and 136.616)
- Coal Seller/Purchaser Certificate ID Number (KRS 143.037)

Pass-Through Entities must complete the application to establish a Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax Account (KRS 141.206) **within 30 days** of obtaining a Kentucky non-resident individual or corporate partner, member, or shareholder.

Corporations and Limited Liability Entities must complete the application to establish a Corporation Income Tax Account and/or a Limited Liability Entity Tax Account (KRS 141.040, 141.0401):

If you are...	Then your application should be filed...
Kentucky formed,	Within 30 days of formation with the Kentucky Secretary of State's Office.
Formed out-of-state and you have obtained a Certificate of Authority to transact business in Kentucky from the Kentucky Secretary of State,	Within 30 days of obtaining a certificate of authority, provided that you are treated as doing business in Kentucky under KRS Chapter 141.
Formed out-of-state and you have NOT obtained a Certificate of Authority to transact business in Kentucky from the Kentucky Secretary of State,	Within 30 days of first engaging in activities that result in you being treated as doing business in Kentucky under KRS Chapter 141.

IS MY APPLICATION COMPLETE?

Your application will not be considered complete unless it includes all required information specified on the form. This includes, but is not limited to, a Federal Employer Identification Number and accurate Social Security Number(s), as appropriate. You are required to provide your Social Security Number on tax forms per Section 405, Title 42, of the United States Code. This information will be used to establish your identity for tax purposes.

WHAT PENALTIES APPLY?

Failure to complete and file the required application in the specified time frames listed above shall subject you to penalties under KRS 131.180.

HOW LONG WILL IT TAKE FOR MY ACCOUNT NUMBERS TO BE ASSIGNED?

Fully completed paper applications will be processed, barring seasonal workload increases, within 5 to 10 business days. Applications with missing or unclear information, requiring additional research, may take longer. Those with extensive amounts of missing information will be returned by mail for further completion.

For faster service, apply online at <http://onestop.ky.gov>.

Note: *If your business structure is not available as a selection online, you must apply via paper.*

LINE BY LINE APPLICATION INSTRUCTIONS

SECTION A—REASON FOR COMPLETING THIS APPLICATION

- Effective Date**—Enter the effective date of the reason you are completing this application. Check the box which corresponds to why the application is being completed.

 - Opened New Business, Began Activity in Kentucky, Resumption of Business, Hired Employees Working Outside Kentucky Who Have a Kentucky Residence**—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 3.
 - Applying for Other Accounts, Began a New Taxable Activity**—If you require an account type that is not currently assigned to your business, complete Sections A, B and C to determine the additional accounts for which you are required to apply. If the questions in Section C lead you to complete a Section for an account type you already have, write your current account number in the field provided within the Section you are completing.
 - 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 per KRS Chapter 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.
 - Purchased an Existing Business**—*(This will include a business previously owned by a family member)*

If the business you purchased was a...	Then...
<ul style="list-style-type: none"> ■ Sole Proprietorship ■ Joint Venture ■ Qualified Joint Venture ■ General Partnership ■ Series of a Statutory Trust ■ Limited Partnership (LP) ■ Limited Liability Partnership (LLP) ■ Limited Liability Limited Partnership (LLLLP) ■ Series of a Partnership ■ Series of a Limited Liability Company (LLC) ■ Protected Cell Company (PCC) 	<p>You will need to apply for new accounts. List the previous owner's accounts in Section A, question 3, and complete Sections B and C to determine the account(s) for which you are required to re-apply.</p>
<ul style="list-style-type: none"> ■ Profit Corporation ■ Profit Limited Liability Company (LLC) ■ Professional Service Corporation (PSC) ■ Professional Limited Liability Company (PLLC) ■ Association ■ Cooperative Corporation ■ Limited Cooperative Association ■ Statutory Trust ■ Business Trust ■ Trust (non-statutory) ■ Non-Profit Corporation ■ Non-Profit Limited Liability Company (LLC) ■ Unincorporated Non-Profit Association 	<p>If:</p> <ul style="list-style-type: none"> –you are converting the purchased business to a new business structure, or –the Federal Identification Number (FEIN) has changed, or –the Secretary of State Organization Number has changed, or –the Commonwealth Business Identifier (CBI) has changed <p>Then you will need to apply for new accounts. List the previous owner's accounts in Section A, question 3, and complete Sections B and C to determine the account(s) for which you are required to re-apply.</p> <p>If the business structure, Federal Identification Number (FEIN), Secretary of State Organization Number, and Commonwealth Business Identifier (CBI) will all stay the same, DO NOT use the Kentucky Tax Registration Application. Use Form 10A104, Update or Cancellation of Kentucky Tax Account(s), to provide the updated business and responsible party information or update your information online.</p>

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 part 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 <http://revenue.ky.gov>, by writing the Office of Sales and Excise Taxes, Department of Revenue, P. O. Box 1274, Frankfort, Kentucky 40602-1274, or by calling (502) 564-5170.

- **Business Structure Change or Conversion, Change in Federal Identification Number (FEIN), Change in Kentucky Secretary of State Organization Number, or Change in Commonwealth Business Identifier (CBI)**—A business may change its taxing election with the Internal Revenue Service (IRS) and retain the same Kentucky tax account numbers. However, any change to an entity's business structure, Federal Identification Number (FEIN), Kentucky Secretary of State Organization Number, or Commonwealth Business Identifier (CBI) requires that new accounts be applied for with the Department of Revenue.

To change a taxing election, use Form 10A104, Update or Cancellation of Kentucky Tax Account(s), to provide the updated business and responsible party information.

For all other business structure changes or conversions, for receiving a new Federal Identification Number (FEIN), for receiving a new Kentucky Secretary of State Organization Number, or for receiving a new Commonwealth Business Identifier (CBI), **you must apply for new Kentucky tax account numbers.** List your old account numbers in Section A, question 3, and complete Sections A, B and C to determine the account(s) for which you are required to re-apply.

Examples of conversions requiring a business apply for new accounts are:

- A Sole Proprietorship converting to a General Partnership and vice versa,
- A Limited Liability Company (LLC) converting to a Statutory Trust and vice versa, or
- Any ownership type converting to a Limited Liability Company (LLC) and vice versa.

2. Did you receive correspondence from the Division of Registration—If you received a letter requesting registration, check "Yes" and list the File Number from the letter in B. If "No", leave B blank.

3. 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 business structures, received a new Federal Identification Number (FEIN), received a new Kentucky Secretary of State Organization Number, or a new Commonwealth Business Identifier (CBI) and your company must apply for new accounts or you have resumed an old business, list your old accounts in Section A, question 3. **A request in writing from the previous owner is required to cancel previous accounts.**

SECTION B—BUSINESS / RESPONSIBLE PARTY / CONTACT INFORMATION

4. Legal Business Name—Enter the complete legal business name for your business or organization.

Note: If the business is a Sole Proprietorship, do not include your personal name, unless it is a part of the business name or you do not have a business name. For example: John Smith's Plumbing.

If the business is a Home Care Service Recipient (HCSR), the name of the business should be the first, middle and last name of the disabled or elderly individual with the acronym "HCSR" added to the end of the name. For example: "John Q Public HCSR".

5. Doing Business As (DBA)—If your business or organization has a "doing business as" name, enter the name.

6. Federal Employer Identification Number (FEIN)—Enter the FEIN assigned to your business or organization by the Internal Revenue Service. If you are a disregarded entity that is operating under your parent's FEIN, DO NOT list your parent's/member's FEIN.

Apply for an 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 an FEIN for federal purposes. However, all businesses applying for Kentucky tax accounts are encouraged to obtain an 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.

7. **Kentucky Commonwealth Business Identifier (CBI)**—If your business has already been assigned a CBI, enter that 10-digit number. This number is used to uniquely identify your business for the Kentucky One Stop Portal across all state agencies that utilize the portal.
8. **Secretary of State Information**—Sole Proprietorships, Estates, HCSRs, Governments, Unincorporated Non-Profit Associations, Unincorporated Associations, Qualified Joint Ventures, and Non-statutory Trusts are not required to register with the Kentucky Secretary of State. General Partnerships or Joint Ventures who do not operate using a DBA or Assumed Name are not required to register with the Kentucky Secretary of State.

For all remaining entities, enter the Organization Number assigned to your entity by the Kentucky Secretary of State's Office. Enter your date of incorporation/organization and list the state in which you incorporated/organized. If an out-of-state entity, list the date you qualified with the Kentucky Secretary of State's Office to do business in Kentucky.

9. **Primary Business Location**—List the street address, city, state and ZIP Code for the location for which you are requesting registration. **Do not list a P.O. 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 county blank. Enter the telephone number for the listed location; include the area code.
10. **Business Operations are Primarily**—Check the box where your business is primarily operated.
11. **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. If you choose the 52/53 week calendar year box, enter the day of the week your year ends in December. If you choose the 52/53 week fiscal year box, enter the month and day of the week your year ends.

Note: Most businesses operate under a calendar year basis (year end December 31).

12. **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 before 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.

13. **Business Structure**—Check the box for the organizational structure type you have selected for your business. If "Other" selected, enter the structure type on the blank provided.

Business Structure	Basic Definition
Profit Limited Liability Company (LLC) Non-Profit Limited Liability Company (LLC) Professional Limited Liability Company (PLLC) Series of a Limited Liability Company	<p>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, or a corporation.</p> <p>A Non-Profit LLC is a special type of LLC formed for educational, charitable, social, religious, civic or humanitarian purposes.</p> <p>A PLLC is a special type of LLC formed to engage in specific types of licensed professional services such as law, medicine, architecture, accounting, engineering, etc.</p> <p>Some states' laws allow for the formation of Series underneath a main or master LLC, which has separate rights, powers, or duties, or has a separate purpose or investment objective.</p> <p>Each LLC which has a Series should register each of its separate Series which do business in Kentucky with the Kentucky Secretary of State's Office as an assumed name.</p> <p>For Kentucky Department of Revenue purposes, each Series within an LLC must register for its own separate Corporation Income Tax and/or Limited Liability Entity Tax Account, unless it has chosen a disregarded status.</p>
Profit Corporation Non-Profit Corporation Professional Service Corporation (PSC)	<p>An organization chartered by law and recognized as having a legal existence as an entity separate from its owners. It operates under the direction of duly elected officers.</p> <p>A Non-Profit Corporation is a special type of corporation formed for educational, charitable, social, religious, civic, or humanitarian purposes.</p> <p>A PSC is a special type of corporation formed to engage in specific types of licensed professional services such as law, medicine, architecture, accounting, engineering, etc.</p>
Cooperative Corporation Limited Cooperative Association	<p>A group of individuals known as patrons 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. In general, Cooperatives are treated as corporations for Kentucky tax purposes.</p> <p>Limited Cooperative Associations must register as such with the Kentucky Secretary of State's Office. This business structure allows for investor members in addition to patron members. For Kentucky purposes, Limited Cooperative Associations are also subject to the Limited Liability Entity Tax.</p>

Business Structure	Basic Definition
<p>Association</p>	<p>An unincorporated group joined together for a common purpose. However, associations may be treated as corporations for Department of Revenue purposes.</p>
<p>Trust (Non-statutory) Business Trust Statutory Trust Series of a Statutory Trust</p>	<p>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.</p> <p>A Statutory Trust must register as such with the Kentucky Secretary of State's Office.</p> <p>A Series of a Statutory Trust is a Series established by a Statutory Trust, which has separate rights, powers, or duties, or has a separate purpose or investment objective. Each Statutory Trust should register each of its separate Series with the Kentucky Secretary of State's Office as an assumed name. (See KRS 386A.4-010)</p> <p>For Kentucky purposes, Statutory Trusts and Series of Statutory Trusts are subject to the Limited Liability Entity Tax.</p> <p>For Kentucky Department of Revenue purposes, each Series within a Statutory Trust must register for its own separate Limited Liability Entity Tax Account, unless it has chosen a disregarded status.</p>
<p>Limited Partnership (LP) Limited Liability Partnership (LLP) Limited Liability Limited Partnership (LLLLP) Series of a Partnership</p>	<p>A partnership formed by two or more persons having one or more general partner(s) and one or more limited partner(s). The limited partner(s) have restricted liability for the business debts, while the general partner(s) are fully liable. Limited liability will only be recognized for partnerships registered as a limited partnership through a state's Secretary of State's Office.</p> <p>Some state's laws allow for the formation of Series underneath the main or master Partnership, which has separate rights, powers, or duties, or has a separate purpose or investment objective.</p> <p>Each Partnership which has a Series should register each of its separate Series which do business in Kentucky with the Kentucky Secretary of State's Office as an assumed name.</p> <p>For Kentucky Department of Revenue purposes, each Series within a Partnership must register for its own separate Limited Liability Entity Tax Account, unless it has chosen a disregarded status.</p>
<p>General Partnership</p>	<p>Two or more individuals owning and/or operating a business. All partners jointly share profits and losses and are individually responsible for debts incurred.</p>
<p>Joint Venture</p>	<p>A business entity that is generally short lived, frequently common to construction related activities, where two or more individuals or businesses come together temporarily to participate in a profit making activity. Usually, each partner specializes in a specific field of expertise or has resources not available to the other partner(s).</p>
<p>Estate</p>	<p>The total property, real and personal, that was owned by an individual, now deceased, before distribution through a trust or will.</p>
<p>Government</p>	<p>City, county, state and federal agencies.</p>
<p>Unincorporated Non-Profit Association</p>	<p>An unincorporated informal group of members who come together to perform some social good conducted for non-profit purposes. Per KRS 273A.005(6), "Non-profit purposes" means any one (1) or more of the following purposes: charitable, benevolent eleemosynary, educational, civic, patriotic, political, governmental, religious, social, recreational, fraternal, literary, cultural, athletic, scientific, agricultural, horticultural, animal husbandry, and professional commercial, industrial, or trade association, but shall not include labor unions, cooperative organizations, and organizations subject to any of the provisions of the insurance laws or banking laws of this state which may not be organized under this chapter".</p>
<p>Sole Proprietorship</p>	<p>One single person owning and/or operating a business, solely responsible for all debts and liabilities incurred by the business.</p>
<p>Home Care Service Recipient (HCSR)</p>	<p>A disabled or elderly individual participating in an in-home domestic services program administered by a state or local agency where all or part of the services received are paid for with funds supplied by the federal, state or local government.</p> <p>A Federal Identification Number (FEIN) is issued in the name of the disabled or elderly individual (Service Recipient) as the employer. The Service Recipient or their family designates an agent to report, file, and pay employment taxes on the Service Recipient's behalf.</p>

Business Structure	Basic Definition
Qualified Joint Venture	A business jointly owned and operated by a married couple who are electing to have the business not treated as a general partnership for federal tax purposes. Spouses electing qualified joint venture status are treated as sole proprietors for federal tax purposes.
Protected Cell Company (PCC) Cell of a Protected Cell Company	Also called a Segregated Cell Company, Segregated Account Company, or a Segregated Portfolio Company. Some states' laws allow for the formation of a type of company which separates its business into protected cells in which assets and liabilities of different classes are separated from the main company. For Kentucky Department of Revenue purposes, each Cell within a Protected Cell Company, must register for its own separate Corporation Income Tax and/or Limited Liability Entity Tax Account, unless it has chosen a disregarded status.
Other	Any ownership not elsewhere classified.

14. How will You be Taxed for Federal Purposes? Indicate how this business will be treated 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.

15-16. Ownership Disclosure—Responsible Parties— Enter the full legal name, Social Security Number (required if responsible party is an individual), FEIN (if responsible party is another business), driver's license number, driver's license state of issuance, residence address, city, state, ZIP Code, telephone number, county (if in Kentucky), business title and the date for when the title became effective for the information that corresponds to your business structure. **Note: Social Security Numbers for responsible parties are required (KRS 131.180(4)).** Also, you are required to provide your Social Security Number on tax forms per Section 405, Title 42, of the United States Code. This information will be used to establish your identity for tax purposes.

If your Business Structure is...	Then the required Ownership/Responsible Party disclosure is...
<ul style="list-style-type: none"> ■ Sole Proprietorship ■ Profit Limited Liability Company (LLC) for Federal Purposes Taxed as an Individual Sole Proprietorship ■ Professional Limited Liability Company (PLLC) for Federal Purposes Taxed as an Individual Sole Proprietorship ■ Non-Profit Limited Liability Company (LLC) for Federal Purposes Taxed as an Individual Sole Proprietorship 	<p>Enter owner's individual information, including Social Security Number, in question 15.</p> <p>Do not use name abbreviations or nicknames.</p>
<ul style="list-style-type: none"> ■ Qualified Joint Venture 	<p>Enter the information for the married couple, including Social Security Numbers, in question 15 and 16.</p> <p>Do not use name abbreviations or nicknames.</p>
<ul style="list-style-type: none"> ■ Profit Limited Liability Company (LLC) for Federal Purposes Taxed as a Single Member Disregarded Entity ■ Professional Limited Liability Company (PLLC) for Federal Purposes Taxed as a Single Member Disregarded Entity ■ Non-Profit Limited Liability Company (LLC) for Federal Purposes Taxed as a Single Member Disregarded Entity 	<p>Enter the single member's company information, including FEIN, in question 15.</p> <p>If the LLC has managers, their full individual information can be entered in question 16. Attach a separate sheet for more LLC managers.</p>
<ul style="list-style-type: none"> ■ Profit Corporation ■ Professional Service Corporation (PSC) ■ Association ■ Cooperative Corporation ■ Limited Cooperative Association ■ Non-profit Corporation ■ Government 	<p>Enter the officers' information, including Social Security Numbers in questions 15 and 16. If more than two officers, attach a separate sheet.</p> <p>Note: Information for the President is required. The information for an Officer must be for an individual and not another business.</p>
<ul style="list-style-type: none"> ■ Unincorporated Non-Profit Association 	<p>Enter the members'/managers' information in questions 15 and 16. If members/managers are individuals, provide their Social Security Numbers. If members/managers are other businesses, provide their FEINs.</p> <p>If more than two members/managers, attach a separate sheet.</p>
<ul style="list-style-type: none"> ■ Statutory Trust ■ Series of a Statutory Trust ■ Business Trust ■ Trust (non-statutory) 	<p>Enter the trustee information in questions 15 and 16. If trustees are individuals, provide their Social Security Numbers. If trustees are other businesses, provide their FEINs. If more than two trustees, attach a separate sheet.</p> <p>For a Series of a Statutory Trust, also provide the information for the master Statutory Trust under which it was formed, including the FEIN for the master Statutory Trust.</p>

If your Business Structure is...	Then the required Ownership/Responsible Party disclosure is...
<ul style="list-style-type: none"> ■ Joint Venture ■ General Partnership ■ Limited Partnership (LP) ■ Limited Liability Partnership (LLP) ■ Limited Liability Limited Partnership (LLLLP) ■ Limited Liability Company (LLC) for Federal Purposes Taxed as Other Than Disregarded ■ Professional Limited Liability Company (PLLC) for Federal Purposes Taxed as Other Than Disregarded ■ Non-Profit Limited Liability Company (LLC) for Federal Purposes Taxed as Other Than Disregarded 	<p>Enter the partners'/members' information in questions 15 and 16. If partners/members are individuals, provide their Social Security Numbers. If partners/members are other businesses, provide their FEINs.</p> <p>If more than two partners/members, attach a separate sheet.</p> <p>Note: For any entity taxed as a partnership at least two partners/members must be listed.</p>
<ul style="list-style-type: none"> ■ Series of a Partnership ■ Series of a Limited Liability Company 	<p>Enter the information for the master Partnership or master Limited Liability Company, including FEIN, in question 15.</p> <p>If the Series of the LLC has managers, their full individual information can be entered in question 16. Attach a separate sheet for more LLC managers of the Series.</p>
<ul style="list-style-type: none"> ■ Estate 	<p>Enter the information for the estate administrator, including Social Security Number, in question 15.</p>
<ul style="list-style-type: none"> ■ Home Care Service Recipient (HCSR) 	<p>Enter the information, including FEIN, for the agent that has been designated to report, file, and pay employment taxes on the Service Recipient's behalf in question 15. The business title for the agent should be listed as "HCSR Agent".</p> <p>HCSR Agents are not liable for debts of the HCSR business and are processing agents only.</p>
<ul style="list-style-type: none"> ■ Protected Cell Company ■ Cell of a Protected Cell Company 	<p>Enter the officers' information, including Social Security Numbers in questions 15 and 16. If more than two officers, attach a separate sheet.</p> <p>Note: Information for the President is required. The information for an Officer must be for an individual and not another business.</p> <p>For a Cell of a Protected Cell Company, also provide the information for the Protected Cell Company under which the Cell was formed, including the FEIN for the Protected Cell Company.</p>

17. **Person to contact about this application**— Enter the name, title, daytime telephone number, extension, and e-mail address for the person to contact with questions about this application.

SECTION C—TELL US ABOUT YOUR BUSINESS OR ORGANIZATION—Answer questions 18 through 52 to determine accounts for which your business or organization is required to apply.

18. **Business Activity Description**—Give a description of the nature of your Kentucky business activity, including a description of any services provided and any products sold.

19. An employee is anyone to whom you pay wages, including part-time help and family members (See KRS 141.010, 103 KAR 18:010 and 103 KAR 18:070). Kentucky corporate officers who receive compensation, other than dividends, are legally considered employees for withholding purposes (see KRS 141.010).

20. Kentucky withholding is not required from wages of Kentucky residents that work entirely outside the state, but your business may choose to voluntarily register to withhold.

21. Kentucky withholding is not required from payments of pensions/retirements, but your business may choose to voluntarily register to withhold.

22. If your business is required to withhold federal tax on gaming payouts made to Kentucky residents, then it will also be required to withhold Kentucky tax. The business is required to obtain an Employer's Withholding Tax Account for reporting and paying the Kentucky withholding.

23. All businesses or organizations making regular and continuous sales of Tangible Property or Digital Property within Kentucky, including those via internet and at flea markets or antique malls, are required to register for a Sales and Use Tax Account.

Tangible Personal Property (KRS 139.010(33)) "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(9)) "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."

24. A repairer or reconditioner of tangible 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).
25. Charges, including labor charges, for producing, fabricating, processing, printing, or imprinting tangible property are subject to Sales and Use Tax (see 103 KAR 27:130 and 103 KAR 28:030).
26. Rental of tangible property or digital property is a taxable activity. Additionally, if you have formed a separate business to hold title to equipment, machinery, or other tangible property or digital property for lease back to another business you own, you will be required to charge Sales and Use Tax on those transactions (see 103 KAR 28:051).
27. In general, spectator admissions (for example: theaters, concerts, amusement parks, fairgrounds, baseball parks) are subject to Sales and Use Tax. Non-spectator admissions (for example: swimming pools, skating rinks, pay lakes) are not subject to Sales and Use Tax (see 103 KAR 28:010).
28. 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 (see KRS 139.010(27)(b)).
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. Any vendor who contracts to sell, install, or provide services to the Commonwealth of Kentucky or one of its agencies, is required to register for Kentucky Sales and Use Tax per KRS 45A.067, and collect and remit the Sales and Use Tax imposed by KRS Chapter 139. In order to complete the bidding process with the Commonwealth or one of its agencies, an original application applying for a Sales and Use Tax Account or a copy of your Sales and Use Tax Permit must be submitted with the bid packet. Failure to obtain the required account and remain in compliance with KRS Chapter 139 during the life of your contract may result in termination of your contract with the Commonwealth (see 200 KAR 5:390).
31. If you make sales into Kentucky and are an affiliate of a company who contracts to sell, install, or provide services to the Commonwealth, you are required to register for Kentucky Sales and Use Tax per KRS 45A.067 and collect and remit the Sales and Use Tax imposed by KRS Chapter 139.
32. 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 Commission to enhance the equine breeding industry in the state. Taxpayers who report sales tax on equine breeding fees are required to complete the Sales and Use Tax Equine Breeders Supplementary Schedule (Form 51A132) with their Sales and Use Tax returns per 103 KAR 27:240.

Note: Copies of this supplemental schedule are available at <http://revenue.ky.gov> or for more information contact the Division of Sales and Use Tax, Department of Revenue, P.O. Box 181, Station 53, Frankfort, Kentucky 40602, or call (502) 564-5170.

33. 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 <http://revenue.ky.gov> or for more information, contact the Division of Sales and Use Tax, Department of Revenue, P.O. Box 181, Station 53, Frankfort, Kentucky 40602, or call (502) 564-5170.

34. 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 and Use 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 <http://revenue.ky.gov>.

Note: For more information contact the Division of Sales and Use Tax, Department of Revenue, P.O. Box 181, Station 53, Frankfort, Kentucky 40602, or call (502) 564-5170.

35. Temporary rental of rooms, lodgings or accommodations by any hotel, motel, inn or tourist camp are subject to Sales and Use Tax (see KRS 139.200) and Transient Room Tax. The Transient Room Tax adds a one (1) percent tax of the rent in addition to the current 6 percent sales tax (see KRS 142.400). "Temporary" does not apply to rooms, lodgings, or accommodations supplied for a continuous period of thirty days or more to a person.

Note: For more information contact the Excise Tax Section, Department of Revenue, P.O. Box 1303, Station 62, Frankfort, Kentucky 40602-1303, or call (502) 564-6823.

36. Retail businesses which sell new tires for motor vehicles are subject to Sales and Use Tax and the Motor Vehicle Tire Fee.

Note: For more information contact the Excise Tax Section, Department of Revenue, P.O. Box 1303, Station 62, Frankfort, Kentucky 40602-1303, or call (502) 564-6823.

37. Per KRS 65.7621–.7643 and KRS 142.110, businesses meeting the requirements for the Commercial Mobile Radio Service (CMRS) Prepaid Service Charge are required to register with the Department. Receipts collected from the CMRS Prepaid Service Charge will be deposited into a fund which will be administered by the Kentucky 911 Services Board to establish, operate, and maintain 911 emergency services within Kentucky. Online filing for this fee will begin February, 2017 for the January, 2017 period and continue thereafter. To file and remit this fee, you must obtain a Kentucky Business One Stop User Name and Password and use the "Link My Business" process to obtain online access to your tax account(s). Visit the www.onestop.ky.gov, Online Business Services option to set up access on the One Stop once your account is assigned. If you do not have access to the internet, please contact the Division of Sales and Use Tax at (502) 564-5170 to discuss other filing options.

38. Businesses who perform manufacturing, industrial processing, mining, or refining who document that their cost of energy or energy-producing fuels exceeds 3 percent of the cost of production may submit an application for Energy Direct Pay (EDP) Authorization. Those businesses that choose to do so may also apply for the EDP Utility Gross Receipts License Tax (UGRLT) exemption. A Sales and Use Tax Account number must be obtained by all businesses who hold an EDP Authorization. Those businesses that are approved for the UGRLT EDP exemption are required to obtain a UGRLT account number to file and remit the UGRLT monthly returns electronically. You must attach a copy of your official UGRLT Exemption Authorization to this application.

39. Sales of water utilities, gas utilities, electricity or sewer services to nonresidential customers are subject to Sales and Use 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 and Use Tax, cable services, satellite broadcast services, internet protocol television services and communication services are subject to Telecommunications Tax (see KRS Chapter 136).

Also, cable services, internet protocol television services, communication services and the other utility services listed above are subject to Utility Gross Receipts License Tax (see KRS Chapter 160.613).

Providers of cable services, and internet protocol services should check Box F. Providers of satellite services should check Box G.

Communication services (KRS 136.602 and KRS 160.6131) include, but are not limited to: local and long distance telephone services; telegraph and teletypewriter services; pre-paid calling services and postpaid calling services; private communications services involving a direct channel specifically dedicated to a customer's use between specific points; channel services involving a path of communications between two (2) or more points; data transport services involving the movement of encoded information between points by means of any electronic, radio, or other medium or method; caller ID services, ring tones, voice mail, and other electronic messaging services; mobile wireless telecommunications service and fixed wireless service as defined in KRS 139.195; and voice over internet protocol (VOIP).

Note: For more information about Telecommunications Tax, contact the Division of Sales and Use Tax, Department of Revenue, P.O. Box 181, Station 53, Frankfort, Kentucky 40602, or call (502) 564-5170 (Option 2). For more information about Utility Gross Receipts License Tax, contact the Financial Tax Section, Department of Revenue, P. O. Box 181, Station 61, Frankfort, Kentucky 40602, or call (502) 564-4810 (see KRS 136.600-136.660 and KRS 160.613).

40. Per KRS 139.330, a 6 percent Use Tax is due if you make out-of-state purchases of tangible property or digital 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.

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, check this question "No". Do not complete the section to apply for a Consumer's Use Tax Account. You will need to complete Form 51A113(O), Consumer's Use Tax Return, to report and pay the applicable Use Tax. 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 <http://revenue.ky.gov>.

All professional service providers must apply for a Consumer's Use Tax Account.

41. For assistance, contact the Kentucky Secretary of State's Office at (502) 564-3490 or visit them online at <http://www.sos.ky.gov>.
42. A commercial domicile is the principal place from which the trade or business of the corporation is managed (see 103 KAR 16:240).
43. Owning or leasing property in this state means owning or leasing real or tangible property in Kentucky, including: maintaining an office or other place of business in Kentucky; maintaining in Kentucky an inventory of merchandise or material for sale, distribution or manufacture, or consigned goods, regardless of whether kept on the taxpayer's premises, in a public or rented warehouse, or otherwise; or owning computer software used in the business of a third party within Kentucky (see 103 KAR 16:240). See definition in instruction 23 for tangible property.
44. Corporations and Limited Liability Entities with individuals performing services in Kentucky are subject to Kentucky Corporation Income Tax and/or Limited Liability Entity Tax. The business is considered as performing services in Kentucky whether the services are provided directly by the business or indirectly by directing activity performed by a third party (see 103 KAR 16:240). Services do not include the mere solicitation of the sale of tangible personal property.
45. A Pass-Through Entity is any partnership, joint venture, S corporation, limited cooperative association, statutory trust, series of a statutory trust, limited partnership (LP), limited liability partnership (LLP), limited liability limited partnership (LLLLP), series of a partnership, limited liability company (LLC), professional limited liability company (PLLC), series of a limited liability company, or similar entity recognized by the laws of this state that is not taxed 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 a pass-through entity (see KRS 141.010) or otherwise derived from or attributable to sources in Kentucky.
46. Directing activities at Kentucky customers for the purpose of selling goods is taxable in Kentucky. This includes selling or soliciting orders for real property, intangible personal property, tangible property; or delivering merchandise inventory on consignment to its Kentucky distributors or dealers (see 103 KAR 16:240). Directing activities at Kentucky customers for the purpose of selling services, in addition to protected solicitation activities, is taxable in Kentucky (see 103 KAR 16:240).
47. Intangible property is subject to Kentucky Corporation Income Tax and/or Limited Liability Entity Tax (see 103 KAR 16:240).

For Corporation Income Tax, nothing in questions 41 through 47 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.

48. See instruction 45 for an explanation of pass-through entities.

- 49A-49B** If your pass-through entity has nonresident individual/corporate partner(s), individual/corporate member(s), or individual shareholder(s) that receive Kentucky distributive share income from your pass-through entity, check "Yes" to A and/or B.

Note: For tax years beginning on or after January 1, 2009, every pass-through entity required to file a return under KRS 141.206(2) shall withhold Kentucky income tax at the maximum rate provided in KRS 141.020 or 141.040 on the distributive share income, whether distributed or undistributed, of each: (i) nonresident individual (includes a nonresident estate or trust) 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. The withholding 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, on or before the 15th day of the fourth month after the close of the pass-through entity's taxable year, and shall include: (i) Form PTE-WH, Kentucky Nonresident Income Tax Withholding on Distributive Share Income, for each nonresident individual partner, member or shareholder and each corporate partner or member included in Form 740NP-WH; and (ii) remittance of the income tax due. A copy of Form PTE-WH shall be provided to each nonresident individual partner, member or shareholder and each corporate partner or member included in Form 740NP-WH.

50. - 51. 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 the Kentucky Department of Revenue **before** severing and/or processing coal in Kentucky (see KRS 143.030).

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.

52. 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 TAX ACCOUNT

53. **Existing Tax Account**—If an Employer's Withholding Tax Account number has already been assigned to this business, check "Yes" and list the account number in B.

If per Section A of the application your business was required to re-register for new accounts, or an Employer's Withholding Tax Account was never assigned to your business, check "No" and leave B blank.

54. **Number of Kentucky 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.

55. **Date Wages or Pensions First Paid**—Enter the date wages or pensions were or will be paid to employees.

56. **Estimated Total Annual Tax Withheld**—Check the estimated dollar amount of withholding you will be remitting to the Department of Revenue on an annual basis.

57. **Common Paymaster or Common Pay Agent**—If your business will report the withholding for your employees through an account issued to a Common Paymaster or Common Pay Agent instead of an account issued to your business, check "Yes" and attach a listing of the information for the Common Paymaster or Common Pay Agent you are contracted with to this application.

Common Paymaster—Two or more related corporations employing the same individual at the same time and paying this individual through one of the corporations which is designated as the "common paymaster". The common paymaster is responsible for filing information and tax returns and issuing Forms K-2 with respect to wages.

Common Pay Agent—An independent third party your business has contracted with for filing information and tax returns and issuing Forms K-2 on behalf of your business and for which you have filed federal Form 2678 Employer/Payer Appointment of Agent to appoint them as your agent.

58. **Send Mail Related to This Account to**—If your mailing address is the same as the Business Location Address listed on Page 2, then check the appropriate box. If the mailing address for this tax account is the same as a mailing address you entered in another application section, check the appropriate box and list which account address you wish to use.

If you want tax returns and correspondence to be sent somewhere else, complete the mailing address, city, state, ZIP Code, county (if in Kentucky), and the telephone number for this address in this section. **You may include a P. O. Box here.**

SECTION E—SALES AND USE TAX ACCOUNT (Including Transient Room Tax Account, Motor Vehicle Tire Fee Account, and Commercial Mobile Radio Service (CMRS) Prepaid Service Charge Account)

59. **Existing Tax Account**—If a Sales and Use Tax Account number has already been assigned to this business, check "Yes" and list the account number in B.

If per Section A of the application your business was required to re-register for new accounts, or a Sales and Use Tax Account was never assigned to your business, check "No" and leave B blank.

60. **Date Sales Began or Will Begin**—Give the date that sales, repairs, rentals, leases, lodgings, or admissions began or will begin in Kentucky.

61. **Estimated Gross Monthly Sales Tax Collected**—Check estimated amount of monthly sales tax collected in Kentucky.

62. **Additional Kentucky Locations**—If you have additional business locations in Kentucky, check "Yes". For each location, attach a listing of the information found in question 62B.

63. **Send Mail Related to This Account to**—If your mailing address is the same as the Business Location Address listed on Page 2, then check the appropriate box. If the mailing address for this tax account is the same as a mailing address you entered in another application section, check the appropriate box and list which account address you wish to use.

If you want tax returns and correspondence to be sent somewhere else, complete the mailing address, city, state, Zip Code, county (if in Kentucky), and the telephone number for this address in this section. **You may include a P. O. Box here.**

SECTION F—UTILITY GROSS RECEIPTS LICENSE TAX ACCOUNT

Note: Tax returns for Utility Gross Receipts License Tax are required to be filed online. See the application for the website address to use to register for online filing once your account has been assigned.

64. **Existing Tax Account**—If a Utility Gross Receipts License Tax Account number has already been assigned to this business, check "Yes" and list the account number in B.

If per Section A of the application your business was required to re-register for new accounts, or a Utility Gross Receipts License Tax Account was never assigned to your business, check "No" and leave B blank.

- 65. Date Sales of Utilities Began or Will Begin**—Give the date sales of communications, multichannel video programming services, and/or direct broadcast satellite services; water utilities; natural, artificial, or mixed gas; electricity; or sewer services began or will begin in Kentucky.
- 66. Telephone Number**—List the telephone number for the business.

SECTION G—TELECOMMUNICATIONS TAX ACCOUNT

Note: Tax returns for Telecommunications Tax are required to be filed online. See the application for the website address to use to register for online filing once your account has been assigned.

- 67. Existing Tax Account**—If a Telecommunications Tax Account number has already been assigned to this business, check “Yes” and list the account number in B.

If per Section A of the application your business was required to re-register for new accounts, or a Telecommunications Tax Account was never assigned to your business, check “No” and leave B blank.

- 68. Tangible Personal Property**—If your business has tangible personal property located in Kentucky, check “Yes”. See instruction 23 for a definition of tangible property.

Note: If you answered “Yes”, you are required to centrally file an annual property tax return titled Revenue Form 61A500(P) Personal Property Tax Forms and Instructions for Communications Service Providers & Multichannel Video Programming Service Providers. This return is due May 15 and is filed with the Office of Property Valuation, Division of State Valuation, Public Service Branch, Station 32, 4th Floor, 501 High Street, Frankfort, KY 40601-2103. For more information call 502-564-8175.

- 69. Date Sales of Communications Began or Will Begin**—Give the date sales of communications, multichannel video programming services, and/or direct broadcast satellite services began or will begin in Kentucky.
- 70. Telephone Number**—List the telephone number for the business.

SECTION H—CONSUMER’S USE TAX ACCOUNT

- 71. Existing Tax Account**—If a Consumer’s Use Tax Account number has already been assigned to this business, check “Yes” and list the account number in B.

If per Section A of the application your business was required to re-register for new accounts, or a Consumer’s Use Tax Account was never assigned to your business, check “No” and leave B blank.

- 72. Date Purchases Began or Will Begin**—Give the date that purchases of tangible property or digital property began or will begin.
- 73. Send Mail Related to This Account to**—If your mailing address is the same as the Business Location Address listed on Page 2, then check the appropriate box. If the mailing address for this tax account is the same as a mailing address you entered in another application section, check the appropriate box and list which account address you wish to use.

If you want tax returns and correspondence to be sent somewhere else, complete the mailing address, city, state, Zip Code, county (if in Kentucky), and the telephone number for this address in this section. **You may include a P. O. Box here.**

SECTION I—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 in order to conduct business within Kentucky. You may contact their office at (502) 564-3490, or visit their website at <http://www.sos.ky.gov> to determine your registration requirements.

- 74. Existing Tax Account**—If a Corporation Income Tax and/or a Limited Liability Entity Tax Account number has already been assigned to this business, check “Yes” and list the account number in B.

If per Section A of the application your business was required to re-register for new accounts, or a Corporation Income Tax or a Limited Liability Entity Tax Account was never assigned to your business, check “No” and leave B blank.

- 75. Entity Treated as a Division**—If your entity is not separately taxed and is instead federally treated as a division of a parent company, check “Yes” and select the division type in item B.
- 76. Mere Solicitation**—If you are an out-of-state entity, check if your activity in Kentucky is mere solicitation of the sale of tangible property which is protected under Public Law 86-272. Public Law 86-272 does not apply to the Limited Liability Entity Tax.
- 77. Date Activity Began for Out-of-State Entities**—Enter the date that your business or organization began business activities in Kentucky or began receiving pass-through income from Kentucky sources.
- 78. 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”, see **Exemption Table 1** and enter the appropriate code that matches your exemption type in item B.

If you select “Political Organization” in B, indicate in item C whether your entity is required to file federal Form 1120-POL.

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.

EXEMPTION TABLE 1	
EXEMPTION TYPE	CODE
Financial institution, as defined in KRS 136.500, except banker's banks organized under KRS 287.135 or KRS 286.3-135	2
Savings and loan association organized under the laws of this state and under the laws of the United States and making loans to members only	3
Bank for cooperatives	4
Production credit association	5
Insurance company, including farmers or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters (does not include insurance agencies)	6
Corporation or other entity exempt under Section 501 of the Internal Revenue Code	7
Religious, educational, charitable, or like corporation not organized or conducted for pecuniary profit	8
Corporation whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that: 1. The property consists of the final printed product, or copy from which the printed product is produced; and 2. The corporation has no individuals receiving compensation in this state as provided in KRS 141.120(8)(b)	9
Public service corporation subject to tax under KRS 136.120	10
Open-end registered investment company organized under the laws of this state and registered under the Investment Company Act of 1940	11
Any property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390	12
An alcohol production facility as defined in KRS 247.910	13
Real estate investment trust (REIT) as defined in Section 856 of the Internal Revenue Code	14
Captive real estate investment trust (Captive REIT)	15
Regulated investment company (RIC) as defined in Section 851 of the Internal Revenue Code	16
Real estate mortgage investment conduit (REMIC) as defined in Section 860D of the Internal Revenue Code	17
Personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code	18
Qualified investment partnership (QIP) as defined in KRS 141.206(15)	21
Cooperative described in Sections 521 and 1381 of the Internal Revenue Code (Select category below)	
Farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272	19A
Advertising cooperatives	19B
Purchasing cooperatives	19C
Homeowner's associations including those described in Section 528 of the Internal Revenue Code	19D
Political organizations as defined in Section 527 of the Internal Revenue Code	19E/F
Rural electric and rural telephone cooperatives	19G

79. Send Mail Related to This Account to—If your mailing address is the same as the Business Location Address listed on Page 2, then check the appropriate box. If the mailing address for this tax account is the same as a mailing address you entered in another application section, check the appropriate box and list which account address you wish to use.

If you want tax returns and correspondence to be sent somewhere else, complete the mailing address, city, state, Zip Code, county (if in Kentucky), and the telephone number for this address in this section. **You may include a P. O. Box here.**

SECTION J—KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME TAX ACCOUNT

80. Existing Tax Account—If a Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax Account number has already been assigned to this business, check “Yes” and list the account number in B.

If per Section A of the application your business was required to re-register for new accounts, or a Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax Account was never assigned to your business, check “No” and leave B blank.

81. Date First Nonresident Corporation or Individual Became a Partner, Member or Shareholder—Enter the date that your business or organization received its first Kentucky nonresident partner, member or shareholder.

82. Exempt Organizations—Indicate whether your business or organization is exempt from Kentucky Nonresident Income Tax Withholding on Distributive Share Income Tax by Kentucky statute. If “Yes”, see **Exemption Table 2** below and enter the appropriate code that matches your exemption type in item B.

EXEMPTION TABLE 2	
EXEMPTION TYPE	CODE
Financial institution, as defined in KRS 136.500, except banker’s banks organized under KRS 287.135 or KRS 286.3-135	2
Savings and loan association organized under the laws of this state and under the laws of the United States and making loans to members only	3
Bank for cooperatives	4
Production credit association	5
Insurance company, including farmers or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters (does not include insurance agencies)	6
Corporation or other entity exempt under Section 501 of the Internal Revenue Code	7
Religious, educational, charitable, or like corporation not organized or conducted for pecuniary profit	8
Corporation whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that: 1. The property consists of the final printed product, or copy from which the printed product is produced; and 2. The corporation has no individuals receiving compensation in this state as provided in KRS 141.120(8)(b)	9
Qualified Investment Partnership (QIP) as defined in KRS 141.206(15)	21
Publicly Traded Partnership as defined in KRS 141.0401(6)(r)	22
Qualified Subchapter S-Corporation Subsidiary (QSUB)	23

83. Send Mail Related to This Account to—If your mailing address is the same as the Business Location Address listed on Page 2, then check the appropriate box. If the mailing address for this tax account is the same as a mailing address you entered in another application section, check the appropriate box and list which account address you wish to use.

If you want tax returns and correspondence to be sent somewhere else, complete the mailing address, city, state, Zip Code, county (if in Kentucky), and the telephone number for this address in this section. **You may include a P. O. Box here.**

SECTION K—COAL SEVERANCE/PROCESSING TAX AND/OR COAL SELLER/PURCHASER CERTIFICATE ID NUMBER

84. Existing Tax Account—If a Coal Severance/Processing Tax Account number and/or a Coal Seller/Purchaser Certificate ID number has already been assigned to this business, check “Yes” and list the account number(s) in B and/or C.

If per Section A of the application your business was required to re-register for new accounts, or a Coal Severance/Processing Tax Account number or a Coal Seller/Purchaser Certificate ID number was never assigned to your business, check “No” and leave B blank.

85. Date Mining/Processing and/or Coal Brokering Began or Will Begin—Give the date mining/coal processing and/or coal brokering began or will begin in Kentucky.

86. Send Mail Related to This Account to—If your mailing address is the same as the Business Location Address listed on Page 2, then check the appropriate box. If the mailing address for this tax account is the same as a mailing address you entered in another application section, check the appropriate box and list which account address you wish to use.

If you want tax returns and correspondence to be sent somewhere else, complete the mailing address, city, state, Zip Code, county (if in Kentucky), and the telephone number for this address in this section. **You may include a P. O. Box here.**

**KENTUCKY INCOME TAX
FORMS REQUISITION**



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 _____

Name _____
 Address _____
 Address _____
 City, State & 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—2017 Estimated Tax Voucher	42A740-ES	
740-ES—Instructions	42A740-S4	
740-V—Kentucky Payment Voucher	42A740-S23	
Kentucky Individual Income Tax Installment Agreement Request	12A200	
Kentucky Extension Payment Voucher (Individual, General Partnership, or Fiduciary)	40A102	
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 Income and 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)	
720-ES—2017 Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher	41A720ES	
720-ES—Instructions	41A720ES(I)	
720SL—Extension of Time to File Kentucky Corporation/LLET Return	41A720SL	
720-V—Electronic Filing Payment Voucher	41A720-S12	

ENVELOPES	QUANTITY
Refund 6" x 9" Blue..... ➤	
Payment 6" x 9" Yellow..... ➤	
740-V—Individual Income Tax return payments..... ➤	
720-V—Electronic Corporate/LLET return payments..... ➤	
720-ES or 720SL—Corporate/LLET estimate or extension payment..... ➤	

Mail order form 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) or by calling (502) 564-3658.

