




★ NOTICE ★

Use forms provided by the Kentucky Department of Revenue or an approved computer-generated version of this year's income tax forms.

Where to Get Forms:

 **Write** to Forms
Department of Revenue
Frankfort, KY 40620

 **Call** (502) 564-3658

 **Go to www.revenue.ky.gov**
to download forms

Check our Web site at **www.revenue.ky.gov** to verify that the Department of Revenue has approved forms generated by your software package.

2019

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.

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JULY 2018

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 a Notice of Tax Due or the denial of a refund. 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 Notice of Tax Due, a reduction or denial of a refund, or a denial of a request for additional time to file a supporting statement; and
- ✓ tax laws and changes in tax laws so that you can comply with the law.

Protest and Appeal

You have the right to file a protest with the DOR if you disagree with a Notice of Tax Due, a reduction or denial of a refund, or a denial of a request for additional time to file a supporting statement. If you file a timely protest, you have a right to a conference to discuss the matter. If you are not satisfied with the Department's final ruling following your protest, you may appeal the final ruling to the Kentucky Claims Commission, Tax Appeals pursuant to KRS 131.110(5) and KRS 49.220 et. seq. (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 will be required to give your representative a power of attorney before the DOR can discuss tax matters with your authorized agent. See Form 20A100.

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 Claims Commission 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 and 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;
- ✓ 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 your 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 Tax Due, or if the DOR notifies you that a tax refund has been reduced or denied, or the DOR denies your request for additional time to file a supporting statement, you have the right to protest. To do so:

- ✓ submit a written protest within 60 days from the original notice date (or 45 days if the original notice date is prior to 07/01/2018); notice of refund reduction or denial, or denial of a request for additional time to file a supporting statement;
- ✓ 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 Tax Due or refund denial to support that your 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 Claims Commission. If you do not agree with the decision of the Kentucky Claims Commission, 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.

Printing costs paid from state funds.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE
10F100 (7-18)

What's New

STANDARD DEDUCTION—For 2019, the standard deduction is \$2,590.

INTERNAL REVENUE CODE UPDATE—HB 354 updated KRS 141.010(15) to change the Internal Revenue Code (IRC) reference date from December 31, 2017, to December 31, 2018, for purposes of computing corporation and individual income taxes. However, taxpayers who placed property into service after September 10, 2001, are required to compute Kentucky depreciation under IRC Section 168 and the expense deduction under IRC Section 179 according to provisions in effect on December 31, 2001.

INDIVIDUAL ESTIMATED TAX PAYMENTS

2019 estimated tax rules changed to generally follow federal guidelines for individuals:

- Four installments at 25% of the estimated tax due each;
 - April 15, June 15, September 15, and January 15 of the following tax year
- Allow Annualized Income Installments
- Declaration Penalty replaced with Estimated Tax Penalty

SCHEDULE A—ITEMIZED DEDUCTIONS

The following itemized deductions claimed on Schedule A have been restored for taxable years beginning on or after January 1, 2019:

- Investment Interest deduction under IRC Section 163
- Gambling loss deduction under IRC Section 165(d)

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 2019 threshold amount is \$12,490 for a family size of one, \$16,910 for a family of two, \$21,330 for a family of three, and \$25,750 for a family of four or more.

INCOME GAP TAX CREDIT—This credit is only available to taxpayers who are eligible to take the Family Size tax credit and have a family size of three or less. This credit was created for those taxpayers whose tax rate increased after HB 487 implemented a flat tax rate of 5%. This credit will be available for tax years 2019 and 2020.

SCHEDULE KNOL—Net operating losses generated on or after January 1, 2018, are limited to 80% of the taxable income, but any unused amount are available for carryforward indefinitely. Schedule KNOL must be completed if you are claiming a Kentucky Net Operating Loss deduction on Kentucky Schedule M.

YMCA YOUTH ASSOCIATION FUND—KRS 141.4425 allows an individual to contribute all or part of their refund to the YMCA Youth Association Fund. Designated funds provide scholarships to Kentucky schools and students attending the Kentucky Youth Assembly (KYA).

NEW WAY TO FILE—Kentucky is now offering a new way of filing your return free of charge. If you would like to fill out your Kentucky forms and schedules without software help or assistance you may use the new *KY File* website. The link to the *KY File* website can be found at www.revenue.ky.gov to file your current year return. This website is designed to be the simple electronic equivalent of a paper form. It will provide basic mathematical and error checks but unlike most software it does not ask about or explain tax situations. Your federal forms should be completed before accessing the new *KY File* website, you will have the option to submit the completed return electronically or print the return and mail it in.

CHARITABLE CONTRIBUTIONS—If you receive or expect to receive a state or local tax credit for making a charitable contribution, you must deduct the amount of the credit from the amount of the charitable contribution you claim on your tax return. You do not have to deduct the state or local credits if dollar-for-dollar the credit or fair market value of the property transferred is less than 15% of the charitable contribution (see Federal Publication 526 for additional information).

ADDRESS UPDATES—**For returns requesting a refund or returns with no payment mail to:**

KENTUCKY DEPARTMENT OF REVENUE
FRANKFORT KY 40618-0006

For returns with a payment mail to:

KENTUCKY DEPARTMENT OF REVENUE
FRANKFORT KY 40619-0008



Do not use the following addresses, which are no longer valid.

PO Box 856970
Louisville, KY 40285-6970

PO Box 856980
Louisville, KY 40285-6980

Reminders

TAX RATE—For tax years beginning on or after January 1, 2018, the individual income tax rate is a flat 5%.

KENTUCKY SCHEDULE M—Effective January 1, 2018, the following items can no longer be claimed as deductions.

- Deduction for premiums paid for health insurance coverage
- Deduction for premiums paid for long-term care insurance
- Master Tobacco Settlement payments
- Deduction for the value of property leasehold interests donated and used for homeless shelters.

KENTUCKY SCHEDULE A—Effective January 1, 2018, the following items can no longer be claimed as deductions.

- Investment interest (IRC Sec 163) (For tax year 2018 only)
- Taxes (IRC Sec 164)
- Casualty or theft losses (IRC Sec 165)
- Medical care expenses (IRC Sec 213)
- Moving expenses (IRC Sec 217)
- Gambling losses (IRC Sec 165) (For tax year 2018 only)
- Other miscellaneous deductions subject to the 2% floor (IRC Sec 67)

The following items can still be claimed as deductions.

- Home mortgage interest and points
- Charitable contributions
- Amortizable premium on taxable bonds (IRC Sec 171)
- Federal estate tax on income in respect of a decedent (IRC Sec 691)
- Repayments of more than \$3,000 under a claim of right (IRC Sec 1341)
- Unrecovered investment in an annuity (IRC Sec 72)
- Loss from other activities from Schedule K-1 (Form 1065-B, box 2)

The itemized deduction limitation schedule was repealed.

KENTUCKY SCHEDULE P—The pension exclusion decreased from \$41,110 to \$31,110. You are still entitled to exclude more than \$31,110 if you are retired from the federal government, the Commonwealth of Kentucky, or a Kentucky local government and a portion of your pension is attributable to federal or Kentucky government service performed prior to January 1, 1998.

PERSONAL TAX CREDITS—You are still allowed personal tax credits if you are 65 or over, blind, or in the Kentucky National Guard. All other personal tax credits were repealed.

INVENTORY TAX CREDIT—A nonrefundable and nontransferable income tax credit is allowed for ad valorem taxes timely paid on inventory described in KRS 132.020(1)(n) or 132.099 on or after January 1, 2018. The credit is phased-in as follows.

- 2018 – 25% of tax paid
- 2019 – 50% of tax paid
- 2020 – 75% of tax paid
- 2021 – 100% of tax paid

EXCESS BUSINESS LOSS LIMITATION—Federal/Kentucky income modifications may create differences in the excess business loss limitation. If your Kentucky business losses differ from your federal business losses, you will need to create a Kentucky Form 461 (See Kentucky Schedule M Instructions for additional information).

General Information

Which form should I file?

File Form 740 if you are a full-year Kentucky resident and meet the filing requirements in the Instructions for Form 740.

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.

File Form 740-NPR if you are a resident of a reciprocal state: Illinois, Indiana, Michigan, Ohio, Virginia, West Virginia and Wisconsin and you had Kentucky income tax withheld and had no other income from Kentucky sources.

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.

New Way to File—

Kentucky is now offering a new way of filing your return free of charge. If you would like to fill out your Kentucky forms and schedules without software help or assistance you may use the new *KY File* website to file your current year return. This website is designed to be the simple electronic equivalent of a paper form. It will provide basic mathematical and error checks but unlike most software it does not ask about or explain tax situations. Your federal forms should be completed before accessing the new *KY File* website.

Where to Get Forms

Forms and instructions are available online from the Department of Revenue's Website 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. This system is available 24 hours a day, 7 days a week, and is 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 requests 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 2019, 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 check the applicable deceased box at the top of the return.

If your spouse died in 2019 and you did not remarry in 2019, you can file jointly or separately on a combined return. The return should show your spouse's 2019 income before death and your income for all of 2019. You can also file jointly or separately on a combined return if your spouse died in 2020 before filing a 2019 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 141.019(k) 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 or she 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 2020

You may elect to increase your withholding by updating your K-4 with your employer. Or if you do not expect to have any tax liability for the current year or you meet the modified gross income requirement, you may be entitled to claim an exemption from withholding of Kentucky income tax.

2020 Estimated Tax 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 on Form 740-ES. However, if the amount of estimated tax is \$500 or less, no estimated payments are required. Individuals who do not prepay at least 90% of the tax to be shown on the 2020 tax return, or 100% of the tax shown on the 2019 tax return, may be subject to a penalty for underpayment of estimated tax. For more information on calculating the penalty, please refer to Form 2210-K. Prepayments for 2020 may be made through withholding, a credit forward of a 2019 overpayment or estimated tax installment payments.

Estimated tax installments may now be made electronically at www.revenue.ky.gov, 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 60 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.* For 2017 and later use form 740 and check the box for amended. For 2016 and prior, use Form 740-X. You may obtain these forms 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 forms at www.revenue.ky.gov the Department of Revenue's website.

Federal Audit Adjustments



Taxpayers who have received a final determination of an Internal Revenue Service audit must submit a copy to the department within 180 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 15 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 enclosed with the return.**

Individuals who receive a federal extension are not required to request a separate Kentucky extension. They can meet the requirements by enclosing 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)—Enclose 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).

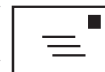
Interest and penalty charges can be avoided or reduced by sending payment with your extension request by the due date. If you wish to make a payment

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 740EXT, and send with payment. Write "KY Income Tax—2019" 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—2019" 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 State Treasury—Unclaimed Property

Individuals—The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit www.treasury.ky.gov or www.missingmoney.com for more information on how to locate and claim any funds that may belong to you.

Businesses—Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit treasury.ky.gov for more information.

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2019 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2018. 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:		Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
Commonwealth of Kentucky Retirement Systems	Taxable	
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 \$31,110 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. Capital Gains on Property Taken by Eminent Domain	Taxable	Exempt
11. Election Workers—Income for Training or Working at Election Booths	Taxable	Exempt
12. Artistic Contributions	Noncash contribution allowed as itemized deduction	Appraised value allowed as itemized deduction or adjustment to income
13. State Income Taxes	Deductible	Nondeductible
14. Leasehold Interest—Charitable Contribution	May be deductible	Deductible; Schedule HH required
15. Work Opportunity Credit (federal Form 5884)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; entire wage expense is deductible
16. 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
17. Child and Dependent Care Credit	Tax credit based on expenses	20% of federal credit
18. Family Size Tax Credit	No credit allowed	Decreasing tax credit allowed
19. Education Tuition Tax Credit	Tax credit based on expenses	Credit allowed Form 8863-K required
20. Child's Income Reported by Parent	Permitted; taxed at parent's rate	Not permitted
21. Active Duty Military Pay	Taxable	Exempt
22. Certain Business Expenses of Reservists	Deductible	Nondeductible
23. Moving Expenses for Members of the Armed Forces	Deductible	Nondeductible
24. Medical and Dental Expenses	Deductible	Nondeductible
25. Local Income Taxes	Deductible—limited	Nondeductible
26. Real Estate Taxes	Deductible—limited	Nondeductible
27. Personal Property Taxes	Deductible—limited	Nondeductible
28. Casualty and Theft Losses	Deductible	Nondeductible
29. Job Expenses and Other Miscellaneous Deductions	Nondeductible	Nondeductible

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INSTRUCTIONS

2019 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.

Chart A	
If Your Family Size is:	Your Modified Gross Income is greater than:
One.....	and \$12,490
Two.....	and \$16,910
Three.....	and \$21,330
Four or More	and \$25,750

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— Under age 65.....	and \$ 2,590
Single— Age 65 or over or blind.....	and \$ 3,390
Single— Age 65 or over and blind.....	and \$ 4,190
Taxpayer and Spouse— Both under age 65.....	and \$ 2,590
Taxpayer and Spouse— One age 65 or over	and \$ 3,390
Taxpayer and Spouse— Both age 65 or over	and \$ 4,190

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.

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.

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)

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 141.019(l).

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.

For Deceased Taxpayers—If a taxpayer died before filing a return for 2019, the person who files the return should check the applicable deceased box.

When and Where to File

The income tax return for calendar year 2019 must be postmarked or submitted electronically no later than April 15, 2020, to avoid penalties and interest. Mail to:

APRIL 2020						
S	M	T	W	T	F	S
			1	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
 Frankfort, KY 40618-0006

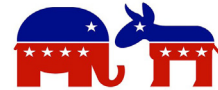
Pay Returns
 Kentucky Department of Revenue
 Frankfort, KY 40619-0008

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. Enclose 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(15) 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 the combined 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 enclosed wage and tax statements (Schedule KW-2). If you have income not supported by a wage and tax statement, enclose 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 6.

Line 8—Subtractions from Federal Adjusted Gross Income—Enter amount from Schedule M, Part II, line 17.

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 \$2,590. *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 \$2,590. If married filing separately on a combined return, enter \$2,590 in both Columns A and B. **If filing a joint return, only one \$2,590 standard deduction is allowed.**

Line 11—Subtract line 10 from line 9. This is your **Taxable Income**.

Tax

Line 12—Determining Your Tax

Tax Computation—Multiply line 11 by 5% (.05).

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." Enclose 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.

14

Line 15—Enter amounts from Schedule ITC, Section A, lines 24E and 24F. See instructions for Schedule ITC.

Line 17—Enter amounts from Schedule ITC, Section B.

NOTE: Use only if 65 or over, blind, or in Kentucky National Guard. See instructions for Schedule ITC.

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 \$34,248 or less, you may qualify for Kentucky Family Size Tax Credit.

Enter Family Size. See Schedule ITC for instructions.

Enter Family Size Tax Credit decimal amount determined from Family Size Tax Credit Table. See instructions for Schedule ITC.

Line 23, Education Tuition Tax Credit—Complete Form 8863–K to claim this credit. See form and instructions.

Line 24, Child and Dependent Care Credit—Enter in the space provided the amount of credit calculated on federal Form 2441, line 11, for child and dependent care expenses. Multiply this amount by 20 percent (.20), and enter result on line 24.

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 enclose federal Form 2441, state on the form “did not meet federal filing requirements” and follow instructions for line 24.

Line 25, Income Gap Tax Credit—The income gap tax credit is based on modified gross income (MGI) and the size of the family. See Schedule ITC for instructions.

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, digital property and extended warranties 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.	

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.	

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 website 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



Line 29, Amended returns only—Enter any overpayment received from your original return.

Line 31(a), Tax Withheld—Enter the amount of Kentucky income tax withheld as shown on your Schedule KW-2. **This schedule** must be enclosed with your return. It is no longer necessary to submit W-2s, 1099s, and W2Gs with your return. Please retain these forms with your records and provide upon request.

You will not be given credit for Kentucky income tax withheld unless you enclose the Schedule KW-2.

Employers are required to give these wage and tax statements to employees no later than January 31, 2020. 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 Schedule ITC, Section A, line 5.

Local government occupational, license or income tax must not be included on line 31(a).

Line 31(b), Estimated Tax Paid—Enter Kentucky estimated tax payments made for 2019 and amounts credited from the 2018 return.

Also, include on line 31(b) payments prepaid with extension requests. Identify as “prepaid with extension.”

Line 31(c), Refundable Certified Rehabilitation Credit—Enter 2019 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

Line 31(d), Amended Returns—Enter amount paid with original return plus additional payment(s) made after it was filed.

Line 32—Total of amounts on lines 31(a) through 31(d).

Line 33—Compare the amounts on lines 30 and 32. If line 30 is larger than line 32, subtract line 32 from line 30, enter additional tax due. This is your additional tax due before penalties and interest.

Penalties and Interest

Line 34(a), Estimated Tax Penalty—If the amount owed is more than \$500, you may be subject to a penalty for 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 claiming an exemption, complete Form 2210-K, enclose with your return and check the box beside line 34(a). Enter the amount of the penalty on line 34(a). The minimum penalty is \$25.

If your return is filed after April 15, 2020, or any tax due on the return is paid after April 15, 2020, you may be subject to additional penalties and interest.

Line 34(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 34(c), Late Payment Penalty—If the amount of tax due as shown on line 33 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 34(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 35, Total of amounts on lines 34(a) through 34(d).

Line 36, Amount You Owe—If the total of lines 30 and 35 is more than line 32, subtract line 32 from the total of lines 30 and 35. When filing the return, you must pay any tax due shown on line 36.

Your 2019 individual income tax 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 15, 2020. Kentucky accepts MasterCard, VISA, Discover or American Express. Access the Department of Revenue’s secure Website (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-2019” 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 15. Contact the Department of Revenue for additional payment information.

Line 37, Amount Overpaid—If you have an overpayment on line 37 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, Court Appointed Special Advocate Trust Fund, YMCA Youth Association Fund, and/or credit all or part of it toward your 2020 estimated tax.

Voluntary Refund Contributions

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 38(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 Nature Preserves 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 Nature Preserves, or c/o the Kentucky Department of Fish and Wildlife Resources, 300 Sower Blvd., 4th Floor, Frankfort, KY 40601.*



Help keep the Bluegrass state green!

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

Kentucky Nature Preserves:
<https://eec.ky.gov/Nature-Preserves/>

Line 38(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 Commonwealth. 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 Child Abuse and Human Trafficking Prevention and Prosecution, 1024 Capital Center Drive, Suite 200, Frankfort, KY 40601, or by visiting <https://icareaboutkids.ky.gov>. For more information call (502) 696-5312.*



Line 38(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 that provide direct benefits to Kentucky veterans, programs

such as shelters for homeless men and women veterans, therapy programs including those providing service dogs, equine therapy, and other specialized therapy programs designed to assist veterans suffering from Post-Traumatic Stress Disorder. *Contributions may also be made directly to the Kentucky Veterans' Program Trust Fund, 1111B Louisville Road, Frankfort, KY 40601.*

Line 38(d), Breast Cancer Research and Education Trust Fund—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 <https://chfs.ky.gov/agencies/dph/dwh/Pages/default.aspx>. *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 38(e), Farms to Food Banks Trust Fund—Contributions to this fund are used to offset farmers' costs for providing Kentucky grown and raised surplus agricultural commodities 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, 111 Corporate Drive, Frankfort, KY 40601, (502) 573-0282.*



Line 38(f), Local History Trust Fund—Contributions to this fund support grants for local history organizations—museums, 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 38(g), Special Olympics Kentucky—Contributions will help Special Olympics Kentucky provide confidence and self-esteem building sports programs for more than 10,000 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 38(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 38(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 Kentucky Association of Sexual Assault Programs (KASAP), P. O. Box 4028, Frankfort, KY 40604, (502) 564-9433. Additional information on how to access services or programs can be viewed at www.kasap.org*

Line 38(j), Court Appointed Special Advocate Trust Fund—Contributions to this fund are used to support and strengthen the local Court Appointed Special Advocate (CASA) programs in Kentucky, where more than 1,100 trained volunteers advocate for the best interests of abused and neglected children. The trust fund is used to expand capacity of local CASA programs that train and recruit Kentucky's citizens who will advocate for abused and neglected children involved in Kentucky's court system. *Contributions may also be made directly to Kentucky CASA Network, 1640 Lyndon Farm Court, Suite 108, Louisville, KY 40223. Help support Kentucky's most vulnerable children. For more information about the KCN, call (502) 238-2154 or visit www.kentuckycasanetwork.org*

Line 38(k), Kentucky YMCA Youth Association Fund—Kentucky YMCA Youth Association is the largest Youth and Government program provider in the nation. 100% of contributions will go directly to provide scholarships to Kentucky schools and students attending the Kentucky Youth Assembly (KYA): an in-depth experiential learning program in which middle and high school students participate as state officials in simulated state-level legislative, advocacy, and courtroom proceedings. As a completely student-led and run program, KYA participants experience first-hand the workings of all branches of state government, and leave with increased knowledge, skills, and confidence to be active and effective participants in their communities. *Contributions may be made directly to the Kentucky YMCA Youth Association 91 C. Michael Davenport Blvd. Frankfort, KY 40601 or at www.kyymca.org/give.*

Line 39, Total of amounts on lines 38(a) through 38(k).

Line 40, Estimated Tax—You may credit all or part of the overpayment toward your estimated tax liability for 2020. Enter the amount you want credited on line 40. Credit forwards are not available on amended returns.

Line 41, Refund—Subtract amounts entered on lines 39 and 40 from line 37. Enter the difference, if any, on line 41. This amount will be refunded to you. If the total of lines 39 and 40 equals the amount on line 37, enter a zero on line 41.

Taxpayers may elect to receive their refund on a Bank of America Prepaid Debit Card (not available for amended returns). See Disclosure information on pages 29 and 30.

COPY OF FEDERAL RETURN

You must enclose a complete copy of your federal return if you received farm, business, or rental income or loss.

Check the box on Form 740, page 3 if you are not required to enclose a copy of your federal return.

SIGN RETURN

Be sure to sign on page 3 after completion 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. Check the box if you will allow the Department of Revenue to discuss your return information with your preparer.

Instructions for Schedule ITC

You must file Schedule ITC if you have:

- nonrefundable business incentive credits
• Personal tax credits (65 or over, blind or in Kentucky National Guard)
• qualifying dependent children and are claiming the Family Size tax credit and/or the Income Tax Gap credit.

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 allows 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 enclosed with 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 or 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 Schedule ITC, 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 Schedule ITC, Section A, line 2—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 enclosed with 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.

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 website 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**. As per KRS 141.070(3) "state" means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States.

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 enclosed 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.

Credit for Taxes Paid to Other State Worksheet

Kentucky residents/part-year residents only. Complete a separate worksheet for each state.



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 or 740-NP, line 13... _____
2. List any gambling losses from Schedule A _____
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 Schedule ITC, 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 2018 or during 2019, 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 enclosed with 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 enclosed with 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. Enclose 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, 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 enclose Schedule QR, Qualified Research Facility Tax Credit.

Line 10, 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 enclose a copy to the return to claim this credit. Shareholders and partners should enclose 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 11, 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 224.1-400 or 405 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 enclosed.

Line 12, 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 enclosed with the tax return claiming this credit.

Line 13, 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.

Line 14, 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 15, 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 16, 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 enclosed with your return.

Line 17, 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. You may need to reduce your Schedule A contribution by the amount of the ENDOW credit. See instructions for Schedule A.

A taxpayer shall enclose 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 enclose 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 18, 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 19, Food Donation Credit—Enter any unused credit from a prior year.

Line 20, 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 2018, the distilled spirits credit is equal to eighty percent (80%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis on or after January 1, 2018. For more information, see KRS 141.389.

Line 21, 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.

Line 22, Film Industry Tax Credit—For applications approved on or after April 27, 2018, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to 148.546. KRS 141.383

Line 23, Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable income tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% on 2021 and thereafter. KRS 141.408

SECTION B—PERSONAL TAX CREDITS

Complete this section only if you are 65 or over, blind or in the Kentucky National Guard.

SECTION C—FAMILY SIZE TAX CREDIT AND INCOME GAP CREDIT

Complete this section if you are: (1) single and have a family size greater than one; (2) married, filing separately on a combined return or married, filing a joint return and have a family size greater than two; or (3) married filing separate returns and have a family size greater than two.

You must enter each dependents' name, social security number and relationship that qualify to be included in 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.

DETERMINE MODIFIED GROSS INCOME

Use worksheet to compute Modified Gross Income. Modified Gross Income along with your family size will be used to determine your credit percentage on the Family Size Tax Table and your Income Gap Tax Credit.

WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT AND INCOME GAP TAX CREDIT

- (a) Enter your federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, 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 from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). **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 Form 740, page 1, line 9 (Form 740-NP, 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 Form 740, page 1, line 9 (Form 740-NP, 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 and Income Gap Tax Credit (j) _____

FAMILY SIZE TABLE

Once you have determined your family size and your modified gross income you will use the Family Size table located on the Schedule ITC to determine your family size credit percentage and your income gap tax credit.

Example 1: A taxpayer is filing single, has one qualifying dependent child and their Modified Gross Income is \$21,350. This taxpayer has a family size of two and would be entitled to a family size tax credit of 30% (.30) and an Income Gap Tax credit of \$27.

Example 2: A taxpayer and spouse are filing married, filing a joint return and they have two qualifying dependent children and their modified gross income is \$26,000. They would have a family size of four, and would be entitled to a family size tax credit of 90% (.90) and they would not have an income gap tax credit.

**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 resident adjustment from Kentucky Schedule K-1. Partners, beneficiaries of estates and trusts and S corporation shareholders, see Kentucky Schedule K-1 instructions.

Line 3—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 12 for additional instructions.

Line 4—Enter federal net operating loss reported on Schedule 1, line 8 of 2019 federal Form 1040 or 1040–SR.

Line 5—Enter other additions to federal adjusted gross income not listed above (enclose detailed schedule).

Include:

- Reservists and National Guard expenses reported on federal Form 1040 or 1040–SR, Schedule 1, line 11;
- 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;
- differences in gains (losses) from the sale of depreciable property placed in service after September 10, 2001;
- moving expenses for members of the armed forces on federal Form 1040 or 1040–SR, Schedule 1, line 13; and
- Kentucky excess business loss deduction (see excess business loss limitation for line 14).

Note: Before entering the difference on line 5 you must take into account any addition or subtraction affecting the at-risk limitations. See instructions for line 14.

Line 6, Total Additions—Add lines 1 through 5. Enter on line 6 and on Form 740, page 1, line 6.

Subtractions from Federal Adjusted Gross Income

Line 7—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 8—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 9, Pension Income Exclusion—The 2019 exclusion amount is 100 percent of taxable retirement benefits or \$31,110, 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 9, 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 or 1040–SR, line 4(b) or 4(d)..... (a)		
(b) Enter disability retirement benefits on Form 1040 or 1040–SR, line 1 (b)		
(c) Enter deferred compensation reported on Form 1040 or 1040–SR, line 1 (c)		
(d) Add lines (a), (b) and (c)..... (d)		
Step 2. Line (d) is \$31,110 or less. Enter the amount from line (d) on Schedule M, line 9.		
Step 3. Line (d) is more than \$31,110. 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 \$31,110 on Schedule M, line 9.		
If you answered yes, you must complete Schedule P to determine your pension exclusion.		

Line 10—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 or 1040–SR, line 5(b).

Line 11—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 12—Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets—Important: Use Schedule M, lines 3 and 12 **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. **Enclose the created Kentucky Form 4562** to Form 740 and enter the amount of Kentucky depreciation from line 22 on line 12.

Line 13, Enter Active Duty Military Pay—Enter active duty military pay included on Form 740, page 1, line 5. All military pay received by members of the Armed Forces while on active duty can be excluded. Active duty is defined in KRS 141.175.

Line 14—Enter other subtractions from federal adjusted gross income not listed above (enclose detailed schedule). Include:

- 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;
- income of military personnel killed in the line of duty; and
- federal excess business loss deduction.

Excess Business Loss Limitation—Federal/Kentucky income modifications may create differences in the excess business loss limitation. Create a Kentucky Form 461 if your Kentucky business losses differ from federal business losses. Create a Kentucky Form 461 by entering Kentucky at the top center of the federal Form 461. Recalculate Form 461 using Kentucky figures. Enter your federal Form 461, line 16 as an other subtraction on Kentucky Schedule M, line 14. Enter your Kentucky form 461, line 16 as an other addition on Kentucky Schedule M, line 5. Please note this subtraction as “excess business loss.”

The Kentucky excess business loss will be added to your net operating loss (NOL) carryforward.

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. **Enclose 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 5 or line 14.

Line 16, Kentucky Net Operating Loss—Enter Kentucky net operating loss calculated from prior years using Kentucky Schedule KNOL.

Net operating losses generated on or after January 1, 2018, are limited to 80% of the Kentucky taxable income without regard to the net operating loss, but any unused amounts are available for carryforward indefinitely. Schedule KNOL must be completed if you are claiming a Kentucky net operating loss deduction on Kentucky Schedule M. See Schedule KNOL instructions.

Note: If your net operating loss occurred in 2019, complete Part I of Kentucky Schedule KNOL to determine the amount of loss to be carried forward in any future years. Retain a copy for your records and enclose a copy with your return.

Line 17, Total Subtractions—Add lines 15 and 16. Enter on line 17 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 \$2,590, it will benefit you to itemize. If you do not itemize, you may elect to take the standard deduction of \$2,590.

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.

Lines 1 through 5—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 1—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 2—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 3—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 2019. 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 4, 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 enclose 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 2018.

Lines 6 through 10—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 60 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 expect to receive any state or local tax credit for a contribution made.

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.

Contributions for which you receive any state or local tax credit of more than 15% of the contribution.

Line 6—Enter all of your contributions paid by cash or check (including out-of-pocket expenses).

Line 7—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 enclose 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. Enclose 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 8—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 enclosed with the tax return.

- (c) The contribution must be made to a qualified organization as described in this section.

Line 9—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 11, Gambling Losses—You may deduct gambling losses to the extent of your winnings reported on Form 1040 or 1040-SR, Schedule 1, line 8.

Line 12—Other Miscellaneous Deductions

Use this line to report miscellaneous deductions. Only the expenses listed below can be deducted on line 12.

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.

List the type and amount of each expense. Enter one total on line 12. For more information on these expenses, see federal Publication 529.

Line 14—Total Itemized Deductions

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 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.

Instructions for Form 2210-K

General Instructions

Purpose of Form—To determine if you owe an underpayment of estimated tax penalty.

Who Must File Form 2210-K—In general, you may owe a penalty for 2019 if you owe more than \$500 and if the total of your withholding and timely estimated tax payments didn't equal at least the smaller of:

1. 90% of your 2019 tax, or
2. 100% of your 2018 tax. Your 2018 tax return must cover a 12-month period.

Part I—Exceptions to the Penalty—You may not owe a penalty if one of the exceptions below are 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 34(a) (Form 740-NP, line 34(a)). If none of the exceptions apply, go to Part II.

Exceptions:

- You had no liability for 2018, you were a U.S. Citizen or resident alien for the entire year (or an estate of a domestic decedent or a domestic trust), and your 2018 tax return (or would have been required to file) was for a full 12 months.
- The tax shown on the 2019 return minus the amount of tax you paid through withholding, estimated payments, and refundable credits is less than \$500.
- Your gross income from farming or fishing is at least two-thirds of your annual gross income from all sources for 2018 or 2019 and you paid the entire tax due by March 2, 2020.
- You're filing a decedent's estate return for any tax year ending before the date that is two years after the decedent's death.
- You're filing a trust return for a trust that was owned by a decedent for any tax year ending before the date that is two years after the decedent's death.

Part II—Required Annual Payment

Lines 1–8—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. The required annual payment is the lesser of: (1) 90% of your income tax liability after refundable credits are applied or (2) 100% of the tax shown on your 2018 tax return (2018 Form 740 or Form 740-NP, page 1, line 26 or Form 741, line 20).

Line 9—Multiply line 8 by 25 percent (.25) and enter in columns A through D, or if you used the annualized income installment method in Part III, enter the amount from Part III, line 20 into the appropriate columns. To use the annualized income installment method complete Part III.

Line 10—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 11 through 18 for Column A before going to Column B, etc.

Line 11—Enter amount from line 18 of the previous column. This amount should be the overpayment if any from the previous column.

Line 13—Enter amount from line 17 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 17—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 Penalty—The penalty will be calculated on each underpayment in each column from the payment due date written above line 9 to the date on line 19 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 the penalty on that balance.

Line 19—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 20—This is the number of days from the payment due date shown above line 9 to the date the amount on line 17 was paid or the date shown on line 19 for the column in which you are calculating penalty.

For example, if your underpayment on line 17 for column A is \$1,000, you would calculate the penalty from 4–15–19 to 6–15–19 and enter 61 days on line 20. If this \$1,000 remains unpaid, it will be added to any underpayment in column B and you would calculate interest from 6–15–19 until 9–15–19 which would be 92 days for that period, etc.

Line 21—The annual percentage rate is established by the Department of Revenue for each calendar year. The percentage rate for calendar years 2019 and 2020 is 7 percent. The penalty calculation for the required third installment payment may be calculated using two different rates.

Part III—Annualized Income Installment Method

If your income varied during the year you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. For example, you operated your business on a seasonal basis or you had a large capital gain late in the year. Note: If you use Part III for any payment due dates, you must use it for all payment due dates.

Line 1—For each period (column), figure your total income minus your adjustments to income. Include your share of partnership or S corporation income or loss items for the period.

Line 2—Estates and trusts don't use the amounts shown in columns (a) through (d). See Federal instructions.

Line 6—If you itemized deductions, multiply line 4 of each column by line 5 and enter the result on line 6.

Line 7—Enter the standard deduction amount of \$2,590.

Line 10—Form 740 or 740-NP filers, enter -0- in each column. Estates and trusts see federal instructions.

Instructions for Form 8863-K

Purpose of Form—Use Form 8863-K to calculate and claim your 2019 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, line 22.

Line 14—Enter the amount from page 3, 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 2019 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 2019 to 2020. 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 Department of Revenue Tax Refund Prepaid Debit Card Fee Disclosure and Other Important Disclosures*

You do not have to receive your payments on this benefits card. Ask the benefits office about other ways to receive your benefits.			
Monthly fee	Per purchase	ATM withdrawal	Cash reload
\$0	\$0	\$0 in-network \$1.25** out-of-network	N/A
ATM balance inquiry			\$0
Customer service			\$0 per call
Inactivity			\$0
We charge 7 other types of fees. Here are some of them:			
Replacement card, express delivery			\$12.50
Replacement card, international			\$12.50
<p>* This document entitled 'Fee Disclosure and Other Important Disclosures' is included with, and incorporated in, the Kentucky Department of Revenue Tax Refund Prepaid Card Account Agreement.</p> <p>** Fees can be lower depending on how and where this card is used.</p> <p>See the materials you received with your card for free ways to access your funds and balance information.</p> <p>No overdraft/credit feature.</p> <p>Your funds are eligible for FDIC insurance.</p> <p>For more information about prepaid cards, visit cfpb.gov/prepaid.</p> <p>Find details and conditions for all fees and services in the cardholder agreement.</p> <p>The Kentucky Department of Revenue Tax Refund Prepaid Debit Card is issued by Bank of America. There is no fee to purchase or activate this card.</p>			

Rev 1/19

DPP-047830



List of all fees for Kentucky Department of Revenue Tax Refund Prepaid Debit Card

All fees	Amount	Details
Spend money		
Per purchase with PIN	\$0	
Per purchase with signature	\$0	
Get cash in the U.S.		
ATM withdrawal, in-network	\$0	"In Network" refers to Bank of America or Allpoint ATMs. Locations can be found at www.bankofamerica.com/kydordebitcard . You will not be charged a fee by Bank of America or Allpoint.
ATM withdrawal, out-of-network	\$1.25	"Out of Network" refers to all the ATMs outside of Bank of America or Allpoint ATMs. You may also be charged a fee by the ATM operator even if you do not complete a transaction.*
Bank teller cash withdrawal	\$5.00	You will be charged this fee after 1 free each month. Available at financial institutions that accept Visa cards. Limited to available balance only.
Emergency cash transfer, domestic	\$15.00	All emergency cash transfers must be initiated through the Prepaid Debit Card Customer Service Center.
Information		
Customer service	\$0	
Online account information	\$0	
ATM balance inquiry	\$0	
Using your card outside the U.S.		
Each international transaction	2.5%	Of total U.S. dollar amount of transaction
International ATM withdrawal	\$3.00	This is our fee. You may also be charged a fee by the ATM operator even if you do not complete a transaction.
Other		
Online funds transfer	\$0	
Replacement card, domestic	\$3.00	You will be charged this fee after 1 free each year.
Replacement card, express delivery	\$12.50	Additional charge
Replacement card, international	\$12.50	Additional charge
Inactive account	\$0	

* ATM owners may impose an additional "convenience fee" or "surcharge fee" for certain ATM transactions (a sign should be posted at the ATM to indicate additional fees); however, you will not be charged any additional convenience fee or surcharge fee at a Bank of America ATM or Allpoint ATM. A Bank of America ATM or AllPoint ATM means an ATM that prominently displays the Bank of America or Allpoint name and logo.

Your funds are eligible for FDIC insurance. Your funds are insured up to \$250,000 by the FDIC in the event Bank of America, N.A. fails, if specific deposit insurance requirements are met. See fdic.gov/deposit/deposits/prepaid.html for details.

No overdraft/credit feature.

Contact Bank of America by calling 1.866.420.6353, 1.866.656.5913 (TTY), or 1.423.262.1650 (Collect, when calling outside the U.S.), by mail at Bank of America, P.O. Box 8488, Gray, TN 37615-8488, or visit www.bankofamerica.com/kydordebitcard.

For general information about prepaid accounts, visit cfpb.gov/prepaid.

If you have a complaint about a prepaid account, call the Consumer Financial Protection Bureau at 1.855.411.2372 or visit cfpb.gov/complaint.

 To learn about Bank of America's environmental goals and initiatives, go to bankofamerica.com/environment.

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CCI-10-18-0309.K

What's New

STANDARD DEDUCTION—For 2019, the standard deduction is \$2,590.

INTERNAL REVENUE CODE UPDATE—HB 354 updated KRS 141.010(15) to change the Internal Revenue Code (IRC) reference date from December 31, 2017, to December 31, 2018, for purposes of computing corporation and individual income taxes. However, taxpayers who placed property into service after September 10, 2001, are required to compute Kentucky depreciation under IRC Section 168 and the expense deduction under IRC Section 179 according to provisions in effect on December 31, 2001.

INDIVIDUAL ESTIMATED TAX PAYMENTS

2019 estimated tax rules changed to generally follow federal guidelines for individuals:

- Four installments at 25% of the estimated tax due each;
April 15, June 15, September 15, and January 15 of the following tax year
- Allow Annualized Income Installments
- Declaration Penalty replaced with Estimated Tax Penalty

SCHEDULE A—ITEMIZED DEDUCTIONS

The following itemized deductions claimed on Schedule A have been restored for taxable years beginning on or after January 1, 2019:

- Investment Interest deduction under IRC Section 163
- Gambling loss deduction under IRC Section 165(d)

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 2019 threshold amount is \$12,490 for a family size of one, \$16,910 for a family of two, \$21,330 for a family of three, and \$25,750 for a family of four or more.

INCOME GAP TAX CREDIT—This credit is only available to taxpayers who are eligible to take the Family Size tax credit and have a family size of three or less. This credit was created for those taxpayers whose tax rate increased after HB 487 implemented a flat tax rate of 5%. This credit will be available for tax years 2019 and 2020.

SCHEDULE KNOL—Net operating losses generated on or after January 1, 2018, are limited to 80% of the taxable income, but any unused amount are available for carryforward indefinitely. Schedule KNOL must be completed if you are claiming a Kentucky Net Operating Loss deduction on Kentucky Schedule M.

YMCA YOUTH ASSOCIATION FUND—KRS 141.4425 allows an individual to contribute all or part of their refund to the YMCA Youth Association Fund. Designated funds provide scholarships to Kentucky schools and students attending the Kentucky Youth Assembly (KYA).

NEW WAY TO FILE—Kentucky is now offering a new way of filing your return free of charge. If you would like to fill out your Kentucky forms and schedules without software help or assistance you may use the new *KY File* website. The link to the *KY File* website can be found at www.revenue.ky.gov to file your current year return. This website is designed to be the simple electronic equivalent of a paper form. It will provide basic mathematical and error checks but unlike most software it does not ask about or explain tax situations. Your federal forms should be completed before accessing the new *KY File* website, you will have the option to submit the completed return electronically or print the return and mail it in.

CHARITABLE CONTRIBUTIONS—If you receive or expect to receive a state or local tax credit for making a charitable contribution, you must deduct the amount of the credit from the amount of the charitable contribution you claim on your tax return. You do not have to deduct the state or local credits if dollar-for-dollar the credit or fair market value of the property transferred is less than 15% of the charitable contribution (see Federal Publication 526 for additional information).

ADDRESS UPDATES—**For returns requesting a refund or returns with no payment mail to:**

KENTUCKY DEPARTMENT OF REVENUE
FRANKFORT KY 40618-0006

For returns with a payment mail to:

KENTUCKY DEPARTMENT OF REVENUE
FRANKFORT KY 40619-0008



Do not use the following addresses, which are no longer valid.

PO Box 856970
Louisville, KY 40285-6970

PO Box 856980
Louisville, KY 40285-6980

Reminders

TAX RATE—For tax years beginning on or after January 1, 2018, the individual income tax rate is a flat 5%.

KENTUCKY SCHEDULE M—Effective January 1, 2018, the following items can no longer be claimed as deductions.

- Deduction for premiums paid for health insurance coverage
- Deduction for premiums paid for long-term care insurance
- Master Tobacco Settlement payments
- Deduction for the value of property leasehold interests donated and used for homeless shelters.

KENTUCKY SCHEDULE A—Effective January 1, 2018, the following items can no longer be claimed as deductions.

- Investment interest (IRC Sec 163) (For tax year 2018 only)
- Taxes (IRC Sec 164)
- Casualty or theft losses (IRC Sec 165)
- Medical care expenses (IRC Sec 213)
- Moving expenses (IRC Sec 217)
- Gambling losses (IRC Sec 165) (For tax year 2018 only)
- Other miscellaneous deductions subject to the 2% floor (IRC Sec 67)

The following items can still be claimed as deductions.

- Home mortgage interest and points
- Charitable contributions
- Amortizable premium on taxable bonds (IRC Sec 171)
- Federal estate tax on income in respect of a decedent (IRC Sec 691)
- Repayments of more than \$3,000 under a claim of right (IRC Sec 1341)
- Unrecovered investment in an annuity (IRC Sec 72)
- Loss from other activities from Schedule K-1 (Form 1065-B, box 2)

The itemized deduction limitation schedule was repealed.

KENTUCKY SCHEDULE P—The pension exclusion decreased from \$41,110 to \$31,110. You are still entitled to exclude more than \$31,110 if you are retired from the federal government, the Commonwealth of Kentucky, or a Kentucky local government and a portion of your pension is attributable to federal or Kentucky government service performed prior to January 1, 1998.

PERSONAL TAX CREDITS—You are still allowed personal tax credits if you are 65 or over, blind, or in the Kentucky National Guard. All other personal tax credits were repealed.

INVENTORY TAX CREDIT—A nonrefundable and nontransferable income tax credit is allowed for ad valorem taxes timely paid on inventory described in KRS 132.020(1)(n) or 132.099 on or after January 1, 2018. The credit is phased-in as follows.

- 2018 – 25% of tax paid
- 2019 – 50% of tax paid
- 2020 – 75% of tax paid
- 2021 – 100% of tax paid

EXCESS BUSINESS LOSS LIMITATION—Federal/Kentucky income modifications may create differences in the excess business loss limitation. If your Kentucky business losses differ from your federal business losses, you will need to create a Kentucky Form 461 (See Kentucky Schedule M Instructions for additional information).

INSTRUCTIONS FOR 2019 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 10.

Individuals who are residents of Kentucky for the entire tax year must use Form 740. 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 141.019(1))

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— Effective for tax years beginning 2018 and after, the Veterans Benefits and Transition Act allows the same tax 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. This new law expands those rights originally granted to military spouses beginning tax year 2009 under the Military Spouse Residency Relief Act (MSRRA), by now allowing military spouses to choose the same state of legal residence as their servicemember for tax purposes, regardless of whether the military spouse has ever lived in that state.

A military spouse’s income is not taxable to Kentucky if all of these requirements are met:

- the active duty servicemember is present in Kentucky in compliance with military orders;
- the military spouse is in Kentucky solely to be with the active duty servicemember; and
- the active duty servicemember maintains legal residence in a state other than Kentucky and the military spouse chooses to claim that same state as his/her state of legal residence, too.

If the servicemember’s spouse qualifies for military spouse relief but his or her employer withholds income tax, he or she should file Form 740-NP Kentucky Individual Income Tax Nonresident or Part-Year Resident Return to request a refund of Kentucky income tax withheld. Please check the box labeled “Military Spouse”. Your income will not be reported as taxable on the Kentucky income tax return. A military spouse who meets all of the requirements for his/her income to not be taxable to Kentucky should file a new Form K-4 with his or her employer to claim the exemption from withholding of Kentucky income tax for future years.

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.

Chart A	
If Your Family Size is:	Your <i>Modified Gross Income</i> is greater than:
One.....	and \$ 12,490
Two	and \$ 16,910
Three.....	and \$21,330
Four or More	and \$ 25,750

WHEN TO FILE—April 15, 2020, is the filing deadline for persons reporting income for calendar year 2019. To avoid penalties and interest, returns must be postmarked no later than April 15, 2020.

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 enclose 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 enclose 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. Enclose 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(15) 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.

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, Column B, Lines 1 through 31.

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

INCOME/ADJUSTMENTS TO INCOME

A copy 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. **Enclose 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—Any payments made to you or on your behalf by any employer for moving expenses are considered income. These payments may be included in box 1 as wages or 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. 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). Use the following worksheet to calculate the taxable percentage of your reimbursement.

Moving Expense Reimbursement Worksheet

1. Enter total Kentucky earned income (do not include moving expense reimbursement) _____
2. Enter total earned income from federal return (do not include moving expense reimbursement) _____
3. Divide line 1 by line 2. Enter result. If amount is equal to or greater than 100%, enter 100% _____%

Multiply your total federal reimbursement in Column A by the percentage on line 3 of the worksheet and enter in Column B. This is your Kentucky taxable portion of your moving expense reimbursement.

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 enclose 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 (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).

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. **Enclose 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 \$31,110 of pension income per taxpayer **reported on line 10(a), Column B**. If Line 10(a), Column B, is more than \$31,110 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 (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).

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.

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—Net operating losses generated on or after January 1, 2018, are limited to 80% of the Kentucky taxable income without the net operating loss, but any unused amounts are available for carryforward indefinitely. Schedule KNOL, Part II must be completed if you are claiming a Kentucky net operating loss deduction.

Note: If your net operating loss occurred in 2019, complete part I of Kentucky Schedule KNOL to determine the amount of loss to be carried forward in any future years. Keep a copy with your records and enclose a copy with your return.

Excess Business Loss Limitation—Federal/Kentucky income modifications may create differences in the excess business loss limitation. Create a Kentucky Form 461 if your Kentucky business losses differ from federal business losses. Create a Kentucky Form 461 by entering Kentucky at the top center. Recalculate Form 461 using Kentucky figures. If there are no differences, enter your federal Form 461, line 16, as an other addition on Kentucky Form 740-NP, page 4, column B, line 16. Enter your Kentucky form 461, line 16 as other addition on Kentucky Form 740-NP, page 4, line 16. Please note this addition and subtraction as "excess business loss."

The Kentucky excess business loss will be added to your net operating loss(NOL) carryforward.

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 enclosed with the tax return.
- (c) The contribution must be made to a qualified tax-exempt organization.

ADJUSTMENTS TO INCOME

KRS 141.019(1) and (2) 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 for Members of the Armed Forces—Moving expenses are not deductible.

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—Self-employed persons may deduct self-employed health insurance based upon Kentucky self-employment earnings.

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, Other Deductions—List any other adjustments to total income not listed above on lines 18 through 28. 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 29, 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 29, 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, line 32.

Line 8—Enter federal Adjusted Gross Income from page 4, Column A, Line 31.

Line 9—Enter Kentucky Adjusted Gross Income from page 4, Column B, Line 31.

Line 10—Nonitemizers, enter the standard deduction of \$2,590. If filing a joint return, only one \$2,590 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 \$2,590 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—Tax Computation: Multiply line 13 by 5% (.05). This is your tax.

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 enclose 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 enclose 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 (enclose Schedule RC-R), distilled spirits income tax credit recapture (enclose Schedule DS-R), and/or angel investor income tax credit recapture.

Line 15—Enter amount from Schedule ITC, Section A, Line 24. See instructions for Schedule ITC.

Line 17—Enter amount from Schedule ITC, Section B. See instructions for Schedule ITC.

NOTE: Use only if 65 or over, blind, or in Kentucky National Guard.

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 \$34,248 or less, you may qualify for Kentucky Family Size Tax Credit.

Enter family size. See Schedule ITC for instructions.

Enter family size tax credit decimal amount determined from family size tax credit table.

Line 23, Education Tuition Tax Credit—Complete Form 8863-K to claim this credit. See Forms and instructions.

Line 24, 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 11..... _____
- (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 24..... _____

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 25, Income Gap Tax Credit—The income gap tax credit is based on modified gross income (MGI) and the size of the family. See Schedule ITC for instructions.

Line 27, Kentucky Use Tax—If, while a Kentucky resident, you made any out-of-state purchases of tangible personal property, digital property and extended warranties 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.	

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.	

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 29, Amended returns only—Enter any overpayment received from your original return.

Line 31(a), Tax Withheld—Enter the amount of Kentucky income tax withheld as shown on your Schedule KW-2. This schedule must be enclosed with your return. It is no longer necessary to submit W-2s, 1099s, and W2Gs with your return. Please retain these forms with your records and provide upon request.

You will not be given credit for Kentucky income tax withheld unless you enclose the Schedule KW-2.

Employers are required to give these statements to employees no later than January 31, 2020. 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 Schedule ITC, Section A, Line 5.

Local government occupational, license or income tax must not be included on line 31(a).

Line 31(b), Estimated Tax Paid—Enter Kentucky estimated tax payments made for 2019 and amounts credited from the 2018 return.

Also, include on line 31(b) payments prepaid with extension requests. Identify as "prepaid with extension."

Line 31(c), Refundable Certified Rehabilitation Credit—Enter 2019 approved refundable certified rehabilitation credit per KRS 141.382(1)(b).

Line 31(d), Nonresident Withholding—Enter the amount of **Kentucky** income tax withheld from form PTE-WH, line 9.

Line 31(e), Amended Returns—Enter amount paid with original return plus additional payment(s) made after it was filed.

Line 32—Total of amounts on lines 31(a) through 31(e).

Line 33, Additional Tax Due—Compare the amounts on lines 30 and 32. If line 30 is larger than line 32, subtract line 32 from line 30, enter additional tax due. This is your additional tax due before penalties and interest.

Penalties and Interest

Line 34(a), Estimated Tax Penalty— If the amount owed is more than \$500, you may be subject to a penalty for 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 claiming an exemption,

complete Form 2210-K, enclose it with your return and check the block beside line 34(a). Enter the amount of the penalty on line 34(a). The minimum penalty is \$25.

If your return is filed after April 15, 2020, or any tax due on the return is paid after April 15, 2020; you may be subject to additional penalties and interest.

Line 34(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 34(c), Late Payment Penalty—If the amount of tax due as shown on line 33 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 34(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 35—Total of amounts on lines 34(a) through 34(d).

Line 36, Amount You Owe—If the total of lines 30 and 35 is more than line 32, subtract line 32 from the total of lines 30 and 35. When filing the return, you must pay any tax due shown on line 36.

Your 2019 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 15, 2020. Kentucky accepts MasterCard, VISA, Discover or American Express. Access the Department of Revenue's secure Website (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-2019" 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 15. Contact the Department of Revenue for additional payment information.

Line 37, Amount Overpaid—If you have an overpayment on line 37, you may have all of this amount refunded to you on line 41, and/or you may credit all or part of it toward your 2020 Kentucky estimated income tax on line 40.

Line 38, Fund Contributions—You may also contribute all or a portion of your overpayment to the following funds on line 38: (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; (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, (j) **Court Appointed Special Advocate Trust Fund** to support and strengthen the local Court Appointed Special Advocate (CASA) programs in Kentucky, or (k) **YMCA Youth Association Fund** to provide funding and scholarships to Kentucky schools and students attending Kentucky Youth Assembly (KYA).

Amounts contributed on line 39 and/or credited on line 40 must be subtracted from the overpayment and cannot exceed it.

Line 39, Total of amounts on lines 38(a) through 38(k).

Line 40, Estimated Tax—You may credit all or part of the overpayment toward your estimated tax liability for 2020. Enter the amount you want credited on line 40. Credit forwards are not available on amended returns.

Line 41, Refund—Subtract amounts entered on lines 39 and 40 from line 37. Enter the difference, if any, on line 41. This amount will be refunded to you. If the total of lines 39 and 40 equals the amount on line 37, enter a zero on line 41.

Taxpayers may elect to receive their refund on a Bank of America Prepaid Debit Card (not available for amended returns). See disclosure information on pages 27 and 28.

WHEN AND WHERE TO FILE—The income tax return for calendar year 2019 must be postmarked no later than April 15, 2020, to avoid penalties and interest. Mail to:

Refund/Other Returns

Kentucky Department of Revenue
Frankfort, KY 40618-0006

Pay Returns

Kentucky Department of Revenue
Frankfort, KY 40619-0008

ESTIMATED TAX—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 on Form 740-ES. However, if the amount of estimated tax is \$500 or less, no estimated payments are required. Individuals who do not prepay at least 90% of the tax to be shown on the 2020 tax return, or 100% of the tax shown on the 2019 tax return, may be subject to a penalty for underpayment of estimated tax. For more information on calculating the penalty, please refer to Form 2210-K. Prepayments for 2020 may be made through withholding, a credit forward of a 2019 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 15, 2020, 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 enclosed with the return.**

Individuals who receive a federal extension are not required to obtain a separate Kentucky extension. They can meet the requirements by enclosing a copy of the application for automatic federal extension or the **approved** federal extension to the Kentucky return.

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.

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 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 740-EXT, and remit with payment. Write "KY Income Tax—2019" 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.

SIGN RETURN—Be sure to sign on page 3 after completion 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 \$2,590 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 enclose a copy with each return; or (c) each spouse may claim the standard deduction of \$2,590.

Lines 1 through 5—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 1—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 2—List other interest paid on your home mortgage and not reported to you on federal Form 1098. Show name and address.

Line 3—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 2019. 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 4, 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 enclose 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 expense from 2018

Lines 6 through 9—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 7 the value of a leasehold interest property contributed to a charitable organization to provide temporary housing for the homeless. Enclose Schedule HH.

Line 8—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 10—Gambling Losses—You may deduct gambling losses to the extent of your winnings reported on Form 1040 or 1040–SR, Schedule 1, line 8.

Line 11—Other Miscellaneous Deductions

Use this line to report miscellaneous deductions. Only the expenses listed below can be deducted on line 11.

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.

List the type and amount of each expense. Enter one total on line 11. For more information on these expenses, see federal Publication 529.

Line 13—Total Itemized Deductions

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 14 through 17, Schedule A.



KENTUCKY INDIVIDUAL INCOME TAX RETURN Residents Only

2019

Check if deceased: [] Spouse [] Taxpayer For calendar year or other taxable year beginning _____, 2019, 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.

Check if applicable:

[] Amended (Enclose copy of 1040X, if applicable.)

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) []

Table with columns for Spouse (A) and Yourself (B), and rows 5-19 for tax calculations including federal income, additions, subtractions, and tax computation.



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20	Check the box that represents your total family size (see instructions before completing lines 20 and 21)	20	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
21	Multiply line 19 by Family Size Tax Credit decimal amount ____ (____%) from Schedule ITC.....	21				00
22	Subtract line 21 from line 19	22				00
23	Enter the Education Tuition Tax Credit from Form 8863-K.....	23				00
24	Enter Child and Dependent Care Credit from federal Form 2441, line 11 ► _____ x 20% (.20)	24				00
25	Enter Income Gap Tax Credit from Schedule ITC	25				00
26	Income Tax Liability. Subtract lines 23 through 25 from line 22. If zero or less, enter zero	26				00
27	Enter KENTUCKY USE TAX due on Internet, mail order, or other out-of-state purchases (see instructions)....	27				00
28	Add lines 26 and 27. This is your TOTAL TAX LIABILITY	28				00
29	For amended return; overpayment, if any, shown on original return	29				00
30	Add lines 28 and 29, enter here	30				00
31	a Enter Kentucky income tax withheld as shown on enclosed					
	Schedule KW-2	31a				00
	b Enter 2019 Kentucky estimated tax payments	31b				00
	c Enter 2019 refundable certified rehabilitation credit	31c				00
	d For amended return; enter amount paid with original return plus					
	additional payment(s) made after it was filed	31d				00
32	Add lines 31(a) through 31(d)	32				00
33	If line 30 is larger than line 32, subtract line 32 from line 30, enter ADDITIONAL TAX DUE	33				00
34	a Estimated tax penalty <input type="checkbox"/> Check if Form 2210-K attached	34a				00
	b Interest	34b				00
	c Late payment penalty	34c				00
	d Late filing penalty.....	34d				00
35	Add lines 34(a) through 34(d). Enter here.....	35				00
36	If the total of lines 30 and 35 is more than line 32, subtract line 32 from the total of lines 30 and 35. This is the AMOUNT YOU OWE , continue to page 3..... OWE	36				00
37	If line 32 is more than line 30, subtract lines 30 and 35 from line 32. This is the AMOUNT YOU OVERPAID , continue to page 3	37				00



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38 FUND CONTRIBUTIONS; see instructions.

a	Nature and Wildlife Fund.....	38a	00
b	Child Victims' Trust Fund.....	38b	00
c	Veterans' Program Trust Fund.....	38c	00
d	Breast Cancer Research/Education Trust Fund.....	38d	00
e	Farms to Food Banks Trust Fund.....	38e	00
f	Local History Trust Fund.....	38f	00
g	Special Olympics Kentucky.....	38g	00
h	Pediatric Cancer Research Trust Fund.....	38h	00
i	Rape Crisis Center Trust Fund.....	38i	00
j	Court Appointed Special Advocate Trust Fund.....	38j	00
k	YMCA Youth Association Fund.....	38k	00

39	Add lines 38(a) through 38(k).....	39	00
40	Amount of line 37 to be CREDITED TO YOUR 2020 ESTIMATED TAX CREDIT FORWARD	40	00
(Credit forwards not available for amended returns)			
41	Subtract lines 39 and 40 from line 37. Amount to be REFUNDED TO YOU REFUND	41	00

REFUND OPTIONS (Not available for amended returns)

Check here if you would like your refund issued on a Bank of America Prepaid Debit Card

Check here if you would like to receive your Debit Card material in Spanish

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.

Sign Here	Signature of Taxpayer	Driver's License/State Issued ID No.	Date	Telephone Number (daytime)
	Signature of Spouse	Driver's License/State Issued ID No.	Date	
Paid Preparer Use	Signature of Preparer		Date	
	Name of Preparer or Firm		ID Number	
	Email	Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Enclose	Include a complete copy of federal Form 1040, if you received farm, business, or rental income or loss. If not required, check here. <input type="checkbox"/>		Refund or No Payment	Kentucky Department of Revenue Frankfort, KY 40618-0006
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov Include: Your Social Security number and "KY Income Tax—2019"		With Payment	Kentucky Department of Revenue Frankfort, KY 40619-0008

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

Your Social Security Number

Grid for Social Security Number

Main table with columns for line number, description, and amount. Includes sections for Interest Expense, Contributions, Other Miscellaneous Deductions, and Total Itemized Deductions.

PART I—DIVIDING DEDUCTIONS BETWEEN SPOUSES

Use this schedule if married filing separately on a combined return.

Summary table for Part I with 5 rows and 2 columns: description and amount/percentage.

This page has been intentionally left blank.



Enter name(s) as shown on tax return.

Your Social Security Number

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SECTION A—BUSINESS INCENTIVES AND OTHER TAX CREDITS

A	B Preapproval Required	C Credit Name	D Required Attachment	E		F	
				Spouse		Yourself	
1	No	Nonrefundable Limited Liability Entity	Kentucky Limited Liability Entity Tax Credit Worksheet/Schedule K-1		00		00
2	Yes	Kentucky Small Business	Schedule K-1		00		00
3	Yes	Skills Training Investment	Schedule K-1		00		00
4	Yes	Certified Rehabilitation	Certification Copies		00		00
5	No	Tax Paid to Another State	Copy(ies) of Other State(s) return or Worksheet A		00		00
6	No	Unemployment	Schedule UTC		00		00
7	Yes	Recycling/Composting Equipment	Schedule RC		00		00
8	Yes	Kentucky Investment Fund	KEDFA notification		00		00
9	No	Qualified Research Facility	Schedule QR		00		00
10	No	GED Incentive	Form DAEL-31		00		00
11	Yes	Voluntary Environmental Remediation	Schedule VERB		00		00
12	Yes	Biodiesel	Schedule BIO		00		00
13	Yes	Clean Coal Incentive	Schedule CCI		00		00
14	Yes	Ethanol	Schedule ETH		00		00
15	Yes	Cellulosic Ethanol	Schedule CELL		00		00
16	No	Railroad Maintenance & Improvement	Schedule RR-I		00		00
17	Yes	Endow Kentucky	Schedule ENDOW		00		00
18	Yes	New Markets Development Program	Form 8874(K)-A		00		00
19	No	Food Donation (Carryover only)	Schedule FD		00		00
20	No	Distilled Spirits	Schedule DS		00		00
21	Yes	Angel Investor	Certification Letter		00		00
22	Yes	Film Industry	Film Office Certification		00		00
23	No	Inventory	Schedule INV		00		00
24	Total of Other Tax Credits (add lines 1 through 23). Enter here and on Form 740, page 1, line 15, Columns A and B, or enter combined totals of Columns E and F on Form 740-NP, page 1, line 15				00		00



SECTION B—PERSONAL TAX CREDITS

Taxpayer

Spouse

Complete only if filing joint or married,
filing separately on a combined return

Enter your date of birth (MM/DD/YYYY)

Enter your date of birth (MM/DD/YYYY)

1 If you were 65 on or before 12/31/2019, enter 40	1	
2 If you were legally blind on 12/31/2019, enter 40	2	
3 If you were a member of the Kentucky National Guard on 12/31/2019, enter 20	3	
4 Allowable Taxpayer Credit—Add lines 1 through 3...	4	

5 If you were 65 on or before 12/31/2019, enter 40 ...	5	
6 If you were legally blind on 12/31/2019, enter 40 ...	6	
7 If you were a member of the Kentucky National Guard on 12/31/2019, enter 20	7	
8 Allowable Spouse Credit—Add lines 5 through 7..	8	

Assignment of Personal Tax Credits

9 For filing status Single or Married, filing separate returns , enter the amount from line 4 here and in Column B of Form 740, line 17 or Form 740-NP, line 17 (Not to exceed 100).....	9	
10 For filing status Married, filing separately on this combined return , enter the amount from line 4 here and in column B of Form 740, line 17 (Not to exceed 100)	10	
11 For filing status Married, filing separately on this combined return , enter the amount from line 8 here and in column A of Form 740, line 17. (Not to exceed 100).....	11	
12 For filing status Married, filing jointly , add line 4 and line 8 and enter here and in Column B of Form 740, line 17 or Form 740-NP, line 17. (Not to exceed 200)	12	

SECTION C—FAMILY SIZE TAX CREDIT AND INCOME GAP CREDIT

Enter dependents qualifying for family size credit and income gap credit. See instructions to determine family size and your qualifying dependents. Your family size will be used to determine your family size tax credit percentage and the amount of your income gap credit.

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"/>

Use this **Family Size Table** to determine the percentage of family size credit and the amount of income gap credit. You will need to know your family size and your modified gross income (a worksheet is located within the instructions). You will enter the percentage for the family size tax credit on Form 740 or 740-NP, line 21 and you will enter the income gap credit on Form 740 or 740-NP, line 25.

Family Size:	One		Two		Three		Four or More		Credit Percentage is	Income Gap Credit		
	If MGI ... is over	is not over	is over	is not over	is over	is not over	is over	is not over		One	Two	Three
Tax Year 2019	\$ ---	\$12,490	\$ ---	\$16,910	\$ ---	\$21,330	\$ ---	\$25,750	100%			
	12,490	12,990	16,910	17,586	21,330	22,183	25,750	26,780	90%	\$11	\$ 7	\$ 3
	12,990	13,489	17,586	18,263	22,183	23,036	26,780	27,810	80%	\$20	\$13	\$ 6
	13,489	13,989	18,263	18,939	23,036	23,890	27,810	28,840	70%	\$29	\$18	\$ 6
	13,989	14,488	18,939	19,616	23,890	24,743	28,840	29,870	60%	\$37	\$22	\$ 6
	14,488	14,988	19,616	20,292	24,743	25,596	29,870	30,900	50%	\$45	\$24	\$ 4
	14,988	15,488	20,292	20,968	25,596	26,449	30,900	31,930	40%	\$51	\$26	
	15,488	15,862	20,968	21,476	26,449	27,089	31,930	32,703	30%	\$58	\$27	
	15,862	16,237	21,476	21,983	27,089	27,729	32,703	33,475	20%	\$64	\$28	
	16,237	16,612	21,983	22,490	27,729	28,369	33,475	34,248	10%	\$69	\$28	
16,612	---	22,490	---	28,369	---	34,248	---	0%				

Multiply tax from Form 740 or 740-NP, line 19, by the applicable family size tax credit percentage and enter on Form 740 or 740-NP line 21. This is your **Family Size Tax Credit**.



➤ See federal instructions for Schedule J.

Enter name(s) as shown on tax return.

Your Social Security Number

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Note: Compute tax using the Tax Table or the Tax Rate Schedule appropriate to each year. This is tax before credits.

1	1	00	
2 Enter your elected farm income. Do not exceed amount on federal Schedule J, line 2(a)*	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 2019 tax rate of 5% (.05)	4	00	
5 If you used Schedule J to figure your tax for:			
• 2018, enter the amount from your 2018 Schedule J, line 11.			
• 2017 but not 2018, enter the amount from your 2017 Schedule J, line 15.			
• 2016 but not 2017 or 2018, enter the amount from your 2016 Schedule J, line 3.....	5	00	
Otherwise, enter the taxable income from your 2016 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 2016 tax rate or tax rate schedule	8	00	
9 If you used Schedule J to figure your tax for:			
• 2018, enter the amount from your 2018 Schedule J, line 15.			
• 2017 but not 2018, enter the amount from your 2017 Schedule J, line 3	9	00	
Otherwise, enter the taxable income from your 2017 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 2017 tax rate or tax rate schedule	12	00	
13 If you used Schedule J to figure your tax for 2018, enter the amount from your 2018 Schedule J, line 3. Otherwise, enter the taxable income from your 2018 Form 740, line 11. 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 2018 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:			
• 2018, enter the amount from your 2018 Schedule J, line 12.			
• 2017 but not 2018, enter the amount from your 2017 Schedule J, line 16.			
• 2016 but not 2017 or 2018, enter the amount from your 2016 Schedule J, line 4. Otherwise, enter the tax from your 2016 Form 740, line 12 or Form 740-EZ, line 4	18	00	
19 If you used Schedule J to figure your tax for:			
• 2018, enter the amount from your 2018 Schedule J, line 16.			
• 2017 but not 2018, enter the amount from your 2017 Schedule J, line 4. Otherwise, enter the tax from your 2017 Form 740, line 12 or Form 740-EZ, line 4	19	00	
20 If you used Schedule J to figure your tax for 2018, enter the amount from your 2018 Schedule J, line 4. Otherwise, enter the tax from your 2018 Form 740, line 12	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.

Purpose of Form—Use Form Schedule J to elect to figure your 2019 Kentucky income tax by averaging, over the previous 3 years, all or part of your 2019 Kentucky taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2019 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 2016, 2017 and 2018 to figure your tax on Kentucky Schedule J.
- Keep a copy of your 2019 income tax return to use for your income averaging in 2020, 2021 or 2022.
- For definitions of farming business, fishing business and elected farm income, see federal instructions.
- Compute your tax using the following tax rate schedule for tax years 2017 and prior. The 2018 and 2019 tax rate is a flat 5% (.05).

<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 2019 rate of 5% (.05).

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

- 2018 (that is, you entered the amount from the 2018 Schedule J, line 22 on line 12 of your 2018 Form 740), enter on line 5 the amount from your 2018 Schedule J, line 11.
- 2017 but not 2018, enter on line 5 the amount from your 2017 Schedule J, line 15.
- 2016 but not 2017 or 2018, enter on line 5 the amount from your 2016 Schedule J, line 3.

Otherwise, enter the taxable income from your **2016** Form 740, line 11 or Form 740-EZ, line 3. If the amount entered is zero or less, see federal instructions.

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Line 8—Compute the tax on line 7 using the 2016 tax table or by using the tax rate schedule above.

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

- 2018 (that is, you entered the amount from the 2018 Schedule J, line 22 on line 12 of your 2018 Form 740), enter on line 9 the amount from your 2018 Schedule J, line 15.
- 2017 but not 2018, enter on line 9 the amount from your 2017 Schedule J, line 3.

Otherwise, enter the taxable income from your **2017** Form 740, line 11. If the amount entered is zero or less, see federal instructions.

Line 12—Compute the tax on line 11 using the 2017 tax table or by using the tax rate schedule above.

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

- 2018 (that is, you entered the amount from the 2018 Schedule J, line 22 on line 12 of your 2018 Form 740), enter on line 13 the amount from your 2018 Schedule J, line 3.

Otherwise, enter the taxable income from your **2018** Form 740, line 11. If the amount entered is zero or less, see federal instructions.

Line 16—Compute the tax on line 15 using the 2018 tax rate of 5% (.05).

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

- 2018, enter the amount from your 2018 Schedule J, line 12.
- 2017 but not 2018, enter the amount from your 2017 Schedule J, line 16.
- 2016 but not 2017 or 2018, enter the amount from your 2016 Schedule J, line 4.

Otherwise, enter the tax from your **2016** Form 740, line 12 or Form 740-EZ, line 4.

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

- 2018, enter the amount from your 2018 Schedule J, line 16.
- 2017 but not 2018, enter the amount from your 2017 Schedule J, line 4.

Otherwise, enter the tax from your **2017** Form 740, line 12 or Form 740-EZ, line 4.

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

- 2018, enter the amount from your 2018 Schedule J, line 4.

Otherwise, enter the tax from your **2018** Form 740, line 12.



➤ Enclose with Form 740, Form 740-NP or Form 741

Enter name(s) as shown on tax return.

Social Security or Federal Identification Number

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PART I—CURRENT YEAR NET OPERATING LOSS

Note: PART I should only be used if you have a loss for the current tax year

SECTION A—Calculate your current year net operating loss

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 Part I, Section A or B. Continue to Part II if you have a prior year NOL carryforward.

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	Add lines 11, 19, 23, and 24.....	25		00
26	Combine lines 3 and 25. This is your current year net operating loss . Continue to Part I, Section B.....	26		00

Note: If line 26 is zero or more, you do not have a current year net operating loss. Continue to Part II if you have prior year net operating loss.



SECTION B—Calculate your net operating loss carryforward

1	Pre-2018 NOL Carryforward. This is the pre-2018 NOL Carryforward to 2020	1		00
2	Post-2017 NOL Carryforward.....	2		00
3	Current year net operating loss from Part I, Section A, line 26 (enter as a positive).....	3		00
4	Excess business losses (see instructions)(enter as a positive).....	4		00
5	Add lines 2 through 4. This is the post-2017 NOL carryforward to 2020	5		00

PART II—NET OPERATING LOSS DEDUCTION (NOLD)

Note: If you have a current year net operating loss do not complete Part II.

SECTION A—Calculate your net operating loss deduction (NOLD)

1	Pre-2018 NOL Carryforward (enter as a positive).....	1		00
2	Post-2017 NOL Carryforward (enter as a positive).....	2		00
3	Taxable income without NOL (if negative STOP, you should complete Part I).....	3		00
4	Enter the lesser of line 3 or line 1. This is the pre-2018 NOLD.....	4		00
5	Subtract line 4 from line 3. This is the taxable income remaining after pre-2018 NOLD.....	5		00
6	Multiply line 3 by 80% (.80). This is the maximum allowable post-2017 NOLD.....	6		00
7	If line 6 is greater than line 5, enter the lesser of line 5 or line 2. If line 5 is greater than line 6, enter the lesser of line 6 or line 2. This is the post-2017 NOLD.....	7		00
8	Add line 4 and 7. This is the total NOLD. Enter here and on Schedule M, line 16 or 740-NP, Column B, line 16	8		00

SECTION B—Calculate prior year net operating loss carryforward

1	Enter the amount from Part II, line 1.....	1		00
2	Enter the amount from Part II, line 4.....	2		00
3	Subtract line 2 from line 1. This is the pre-2018 NOL carryforward to 2020	3		00
4	Enter the amount from Part II, line 2.....	4		00
5	Excess business losses (see instructions)(enter as a positive).....	5		00
6	Add lines 4 and 5 and enter amount here.....	6		00
7	Enter the amount from Part II, line 7.....	7		00
8	Subtract line 7 from line 6. This is the post-2017 NOL carryforward to 2020	8		00

INSTRUCTIONS FOR SCHEDULE KNOL

Purpose of Schedule—Schedule KNOL is to be used by an individual, estate or trust to compute a current year Kentucky net operating loss or net operating loss deduction (NOL).

Part I, Sections A and B should only be used if you have a current year net operating loss. Part I will calculate the amount of your current year net operating loss and the amount to be carried forward to future years. Part II, Sections A and B should only be used if you have a positive taxable income and a net operating loss carryforward from prior years. Part II will calculate your net operating loss deduction (NOLD) and the amount of carryforward you have remaining.

PART I— CURRENT YEAR NET OPERATING LOSS

Section A—Current Year Net Operating Loss—This section should only be used if you have a loss for the current year. Enter amounts in lines 1 through 26 to calculate your net operating loss to be claimed in subsequent years.

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. See federal Form 1045 for further instructions.

Line 9—Nonbusiness income (other than capital gains) includes 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.

Section B—Calculate Net Operating Loss Carryforward—If you have a current year net operating loss, use Part I, Section B to figure your carryforward to future years. Net operating loss carryforwards must be separated between **Pre-2018** NOL's (losses occurring before January 1, 2018) and **Post-2017** NOL's (losses occurring on or after January 1, 2018). Net operating losses generated on or after January 1, 2018, may only offset up to 80% of taxable income without NOL, but any unused amounts are available for carryforward indefinitely. A net operating loss generated for a taxable year beginning before January 1, 2018, is not subject to the 80% limitation and may be carried forward 20 years following the loss year. For Kentucky, a NOL cannot be carried back for tax years beginning on or after January 1, 2005.

Line 4—Excess Business Loss Limitation—For tax year 2018 and forward, the amount of losses from trades or businesses of noncorporate taxpayers are limited to \$255,000 (\$510,000 for married taxpayers). If you are subject to the excess business loss limitation and you do not have any Kentucky/Federal differences on Kentucky Schedule M, enter the amount of your Federal Form 461, line 16. If you do have Kentucky/Federal differences on Kentucky Schedule M and are subject to the Kentucky excess business loss limitation, enter the amount from your "Kentucky" Form 461, line 16. Note: If line 16 on federal or "Kentucky" Form 461 is zero or greater, you are not subject to the limitation and you should enter zero here. **This amount will be treated as a net operating loss carryforward.**

PART II—NET OPERATING LOSS DEDUCTION (NOLD)

Section A—Calculate your net operating loss deduction (NOLD)—If you have positive taxable income and a prior net

operating loss you must use Part II, Section A to figure your NOLD that will be allowed on Schedule M, line 16.

Net operating losses generated on or after January 1, 2018, may only be used to offset up to 80% of taxable income without the NOL, but any unused amounts are available for carryforward indefinitely. Net operating losses generated before January 1, 2018, are not subject to the 80% limitation; however, those losses may only be carried over for 20 years following the loss year.

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

Line 1—Pre-2018 NOL Carryforward—Enter any unused carryforward amounts from losses that occurred before January 1, 2018.

Line 2—Post-2017 NOL Carryforward—Enter any unused carryforward amounts from losses that occurred on or after January 1, 2018.

Line 3—Taxable Income without NOL—Calculate your Kentucky taxable income before the net operating loss deduction. **Do not include any net operating loss carryforwards from prior years in this figure.**

740 Filers: To calculate your taxable income without the NOLD subtract Schedule M, line 15 and Form 740, line 10 from Form 740, line 7.

740-NP Filers: To calculate your taxable income without the net operating loss deduction, divide your Kentucky Adjusted Gross Income without the NOL by your Federal Adjusted Gross Income (Form 740-NP, page 4, line 31). This is your percentage of Kentucky Income to Federal Income. Apply this percentage to Form 740-NP, line 11. Subtract this amount or the standard deduction amount on Form 740-NP, line 10, from your Kentucky adjusted gross income without the NOL.

Line 8—This is your net operating loss deduction (NOLD). Taxpayers filing Form 740 should enter the amount on Kentucky Schedule M, line 16 and taxpayers filing Form 740-NP should enter the amount on Form 740-NP, page 4, Column B, line 16 and label as NOLD.

Section B—Calculate Net Operating Loss Carryforward—If you have a current year net operating loss, use Part I, Section B to figure your carryforward to future years. Net operating loss carryforwards must be separated between **Pre-2018** NOL's (losses occurring before January 1, 2018) and **Post-2017** NOL's (losses occurring on or after January 1, 2018). Net operating losses generated on or after January 1, 2018, may only offset up to 80% of taxable income without NOL, but any unused amounts are available for carryforward indefinitely. A net operating loss generated for a taxable year beginning before January 1, 2018, is not subject to the 80% limitation and may be carried forward 20 years following the loss year. For Kentucky, a NOL cannot be carried back for tax years beginning on or after January 1, 2005.

Line 4—Excess Business Loss Limitation—For tax year 2018 and forward, the amount of losses from trades or businesses of noncorporate taxpayers are limited to \$255,000 (\$510,000 for married taxpayers). If you are subject to the excess business loss limitation and you do not have any Kentucky/Federal differences on Kentucky Schedule M, enter the amount of your Federal Form 461, line 16. If you do have Kentucky/Federal differences on Kentucky Schedule M and are subject to the Kentucky excess business loss limitation, enter the amount from your "Kentucky" Form 461, line 16. Note: If line 16 on federal or "Kentucky" Form 461 is zero or greater, you are not subject to the limitation and you should enter zero here. **This amount will be treated as a net operating loss carryforward.**

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Enter name(s) as shown on tax return.

Your Social Security Number

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PART I ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME

- 1 Enter interest income from bonds issued by other states and their political subdivisions.....
- 2 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1.....
- 3 Enter federal depreciation from Form 4562.....
- 4 Enter federal Net Operating Loss
- 5 Other additions (list and enter total):
 - a _____
 - b _____
 - c _____
- 6 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			5		
		00			00
6		00	6		00

PART II SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME

- 7 Enter state income tax refund or credit **reported** as income on federal Form 1040.....
- 8 Enter interest income from U.S. government bonds and securities.....
- 9 Enter excludable amount of retirement income (enclose Schedule P if more than \$31,110 per taxpayer)
- 10 Enter taxable amount of Social Security and Railroad Retirement Board benefits from federal Form 1040, line 5(b)
- 11 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1
- 12 Enter Kentucky depreciation from revised Form 4562
- 13 Enter Active Duty Military Pay.....
- 14 Other subtractions (list and enter total):
 - a _____
 - b _____
 - c _____
- 15 **Total.** Add line 7 through 14.....
- 16 Enter Kentucky Net Operating Loss Deduction (enclose Schedule KNOL)
- 17 **Total Subtractions.** Add lines 15 and 16. Enter here and on Form 740, page 1, line 8.....

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			14		
		00			00
15		00	15		00
16		00	16		00
17		00	17		00

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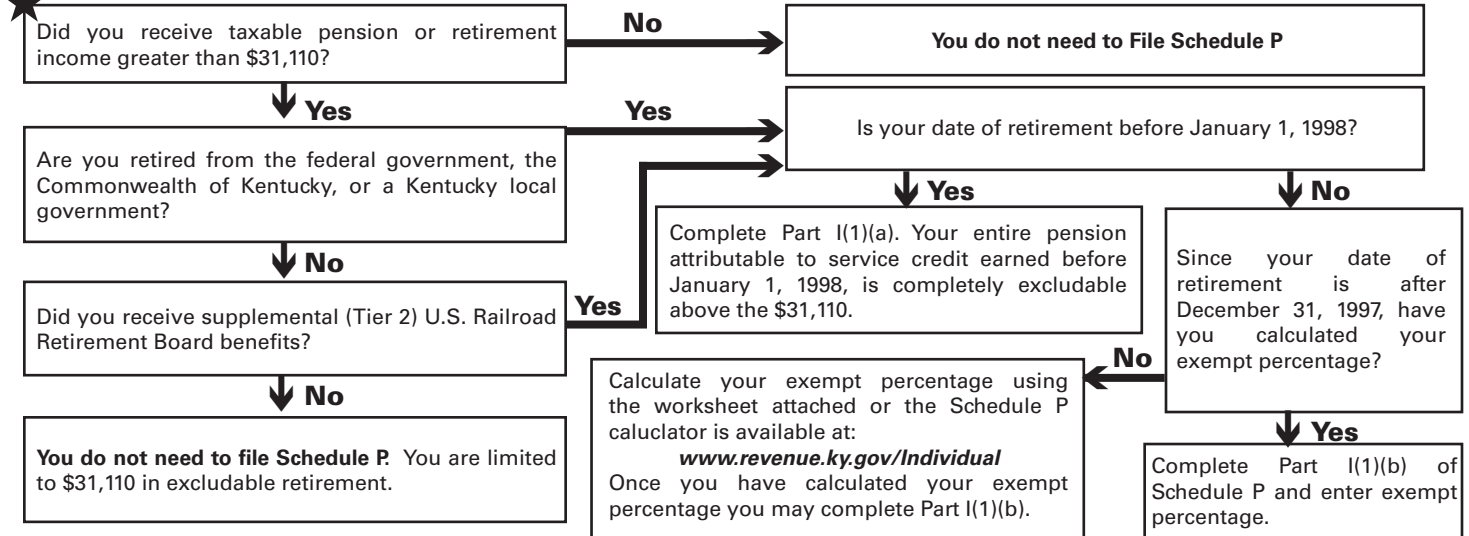


Enter name(s) as shown on tax return.

Your Social Security Number

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Do You Need to File Schedule P?



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 or 1040-SR, line 4(d). 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
					00		00
Total >					00		00

(c) Add lines 1(a) and 1(b)..... 1(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 or 1040-SR, line 4(b) or 4(d). Also report other disability retirement income or deferred compensation included on federal Form 1040, line 1.....	2		00		00
---	---	--	----	--	----

PART III—TOTAL TO BE EXCLUDED THIS YEAR

3 Enter the lesser of line 2 or \$31,110.....	3		00		00
4 Add lines 1(c) and 3. Enter here and on Schedule M, line 9 (Form 740-NP, page 4, line 10(b) or Form 741, line 11)..... <i>Joint filers—Combine lines 4(a) and 4(b) and enter on appropriate form.</i>	4		00		00

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

Form 4972-K Filers—If line 3 is less than \$31,110, enter the amount on Form 4972-K, Part II, line 2.

INSTRUCTIONS FOR 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 or 1040-SR, line 4(b) or 4(d); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 1, 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 or 1040-SR, line 4(d) and federal or Kentucky disability retirement income included on federal Form 1040, line 1. 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 of non-lump-sum pension and retirement income not reported on line 1(c). Also include amounts from Schedule M, line 5 (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 \$31,110.

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 9; 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 2019 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. For assistance calculating your exempt percentage you may visit www.revenue.ky.gov

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.



➤ See instructions.

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

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 and enter the date employed and the last date the 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 or 720U—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 Schedule ITC, Section A, Line 6.....	30	
31	Form 740-NP—Enter on Schedule ITC, Section A, Line 6	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 taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount equal to one hundred dollars (\$100) for each person hired by the taxpayer. The person(s) must have been classified as unemployed by the Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Development and Training for at least sixty (60) days prior to employment by the taxpayer. The person(s) must remain employed by the taxpayer for at least one hundred eighty (180) consecutive days during the taxable year in which the credit is claimed. This credit is subject to the ordering of credits per KRS 141.0205.

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. 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 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.



Check if deceased: Spouse Taxpayer For calendar year or other taxable year beginning _____, 2019, 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 joint return.
- 3 Married, filing separate returns. Enter spouse's Social Security number above and full name here. _____

Check if applicable:

- Amended
(Enclose copy of 1040X, if applicable.)
- Military Spouse

POLITICAL PARTY FUND

Designating \$2 will not change your refund or tax due.

	A. Spouse	B. Yourself
Democratic	(1) <input type="checkbox"/>	(4) <input type="checkbox"/>
Republican	(2) <input type="checkbox"/>	(5) <input type="checkbox"/>
No Designation	(3) <input type="checkbox"/>	(6) <input type="checkbox"/>

RESIDENCY STATUS (check one box)

- 4 Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2019 _____.
- 5 Part-year resident. Complete appropriate line(s) below.
 Moved into Kentucky _____ / _____ / 2019. State moved from _____.
 Moved out of Kentucky _____ / _____ / 2019. State moved to _____.
- 6 You must file a 740-NP-R if you are a full-year resident of a reciprocal state (IL, IN, MI, OH, VA, WV or WI) with Kentucky income of wages and salaries only.

➔ COMPLETE PAGE 4 BEFORE COMPLETING LINES 7 THROUGH 28.

INCOME/TAX	7	8	9	10	11	12	13	14	15	16	17	18	19
7 Enter percentage from page 4, line 32..... ➔	_____ %												
8 Enter amount from page 4, line 31, Column A. This is your Federal Adjusted Gross Income													00
9 Enter amount from page 4, line 31, Column B. This is your Kentucky Adjusted Gross Income													00
10 Nonitemizers: Enter \$2,590 (do not prorate). Skip lines 11 and 12													00
11 Itemizers: Enter itemized deductions from Kentucky Schedule A, Form 740-NP.													00
12 Multiply line 11 by the percentage on line 7.....													00
13 Subtract line 10 or 12 from line 9. This is your Taxable Income													00
14 Tax Computation: Multiply line 13 by 5% (.05) enter tax.....													00
15 Enter amount from Schedule ITC, Section A, line 24.....													00
16 Subtract line 15 from line 14.....													00
17 Enter personal tax credit amounts from Schedule ITC, Section B													00
18 Multiply line 17 by the percentage on line 7													00
19 Subtract line 18 from line 16 and enter here, continue to page 2													00



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20	Check the box that represents your total family size (see instructions for lines 20 and 21).....	20	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
21	Multiply line 19 by Family Size Tax Credit decimal amount __.__(%) from Schedule ITC.....	21				00
22	Subtract line 21 from line 19.....	22				00
23	Enter the Education Tuition Tax Credit from Form 8863-K.....	23				00
24	Enter Child and Dependent Care Credit from worksheet (see instructions).....	24				00
25	Enter Income Gap Tax Credit from Schedule ITC.....	25				00
26	Income Tax Liability. Subtract lines 23 through 25 from line 22. If zero or less, enter zero.....	26				00
27	Enter KENTUCKY USE TAX due on Internet, mail order, or other out-of-state purchases (see instructions)	27				00
28	Add lines 26 and 27. This is your TOTAL TAX LIABILITY	28				00
29	For amended return; overpayment, if any, shown on original return.....	29				00
30	Add lines 28 and 29, enter here.....	30				00
31	a Enter Kentucky income tax withheld as shown on enclosed Schedule KW-2.....	31a				00
	b Enter 2019 Kentucky estimated tax payments.....	31b				00
	c Enter 2019 refundable certified rehabilitation credit.....	31c				00
	d Enter Nonresident Withholding from Form PTE-WH, line 9.....	31d				00
	e For amended return; enter amount paid with original return plus additional payment(s) made after it was filed.....	31e				00
32	Add lines 31(a) through 31(e).....	32				00
33	If line 30 is larger than line 32, subtract line 32 from line 30, enter ADDITIONAL TAX DUE	33				00
34	a Estimated tax penalty <input type="checkbox"/> Check if Form 2210-K attached	34a				00
	b Interest.....	34b				00
	c Late payment penalty.....	34c				00
	d Late filing penalty.....	34d				00
35	Add lines 34(a) through 34(d). Enter here.....	35				00
36	If the total of lines 30 and 35 is more than line 32, subtract line 32 from the total of lines 30 and 35. This is the AMOUNT YOU OWE , continue to page 3..... OWE	36				00
37	If line 32 is more than line 30, subtract lines 30 and 35 from line 32. This is the AMOUNT YOU OVERPAID , continue to page 3.....	37				00



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38 FUND CONTRIBUTIONS; see instructions.

a Nature and Wildlife Fund.....	38a	00
b Child Victims' Trust Fund.....	38b	00
c Veterans' Program Trust Fund.....	38c	00
d Breast Cancer Research/Education Trust Fund.....	38d	00
e Farms to Food Banks Trust Fund.....	38e	00
f Local History Trust Fund.....	38f	00
g Special Olympics Kentucky.....	38g	00
h Pediatric Cancer Research Trust Fund.....	38h	00
i Rape Crisis Center Trust Fund.....	38i	00
j Court Appointed Special Advocate Trust Fund.....	38j	00
k YMCA Youth Association Fund.....	38k	00

39 Add lines 38(a) through 38(k).....	39	00
40 Amount of line 37 to be CREDITED TO YOUR 2020 ESTIMATED TAX CREDIT FORWARD	40	00
(Credit forwards not available for amended returns)		
41 Subtract lines 39 and 40 from line 37. Amount to be REFUNDED TO YOU REFUND	41	00

REFUND OPTIONS (Not available for amended returns)

- Check here if you would like your refund issued on a Bank of America Prepaid Debit Card
- Check here if you would like to receive your Debit Card material in Spanish

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.

Sign Here	Signature of Taxpayer	Driver's License/State Issued ID No.	Date	Telephone Number (daytime)
	Signature of Spouse	Driver's License/State Issued ID No.	Date	
Paid Preparer Use	Signature of Preparer		Date	
	Name of Preparer or Firm		ID Number	
	Email	Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Enclose	Include a complete copy of federal Form 1040, if you received farm, business, or rental income or loss. If not required, check here. <input type="checkbox"/>		Refund or No Payment	Kentucky Department of Revenue Frankfort, KY 40618-0006
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov Include: Your Social Security number and "KY Income Tax—2019"		With Payment	Kentucky Department of Revenue Frankfort, KY 40619-0008



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INCOME		A. Total from Enclosed Federal Return	B. Kentucky	
1	Enter all wages, salaries, tips, etc. (<i>enclose Kentucky Schedule KW-2</i>) Do not include moving expense reimbursements	00		00
2	Moving expense reimbursement	00		00
3	Interest	00		00
4	Dividends	00		00
5	Taxable refunds, credits or offsets of state and local income taxes	00		00
6	Alimony received	00		00
7	Business income or loss (<i>enclose federal Schedule C or C-EZ</i>)	00		00
8	Capital gain or loss (<i>enclose federal Schedule D</i>)	00		00
9	Other gains or losses (<i>enclose federal Form 4797</i>)	00		00
10 a	Federally taxable IRA distributions, pensions and annuities	00		00
b	Pension income exclusion (<i>enclose Schedule P if more than \$31,110 per taxpayer</i>) .....		(	00
11	Rents, royalties, partnerships, estates, trusts, etc. (<i>enclose federal Schedule E</i>)	00		00
12	Farm income or loss (<i>enclose federal Schedule F</i>)	00		00
13	Unemployment compensation (see instructions)	00		00
14	Taxable Social Security benefits	00		
15	Gambling winnings	00		00
16	Other income (list type and amount) _____	00		00
17	Combine lines 1 through 16. This is your Total Income	00		00
ADJUSTMENTS TO INCOME				
18	Educator expenses	00		00
19	Certain business expenses of reservists, performing artists and fee-basis government officials (<i>enclose federal Form 2106 or 2106-EZ</i>)	00		00
20	Health savings account deduction (<i>enclose federal Form 8889</i>)	00		00
21	Moving expenses for members of the armed forces	00		
22	Deductible part of self-employment tax	00		00
23	Self-employed SEP, SIMPLE, and qualified plans deduction	00		00
24	Self-employed health insurance deduction	00		00
25	Penalty on early withdrawal of savings	00		00
26	Alimony paid (enter recipient's name and Social Security number) _____	00		00
27	IRA deduction	00		00
28	Student loan interest deduction	00		00
29	Other deductions (list type and amount) _____	00		00
30	Add lines 18 through 29. Total Adjustments to Income	00		00
31	Subtract line 30 from line 17. This is your Adjusted Gross Income	00		00
32	Divide line 31, Column B, by line 31, Column A. If amount is equal to or greater than 100%, enter 100%. This is your Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income		— — — . — %	



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

Social Security Number

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Interest Expense	1 Home mortgage interest and points reported to you on federal Form 1098	1	00	
	2 Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, provide that person's name, identifying number, and address) _____ _____ _____	2	00	
	3 Points not reported to you on federal Form 1098	3	00	
	4 Investment interest (enclose federal Form 4952 if required)	4	00	
	5 Total Interest. Add the amounts on lines 1 through 4. Enter here.....>	5	00	
Contributions <i>Note: For any contribution of \$250 or more, see instructions.</i>	6 Contributions by cash or check.....	6	00	
	7 Other than cash or check (enclose federal Form 8283 if over \$500).....	7	00	
	8 Carryover from prior year	8	00	
9 Total Contributions. Add the amounts on lines 6 through 8. Enter here	9	00		
Other Miscellaneous Deductions	10 Gambling losses	10	00	
	11 Other (see instructions) _____	11	00	
	12 Total Other Miscellaneous Deductions. Add the amounts on lines 10 and 11. Enter here	12	00	
Total Itemized Deductions	13 Add the amounts on lines 5, 9, and 12. Enter here	13	00	
<p>NOTE: If married filing separate returns, or spouse is not filing a Kentucky return, complete lines 14 through 17 below.</p> <p>If single or married filing jointly, enter total deductions (line 13 above) on Form 740-NP, page 1, line 11.</p>				
14	Enter your income from Form 740-NP, page 1, line 8	14	00	
15	Enter joint or combined <i>federal</i> Adjusted Gross Income.....	15	00	
16	Divide line 14 by line 15. Enter percentage	16	%	
17	Multiply line 13 by line 16. This is your portion of total itemized deductions. Enter here and on Form 740-NP, page 1, line 11.....>	17	00	

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 \$2,590 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 enclose a copy with each return; or (c) each spouse may claim the standard deduction of \$2,590.

Lines 1 through 5—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 1—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 2—List other interest paid on your home mortgage and not reported to you on federal Form 1098. Show name and address.

Line 3—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 2019. 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 4, 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 enclose 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 expense from 2018

Lines 6 through 9—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 7 the value of a leasehold interest property contributed to a charitable organization to provide temporary housing for the homeless. Enclose Schedule HH.

Line 8—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 10—Gambling Losses—You may deduct gambling losses to the extent of your winnings reported on Form 1040 or 1040-SR, Schedule 1, line 8.

Line 11—Other Miscellaneous Deductions

Use this line to report miscellaneous deductions. Only the expenses listed below can be deducted on line 11.

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.

List the type and amount of each expense. Enter one total on line 11. For more information on these expenses, see federal Publication 529.

Line 13—Total Itemized Deductions

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 14 through 17, Schedule A.

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Name—Last, First, Middle Initial

Your Social Security Number

Grid boxes for Name and Social Security Number

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

Grid boxes for Mailing Address

City, Town or Post Office

State

ZIP Code

Grid boxes for City, State, and ZIP Code

INSTRUCTIONS This form may be used by qualifying full-year nonresidents to claim a refund of Kentucky income taxes withheld during 2019. To determine if you qualify, you must check "Yes" or "No" for the applicable statements below. If eligible, complete lines 1-4. Enter only the taxpayer's name for 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. Enclose Schedule KW-2 and a copy of the 2019 return filed with your state of residence.

A I was a **nonresident** of Kentucky during all of 2019. Yes No

B My only 2019 Kentucky income was from salaries or wages earned while a resident of any of the following states: Yes No

(check state(s) box) 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.

1	Enter total Kentucky income tax withheld as shown on Schedule KW-2. Do not include local tax withheld	1	00
2	FUND CONTRIBUTIONS; see instructions.		
a	Nature and Wildlife Fund	2a	00
b	Child Victims' Trust Fund	2b	00
c	Veterans' Program Trust Fund	2c	00
d	Breast Cancer Research/ Education Trust Fund	2d	00
e	Farms to Food Banks Trust Fund	2e	00
f	Local History Trust Fund	2f	00
g	Special Olympics Kentucky	2g	00
h	Pediatric Cancer Research Trust Fund	2h	00
i	Rape Crisis Center Trust Fund	2i	00
j	Court Appointed Special Advocate Trust Fund	2j	00
k	YMCA Youth Association Fund	2k	00
3	Total Fund Contributions. Add lines 2(a) through 2(k)	3	00
4	Subtract the total of line 3 from line 1. Amount to be REFUNDED	4	00

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.

Signature lines for Taxpayer and Preparer, including fields for Driver's License/ID No., Date Signed, Telephone Number, and I.D. Number of Preparer.

Mail to: Kentucky Department of Revenue, Frankfort, KY 40620-0012

PURPOSE OF THE FORM—A qualifying full-year nonresident who had salaries and wages only from a reciprocal state may file this form to receive a refund of all Kentucky income tax withheld.

Answer questions A through C to determine if you qualify to file this form.

Do not include your spouse's name. If both spouses earned Kentucky wages and salaries as a resident of a reciprocal state, each spouse must file a separate Form 740-NP-R. Enclose Schedule KW-2 and a copy of the 2019 return filed with your state of residence.

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

Note: 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.



For calendar year or other taxable year beginning _____, 2019, and ending _____, 20__.

Check applicable box: <input type="checkbox"/> Decedent's estate <input type="checkbox"/> Simple trust <input type="checkbox"/> Complex trust <input type="checkbox"/> ESBT (S portion only) <input type="checkbox"/> Grantor trust <input type="checkbox"/> Bankruptcy estate <input type="checkbox"/> Pooled income fund <input type="checkbox"/> _____	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
Check applicable boxes: <input type="checkbox"/> Initial return <input type="checkbox"/> Amended return <input type="checkbox"/> Final return	City, State and ZIP Code	
	Number of Schedules K-1 enclosed. > _____ (Copies Must Be Enclosed)	

> Enclose a copy of the federal return including all schedules and statements.

1 Federal adjusted total income (federal Form 1041, line 17).....	1	
2 Additions (from page 2, Schedule M, line 4)	2	
3 Enter the portion of deductions allocable to line 2	3	
4 Subtract line 3 from line 2.....	4	
5 Add lines 1 and 4.....	5	
6 Subtractions (from page 2, Schedule M, line 8)	6	
7 Enter the portion of deductions allocable to line 6	7	
8 Subtract line 7 from line 6.....	8	
9 Subtract line 8 from line 5. This is your Kentucky adjusted total income (loss) . Enter here and on page 2, Schedule B, line 1.....	9	
10 Income distribution deduction (from page 2, Schedule B, line 15) (enclose Schedule(s) K-1)	10	
11 Pension income exclusion (enclose Schedule P, if more than \$31,110)	11	
12 Federal estate tax deduction (enclose computation)	12	
13 Add lines 10, 11 and 12	13	
14 Total income of fiduciary (subtract line 13 from line 9)	14	

INTANGIBLE INCOME ATTRIBUTABLE TO NONRESIDENTS INCLUDED IN LINE 14

15 Trusts or estates with income attributable to nonresident beneficiaries. Enter the portion of intangible income included in line 14 that is attributable to nonresident beneficiaries . Enter zero if not applicable. See instructions	15	
16 Taxable income of fiduciary (subtract line 15 from line 14) This is your taxable income	16	

Official Use Only





TAX COMPUTATION

17	(a) Tax: multiply line 16 by 5% (.05) _____ and add tax from:		
	(b) Form 4972-K <input type="checkbox"/> ; Sch. RC-R <input type="checkbox"/> ; Sch. DS-R <input type="checkbox"/> ; Angel Investor Recapture <input type="checkbox"/> _____ Total	17c	
18	Nonrefundable credit(s) (specify and enclose supporting documents)	18	
19	Enter Tax Credit (\$2 for a trust; \$10 for an estate). This credit is not refundable	19	
20	Total Tax (subtract lines 18 and 19 from line 17(c); if line 18 plus line 19 is more than line 17(c), enter -0-)	20	
21	(a) Estimated tax payments	21a	
	(b) Withholding (W-2 or 1099 — enclose forms)	21b	
	(c) Nonresident Withholding from Form PTE-WH, line 9 (enclose forms)	21c	
	(d) Total of amounts on line 21(a) through 21(c)	21d	
22	If line 20 is larger than line 21(d), subtract line 21(d) from line 20, and enter the TAX DUE	22	
23	(a) Estimated tax penalty <input type="checkbox"/> Check if Form 2210-K attached	23a	
	(b) Interest.....	23b	
	(c) Late payment penalty.....	23c	
	(d) Late filing penalty.....	23d	
24	Add lines 23(a) through 23(d)	24	
25	Add lines 22 and 24. This is the AMOUNT YOU OWE	25	
26	If line 21(d) is larger than line 20, subtract line 20 from 21(d). This is the AMOUNT YOU OVERPAID	26	
27	Amount of line 26 to be CREDITED TO YOUR 2020 ESTIMATED TAX	27	
28	Subtract line 27 from line 26. This is the amount to be REFUNDED TO YOU	28	

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.

Sign Here	Signature of Fiduciary or Agent		Date
	PTIN or Identification Number of Fiduciary or Agent		Telephone Number (daytime)
Paid Preparer Use	Signature of Preparer		Date
	Name of Preparer or Firm		ID Number
	Email	Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No
Mail To:	Kentucky Department of Revenue Frankfort, KY 40620-0016		
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov Include: Your FEIN and "KY Income Tax — 2019"		



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 (enclose schedule)	2	
3	Other additions (enclose 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 (enclose schedule).....	5	
6	Enter subtractions from partnerships, fiduciaries and S corporations (enclose schedule)	6	
7	Other subtractions (enclose schedule)	7	
8	Total subtractions. Enter here and on page 1, line 6.....	8	

ADDITIONAL INFORMATION REQUIRED

1 Was a Kentucky fiduciary income tax return filed for 2018?
 Yes No. If "No," state reason.

2 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," enclose computation.

3 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.)

4 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.

5 During the taxable year did you make an accumulation distribution as defined in Sec. 665(b), Internal Revenue Code? Yes No. If "Yes," enclose federal Schedule J (Form 1041).

6 If this is an amended return, check the appropriate box on page 1. Explain changes below. Enclose a separate page if necessary.

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INSTRUCTIONS—FORM 741
KENTUCKY FIDUCIARY INCOME TAX RETURN
2019
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 40620-0016

FIDUCIARY INCOME

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2018. 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

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. **Enclose 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. Estate returns should also identify the beneficiary class of each beneficiary by checking the box for the beneficiary class as determined by Kentucky inheritance laws. Beneficiary classes are listed below:

CLASS A

(1) Surviving spouse, parent

(2) Child (adult or infant)

child by blood, stepchild, child adopted during infancy, or a child adopted during adulthood who was reared by decedent during infancy

(3) Grandchild

issue of child by blood, stepchild, child adopted during infancy, or of a child adopted during adulthood who was reared by decedent during infancy

(4) Brother, sister (whole or half)

CLASS B

*Nephew, niece, half-nephew or half-niece, daughter-in-law, son-in-law, aunt, uncle, or great-grandchild who is grandchild of child by blood, stepchild or child adopted during infancy .

CLASS C

All persons not included in Classes A or B and educational, religious, or other institutions, societies or associations, or public institutions not exempted by KRS 140.060

* Nephews and nieces by marriage and great nephews and nieces are Class C beneficiaries.

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. Enclose Schedule P if the pension income is more than \$31,110 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 enclosed with 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.

Enclose 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 by multiplying line 16 by 5% (.05).

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 enclose any applicable schedule(s) or certification(s) to substantiate the credit(s) claimed. If more than one credit is claimed, enclose 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
- qualified research facility credit
- employer GED incentive credit
- voluntary environmental remediation credit
- biodiesel credit
- clean coal incentive credit
- ethanol credit
- cellulosic ethanol credit
- railroad maintenance and improvement tax credit
- Endow Kentucky credit
- New Markets Development Program credit
- food donation credit (carryover only)
- distilled spirits credit
- angel investor credit
- film industry tax credit
- inventory tax 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 enclosed with 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, enclose 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)—Nonresident Withholding from Form PTE-WH, line 9.

Line 21(d)—Total amounts on line 21(a) through 21(c).

Line 22—Subtract line 21(d) from line 20.

Any tax due must be paid in full at time of filing. Enclose check payable to the **Kentucky State Treasurer**.

PENALTY AND INTEREST

Estimated Tax Penalty—If the amount owed is more than \$500, you may be subject to a penalty for underpayment of estimated tax.

The amount of the penalty may be calculated on Form 2210-K. Form 2210-K may also be used to claim exemptions to the penalty. If paying the penalty or claiming an exemption, complete Form 2210-K, enclose with your return and check the box beside line 23(a). Enter the amount of the penalty on line 23(a). The minimum penalty is \$25.

If your return is filed after April 15, 2020, or any tax due on the return is paid after April 15, 2020, you may be subject to additional penalties 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 (enclose 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. Enclose 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 may qualify as itemized deductions. **These amounts may be 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 12(a)—If an income distribution includes net distributable share income from a limited liability entity subject to tax under KRS 141.0401(2), complete line 12(a).

Line 12(b)—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.



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

► Enclose with 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)

See instructions for how to figure the amounts to enter on the lines below.	(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)
1(a) 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 1(b).				
1(b) 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 2018 Schedule D, line 29				6 ()
7 Net short-term gain or (loss), combine lines 1(a) 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)

See instructions for how to figure the amounts to enter on the lines below.	(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)
8(a) 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 8(b).				
8(b) 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 2018 Schedule D, line 36.....				15 ()
16 Net long-term gain or (loss), combine lines 8(a) 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 2019 TO 2020

SECTION A—Computation of Carryover Limit

21	Enter taxable income or (loss) for 2019 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 2019 to 2020.....	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 2019 to 2020.....	36	



For calendar year or fiscal year beginning _____, 2019, and ending _____, 20__.

Name of estate or trust ►

Amended K-1
 Final K-1

Beneficiary's identifying number ►
(One beneficiary per K-1)

**Estate or trust's federal
 employer identification number ►**

Beneficiary's name, address and ZIP code

Fiduciary's name, address and ZIP code

Check Beneficiary Class (Estates only):

Class A Class B Class C

(A) Allocable Share Item	(B) Federal Amount	(C) Difference	(D) Kentucky Amount
1 Interest	1		
2 Dividends.....	2		
3 Net short-term capital gain.....	3		
4 Net long-term capital gain.....	4		
5 (a) Annuities, royalties and other nonpassive income before directly apportioned deductions (see federal instructions).....	5a		
(b) Depreciation.....	5b		
(c) Depletion.....	5c		
(d) Amortization	5d		
6 (a) Trade or business, rental real estate and other rental income before directly apportioned deductions (see federal instructions).....	6a		
(b) Depreciation.....	6b		
(c) Depletion.....	6c		
(d) Amortization	6d		
7 Federal estate tax deduction (enclose computation) .	7		
8 Foreign taxes (enclose schedule).....	8		
9 Deductions in the final year of estate or trust:			
(a) Excess deductions on termination (enclose computation)	9a		
(b) Short-term capital loss carryover	9b		
(c) Long-term capital loss carryover	9c		
(d) Net operating loss (NOL) carryover.....	9d		
(e)	9e		
(f)	9f		
10 Other: (itemize)			
(a)	10a		
(b)	10b		
(c)	10c		
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 2, if difference is positive, or line 11, if difference is negative (see instructions).....	11		
PASS-THROUGH CREDIT			
12 (a) Limited liability entity tax credit.....	12a		
(b) Nonresident Withholding from Form PTE-WH not included on Form 741, line 21(c).....	12b		

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.....	and \$ 12,490
Two.....	and \$ 16,910
Three.....	and \$ 21,330
Four or More	and \$ 25,750

Chart B	
If your Filing Status is:	Your Kentucky Adjusted Gross Income is greater than:
Single	
Under age 65.....	and \$ 2,590
Single	
Age 65 or over or blind.....	and \$ 3,390
Single	
Age 65 or over and blind.....	and \$ 4,190
Taxpayer and Spouse	
Both under age 65.....	and \$ 2,590
Taxpayer and Spouse	
One age 65 or over	and \$ 3,390
Taxpayer and Spouse	
Both age 65 or over	and \$ 4,190

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, 2019, you must take the items listed on Schedule K-1 (Form 741) into account on your tax return for calendar year 2019.

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 2. If **Line 11**, column (c) is a negative amount, enter the difference as a subtraction on Form 740, Schedule M, line 11.

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 12(a)—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 12(b)—Enter this amount on Form 740, line 31(a) or Form 740-NP, line 31(d).



► See instructions. Taxable period beginning _____, 20 ____, and ending _____, 20 ____.

Federal Identification Number _____		<input type="checkbox"/> Change of Name		Taxable Year Ending __ / __ / __	
A Name of General Partnership _____				Date Business Commenced or Qualified _____	
Number and Street _____				Principal Business Activity in KY _____	
City _____	State _____	ZIP Code _____	Telephone Number _____	NAICS Code Number in KY (See www.census.gov) _____	
B Number of Partners (Attach K-1s) _____		C Check if applicable: <input type="checkbox"/> Initial return <input type="checkbox"/> Publicly traded partnership <input type="checkbox"/> Qualified investment partnership		D Provider 3-Factor Apportionment Code _____	
		<input type="checkbox"/> Final return (Complete Part II) <input type="checkbox"/> Short-period return (Complete Part II) <input type="checkbox"/> Amended return (Complete Part III)			

PART I - ORDINARY INCOME (LOSS) COMPUTATION

1 Federal ordinary income (loss) (Form 1065, line 22)	1		00
ADDITIONS:			
2 State taxes based on net/gross income.....	2		00
3 Federal depreciation (do not include IRC §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 IRC §179 expense deduction).....	8		00
9 Other (attach Schedule O-PTE)	9		00
10 Total (add lines 7, 8, and 9).....	10		00
11 Ordinary income (loss) (line 6 less line 10)	11		00

No Money Due

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of Officer	Date
	Name of Officer	Title
Paid Preparer Use	Signature of Preparer	Date
	Name of Preparer or Firm	ID Number
	Email and/or Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No

Enclose	Include federal Form 1065 with all supporting schedules and statements.	Mail To	Kentucky Department of Revenue Frankfort, KY 40620
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PART II – 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 III – EXPLANATION OF AMENDED RETURN CHANGES

SCHEDULE Q – KENTUCKY GENERAL PARTNERSHIP QUESTIONNAIRE

IMPORTANT: Questions 3–10 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 and 2 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 If a foreign general partnership, enter the date qualified to do business in Kentucky. ___ / ___ / ___

3 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 _____

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 per KRS 141.205(1)(1) included in this return? Yes No. If yes, attach Schedule RPC, Related Party Costs Disclosure Statement, and enter any related party cost additions on Form 765-GP, Part I, 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, 2020? 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 A	Distributive Share Items	Total Amount
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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 3(a) less line 3(b))	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 IRC §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).....	8		00
9 IRC §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 (see instructions)

13 Enter the applicable tax credit			
(a) ➤ _____	13(a)		00
(b) ➤ _____	(b)		00
(c) ➤ _____	(c)		00
(d) ➤ _____	(d)		00
(e) ➤ _____	(e)		00



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

SECTION A—continued	Distributive Share Items	Total Amount
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Tax Credits—Refundable

14 Certified Rehabilitation Tax Credit (attach Kentucky Heritage Council certification(s))..	14	00
15 Film Industry Tax Credit (attach Kentucky Film Office certification(s)).....	15	00

Other Items

16 (a) Type of IRC §59(e)(2) expenditures ▶	16(a)	
(b) Amount of IRC §59(e)(2) expenditures.....	(b)	00
17 Tax-exempt interest income	17	00
18 Other tax-exempt income.....	18	00
19 Nondeductible expenses	19	00
20 Total property distributions (including cash)	20	00
21 Other items and amounts required to be reported separately to partners (attach schedule).....	21	

SECTION B—LLET Pass-through Items (Required)

Corporations and Pass-Through Entities must include the proportionate share of the receipts of the limited liability pass-through entity or general partnership in computing its own apportionment factor.

1 Kentucky gross receipts.....	1	00
2 Total gross receipts	2	00
3 Kentucky gross profits	3	00
4 Total gross profits.....	4	00
5 Limited liability entity tax (LLET) nonrefundable credit.....	5	00

SECTION C—Apportionment Pass-through Items

1 Kentucky receipts from Schedule A, Part I, line 1	1	00
2 Total receipts from Schedule A, Part I, line 2.....	2	00

SECTION D—Apportionment for Providers (KRS 141.121(1)(e))

1 Kentucky property from Schedule A, Part I, line 5	1	00
2 Total property from Schedule A, Part I, line 6	2	00
3 Kentucky payroll from Schedule A, Part I, line 8.....	3	00
4 Total payroll from Schedule A, Part I, line 9	4	00

KENTUCKY GENERAL PARTNERSHIP INCOME RETURN

2019

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). Form 765-GP is complementary to the federal form 1065.

KENTUCKY TAX LAW CHANGES

Enacted by the 2019 Regular Session of the General Assembly—Kentucky clarified and modified several of the tax changes passed in 2018. The Department of Revenue (“Department”) has guidance at <https://revenue.ky.gov/TaxProfessionals/Pages/default.aspx>.

Internal Revenue Code (IRC) Update—House Bill (HB) 354 updated the Internal Revenue Code (IRC) reference date to December 31, 2018 for taxable years beginning on or after January 1, 2019.

Estimated Tax Payment Requirements—2019 estimated tax rules and penalties changed to generally follow federal for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Seven-month Extensions for C Corporations—C corporations requesting an extension of time to file (on Form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.

Unitary Combined Filing Required—Corporations doing business in Kentucky that are part of a unitary business must begin filing combined returns for tax years beginning on or after January 1, 2019, unless they elect to file a same-as-federal affiliated group consolidated return. Unitary combined filers should use the new Form 720U and accompanying schedules.

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.

- **Net Operating Losses (NOL)**—HB 458 allows NOLs to be shared among taxpayer members of a combined group, subject to certain limitations.
- **“Common control” defined**—Corporations within a combined group must be more than 50% owned by another corporation within the group.
- **Intercompany eliminations**—Intercompany transactions should be eliminated in the calculation of combined income and gross receipts.
- **Includible entities.** HB 354 and HB 458 clarified the definitions of “water’s edge”, “tax haven”, and other provisions affecting which companies are included in the combined group. **KRS 141.202**
- **Regulatory guidance.** The department proposed a regulation, 103 KAR 16:400, to provide taxpayers additional guidance on unitary combined filing.

Elective Consolidated Returns—The election period was shortened to 48 months (from the previous 96 months). To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

Tax Credit Changes:

Inventory Tax Credit—The inventory tax credit increases to 50% of the ad valorem (tangible personal property) tax timely paid in 2019. Rental heavy equipment is now subject to ad valorem tax and thus is eligible for the credit.

Kentucky Revised Statutes—Kentucky Revised Statutes are referred to in these instructions as “KRS” and can be found online at www.lrc.ky.gov/statutes .

Kentucky Administrative Regulations—Kentucky Administrative Regulations are referred to in these instructions as “KAR” and can be found online at www.lrc.ky.gov/kar/titles.htm .

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2020 tax interest rate has been set at five percent (5%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is seven percent (7%) and when interest is due on a refund, the rate is three percent (3%).

KENTUCKY FORM CHANGES

New:

Form 720U—Unitary combined filers should use the new Form 720U and accompanying schedules included in the 720U packet to file their returns.

Form 722—Use Form 722 to elect to file a consolidated return including all members of the federal affiliated group. To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return,

including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

Updated:

Form 2220-K—Updated to include estimated tax rules and penalty changes to follow federal rules for corporations and pass-through entities. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Form 720ES—Updated to include estimated tax changes to generally follow federal dates for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes.

KIRA-SP, KJDA-SP, KJRA-SP, and KBI-SP—Updated to request the amount of credit claimed for local wage assessments.

Forms 725, 725-EZ, and 765—Updated to include income tax payment summary.

Schedule INV—Updated to include Section A to report the Timely Inventory Tax Paid per local bills.

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 complete Form 20A100, "Declaration of Representative," and contact our **Registration Section at 502-564-3306** for instructions on how to obtain an account number.
- To determine which forms are supported by your software, please check with the company that develops your software.

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:

- **Filing Form**—Only a general partnership should file Form 765-GP. All other partnerships should file Form 765.
- **Payment—No money is due with a Form 765-GP.**
- **Account Number**—Always ensure the correct Federal Identification Number is used on the return being filed.
- **Extensions**—Extensions are for extending the filing date only; late filing penalties may apply to returns filed after the extended 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 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.
- **Incorrect Year Forms**—Returns submitted on the wrong year form, on or before the due date, will be accepted as timely filed, but will require the return to be revised on the correct year form before the return can be processed.
- **Additional errors that delay processing returns:**
 - Incomplete form submitted
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end

IMPORTANT**General Partnerships must create a Kentucky Form 4562, Schedule D and Form 4797 by converting federal forms.****Schedule 4562**

Depreciation—For property placed in service after September 10, 2001, Kentucky depreciation (§168) is determined per the Internal Revenue Code (IRC) in effect on December 31, 2001.

Section 179 Deduction—For property placed in service after September 10, 2001, but prior to January 1, 2020, only the expense deduction (\$25,000) allowed under §179 of the IRC in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, is allowed.

For property placed in service on or after January 1, 2020, only the expense deduction (\$100,000) allowed under §179 of the IRC in effect on December 31, 2003, exclusive of any amendments made subsequent to that date, is allowed.

For 2019 returns, 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 IRC §179 expense deduction for Kentucky:

- MACRS bonus depreciation;
- IRC §179 expense deduction in excess of \$25,000 for property placed in service after September 10, 2001, but prior to January 1, 2020; or
- IRC §179 expense deduction in excess of \$100,000 for property placed in service on or after January 1, 2020.

If a general partnership has taken MACRS bonus depreciation or IRC §179 expense deduction in excess of the amounts outlined above 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 IRC §179 expense deduction in excess of the amounts outlined above 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 IRC §179 Deduction Differences—federal/Kentucky depreciation or IRC §179 deduction differences must 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 (§168) per the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance. **NOTE:** For Kentucky purposes, for property placed into service between September 10, 2001 and December 31, 2019, the maximum IRC §179 deduction

amount on Line 1 is \$25,000 and the threshold cost of IRC §179 property on Line 3 is \$200,000. For Kentucky purposes, for property placed into service on or after January 1, 2020, the maximum IRC §179 deduction amount on Line 1 is \$100,000 and the threshold cost of IRC §179 property on Line 3 is \$400,000. The maximum allowable IRC §179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying IRC §179 property placed in service during the year exceeds the threshold. In determining the IRC §179 deduction for Kentucky, the income limitation on Line 11 should be determined by using Kentucky net income before the IRC §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 IRC §179 deduction on Line 12 must be included on Form 765-GP, Part I, Line 8. The IRC §179 deduction from the Kentucky Form 4562, Line 12 must be included on Form 765-GP, Schedule K, Section A, Line 9. A Kentucky Form 4562 must be filed for each year, even though a federal Form 4562 may not be required.

Schedule 4797 and Schedule D

Gains/Losses from Disposition of Assets—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 IRC §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 A, Line 4(d) or 7. Enter the amount from Kentucky Schedule D, Line 15 on Form 765-GP, Schedule K, Section A, 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. A nonresident partner's distributive share income is reported by the general partnership on a nonresident withholding return.

Resident partners of a general partnership must report and pay tax on the distributive share of net income, gain, loss, or deduction. Nonresident partners of a general partnership must report and pay tax on the distributive share of net income, gain, loss, or deduction multiplied by the apportionment fraction per KRS 141.206(11)(b). **KRS 141.206(7) and (8)**

If the general partnership is a partner or member of a limited liability pass-through entity doing business in Kentucky, the general partners are entitled to an LLET credit against taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The LLET credit is 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 may 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 will be disallowed. **KRS 141.0401(3)**

GENERAL INFORMATION

Internal Revenue Code Reference Date— Kentucky's Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

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(7) and KRS 141.206(1)**

General Partnerships—General partnerships doing business in Kentucky solely as a partner in a pass-through entity will file Form 765-GP per KRS 141.010, KRS 141.120, and KRS 141.206. For apportionment information, see instructions on page 7.

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-GP per KRS 141.010, KRS 141.120, and KRS 141.206. (See Schedule A- Apportionment and Allocation Instructions.)

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 per KRS 141.010(22).

KRS 141.206(4) provides that for taxable years beginning on or after January 1, 2019, every pass-through entity required to file a return under KRS 141.206(1), except publicly traded partnerships defined in KRS 141.0401(6)(a)18 and (b)14, must 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 is at the highest rate provided in KRS 141.020 or KRS 141.040.

Withholding is not required if: (a) the partner, member, or shareholder is exempt from withholding per KRS 141.206(6)(a); (b) the partner or member is exempt from Kentucky income tax per KRS 141.040(1); (c) the pass-through entity is a qualified investment partnership per KRS 141.206(14), 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, 2019, a pass-through entity required to withhold or file a Composite return on Kentucky income tax per KRS 141.206 must make estimated tax payments if required by KRS 141.206(5). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2019, 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 rate of five percent (5%) will 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 must 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(15)). 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 credits and deductions.

A pass-through entity must file Form 740NP-WH and complete a Form PTE-WH for each nonresident individual, estate, or trust partner, member, or shareholder; or corporate partner or member. Form 740NP-WH with Copy A of each Form PTE-WH must be filed and paid by the 15th day of the fourth month following the close of the taxable period. Provide copies B and C of Form PTE-WH to the partner, member, or shareholder.

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. Cost of Goods Sold (Schedule COGS)
5. Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky (Form 40A102)
6. Related Party Costs Disclosure Statement (Schedule RPC)
7. 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)**

Mail the return to:

Kentucky Department of Revenue
Frankfort, KY 40620

Extensions—A six-month extension of time to file a general partnership income return may be obtained by filing Form

40A102, Application for Extension of Time to File Individual, General Partnership, and Fiduciary Income Tax Returns for Kentucky, 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. 103 KAR 15:050**

Federal Extension—A partnership 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 if a copy of the federal Form 7004 is attached to the Kentucky return when it is filed. A copy of the federal Form 7004 should not be mailed to the Department of Revenue before filing the return.

Amended Return—To correct Form 765–GP as originally filed, file an amended Form 765–GP and check the appropriate box on page 1, Item C. 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 an Internal Revenue Service audit must submit copies of the “final determinations of the federal audit” within 180 days of the conclusion of the federal audit. Use Form 765–GP for reporting federal audit adjustments, check the Amended Return box, and attach the complete Revenue Agent Report (RAR).

Mail returns with federal audit adjustments (RAR) to:

Corporate Governmental Programs Section
P. O. Box 1074, Station 68
Frankfort, KY 40602-1074

GENERAL INSTRUCTIONS (FORM 765-GP)

Enter the general partnership’s federal identification number. See federal Publication 583 if the general partnership has not obtained this number.

Item A—

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.

Change of Name—Check the applicable box if the general partnership’s name has changed since the filing of the prior year Kentucky tax return. Attach a statement to the tax return providing the general partnership’s name reflected on the prior year Kentucky tax return.

Period Covered—File the 2019 return for calendar year 2019 and fiscal years that begin in 2019. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 765–GP.

NOTE: For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

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:

$$\frac{12}{MM} / \frac{19}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2020, would be entered as:

$$\frac{01}{MM} / \frac{20}{YY}$$

- 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 the month would be entered as the month and year of the prior month. If it ends the first week of January 2020, the taxable year ending would be entered as:

$$\frac{12}{MM} / \frac{19}{YY}$$

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

Date Commenced or Qualified—Enter the date the entity's business commenced or qualified.

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 Census Bureau Web site at www.census.gov/eos/www/naics.

Telephone Number—Enter the business telephone number of the general partner or chief financial officer signing this return.

Item B—Enter number of partners (attach K-1s).

Item C—Check the applicable boxes:

- (a) *Initial Return*—This is the general partnership's first time filing a return in Kentucky. Complete questions 1 and 2 on Schedule Q—Kentucky General Partnership Questionnaire.

- (b) *Publicly Traded Partnership*—This partnership is a publicly traded partnership as provided by KRS 141.0401(6)(r).
- (c) *Qualified Investment Partnership*—The general partnership is a qualified investment partnership per KRS 141.206(14)(a).
- (d) *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.
- (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 II – 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 III – Explanation of Amended Return Changes.

Item D—Provider 3-Factor Apportionment Code

If the entity is a provider as defined in KRS 141.121(1)(e), enter one of the following two-digit codes in the space provided. The apportionment fraction for a provider continues to be calculated using a three (3)-factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018.

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	PROVIDER BUSINESS
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)

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, 2018, except for differences provided in KRS 141.010 and KRS 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 IRC §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 141.039(2)(c)**

Line 3—See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, include the depreciation amount from Line 16a of Form 1065 (do not include the IRC §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.

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 IRC §179 deduction). See instructions on page 4 regarding depreciation and IRC §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 7.

Line 10— Enter the total of Lines 7 through 9.

Line 11— Enter Line 6 less Line 10.

SCHEDULE Q—Answer all applicable questions on Schedule Q.

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.

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 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 A—Income (Loss) and Deductions

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.

Line 4(b)—Enter the amount of dividend income reported on federal Schedule K, Form 1065.

Line 4(c)—Enter the amount of 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 17 of the Kentucky Form 4797, and **Kentucky Form 4797 must be attached to Form 765–GP.** Otherwise, enter net gain (loss) under IRC §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 percentage limitations of each category. These percentage limitations must be applied to the Kentucky amounts rather than the federal amounts.

Line 9—See instructions on page 4 regarding **depreciation and IRC §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 IRC §179 deduction from federal Form 4562.

Line 10—Enter the expense deductions 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 included on Line 10, Schedule K, Form 765-GP. See federal instructions for Schedule K, Form 1065.

Line 13—Use the following codes for tax credits passed through to the partnership's owners.

KSBTC—Kentucky Small Business tax credit per KRS 141.384; attach a copy of the Kentucky Economic Development Finance Authority notification

STICA—Skills Training Investment Credit Act tax credit per KRS 141.405; attach copy of the Bluegrass State Skills Corporation certification(s)

CR—Certified Rehabilitation tax credit per KRS 171.397; attach a copy of the Kentucky Heritage Council certification(s)

UTC—Kentucky Unemployment tax credit per KRS 141.065; attach Schedule UTC

RC—Recycling/Composting Equipment tax credit per KRS 141.390; attach Schedule RC

KIFA—Kentucky Investment Fund tax credit per KRS 154.20-258; attach a copy of the Kentucky Economic Development Finance Authority notification with the credit amount granted and the first year the credit may be claimed

QR—Qualified Research facility tax credit per KRS 141.395; attach Schedule QR

GED—GED incentive tax credit per KRS 151B.402; attach GED-Incentive Program Final Report (Form DAEL-31) for each employee that completed a learning contract during the year

VERB—Voluntary Environmental Remediation tax credit per KRS 141.418; attach Schedule VERB

BIO—Biodiesel tax credit per KRS 141.424; attach Schedule BIO

CCI—Clean Coal Initiative tax credit per KRS 141.428; attach Schedule CCI

ETH—Ethanol tax credit per KRS 141.4242; attach Schedule ETH

CELL—Cellulosic Ethanol tax credit per KRS 141.4244; attach Schedule CELL

RR-I—Railroad Maintenance and Improvement tax credit per KRS 141.385; attach Schedule RR-I

RR-E—Railroad Expansion tax credit per KRS 141.386; attach Schedule RR-E

ENDOW—ENDOW Kentucky tax credit per KRS 141.438; attach Schedule ENDOW

NMDP—New Markets Development Program tax credit per KRS 141.434; attach Form 8874(K)-A

DS—Distilled Spirits tax credit per KRS 141.389; attach Schedule DS

FILM—Film industry tax credit per KRS 141.383; attach film office certification

INV—Inventory tax credit per KRS 141.408; attach Schedule INV

Line 14—Enter the refundable certified rehabilitation tax credit. **Attach the Kentucky Heritage Council certification(s) or Kentucky Schedule(s) K-1 (Form 765-GP).**

Line 15—Enter the refundable film industry tax credit. **Attach the Kentucky Film Office certification(s) or Kentucky Schedule(s) K-1 (Form 765-GP).**

NOTE: For applications approved prior to April 27, 2018 this credit is refundable and should be entered here. For applications approved on or after April 27, 2018, this credit is nonrefundable and should be entered on Schedule TCS.

Line 16(a)—Enter the information provided on federal Schedule K, Form 1065, Line 13c(1).

Line 16(b)—Enter the amount reported on federal Schedule K, Form 1065, Line 13c(2).

Line 17—Enter the total amount of tax exempt interest income of the partnership from U.S. government bonds and securities and obligations of Kentucky and its political subdivisions.

Line 18—Enter the total amount of any other type of income of the partnership where the partner is exempt from Kentucky income tax.

Line 19—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 20—Enter the amount reported on federal Schedule K, Form 1065, Line 19a and 19b, adjusted to reflect any differences in Kentucky and federal tax laws, such as depreciation.

Line 21—Attach schedules to report the general partnership's total income, expenses, and other information applicable to

items not included on Lines 1 through 12 and Lines 14 through 21 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.

SECTION B—LLET Pass-through Items (Required)

Enter the corporation's and pass-through entities partner's proportionate share of the receipts, gross profits, and nonrefundable credit of the limited liability pass-through entity or general partnership in Section B, Lines 1 through 5.

SECTION C—Apportionment Pass-through Items (if applicable)

Line 1—Enter the general partnership's Kentucky receipts from Schedule A, Part I, Line 1.

Line 2—Enter the general partnership's total receipts from Schedule A, Part I, Line 2.

SECTION D—Apportionment for Providers, (KRS 141.121(1)(e))

Line 1—Enter the general partnership's Kentucky property from Schedule A, Part I, Line 5.

Line 2—Enter the general partnership's total property from Schedule A, Part I, Line 6.

Line 3—Enter the general partnership's Kentucky payroll from Schedule A, Part I, Line 8.

Line 4—Enter the general partnership's total payroll from Schedule A, Part I, Line 9.



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.

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.

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 21 must equal the amounts reported on Kentucky Schedule K, Lines 1 through 21. The distributive share items reported on all Schedules K-1, Sections B, C, and D must equal the amounts reported on comparable lines of Schedule K, Sections B, C, and D, Schedule K-1. Section E does 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.

Sections A, B, C, and D—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 §469 passive activity and each IRC §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 21 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 IRC §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.

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 KRS 141.040 and KRS 141.0401. A small business is not eligible to apply for 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) is capped at \$3 million. The maximum amount of credit for each small business for each year must 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 must 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 must 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 or KRS 141.040 and KRS 141.0401 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Certification copies must be attached to the return claiming the credit. **KRS 171.3961 and KRS 171.397**

Unemployment Tax Credit—If a taxpayer 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 or 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 or 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 per KRS 154.20-250 to KRS 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 or 141.040, 141.0401, 136.320, 136.300, 136.310, 136.505, and 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 must 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 will 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, will 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**

Qualified Research Facility Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or 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 or 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 151B.402**

Voluntary Environmental Remediation Tax Credit—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.1-514. 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 or KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at 502-564-6716. 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 or 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 will 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**

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, or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per 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 is \$2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit will 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 or 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 will 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 or 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 will 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, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or KRS 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 must not exceed the product of \$3,500 multiplied by the sum of: (1) 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 (2) 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. Attach Schedule RR-I to the return when claiming this credit. **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 KRS 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 KRS 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and KRS 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 is limited to \$1 million. If the total amount of approved credit exceeds \$1 million, the department will 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 must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will 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, 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 will issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation per 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 must 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. **Note:** This credit may limit charitable contribution deductions allowed under Section 170 of the IRC. See the IRC and federal regulations for additional information on any limitations. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—A taxpayer that makes a qualified equity investment per KRS 141.432(7) in a qualified community development entity defined by KRS 141.432(6) is 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 is 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 is \$10 million, whether made by one or several qualified community development entities.

The amount of the credit will 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 KRS 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2018, the tax credit was repealed. Any unused credit may be carried forward for up to four (4) succeeding years after the credit was claimed. See Schedule TCS, Part II, line 18 to claim this credit. **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 KRS 141.040 and KRS 141.0401 is available to taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to 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. Attach Schedule DS to the return claiming the credit. **KRS 141.389**

Film Industry Tax Credit—For applications approved on or after April 27, 2018, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to KRS 148.546. Attach film office certification to the return claiming the credit. **KRS 141.383**

Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. Attach Schedule INV to the return claiming the credit. **KRS 141.408**

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. Do not attach a copy of Form 62A500 to Form 765-GP.

Kentucky State Treasury—Unclaimed Property

Individuals

The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit www.treasury.ky.gov or www.missingmoney.com for more information on how to locate and claim any funds that may belong to you.

Businesses

Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit www.treasury.ky.gov for more information.

**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 52
Frankfort, KY 40601-2103
502-564-8139

Mail the return to:

Kentucky Department of Revenue
Frankfort, KY 40620

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
502-564-5930

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.**

<p>Partner's identifying number</p> <p>Partner's name, address, and ZIP Code</p>	<p>Partnership's FEIN</p> <p>Partnership's name, address, and ZIP Code</p> <p>Check if applicable: <input type="checkbox"/> Qualified investment pass-through entity</p>												
<p>A Partner's share of liabilities:</p> <p>Nonrecourse \$ _____</p> <p>Qualified nonrecourse financing \$ _____</p> <p>Other \$ _____</p> <p>B 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 <input type="checkbox"/> ESOP</p> <p><input type="checkbox"/> General Partnership <input type="checkbox"/> Trust <input type="checkbox"/> Other Pass-through Entity <input type="checkbox"/> Tax Exempt _____</p> <p>C 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 instructions) ➤ _____ %</p> <p>D 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>E 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> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <input type="checkbox"/> Final K-1 <input type="checkbox"/> Amended K-1 </div>		(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.....	%	%											

SECTION A

Pro Rata Share Items

Total Amount

Income (Loss) and Deductions

1 Kentucky 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 Income.....	4 (a)		00
(b) Dividend Income	(b)		00
(c) Royalty Income.....	(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 IRC §1231 net gain (loss) (other than due to casualty or theft).....	6		00
7 Other income (loss) (attach schedule)	7		00
8 Charitable contributions (attach schedule).....	8		00
9 IRC §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 (see instructions)

13 Enter the applicable tax credit.....			
(a) ➤	13(a)		00
(b) ➤	(b)		00
(c) ➤	(c)		00
(d) ➤	(d)		00
(e) ➤	(e)		00



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

SECTION A – continued	Pro Rata Share Items	Total Amount
Tax Credits – Refundable		
14 Certified Rehabilitation Tax Credit	14	00
15 Film Industry Tax Credit	15	00
Other Items		
16 (a) Type of Section 59(e)(2) expenditures ▶	16(a)	
(b) Amount of Section 59(e)(2) expenditures	(b)	00
17 Tax-exempt interest income	17	00
18 Other tax-exempt income	18	00
19 Nondeductible expenses	19	00
20 Property distributions (including cash)	20	00
21 Supplemental information required to be reported to each partner (attach schedule(s)).....	21	

SECTION B – LLET Pass-through Items (Required)	PARTNER'S SHARE	
Corporations and Pass-Through Entities must include the proportionate share of the receipts of the limited liability pass-through entity or general partnership in computing its own apportionment factor.		
1 Kentucky gross receipts	1	00
2 Total gross receipts	2	00
3 Kentucky gross profits.....	3	00
4 Total gross profits.....	4	00
5 Limited liability entity tax (LLET) nonrefundable credit	5	00

SECTION C – Apportionment Pass-through Items	PARTNER'S SHARE	
1 Kentucky receipts.....	1	00
2 Total receipts.....	2	00

SECTION D – Apportionment for Providers (KRS 141.121(1)(e))	PARTNER'S SHARE	
1 Kentucky property	1	00
2 Total property.....	2	00
3 Kentucky payroll	3	00
4 Total payroll	4	00

SECTION E – Resident Partner Adjustment		
1 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).....	1	00
2 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).....	2	00
3 Enter difference of lines 1 and 2 here and on appropriate line on Schedule M (see instructions)	3	00

Note: An additional designation has been added to account for a K-1 issued to an employee stock ownership plan (ESOP). If you checked this box, disregard the other check boxes in Item B. The ESOP designation supersedes the entity type for purposes of this form. An ESOP is an employee-owner program that provides a company's workforce with an ownership interest in the company.

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, 2018, you must take the items listed on Schedule K-1 (Form 765-GP) into account on your tax return for calendar year 2018.

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 5 and/or Line 14.

Passive Activity Limitations—The passive activity limitations in IRC §469 are figured at the partner level and may apply to any loss reported in Section A, 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 Section E, Lines 1, 2, and 3. 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 1—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 2—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 in Section A, Lines 1 and 2 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 5 and/or Line 14.**

If amounts in Section A, Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include in Section A, Lines 1 and 2. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 3—Enter difference of Section E, Lines 1 and 2. If Line 1 is greater than Line 2, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 2. If Line 2 is greater than Line 1, enter the difference as a subtraction on Schedule M, Line 11.

Caution: If the amount in Section E, Line 1 is a (loss) and Line 2 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 either Line 1 or 2 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 must 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 16(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 16(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, page 4, Line 32 (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, Page 4, Line 3.

Line 4(b)—Enter on Form 740-NP, Page 4, 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, if applicable.

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 16 through 21—See federal Partner's Instructions for Lines 13, 19, and 20, Schedule K-1 (Form 1065).

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).

Individual Partners and Members (LLET Credit)

Enter the net distributive share income from the Kentucky Schedule K-1 (Form 765-GP), Lines 1 through 6, 9, and portions of Lines 7 and 11 (multiplied by the percentage in Item C(2) for nonresident partners or members) on Line 2 of the Kentucky Limited Liability Entity Tax Credit Worksheet located in the Instructions for Form 740, Form 740-NP, or Form 741 under Business Incentives and Other Tax Credits, to determine the LLET credit allowed. 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 Section B, Line 5 on Line 7 of the Kentucky Limited Liability Entity Tax Credit Worksheet.

Corporate Partners and Members (LLET Credit)

Enter the net distributive share income from the Kentucky Schedule K-1 (Form 765-GP) that is included in the Corporation's Kentucky taxable income (multiplied by the percentage on Item C(2) for nonresident partners or members) on Line 2 of the Corporation LLET Credit Worksheet located in the Form 720 Instructions under Part II, Income Tax Computation, to determine the LLET credit allowed. If the net distributive 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 Section B, Line 7 of the Corporation LLET Credit worksheet.

Sections C and D—See Schedule A, Apportionment and Allocation



➤ See instructions.

SCHEDULE K – PARTNERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC., EXCLUDING THE ECONOMIC DEVELOPMENT PROJECT(S)

SECTION A		Pro Rata Share Items	(a) Total Amount	(b) Adjustments	(c) Net Kentucky Amount
Income (Loss) and Deductions					
1		Kentucky ordinary income (loss) from trade or business activities (Form 765-GP, line 11) ...	1	00	00
2		Net income (loss) from rental real estate activities (attach federal Form 8825).....	2	00	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 3(a) less line 3(b))	3(c)	00	00
4		Portfolio income (loss):			
		(a) Interest income	4(a)	00	00
		(b) Dividend income.....	(b)	00	00
		(c) Royalty income	(c)	00	00
		(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable).....	(d)	00	00
		(e) Net long-term capital gain (loss)(attach federal Schedule D and Kentucky Schedule D, if applicable).....	(e)	00	00
		(f) Other portfolio income (loss)(attach schedule)	(f)	00	00
5		Guaranteed payments to partners.....	5	00	00
6		IRC § 1231 net gain (loss)(other than due to casualty or theft)(attach federal Form 4797 and Kentucky Form 4797)	6	00	00
7		Other income (loss)(attach schedule)	7	00	00
8		Charitable contributions (attach schedule).....	8	00	00
9		IRC § 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562) .	9	00	00
10		Deductions related to portfolio income (loss) (attach schedule)	10	00	00
11		Other deductions (attach schedule)	11	00	00
Investment Interest					
12		(a) Interest expense on investment debts.....	12(a)	00	00
		(b) (1) Investment income included on lines 4(a), 4(b), 4(c), and 4(f) above.....	(b)(1)	00	00
		(b) (2) Investment expenses included on line 10 above	(b)(2)	00	00
Tax Credits – Nonrefundable (see instructions)					
13		Enter the applicable tax credit			
	(a) ➤ _____	13(a)			00
	(b) ➤ _____	(b)			00
	(c) ➤ _____	(c)			00
	(d) ➤ _____	(d)			00
	(e) ➤ _____	(e)			00



SCHEDULE K—PARTNERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC., EXCLUDING THE ECONOMIC DEVELOPMENT PROJECT(S)

SECTION A—continued

Pro Rata Share Items

Tax Credits—Refundable

14	Certified Rehabilitation Tax Credit (attach Kentucky Heritage Council certification(s))	14					00
15	Film Industry Tax Credit (attach Kentucky Film Office certification(s))	15					00

Other Items

16	(a) Type of IRC § 59(e)(2) expenditures ▶ _____	16(a)					
	(b) Amount of IRC § 59(e)(2) expenditures	(b)		00		00	00
17	Tax-exempt interest income	17		00		00	00
18	Other tax-exempt income	18		00		00	00
19	Nondeductible expenses	19		00		00	00
20	Total property distributions (including cash)...	20		00		00	00
21	Other items and amounts required to be reported separately to partners (attach schedule)	21					

SECTION B—LLET Pass-through Items (Required)

Corporation’s and Pass-Through Entities must include the proportionate share of the receipts of the limited liability pass-through entity or general partnership in computing its own apportionment factor.

1	Kentucky gross receipts	1					00
2	Total gross receipts	2					00
3	Kentucky gross profits	3					00
4	Total gross profits	4					00
5	Limited liability entity tax (LLET) nonrefundable credit	5					00

SECTION C—Apportionment Pass-through Items

1	Kentucky receipts from Schedule A, Part I, line 1	1					00
2	Total receipts from Schedule A, Part I, line 2	2					00

SECTION D—Apportionment for Providers (KRS 141.121(1)(e))

1	Kentucky property from Schedule A, Part I, line 5	1					00
2	Total property from Schedule A, Part I, line 6	2					00
3	Kentucky payroll from Schedule A, Part I, line 8	3					00
4	Total payroll from Schedule A, Part I, line 9	4					00

**INSTRUCTIONS—KENTUCKY SCHEDULE K
FOR GENERAL PARTNERSHIPS
WITH ECONOMIC DEVELOPMENT PROJECT(S)**

IMPORTANT: A general partnership that has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), 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) must use this Schedule K instead of Form 765-GP Schedule K.

Purpose of Schedule—This schedule is used to determine the partners' shares of each item of income, credit, deduction, etc., excluding the amount of each item of income, credit, deduction, etc., attributable to the project(s). See Instructions for Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or FON-SP for additional information on this exclusion.

SECTION A INSTRUCTIONS

Column (a)—Complete this column following the instructions for Form 765-GP Schedule K.

Column (b)—For each item of income or deduction, enter the amount attributable to the project or projects. If the general partnership has more than one project, attach a schedule reflecting the computation of the total amount of each item.

If the general partnership's only operation is the

project or projects, the amount entered for each item should be the same as the amount entered in column (a). Attach applicable tax computation schedule(s) (Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or FON-SP) and supporting schedules for each project.

Column (c)—For each item of income or deduction, subtract the amount in column (b) from the amount in column (a) and enter the result. The amounts from this column are used to determine the amount of income, credits, deductions, etc. reflected on each partner's Kentucky Schedule K-1. The total pro rata share items of all Schedules K-1 should equal the amount reported on the same lines of this Kentucky Schedule K for General Partnerships with Economic Development Project(s), Lines 1 through 19.

SECTIONS B, C, AND D INSTRUCTIONS

See instructions for Sections B, C, and D of Form 765-GP Schedule K.

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Complete this Schedule KW-2 to determine the total Kentucky income tax withholding to be entered on Kentucky Form 740, 740-NP, or 740-NP-R. This schedule must be fully completed in order to receive proper credit for Kentucky income tax withheld. Include multiple Schedule KW-2(s) as needed to report all Kentucky income tax withholdings. Do not send in your W-2, 1099, or W2-G forms; keep them with your tax records.

NAME(S) AS SHOWN ON THE TAX RETURN

SPOUSE'S SOCIAL SECURITY NUMBER

YOUR SOCIAL SECURITY NUMBER

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Part I-Form W-2 Enter all W-2s with Kentucky income tax withheld (round to the nearest whole dollar). Do not include other state withholding or local income tax.

A Employee's Social Security Number	B Employer's Identification Number (EIN)	C State	D Employer's State I.D. Number (Box 15 of Form W-2)	E KY State Wages (Box 16 of Form W-2)		F KY Income Tax Withheld (Box 17 of Form W-2)	
					00		00
1					00		00
2					00		00
3					00		00
4					00		00
5					00		00
6					00		00
7					00		00
8					00		00
9					00		00
10					00		00
11	TOTAL FROM ALL W-2s				00		00

Part II-Form 1099 and W-2G Enter all 1099s and W-2Gs with Kentucky income tax withheld (round to the nearest whole dollar).

A Recipient's Social Security Number	B Payer's Identification Number (EIN)	C State	D Payer's State I.D. Number	E KY Income Amount		F KY Income Tax Withheld	
					00		00
12					00		00
13					00		00
14					00		00
15					00		00
16					00		00
17	TOTAL FROM ALL 1099s AND W-2Gs				00		00

Part III-Totals Enter total Kentucky income tax withheld (round to the nearest whole dollar) from line 18, Column F on your Kentucky income tax return (Form 740 and 740-NP, line 31(a) or 740-NP-R, line 1).

		F Total Kentucky Income Tax Withheld
18	Enter combined totals from Column F, lines 11 and 17.	00

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Enter name(s) as shown on page 1, Form 740, 740-NP or 741.

Social Security or Federal Identification Number

Grid for Social Security or Federal Identification Number

PART I - EXCEPTIONS TO THE PENALTY

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 located on Form 740, line 35(a), Form 740-NP, line 34(a), or Form 741, line 23(a).

If none of the exceptions apply, go to Part II.

Check applicable box(es).

- 1 [] Prepaid tax equals or exceeds last year's income tax liability.
a Enter the liability from the 2018 return, Form 740 or Form 740-NP, page 1, line 26, or Form 741, line 20
b Enter amount from the 2019 Form 740, line 32, Form 740-NP, page 2, line 32*, or Form 741, line 21(d)

Line (b) must equal or exceed line (a) to claim the exception.

- 2 [] Two-thirds (2/3) or more of the gross income was from farming for 2018 or 2019; this return is being filed on or before March 2, 2020; 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
b Multiply by 2/3 (.67)
c Enter gross income from farming

Line (c) must equal or exceed line (b) to qualify for the exception.

- 3 [] You're filing a decedent's estate return for any tax year ending before the date that is two years after the decedent's death.
4 [] You're filing a trust return for a trust that was owned by the decedent for any tax year ending before the date that is two years after the decedent's death.

Table with 3 columns: Line number, Description, Amount. Rows 1a, 1b, 2a, 2b, 2c.

PART II - REQUIRED ANNUAL PAYMENT

Table with 3 columns: Line number, Description, Amount. Rows 1 through 8.

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 or amounts paid with the original return.



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NOTE: Use this page to calculate the estimated tax penalty due.

PAYMENT DUE DATES

		A 4/15/19		B 6/15/19		C 9/15/19		D 1/15/20	
9	Required Installments. Enter 25% (.25) of Part II, line 8 in each column	9	00	00	00	00	00	00	00
10	Estimated tax paid and tax withheld. For column A only, enter the amount from line 10 on line 14. If line 10 is equal to or greater than line 9 for all payment periods (columns A through D), stop here. You do not owe a penalty. Complete lines 11 through 18 of each column before going to the next column	10	00	00	00	00	00	00	00
11	Enter amount, if any, from line 18 of previous column	11		00	00	00	00	00	00
12	Add lines 10 and 11. Enter here	12		00	00	00	00	00	00
13	Enter the amount from line 17 of previous column.	13		00	00	00	00	00	00
14	Subtract line 13 from line 12. If zero or less, enter -0-. For column A only, enter the amount from line 10	14	00	00	00	00	00	00	00
15	If the amount on line 14 is zero, subtract line 12 from line 13. Otherwise, enter zero	15	00	00	00	00	00	00	00
16	Underpayment. If line 9 is equal to or greater than line 14, subtract line 14 from line 9. Otherwise, go to line 18	16	00	00	00	00	00	00	00
17	Add lines 15 and 16. Enter here. If line 9 is equal to or greater than line 14, then go to line 11 of the next column.....	17	00	00	00	00	00	00	00
18	Overpayment. If line 14 is more than line 9, subtract line 9 from line 14, then go to line 11 of the next column	18	00	00	00	00	00	00	00

FIGURING THE PENALTY

19	Penalty calculation payment date.....	19	6/15/19	9/15/19	1/15/20	4/15/20
20	Number of days from the payment due date shown at the top of the column above line 9 to the date the amount on line 17 was paid, or the date shown for that column on line 19, whichever is earlier	20				
21	Annual Percentage Rate (APR).....	21	.07	.07	.07	.07
22	Underpayment from line 17 X Number of days from line 20 X APR on line 21 ...	22	00	00	00	00
23	ESTIMATED TAX PENALTY: Add amounts on line 22 columns A through D, this is your estimated tax penalty. Enter here and on Form 740 or Form 740-NP, line 34(a) or Form 741, line 23(a)	23				00



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PART III—ANNUALIZED INCOME INSTALLMENT METHOD (See federal instructions)

Estates and trusts, don't use the period ending dates shown to the right. Instead, use the following: 2/28/19, 4/30/19, 7/31/19, and 11/30/19.

Annualized Income Installments

- 1 Enter your adjusted gross income for each period (see instructions). (Estates and trusts, enter your taxable income without your exemption for each period.)
2 Annualization amounts. (Estates and trusts, see federal instructions)
3 Annualized income. Multiply line 1 by line 2...
4 If you itemize, enter itemized deductions for the period shown in each column. All others enter -0-, and skip to line 7. Exception: Estates and trusts, skip to line 9 and enter amounts from line 3...
5 Annualization amounts...
6 Multiply line 4 by line 5
7 In each column, enter the full amount of your standard deduction from Form 740 or 740-NP, line 10
8 Enter the larger of line 6 or line 7
9 Subtract line 8 from line 3
10 Form 740 or 740-NP filers, enter -0- in each column. (Estates and trusts, see federal instructions.)
11 Subtract line 10 from line 9. If zero or less, enter -0-
12 Figure your tax on the amount on line 11. Multiply by 5% (.05)
13 Applicable Percentage
14 Multiply line 12 by line 13
15 Enter the total of the amounts in all columns of line 20
16 Subtract line 15 from line 14. If zero or less, enter -0-
17 Enter 25% (0.25) of Part II, line 8 of Form 2210-K in each column
18 Subtract line 20 of the previous column from line 19 of that column
19 Add lines 17 and 18
20 Enter the smaller of line 16 or line 19 here and on Form 2210-K, Part II, line 9

Table with 4 columns: A (1/1/19-3/31/19), B (1/1/19-5/31/19), C (1/1/19-8/31/19), D (1/1/19-12/31/19). Rows 1-20 contain numerical data for annualized income, deductions, and tax calculations.

General Instructions

Purpose of Form—To determine if you owe an underpayment of estimated tax penalty.

Who Must File Form 2210-K—In general, you may owe a penalty for 2019 if you owe more than \$500 and if the total of your withholding and timely estimated tax payments didn't equal at least the smaller of:

1. 90% of your 2019 tax, or
2. 100% of your 2018 tax. Your 2018 tax return must cover a 12-month period.

Part I—Exceptions to the Penalty—You may not owe a penalty if one of the exceptions below are 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 34(a) (Form 740-NP, line 34(a)). If none of the exceptions apply, go to Part II.

Exceptions:

- You had no liability for 2018, you were a U.S. Citizen or resident alien for the entire year (or an estate of a domestic decedent or a domestic trust), and your 2018 tax return (or would have been required to file) was for a full 12 months.
- The tax shown on the 2019 return minus the amount of tax you paid through withholding, estimated payments, and refundable credits is less than \$500.
- Your gross income from farming or fishing is at least two-thirds of your annual gross income from all sources for 2018 or 2019 and you paid the entire tax due by March 2, 2020.
- You're filing a decedent's estate return for any tax year ending before the date that is two years after the decedent's death.
- You're filing a trust return for a trust that was owned by a decedent for any tax year ending before the date that is two years after the decedent's death.

Part II—Required Annual Payment

Lines 1–8—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. The required annual payment is the lesser of: (1) 90% of your income tax liability after refundable credits are applied or (2) 100% of the tax shown on your 2018 tax return (2018 Form 740 or Form 740-NP, page 1, line 26 or Form 741, line 20).

Line 9—Multiply line 8 by 25 percent (.25) and enter in columns A through D, or if you used the annualized income installment method in Part III, enter the amount from Part III, line 20 into the appropriate columns. To use the annualized income installment method complete Part III.

Line 10—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 11 through 18 for Column A before going to Column B, etc.

Line 11—Enter amount from line 18 of the previous column. This amount should be the overpayment if any from the previous column.

Line 13—Enter amount from line 17 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 17—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 Penalty—The penalty will be calculated on each underpayment in each column from the payment due date written above line 9 to the date on line 19 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 the penalty on that balance.

Line 19—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 20—This is the number of days from the payment due date shown above line 9 to the date the amount on line 17 was paid or the date shown on line 19 for the column in which you are calculating penalty.

For example, if your underpayment on line 17 for column A is \$1,000, you would calculate the penalty from 4-15-19 to 6-15-19 and enter 61 days on line 20. If this \$1,000 remains unpaid, it will be added to any underpayment in column B and you would calculate interest from 6-15-19 until 9-15-19 which would be 92 days for that period, etc.

Line 21—The annual percentage rate is established by the Department of Revenue for each calendar year. The percentage rate for calendar years 2019 and 2020 is 7 percent. The penalty calculation for the required third installment payment may be calculated using two different rates.

Part III—Annualized Income Installment Method

If your income varied during the year you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. For example, you operated your business on a seasonal basis or you had a large capital gain late in the year. Note: If you use Part III for any payment due dates, you must use it for all payment due dates.

Line 1—For each period (column), figure your total income minus your adjustments to income. Include your share of partnership or S corporation income or loss items for the period.

Line 2—Estates and trusts don't use the amounts shown in columns (a) through (d). See Federal instructions.

Line 6—If you itemized deductions, multiply line 4 of each column by line 5 and enter the result on line 6.

Line 7—Enter the standard deduction amount of \$2,590.

Line 10—Form 740 or 740-NP filers, enter -0- in each column. Estates and trusts see federal instructions.

**INSTRUCTIONS FOR FILING
ESTIMATED TAX VOUCHERS****119
2020**

WHAT'S NEW FOR 2020—The standard deduction will increase to **\$2,650.00** for 2020. Individuals, estates, or trusts 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, estates, or trusts 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 141.305. Payments 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.**

General Rule

In most cases, you must pay estimated tax for 2020 if both of the following apply.

- 1 You expect to owe at least \$500 in tax for 2020, after subtracting your withholding and refundable credits.
- 2 You expect your withholding and refundable credits to be less than the smaller of:
 - (a) 90% of the tax to be shown on your 2020 tax return; or
 - (b) 100% of the tax shown on your 2019 tax return. Your 2019 tax return must cover all 12 months.

Note: These percentages may be different if you are a farmer, fisherman, or higher income taxpayer. See *Special Rules*.

EXCEPTION—You don't have to pay estimated tax payments for 2020 if you had no Kentucky tax liability for the full 12-month 2019 tax year. You had no liability for 2019 if your total tax was zero or you didn't have to file a Kentucky tax return.

SPECIAL RULES

There are special rules for farmers, fisherman, and certain higher income taxpayers.

FARMERS AND FISHERMAN—If at least two-thirds of your gross income for 2019 or 2020 is from farming, substitute 66 ²/₃% for 90% in (2a) under *General Rule*.

HIGHER INCOME TAXPAYERS—If your Kentucky adjusted gross income for 2019 was more than \$150,000 (\$75,000 if your filing status for 2020 is married filing separately), substitute 110% for 100% in (2b) under *General Rule*. This rule does not apply to farmers.

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 \$34,248 or less you may qualify for Kentucky Family Size Tax Credit.

Note: This credit is not applicable to fiduciary returns.

"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

—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 are 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.

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 2020 are due April 15, June 15, September 15, 2020, and January 15, 2021. Any credit from a 2019 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.

FARMERS AND FISHERMAN—If at least two-thirds of your gross income for 2019 or 2020 is from farming or fishing, you can do one of the following:

- Pay all of your estimated tax by January 15, 2021.
- File your 2020 Form 740 or Form 740-NP by March 1, 2021, and pay the total tax due. In this case, 2020 estimated tax payments aren't required to avoid a penalty.

ANNUALIZED INCOME INSTALLMENTS—If you receive your income unevenly throughout the year (for example, because you operate your business on a seasonal basis or you have a large capital gain late in the year), you may be able to lower or eliminate the amount of your required estimated tax payment for one or more periods by using the annualized income installments method. See chapter 2 of federal publication 505 for details.

Period When Estimate Required or Change Occurs	Due Date	Number of Equal Installments
January 1–April 1	April 15, 2020	4
April 2–June 1	June 15, 2020	3
June 2–September 1	September 15, 2020	2
September 2–December 31*	January 15, 2021	1

*If the change occurs after September 1, 2020, the voucher is not required if the 2020 Kentucky income tax return is filed and the tax shown to be due is paid on or before January 31, 2021.

Failure to make required estimated installments by the specified dates may result in penalty 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.

PENALTY FOR UNTIMELY ESTIMATED PAYMENT—Failure to pay estimated tax installments on or before the due date will result in assessment of penalty on the late payment. This penalty will be calculated using the rate provided by KRS 131.183.

HOW TO USE ESTIMATED TAX VOUCHERS—Enter your name, address and Social Security number(s)/FEIN 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—You may pay your estimated tax installments using the following options:

- Pay by check using Form 740-ES. Make check payable to Kentucky State Treasurer, and write your Social Security Number on the face of the check. If you chose to pay your first installment with Form 740, please prepare a separate check for the amount shown on the Form 740-ES voucher and include the voucher marked "Installment 1".
- Form 8879-K, you may authorize the Kentucky Department of Revenue to debit all four of your installments on the dates due. This option must be initiated at the time of the filing and is only available for electronic filers.
- Pay by ACH debit, you may access the Department of Revenue's secure website www.revenue.ky.gov.

Estimated Tax Worksheet (2020)

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 \$2,650.00 (Enter zero for estates or trusts).....	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. Multiply line 7 by 5% and ENTER TAX HERE..... ➔	8		
9	Enter your tax credits (\$40 if you are 65 or over or blind; \$20 if you are in the Kentucky National Guard; \$2 for a trust; \$10 for an estate).....	9		
10	Enter Family Size Tax Credit using percentage from worksheet below (Enter zero for estates or trusts).....	10		
11	Enter Income Gap Credit from worksheet below (Enter zero for estates or trusts).....	11		
12	Enter Kentucky income tax to be withheld in 2020. Add lines 9 through 12 and enter total at right	12		
13	Subtract the total on line 12 from line 8. This is your Estimated Kentucky Income Tax for 2020. Enter here. If this amount is \$500 or less, estimated tax payment is not required	13		
14(a)	Multiply line 13 by 90% (66 2/3 % for farmers and fishermen, see instructions)	14a		
(b)	Enter amount of tax liability from 2019 return (see 2(b) of General Rule) (Multiply by 110% for high income taxpayers, see instructions).....	14b		
(c)	Required annual payment. Enter the smaller of line 14(a) or 14(b).....	14c		
15	Divide line 14(c) 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.....	15		

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 2019 table is provided for your convenience.

Note: This credit is not applicable to fiduciary returns.

Tax Year 2019	Family Size: One		Two		Three		Four or More		Credit Percentage is	Income Gap Credit		
	If MGI ... is over		is not over		is over		is not over			One	Two	Three
	\$ ---	\$12,490	\$ ---	\$16,910	\$ ---	\$21,330	\$ ---	\$25,750				
	12,490	12,990	16,910	17,586	21,330	22,183	25,750	26,780	100%	\$11	\$ 7	\$ 3
	12,990	13,489	17,586	18,263	22,183	23,036	26,780	27,810	90%	\$20	\$13	\$ 6
	13,489	13,989	18,263	18,939	23,036	23,890	27,810	28,840	80%	\$29	\$18	\$ 6
	13,989	14,488	18,939	19,616	23,890	24,743	28,840	29,870	70%	\$37	\$22	\$ 6
	14,488	14,988	19,616	20,292	24,743	25,596	29,870	30,900	60%	\$45	\$24	\$ 4
	14,988	15,488	20,292	20,968	25,596	26,449	30,900	31,930	50%	\$51	\$26	
	15,488	15,862	20,968	21,476	26,449	27,089	31,930	32,703	40%	\$58	\$27	
	15,862	16,237	21,476	21,983	27,089	27,729	32,703	33,475	30%	\$64	\$28	
	16,237	16,612	21,983	22,490	27,729	28,369	33,475	34,248	20%	\$69	\$28	
	16,612	---	22,490	---	28,369	---	34,248	---	10%			
									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 2019 overpayment credited to 2020 estimated tax.....
	(b) Payments made on 2020 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 2019 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 15 above.	2019 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.*

This page has been intentionally left blank.



Enclose with Form 740, Form 740-NP or Form 741.

See federal instructions.

Enter name of recipient of distribution.

Social Security or Federal Identification Number

Grid for 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.

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

Table with 3 columns: Line number, Description, and Amount. Lines 2-7.

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

Table with 3 columns: Line number, Description, and Amount. Lines 8a, 8b, 8c.

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

Table with 3 columns: Line number, Description, and Amount. Lines 9-32.

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➤ Enclose with Form 740, 740-NP or 741. ➤ See federal instructions and worksheets for Form 8582.

Enter name(s) as shown on tax return.	Social Security or Federal Identification Number
---------------------------------------	--

PART I—2019 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.)

1 a Activities with net income (from worksheet 1, column (a))	1a	00	
b Activities with net loss (from worksheet 1, column (b))	1b	(00)	
c Prior year unallowed losses (from worksheet 1, column (c))	1c	(00)	
d Combine lines 1(a) through 1(c)	1d		00

Commercial Revitalization Deductions From Rental Real Estate Activities

2 a Commercial revitalization deductions from worksheet 2, column (a).....	2a	(00)	
b Prior year unallowed commercial revitalization deductions from worksheet 2, column (b).....	2b	(00)	
c Add lines 2(a) and 2(b)	2c	()	00

All Other Passive Activities

3 a Activities with net income (from worksheet 3, column (a))	3a	00	
b Activities with net loss (from worksheet 3, column (b))	3b	(00)	
c Prior year unallowed losses (from worksheet 3, column (c))	3c	(00)	
d Combine lines 3(a) through 3(c)	3d		00

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.....

4	4	00	00
---	---	----	----

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.

5 Enter the smaller of the loss on line 1(d) or the loss on line 4.....	5	00	00
6 Enter \$150,000; \$75,000 if married filing separately or separate on a combined return	6	00	
7 Enter modified adjusted gross income, but not less than zero (see federal instructions). If line 7 is equal to or greater than line 6, skip lines 8 and 9, enter zero on line 10. Otherwise, go to line 8	7	00	
8 Subtract line 7 from line 6.....	8	00	
9 Multiply line 8 by 50% (.5). Do not enter more than \$25,000; \$12,500 if filing separately or separate on a combined return	9		00
10 Enter the smaller of line 5 or line 9. If line 2(c) is a loss, go to Part III. Otherwise, go to line 15.....	10		00

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.

11 Enter \$25,000 reduced by the amount, if any, on line 10. If married filing separately, see instructions	11	00	00
12 Enter the loss from line 4	12		00
13 Reduce line 12 by the amount on line 10	13		00
14 Enter the smallest of line 2(c) (treated as a positive amount), line 11 or line 13.....	14		00

PART IV—Total Losses Allowed

15 Add the income, if any, on lines 1(a) and 3(a) and enter the total.....	15	00	00
16 Total losses allowed from all passive activities for 2019. Add lines 10, 14 and 15. Form 740 filers see reverse; other filers see federal instructions on how to report the losses on your tax return	16		00

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.

FORM 8863-K



1900260001

KENTUCKY EDUCATION TUITION TAX CREDIT

2019

Commonwealth of Kentucky Department of Revenue

Enclose with Form 740 or Form 740-NP

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

Your Social Security Number

Grid for Social Security Number

Caution: You cannot take the 2019 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 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. Contains 3 qualification questions.

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 with columns for Student Name, SSN, Institution Name and Address, and calculation columns (c) through (f).

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



1900450001

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)
		<input type="text"/>	-----	.00
		<input type="text"/>	-----	.00
6	Add the amounts on line 5, column (d) and enter total here.....			00
7	Enter the smaller of line 6 or \$10,000			00
8	Multiply line 7 by 20% (.20) and enter here.....			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.....			— • — — —
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)			00
11	Total Tentative Kentucky Education Tuition Tax Credits. Add lines 4 and 10.			00

PART IV – Allowable Education Credits

12	Multiply the amount on line 11 by 25% (.25) and enter total here	00
13	Enter tentative tax from Form 740 or Form 740-NP, line 22	00
14	Enter amount from Part V, line 34. If Part V, line 34 is blank, enter -0-.....	00
15	Subtract line 14 from line 13.....	00
16	Enter the smaller of line 15 or line 12	00
17	Add lines 14 and 16. Enter here and on Form 740 or Form 740-NP, line 23. This is your allowable 2019 Kentucky Education Tuition Tax Credit	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 2019 to 2020 . Enter here and on the 2019 Carryforward Worksheet, Line E, provided below	00



1902030001

FORM 8863-K (2019)

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 2014	20		00
21	Enter your credit carryforward from 2015	21		00
22	Enter your credit carryforward from 2016	22		00
23	Enter your credit carryforward from 2017	23		00
24	Enter your credit carryforward from 2018	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 2015 credit carryforward to 2020. 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 2016 credit carryforward to 2020. 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 2017 credit carryforward to 2020. 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 2018 credit carryforward to 2020. 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

2019 Carryforward Worksheet

A	From Part V, Line 27, 2015 to 2020	<u> </u>	.00
B	From Part V, Line 29, 2016 to 2020	<u> </u>	.00
C	From Part V, Line 31, 2017 to 2020	<u> </u>	.00
D	From Part V, Line 33, 2018 to 2020	<u> </u>	.00
E	From Part IV, Line 18, 2019 to 2020	<u> </u>	.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 2019 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, line 22.

Line 14—Enter the amount from page 3, 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 2019 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 2019 to 2020. 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 FIDUCIARY INCOME TAX DECLARATION FOR ELECTRONIC FILING DO NOT MAIL! RETAIN FOR YOUR RECORDS.

Submission Identification Number (SID)

Name of Estate or Trust

Federal Employer Identification Number

Name and Title of Fiduciary

PART I - Tax Return Information

Estate/Trust

Table with 5 rows: 1 Kentucky taxable income, 2 Total tax liability, 3 Total payments, 4 Amount you owe, 5 Refunded to you. Columns include line number, description, and amount.

PART II - Direct Debit of Tax Amount Due / Direct Debit of Estimate Tax

6 Routing transit number (RTN), 7 Depositor account number (DAN), 8 Type of account, 9 Tax due debit amount, 10 In order to comply with electronic banking regulations...

KENTUCKY

PART III - Declaration of Fiduciary/Agent

11 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 the 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 the Kentucky fiduciary income tax return.

Signature of Fiduciary or Agent, PTIN or Identification Number of Fiduciary or Agent, Telephone Number (daytime), Date Signed

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

I declare that I have reviewed the above return and that the entries on Form 8879-F 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.

ERO's Use Only

Firm's name (or yours if self-employed) and address, Signature, Date, I.D. Number of ERO, FEIN, ZIP code

Paid Preparer's Use Only

Firm's name (or yours if self-employed) and address, Preparer's Signature, Date, I.D. Number of Preparer, FEIN, ZIP code

Filing Requirements

- **Federal/State E-file With a Federal PIN**—For returns filed via this method, an 8879-F is not required.
- **Federal/State E-file Without a Federal PIN**—For returns filed via this method, an 8879-F 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-F 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 fiduciary income tax return or amended return before you complete Form 8879-F. You must also complete this form before signing it. Fiduciaries/Agents, 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 fiduciary/agent completes Part II.

Name of Estate or Trust, Name and Title of Fiduciary, and Federal Employer Identification Number.

Fiduciary/Agent Responsibilities

Fiduciaries/Agents that use an ERO must:

- Verify all information on the Form 8879-F, including FEIN.
- Inspect the paper copy of the return and ensure the information is correct.
- Sign Form 8879-F after the return has been prepared but before it is transmitted.

Fiduciaries/Agents that file from home must:

- Complete Form 8879-F.
- **Attach** the Kentucky copy of Forms K-1; any documents verifying credit amounts; any schedules explaining "Other" adjustments to income; any documents with required signatures; and a complete copy of 1041.

- Keep Form 8879-F with your tax return. Do not mail.

ERO Responsibilities

The ERO must:

- Complete Form 8879-F and retain for three years.
- Obtain signature of fiduciary/agent.
- **Attach** the Kentucky copy of Forms K-1; any documents verifying credit amounts; any schedules explaining "Other" adjustments to income; any documents with required signatures; and a complete copy of 1041.
- Provide the fiduciary/agent with copies of the completed 8879-F 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 Debit of Tax Amount Due and Direct Debit of Estimate Tax

Payment of Balance Due—Penalty and interest will begin to accrue on any tax due that has not been paid by April 15, 2020.

If there is an amount on **Line 4** (Amount you owe), the fiduciary/agent can choose from the following methods of payment:

- (1) **Pay by Direct Debit when Filing Your Return**—The fiduciary/agent can choose to pay the amount due by completing Part II, lines 6 through 10, and checking the box on line 11. Fiduciaries/Agents can choose direct debit for Kentucky regardless of the choice for federal purposes. The fiduciary/agent 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 15, 2020).

Note: Select any date until April 15 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 2019 Kentucky fiduciary income tax by Mastercard, VISA or Discover credit cards or by ACH Debit through April 15, 2020. Access the Department of Revenue's secure Web site (www.revenue.ky.gov) to make electronic payments over the Internet. 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**—Fiduciaries/Agents should submit their payment using Form 741-V, Kentucky Electronic Payment Voucher.

Payment of Estimate Tax—The fiduciary/agent 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 11 in Part III. Fiduciaries/Agents may select to direct debit estimate tax regardless of their choice of direct debit of tax amount due.

The fiduciaries/agent 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 fiduciary/agent may schedule up to four debit dates with the electronic filing of their 2019 tax return: April 15, 2020, June 15, 2020, September 15, 2020 and January 15, 2021. The financial institution routing number, account number and type of account cannot be

different from that of the 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: Fiduciaries/Agents 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 fiduciary/agent 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 Debit.

Line 9—

- Tax due debit amount: enter the amount you owe from 8879-F, Part 1, line 4.
- 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 this question.

Part III—Declaration of Fiduciary/Agent

An electronically transmitted return will not be considered true, accurate and complete unless Form 8879-F is signed by the fiduciary/agent prior to transmitting the electronic return. In addition, by using a computer system and software to prepare and transmit the return electronically, the fiduciary/agent 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 fiduciary/agent must sign and date Form 8879-F after it has been completed to verify that the information is correct and that the fiduciary/agent agrees with the information on the completed tax return.

EROs and tax preparers are prohibited from obtaining fiduciary/agent signatures on blank or incomplete forms.

When an error is corrected after the fiduciary/agent has signed Form 8879-F, 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-F must be completed for fiduciary/agent 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-F, a copy of the tax return with the paid preparer's signature should be attached to the 8879-F.

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KENTUCKY INDIVIDUAL INCOME TAX DECLARATION FOR ELECTRONIC FILING

DO NOT MAIL! RETAIN FOR YOUR RECORDS.

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

Table with 5 columns: Line number, Description, 740 line, 740-NP line, 740-X line, and amounts for Spouse and Taxpayer.

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 electronic banking questions.

PART III - Declaration of Taxpayer

- 11 I consent that my refund be directly deposited...
12 I do not want direct deposit of my refund...
13 I authorize the Kentucky Department of Revenue and its designated Financial Agent...

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 2019 Kentucky income tax return.

Your Signature (If joint or combined return, both must sign) Spouse's Signature Telephone Number (daytime) 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

Form for ERO's Use Only including fields for Signature, Date, I.D. Number of ERO, FEIN, and ZIP code.

Paid Preparer's Use Only

Check [] if self-employed.

Form for Paid Preparer's Use Only including fields for Preparer's Signature, Date, I.D. Number of Preparer, FEIN, and ZIP code.

Attach copy of Forms W-2, W-2G and 1099-R here.

KENTUCKY

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 5** (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 15, 2020.

If there is an amount on **Line 4** (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 15, 2020).

Note: Select any date until April 15 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 2019 Kentucky individual income tax by Mastercard, VISA or Discover credit cards or by ACH Debit through April 15, 2020. 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.

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 2019 tax return: April 15, 2020, June 15, 2020, September 15, 2020 and January 15, 2021. 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 10(a). If you are paying the amount you owe on your return via direct debit, answer questions 10(b).

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.

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▶ Attach to Form 740 or 740-NP.

▶ See federal instructions for 8948

Name(s) on tax return.	Tax year of return	Taxpayer's Identifying Number
Preparer's name		Preparer Tax Identification Number (PTIN)

Check the applicable box to indicate the reason this return is not being filed electronically.

- 1 Taxpayer chose to file this return on paper.
- 2 The preparer received a federal waiver from the requirement to electronically file the tax return.
Waiver Reference Number: _____ Approval Letter Date: _____
- 3 The preparer is a member of a recognized religious group that is conscientiously opposed to electronic filing.
- 4 The return was rejected by IRS / Kentucky e-file and the reject condition could not be resolved.
Reject Code: _____ Number of attempts to resolve reject: _____
- 5 The preparer's e-file software package does not support Form _____ or Schedule _____
- 6 Check the box that applies and provide additional information if requested.
 - a The preparer is ineligible to file electronically because IRS e-file does not accept foreign preparer's without social security numbers who live and work abroad.
 - b The preparer is ineligible to participate in IRS/KY e-file due to an IRS sanction.
 - c Other: Describe below the circumstances that prevented the preparer from filing the return electronically.

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

Under the provisions of KRS 141.235, 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

Return to Kentucky Department of Revenue, Frankfort, KY 40620

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- USE FOR INDIVIDUAL, GENERAL PARTNERSHIP, AND FIDUCIARY INCOME TAX RETURNS FOR KENTUCKY
- SEE INSTRUCTIONS FOR PAYMENT REQUIREMENTS

Use this form if you are requesting a Kentucky extension of time to file. Taxpayers who request a federal extension are not required to file a separate Kentucky extension, unless an amount is due with the extension. The requirement may be met by attaching federal Form 4868 (automatic extension) to the Kentucky return.

You may choose to electronically file your Kentucky extension for Individual returns. Filing electronically allows you the option to pay electronically through a direct debit transaction scheduled on or before April 15, 2020.

All taxpayers filing this Application for Extension must complete Section I and the Payment Voucher. If no payment is being remitted, leave the Amount Paid box on the Payment Voucher blank. If you are filing your Application of Extension electronically and choose to pay by direct debit, complete Section II with your banking account information.

You will be notified only if the Application for Extension is denied. To avoid the late filing penalty, a copy of this form must be attached to your return when filed. Keep a copy for yourself.

Section I

A six-month extension is requested for filing the income tax return of the taxpayer(s) listed below for the taxable year ending _____.

REASON FOR REQUEST (A reason must be given before any request can be considered. Inability to pay is not a valid reason.)

Signature of Taxpayer _____ Date _____ Signature of Paid Preparer _____ Date _____

➤ Mail to: Kentucky Department of Revenue, P.O. Box 1190, Frankfort, KY 40602-1190 ◀

DENIED: Late (postmark later than return date) Other: _____

Section II - Direct Debit of Tax Due (Complete only if filing electronic extension)

Routing Transit number (RTN) _____ The first 2 numbers of the RTN must be 01 through 12 or 21 through 32.

Depositor account number (D.A.N.) _____

Type of account: Savings Checking Tax due debit amount \$ _____ Debit date ____/____/____

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 my state taxes owed and the financial institution to debit the entry to this account. This authorization is to remain in full force and effect until I notify the Kentucky Department of Revenue to terminate the authorization. To revoke (cancel) a payment, I must contact the Kentucky Department of Revenue at (502) 564-4581 no later than two business days prior to the payment (debit) date. 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 payment.

Your Signature (If joint or combined return, both must sign) _____ Spouse's Signature _____ Date _____

Detach here and mail voucher with your payment

740EXT (09/19)

Kentucky Extension Payment Voucher

2019

YOUR SOCIAL SECURITY NUMBER / FEIN _____ 12/31/2019 Year Ending _____ SPOUSE'S SOCIAL SECURITY NUMBER. _____

LAST NAME _____ FIRST NAME _____ SPOUSE'S NAME _____

NUMBER AND STREET OR P.O. BOX _____

CITY, TOWN OR POST OFFICE _____ STATE _____ ZIP CODE _____

Amount Paid _____ 00

Make check payable to: Kentucky State Treasurer

- Check type of return:
- Individual Fiduciary
 - General Partnership

For informational purposes only.
General Partnerships DO NOT have a tax liability.

Mail to:
Kentucky Department of Revenue
P.O. Box 1190
Frankfort, KY 40602-1190

40A1020003

DO NOT ATTACH CHECK TO VOUCHER

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Every pass-through entity required to withhold Kentucky income tax per KRS 141.206(5) or that files a composite income tax return per KRS 141.206(15)(a) should make a declaration and payments of estimated tax per KRS 141.206(5) if: (i) a nonresident individual 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.

Per KRS 141.206(4), every pass-through entity required to file a return per KRS 141.206(1), except publicly traded partnerships per KRS 141.0401(6)(a)18. and (b)14., should withhold Kentucky income tax on the distributive share, whether distributed or undistributed, of each: (i) nonresident individual 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. Estimated payments should be made at the tax rate of five percent (5%) per KRS 141.020 and 141.040.

Payment Dates—Per KRS 141.207(2), the payment of estimated tax required per KRS 141.206 shall be filed with the department by the pass-through entity in the same manner and at the same times as per: (i) KRS 141.305, for a nonresident individual partner, member, or shareholder; and (ii) KRS 141.044, for a corporate partner or member.

Filling Out the Voucher:

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.**

Enter the month and year of the entity's taxable year ending date as four-digits. Example: (MMYY) 1219

Enter the Federal Employer Identification Number (FEIN).

Enter the entity's name, address, contact name, and telephone number. Do not use punctuation marks (quotation marks, periods, parenthesis, etc.) in entity's name.

Preparing Your 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 FEIN and the Kentucky NRWH account number on the check or money order.
- Cut the payment voucher at the dotted line below.
- **Please place both the check or money order and the payment voucher in the envelope together without staples or clips.**
- **DO NOT leave check stubs attached to checks.**
- Mail with payment to **Kentucky Department of Revenue, Frankfort, Kentucky 40619-0006.**

★ Please cut on the dotted line. ★

2020 PASS-THROUGH ENTITY NONRESIDENT DISTRIBUTIVE SHARE WITHHOLDING REPORT AND COMPOSITE INCOME TAX ESTIMATED VOUCHER

KENTUCKY ESTIMATED TAX VOUCHER

Form 740NP-WH-ES

Taxable Year Ending (MMYY)

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Individual Tax											
Type Return 08	<table border="1"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>										

Kentucky NRWH Account No										
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Federal Identification Number (FEIN)										
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Corporate Tax											
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Entity Name										
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Total Tax Paid	<table border="1"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>										

(Round to the nearest dollar)

Number and Street		
City	State	ZIP Code
Contact Name and Telephone Number		

OFFICIAL USE ONLY	
V A L #	

40A201ES0003

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General—Per 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 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. Request an extension using the current year Form 740NP-WH-EXT, Extension of Time to File Kentucky Form 740NP-WH before the date prescribed in KRS 141.160 for filing the return; OR,
2. Submit a copy of the applicable Kentucky Extension either Corporation/LLET Extension, 720 EXT, or Extension of Time to File Individual, General Partnership and Fiduciary, 41A102, with the 740NP-WH return when filed; OR,
3. Submit a copy of the federal Form 7004, (Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns) with the 740-NP-WH return.

Federal/State Extension—A pass-through entity granted a six-month extension of time for filing its return will be granted an extension of time for filing its Form 740NP-WH for the same taxable year **provided a copy of the Extension is attached to the 740NP-WH when it is filed.**

Filling Out the Voucher:

Enter the Federal Employer Identification Number (FEIN).

Enter the month and year of the entity's taxable year ending date as four-digits. Example: (MMYY) 1219.

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.**

Enter the entity's name, address, contact name, and telephone number. Do not use punctuation marks (quotation marks, periods, parenthesis, etc.) in the entity's name.

Preparing Your 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 FEIN and the NRWH account number on the check or money order.
- Cut the payment voucher along the dotted line below.
- **Please place both the check or money order and the Extension payment voucher in the envelope together without staples or clips.**
- **DO NOT leave check stubs attached to checks.**
- Mail with payment to **Kentucky Department of Revenue, Frankfort, Kentucky 40620-0021.**

The Kentucky Department of Revenue encourages taxpayers to make payments electronically. You can make a one-time electronic payment or you can register for a user name and password to make multiple and reoccurring payments electronically. Please visit www.revenue.ky.gov for details.

★ Please cut along the dotted line. ★

740NP-WH-EXT

EXTENSION OF TIME TO FILE KENTUCKY FORM 740NP-WH

2019

Federal Identification Number (FEIN)

09
Return Type

Taxable Year Ending (MMYY)

Kentucky NRWH Account No

--	--	--	--	--	--	--	--	--	--

--	--	--

--	--	--	--	--	--	--	--	--	--

Entity Name

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Individual
Income Tax

--	--	--	--	--	--	--	--	--	--

Corporation
Income Tax

--	--	--	--	--	--	--	--	--	--

Total

--	--	--	--	--	--	--	--	--	--

(Round to the nearest dollar)

Number and Street		
City	State	ZIP Code
Contact Name and Telephone Number		

Kentucky Department of Revenue,
Frankfort, Kentucky 40620-0021



OFFICIAL USE ONLY

40A201NP-WH-SL0003

VAL
#

Signature of Principle Officer or Chief Accounting Officer OR
Preparer Other than Taxpayer

Date

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Kentucky Nonresident Income Tax Withholding Instructions

2019



NRWH

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Only use this instruction packet to prepare Form 740NP-WH.

Purpose of this Form—Form 740NP-WH is used by every pass-through entity required to file a return per KRS 141.206(4)(a), except publicly traded partnerships per KRS 141.0401(6)(a)18. and (b)14., 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 must be at the maximum rate of five percent (5%) provided in KRS 141.020 or 141.040.

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 attached.

“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 per KRS 141.010(22) and is not classified as a corporation or an individual.

For Kentucky purposes, a **single member LLC** is treated as a pass-through entity.

NOTE: Filing Form 740NP-WH on behalf of a nonresident individual will satisfy the individual’s nonresident filing requirement if the only Kentucky source income is through an ownership interest in a pass-through entity.

SPECIFIC INSTRUCTIONS FOR FORM 740NP-WH

Item A—Enter the pass-through entity’s Federal Employer Identification Number.

Item B—Enter the pass-through entity’s Kentucky Nonresident Income Tax Withholding (NRWH) Account Number. **To obtain your valid Kentucky NRWH account number, please contact Registration at (502) 564-3306.**

Item C—Enter the pass-through entity’s name, address, ZIP Code, and telephone number. Check the box to indicate a change of name.

Item D—Enter taxable year ending. The taxable year ending is the same as the pass-through entity’s taxable year.

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

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

SPECIFIC INSTRUCTIONS

Line 1 – 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 – Enter the number of nonresident individuals, estates, trusts, and corporations exempt from withholding on distributive share income per KRS 141.206.

Line 3—Enter the net distributive share income of the nonresident individuals, estates, trusts, and corporations included on Line 1.

Line 4—Enter the apportionment fraction from the pass-through entity’s Schedule A or 100% (see Schedule A instructions).

Line 5 – Enter the amount of Line 3 multiplied by Line 4.

Line 6 – Enter the amount of Line 5 multiplied by five percent (5%).

Line 7 – Enter the partners’, members’, or shareholders’ nonrefundable tax credits from Schedules K-1.

Note: 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 will be disallowed.

Line 8 – Enter the amount of Line 6 less Line 7.

Note: The total income tax withheld on enclosed PTE-WH forms must equal Line 8.

Line 9 – 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 10 – Enter extension payment (Form 740-NP-WH-EXT).

Line 11 – Enter the amount credited to 2019 from Form 740NP-WH, Line 19 of the 2018 return.

Line 12 – Enter the amount of tax paid on the original return. **This line is only used when filing an amended return.**

Line 13 – Enter the total payments listed on Lines 9 through 12.

Line 14 – Enter the 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 Line 13, enter the difference on this line and enter the amount in the Tax Payment Summary.

Line 16 – If the total of Lines 8 and 14 is less than Line 13, enter the difference on this line.

Line 17 – Enter the portion of Line 16 to be credited to 2019 Interest.

Line 18 – Enter the portion of Line 16 to be credited to 2019 Penalty.

Line 19 – Enter the portion of Line 16 to be credited to 2020 NRWH.

Line 20 – Enter the portion of Line 16 to be refunded (Line 16 less Lines 17 through 19).

INSTRUCTIONS FOR PTE-WH

A pass-through entity must complete a PTE-WH, 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(ies) 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 must be furnished to each partner, member, or shareholder by the 15th day of the fourth month following the close of the taxable year.

SPECIFIC INSTRUCTIONS FOR THE PTE-WH

Check the applicable box if an amended 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) Account Number. **To obtain your valid NRWH account number, contact Registration at 502-564-3306.**
3. Enter the pass-through entity's name, address, and ZIP Code.
4. Enter the partner's, member's, or shareholder's Social Security Number or FEIN. Check the box if a corporation.

5. Enter the partner's, member's, or shareholder's name, address, and ZIP Code.
6. Enter the partner's, member's, 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 of Line 6 multiplied by five percent (5%).
8. Enter the partner's, member's, or shareholder's allowable nonrefundable tax credits from Kentucky Schedules K-1.
9. Enter the amount of 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 can 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 may 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 per 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 per 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.

INTEREST RATE

Pursuant to KRS 131.183, the 2020 tax interest rate has been set at five percent (5%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is seven percent (7%) and when interest is due on a refund, the rate is three percent (3%).

SPECIFIC INSTRUCTIONS FOR ESTIMATED PAYMENTS

Every pass-through entity required to withhold Kentucky income tax per KRS 141.206(5) or that files a composite income tax return per KRS 141.206(15)(a) should make a declaration and payments of estimated tax per KRS 141.206(5) if: (i) a nonresident individual 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.

Per KRS 141.206(4), every pass-through entity required to file a return per KRS 141.206(1), except publicly traded partnerships per KRS 141.0401(6)(a)18. and (b)14., should withhold Kentucky income tax on the distributive share, whether distributed or undistributed of each (i) nonresident individual 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. Estimated payments should be made at the tax rate of five percent (5%) per KRS 141.020 and 141.040.

Payment Dates—Per KRS 141.207(2), the payment of estimated tax required per KRS 141.206 shall be filed with the department by the pass-through entity in the same manner and at the same times as per: (i) KRS 141.305, for a nonresident individual partner, member, or shareholder; and (ii) KRS 141.044, for a corporate partner or member.

Online Payment Options—The Department of Revenue (DOR) is now able to offer taxpayers additional payment options for Nonresident Withholding (NRWH) Tax. The Enterprise Electronic Payment System (EEPS) is an easy way to make an estimate/corporation, an estimate/individual, or an extension payment for your NRWH Tax. When making this type of payment, the 9-digit NRWH account number that starts with "04" is required along with the FEIN. Taxpayers can also make a payment on an existing tax notice using the notice number or case number. To use EEPS, go to www.revenue.ky.gov and click on the **E-File & Payments** tile. From the selections of tax types available, select **Nonresident Withholding (NRWH) Tax** and click on the **Electronic Payment** link.

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, 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

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.

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, 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	December 15	25% of Estimated Tax due

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 12th 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.

Specific Line-by-Line Instructions for Individual Nonresident Income Tax Withholding (INDNRWH) Underpayment Penalty Calculation

Individual Partners, Members, or Shareholders

Part I—Required Annual Payment

Line 1—Enter the current year estimated individual nonresident income tax withholding on distributive share income (INDNRWH).

Line 2—Enter nonrefundable credits.

Line 3—Subtract Line 2 from Line 1. These are your required INDNRWH estimated installments due. If \$500 or less, no INDNRWH underpayment penalty is due. If over \$500, proceed to Line 4.

Part II—Figuring the Underpayment

Line 4—Enter the installment due dates based on your tax year and the criteria provided below:

For calendar year taxpayers, enter 04/15/2019, 06/15/2019, 09/15/2019, and 01/15/2020.

For fiscal year taxpayers, enter the 15th day of the 4th, 6th, and 9th months of the tax year and the 15th day of the month following the close of the tax year.

Line 5—Enter 25% (.25) of Line 3.

Line 6—Enter estimated INDNRWH tax paid or credited for each period. For column A only, enter the amount from Line 6 on Line 10.

Complete Lines 7 through 13 of one column before going to the next column

Line 7—Enter amount, if any, from Line 13 of the preceding column.

Line 8—Add Lines 6 and 7 in each column.

Line 9—Add amounts from Lines 11 and 12 of the preceding column.

Line 10—Subtract Line 9 from Line 8. If zero or less, enter zero. For column A only, enter the amount from Line 6.

Line 11—If the amount on Line 10 is zero, subtract Line 8 from Line 9. Otherwise, enter zero.

Line 12—If Line 10 is less than or equal to Line 5, subtract Line 10 from Line 5. Then, go to Line 7 of the next column. Otherwise, go to Line 13. **This is your INDNRWH Underpayment.**

Line 13—If Line 5 is less than Line 10, subtract Line 5 from Line 10. Then, go to Line 7 of the next column. **This is your INDNRWH overpayment.**

Part III—Figuring the INDNRWH Underpayment Penalty

Line 14—Enter the date when the specific INDNRWH installment is paid in full or the 15th day of the 4th month after the close of the tax year, whichever date is earlier, in each column.

Line 15—Enter the number of days from the due date of installment on Line 4 to the date shown on Line 14 in each column.

Line 16—Enter the number of days on Line 15 after 04/15/2019 and before 01/01/2020 in each column.

$$\text{Line 17—} \quad \text{Line 12} \quad \times \left(\frac{\text{Line 16}}{365} \right) \quad \times \quad 7\%$$

Line 18—Enter the number of days on Line 15 after 12/31/2019 and before the day after the due date of the return or 01/01/2021, whichever date is earlier, in each column.

$$\text{Line 19—} \quad \text{Line 12} \quad \times \left(\frac{\text{Line 18}}{366} \right) \quad \times \quad 7\%$$

Line 20—For September through November 2019 fiscal year end taxpayers, enter the number of days on Line 15 after 12/31/2020 and before 03/16/2021 or the day after the due date of the return, whichever date is earlier, in each column.

$$\text{Line 21—} \quad \text{Line 12} \quad \times \left(\frac{\text{Line 20}}{365} \right) \quad \times \quad \text{2021 Tax Due Rate}$$

NOTE: The 2021 tax due interest rate will be made public in early October 2020.

Line 22—Add Lines 17, 19, and 21 in each column.

Line 23—Add Columns A through D, Line 22. Enter the total in Column D. If there is an income tax overpayment on Line 16 of Form 740NP-WH, add this amount to Form 740NP-WH, Line 18. If there is an income tax due on Line 15 of Form 740NP-WH, add this amount to Form 740NP-WH, Tax Payment Summary, Line 3.

Individual Partners, Members, or Shareholders Underpayment Penalty Calculation

Part I—Required Annual Payment

- 1 Current year estimated individual nonresident income tax withholding on distributive share income (INDNRWH).....
- 2 Nonrefundable Credits.....
- 3 Current year INDNRWH after Credits. Subtract line 2 from line 1. If \$500 or less, **STOP!** No INDNRWH underpayment penalty is due. If over \$500, proceed to line 4. These are your required INDNRWH Estimated Installments Due.....

Part II—Figuring the Underpayment

- 4 **Installment Due Dates (see instructions)**
- 5 **Required INDNRWH Installments**—Enter 25% (.25) of line 3 in each column.....
- 6 Estimated INDNRWH tax paid or credited for each period. For column A only, enter the amount from line 6 on line 10.....

	A	B	C	D

Complete lines 7 through 13 of one column before going to next column.

- 7 Enter amount, if any, from line 13 of the preceding column.....
- 8 Add lines 6 and 7 in each column
- 9 Enter the amounts from lines 11 and 12 of the preceding column.....
- 10 Subtract line 9 from line 8. If zero or less, enter zero. For column A only, enter the amount from line 6....
- 11 If the amount on line 10 is zero, subtract line 8 from line 9. Otherwise, enter zero.....
- 12 **INDNRWH Underpayment.** If line 10 is less than or equal to line 5, subtract line 10 from line 5. Then, go to line 7 of the next column. Otherwise, go to line 13
- 13 **INDNRWH Overpayment.** If line 5 is less than line 10, subtract line 5 from line 10. Then, go to line 7 of the next column.....

Part III – Figuring the INDNRWH Underpayment Penalty

	A	B	C	D
14 Enter the date when the specific INDNRWH installment is paid in full or the 15th day of the 4th month after the close of the tax year, whichever date is earlier, in each column.....				
15 Number of days from the due date of the installment on line 4 to the date shown on line 14 in each column.....				
16 Number of days on line 15 after 04/15/2019 and before 01/01/2020 in each column.....				
17 Line 12 $\times \left(\frac{\text{Line 16}}{365} \right) \times 7\%$				
18 Number of days on line 15 after 12/31/2019 and before the day after the due date of the return or 01/01/2021, whichever date is earlier, in each column.....				
19 Line 12 $\times \left(\frac{\text{Line 18}}{366} \right) \times 7\%$				
20 Number of days on line 15 after 12/31/2020 and before 03/16/2021 or the day after the due date of the return, whichever date is earlier, in each column.....				
21 Line 12 $\times \left(\frac{\text{Line 20}}{365} \right) \times \text{2021 Tax Due Rate}$				
22 Add lines 17, 19, and 21 in each column				
23 INDNRWH Penalty. Add columns A through D of line 22. Enter the total in column D and add to Form 740NP-WH line as specified in the instructions.....				

Specific Line-by-Line Instructions for Corporate Nonresident Income Tax Withholding (CPNRWH) Underpayment Penalty Calculation

Corporate Partners or Members

Part I—Required Annual Payment

Line 1—Enter the current year estimated corporate nonresident income tax withholding on distributive share income (CPNRWH).

Line 2—Enter nonrefundable credits.

Line 3—Subtract Line 2 from Line 1. These are your required CPNRWH estimated installments due. If \$5,000 or less, no CPNRWH underpayment penalty is due. If over \$5,000 proceed to Line 4.

Part II—Figuring the Underpayment

Line 4—Enter the installment due dates based on your tax year and the criteria provided below:

For calendar year taxpayers, enter 04/15/2019, 06/15/2019, 09/15/2019, and 12/15/2019.

For fiscal year taxpayers, enter the 15th day of the 4th, 6th, 9th, and 12th months of the tax year.

Line 5—Enter 25% (.25) of Line 3.

Line 6—Enter estimated CPNRWH tax paid or credited for each period. For column A only, enter the amount from Line 6 on Line 10.

Complete Lines 7 through 13 of one column before going to the next column

Line 7—Enter amount, if any from Line 13 of the preceding column.

Line 8—Add Lines 6 and 7 in each column.

Line 9—Add amounts from Lines 11 and 12 of the preceding column.

Line 10—Subtract Line 9 from Line 8. If zero or less, enter zero. For column A only, enter the amount from Line 6.

Line 11—If the amount on Line 10 is zero, subtract Line 8 from Line 9. Otherwise, enter zero.

Line 12—If Line 10 is less than or equal to Line 5, subtract Line 10 from Line 5. Then, go to Line 7 of next column. Otherwise, go to Line 13. **This is your CPNRWH Underpayment.**

Line 13—If Line 5 is less than Line 10, subtract Line 5 from Line 10. Then, go to Line 7 of the next column. **This is your CPNRWH overpayment.**

Part III—Figuring the CPNRWH Underpayment Penalty

Line 14—Enter the date when the specific CPNRWH installment is paid in full or the 15th day of the 4th month after the close of the tax year, whichever date is earlier, in each column.

Line 15—Enter the number of days from the due date of installment on Line 4 to the date shown on Line 14 in each column.

Line 16—Enter the number of days on Line 15 after 04/15/2019 and before 01/01/2020 in each column.

$$\text{Line 17— Line 12} \times \left(\frac{\text{Line 16}}{365} \right) \times 7\%$$

Line 18—Enter the number of days on Line 15 after 12/31/2019 and before the day after the due date of the return or 01/01/2021, whichever date is earlier, in each column.

$$\text{Line 19— Line 12} \times \left(\frac{\text{Line 18}}{366} \right) \times 7\%$$

Line 20—For September through November 2019 fiscal year end taxpayers, enter the number of days on Line 15 after 12/31/2020 and before 03/16/2021 or the day after the due date of the return, whichever date is earlier.

$$\text{Line 21— Line 12} \times \left(\frac{\text{Line 20}}{365} \right) \times \text{2021 Tax Due Rate}$$

NOTE: The 2021 tax due interest rate will be made public in early October 2020.

Line 22—Add Lines 17, 19, and 21 in each column.

Line 23—Add Columns A through D, Line 22. Enter the total in Column D. If there is an income tax overpayment on Line 16 of Form 740NP-WH, add this amount to Form 740NP-WH, Line 18. If there is an income tax due on Line 15 of Form 740NP-WH, add this amount to Form 740NP-WH, Tax Payment Summary, Line 3.

Corporate Partners or Members Underpayment Penalty Calculation

Part I—Required Annual Payment

- 1 Current year estimated corporate nonresident income tax withholding on distributive share income (CPNRWH)
- 2 Nonrefundable Credits.....
- 3 Current year CPNRWH after Credits. Subtract line 2 from line 1. If \$5,000 or less, **STOP!** No CPNRWH underpayment penalty is due. If over \$5,000, proceed to line 4. These are your required CPNRWH Estimated Installments Due.....

Part II—Figuring the Underpayment

- 4 **Installment Due Dates (see instructions)**
- 5 **Required CPNRWH Installments**—Enter 25% (.25) of line 3 in each column
- 6 Estimated CPNRWH tax paid or credited for each period. For column A only, enter the amount from line 6 on line 10.....

	A	B	C	D

Complete lines 7 through 13 of one column before going to next column.

- 7 Enter amount, if any, from line 13 of the preceding column.....
- 8 Add lines 6 and 7 in each column
- 9 Enter the amounts from lines 11 and 12 of the preceding column.....
- 10 Subtract line 9 from line 8. If zero or less, enter zero. For column A only, enter the amount from line 6....
- 11 If the amount on line 10 is zero, subtract line 8 from line 9. Otherwise, enter zero.....
- 12 **CPNRWH Underpayment.** If line 10 is less than or equal to line 5, subtract line 10 from line 5. Then, go to line 7 of the next column. Otherwise, go to line 13
- 13 **CPNRWH Overpayment.** If line 5 is less than line 10, subtract line 5 from line 10. Then, go to line 7 of the next column

Part III—Figuring the CPNRWH Underpayment Penalty

	A	B	C	D
14 Enter the date when the specific CPNRWH installment is paid in full or the 15th day of the 4th month after the close of the tax year, whichever date is earlier, in each column.....				
15 Number of days from the due date of the installment on line 4 to the date shown on line 14 in each column.....				
16 Number of days on line 15 after 04/15/2019 and before 01/01/2020 in each column.....				
17 Line 12 $\times \left(\frac{\text{Line 16}}{365} \right) \times 7\%$				
18 Number of days on line 15 after 12/31/2019 and before the day after the due date of the return or 01/01/2021, whichever date is earlier, in each column.....				
19 Line 12 $\times \left(\frac{\text{Line 18}}{366} \right) \times 7\%$				
20 Number of days on line 15 after 12/31/2020 and before 03/16/2021 or the day after the due date of the return, whichever date is earlier, in each column.....				
21 Line 12 $\times \left(\frac{\text{Line 20}}{365} \right) \times 2021 \text{ Tax Due Rate}$				
22 Add lines 17, 19, and 21 in each column.....				
23 CPNRWH Penalty. Add columns A through D of line 22. Enter the total in column D and add to Form 740NP-WH line as specified in the instructions.....				



► See instructions. Taxable period beginning _____, 20____, and ending _____, 20____.

A Federal Identification Number _____	B Kentucky NRWH Account Number _____
--	---

C Name of Pass-Through Entity _____ <input type="checkbox"/> Change of Name	D Taxable Year Ending ____ / ____
--	---

Number and Street			
City	State	ZIP Code	Telephone Number

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

F Check applicable box: <input type="checkbox"/> Nonresident Income Tax Withholding on Distributive Share Income Report and/or Composite Income Tax Return	
<input type="checkbox"/> Amended-Nonresident Income Tax Withholding on Distributive Share Income Report and/or Composite Income Tax Return	
1 Number of nonresident individuals, estates, trusts, and corporations included in this withholding/composite	1
2 Number of nonresident individuals, estates, trusts, and corporations exempt from this withholding	2
3 Net distributive share income subject to withholding / composite return before apportionment	3
4 100% or the apportionment fraction from the pass-through entity's Schedule A (see instructions)	4
5 Kentucky distributive share income subject to withholding/composite return (Line 3 multiplied by Line 4)	5
6 Tax before tax credits (Line 5 multiplied by .05 (5%))	6
7 Enter the partners', members', or shareholders' nonrefundable tax credits	7
8 Kentucky income tax liability (Line 6 less Line 7)	8
9 Estimated tax payments	9
10 Extension payment	10
11 Prior year's tax credit	11
12 Total Tax Paid on original return	12
13 Total Payments (Lines 9 through 12)	13
14 Tax overpayment on original return	14
15 Income Tax Due (Line 8 and 14 less Line 13)	15
16 Income tax overpayment (Line 13 less Line 8 and 14)	16
17 Credited to 2019 Interest	17
18 Credited to 2019 Penalty	18
19 Credited to 2020 NRWH	19
20 Amount to be refunded (Line 16 less Lines 17 through 19)	20

OFFICIAL USE ONLY	TAX PAYMENT SUMMARY
VAL # PW 204	1 Tax (Line 15) \$ _____ 2 Interest \$ _____ 3 Penalty \$ _____ 4 Total Payment \$ _____

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of Partner, Member, or Shareholder	Date
	Name of Partner, Member, or Shareholder	Title
Paid Preparer Use	Signature of Preparer	Date
	Name of Preparer or Firm	ID Number
	Email and/or Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No

Enclose	Include PTE-WH for each partner, member, or shareholder.	Refund or No Payment	Kentucky Department of Revenue Frankfort, KY 40619-0006
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov	With Payment	Kentucky Department of Revenue Frankfort, Kentucky 40619-0006

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PTE-WH 40A200 (10-19)	<input type="checkbox"/> Amended	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 .05 (5%)).....	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
5 Partner's, member's, or shareholder's name, address, and ZIP Code		Copy A—For Kentucky Department of Revenue Attach to Form 740NP-WH		

PTE-WH 40A200 (10-19)	<input type="checkbox"/> Amended	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 .05 (5%)).....	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
5 Partner's, member's, or shareholder's name, address, and ZIP Code		Copy B—File With Individual's or Corporation's Income Tax Return		

PTE-WH 40A200 (10-19)	<input type="checkbox"/> Amended	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 .05 (5%)).....	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
5 Partner's, member's, or shareholder's name, address, and ZIP Code		Copy C—Keep With Individual's or Corporation's Records		

PTE-WH 40A200 (10-19)	<input type="checkbox"/> Amended	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 .05 (5%)).....	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
5 Partner's, member's, or shareholder's name, address, and ZIP Code		Copy D—For Pass-through Entity's 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 must 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's, member's, or shareholder's Social Security Number or FEIN. Check the box if a corporation.
- 5 Enter the partner's, member's, or shareholder's name, address, and ZIP Code.
- 6 Enter the partner's, member's, 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 five percent (5%).
- 8 Enter the partner's, member's, 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 per 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 per 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.

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 must 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's, member's, or shareholder's Social Security Number or FEIN. Check the box if a corporation.
- 5 Enter the partner's, member's, or shareholder's name, address, and ZIP Code.
- 6 Enter the partner's, member's, 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 five percent (5%).
- 8 Enter the partner's, member's, or shareholder's allowable nonrefundable tax credits from Schedule K-1.
- 9 Enter the amount on Line 7 less Line 8.



► See instructions. Taxable period beginning _____, 20 ____, and ending _____, 20 ____.

A LLET Exemption Code Enter Code _____ B Income Tax Exemption Code Enter Code _____ <input type="checkbox"/> <i>Elective consolidated Attach Form 722</i> C Check if applicable: <input type="checkbox"/> Amended return <input type="checkbox"/> Amended return—RAR Provide explanation of changes in Part V—Explanation of Amended Return Changes.	D Federal Identification Number _____ Name of Corporation _____ <input type="checkbox"/> Change of Name Number and Street _____ City _____ State _____ ZIP Code _____ Telephone Number _____	E Kentucky Corporation/LLET Account Number (Required) _____ F Name of Common Parent _____ Kentucky Corporation/LLET Account Number _____ G Check if applicable: <input type="checkbox"/> Initial return <input type="checkbox"/> Change of accounting period <input type="checkbox"/> Short-period return (Complete Part IV) <input type="checkbox"/> Final return (Complete Part IV)	H Provider 3-Factor Apportionment Code _____ Taxable Year Ending _____ / _____ M M / Y Y State and Date of Incorporation _____ Principal Business Activity in KY _____ NAICS Code Number in KY (See www.census.gov) _____
---	--	--	--

PART I—LLET COMPUTATION			PART II—INCOME TAX COMPUTATION		
1	Schedule L, Section D, line 1 (Page 4) ..	00	1	Income tax (see instructions)	00
2	Tax credit recapture	00	2	Tax credit recapture	00
3	Total (add lines 1 and 2)	00	3	Tax installment on LIFO recapture ...	00
4	Nonrefundable LLET credit from Kentucky Schedule(s) K-1	00	4	Total (add lines 1 through 3)	00
5	Nonrefundable tax credits (attach Schedule TCS)	00	5	Nonrefundable LLET credit from the Corporation LLET Credit Worksheet(s) (see instructions)	00
6	LLET liability (greater of line 3 less lines 4 and 5 or \$175 minimum)	00	6	Nonrefundable LLET credit (Part I, line 6 less \$175)	00
7	Withholding tax (Form PTE-WH)	00	7	Nonrefundable tax credits (attach Schedule TCS)	00
8	Estimated tax payments	00	8	Net income tax liability (line 4 less lines 5 through 7, but not less than zero)	00
9	Certified rehabilitation tax credit	00	9	Estimated tax payments	00
10	Film industry tax credit	00	10	Extension payment	00
11	Extension payment	00	11	Prior year's tax credit	00
12	Prior year's tax credit	00	12	LLET overpayment from Part I, line 18	00
13	Income tax overpayment from Part II, line 17	00	13	Corporation income tax paid on original return	00
14	LLET paid on original return	00	14	Corporation income tax overpayment on original return	00
15	LLET overpayment on original return	00	15	Income tax due (lines 8 and 14 less lines 9 through 13)	00
16	LLET due (lines 6 and 15 less lines 7 through 14)	00	16	Income tax overpayment (lines 9 through 13 less lines 8 and 14)	00
17	LLET overpayment (lines 7 through 14 less lines 6 and 15)	00	17	Credited to 2019 LLET	00
18	Credited to 2019 income tax	00	18	Credited to 2019 interest	00
19	Credited to 2019 interest	00	19	Credited to 2019 penalty	00
20	Credited to 2019 penalty	00	20	Credited to 2020 corporation income tax	00
21	Credited to 2020 LLET	00	21	Amount to be refunded	00
22	Amount to be refunded	00			

TAX PAYMENT SUMMARY				OFFICIAL USE ONLY	
LLET	INCOME				
1 LLET due (Part I, Line 16) \$ _____	1 Income tax due (Part II, Line 15) \$ _____			P W 2 0 4 V A L #	
2 Interest \$ _____	2 Interest \$ _____				
3 Penalty \$ _____	3 Penalty \$ _____				
4 Subtotal \$ _____	4 Subtotal \$ _____				
TOTAL PAYMENT (Add Subtotals)				► \$ _____	



PART III – TAXABLE INCOME COMPUTATION

1	Federal taxable income (Form 1120, line 28)	1		00	12	Dividend income (See line 5).....	12		00
ADDITIONS:					13	Federal work opportunity credit	13		00
2	Interest income (state and local obligations)	2		00	14	Depreciation adjustment.....	14		00
3	State taxes based on net/gross income	3		00	15	Other (attach Schedule O-720).....	15		00
4	Depreciation adjustment.....	4		00	16	Revenue Agent Report (RAR).....	16		00
5	Deductions attributable to nontaxable income.....	5		00	17	Net income (line 10 less lines 11 through 16).....	17		00
6	Related party expenses (attach Schedule RPC).....	6		00	18	Taxable net income (see instructions)	18		00
7	Dividend paid deduction (REIT).....	7		00	19	Net operating loss deduction (NOLD).....	19		00
8	Other (attach Schedule O-720).....	8		00	20	Taxable net income after NOLD (line 18 less line 19)	20		00
9	Revenue Agent Report (RAR).....	9		00					
10	Total (add lines 1 through 9).....	10		00					
SUBTRACTIONS:									
11	Interest income (U.S. obligations)....	11		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

OFFICER INFORMATION

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 ___ / ___ / ___

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of Officer	Date
	Name of Officer	Title
Paid Preparer Use	Signature of Preparer	Date
	Name of Preparer or Firm	ID Number
	Email and/or Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No

Enclose	Include federal Form 1120 with all supporting schedules and statements.	Refund or No Payment	Kentucky Department of Revenue P. O. Box 856905 Louisville, KY 40285-6905
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov	With Payment	Kentucky Department of Revenue P. O. Box 856910 Louisville, KY 40285-6910



SCHEDULE Q—KENTUCKY CORPORATION/LLET QUESTIONNAIRE

IMPORTANT: Questions 3—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 and 2 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 If a foreign corporation, enter the date qualified to do business in Kentucky. ___ / ___ / ___

3 List the following Kentucky account numbers. Enter N/A for any number not applicable. KY Secretary of State Organization Employer Withholding Sales and Use Tax Permit Consumer Use Tax Unemployment Insurance Coal Severance and/or Processing Tax

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 Form 720, Part III, Line 6.

8 Did the corporation at any time during the taxable year own 50 percent or more of the voting stock of another corporation that is part of a unitary business per KRS 141.202(2)(f)? [] Yes [] No. If yes, list name, address, and federal I.D. number of each entity.

9 Was 50 percent or more of the corporation's voting stock owned by any corporation that is part of a unitary business per KRS 141.202(2)(f)? [] 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 per KRS Chapter 272A? [] Yes [] No. If yes, 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 per 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, 2020? [] 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 instructions.) Attach a copy of the final determination to each amended return.



SCHEDULE L – LIMITED LIABILITY ENTITY TAX COMPUTATION

Check this box and complete Schedule L-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 doing business in Kentucky. Enter the total amounts from Schedule L-C in Section A of this schedule.

SECTION A – Computation of Gross Receipts and Gross Profits

		Column A Kentucky		Column B Total	
1(a) Gross receipts less returns and allowances	1(a)		00		00
(b) Kentucky statutory gross receipts reductions (see instructions)	(b)				
2 Adjusted gross receipts (line 1(a) less line 1(b)).....	2		00		00
3(a) Cost of goods sold (attach Schedule COGS).....	3(a)		00		00
(b) Kentucky statutory cost of goods sold reductions (see instructions) ...	(b)				
4 Adjusted cost of goods sold (line 3(a) less line 3(b))	4		00		00
5 Gross profits (line 2 less line 4).....	5		00		00



If Section A, Column B, Line 2 or 5 is \$3,000,000 or less, STOP and enter \$175 in Section D, line 1 below.

SECTION B – Computation of Gross Receipts LLET

1 If gross receipts from all sources (Column B, line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following: (Column A, line 2 x 0.00095) – $\left[\frac{\$2,850 \times (\$6,000,000 - \text{Column A, line 2})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	1		00	
2 If gross receipts from all sources (Column B, line 2) are \$6,000,000 or greater, enter the following: Column A, line 2 x 0.00095.....	2		00	
3 Enter the amount from line 1 or line 2.....	3		00	

SECTION C – Computation of Gross Profits LLET

1 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) – $\left[\frac{\$22,500 \times (\$6,000,000 - \text{Column A, line 5})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	1		00	
2 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.....	2		00	
3 Enter the amount from line 1 or line 2.....	3		00	

SECTION D – Computation of LLET

1 Enter the lesser of Section B, line 3 or Section C, line 3 here and on Page 1, Part I, line 1. If less than \$175, enter the minimum of \$175 here and on Page 1, Part I, line 1.....	1		00	
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KENTUCKY CORPORATION INCOME TAX AND LLET RETURN

2019

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 §§1361(a) and 1362(a) of the Internal Revenue Code must use Form 720S and related schedules. Form 720 is complementary to the Federal form 1120 Series.

KENTUCKY TAX LAW CHANGES

Enacted by the 2019 Regular Session of the General Assembly—Kentucky clarified and modified several of the tax changes passed in 2018. The Department of Revenue (“Department”) has guidance at <https://revenue.ky.gov/TaxProfessionals/Pages/default.aspx>.

Internal Revenue Code (IRC) Update—House Bill (HB) 354 updated the Internal Revenue Code (IRC) reference date to December 31, 2018 for taxable years beginning on or after January 1, 2019.

Estimated Tax Payment Requirements—2019 estimated tax rules and penalties changed to generally follow federal for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Seven-month Extensions for C Corporations—C corporations requesting an extension of time to file (on Form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.

Unitary Combined Filing Required—Corporations doing business in Kentucky that are part of a unitary business must begin filing combined returns for tax years beginning on or after January 1, 2019, unless they elect to file a same-as-federal affiliated group consolidated return. Unitary combined filers should use the new Form 720U and accompanying schedules.

HOW TO OBTAIN FORMS AND INSTRUCTIONS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (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.

- **Net Operating Losses (NOL)**—HB 458 allows NOLs to be shared among taxpayer members of a combined group, subject to certain limitations.
- **“Common control” defined**—Corporations within a combined group must be more than 50% owned by another corporation within the group.
- **Intercompany eliminations**—Intercompany transactions should be eliminated in the calculation of combined income and gross receipts.
- **Includible entities**—HB 354 and HB 458 clarified the definitions of “water’s edge”, “tax haven”, and other provisions affecting which companies are included in the combined group. **KRS 141.202**
- **Regulatory guidance**—The department proposed a regulation, 103 KAR 16:400, to provide taxpayers additional guidance on unitary combined filing.

Elective Consolidated Returns—The election period was shortened to 48 months (from the previous 96 months). To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

Tax Credit Changes:

Inventory Tax Credit—The inventory tax credit increases to 50% of the ad valorem (tangible personal property) tax timely paid in 2019. Rental heavy equipment is now subject to ad valorem tax and thus is eligible for the credit.

Kentucky Revised Statutes—Kentucky Revised Statutes are referred to in these instructions as “KRS” and can be found online at www.lrc.ky.gov/statutes.

Kentucky Administrative Regulations—Kentucky Administrative Regulations are referred to in these instructions as “KAR” and can be found online at www.lrc.ky.gov/kar/titles.htm.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2020 tax interest rate has been set at five percent (5%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is seven percent (7%) and when interest is due on a refund, the rate is three percent (3%).

KENTUCKY FORM CHANGES

New:

Form 720U—Unitary combined filers should use the new Form 720U and accompanying schedules included in the 720U packet to file their returns.

Form 722—Use Form 722 to elect to file a consolidated return including all members of the federal affiliated group. To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

Updated:

Form 2220-K—Updated to include estimated tax rules and penalty changes to follow federal rules for corporations and pass-through entities. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Form 720ES—Updated to include estimated tax changes to generally follow federal dates for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes.

KIRA-SP, KJDA-SP, KJRA-SP, and KBI-SP—Updated to request the amount of credit claimed for local wage assessments.

Forms 725, 725-EZ, and 765—Updated to include income tax payment summary.

Schedule INV—Updated to include Section A to report the Timely Inventory Tax Paid per local bills.

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 complete Form 20A100, "Declaration of Representative," and contact our **Registration Section at 502-564-3306** for instructions on how to obtain an account number.
- 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 720V voucher at that time. You will get a **NEW** 720V voucher once you have successfully filed 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.

More Options for Taxpayers Paying Online

The Department of Revenue (DOR) is now able to offer taxpayers additional payment options for Corporation Income Tax and Limited Liability Entity Tax (LLET). Taxpayers can make a payment online for an e-filed Corporation Income Tax and/or LLET return that would normally be sent with a Form 720-V voucher. Corporation Income Tax and LLET payments for bills, estimates, and extensions can also be made using the Enterprise Electronic Payment System (EEPS). To use EEPS, go to www.revenue.ky.gov and click on the E-File & Payments tile. From the selections of tax types available, click "Corporation Income Tax" or "Limited Liability Entity Tax (LLET)" and select the Electronic Payment link. To make payments, the FEIN is required along with the Kentucky Corporation/LLET 6-digit account number.

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:

- **Account Closure**—There are different requirements for the Secretary of State and the Department of Revenue when ceasing operations and closing an account. It is advised that you consult with both agencies when closing a business tax account.
- **Account Number/FEIN**—Always ensure the correct Kentucky Corporation/LLET account number and FEIN is used on the return being filed.
- **Payments**—Place payments on the front of the return so that they are clearly visible. Do not leave check stubs attached to checks. Check stubs will delay the machines that sort incoming mail, which causes longer processing times.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty.
- **EFT Payments**—When making EFT payments online, use the Taxable Year Ending **NOT** the due date of the payment.
- **Form 720V**—Form 720V is a payment voucher for e-filed returns, **NOT** an extension form. To extend a filing date, use Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for extending the filing date only; late payment penalties and interest apply to payments made after the original due date.
- **C corporations requesting an extension of time to file (on form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.**
- **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.
- **Incorrect Year Forms**—Returns submitted on the wrong year form on or before the due date will be accepted as timely filed, but will require the return to be revised on the correct year form before the return can be processed.
- **Additional errors that delay processing:**
 - Incorrect form submitted
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 720EXT when paying with an extension

IMPORTANT**Corporations must create a Kentucky Form 4562,
Schedule D and Form 4797 by converting federal forms.****Schedule 4562**

Depreciation—For property placed in service after September 10, 2001, Kentucky depreciation (§168) is determined per the Internal Revenue Code (IRC) in effect on December 31, 2001.

Section 179 Deduction—For property placed in service after September 10, 2001, but prior to January 1, 2020, only the expense deduction (\$25,000) allowed under §179 of the IRC in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, is allowed.

For property placed in service on or after January 1, 2020, only the expense deduction (\$100,000) allowed under §179 of the IRC in effect on December 31, 2003, exclusive of any amendments made subsequent to that date, is allowed.

For 2019 returns, 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 IRC §179 expense deduction for Kentucky:

- MACRS bonus depreciation;
- IRC §179 expense deduction in excess of \$25,000 for property placed in service after September 10, 2001, but prior to January 1, 2020; or
- IRC §179 expense deduction in excess of \$100,000 for property placed in service on or after January 1, 2020.

If a corporation has taken MACRS bonus depreciation or IRC §179 expense deduction in excess of the amounts outlined above 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 IRC §179 expense deduction in excess of the amounts outlined above 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 IRC §179 Deduction Differences—federal/Kentucky depreciation or IRC §179 deduction differences must 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 (§168) per the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance. **NOTE:** For Kentucky purposes, for property

placed into service between September 10, 2001 and December 31, 2019, the maximum IRC §179 deduction amount on Line 1 is \$25,000 and the threshold cost of IRC §179 property on Line 3 is \$200,000. For Kentucky purposes, for property placed into service on or after January 1, 2020, the maximum IRC §179 deduction amount on Line 1 is \$100,000 and the threshold cost of IRC §179 property on Line 3 is \$400,000. The maximum allowable IRC §179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying IRC §179 property placed in service during the year exceeds the threshold. In determining the IRC §179 deduction for Kentucky, the income limitation on Line 11 should be determined by using Kentucky net income before the IRC §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 14. A Kentucky Form 4562 must be filed for each year, even though a federal Form 4562 may not be required.

Schedule 4797 and Schedule D

Gains/Losses from Disposition of Assets—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 IRC §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—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each corporation should complete a Kentucky Tax Registration Application, Form 10A100, to register for a Kentucky Corporation/LLET Account Number. This account number will be used for remitting the corporation income tax per KRS 141.040 and the LLET per 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**.

***Note:** The One Stop Business Services login page provides information for 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. Welcome to the Kentucky Online Gateway. Select that you are a citizen or business partner. If you do not already have an account, click on **Create Account**. Complete your Kentucky Online Gateway user account. Once a user account has been created, an email will be sent to you with further instructions to activate the account and login. You must use the activation link in the email prior to logging in to your account.
4. Once logged in, launch the Kentucky Business One Stop App.
 - If your business needs to register with both the Secretary of State and the Department of Revenue or only needs to register with the Department of Revenue, use the **Register My Business** option, to register for tax accounts and your Commonwealth Business Identifier (CBI).
 - If the business is already registered with the Secretary of State and you do not already have access to the business on your Dashboard, choose the **Link My Business** option. Enter the Commonwealth Business Identifier (CBI), SecurityToken, and Business Name exactly as it appears on your Kentucky articles of organization/incorporation, your Kentucky Certificate of Authority, or your CBI letter (including all punctuation) and link your business, click **Send Invite** and follow the instructions sent to your email to register for tax accounts.

The Link My Business option will require you to name at least one **“One-Stop Portal Business Administrator”** (for example, 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, changing the business address, or filing and paying taxes. Only the One Stop business administrator(s) can grant, approve, withdraw, or revoke access to the business.

5. Once you have linked your business, your business name and CBI number will appear in the My Businesses box on the dashboard, click on the CBI number, once your business loads, click on the Tax Administration tab to register for tax accounts.

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 Form Search, and search for 10A100). The application may be faxed to 502-227-0772 or e-mailed to DOR.Registration@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(7)**

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(7)**

Note: For taxable periods beginning on or after January 1, 2019, every corporation doing business in Kentucky that is a member of a unitary business must file a combined report (Form 720U) per KRS 141.202(3), unless they elect to file a consolidated return as part of an affiliated group.

Disregarded Entities—A limited liability company (LLC) is treated 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 must be included in the return filed by its single member (parent entity). **KRS 141.010(7) and KRS 141.200(10)**

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, KRS 141.120, and KRS 141.206. (See Schedule A—Apportionment and Allocation instructions.)

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 §501, and religious, educational, charitable, and like corporations not conducted for profit. **KRS 141.040 and KRS 141.0401**

Required Forms and Information—Each corporation must enter all applicable information on Form 720, enclose schedule for each line item or line item instruction which states "attach schedule," and include Kentucky forms or schedules, if applicable.

Kentucky Forms and Schedules

1. Corporation Income Tax Return (Form 720)
2. Apportionment and Allocation (Schedule A)
3. Cost of Goods Sold (Schedule COGS)
4. Application for Filing Extension (Form 720EXT)
5. Tax Credit Summary Schedule (Schedule TCS)
6. Related Party Costs Disclosure Statement (Schedule RPC)
7. Other Additions And Subtractions To/From Federal Ordinary Income (Schedule O-720)
8. Election to file Consolidated Kentucky Corporation Income and Limited Liability Entity Tax Return (Form 722), 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 accepts 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, use 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.

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, Item G and attach a copy of the federal approval to the return when filed. **KRS 141.140**

Mailing/Payment—Only include payment for Corporation income tax and/or LLET.

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 seven-month extension of time to file a Kentucky Corporation Income Tax and LLET Return may be obtained by filing Form 720EXT 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 720EXT must be used. For further information, see the instructions for Form 720EXT. **103 KAR 15:050**

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 if a copy of the federal Form 7004 is attached to the Kentucky return when it is filed. **A copy of the federal Form 7004 should not be mailed to the Department of Revenue before filing the return.**

NOTE: An extension of time to file a return does not extend the date for payment of tax.

Consolidated and Unitary Combined Returns—An extension of time for filing a consolidated or unitary combined Kentucky corporation income tax and LLET return by the parent or designated filer corporation also constitutes an extension of time to file for each member of an affiliated group (consolidated) or combined group (unitary combined).

Corporation Estimated Taxes

The Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher, Form 720ES, 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 720ES 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 per KRS 141.040 and 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 15th day of the 4th month, 25% of the estimated tax must be paid by the 15th day of the 4th month, 15th day of the 6th month, 15th day of the 9th month, and the 15th day of the 12th month each year.

Recalculating Estimated Tax—If after the corporation or pass-through entity calculates and pays its estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to recalculate its required installments. If earlier installments were underpaid, the corporation or pass-through entity may owe a penalty. An immediate payment should be made to reduce the amount of penalty resulting from the underpayment of earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Overpayment of Estimated Tax—A corporation or pass-through entity that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected tax liability and at least \$500. To apply, file Form 40A100, Application for Refund of Income Taxes and LLET.

Penalty—Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely will result in an addition to tax that will be considered a penalty under KRS 141.044. The tax interest rate identified under KRS 131.183 is the underpayment rate used to calculate the penalty. Generally, the entity is not required to calculate the penalty because the department will determine the penalty owed and bill the entity. However, the entity may choose to use Form 2220-K to determine the penalty. **KRS 141.044 and KRS 141.990**

Amended Return—Amended Kentucky forms must be used to make any corrections to Form 720 (see table 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 - 2019	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 will not be allowed. Any net operating losses must be carried forward.

Internal Revenue Service Audit Adjustments—A corporation that has received final adjustments resulting from an Internal Revenue Service audit must submit copies of the “final determinations of the federal audit” within 180 days of the conclusion of the federal audit. Use the required amended form from the table for reporting federal audit adjustments and computing additional tax due or refunds and attach the complete Revenue Agent Report (RAR). Failure to submit the required amended form will result in delays in processing refunds requested. 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)**

Mail return with federal audit adjustments (RAR) to:

Corporate Governmental Program Section
P. O. Box 1074, Station 68
Frankfort, Kentucky 40602-1074

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—Refer below.

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)**

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)**

Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely penalty—The addition to tax is considered a penalty under KRS 141.044. The underpayment rate is the tax interest rate identified under KRS 131.183. **KRS 141.044**

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(3)**

Negligence—10 percent of the tax assessed. **KRS 131.180(6)**

Fraud—50 percent of the tax assessed. **KRS 131.180(7)**

Cost of Collection Fees—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)**

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

LLET and Income Tax Filing Status

Note: Form 720 should only be used by separate entity filers and an elective consolidated (affiliated group) return filers. A unitary combined group should file a Kentucky Form 720U and associated schedules.

Item A—LLET Exemption Code

If the corporation is exempt from LLET, 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(2).
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 B—Income Tax Exemption Code

If the corporation is exempt from Kentucky corporation income tax, 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.

Check the box to indicate when filing an elective consolidated return and attach Form 722.

Separate Return—A corporation must file a separate return if the corporation is not a member of a unitary group or included in an elective consolidated (affiliated) group return.

KRS 141.201(3) provides that every corporation doing business in this state, except those exempt from taxation under KRS 141.040, shall for each taxable year:

- File a combined report, if the corporation is a member of a unitary business group as provided by KRS 141.202;
- Make an election to file a consolidated return with all members of the affiliated group as provided in KRS 141.201; or
- File a separate return if the corporation is not a member of a unitary group or included in an elective consolidated (affiliated) group return.

Elective Consolidated Return— KRS 141.201(4)(a) provides that an affiliated group, whether or not filing a federal consolidated return, may elect to file a consolidated return which includes all members of an affiliated group. An affiliated group is treated as a single corporation. All transactions between corporations included in the consolidated return are required to be eliminated in computing net income and determining the apportionment factor.

Item C—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.

Item D—Enter the corporation's Federal Identification Number. See federal Publication 583 if the corporation has not obtained this number.

Item E—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, complete Form 20A100, Declaration of Representative, and contact Registration at 502-564-3306 for instructions on how to obtain an account 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—Check the applicable box if the corporation's name has changed since the filing of the prior year Kentucky tax return. 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.

Period Covered—File the 2019 return for calendar year 2019 and fiscal years that begin in 2019. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 720.

Note: For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

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:

$$\frac{12}{MM} / \frac{19}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2020, would be entered as:

$$\frac{01}{MM} / \frac{20}{YY}$$

- 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 the month would be entered as the month and year of the prior month. If it ends the first week of January 2020, the taxable year ending would be entered as:

$$\frac{12}{MM} / \frac{19}{YY}$$

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

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

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 Census Bureau at www.census.gov/eos/www/naics.

Item F—Enter the name and Kentucky Corporation/LLET Account Number of the common parent, if different than the corporation listed in Section E.

Item G—Check the applicable boxes:

- Initial Return*—This is the corporation's first Kentucky tax return filed. Complete questions 1 and 2 on Schedule Q—Kentucky Corporation/LLET Questionnaire.
- 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.
- 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.
- 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 H—Provider 3-Factor Apportionment Code

If the entity is a provider as defined in KRS 141.121(1)(e), enter one of the following two-digit codes in the space provided. The apportionment fraction for a provider continues to be calculated using a three (3)- factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018.

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	PROVIDER BUSINESS
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)

PART I—LLET COMPUTATION

Line 1—Enter the amount from Schedule L, Section D, Line 1.

Line 2—Enter the sum of all tax credit recapture amounts from Schedule RC–R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS, page 2, Line 10. **Attach Schedule RC–R, Form 8874(K)-B and/or Schedule DS.**

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 nonrefundable 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 minimum.

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).**

NOTE: For applications approved prior to April 27, 2018, this credit is refundable and should be entered here. For applications approved on or after April 27, 2018, this credit is nonrefundable and should be entered on Schedule TCS.

Line 11—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 12—Enter the amount credited to the 2019 LLET from Form 720, Part I, Line 21 of the 2018 return.

Line 13—Enter the income tax overpayment from Part II, Line 17 credited to the 2019 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 2019 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 2019 LLET interest.

Line 20—Enter the portion of Line 17 to be credited to 2019 LLET penalty.

Line 21—Enter the portion of Line 17 to be credited to 2020 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 tax rate of five percent (5%) of taxable net income.

Line 2—Enter the sum of all tax credit recapture amounts from Schedule RC-R, Line 13, Form 8874(K)-B, Line 3 and/or Schedule DS, Page 2, Line 11. **Attach Schedule RC-R, Form 8874(K)-B or Schedule DS.**

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 net income after NOLD from Form 720, Part III, Line 20.....
2. LIFO recapture amount.....
3. Add Lines 1 and 2.....
4. Income tax on the amount on Line 3 above.....
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)

Line 4—Add the totals for Lines 1 through 3.

Line 5—Enter the total amount from Line 8 of the Corporation LLET Credit worksheet(s). 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 is the 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 is 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 is disallowed.

Enter on Line 2 of the worksheet, 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 (see instructions).

Corporation LLET Credit Worksheet

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 net income after NOLD Form 720, Part III, Line 20.....
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 above
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 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to the 2019 income tax from Form 720, Part II, Line 20 of the 2018 return.

Line 12—Enter the LLET overpayment from Part I, Line 18 credited to the 2019 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 2019 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 2019 corporation income tax interest.

Line 19—Enter the portion of Line 16 to be credited to 2019 corporation income tax penalty.

Line 20—Enter the portion of Line 16 to be credited to 2020 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) **Elective Consolidated Return**—Attach a pro forma federal Form 1120 and supporting Schedule CR showing the federal income and deductions of each member of the consolidated group and the consolidated totals. Enter the amounts from Schedule CR, Line 27 on Schedule KCR,

Line 1. Enter the statutory additions and subtractions from federal taxable income of each member of the consolidated group and the consolidated totals. Enter the consolidated totals from Schedule KCR Lines 1 through 17 on Form 720, Part III, Lines 1 through 17.

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 9 specify 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 141.039(1)(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 141.039(2)(c)**

Line 4—See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, include the total of depreciation amounts from Line 20 on Form 1120, Form 1125A, 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. An entry is REQUIRED on this line if amounts appear on lines 11 or 12 below. **KRS 141.039(2)(c) 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 141.039(2)(c)7**

Line 8—Enter the amount from Schedule O-720, Part I, Line 13.

Line 9—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 10—Enter the total of Lines 1 through 9.

Subtractions from Federal Taxable Income—Lines 11 through 16 specify items of income which are excluded or additional deductions allowed which are differences between federal taxable income and Kentucky taxable net income.

Line 11—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 141.039(1)(a)

Line 12—Enter the amount of dividend income from Form 1120.
KRS 141.039(1)(b)

Line 13—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 14—See instructions on page 4 regarding depreciation and §179 deduction differences, and if applicable, include the amount from Line 22 of the Kentucky Form 4562. **Kentucky Form 4562 must be attached.**

Line 15—Enter the amount from Schedule O–720, Part II, Line 14.

Line 16—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 17—Net Income—Subtract Lines 11 through 16 from Line 10.

Line 18—Enter the amount from Line 17 or the amount on Schedule A, Part 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(28) and KRS 141.120**

Line 19—Net operating loss deduction—For Kentucky purposes, the same carryforward provisions allowed by IRC §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 20—Subtract Line 19 from Line 18.

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.

SCHEDULE Q—Answer all applicable questions on Schedule Q. The Kentucky Secretary of State Organization number can be found online at www.sos.ky.gov. This is not the same number as the Corporation/LLET Account Number reported in Item E on page 1.

SCHEDULE L—LIMITED LIABILITY ENTITY TAX COMPUTATION

Purpose of Schedule—Schedule L, Limited Liability Entity Tax Computation, is used to compute the limited liability entity tax (LLET) per KRS 141.0401(2). If the corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L–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 is due per taxable year. *Taxable year* is defined as the period for which the return is made. **KRS 141.010(29)**

Section A of this schedule must be completed by the corporation, except a corporation exempt from LLET per KRS 141.0401(6). If the corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L–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 per 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.

SPECIFIC LINE INSTRUCTIONS

Check Box—If the entity is required to attach Schedule L–C, check the box.

Section A—Computation of Gross Receipts and Gross Profits

If the corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L–C and enter the total amounts from Schedule L–C, Section A, Lines 2 and 5 on Schedule L, Section A, Column A, Lines 2 and 5; and the

total amounts from Schedule L–C, Section B, Lines 2 and 5 on Schedule L, Section A, Column B, Lines 2 and 5, and continue to Schedule L, Sections B, C, and D. If the amount on Schedule L, Section A, Column B, Line 2 is \$3,000,000 or less, STOP, and enter \$175 in Section D, Line 1.

Line 1(a)—Enter Kentucky gross receipts less returns and allowances in Column A and Total gross receipts less returns and allowances in Column B. Gross receipts includes, but is not limited to sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

Line 1(b)—Not applicable to corporations. **Pass-through entities only:** Enter Kentucky gross receipts allocable to a "qualified exempt organization" as defined in KRS 141.0401(7).

Line 3(a)—Enter the Kentucky cost of goods sold and total cost of goods sold from Schedule COGS, Columns A and B, Line 8. For an entity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs can be claimed. **KRS 141.0401(1)(d)**

Line 3(b)—Not applicable to corporations. **Pass-through entities only:** Enter Kentucky gross receipts allocable to a "qualified exempt organization" as defined in KRS 141.0401(7).

Section B—Computation of Gross Receipts LLET

Line 1—If gross receipts from all sources (Column B, Line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following: $(\text{Column A, Line 2} \times 0.00095) - (\$2,850 \times ((\$6,000,000 - \text{Column A, Line 2}) / \$3,000,000))$, but in no case shall the result be less than zero.

Line 2—If gross receipts from all sources (Column B, Line 2) are \$6,000,000 or greater, enter the following: $\text{Column A, Line 2} \times 0.00095$.

Line 3—Enter the amount from Line 1 or Line 2.

Section C—Computation of Gross Profits LLET

Line 1—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 2—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 3—Enter the amount from Line 1 or Line 2.

Section D—Computation of LLET

Line 1—Enter the lesser of Section B, Line 3 or Section C, Line 3. If less than \$175, enter the minimum of \$175 here and on page 1, Part I, Line 1.



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.

Schedule TCS is used by corporations 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 the corporation.

Economic Development Tax Credits— This section is completed only if a corporation has been approved for one or more of the credits authorized by the:

- **Kentucky Rural Economic Development Act** (KREDA – KRS 154.22)
- **Metropolitan College Consortium** (MCC – KRS 141.381)
- **Kentucky Small Business Tax Credit Program** (KSBTC – KRS 141.384)
- **Kentucky Industrial Development Act** (KIDA – KRS 154.28)
- **Kentucky Jobs Retention Agreement** (KJRA – KRS 154.25)
- **Kentucky Industrial Revitalization Act** (KIRA – KRS 154.26);
- **Kentucky Jobs Development Act** (KJDA – KRS 154.32)
- **Kentucky Business Investment Program** (KBI – KRS 154.32)
- **Kentucky Reinvestment Act** (KRA – KRS 154.34)
- **Skills Training Investment Credit Act** (STICA – KRS 154.12)
- **Incentives for Energy Independence Act** (IEIA – KRS 154.27)

To qualify for the KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA credits, a corporation must be approved by the Kentucky Economic Development Finance Authority (KEDFA) and must 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 after activation. 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 must be attached to the tax return. The credit for either the STICA or MCC must 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, 2027. 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 must be attached to the tax return. The credit for the KSBTC must 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 per KRS 141.410 to KRS 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or KRS 141.020 and KRS 141.0401 attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts 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 or KRS 141.040 and KRS 141.0401 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Certification copies must be attached to the return claiming the credit. **KRS 171.3961 and KRS 171.397**

Unemployment Tax Credit—If a taxpayer 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 or 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 per KRS 154.20–250 to KRS 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 or 141.040, 141.0401, 136.320, 136.300, 136.310, 136.505, and 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 must 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 will 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, will 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**

Qualified Research Facility Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or 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 or 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 151B.402**

Voluntary Environmental Remediation Tax Credit—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.1-514. 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 or KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at 502-564-6716. 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 or 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 will 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**

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 or KRS 141.020 or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per 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 is \$2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit will 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 or 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 will 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 or 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 will 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, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or KRS 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 must not exceed the product of \$3,500 multiplied by the sum of: (1) 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 (2) 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. Attach Schedule RR-I to the return claiming this credit. **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 KRS 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 KRS 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and KRS 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 is limited to \$1 million. If the total amount of approved credit exceeds \$1 million, the department will 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 must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will 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, 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 KRS 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 will issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation per 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 must 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. **Note:** This credit may limit charitable contribution deductions allowed under Section 170 of the IRC. See the IRC and federal regulations for additional information on any limitations. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—A taxpayer that makes a qualified equity investment per KRS 141.432(7) in a qualified community development entity defined by KRS 141.432(6) is 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 is 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 is \$10 million, whether made by one or several qualified community development entities.

The amount of the credit will 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 KRS 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2018, the tax credit was repealed. Any unused credit may be carried forward for up to four (4) succeeding years after the credit was claimed. See Schedule TCS, Part II, line 18 to claim this credit. **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 KRS 141.040 and KRS 141.0401 is available to taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to: 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. Attach Schedule DS to the return claiming the credit. **KRS 141.389**

Film Industry Tax Credit—For applications approved on or after April 27, 2018, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to KRS 148.546. Attach film office certification to the return claiming the credit. **KRS 141.383**

Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. Attach Schedule INV to the return claiming the credit. **KRS 141.408**

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 personal property 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. Do not attach a copy of Form 62A500 to Form 720.

Kentucky State Treasury—Unclaimed Property

Individuals

The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit www.treasury.ky.gov or www.missingmoney.com for more information on how to locate and claim any funds that may belong to you.

Businesses

Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit www.treasury.ky.gov for more information.

**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
502-564-5930

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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Name of Affiliated Group (Common Parent Corporation and Subsidiaries — e.g., ABC, Inc. and Subsidiaries)			Common Parent's Corporation/LLET Account No. _____
Number and Street			Federal Identification Number _____
City	State	ZIP Code	Telephone Number

This election is effective for taxable years beginning and ending
MMYY MMYY

The above named affiliated group hereby elects to file a consolidated Kentucky corporation income and limited liability entity tax (LLET) return. All members of the affiliated group understand and consent to the following as conditions of this election:

- This election is binding and irrevocable for a period beginning with the first month of the first taxable year for which the election is made and ending with the conclusion of the taxable year in which the 48th consecutive month expires.
- The affiliated group will be treated for all purposes as a single corporation.
- Each member of the affiliated group is jointly and severally liable for the income tax liability computed on the consolidated return.
- For each taxable year for which this election is in effect, the consolidated return must include all corporations which are members of the affiliated group as defined by Section 1504(a) of the Internal Revenue Code and related regulations for that year, except any corporation which is exempt from Kentucky corporate income tax in accordance with KRS 141.040.

Under the penalties of perjury, I declare that the common parent corporation named above has authorized me to sign this form on behalf of all members of the affiliated group, that I have examined this form and the information contained herein, and to the best of my knowledge and belief, it is true, correct, and complete. This Form must be executed by one of the following officers of the common parent corporation: the president, vice president, secretary, treasurer, assistant secretary, assistant treasurer, or chief accounting officer.

Sign Here	Signature of Officer	Date
	Name of Officer	Title

Instructions Regarding This Election

- Effective for taxable years beginning on or after January 1, 2019, KRS 141.201 provides that an affiliated group may elect to file a consolidated return which includes all members of the federal affiliated group. This election may be executed whether or not a federal consolidated return is actually filed.
- The election must be made by the common parent corporation on behalf of all members of the affiliated group.
- The initial election must be made on this form and submitted to the Department of Revenue attached to the return on or before the due date of the return, including extensions, for the first taxable year for which the election is made.

NOTE: Attachment of this form to an *untimely-filed* return will not constitute a valid election.

- This form must be attached to the return for each year for which the election is effective.
- This form is required to be submitted for each new 48-month election period.
- Form 722 is not required to be submitted before timely filing the return; however, the form may be submitted early to the following address: Kentucky Department of Revenue, Corporate Section, P. O. Box 1074, Station 68, Frankfort, Kentucky 40602-1074.

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- See instructions.
- Attach to Form 720, 720S, 720U (Providers only), 725, 765, or 765-GP.

Name of Corporation or Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
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Check this box and complete page 2, 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 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, or (iii) if the corporation is filing an elective consolidated tax return per KRS 141.201.

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 per KRS 141.120(12) (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 per KRS 141.121(4)(a), and attach a copy of the election to the tax return.

PART I—COMPUTATION OF APPORTIONMENT FRACTION				PART II—APPORTIONMENT AND ALLOCATION OF INCOME (FORM 720 ONLY)			
Required for All Companies—Receipts Factor Computation				1	Net income (from Form 720, Part III, line 17)	1	00
Convert line 3 to a percentage carried to four decimal places.				2	Deduct non-apportionable income (if applicable):		
1	Kentucky receipts	1	00	(a)	Interest	2(a)	00
2	Total receipts.....	2	00	(b)	Rents.....	(b)	00
3	Receipts factor (line 1 divided by line 2)	3	%	(c)	Royalties.....	(c)	00
Required for PROVIDERS (KRS 141.121—see instructions) (For informational purposes for all other companies.)				(d)	Net gain or loss on sale or exchange of capital assets.....	(d)	00
Convert lines 4, 7, 10, 11, and 12 to a percentage carried to four decimal places.				(e)	Total (lines (a) through (d))	(e)	00
4	Double-weighted receipts factor (line 3 multiplied by 2)	4	%	(f)	Less related expenses (attach schedule).....	(f)	(00)
5	Average value of Kentucky real/tangible property (Part III).....	5	00	3	Net non-apportionable income.....	3	00
6	Average value of total real/tangible property (Part IV).....	6	00	4	Apportionable income (line 1 less line 3).....	4	00
7	Property factor (line 5 divided by line 6)	7	%	5	Apportionable income apportioned to Kentucky (line 4 multiplied by Part I, line 3)(providers see instructions)	5	00
8	Kentucky payrolls.....	8	00	6	Add Kentucky non-apportionable income (if applicable):		
9	Total payrolls	9	00	(a)	Interest	6(a)	00
10	Payroll factor (line 8 divided by line 9)	10	%	(b)	Rents.....	(b)	00
11	Total (add lines 4, 7, and 10).....	11	%	(c)	Royalties.....	(c)	00
12	Apportionment fraction—line 11 divided by 4 or number of factors present (receipts representing 2 factors)	12	%	(d)	Net gain or loss on sale or exchange of capital assets.....	(d)	00
				(e)	Total (lines (a) through (d))	(e)	00
				(f)	Less Kentucky related expenses (attach schedule)	(f)	(00)
				7	Kentucky net non-apportionable income.....	7	00
				8	Taxable net income (line 5 plus line 7) (enter here and on Form 720, Part III, line 18).....	8	00

PART III—KENTUCKY REAL/TANGIBLE PROPERTY				PART 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	00	00	1	00	00
2	Buildings.....	2	00	00	2	00	00
3	Machinery and equipment	3	00	00	3	00	00
4	Land.....	4	00	00	4	00	00
5	Other tangible assets.....	5	00	00	5	00	00
6	Total (lines 1 through 5)...	6	00	00	6	00	00
7	Average value of real/tangible property owned in Kentucky, total of line 6, columns A and B divided by 2	7	00	00	7	00	00
8	Leased property (Eight times the annual rental rate less subrentals).....	8	00	00	8	00	00
9	Total (lines 7 and 8) (enter on Part I, line 5).....	9	00	00	9	00	00



Schedule A – Apportionment and Allocation Continuation Sheet

		Required by All Companies				Required for Providers (KRS 141.121) (For informational purposes for all other companies)			
A	B	C	D	E	F	G	H	I	
Name	Federal Identification Number	Kentucky Corporation/LLET Account Number	Kentucky Receipts	Total Receipts	Average Value of Kentucky Real/Tangible Property	Average Value of Total Real/Tangible Property	Kentucky Payrolls	Total Payrolls	
1	Taxpayer								
ELECTIVE CONSOLIDATED GROUP									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14	Intercompany Eliminations								
15	Section A Subtotal (add lines 2 through 14 of this page only)								
16	Section A Total (Sum line 15 of all pages)								
PASS-THROUGH ENTITIES									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14	Section B Subtotal (add lines 2 through 13 of this page only)								
15	Section B Total (Sum line 14 of all pages)								
C	GRAND TOTAL (add Line 1, Section A, Line 16, and Section B, Line 15)								

Line 1 Line 2 Line 5 Line 6 Line 8 Line 9

Carry GRAND TOTAL To Schedule A, Part I

General—A corporation that is taxable in this state and another state must apportion and allocate net income to Kentucky per KRS 141.120. A pass-through entity doing business within and without the state must compute an apportionment fraction per KRS 141.206(11)(b). Public service companies (defined in KRS 136.120) and financial organizations must apportion and allocate net income per KRS 141.121(5). The apportionment fraction for a Provider, as defined in KRS 141.121, continues to be calculated using a three (3)-factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018. Regulatory guidance on the sourcing of receipts in accordance with KRS 141.120 is provided in 103 KAR 16.270. Visit www.Irc.ky.gov to view this regulation along with the latest on regulatory proposals.

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 per KRS 141.120(12) or the corporation qualifies for and elects an alternative apportionment per KRS 141.121(4). 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 per KRS 141.121(4) must be attached to the return when filed.

Elective Consolidated Returns—An affiliated group filing an elective consolidated return is treated as a single corporation. All transactions between members of the affiliated group must be eliminated in determining the receipts, property, and payroll factors.

Unitary Combined Returns—Attach to Form 720U if you are a provider included in a unitary combined return in accordance with KRS 141.201. All other members that are not providers will compute their apportionment factors on Form 720U, Schedule U5.

Use page 2, Section A, Apportionment and Allocation Continuation Sheet, to show the consolidated factors computation.

PART I—COMPUTATION OF APPORTIONMENT FRACTION

Schedule A must be submitted with the applicable tax return (Form 720, 720S, 720U (Providers only), 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 doing business in Kentucky, complete page 2, Section B, 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 page 2, Section B, Apportionment and Allocation Continuation Sheet.

If page 2 is required, enter the amounts from Section C, Columns D and E on the corresponding lines of Schedule A, page 1. "Providers," as defined in KRS 141.121(1)(e), must enter the amounts from Section C, Columns D through I on the corresponding lines of Schedule A, page 1. The apportionment fraction is then determined by completing Schedule A, Part I, Line 3 for all companies. For Providers the apportionment fraction is determined by completing Schedule A, Part I, Lines 3, 4, 7, 10, 11, and 12.

A corporation or pass-through entity not required to complete page 2 must compute its apportionment fraction as follows:

Lines 1 through 3—Receipts—Total receipts include all gross receipts, other than non-apportionable receipts. Receipts of tangible personal property sales are assigned to Kentucky if the property is delivered or shipped to a purchaser in Kentucky, regardless of the f.o.b. point or other conditions of sale. Receipts of tangible personal property sales to the U.S. government are assigned to Kentucky if the property is shipped from Kentucky.

KRS 141.120(11) provides that receipts other than receipts of tangible personal property sales are assigned to Kentucky if the taxpayer's market for the sales is in Kentucky.

The following are general guidelines for assigning receipts to Kentucky, but should not be considered all-inclusive. Receipts are assigned to Kentucky in the following instances:

- A. Real property that is sold, rented, leased, or licensed to the extent the property is located in Kentucky.
- B. Tangible personal property that is rented, leased, or licensed to the extent the property is located in Kentucky.
- C. A service that is provided to the extent it is delivered to a location in Kentucky.
- D.
 1. Intangible property that is rented, leased, or licensed if and to the extent the property is used in Kentucky, provided that intangible property utilized in marketing a good or service to a customer is used in Kentucky if that good or service is purchased by a consumer who is in Kentucky; and
 2. Intangible property that is sold, if and to the extent the property is used in Kentucky, provided that:
 - i. A contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area is used in this state if the geographic area includes all or part of this state;
 - ii. Receipts from intangible property sales that are contingent on the productivity, use, or disposition of the intangible property shall be treated as receipts from the rental, lease, or licensing of the intangible property under KRS 141.120(11)(a)4.a.; and
 - iii. All other receipts from a sale of intangible property shall be excluded from the numerator and denominator of the receipts factor.

Receipts Factor—For all companies except Providers (KRS 141.121), apportionable income must be multiplied by a fraction, the numerator of which is the total Kentucky receipts and the denominator of which is the total everywhere receipts.

Lines 4 through 10—Required to be completed by Providers per KRS 141.121(1)(e). For all other companies, these lines must be completed for informational purposes. The apportionment fraction for a Provider continues to be calculated using a

three (3)-factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018. Provider means any corporation engaged in the business of providing: (1) Communications service as defined in KRS 136.602; (2) Cable service as defined in KRS 136.602; or (3) Internet access as defined in 47 U.S.C. sec. 151.

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 non-apportionable subrentals. Real and tangible personal properties are assigned to Kentucky if owned or rented and used in Kentucky. Exclude (1) construction in progress and (2) property which has been certified by Kentucky as a pollution control facility and is owned or leased by the corporation.

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: (1) the individual's service is performed entirely within the state; (2) 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 (3) 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.

Lines 11 and 12—To be completed by a Provider (KRS 141.121) with a valid REASON CODE entered in the PROVIDER BUSINESS box located on Page 1 of the return. See Item H for Form 720, Item G for Forms 720S and 765, Item F for Form 725, and Item D for Form 765-GP. The apportionment fraction for a provider continues to be calculated using a three (3)-factor formula as provided in KRS 141.901.

PART II—APPORTIONMENT AND ALLOCATION OF INCOME

Apportionable 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 is or was related to the operation of the taxpayer's trade or business.

Classifying income by categories (such as interest, rents, royalties, and capital gains) does not determine whether income is apportionable or non-apportionable. For example, gain or loss recognized on the sale of property may be apportionable income or non-apportionable income depending upon its relationship to the corporation's trade or business.

Non-apportionable income means all income other than apportionable income less all direct or indirect expenses attributable to the production of this income. Rents and royalties

from real or tangible personal property, capital gains, interest, or patent or copyright royalties, to the extent that they constitute nonapportionable income, shall be allocated as provided in KRS 141.120 (5) through (8).

Line 5—Apportionable Income Apportioned to Kentucky for Providers (KRS 141.121) Only—Line 4 multiplied by Part I, Line 12. APPORTIONMENT AND ALLOCATION—CONTINUATION SHEET

Line 1—Enter the parent company FEIN and information on Line 1 and the subsidiaries and pass-through entities on Lines 2 through 13 of the applicable section. If multiple continuation pages are needed, Line 1 should only be filled out on the first page.

Columns F through I—Required to be completed by Providers per KRS 141.121(1)(e). For all other companies these lines must be completed for informational purposes. The apportionment fraction for a Provider continues to be calculated using a three (3)- factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018.

ELECTIVE CONSOLIDATED GROUP

Section A, Lines 2 through 14—Report the apportioned factors for the members of an Elective Consolidated Group, including Kentucky Schedules K-1 received from pass-through entities. Report all member information in the total, and enter intercompany transactions as a negative amount on Line 14 per KRS 141.201.

Line 15—Section A Subtotal—Add Lines 2 through 14 of this page only.

Line 16—Section A Total—If multiple continuation pages are needed, add the subtotals from Line 15 of each page and reflect the total of all pages on the first continuation page.

PASS-THROUGH ENTITIES

Section B, Lines 2 through 13—Report the apportioned factors received from pass-through entities on Schedule K-1.

Note: If a subsidiary receives a Kentucky Schedule K-1, the pass-through items should be reported in Section A only.

Line 14—Section B Subtotal—Add Lines 2 through 13 of this page only.

Line 15—Section B Total—If multiple continuation pages are needed, add the subtotals from Line 14 of each page and reflect the total of all pages on the first continuation page.

GRAND TOTAL

Section C—Add Line 1, Section A, Line 16, and Section B, Line 15 then carry the Grand Total to Schedule A, Part I. Check the appropriate box at the top of Schedule A, Page 1, and enter all apportionment and allocation calculations.



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

**KRS 141.422 to 141.425
103 KAR 15:140**

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable)
Mailing Address		
Location Address	Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Other _____ <input type="checkbox"/> Individual	

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

1	Number of gallons of B100 biodiesel produced meeting ASTM standard	1	
2	Number of gallons of B100 biodiesel blended with diesel*	2	
* A blender must provide proof that the B100 as part of the blended biodiesel meets the ASTM standard.			
3	Number of gallons of renewable diesel produced meeting ASTM standard	3	
4	Total biodiesel produced and/or blended and renewable diesel produced (add lines 1, 2, and 3)	4	

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—Biodiesel Gallons Approved	
1 Biodiesel gallons approved by Department of Revenue	1
Part III—Biodiesel Approved Credit Certificate	
1 (a) Requested credit for biodiesel producer and/or blender (numerator) (a) $\left(\frac{(a)}{(b)} \right) \times \$10,000,000 =$ (b) Total requested credit for biodiesel producer and/or blender (denominator) (b)	Approved Credit
By: _____	Date: _____

TAXPAYER USE ONLY

Part IV—Biodiesel Credit Used By Taxpayer

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

No Carryforward Allowed

The biodiesel tax credit is applied against the individual income tax imposed by KRS 141.020 or 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 used 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:
DORTaxCredits@ky.gov

The Department of Revenue will confirm 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—Check the appropriate entity type. If the entity type is not listed, 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 must 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 will 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 must 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 must 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 will constitute the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.

Email address:
DORTaxCredits@ky.gov

The electronic mail must 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 requested for the taxpayer and the denominator (Line 1(b)) being the total credit requested 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.



► Attach to Form 720 or 720U.

KRS 141.041

Name of Corporation	Federal Identification Number ____-____-____	Kentucky Corporation/LLET Account Number ____-____-____
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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	00	00
(b)			00	00	00
(c)			00	00	00
(d)			00	00	00
(e)			00	00	00
(f)			00	00	00
TOTALS			00	00	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 —Take appropriate amount from line 3 above. Enter here and on Schedule TCS, Part II, Column E.....	4		00
5 Corporation Income Tax Credit —Take appropriate amount from line 3 above. Enter here and on Schedule TCS, Part II, Column F	5		00



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 1(g), Column D).....	3	
4	Enter percentage of BTUs produced by sources other than coal in tax year (from line 2(g), 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 2(a), Column D).....	6	
7	Enter percentage of BTUs produced by Kentucky coal in the base year (from line 1(a), 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 2(a), 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 2(a), 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 —Take appropriate amount from line 17 above. Enter here and on Schedule TCS, Part II, Column E	18	00
19	Corporation Income Tax Credit —Take appropriate amount from line 17 above. Enter here and on Schedule TCS, Part II, Column F	19	00

(NOTE: This credit cannot reduce the LLET below the \$175 minimum.)

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➤ See instructions.

➤ 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	

	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
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

No Carryforward Allowed

The Clean Coal Incentive Tax Credit is applied against the individual income tax imposed by KRS 141.020 or the corporation income tax imposed by KRS 141.040 and/or 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 per 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 per 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 must 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 cannot 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 both income tax and LLET. The credit claimed may be different because of limitations.

The credit amount cannot reduce the LLET below the \$175 minimum.

A pass-through entity must 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 must 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:
DORTaxCredits@ky.gov

The electronic mail must 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, 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 must 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 per KRS 141.0205. Any remaining credit must be applied against the taxes imposed by KRS 136.120.

The credit must 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.



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

**KRS 141.422 to 141.4248
103 KAR 15:120**

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable)
Mailing Address	_____	_____
Location Address	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 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 (if different from signer)	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
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Part III—Cellulosic Ethanol Approved Credit Certificate

1 (a) Requested credit for cellulosic ethanol producer (**numerator**) (a) $\left(\frac{(a)}{(b)} \right) \times *\$$ _____ = _____

(b) Total requested 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	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

No Carryforward Allowed

The cellulosic ethanol tax credit is applied against the individual income tax imposed by KRS 141.020 or 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 used 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 will 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:
DORTaxCredits@ky.gov

The Department of Revenue will confirm 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—Check the appropriate entity type. If the entity type is not listed, 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 must 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 will 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 must 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 must 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 will constitute the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.

Email address:
DORTaxCredits@ky.gov

The electronic mail must 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 requested for the taxpayer and the denominator (Line 1(b)) being the total credit requested 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 per 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.



➤ See instructions.

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

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

KRS 141.0401(1)(d)3 provides that for any activity other than manufacturing, producing, reselling, retailing, or wholesaling, costs must **not** 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 Columns A and B, enter on Lines 1 through 8 the cost of goods sold amounts per 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.

“Cost of labor” means labor that is incorporated into the tangible product sold or is an integral part of the manufacturing process. Indirect labor must not be included per KRS 141.0401(1)(d)(2)(c).

“Additional section 263A costs” means only direct material costs per IRC §263A.

“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 must 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 two 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 must 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 two 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 must 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 two column schedule listing the detail of the additional other costs.



**PRO FORMA FEDERAL
CONSOLIDATED RETURN SCHEDULE
(Attach All Applicable Schedules)**

2019

Name of Corporation _____

Federal Identification Number _____

Kentucky Corporation/LLET Account Number _____

	Consolidated Totals		Intercompany Eliminations		Parent		Name	
	1(a)	1(b)	1(c)	2	3	4	FEIN	FEIN
1 (a) Gross receipts or sales.....								
(b) Less returns and allowances.....								
(c) Balance.....								
2 Cost of goods sold.....								
3 Gross profit.....								
4 Dividends.....								
5 Interest.....								
6 Gross rents.....								
7 Gross royalties.....								
8 Capital gain net income.....								
9 Net gain or (loss) from Form 4797.....								
10 Other income.....								
11 Total income								
12 Compensation of officers.....								
13 Salaries and wages.....								
14 Repairs and maintenance.....								
15 Bad debts.....								
16 Rents.....								
17 Taxes and licenses.....								
18 Interest.....								
19 Charitable contributions.....								
20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return.....								
21 Depletion.....								
22 Advertising.....								
23 Pension, profit-sharing, etc., plans.....								
24 Employee benefit programs.....								
25 Other deductions.....								
26 Total deductions								
27 Taxable income before NOL deduction and special deductions.....								



PRO FORMA FEDERAL CONSOLIDATED RETURN SCHEDULE
Continuation Sheet
(Attach All Applicable Schedules)

	Name of Corporation		Federal Identification Number		Kentucky Corporation/LLET Account Number	
	Name FEIN KY Corp./LLET Acct. No.	Name FEIN KY Corp./LLET Acct. No.	Name FEIN KY Corp./LLET Acct. No.	Name FEIN KY Corp./LLET Acct. No.	Name FEIN KY Corp./LLET Acct. No.	Name FEIN KY Corp./LLET Acct. No.
1	(a) Gross receipts or sales.....	00	00	00	00	00
	(b) Less returns and allowances.....	00	00	00	00	00
	(c) Balance.....	00	00	00	00	00
2	Cost of goods sold.....	00	00	00	00	00
3	Gross profit.....	00	00	00	00	00
4	Dividends.....	00	00	00	00	00
5	Interest.....	00	00	00	00	00
6	Gross rents.....	00	00	00	00	00
7	Gross royalties.....	00	00	00	00	00
8	Capital gain net income.....	00	00	00	00	00
9	Net gain or (loss) from Form 4797.....	00	00	00	00	00
10	Other income.....	00	00	00	00	00
11	Total income	00	00	00	00	00
12	Compensation of officers.....	00	00	00	00	00
13	Salaries and wages.....	00	00	00	00	00
14	Repairs and maintenance.....	00	00	00	00	00
15	Bad debts.....	00	00	00	00	00
16	Rents.....	00	00	00	00	00
17	Taxes and licenses.....	00	00	00	00	00
18	Interest.....	00	00	00	00	00
19	Charitable contributions.....	00	00	00	00	00
20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return.....	00	00	00	00	00
21	Depletion.....	00	00	00	00	00
22	Advertising.....	00	00	00	00	00
23	Pension, profit-sharing, etc., plans.....	00	00	00	00	00
24	Employee benefit programs.....	00	00	00	00	00
25	Other deductions.....	00	00	00	00	00
26	Total deductions	00	00	00	00	00
27	Taxable income before NOL deduction and special deductions.....	00	00	00	00	00

GENERAL INSTRUCTIONS

Purpose of Schedule—This schedule must be completed to compute the federal consolidated net income of an affiliated group filing an elective consolidated Kentucky tax return per KRS 141.201. Schedule CR 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, if applicable, the Kentucky Corporation/LLET Account Number. If there are more than two subsidiaries in the affiliated group, use page 2 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 12–25—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 25. Enter for each line the intercompany elimination in the Intercompany Eliminations column and the consolidated total in the Consolidated Totals column.

Line 26—Enter the total of Lines 12 through 25 for each column.

Line 27—Enter the amount of Line 11 less Line 26 for each column.

This page has been intentionally left blank.



➤ See instructions.

➤ Attach to Form 720, 720S, 720U, 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. **Include receipts per instructions.**

Ad valorem Taxable Year Ending	1	_ _ / _ _	_ _ / _ _	_ _ / _ _	_ _ / _ _			
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
7 Allowable distilled spirits tax credit (lesser of Part I, line 6 or Part II, line 6).....	7							00

Table—Allowable Tax Credit Percentage Based on the Ad Valorem Taxable Year			
Taxable years beginning on or after	and	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%



Part III—Description of Property and Computation of Tax Credit Recapture

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

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 per 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, shareholders, or beneficiaries in the same proportion as the distributive share of income or loss is passed through.

Purpose of Schedule—This schedule is 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.

This schedule is also used to report any recapture of the distilled spirits tax credit. KRS 141.389(4)(b) provides that the distilled spirits credit allowed must 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.

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 must be claimed on the return of the taxpayer filed for the taxable year during which the credits were used for capital improvements per 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 per 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 4.

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 per KRS 132.160.

Line 3—Enter the date the ad valorem tax was paid per 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 is 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 is 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 is 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 is 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 is 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.

Note: Submit a copy of the local ad valorem tax notice and receipt from your local jurisdiction to substantiate the credit claimed in Part II.

Part III—Description of Property and Computation of Tax Credit Recapture**SPECIFIC INSTRUCTIONS**

A taxpayer required to recapture a distilled spirits tax credit must attach this schedule to the applicable tax return for the taxable year. If the taxpayer is a pass-through entity, the taxpayer must apply the recapture of the distilled spirits tax credit to the limited liability entity tax imposed by KRS 141.0401, and must pass the tax credit recapture to its partners, members, shareholders, or beneficiaries. A copy of Schedule DS must be attached to each partner's, member's, shareholder's, or beneficiary's Kentucky Schedule K-1. A partner, member, shareholder, or beneficiary must enter its pro rata share of the information from the Schedule DS when completing the partner's, member's, shareholder's, or beneficiary's applicable tax return.

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 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.



➤ See instructions.

➤ Attach to Form 720, 720S, 720U, 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: Individual Estate Trust Corporation Limited Liability Pass-through Entity
 General Partnership Other _____

E Date the Endowment Gift was made to the Approved Foundation M M / D D / Y Y	F Amount of Endowment Gift	G Date of the Department's Preliminary Authorization of Credit M M / D D / Y Y
---	-----------------------------------	--

H Name of Qualified Community Foundation or Affiliate Community Foundation	I Federal Identification Number _____	Telephone
Street Address or P. O. Box		Fax Number
City	State	ZIP Code

J If applicable, name of Permanent Endowment Fund or County-Specific Component Fund receiving the gift

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.

By: _____ Date _____
Signature of Foundation Officer (or designee)

Print Name: _____ Title: _____

Department of Revenue Use Only	
Endow Kentucky tax credit approved by the Department of Revenue.	
By: _____	Amount
Date: _____	_____

The process for finalizing the endowment gift after preliminary authorization is received is set forth in 103 KAR 15:195 Section 4. All questions should be directed to: DORTaxCredits@ky.gov.

A taxpayer must 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 must be as provided by KRS 141.0205.

A partner, member, or shareholder of a pass-through entity must 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 must attach a copy of Schedule K-1, Form 741, to the beneficiary's tax return each year to claim the tax credit.

Submission Instructions

Choose one of the following options to submit the Endow application.

E-mail: DORTaxCredits@ky.gov

Fax: 502-564-0058

Hand-delivery: Department of Revenue, 1st floor security desk at 501 High Street, Frankfort, Kentucky (call 502-564-8139 and ask for an employee in the Tax Credits Section.)

Note: This application contains time-sensitive information; therefore, mailing the application is not recommended.



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

**KRS 141.422 to 141.4248
103 KAR 15:110**

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable)
Mailing Address		
Location Address	Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Other _____ <input type="checkbox"/> Individual	

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) Requested credit for ethanol producer (numerator) .....(a) (b) Total requested credit for ethanol producer (denominator) (b)	$\left(\frac{(a)}{(b)} \right) \times * \$ \text{_____} =$
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	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

No Carryforward Allowed

The ethanol tax credit is applied against individual income tax imposed by KRS 141.020 or 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 used 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 will 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:
DORTaxCredits@ky.gov

The Department of Revenue will confirm 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—Check the appropriate entity type. If the entity type is not listed, 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 must 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 will 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 must 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 must 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 will constitute the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.

Email address:
DORTaxCredits@ky.gov

The electronic mail must 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 requested for the taxpayer and the denominator (Line 1(b)) being the total credit requested 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 per 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.



➤ See instructions.

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

KRS 141.408

Name of Taxpayer	Federal Identification Number or Social Security Number _____	Kentucky Corporation/LLET Account Number (if applicable) _____
Mailing Address	Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> Individual <input type="checkbox"/> Other _____	

PART I – Qualifications

- Did you timely pay ad valorem (inventory) tax to a taxing jurisdiction within Kentucky on or before December 31, 2019? **Note:** The credit can only be claimed on timely paid tax Yes No
If you answered "No", **STOP!** You do not qualify for the credit. If you answered "Yes", proceed to Part II.

PART II – Amount of Credit (see instructions)

Check here if including a Centrally Assessed or Public Service Company



Visit <https://revenue.ky.gov/Business/Pages/Inventory-Tax-Credit.aspx> for a workbook to calculate the amount of allowable inventory tax credit for Section B2.

Section A – Enter only timely paid INVENTORY amounts displayed on local tax bills

Section B1/B2 – Enter only timely paid INVENTORY amounts NOT reported in Section A

	Section A	Section B1	Section B2
	Inventory Tax Paid per Local Bill(s)	Inventory Valuation NOT reported in Section A	Tax Timely Paid on Inventory NOT reported in Section A
1 Timely Inventory Tax Paid (per local bills).....	1	1	
2 Line 31, Merchants Inventory	2	2	
3 Line 32, Manufacturing Finished Goods	3	3	
4 Line 33, Manufacturers Raw Materials/Goods in Process.....	4	4	
5 Line 34, Various Reported Items (see instructions).....	5	5	
6 Line 35, Goods Stored in Warehouse/Distribution Center	6	6	
7 Line 36, Inventory In-Transit.....	7	7	
8 Total Inventory Tax (add lines 1 through 7)	8	8	
9 Total Inventory Tax (add Section A, Line 8 and Section B2, Line 8)		9	
10 Allowable Percentage		10	50%
11 Allowable Inventory Tax Credit (Line 9 multiplied by Line 10).....		11	

PART III – Pass-through Entities ONLY

1 Total Allowable Inventory Tax Credit (from Line 11)

2 Enter each partner, member, shareholder, or beneficiary's distributive share of the amount on Line 1 (attach supporting schedule(s) if needed). These amounts should also be reported on Kentucky Schedules K-1.

Partner/Member/Shareholder/Beneficiary Name	FEIN/SSN	Distributive Share (%)	Distributive Share of Allowable Inventory Tax Credit

The inventory tax credit is a nonrefundable and nontransferable credit that may be applied (with the ordering of the credits as provided in KRS 141.0205) against income taxes imposed by KRS 141.020 (individual income tax) or KRS 141.040 (corporation income tax) and the limited liability entity tax (LLET) imposed by KRS 141.0401 for any taxpayer that, on or after January 1, 2018, timely pays ad valorem (tangible personal property) taxes to the Commonwealth or any political subdivision for inventory properties subject to the provisions of KRS 132.020(1)(e) and/or KRS 132.099. 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 partners, members, shareholders, or beneficiaries in the same proportion as the distributive share of income or loss is passed through.

Purpose of Schedule INV—This schedule is used to:

- 1) Report the inventory valuation, on which inventory taxes were timely paid as reported on Kentucky Property Tax Forms 61A500, 61A200, 61A800, 62A500, or 61A508;
- 2) Report the amount of timely-paid ad valorem tax on the inventory;
- 3) Calculate the total amount of allowable inventory tax credit; and,
- 4) Report distributive share of the inventory tax credit to the taxpayer's partners, members, shareholders, or beneficiaries (if applicable).

The credit allowed is phased-in over four years. The following table shows the allowable percentage for each year.

Tax Year	Allowable Credit %
2018	25%
2019	50%
2020	75%
2021	100%

2019 Inventory Tax Credit Calculator: An excel-based workbook is available for download at <https://revenue.ky.gov/Business/Pages/Inventory-Tax-Credit.aspx> to assist taxpayers in calculating the amount of inventory tax credit. The workbook contains easy-to-follow instructions and allows taxpayers to input inventory values for multiple locations. The worksheet automatically computes the tax on each category of inventory for each taxing jurisdiction. It also generates the Schedule INV and supporting documentation that can be printed and attached to a taxpayer's income tax return, as required. Supporting detail for taxpayers claiming the Schedule INV credit must be attached to the income tax return. **Note: There are multiple online inventory tax credit calculators available for download. Ensure you are utilizing the correct year's calculator as the rates and credit vary each year.**

Centrally Assessed and Public Service Companies (Kentucky Property Tax Forms 61A200 and 61A800)—Taxpayers reporting timely paid inventory tax for inventories reported

on Property Tax Forms 61A200 or 61A800 must check the box on Schedule INV, Part II, and report the timely paid inventory tax on Part II, Section A. Sections B1 and B2 may be used to report timely paid inventory tax for inventories that were declared on other qualifying property tax forms (as listed under Purpose of the Schedule INV above). Centrally Assessed and Public Service Companies may use the 2019 Inventory Tax Credit Calculator by inputting the inventory values on the appropriate lines.

Communications/Multichannel Video Programming Service Providers (Kentucky Tangible Personal Property Tax Form 61A500)—Taxpayers filing Tangible Personal Property Tax Form 61A500 should report inventory by the appropriate type listed (i.e., Merchant Inventory, Goods Stored in Warehouse, etc.) when completing Part II, lines 2 through 7. Report valuations and tax paid by the proper inventory type. Communications/Multichannel Video Programming Service Providers may use the 2019 Inventory Tax Credit Calculator



by inputting the inventory values on the appropriate lines. Attach 8.5" x 11" photocopies of the front and back of the property tax bills to the Schedule INV as supporting statements.

Centrally Assessed Distilled Spirits in Bonded Warehouses (Kentucky Property Tax Form 61A508)—Taxpayers filing Kentucky Property Tax Form 61A508 should only complete Part II, lines 8 through 11 unless also claiming credit for inventory amounts reported on other acceptable personal property tax forms. All values reported on Kentucky Property Tax Form 61A508 are inventory; therefore, all ad valorem (tangible personal property) taxes timely paid on such inventory are eligible for the inventory tax credit. Attach 8.5" x 11" photocopies of the front and back of the property tax bills to the Schedule INV as supporting statements.



Contact Us: If you have a question about the inventory tax credit, call the dedicated phone line at 502-564-1555.

SPECIFIC INSTRUCTIONS FOR SCHEDULE INV

General Instructions—Check the appropriate entity type. If the entity type is not listed, check the “Other” box and list the entity type.

Federal Identification Number—For an individual, enter the Social Security number (SSN); for all other entities, enter the FEIN. Taxpayers can visit <https://revenue.ky.gov/Business/Pages/Inventory-Tax-Credit.aspx> to obtain the downloadable 2019 Inventory Tax Credit Calculator if assistance is needed in calculating the inventory tax credit and preparing the Schedule INV.



Note: Calculation of the tax credit without the Inventory Tax Credit Calculator is not advised unless your Kentucky Personal Property Tax returns only include inventory that qualifies for the credit and nothing else, or you only receive Kentucky Personal Property Tax bills that separately display the amount of inventory tax due. Most property tax bills display the tax due on all types of property, some of which does not qualify for the credit, which would overstate your tax credit.

PART I—Qualifications

Answer the qualification question by checking the appropriate “Yes” or “No” box. If you answer “No,” **STOP!** You do not qualify for the credit. If you answer “Yes,” go to Part II.

PART II—Amount of Credit

Centrally Assessed and Public Service Companies that are claiming credit for inventories reported from Property Tax Forms 61A200 or 61A800 must check the box provided in Part II header. All other taxpayers should leave this box blank.

Section A—Inventory Tax Timely-Paid as displayed per Local Tax Bill(s)

Line 1—Enter the timely Kentucky inventory tax paid that is separately displayed on the local personal property tax bill(s). If your bill does not separately state this amount, do not use this line. “Local Tax Bills” include both city and county bills. Some taxing jurisdictions throughout the state bill the city & county taxes separately. The Inventory Tax Credit Calculator combines (where applicable) the city, county, and state tax rates to arrive at total inventory tax paid on the inventory at a specific location. Timely-paid separately stated amounts should be entered on Section A, Line 1. However, instead of completing Section A, the taxpayer may choose to report these locations in Sections B1 and B2. Amounts reported in Section A should not be duplicated in Sections B1 and B2. If an amount is reported on Section A, line 1, 8.5” x 11” photocopies of the front and back of the property tax bills are required to be attached to the Schedule INV as supporting statements.

Sections B1 and B2—Inventory Valuation and Timely-Paid Inventory Tax Not Reported in Section A

Section B1—Enter the total valuation of inventory reported on the Kentucky personal property tax return for all locations on the lines which correspond to each category of inventory in Section B1. Do not enter valuations for any inventory included in Section A.

Section B2—Enter the total tax timely-paid for all locations on the lines which correspond to each category of inventory in Section B2. Do not enter tax for any inventory tax included in Section A.

Note: Part II, Lines 2 through 7, correspond to Lines 31 through 36 of the Kentucky Personal Property Tax Form, 62A500.

Lines 2 through 7—Enter the inventory valuations and timely-paid Kentucky inventory tax for locations not reported in Section A.

Line 8—Enter the amount from Section A, Line 1, on Section A, Line 8. Enter the total amount from Section B2, Lines 2 through 7, on Section B2, Line 8.

Line 9—Add Section A, Line 8, and Section B2, Line 8. Enter the result here.

Line 10—Fifty percent (50%) is the allowable percentage for 2019.

Line 11—Multiply Line 9 by Line 10. Enter the result here and on Schedule TCS, Part II, Line 21 or Schedule ITC, Section A, Line 23. This is the allowable inventory tax credit.

PART III—Pass-Through Entities (only)

Line 1—Enter the total Allowable Inventory Tax Credit from Part II, Line 11.

Line 2—Enter the names, federal identification numbers, distributive share percentages, and each partner/member/shareholder or beneficiary’s distributive share of the inventory tax credit. If there are more than five (5) partners, members, shareholders, or beneficiaries, attach supporting schedules in the same order and format of the chart in Part III.

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**KENTUCKY
CONSOLIDATED RETURN SCHEDULE
(Attach All Applicable Schedules)**

2019

Name of Corporation _____

Federal Identification Number _____

Kentucky Corporation/LLET Account Number _____

	Consolidated Totals		Intercompany Eliminations		Parent		Name			
							FEIN	_____	Name	_____
							FEIN	_____	_____	_____
							KY Corp./LLET Acct. No.	_____	_____	KY Corp./LLET Acct. No.
1	Federal taxable income (Schedule CR, line 27)	00	00	00	00	00				00
	Additions									
2	Interest income (state and local obligations)		00			00				00
3	State taxes based on net/gross income		00			00				00
4	Depreciation adjustment		00			00				00
5	Deductions attributable to nontaxable income		00			00				00
6	Related party expenses		00			00				00
7	Dividend paid deduction (REIT)		00			00				00
8	Other (attach schedule)		00			00				00
9	Revenue Agent Report (RAR)		00			00				00
10	Total (add lines 1 through 9)		00			00				00
	Subtractions									
11	Interest income (U.S. obligations)		00			00				00
12	Dividend income		00			00				00
13	Federal work opportunity credit		00			00				00
14	Depreciation adjustment		00			00				00
15	Other (attach schedule)		00			00				00
16	Revenue Agent Report (RAR)		00			00				00
17	Net income (line 10 less lines 11 through 16)		00			00				00
18	Net non-apportionable income		00			00				00
19	Kentucky net non-apportionable income		00			00				00



**KENTUCKY
CONSOLIDATED RETURN SCHEDULE — Continuation Sheet
(Attach All Applicable Schedules)**

	Name of Corporation		Federal Identification Number		Kentucky Corporation/LLET Account Number	
	Name	FEIN	Name	FEIN	Name	FEIN
	KY Corp./LLET Acct. No.	KY Corp./LLET Acct. No.	KY Corp./LLET Acct. No.	KY Corp./LLET Acct. No.	KY Corp./LLET Acct. No.	KY Corp./LLET Acct. No.
1	Federal taxable income (Schedule CR-Continuation, line 27)	00	00	00	00	00
Additions						
2	Interest income (state and local obligations)					
3	State taxes based on net/gross income.....	00	00	00	00	00
4	Depreciation adjustment.....	00	00	00	00	00
5	Deductions attributable to nontaxable income.....	00	00	00	00	00
6	Related party expenses.....	00	00	00	00	00
7	Dividend paid deduction (REIT)....	00	00	00	00	00
8	Other (attach schedule).....	00	00	00	00	00
9	Revenue Agent Report (RAR).....	00	00	00	00	00
10	Total (add lines 1 through 9).....	00	00	00	00	00
Subtractions						
11	Interest income (U.S. obligations)	00	00	00	00	00
12	Dividend income.....	00	00	00	00	00
13	Federal work opportunity credit...	00	00	00	00	00
14	Depreciation adjustment.....	00	00	00	00	00
15	Other (attach schedule)	00	00	00	00	00
16	Revenue Agent Report (RAR).....	00	00	00	00	00
17	Net income (line 10 less lines 11 through 16)	00	00	00	00	00
18	Net non-apportionable income	00	00	00	00	00
19	Kentucky net non-apportionable income.....	00	00	00	00	00

GENERAL INSTRUCTIONS

Purpose of Schedule—This schedule must be completed to compute the Kentucky consolidated net income of an affiliated group filing an elective consolidated Kentucky tax return per KRS 141.201. Schedule KCR 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, if applicable, the Kentucky Corporation/LLET Account Number. If there are more than two subsidiaries in the affiliated group, use page 2, Kentucky Consolidated Return Schedule—Continuation Sheet.

Line 1—Enter the amounts from Schedule CR, Line 27 of each column in the respective columns of Schedule KCR.

Lines 2–9—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 9. Enter for each line the intercompany elimination in the Intercompany Eliminations column and the consolidated total in the Consolidated Totals column.

Line 9—Enter Revenue Agent Report (RAR)(Form 4549) federal taxable income increase(s). Use this line only if amending Form 720 as a result of RAR adjustment(s) and attach a copy to the return.

Line 10—Enter the total of Lines 1 through 9 in each column.

Lines 11–16—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 11 through 16. Enter for each line the intercompany elimination in the Intercompany Eliminations column and the consolidated total in the Consolidated Totals column.

Line 16—Enter Revenue Agent Report (RAR)(Form 4549) federal taxable income decrease(s). Use this line only if amending Form 720 as a result of RAR adjustment(s) and attach a copy to the return.

Line 17—Enter the amount of Line 10 less Lines 11 through 16 for each column.

Line 18—Enter net non-apportionable income from Schedule A, Part II, Line 3 in the total column and the applicable amounts in the columns for the parent and each subsidiary.

Line 19—Enter Kentucky net non-apportionable income from Schedule A, Part 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 17 of the Total column on Form 720, Part III, Lines 1 through 17.

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LIMITED LIABILITY ENTITY TAX — Continuation Sheet

2019

➤ See instructions.

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

		Federal Identification Number		Kentucky Corporation/LLET Account Number		Column A		Column B	
						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.
SECTION A — Kentucky		TOTAL (Column A + Column B) Report on Schedule L							
1(a)	Gross receipts less returns and allowances.....		00						
(b)	Kentucky statutory gross receipts reductions.....		00						
2	Adjusted gross receipts (line 1(a) less line 1(b)).....		00		00		00		00
3(a)	Cost of goods sold (attach Schedule COGS).....		00						
(b)	Kentucky statutory cost of goods sold reductions.....		00						
4	Adjusted cost of goods sold (line 3(a) less line 3(b)).....		00						
5	Gross profits (line 2 less line 4).....		00		00		00		00
SECTION B — Total									
1(a)	Gross receipts less returns and allowances.....		00						
(b)	Kentucky statutory gross receipts reductions.....		00						
2	Adjusted gross receipts (line 1(a) less line 1(b)).....		00		00		00		00
3(a)	Cost of goods sold (attach Schedule COGS).....		00						
(b)	Kentucky statutory cost of goods sold reductions.....		00						
4	Adjusted cost of goods sold (line 3(a) less line 3(b)).....		00						
5	Gross profits (line 2 less line 4).....		00		00		00		00



- ▶ See instructions.
- ▶ Attach to Form 720, 720S, 720U, 725, or 765.

Name of Corporation or Limited Liability Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number	
Column B			
	Name	Name	Name
	FEIN	FEIN	FEIN
	KY Corp./LLET Acct. No.	KY Corp./LLET Acct. No.	KY Corp./LLET Acct. No.
SECTION A – Kentucky			
1(a)	Gross receipts less returns and allowances.....		
(b)	Kentucky statutory gross receipts reductions.....		
2	00	00	00
Adjusted gross receipts (line 1(a) less line 1(b)).....			
3(a)	Cost of goods sold (attach Schedule COGS).....		
(b)	Kentucky statutory cost of goods sold reductions.....		
4	Adjusted cost of goods sold (line 3(a) less line 3(b)).....		
5	00	00	00
Gross profits (line 2 less line 4).....			
SECTION B – Total			
1(a)	Gross receipts less returns and allowances.....		
(b)	Kentucky statutory gross receipts reductions.....		
2	00	00	00
Adjusted gross receipts (line 1(a) less line 1(b)).....			
3(a)	Cost of goods sold (attach Schedule COGS).....		
(b)	Kentucky statutory cost of goods sold reductions.....		
4	Adjusted cost of goods sold (line 3(a) less line 3(b)).....		
5	00	00	00
Gross profits (line 2 less line 4).....			

Purpose of Schedule—Per KRS 141.120(11), a corporation that is a partner or member of a limited liability pass-through entity or a general partnership must include its proportionate share of 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,” extends to each level of multiple-tiered pass-through entities.

Schedule L-C must be submitted with the applicable tax return (Form 720, 720S, 720U, 725, or 765).

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—Kentucky

Column A—For the “Corporation or Limited Liability Pass-through Entity Filing Return”

Line 1(a)—Enter Kentucky gross receipts less returns and allowances. Gross receipts includes but is not limited to sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

Line 1(b)—**Pass-through entities only:** Enter Kentucky gross receipts allocable to a “qualified exempt organization” as defined in KRS 141.0401(7). Not applicable to corporations.

Line 2—Line 1(a) less Line 1(b).

Line 3(a)—Enter the Kentucky cost of goods sold from Schedule COGS, Column A, line 8. Per KRS 141.0401(1)(d), no costs can be claimed by an entity other than manufacturing, producing, reselling, retailing, or wholesaling.

Line 3(b)—**Pass-through entities only:** Enter Kentucky cost of goods sold allocable to a “qualified exempt organization” as defined in KRS 141.0401(7). Not applicable to corporations.

Line 4—Line 3(a) less Line 3(b).

Line 5—Line 2 less Line 4.

Column B—Information received from limited liability pass-through entities owned by the entity.
Entity Information—Enter the name, FEIN, and Kentucky Corporation/LLET Account number for each entity that provided Kentucky Schedule K-1.

Line 2—Enter the Kentucky gross receipts from Schedule K-1, Section B, Line 1.

Line 5—Enter the Kentucky gross profits from Schedule K-1, Section B, Line 3.

SECTION B—Total

Column A—For the Corporation or Limited Liability Pass-through Entity Filing Return.

Line 1(a)—Enter total gross receipts less returns and allowances. Gross receipts includes but is not limited to sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

Line 1(b)—Not applicable.

Line 2—Enter the amount from Line 1(a).

Line 3(a)—Enter total cost of goods sold from Schedule COGS, Column B, line 8. Per KRS 141.0401(1)(d), no costs can be claimed by an entity other than manufacturing, producing, reselling, retailing, or wholesaling.

Line 3(b)—Not applicable.

Line 4—Enter the amount from Line 3(a).

Line 5—Line 2 less Line 4.

Column B—Information received on Kentucky Schedules K-1 from pass-through entities owned by the taxpayer.

Line 2—Enter total gross receipts from Schedule K-1, Section B, Line 2.

Line 5—Enter total gross profits from Schedule K-1, Section B, Line 4.

TOTAL Column—Add the totals of Column A and Column B for line 2 and line 5 in both Section A and Section B. Carry the totals to Schedule L of Form 720, 720S, 765, or 725 as follows.

Schedule L-C Total	Carry To	Schedule L, Section A
Section A, Line 2	→	Column A, Line 2
Section A, Line 5	→	Column A, Line 5
Section B, Line 2	→	Column B, Line 2
Section B, Line 5	→	Column B, Line 5

For Unitary filers—Carry the totals to Form 720U, Schedule U8, Section A, Lines 2 and 5 and Section B, Lines 2 and 5 of the respective column.

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- See instructions.
- Attach to Form 720.

Name of Corporation	Federal Identification Number _____ - _____	Kentucky Corporation/LLET Account Number _____
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Section A—Net Operating Loss Deduction		Prior Year NOL		
		A	B	
	Name	Kentucky Corporation/LLET Account Number	Pre-2018 NOL Carryforward	Post-2017 NOL Carryforward
1	Corporation Filing Return			
2	Subsidiaries (if applicable)			
a				
b				
c				
d				
e				
f				
g				
h				
i				
3	Adjustments (Intercompany eliminations and others)	3		
4	Totals (sum each respective column)	4		
5	Enter the taxable net income from Form 720, Part III, line 18		5	
6	Enter the lesser of line 5 or Column A, line 4. This is the pre-2018 NOLD		6	
7	Line 5 less line 6. This is the taxable income remaining after pre-2018 NOLD		7	
8	Multiply line 5 by 80%. This is the maximum allowable post-2017 NOLD.....		8	
9	If line 8 is greater than line 7, enter the lesser of line 7 or Column B, line 4. If line 7 is greater than line 8, enter the lesser of line 8 or Column B, line 4. This is the post-2017 NOLD.....		9	
10	Add lines 6 and 9. This is the total NOLD . Enter here and on Form 720, Part III, line 19.....		10	

Section B—NOL Carryforward		
1	Enter the amount from Section A, Column A, line 4 (enter as a positive).....	1
2	Enter the amount from Section A, line 6 (enter as a positive)	2
3	Subtract line 2 from line 1. This is the pre-2018 NOL carryforward to 2020	3
4	Enter the amount from Section A, Column B, line 4 (enter as a positive).....	4
5	Enter the amount from Section A, line 9 (enter as a positive)	5
6	Subtract line 5 from line 4. This is the post-2017 NOL carryforward to 2020.....	6

Purpose of Schedule—This schedule is used by separate return and elective consolidated return filers per KRS 141.201(3)(b) or 141.201(3)(a)2 to determine the net operating loss deduction and to track any available net operating loss carryforward.

NOTE: Companies filing unitary combined returns should not use this schedule. These groups should use Form 720U, Schedule U10 to calculate NOL deductions and carryforwards.

General Instructions—Kentucky NOLs are calculated on a post-apportionment basis for all filers. Consequently, pre-apportioned NOL carryforward amounts from years in which a group filed a mandatory nexus consolidated return must be apportioned using the nexus group's apportionment factor in the year the NOL was generated. For more information and examples relating to the conversion from pre-apportioned to apportioned amounts, see 103 KAR 16:250.

A corporation does not have an NOL carryforward if it did not have Kentucky nexus during the tax year of the NOL. An NOL generated for a taxable year beginning before January 1, 2018 (pre-2018 NOL), may be carried forward 20 years following the loss year; however, per KRS 141.011(2), an NOL must not be carried back for tax years beginning on or after January 1, 2005.

NOL generated after December 31, 2017 (post-2017 NOL), may only offset up to 80% of taxable income, but any unused amounts are carried forward indefinitely.

Section A—Net Operating Loss Deduction

Line 1—Enter the name and Kentucky Corporation/LLET account number for the corporation filing the return. If this is an elective consolidated return, this should be the name of the common parent.

Line 2 (a) – (i)—Enter the name and Kentucky Corporation/LLET account number of any subsidiary(ies).

Column A—Enter the NOL carryforward amounts from tax years beginning before January 1, 2018 (pre-2018 NOL).

Column B—Enter the NOL carryforward amounts from tax years beginning after December 31, 2017 (post-2017 NOL).

Line 3—Enter any adjustments to the amounts entered in Column A and Column B.

Line 4—Calculate the total for each column.

Line 5—Enter the taxable net income from Form 720, Part III, Line 18.

Line 6—Enter the lesser of Line 5 or Column A, Line 4. This is the amount of pre-2018 NOL utilized this tax year.

Line 7—Subtract Line 6 from Line 5. This is the amount of taxable income remaining after utilizing the available pre-2018 NOL.

Line 8—Multiply the amount on Line 5 by 80%. This is the maximum amount of post-2017 NOL that can be utilized this tax year.

Line 9—If Line 8 is greater than Line 7, enter the lesser of Line 7 or Column B, Line 4. If Line 7 is greater than Line 8, enter the lesser of Line 8 or Column B, Line 4. This is the amount of post-2017 NOL utilized this tax year.

Line 10—Add Lines 6 and 9. This is the total NOL deduction utilized this tax year. Enter here and on Form 720, Part III, Line 19.

Section B—NOL Carryforward

Line 1—Enter the amount from Section A, Column A, Line 4 as a positive number.

Line 2—Enter the amount from Section A, Line 6 as a positive number.

Line 3—Subtract Line 2 from Line 1. This is the pre-2018 NOL carryforward to 2020.

Line 4—Enter the amount from Section A, Column B, Line 4 as a positive number. If the amount on Form 720, Part III, Line 18 shows a current-year loss, add this amount (as a positive number) to the amount from Section A, Column B, Line 4 and enter the total amount here.

Line 5—Enter the amount from Section A, Line 9 as a positive number.

Line 6—Subtract Line 5 from Line 4. This is the post-2017 NOL carryforward to 2020.



- 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 8)

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 Federal allowable depletion from Form 1120, line 21	4		00
5 Federal contribution deductions from Form 1120, line 19	5		00
6 Terminal Railroad Corporation adjustments.....	6		00
7 Federal allowable passive activity loss	7		00
8 Federal taxable loss of all exempt corporations	8		00
9 Adjustments for qualified construction allowance(s) for short-term lease(s).....	9		00
10 Enter additions to federal taxable income from Kentucky Schedule(s) K-1	10		00
11 Internal Revenue Code adjustments (see instructions)	11		00
12 Other additions (attach explanation)	12		00
13 Total of lines 1 through 12 (enter on Form 720, Part III, line 8).....	13		00

PART II—SUBTRACTIONS FROM FEDERAL TAXABLE INCOME (FORM 720, PART III, LINE 15)

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 50% of the gross royalty income derived from any disposal of coal with a retained economic interest defined by IRC §631(c) and all IRC §272 expenses if the corporation elects not to use percentage depletion.....	4		00
5 Terminal Railroad Corporation adjustments.....	5		00
6 Kentucky allowable passive activity loss	6		00
7 Kentucky allowable depletion	7		00
8 Kentucky contribution deductions.....	8		00
9 Adjustments for qualified construction allowance(s) for short-term lease(s).....	9		00
10 Federal taxable income of all exempt corporations.....	10		00
11 Enter subtractions from federal taxable income from Kentucky Schedule(s) K-1	11		00
12 Internal Revenue Code adjustments (see instructions)	12		00
13 Other subtractions (attach explanation)	13		00
14 Total of lines 1 through 13 (enter on Form 720, Part III, line 15).....	14		00

Purpose of Schedule— 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 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 per the Internal Revenue Code (IRC) must be applied using Kentucky taxable income and deductions.**

Line 5—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 per the IRC must be applied using Kentucky taxable net income.**

Line 6—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 §281 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(g)**

Line 7—Enter the federal allowable passive activity loss. The limitations of IRC §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 8—Enter the federal taxable loss of all exempt corporations per KRS 141.040(1)(a)1. to 8.

Line 9—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 §110 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(e)**

Line 10—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 11—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

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 12—Enter any other additions to federal income not reported on Lines 1 through 11, and attach an explanation.

Line 13—Enter the total of Lines 1 through 12 (enter on Form 720, Part III, Line 8).

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 fifty percent (50%) of gross income derived from any disposal of coal covered by IRC §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 141.039(1)(d)**

Line 5—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 §281 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(g)**

Line 6—Enter the Kentucky allowable passive activity loss. The limitations of IRC §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 7—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 per the IRC must be applied using Kentucky taxable income and deductions.**

Line 8—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 per the IRC must be applied using Kentucky taxable net income.**

Line 9—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 §110 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(e)**

Line 10—Enter the federal taxable income of all exempt corporations as per KRS 141.040(1)(a)1. to 8.

Line 11—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 12—Kentucky’s IRC reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

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 13—Enter any other subtractions from federal income not reported on Lines 1 through 12, and attach an explanation to the tax return.

Line 14—Enter the total of Lines 1 through 13 (enter on Form 720, Part III, Line 15).

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➤ See instructions.

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

KRS 141.395

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

The Qualified Research Facility Tax Credit is applied against the individual income tax imposed by KRS 141.020 or 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 §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 per 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 must include on each Schedule K-1 the partner's, member's, shareholder's, or beneficiary'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.**



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____.

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 _____
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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—Part I Continuation on page 3 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)						
				00	00	00
Identify the Equipment and Use (see instructions)						

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 _____

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



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

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, 720U, 725, or 765 (see instructions)	1 00	
2 Enter the income tax liability from Form 720, 720U, 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



For equipment purchased (installed) during taxable year beginning _____, 20____, and ending _____, 20____.

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.) (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)								
					00		00	00
Identify the Equipment and Use (see instructions)								
					00		00	00
Identify the Equipment and Use (see instructions)								
					00		00	00
Identify the Equipment and Use (see instructions)								
					00		00	00
Identify the Equipment and Use (see instructions)								
					00		00	00
Identify the Equipment and Use (see instructions)								
					00		00	00
Identify the Equipment and Use (see instructions)								
					00		00	00
Identify the Equipment and Use (see instructions)								
Page Total								00

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 Preparer's 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 LLET. If the balance available for income tax or 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 maintain 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 must not exceed 10% of the total tax credit allowable and must not exceed 25% of each tax liability which would be otherwise due. For all other years, the credit is limited to 25% of the 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—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.

**Schedule RC
(2019)**

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 must 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 must 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 are not. Similar items used for collecting and/or separating postconsumer waste are not recycling equipment.

A self-contained "backyard composter" is composting equipment. 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 or placed in service). 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 must be reported on Form 720S, Schedule K, Line 12, or on Form 765 or 765-GP, Schedule K, Line 13.

PART I—Composting and/or Recycling Equipment

Complete Columns A through F 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-Part I Continuation on page 3.

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.

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. 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, the application will not be approved until all information is received. To assist in the reconciliation, a spreadsheet showing the cost for each item of equipment should be attached to Schedule RC.

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

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. (Do not record the credit for a Major Recycling Project in Part III. This amount will be recorded in Part V.)

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 or 720U. 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. Each partner, member, or shareholder 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 should be blank.

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 III 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 III 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.

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.



- See instructions.
- Attach to Form 720, 720S, 720U, 725, 740, 740-NP, 741, 765, or 765-GP.
- KRS 141.390

Taxable Year Ending
____/____
Mo. Yr.

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 or installed.....	1	/ /	/ /	/ /
2	Date equipment was sold, transferred, or 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
7	Multiply Line 6 by the percentage on Line 5.....	7	00	00	00
8	Recycling tax credit used in prior years against LLET.....	8	00	00	00
9	Recycling tax credit used in prior years against income tax.....	9	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

Table – Allowable Tax Credit Percentage		
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%

Purpose of Schedule—Per KRS 141.390(4), the Recycling/Composting Equipment Tax Credit per KRS 141.390 must 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 must 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 will 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 per 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—If recycling or composting equipment is sold, transferred, or disposed of before the end of its useful life per IRC §168, see the Table—Allowable Tax Credit Percentage on Schedule RC-R (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 per 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 II, line 2. 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 must 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 must 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 720U—Enter on Form 720U, Schedule U9, Section A, 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 720U—Enter on Form 720U, Schedule U9, Section B, 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 must attach a copy of Schedule RC-R to each partner's, member's, shareholder's, or beneficiary's Kentucky Schedule K-1.

Each partner, member, shareholder, or beneficiary must prepare a Schedule RC-R to be attached to the partner's, member's, shareholder's, or beneficiary's tax return. A partner, member, shareholder, or beneficiary must 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, shareholder's, or beneficiary's Schedule RC-R. The remaining Lines 8 through 13 of Schedule RC-R must be computed by the partner, member, shareholder, or beneficiary. A partner, member, shareholder, or beneficiary must 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.



➤ See instructions.

Taxable Year Ending

➤ Attach to Form 720, 720S, 720U, 765, or 765-GP.

____/____
M M Y Y

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable)
_____	_____	_____

Schedule RPC, Related Party Costs Disclosure Statement, must 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, 720U, 765, or 765-GP).

Failure to complete Schedule RPC and attach all supporting documentation will result in disallowance of the exception(s).

PART I – RELATED PARTY COSTS

1 Total intangible expenses paid to a related member: Do not include any interest expense or costs related to intangible interest expense	1	00
2 Total intangible interest expenses paid to a related member	2	00
3 Total management fees paid to a related member	3	00
4 Total Related Party Costs: Add lines 1 through 3	4	00

PART II – EXCEPTIONS TO ADD BACK

Section A – Exceptions to Expenses

1 Enter amount from Part III, Section A, line 5.....	1	00
2 Enter amount from Part III, Section B, line 5.....	2	00
3 Enter amount from Part III, Section C, line 14.....	3	00
4 Total Exceptions: Add lines 1 through 3.....	4	00

Section B – Total Required Related Party Cost Add Back After Exceptions

1 Total: Part I, line 4 less Part II, line 4. Enter here and on Form 720, Part III, line 6; Form 720S, Part III, line 4; Form 720U, Schedule U4, line 6; 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 related party costs where the entity and the recipient are both included in the same consolidated Kentucky corporation income tax return

	Name of Related Member	Federal Identification Number	Kentucky Corp./LLET Account Number	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 1			00

**Section B – Exception for related party costs for transactions that the recipient regularly engages with one or more unrelated parties on terms identical to that of the subject transaction and alternative apportionment methods****Transactions with terms identical to those with unrelated parties**

1	Has the recipient regularly engaged in transactions with one (1) or more unrelated parties on terms identical to that of the subject transaction?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2	Identical Terms—Exception amount enter here	\$

Alternative Apportionment

3	Is there a written agreement between the taxpayer and the Department which provides for use of an alternative method of apportionment per KRS 141.120(12)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4	Alternative Apportionment—Exception amount enter here	\$
5	Total of Line 2 and Line 4: Enter here and on Part II, Section A, Line 2	\$

NOTE: If the answer to Line 1 is "Yes," attach copies of the written agreement between the taxpayer and the recipient and the recipient and the unrelated party. If the answer to Line 3 is "Yes," attach a copy of the written agreement between the taxpayer and the Department. **Failure to attach written agreements will result in a denial of the exception(s).** If any of the answers are "No," the taxpayer does not qualify for this exception.

Section C – Exception for related party costs paid to related members who are subject to tax in their state or country of domicile.

		Domestic	Foreign
1	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 or country of commercial domicile, a net income tax or a franchise tax measured by, in whole or in part, net income? Note: Country must have in force a comprehensive income tax treaty with the United States if the recipient is a foreign corporation.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
2	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	<input type="checkbox"/> Yes <input type="checkbox"/> No
3	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	<input type="checkbox"/> Yes <input type="checkbox"/> No

NOTE: If the answers to Questions 1, 2, and 3 above in the **Domestic** column 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.

Domestic

	Name of Related Member	Federal Identification Number	State of Commercial Domicile	Name of Tax	Amount Deducted
4					00
5					00
6					00
7					00
8	Total of lines 4 through 7.				00

NOTE: If the Answers to lines 1, 2, and 3 in the **Foreign** column above are all "Yes," complete lines lines 9 through 13 and attach a copy of all pertinent parts of the contract or other documentation that supports the exception. **Failure to provide the requested information will result in the denial of the exception.** If any of the answers are "No," the taxpayer does not qualify for the exception.

Foreign

	Name of Related Member	Name of Foreign Nation	Description of Treaty	Amount Deducted
9				00
10				00
11				00
12				00
13	Total of lines 9 through 12.			00
14	Add line 8 and line 13. Enter here and on PART II, Section A, line 3			00

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 per 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 per IRC §163 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 per Chapter 1 of the Internal Revenue Code.

PART I—RELATED PARTY COSTS

Line 1—Intangible Expenses—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.

Line 2—Intangible Interest Expenses—Enter the total of all intangible interest expenses paid to a related member.

Line 3—Management Fees—Enter the total of all management fees paid to a related member.

Line 4—Total Related Party Costs—Enter the total of Lines 1 through 3.

PART II—EXCEPTIONS TO ADD BACK

Section A—Exceptions to Expenses

Line 1—Enter the amount from Part III, Section A, Line 5.

Line 2—Enter the amount from Part III, Section B, Line 5.

Line 3—Enter the amount from Part III, Section C, Line 14.

Line 4—Enter the total of Lines 1 through 3.

Section B—Total Related Party Cost Add Back After Exceptions

Line 1—Enter the amount from Part I, Line 4 less the amount on Part II, Line 4. Also, enter the amount on Form 720, Part III, Line 6; Form 720S, Part III, Line 4; Form 720U, Schedule U4, line 6; 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 related party costs where the entity and the recipient are both included in the same consolidated Kentucky corporation income tax return.

Lines 1 to 4—For each related member, include the name, Federal Identification Number, Kentucky Corporation/LLET Account Number, and the amount deducted by the taxpayer. If more than four related members, attach a statement with each member’s information 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 1.

Section B—Exception for related party costs for transactions that the recipient regularly engages with one or more unrelated parties on terms identical to that of the subject transaction and alternative apportionment methods.

Lines 1 and 3—Answer “Yes” or “No” by checking the applicable box.

Lines 2 and 4—Enter the exception amount.

Line 5—Enter total of Section B, Lines 2 and 4 here and on Part II, Section A, Line 2.

Section C—Exception for related party costs paid to related members who are subject to tax in their state or country of domicile.

Questions 1 to 3—Answer questions 1 through 3. If the answers in the Domestic column are all “Yes”, complete Lines 4 through 8. If the answers in the Foreign column are all “Yes”, complete Lines 9 through 13.

Lines 4 to 7—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 more than four related members, attach a statement with each member’s information and add to the total on Line 8.

Line 8—Enter the total amount deducted. Add Lines 4 through 7.

Lines 9 to 12—For each related member, include the name of foreign nation, description of treaty, and the amount deducted by the taxpayer. If more than four related members, attach a statement with each member’s information and add to the total on Line 13.

Line 13—Enter the total amount deducted. Add Lines 9 through 12.

Line 14—Enter the total of Section C, Lines 8 and 13 here and on Part II, Section A, Line 3.

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- See instructions.
- Attach to Form 720, 720U, 765, or 765-GP.

KRS 141.386 and 141.387

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable)
Mailing Address	_____	_____
Location Address	Entity: <input type="checkbox"/> Corporation <input type="checkbox"/> Railway Company taxed under KRS 136.120	

Part I—Qualifications

	Yes	No
1 Were the "qualified expenditures" made by an entity that was not: (i) a corporation that owns fossil energy resources subject to tax under KRS 143.020 or 143A.020 or biomass resources and transports these using rail facilities; or (ii) a railway company subject to tax per KRS 136.120 that serves a corporation that owns fossil energy resources subject to tax per KRS 143.020 or 143A.020 or biomass resources?.....		
2 Was a tax credit claimed per KRS 141.385 on the same "qualified expenditures"?		
3 Was a tax credit claimed per KRS 141.385 or 141.386 by another taxpayer on the same "qualified expenditures"?		

**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

1 Enter the qualified expenditures paid or incurred by the corporation or railway company for the calendar year	1	00
2 Enter 25% of line 1	2	00

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 III—Railroad Expansion Approved Credit Certificate

1 (a) Requested credit for corporation or railway company (**numerator**) (a) $\left(\frac{(a)}{(b)} \right) \times \$1,000,000 =$
 (b) Total requested credit for all corporations and railway companies (**denominator**) (b)

Approved Credit

By: _____ Date: _____

TAXPAYER USE ONLY

Part IV—Railroad Expansion Credit Used By Taxpayer

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

No Carryforward Allowed

The railroad expansion credit per KRS 141.386 is a nonrefundable credit that can be applied against the corporation income tax imposed by KRS 141.040 and the limited liability entity tax (LLET) imposed by KRS 141.0401. The tax credit must 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 per KRS 141.385 and the railroad expansion tax credit per KRS 141.386, the taxpayer must claim either the credit per KRS 141.385 or the credit per 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 per KRS 141.386 is limited to \$1,000,000. If the total amount of approved credit exceeds \$1,000,000, the department will 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 must 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 post-marked 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:
DORTaxCredits@ky.gov

The Department of Revenue will confirm 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 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 720U) or partner or member (if filing Form 765 or 765-GP).

Part I—Qualifications

The tax credit per KRS 141.386 must 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 per KRS 143.020 or 143A.020 or biomass resources and transports these resources using rail facilities; or (ii) a railway company subject to tax per KRS 136.120 that serves a corporation that owns fossil energy resources subject to tax per KRS 143.020 or 143A.020 or biomass resources. If you have taken the railroad maintenance and improvement tax credit per KRS 141.385 on the same qualified expenditures, you do not qualify for this credit. If a tax credit was claimed per 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 will 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 requested credit for a corporation or railway company and the denominator (Line 1(b)) of which is the total requested 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 must include on each Schedule K-1 the partner’s or member’s pro rata share of the approved credit.



➤ See instructions.

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

KRS 141.385 and 141.387

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number (if applicable)
Mailing Address	_____	_____
Location Address	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—Qualifications

	Yes	No
1 Were the "qualified expenditures" made on property that was not owned or leased on January 1, 2008, by a Class II or Class III railroad?		
2 Was a tax credit claimed per KRS 141.386 on the same "qualified expenditures"?		
3 Was a tax credit claimed per KRS 141.385 or 141.386 by another taxpayer on the same "qualified expenditures"?		

**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

1 Enter the amount of qualified expenditures paid or incurred by the taxpayer during the tax year	1		00
2 Enter 50% of line 1	2		00
3 Enter the number of miles of railroad track in Kentucky owned or leased by the taxpayer at the close of the taxable year	3	00	
4 Enter the number of miles of railroad track in Kentucky assigned to the taxpayer by a Class II railroad or Class III railroad	4	00	
5 Enter the total of lines 3 and 4	5	00	
6 Multiply line 5 by \$3,500	6		00
7 Enter the lesser of line 2 or line 6	7		00

Part III—Railroad Maintenance and Improvement Credit Used By Taxpayer

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

No Carryforward Allowed

The railroad maintenance and improvement credit per KRS 141.385 is a nonrefundable credit that can be applied against the income taxes imposed by KRS 141.020 or 141.040, and the limited liability entity tax (LLET) imposed by KRS 141.0401. The tax credit must 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 per KRS 141.385 and the railroad expansion tax credit as per KRS 141.386, the taxpayer must claim either the credit per KRS 141.385 or the credit per 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 must 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 per 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 per KRS 141.385(2), the basis of the track must 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 per KRS 141.386 on the same qualified expenditures, you do not qualify for this credit. If a tax credit was claimed per 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 per 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 must include on each Schedule K-1 the partner's, member's, shareholder's, or beneficiary's pro rata share of the approved credit.

Attach Schedule RR-I to the tax return claiming the credit.



- See instructions.
- Attach this schedule to Form 720, 720S, 720U, 725, or 765.

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
	_____	_____

PART I—Economic Development Tax Credit Summary

A	B	C	D	E	F
Type of Project (KREDA, MCC, KSBTC, KIDA, KJRA, KIRA, KJDA, KBI, KRA, STICA, IEIA)	Location of Project	Project Number	Allowable Credit from Each Schedule	LLET Credit Claimed	Corporation Credit Claimed
1				00	00
2				00	00
3				00	00
4				00	00
5				00	00
6	Total of Economic Development Tax Credits (add lines 1 through 5)			00	00

PART II—Other Tax Credits Check if received through K-1 and enter the FEIN of company issuing _____

A	B	C	D	E	F
Preapproval Required	Credit Name	Required Attachment	LLET Credit Claimed	Corporation Credit Claimed	
1	Yes	Farming Operation Networking	Schedule FON	00	00
2	Yes	Certified Rehabilitation	Certification Copies	00	00
3	No	Unemployment	Schedule UTC	00	00
4	Yes	Recycling/Composting Equipment	Schedule RC	00	00
5	Yes	Coal Conversion	Schedule CC	00	00
6	Yes	Kentucky Investment Fund	KEDFA notification	00	00
7	No	Qualified Research Facility	Schedule QR	00	00
8	No	GED Incentive	Form DAEL-31	00	00
9	Yes	Voluntary Environmental Remediation	Schedule VERB	00	00
10	Yes	Biodiesel	Schedule BIO	00	00
11	Yes	Clean Coal Incentive	Schedule CCI	00	00
12	Yes	Ethanol	Schedule ETH	00	00
13	Yes	Cellulosic Ethanol	Schedule CELL	00	00
14	No	Railroad Maintenance & Improvement	Schedule RR-I	00	00
15	Yes	Railroad Expansion	Schedule RR-E	00	00
16	Yes	Endow Kentucky	Schedule ENDOW	00	00
17	Yes	New Markets Development Program	Form 8874(K)-A	00	00
18	No	Food Donation	(See instructions)	00	00
19	No	Distilled Spirits	Schedule DS	00	00
20	Yes	Film Industry	Film office certification	00	00
21	No	Inventory (ad valorem)	Schedule INV	00	00
22	Total of Other Tax Credits (add lines 1 through 21)			00	00

PART III—Total Tax Credits

1	Total LLET credits claimed (Total of Part I, Column E, line 6 and Part II, Column E, line 22). Enter this amount on Form 720 or 720S, Part I, line 5; or Form 725 or 765, Part II, line 5; or 720U, Schedule U9, Section A, line 5 in the respective column	1	00
2	Total corporation tax credits claimed (Total of Part I, Column F, line 6 and Part II, Column F, line 22). Enter this amount on Form 720, Part II, line 7 or 720U, Schedule U9, Section B, line 7 in the respective column	2	00

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 (LLET) 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 per KRS 141.040 and used by corporations and limited liability pass-through entities to summarize all tax credits being claimed against the (LLET) per KRS 141.0401.

Limited liability pass-through entities must not enter income or LLET tax credits on Schedule TCS from Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or 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/or KRS 141.0401, the priority of application and use of credits must 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 or 720U may not reduce the tax below zero. Total credits taken against LLET on Form 720, 720S, 720U, 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 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 (Schedules KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, and 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. Enter in Column F the amount of credit claimed for each project against the corporation income tax.

Note: There is no requirement to utilize credits from the economic development projects in any particular order.

Part II—Other Tax Credits

Check the box if the credit entered was received through a K-1 and provide the FEIN of the company issuing the K-1. Attach a statement if more than one credit is received through a K-1.

Many Kentucky tax credits require preapproval for eligibility. If Column B is marked "Yes," you must submit the required preapproved attachment shown in Column D. If Column B is marked "No," you must still submit the required attachment, but it is not required to be preapproved. For information on the preapproval process, refer to the requirements for each credit.

Line 18—Food Donation Tax Credit—Enter any unused prior year credit carryforward.

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; Form 725 or 765, Part II, Line 5; or 720U, Schedule U9, Section A, line 5 in the respective column. Enter the corporation credits (Column F) claimed on Form 720, Part II, Line 7; or 720U, Schedule U9, Section B, line 7 in the respective column.



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

KRS 141.418

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

The Voluntary Environmental Remediation Tax Credit is a nonrefundable credit that can be applied against the individual income tax imposed by KRS 141.020 or 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 imposed by 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 224.1-400, KRS 224.1-405, or KRS 224.60-135 where the Kentucky Energy and Environment Cabinet has made a determination that the property meets the requirements per KRS 141.418(1) (e).

A taxpayer claiming a credit per KRS 141.418 must submit receipts to the Kentucky Energy and Environment Cabinet as proof of the expenditures claimed. The Kentucky Energy and Environment Cabinet must verify the receipts. After the receipts are verified, the Department of Revenue must notify the taxpayer of eligibility for the credit. **See KRS 141.418(4)**

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 must be completed and a copy of Schedule VERB must 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 must include on each Schedule K-1 the partner’s, member’s, shareholder’s, or beneficiary’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-).



720U

- ◆ Only use this package if you are required to file as a **Unitary Combined Corporation Income Tax and LLET Group**.

KENTUCKY UNITARY COMBINED CORPORATION INCOME TAX AND LLET RETURN

2019

PURPOSE OF INSTRUCTIONS

These instructions have been designed for corporations that are part of a unitary business, which are required to file as a combined group for tax years beginning on or after January 1, 2019 per KRS 141.201(3)(a)1 and KRS 141.202, unless the group elects to file a same-as-federal affiliated group consolidated return under KRS 141.201(3)(a)2 and KRS 141.201. A group that makes an election to file an affiliated group consolidated return must use Form 720.

KENTUCKY TAX LAW CHANGES

Enacted by the 2019 Regular Session of the General Assembly—Kentucky clarified and modified several of the tax changes passed in 2018. The Department of Revenue (“Department”) has guidance at <https://revenue.ky.gov/TaxProfessionals/Pages/default.aspx>.

Internal Revenue Code (IRC) Update—House Bill (HB) 354 updated the Internal Revenue Code (IRC) reference date to December 31, 2018 for taxable years beginning on or after January 1, 2019.

Estimated Tax Payment Requirements—2019 estimated tax rules and penalties changed to generally follow federal for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Seven-month Extensions for C Corporations—C corporations requesting an extension of time to file (on Form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.

Unitary Combined Filing Required—Corporations doing business in Kentucky that are part of a unitary business must begin filing combined returns for tax years beginning on or after January 1, 2019, unless they elect to file a same-as-federal affiliated group consolidated return. Unitary combined filers should use the new Form 720U and accompanying schedules.

HOW TO OBTAIN FORMS AND INSTRUCTIONS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (page 30). 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.

- **Net Operating Losses (NOL)**—HB 458 allows NOLs to be shared among taxpayer members of a combined group, subject to certain limitations.
- **50 Percent Requirement**—Corporations within a combined group must be more than 50% owned, directly or indirectly, by common owner(s).
- **Intercompany eliminations**—Intercompany transactions should be eliminated in the calculation of combined income and gross receipts.
- **Includible entities**—HB 354 and HB 458 clarified the definitions of “waters-edge”, “tax haven”, and other provisions affecting which companies are included in the combined group. **KRS 141.202**
- **Regulatory guidance**—The department promulgated a regulation, 103 KAR 16:400, to provide taxpayers with additional guidance on unitary combined filing.

Elective Consolidated Returns—The election period was shortened to 48 months (from the previous 96 months). To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective. Elective consolidated returns should be filed on Form 720.

Tax Credit Changes:

Inventory Tax Credit—The inventory tax credit increases to 50% of the ad valorem (tangible personal property) tax timely paid in 2019. Rental heavy equipment is now subject to ad valorem tax and thus is eligible for the credit.

Kentucky Revised Statutes—Kentucky Revised Statutes are referred to in these instructions as “KRS” and can be found online at www.lrc.ky.gov/statutes.

Kentucky Administrative Regulations—Kentucky Administrative Regulations are referred to in these instructions as “KAR” and can be found online at www.lrc.ky.gov/kar/titles.htm.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2020 tax interest rate has been set at five percent (5%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is seven percent (7%) and when interest is due on a refund, the rate is three percent (3%).

KENTUCKY FORM CHANGES

New:

Form 720U—Unitary combined filers should use the new Form 720U and accompanying schedules included in the 720U package to file their returns.

Form 722—Use Form 722 to elect to file a consolidated return including all members of the federal affiliated group. To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is

made. A copy of the initial election must be attached to the return for each year in which the election is effective

Updated:

Form 2220-K—Updated to include estimated tax rules and penalty changes to follow federal rules for corporations and pass-through entities. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Form 720ES—Updated to include estimated tax changes to generally follow federal dates for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments for fiscal year filers are due on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes.

KIRA-SP, KJDA-SP, KJRA-SP, and KBI-SP—Updated to request the amount of credit claimed for local wage assessments.

Forms 725, 725-EZ, and 765—Updated to include income tax payment summary.

Schedule INV—Updated to include Section A to report the Timely Inventory Tax Paid per local bills.

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 complete Form 20A100, "Declaration of Representative," and contact our **Registration Section at 502-564-3306** for instructions on how to obtain an account number.
- 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 720V voucher at that time. You will get a **NEW** 720V voucher once you have successfully filed 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.

More Options for Taxpayers Paying Online

The Department of Revenue (DOR) is now able to offer taxpayers additional payment options for Corporation Income Tax and Limited Liability Entity Tax (LLET). Taxpayers can make a payment online for an e-filed Corporation Income Tax and/or LLET return that would normally be sent with a Form 720-V voucher. Corporation Income Tax and LLET payments for bills, estimates, and extensions can also be made using the Enterprise Electronic Payment System (EEPS). To use EEPS, go to www.revenue.ky.gov and click on the E-File & Payments tile. From the selections of tax types available, click "Corporation Income Tax" or "Limited Liability Entity Tax (LLET)" and select the Electronic Payment link. To make payments, the FEIN is required along with the Kentucky Corporation/LLET 6-digit account number.

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:

- **Account Closure**—There are different requirements for the Secretary of State and the Department of Revenue when ceasing operations and closing an account. It is advised that you consult with both agencies when closing a business tax account.
- **Account Number/FEIN**—Always ensure the correct Kentucky Corporation/LLET account number and FEIN is used on the return being filed.
- **Payments**—Place payments on the front of the return so that they are clearly visible. Do not leave check stubs attached to checks. Check stubs will delay the machines that sort incoming mail, which causes longer processing times.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty.
- **EFT Payments**—When making EFT payments online, use the Taxable Year Ending **NOT** the due date of the payment.
- **Form 720V**—Form 720V is a payment voucher for e-filed returns, **NOT** an extension form. To extend a filing date, use Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for extending the filing date only; late payment penalties and interest apply to payments made after the original due date.
- **C corporations requesting an extension of time to file (on form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.**
- **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.
- **Incorrect Year Forms**—Returns submitted on the wrong year form on or before the due date will be accepted as timely filed, but will require the return to be revised on the correct year form before the return can be processed.
- **Additional errors that delay processing:**
 - Incorrect form submitted
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 720EXT when paying with an extension

IMPORTANT**Corporations must create a Kentucky Form 4562,
Schedule D and Form 4797 by converting federal forms.****Schedule 4562**

Depreciation—For property placed in service after September 10, 2001, Kentucky depreciation (§168) is determined per the Internal Revenue Code (IRC) in effect on December 31, 2001.

Section 179 Deduction—For property placed in service after September 10, 2001, but prior to January 1, 2020, only the expense deduction (\$25,000) allowed under §179 of the IRC in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, is allowed.

For property placed in service on or after January 1, 2020, only the expense deduction (\$100,000) allowed under §179 of the IRC in effect on December 31, 2003, exclusive of any amendments made subsequent to that date, is allowed.

For 2019 returns, 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 IRC §179 expense deduction for Kentucky:

- MACRS bonus depreciation;
- IRC §179 expense deduction in excess of \$25,000 for property placed in service after September 10, 2001, but prior to January 1, 2020; or
- IRC §179 expense deduction in excess of \$100,000 for property placed in service on or after January 1, 2020.

If a corporation has taken MACRS bonus depreciation or IRC §179 expense deduction in excess of the amounts outlined above 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 IRC §179 expense deduction in excess of the amounts outlined above 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 720U to substantiate that no adjustment is required.**

Determining and Reporting Depreciation and IRC §179 Deduction Differences—federal/Kentucky depreciation or IRC §179 deduction differences must be reported as follows:

1. The depreciation from Schedule U3, Line 20 and depreciation claimed on federal Form 1125-A or elsewhere on Form 1120 must be included on Schedule U4, Line 4. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached to Form 720U.**
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 (§168) per the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance. **NOTE:** For Kentucky purposes, for property placed into service between September 10, 2001 and

December 31, 2019, the maximum IRC §179 deduction amount on Line 1 is \$25,000 and the threshold cost of IRC §179 property on Line 3 is \$200,000. For Kentucky purposes, for property placed into service on or after January 1, 2020, the maximum IRC §179 deduction amount on Line 1 is \$100,000 and the threshold cost of IRC §179 property on Line 3 is \$400,000. The maximum allowable IRC §179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying IRC §179 property placed in service during the year exceeds the threshold. In determining the IRC §179 deduction for Kentucky, the income limitation on Line 11 should be determined by using Kentucky net income before the IRC §179 deduction instead of federal taxable income.

3. The corporation **must attach the Kentucky Form 4562** for each included company of the unitary business to Form 720U, and the amount from Kentucky Form 4562, Line 22 must be included on Schedule U4, Line 23. A Kentucky Form 4562 must be filed for each year, even though a federal Form 4562 may not be required.

Schedule 4797 and Schedule D

Gains/Losses from Disposition of Assets—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 IRC §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 Schedule U3, Line 8, enter this amount on Schedule U4, Line 24. 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. Report the apportionable amounts as part of the Combined Totals on Schedule U7, Section A, Line 1 or Line 2. Report the allocable amounts in the appropriate taxpayer member's column(s) on Schedule U7, Section A, Lines 5(b) or 6(b). **Federal Schedule D (Form 1120) filed with the federal return and the Kentucky Schedule D must be attached to Form 720U.**
2. If the amount reported on Schedule U3, Line 9 is a gain, enter this amount on Schedule U4, Line 8. If the amount reported on Schedule U3, Line 9 is a loss, enter this amount on Schedule U4, Line 8. 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. Report the apportionable amounts as part of the Combined Totals on Schedule U7, Section A, Line 3 or Line 4. Report the allocable amounts in the appropriate taxpayer member's column(s) on Schedule U7, Section A, Lines 7(b) or 8(b). **Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached to Form 720U.**

GENERAL INFORMATION

Internal Revenue Code Reference Date—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

Kentucky Tax Registration Application—The designated filer of the combined group is required to have a Kentucky Corporation/LLET Account Number. If applicable, they must complete the Kentucky Tax Registration Application, Form 10A100, to register for a Kentucky Corporation/LLET Account Number. This account number will be used for remitting the corporation income tax per KRS 141.040 and the LLET per 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**.

Note: The One Stop Business Services login page provides information for 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. Welcome to the Kentucky Online Gateway. Select that you are a citizen or business partner. If you do not already have an account, click on **Create Account**. Complete your Kentucky Online Gateway user account. Once a user account has been created, an email will be sent to you with further instructions to activate the account and login. You must use the activation link in the email prior to logging in to your account.
4. Once logged in, launch the Kentucky Business One Stop App.
 - If your business needs to register with both the Secretary of State and the Department of Revenue or only needs to register with the Department of Revenue, use the **Register My Business** option, to register for tax accounts and your Commonwealth Business Identifier (CBI).
 - If the business is already registered with the Secretary of State and you do not already have access to the business on your Dashboard, choose the **Link My Business** option. Enter

the Commonwealth Business Identifier (CBI), SecurityToken, and Business Name exactly as it appears on your Kentucky articles of organization/incorporation, your Kentucky Certificate of Authority, or your CBI letter (including all punctuation) and link your business, click **Send Invite** and follow the instructions sent to your email to register for tax accounts.

The Link My Business option will require you to name at least one **“One-Stop Portal Business Administrator”** (for example, 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, changing the business address, or filing and paying taxes. Only the One Stop business administrator(s) can grant, approve, withdraw, or revoke access to the business.

5. Once you have linked your business, your business name and CBI number will appear in the My Businesses box on the dashboard, click on the CBI number and, once your business loads, click on the Tax Administration tab to register for tax accounts.

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 **Form Search**, and search for 10A100). The application may be faxed to 502-227-0772 or e-mailed to DOR.Registration@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 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(7)**

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(7)**

Note: For taxable periods beginning on or after January 1, 2019, every corporation doing business in Kentucky that is a member of a unitary business must file a combined report (Form 720U) per KRS 141.202(3), unless they elect to file a consolidated return as part of an affiliated group.

Disregarded Entities—A limited liability company (LLC) is treated 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 must be included in the return filed by its single member (parent entity). **KRS 141.010(7) and KRS 141.200(10)**

Pass-through Entities—Corporations that are a member of a unitary business that are doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 720U pursuant to the provisions of KRS 141.010, KRS 141.120, KRS 141.202 and KRS 141.206. (See Schedule U6, Kentucky Unitary with Pass-through Entity Apportionment Schedule).

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 or 720U (if a member of a unitary business).

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 §501, and religious, educational, charitable, and like corporations not conducted for profit. **KRS 141.040 and KRS 141.0401**

Required Forms and Information—Each corporation must enter all applicable information on Form 720U, enclose schedule for each line item or line item instruction which states "attach schedule," and include Kentucky forms or schedules, if applicable.

Kentucky Forms and Schedules

1. Unitary Combined Corporation Income Tax Return (Form 720U)
2. Corporation/LLET Questionnaire (Schedule U1)
3. Unitary Group Affiliations Schedule (Schedule U2)
4. Pro Forma Federal Return Schedule (Schedule U3)
5. Unitary Combined Income Modification Schedule (Schedule U4)
6. Unitary Combined Apportionment & Allocation (Schedule U5)
7. Unitary with Pass-through Entity Apportionment (Schedule U6)
8. Unitary Combined Net Gains and Losses (Schedule U7)
9. Unitary Limited Liability Entity Tax Schedule (Schedule U8)
10. Unitary Combined Taxes and Payments (Schedule U9)
11. Unitary Combined Net Operating Losses (Schedule U10)
12. Cost of Goods Sold (Schedule COGS)
13. Application for Filing Extension (Form 720EXT)
14. Tax Credit Summary Schedule (Schedule TCS)
15. Related Party Costs Disclosure Statement (Schedule RPC)

Federal Forms and Schedules

All corporations, if applicable, **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 accepts 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, use 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.

Members with Different Accounting Periods—If the tax year of a member differs from the tax year of the combined group, the designated filer must elect to determine the portion of that member's income by either: (1) preparing separate income statement from the books and records for the months included in the combined group's taxable year; or (2) including all of the income for the year that ends during the combined group's taxable year. The same method must be used for each member with a different accounting period. Once an election is made under this section by attaching a statement to the return, it shall be the only method that may be used with respect to members of the combined group unless the designated filer receives approval for a change in method from the department by petition for alternative apportionment as established in 103 KAR 16:330. **103 KAR 16:400**

Mailing/Payment—Only include payment for Corporation income tax and/or LLET.

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 seven-month extension of time to file a Kentucky Corporation Income Tax and LLET Return may be obtained by filing Form 720EXT 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 720EXT must be used. For further information, see the instructions for Form 720EXT. **103 KAR 15:050**

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 a seven (7) month extension of time for filing a Kentucky income and LLET return for the same taxable year if a copy of the federal Form 7004 is attached to the Kentucky return when it is filed. **A copy of the federal Form 7004 should not be mailed to the Department of Revenue before filing the return.**

NOTE: An extension of time to file a return does not extend the date for payment of tax.

Consolidated and Unitary Combined Returns—An extension of time for filing a consolidated or unitary combined Kentucky corporation income tax and LLET return by the parent or designated filer corporation also constitutes an extension of time to file for each member of an affiliated group (consolidated) or combined group (unitary combined) respectively.

Corporation Estimated Tax

The Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher, Form 720ES, 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 720ES 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 per KRS 141.040 and 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 15th day of the 4th month, 25% of the estimated tax must be paid by the 15th day of the 4th month, 15th day of the 6th month, 15th day of the 9th month, and the 15th day of the 12th month each year.

Recalculating Estimated Tax—If after the corporation or pass-through entity calculates and pays its estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to recalculate its required installments. If earlier installments were underpaid, the corporation or pass-through entity may owe a penalty. An immediate payment should be made to reduce the amount of penalty resulting from the underpayment of earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Overpayment of Estimated Tax—A corporation or pass-through entity that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected tax liability and at least \$500. To apply, file Form 40A100, Application for Refund of Income Taxes and LLET.

Penalty—Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely will result in an addition to tax that will be considered a penalty under KRS 141.044. The tax interest rate identified under KRS 131.183 is the underpayment rate used to calculate the penalty. Generally, the entity is not required to calculate the penalty because the department will determine the penalty owed and bill the entity. However, the entity may choose to use Form 2220-K to determine the penalty. **KRS 141.044 and KRS 141.990**

Amended Return—To correct Form 720U as originally filed, file an amended Form 720U and check the appropriate box on page 1, item C. 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.

Net Operating Losses—For tax years beginning on or after January 1, 2005, the net operating loss carryback deduction will not be allowed. Any net operating losses must be carried forward.

Internal Revenue Service Audit Adjustments—A corporation that has received final adjustments resulting from an Internal Revenue Service audit must submit copies of the “final determinations of the federal audit” within 180 days of the conclusion of the federal audit. Check the Amended Return RAR box on page 1, item C, when reporting federal audit adjustments and computing additional tax due or refunds and attach the complete Revenue Agent Report (RAR). Failure to submit the required amended form will result in delays in processing refunds requested. 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)**

Mail return with federal audit adjustments (RAR) to:

Corporate Governmental Program Section
P. O. Box 1074, Station 68
Frankfort, Kentucky 40602-1074

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 2 for the current year rate.

Penalties—Refer below.

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)**

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)**

Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely penalty—The addition to tax is considered a penalty under KRS 141.044. The underpayment rate is the tax interest rate identified under KRS 131.183. **KRS 141.044**

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(3)**

Negligence—10 percent of the tax assessed. **KRS 131.180(6)**

Fraud—50 percent of the tax assessed. **KRS 131.180(7)**

Cost of Collection Fees—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)**

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.

720U Package—SPECIFIC INSTRUCTIONS

Note: The 720U Package should only be used by a unitary combined group. Separate entity filers and elective consolidated (affiliated group) return filers should file a Kentucky Form 720 and supporting schedules.

Item A—Number of Corporations in Waters–Edge Group

A combined group shall include only corporations, the voting stock of which is more than fifty percent (50%) owned, directly or indirectly, by a common owner or owners. The combined report is required to be filed on a waters–edge basis. **KRS 141.202(8)**

Item B—Number of Corporations with Kentucky Nexus

Enter the number of corporations in the combined group that are doing business in Kentucky per KRS 141.010(7).

Item C—Check the applicable box:

- (a) *Amended Return*—This is an amended tax return. Provide an explanation of all changes on an attached statement.
- (b) *Amended Return–RAR*—This is an amended tax return as a result of a Revenue Agent Report (RAR) (Form 4549). Provide an explanation of changes and attach Form 4549, Department of Treasury—Internal Revenue Service Income Tax Examination Changes.

Item D—Enter the designated filer corporation's Federal Identification Number. See federal Publication 583 if the corporation has not obtained this number. The combined group annually designates one taxpayer member of the group to file the group return per KRS 141.202(9).

Item E—Enter the designated filer's 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, complete Form 20A100, Declaration of Representative, and contact Registration at 502–564–3306 for instructions on how to obtain an account number.

Name and Address—Print or type the designated filer 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. If not in the United States, enter the foreign country.

Change of Name—Check the applicable box if the designated filer corporation's name has changed since the filing of the prior year Kentucky tax return. 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.

Period Covered—File the 2019 return for calendar year 2019 and fiscal years that begin in 2019. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 720U.

Note: For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

All corporations must enter the Taxable Year Ending at the top right of Form 720U 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:

$$\frac{12}{MM}, \frac{19}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2020, would be entered as:

$$\frac{01}{MM}, \frac{20}{YY}$$

- 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 the month would be entered as the month and year of the prior month. If it ends the first week of January 2020, the taxable year ending would be entered as:

$$\frac{12}{\text{MM}} / \frac{19}{\text{YY}}$$

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

State and Date of Incorporation—Enter the state and date of incorporation of the designated filer.

Principal Business Activity in Kentucky—Enter the designated filer's principal business activity in Kentucky.

North American Industrial Classification System (NAICS)—Enter the primary six-digit NAICS code in Kentucky of the designated filer. To view a complete listing of NAICS codes, visit the Census Bureau at www.census.gov/eos/www/naics.

Item F—Check the applicable boxes:

- Initial Return*—This is the designated filer corporation's first Kentucky tax return filed. Complete questions 1 and 2 on Schedule U1—Kentucky Corporation/LLET Questionnaire.
- Change of Accounting Period*—The designated filer or any member 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.
- 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 Item G—Explanation of Final Return and/ or Short-Period Return.
- Final Return*—This is the designated filer corporation's final Kentucky tax return. Check the appropriate box in Item G—Explanation of Final Return and/or Short-Period Return.

Item G—Check the applicable boxes:

- Ceased operations in Kentucky*—Check this box if the designated filer corporation ceased business activity in Kentucky during the tax year.
- Change of ownership*—Check this box if any combined group member had a change of ownership during the tax year and complete Schedule U2.
- Successor to previous business*—Check this box if any combined group member was a successor to a previous business during the tax year and complete Schedule U2.
- Change in filing status*—Check this box if the designated filer corporation had a change in filing status for the tax year.
- Merger*—Check this box if any combined group member was involved in a merger during the tax year and complete Schedule U2.
- Other*—Check this box and write in an explanation for any other reason for filing a final and/or short-period return for the tax year.

PART I—COMBINED GROUP LLET SUMMARY

Note: This part should be completed last after all other schedules have been completed.

Line 1—Total LLET liability. Enter the combined totals column amount from Schedule U9, Section A, Line 6.

Line 2—Total LLET due. Enter the combined totals column amount from Schedule U9, Section A, Line 16. The amount on Line 2 should represent the net amount due for the combined group after taking into account any overpayments credited to individual group members.

Line 3— Enter the combined totals column amount from Schedule U9, Section A, Line 22. The amount on Line 3 should represent the net amount to be refunded for the combined group after taking into account any amounts due from individual group members.

PART II—COMBINED GROUP INCOMETAX SUMMARY

Note: This part should be completed last after all other schedules have been completed.

Line 1—Total income tax liability. Enter the combined totals column amount from Schedule U9, Section B, Line 8.

Line 2—Total income tax due. Enter the combined totals column amount from Schedule U9, Section B, Line 15. The amount on Line 2 should represent the net amount due for the combined group after taking into account any overpayments credited to individual group members.

Line 3—Enter the combined totals column amount from Schedule U9, Section B, Line 21. The amount on Line 3 should represent the net amount to be refunded for the combined group after taking into account any amounts due from individual group members.

Tax Payment Summary

The payment submitted with Form 720U must be itemized. Enter the amount of LLET payment from Part I, Line 2 and/or corporation income tax payment from Part II, Line 2 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.

INSTRUCTIONS FOR SCHEDULE U1

KENTUCKY CORPORATION/LLET QUESTIONNAIRE

Answer all applicable questions on Schedule U1 for each corporation included in the combined return (attach additional schedules if necessary). The Kentucky Secretary of State Organization number can be found online at www.sos.ky.gov. This is not the same number as the Corporation/LLET Account Number reported in Item E on page 1.

IMPORTANT: If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal identification number for the preceding year, questions 1 and 2 must be answered. **Failure to do so may result in a request for a delinquent return. Questions 3-14 must be completed by all corporations.**

Signature—Form 720U must be signed by an authorized corporate officer of the designated filer corporation. Failure by corporate officers to sign the return, to complete all applicable schedules, including copies of federal forms, or to complete all information on the questionnaire (Schedule U1) will delay the processing of tax returns.

INSTRUCTIONS FOR SCHEDULE U2

KENTUCKY UNITARY GROUP AFFILIATIONS SCHEDULE

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return. If different from above, enter the name and FEIN of the designated filer and enter the name and FEIN of the controlling corporation. Check the box if the controlling corporation is a member of the unitary group.

Section A—List All Members

Column A—Enter the name of each member included in the Kentucky unitary combined group return.

Column B—Enter the FEIN of each member.

Column C—Enter the tax year ending (Mo/Yr) of each member.

Column D—Check the box if the listed member is exempt from income tax per P.L. 86-272.

Note: If the listed member is exempt from income tax, do not include the member's receipts in the apportionment factor calculation. Enter the excluded income as a negative number on Schedule U4, Line 13.

Column E—Enter the LLET exemption code for the listed member of the combined group.

If the corporation is exempt from LLET, 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(2).
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.

Column F—Check the box if the listed member of the combined group is a new member.

Column G—Enter the percent of voting power of the listed member of the combined group that is owned by another member (or members) of the group. **103 KAR 16:400-2**

Column H—Enter the number(s) of the corporation(s) included as a member of the combined group or the letter designating the excluded member(s) from Section D that owns each corporation.

For example, if member number 2 is owned by parent number 1, enter 1; if member number 2 is owned by corporation numbers 1, 7, and 10, enter 1, 7, 10; or if member number 2 is owned by member 1 of the combined group and excluded member letter A from Section D, enter 1, A.

Section B—List any mergers with members listed in Section A

Column A—Enter the name and FEIN of the entity that was merged with the member listed in Section A.

Column B—Enter the name and FEIN of the group member listed in Section A that merged with the entity in Column A and the date of the merger.

Section C— List all members who left the group during the tax year.

Column A – List the name and FEIN of all members that were sold during the tax year.

Column B – List the name and FEIN of the entity to which the member listed in Column A was sold and enter the date of the sale.

Section D—Provide Information about your excluded members

Note: You must complete Section D if one or more members are excluded from the group.

Line 1—Enter the total number of members excluded.

Column A—Enter the name of the excluded member.

Column B—Enter the FEIN of the excluded member.

Column C—Check the applicable box to identify the reason for exclusion.

KRS 141.202(8)(a): The member is incorporated in the United States or formed under the laws of any state, the District of Columbia, or any territory or possession of the United States, but earns eighty

percent (80%) or more of its income from sources outside of the United States, the District of Columbia, or any territory or possession of the United States. **Note:** This does not negate a corporation's Kentucky filing obligation if it is doing business in Kentucky in accordance with KRS 141.010(7). Then, if required, a separate return, Form 720, should be filed.

KRS 141.202(8)(b): Members that earn more than 20% of their income from intangible property or service related activities that are deductible against the apportionable income of other members of the combined group must be included in the group to the extent of that income and the apportionment factor related to that income. For more information, see KRS 141.202(8)(b).

KRS 141.202(8)(c): The member is a non-United States corporation that does not do business in a tax haven, as defined in KRS 141.202(2)(d). If the member's business activity within a tax haven is entirely outside the scope of the laws, provisions, and practices that cause the jurisdiction to meet the definition established in KRS 141.202(2)(d), the activity of the member shall be treated as not having been conducted in a tax haven. **Note:** The entire income and apportionment factor of any member that is doing business in a tax haven is included in the total income of the combined group.

KRS 141.040(1)(a): The member is excluded because it is a: 1. Financial institution, as defined in KRS 136.500, except bankers banks organized under 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 company, insurer, and reciprocal underwriter; 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; or 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: a. The property consists of the final printed product, or copy from which the printed product is produced; and b. The corporation has no individuals receiving compensation in this state as provided in KRS 141.120(8)(b).

Voting Stock: 50% or less of the voting stock is owned, directly or indirectly, by a common owner or owners.
KRS 141.202(2)(a)

Not Unitary: The member is not part of the unitary business. "Unitary business" means a single economic enterprise that is made up either of separate parts of a single corporation or of a commonly controlled group of corporations that are sufficiently interdependent, integrated, and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value to the separate parts.
KRS 141.202(2)(f)

INSTRUCTIONS FOR SCHEDULE U3

PRO FORMA FEDERAL RETURN SCHEDULE FOR THE KENTUCKY UNITARY GROUP

Purpose of Schedule—This schedule must be completed to compute the combined modified federal taxable income of a unitary group filing a combined Kentucky tax return per KRS 141.202. Schedule U3 must be attached to the Form 720U, Kentucky Unitary Combined Corporation Income Tax and LLET Return, when filed with the Kentucky Department of Revenue.

General information—Enter the name, Federal Identification Number, and Kentucky Corporation/LLET account number of the designated filer of the combined return.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the group members reported on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Specific Instructions—Enter the name and federal employer identification number (FEIN) of each member in each column. If there are more than three (3) members in the combined group, use more than one (1) Schedule U3.

Lines 1–10—Enter the items of federal income for the designated filer and each member 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 Elimination Adjustments column and the combined total in the Combined Totals column. The Combined Totals and Elimination Adjustments columns should reflect the totals for the entire group, not just the members listed on a particular page.

Line 11—Enter the total of Lines 3 through 10 in each column.

Lines 12–25—Enter the federal deductions for the designated filer and each member using the instructions for Form 1120, U.S. Corporation Income Tax Return, Lines 12 through 24 and 26. Enter for each line the intercompany

elimination in the Elimination Adjustments column and the combined total in the Combined Totals column. The Combined Totals and Elimination Adjustments columns should reflect the totals for the entire group, not just the members listed on a particular page.

Line 26—Enter the total of Lines 12 through 25 for each column.

Line 27—Enter the amount of Line 11 less Line 26 for each column.

Line 28—Enter the adjustments to recognize deferred income from intercompany transactions for each column.
KRS 141.202(8)(e)

Line 29—Enter the other adjustments based on federal law and attach a statement for each column.

Line 30—Add Lines 27 through 29, for the modified taxable income in each column.

INSTRUCTIONS FOR SCHEDULE U4

KENTUCKY UNITARY COMBINED INCOME MODIFICATION SCHEDULE

Purpose of Schedule—This schedule must be completed to compute the Kentucky combined net income of a combined group filing a unitary combined Kentucky tax return per KRS 141.202. Schedule U4 must be attached to Form 720U, Kentucky Unitary Combined Corporation Income Tax and LLET Return, when filed with the Kentucky Department of Revenue.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the group members reported on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Specific Instructions—Enter the name and FEIN of the designated filer and each member in each column. If there are more than three (3) members in the affiliated group, use more than one (1) Schedule U4.

Line 1—Enter the amounts from Schedule U3, Line 30 of each column in the respective columns of Schedule U4.

Additions to Federal Taxable Income

Lines 2–17—Enter the additions to federal taxable income for the designated filer and each member. Enter for each line the intercompany elimination in the Eliminating Adjustments column and the combined total in the Combined Totals column. The Combined Totals and Elimination Adjustments columns should reflect the totals for the entire group, not just the members listed on a particular page.

Line 2—Enter interest income from obligations of states other than Kentucky and the political subdivisions of states other than Kentucky. **KRS 141.039(1)(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 Schedule U3, Line 18. **KRS 141.039(2)(c)**

Line 4—See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, include the total of depreciation amounts from Schedule U3, Line 20 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. An entry is **REQUIRED** on this line if amounts appear on Schedule U4, Lines 20 or 21. **KRS 141.039(2)(c) 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 141.039(2)(c)7.**

Line 8—Enter the federal loss from Schedule U3, Line 9.

Line 9—Enter federal allowable depletion from Schedule U3, 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 per the Internal Revenue Code (IRC) must be applied using Kentucky taxable income and deductions.

Line 10—Enter the federal contribution deductions from Schedule U3, 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 per the IRC must be applied using Kentucky taxable net income.

Line 11—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 §281 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(g)**

Line 12—Enter the federal allowable passive activity loss. The limitations of IRC §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 13—Enter the federal taxable loss as a positive amount and the federal taxable income as a negative amount of all exempt corporations. **KRS 141.040(1)(a)1. to 8.**

Line 14—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 §110 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(e)**

Line 15—Enter as a positive amount 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. Enter as a negative amount 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 16—Kentucky's Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences. **KRS 141.0101**

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 17—Enter any other additions to federal income not reported on Lines 1 through 16 and **attach an explanation.**

Line 18—Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income increase(s). Use this line only if amending Form 720U as a result of RAR adjustment(s) and attach a copy of the RAR to the return.

Line 19—Enter the total of Lines 1 through 18 in each column.

Subtractions from Federal Taxable Income

Lines 20—32—Enter the subtractions from federal taxable income for the designated filer and each member. Enter for each line the intercompany elimination in the Elimination Adjustments column and the combined total in the Combined Totals column. The Combined Totals and Elimination Adjustments column should reflect the totals for the entire group, not just the members listed on a particular page.

Line 20—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 141.039(1)(a)**

Line 21—Enter the amount of dividend income included on Schedule U3, Line 4. **KRS 141.039(1)(b)**

Line 22—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 23—See instructions on page 4 regarding depreciation and §179 deduction differences, and if applicable, include the amount from Line 22 of the Kentucky Form 4562. **Kentucky Form 4562 must be attached.**

Line 24—Enter the federal capital gain from Schedule U3, Line 8.

Line 25—Enter the federal gain from Schedule U3, Line 9.

Line 26—Enter fifty percent (50%) of gross income derived from any disposal of coal covered by IRC §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 141.039(1)(d)**

Line 27—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 §281 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(g)**

Line 28—Enter the Kentucky allowable passive activity loss. The limitations of IRC §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 29—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 per the IRC must be applied using Kentucky taxable income and deductions.**

Line 30—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 §110 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(e)**

Line 31—Kentucky’s IRC reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences. **KRS 141.0101**

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 32—Enter any other subtractions from federal income not reported on Lines 20 through 31, and attach an explanation to the tax return.

Line 33—Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income decrease(s). Use this line only if amending Form 720U as a result of RAR adjustment(s) and attach a copy of the RAR to the return.

Line 34—Enter the amount of Line 19 less Lines 20 through 33 for each column. Then enter the Combined Totals amount on Schedule U5, Section A, Line 1.

INSTRUCTIONS FOR SCHEDULE U5**KENTUCKY UNITARY COMBINED APPORTIONMENT
& ALLOCATION SCHEDULE**

General—A corporation that is taxable in this state and another state must apportion and allocate net income to Kentucky per KRS 141.120. A pass-through entity doing business within and without the state must compute an apportionment fraction per KRS 141.206(11)(b). Public service companies (defined in KRS 136.120) and financial organizations must apportion and allocate net income per KRS 141.121(5). The apportionment fraction for a Provider, as defined in KRS 141.121, continues to be calculated using a three (3)-factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018. Regulatory guidance on the sourcing of receipts in accordance with KRS 141.120 has been provided in 103 KAR 16:270. Visit www.lrc.ky.gov/kar/titles.htm to view this regulation along with the latest on regulatory proposals.

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 per KRS 141.120(12) or the corporation qualifies for and elects an alternative apportionment per KRS 141.121(4). 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 per KRS 141.121(4) must be attached to the return when filed.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/ LLET account number of the designated filer of the combined return.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the group members recorded on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Specific Instructions

Enter the name and FEIN for the designated filer and each member of the group included in the unitary combined return. If there are more than three (3) members of the group, use more than one (1) Schedule U5.

Check the box and complete Schedule U6 if the corporation is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky. Per KRS 141.121(6), a corporation: (a) That owns an interest in a limited liability pass-through entity; or (b) That owns an interest in a general partnership shall include the proportionate share of receipts of the limited

liability pass-through entity or general partnership when apportioning income. The phrases "an interest in a limited liability pass-through entity" and "an interest in a general partnership" shall extend to each level of multiple-tiered pass-through entities.

Section A

Line 1—Enter the combined totals column amount from Schedule U4, Line 34. This is the total income or loss of the combined group.

Line 2—Enter any income, less any expense or loss, other than the apportionable income of the combined group.

Line 3—Subtract Line 2 from Line 1 to calculate the combined group's apportionable income or loss from the unitary business.

Line 4—If applicable, enter the 3-factor apportionment code for each member that is a provider in each column. If the entity is a provider as defined in KRS 141.121(1)(e), enter one of the following two-digit codes in the space provided. The apportionment fraction for a provider continues to be calculated using a 3-factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018. 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.

Providers should figure their apportionment factor using Schedule A and attach a copy to the Form 720U.

REASON CODE	PROVIDER BUSINESS
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)

Lines 5(a), 5(c), 6(a) and 6(c)—Receipts—Total receipts include all gross receipts, other than non-apportionable receipts. Receipts of tangible personal property sales are assigned to Kentucky if the property is delivered or shipped to a purchaser in Kentucky, regardless of the f.o.b. point or other conditions of sale. Receipts of tangible personal property sales to the U.S. government are assigned to Kentucky if the property is shipped from Kentucky.

KRS 141.120(11) provides that receipts other than receipts of tangible personal property sales are assigned to Kentucky if the taxpayer's market for the sales is in Kentucky.

The following are general guidelines for assigning receipts to Kentucky, but should not be considered all-inclusive. Receipts are assigned to Kentucky in the following instances:

- A. Real property that is sold, rented, leased, or licensed to the extent the property is located in Kentucky.
- B. Tangible personal property that is rented, leased, or licensed to the extent the property is located in Kentucky.
- C. A service that is provided to the extent the service is delivered to a location in Kentucky.
- D.
 1. Intangible property that is rented, leased, or licensed if and to the extent the property is used in Kentucky, provided that intangible property utilized in marketing a good or service to a customer is used in Kentucky if that good or service is purchased by a consumer who is in Kentucky; and
 2. Intangible property that is sold, if and to the extent the property is used in Kentucky, provided that:
 - i. A contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area is used in this state if the geographic area includes all or part of this state;
 - ii. Receipts from intangible property sales that are contingent on the productivity, use, or disposition of the intangible property shall be treated as receipts from the rental, lease, or licensing of the intangible property under KRS 141.120(11)(a)4.a.; and
 - iii. All other receipts from a sale of intangible property shall be excluded from the numerator and denominator of the receipts factor.

Receipts Factor—For members that are not providers, the taxpayer member's apportionment fraction, as determined under KRS 141.120, includes the taxpayer's sales associated with the combined group's unitary business in this state in the sales factor numerator, and the sales of all members of the combined group, including the taxpayer member, which sales are associated with the combined group's unitary business wherever located in the denominator. **KRS 141.202(6)(b)**

Line 5(a)—Enter Kentucky receipts of each member.

Line 5(b)—Enter the member's share of Kentucky receipts of pass-through entities from Schedule U6, Column K. Attach Schedule U6 to the Form 720U.

Line 5(c)—Add Lines 5(a) and 5(b) to calculate Kentucky receipts.

Line 6(a)—Enter the total receipts of each member.

Line 6(b)—Enter the member's share of total receipts of pass-through entities from Schedule U6, Column I. Attach Schedule U6 to the Form 720U.

Line 6(c)—Add Lines 6(a) and 6(b) to calculate total receipts.

Line 7—Divide line 5(c) of each column by line 6(c) of the Combined Totals Column (round to the fourth decimal place) to calculate each member's apportionment factor. Each 3-factor apportionment member should complete a separate Schedule A and enter the apportionment fraction from Schedule A, Part I, Line 12 here and attach a copy to the 720U.

Section B

Line 1—Enter the amount from Section A, Line 3. This is the combined group's apportionable income or loss from the unitary business.

Line 2—Enter the Kentucky charitable contribution deduction of the combined group allowable as provided by IRC Sec. 170 applied to the entire apportionable income of the group. 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 per the IRC must be applied using the group's combined Kentucky taxable net income.

Line 3—Subtract Line 2 from Line 1 to calculate the combined group's apportionable income or loss after the charitable contribution deduction.

Line 4—Multiply Line 3 by the apportionment factor from Section A, Line 7, for each member, to calculate the member's Kentucky taxable share of the combined group's apportionable income.

Section C—Nonapportionable Income and Allocation (if applicable)

Apportionable 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 is or was related to the operation of the taxpayer's trade or business.

Classifying income by categories (such as interest, rents, royalties, and capital gains) does not determine whether income is apportionable or non-apportionable. For example, gain or loss recognized on the sale of property may be apportionable income or non-apportionable income depending upon its relationship to the corporation's trade or business.

Non-apportionable income means all income other than apportionable income less all direct or indirect expenses attributable to the production of this income. Rents and royalties from real or tangible personal property, capital gains, interest, or patent or copyright royalties, to the extent that they constitute nonapportionable income, shall be allocated as provided in KRS 141.120 (5) through (8).

Nonapportionable Income or Loss

Line 1(a)—Enter the total nonapportionable interest for each member.

Line 1(b)—Enter the total nonapportionable rents for each member.

Line 1(c)—Enter the total nonapportionable royalties for each member.

Line 1(d)—Enter the total net gain or loss on sale or exchange of capital assets for each member.

Line 1(e)—Add Lines 1(a) through 1(d) and enter the total.

Line 1(f)—Enter expenses related directly or indirectly to the acquisition, management, or disposition of assets that contribute to the production of non-apportionable income. Attach a schedule.

Line 2—Subtract Line 1(f) from Line 1(e) to calculate the net nonapportionable income or loss for each member and the combined group's total. The combined totals amount should match the amount reported on Section A, Line 2.

Kentucky Nonapportionable Income or Loss

Line 3(a)—Enter the Kentucky nonapportionable interest for each member.

Line 3(b)—Enter the Kentucky nonapportionable rents for each member.

Line 3(c)—Enter the Kentucky nonapportionable royalties for each member.

Line 3(d)—Enter the Kentucky net gain or loss on the sale or exchange of capital assets for each member.

Line 3(e)—Add Lines 3(a) through 3(d) and enter the total.

Line 3(f)—Enter Kentucky expenses related directly or indirectly to the acquisition, management, or disposition of assets that contribute to the production of Kentucky nonapportionable income. Attach a schedule.

Line 4—Subtract Line 3(f) from Line 3(e) to calculate the Kentucky net nonapportionable income or loss for each member.

Line 5—Enter the income of distinct business activity conducted wholly by the taxpayer member separately apportioned. Attach statement of explanation to the 720U.

Section D

Line 1—Add Section C, Lines 4 and 5 and Schedule U7, Section A, Line 9 to calculate each member's net nonapportionable and separately apportioned income.

Line 2—Enter the amount from Section B, Line 4. This is the member's Kentucky taxable share of combined group's apportionable income.

Line 3—Add Lines 1 and Line 2 to calculate each member's net income.

Line 4—Enter the charitable contribution deduction remaining to be allocated to each member. This is calculated by figuring each group member's pro rata share of the combined group's total remaining charitable contribution amount after the deduction on Section B, Line 2. The pro rata share of each member is treated as a nonapportionable expense allocable to the member that incurred the expense, subject to the IRC Sec. 170 income limitations applied to the nonapportionable income of that member. Any disallowed amounts can be carried forward.

KRS 141.202(8)(f) states in part, that a charitable expense incurred by a member of a combined group shall, to the extent allowable as a deduction provided by Section 170 of the Internal Revenue Code, be subtracted first from the apportionable income of the combined group, subject to the income limitations of that section applied to the entire apportionable income of the group, and any remaining amount shall then be treated as a nonapportionable expense allocable to the member that incurred the expense. Any charitable deduction disallowed, but allowed as a carryover deduction in a subsequent year, shall be treated as originally incurred in the subsequent year by the same member.

Line 5—Subtract Line 4 from Line 3 to calculate taxable net income for each member.

Line 6—Enter the net operating loss deduction for each member from Schedule U10, Section D, Line 1. See KRS 141.202(5)(c)1.—4.

Line 7—Subtract Line 6 from Line 5 to calculate taxable net income after NOLD for each member.

Line 8—Multiply Line 7 by 5% to calculate the income tax due for each member.

Enter the sum of all columns in the Combined Totals column. The Combined Totals column should reflect the totals for the entire group, not just the members listed on a particular page.

INSTRUCTIONS FOR SCHEDULE U6

Purpose of Schedule—This schedule is used to calculate the distributive share of a pass-through entity's income that is to be included in the apportionable income of a member of a combined group, and to calculate the share of the receipts of a pass-through entity to be included in the apportionment calculation of a member of the combined group.

KRS 141.202(6)(b) states that the apportionment factor of a taxpayer member of a combined group includes the apportioned share of the sales of any pass-through entity of which the taxpayer member is a partner, member, or shareholder. KRS 141.202(8)(d) requires a corporation that is a member of a unitary group that receives distributive share income from a pass-through entity to include such income in the group's income to the extent that such income is derived from the unitary business.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

Column A—Enter the name of the pass-through entity that derives income from its participation in the unitary business.

Column B—Enter the FEIN of the pass-through entity.

Column C—Enter the name of the corporate member of the combined group that is a partner, member, or shareholder of the pass-through entity.

Column D—Enter the FEIN of the corporate partner, member, or shareholder.

Column E—Enter the partner, member, or shareholder corporation's distributive share of the pass-through entity's unitary income included in the income of the combined group.

Column F—Enter the total amount of the pass-through entity's unitary income.

Column G—Divide the amount in Column E by the amount in Column F.

Column H—Enter the total receipts of the pass-through entity related to the unitary business.

Column I—Multiply the amount from Column G by the amount in Column H. This is the amount of the pass-through entity's unitary receipts that the corporate partner, member, or shareholder must include in the denominator of its receipts factor calculation on Schedule U5, Section A, Line 6(b).

Column J—Enter the pass-through entity's Kentucky apportionment factor from the Kentucky Schedule K-1.

Column K—Multiply the amount from Column I by the factor in Column J. This is the amount of the pass-through entity's unitary receipts that the corporate partner, member, or shareholder must include in the numerator of its receipts factor calculation on Schedule U5, Section A, Line 5(b).

INSTRUCTIONS FOR SCHEDULE U7

KENTUCKY UNITARY COMBINED NET GAINS AND LOSSES

Purpose of Schedule—This schedule is used to calculate the amounts of apportioned and allocated net gains and losses to be included in the taxable net income of the members of a combined group.

KRS 141.202(8)(g) requires gain or loss from the sale or exchange of capital assets, property described by Section 1231(a)(3) of the IRC, and property subject to an involuntary conversion to be removed from the total separate net income of each member of a combined group and apportioned and allocated separately. Apportionable and allocable amounts within each class of gain/loss should be netted using the rules of Sections 1231 and 1222 of the IRC.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the group members recorded on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Specific Instructions—In each column heading, enter the name and FEIN of a taxpayer member of the combined group.

Line 1—Enter the combined total of Kentucky net short term capital gains or (losses) of all members of the combined group in the Combined Totals column.

Line 2—Enter the combined total of Kentucky net long term capital gains or (losses) of all members of the combined group in the Combined Totals column.

Line 3—Enter the combined total of Kentucky net IRC Section 1231 gains or (losses) of all members of the combined group in the Combined Totals column.

Line 4—Enter the combined total of Kentucky net gains or (losses) from involuntary conversions of all members of the combined group in the Combined Totals column.

Line 5(a)—Multiply the amount in Line 1 by each taxpayer member's separately calculated apportionment factor from Schedule U5, Section A, Line 7.

Line 5(b)—Enter the nonapportionable amount of short term capital gains or (losses) allocated to Kentucky.

Line 5(c)—If the taxpayer member belongs to another combined group, enter the member's apportioned net short term capital gains or (losses) from Schedule U7, Line 5(a) from the other group's combined return.

Line 5(d)—Add Lines 5(a) through 5(c) to calculate the taxpayer member's total net short term capital gain or (loss).

Line 6(a)—Multiply the amount in Line 2 by each taxpayer member's separately calculated apportionment factor from Schedule U5, Section A, Line 7.

Line 6(b)—Enter the nonapportionable amount of long term capital gains or (losses) allocated to Kentucky.

Line 6(c)—If the taxpayer member belongs to another combined group, enter the member's apportioned net long term capital gains or (losses) from Schedule U7, Line 6(a) from the other group's combined return.

Line 6(d)—Add Lines 6(a) through 6(c) to calculate the taxpayer member's total net long term capital gain or (loss).

Line 7(a)—Multiply the amount in Line 3 by each taxpayer member's separately calculated apportionment factor from Schedule U5, Section A, Line 7.

Line 7(b)—Enter the nonapportionable amount of IRC Section 1231 gains or (losses) allocated to Kentucky.

Line 7(c)—If the taxpayer member belongs to another combined group, enter the member's apportioned net IRC Section 1231 gains or (losses) from Schedule U7, Line 7(a) from the other group's combined return.

Line 7(d)—Add Lines 7(a) through 7(c) to calculate the taxpayer member's total net IRC Section 1231 gain or (loss).

Line 8(a)—Multiply the amount in Line 4 by each taxpayer member's separately calculated apportionment factor from Schedule U5, Section A, Line 7.

Line 8(b)—Enter the nonapportionable amount of gains or (losses) from involuntary conversions allocated to Kentucky.

Line 8(c)—If the taxpayer member belongs to another combined group, enter the member's apportioned net gains or (losses) from involuntary conversions from Schedule U7, Line 8(a) from the other group's combined return.

Line 8(d)—Add Lines 8(a) through 8(c) to calculate the taxpayer member's total net gain or (loss) from involuntary conversions.

Line 9—Add Lines 5(d), 6(d), 7(d), and 8(d) using the rules of IRC Sections 1222 and 1231. The resulting Kentucky-sourced income or loss (if the loss is not subject to the limitations of Section 1211 of the IRC) should be entered on this line and added to the amount reported for net nonapportionable and separately apportioned income on Schedule U5, Section D, Line 1. **Note: A member's Kentucky-sourced loss that is subject to the limitations of Section 1211 of the Internal Revenue Code is a short term capital loss and may be carried forward by the member that incurred the loss.**

INSTRUCTIONS FOR SCHEDULE U8

Purpose of Schedule—This schedule is used to compute the limited liability entity tax (LLET) for members of a combined group. If a member of a combined group is a partner, member, or shareholder of a limited-liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-C, Limited Liability Entity Tax Continuation Sheet before completing this schedule. KRS 141.0401(2) requires every corporation and every limited liability pass-through entity doing business in Kentucky to pay a LLET on all Kentucky gross receipts or Kentucky gross profits, unless the entity is exempt from LLET per KRS 141.0401(6).

Short-Period Computation of LLET—For short-period returns, annualizing gross receipts or gross profits is not permitted. A minimum \$175 is due per taxable year. Taxable year is defined as the period for which a return is made. **KRS 141.010(29)**

Note: Public Law 86-272 does not protect companies from LLET liability. If a member of the combined group is excluded from the income tax calculations on the combined return because it is protected by P.L. 86-272, it may still be subject to LLET if it is doing business in Kentucky as defined by KRS 141.010(7).

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

In each column heading, enter the name and FEIN of a member of the combined group doing business in Kentucky.

Section A -- Kentucky Receipts

Line 1—Enter the member's Kentucky gross receipts less returns and allowances.

Line 2—Enter the member's share of total additional Kentucky gross receipts from Schedule L-C, Section A, Column B, Line 2 from the limited liability pass-through entity(ies) or general partnership(s) doing business in Kentucky of which the member is a partner, member, or shareholder.

Line 3—Add Lines 1 and 2. This is Total Kentucky gross receipts.

Line 4—Enter the member's Kentucky Cost of Goods Sold from Schedule COGS, Column A, Line 8. For an entity engaged in activities other than manufacturing, producing, reselling, retailing, or wholesaling, no cost of goods sold deduction can be claimed. **KRS 141.0401(1)(d)**

Note: The Kentucky COGS listed on this line only correspond to the gross receipts reported on Line 1.

Line 5—Subtract Line 4 from Line 1. **Note:** The Kentucky Gross Profits listed on this line do not include the gross profits from the member's interest in pass-through entity(ies) reported on the Schedule L-C because those are separately stated on Line 6.

Line 6—Enter total additional Kentucky gross profits from Schedule L-C, Section A, Line 5 from the limited liability pass-through entity(ies) or general partnership(s) doing business in Kentucky of which the group member is a partner, member, or shareholder.

Line 7—Add Lines 5 and 6. This is Total Kentucky gross profits.

Section B—Total Receipts

Line 1—Enter the member's total gross receipts less returns and allowances.

Line 2—Enter total additional gross receipts from Schedule L-C, Section B, Column B, Line 2 from the limited liability pass-through entity(ies) or general partnership(s) doing business in Kentucky of which the group member is a partner, member, or shareholder.

Line 3—Add Lines 1 and 2. If the sum of the total gross receipts is \$3,000,000 or less, STOP, and enter \$175 on Section E, Line 1.

Line 4—Enter the member's total Cost of Goods Sold from Schedule COGS, Column B, Line 8. For an entity engaged in activities other than manufacturing, producing, reselling, retailing, or wholesaling, no cost of goods sold deduction can be claimed. **KRS 141.0401(1)(d)**.

Note: The COGS listed on this line only correspond to the gross receipts reported on Line 1.

Line 5—Subtract Line 4 from Line 1. **Note:** The Gross Profits listed on this line do not include the gross profits from the member's interest in pass-through entity(ies) reported on the Schedule L-C because those are separately stated on Line 6.

Line 6—Enter the total additional gross profits from Schedule L-C, Section B, Line 5 from the limited liability pass-through entity(ies) or general partnership(s) doing business in Kentucky of which the group member is a partner, member, shareholder.

Line 7—Add Lines 5 and 6. If the sum of total gross profits is \$3,000,000 or less, STOP, and enter \$175 on Section E, Line 1.

Section C—Computation of Gross Receipts LLET

Line 1—If the member's gross receipts from all sources (Section B, Line 3) are greater than \$3,000,000, but less than \$6,000,000, enter the following:

$$(\text{Section A, line 3} \times 0.00095) - \left[\frac{\$2,850 \times (\$6,000,000 - \text{Section A, line 3})}{\$3,000,000} \right]$$

But in no case shall the result be less than zero.

Line 2—If the member's gross receipts from all sources (Section B, Line 3) are \$6,000,000 or greater, multiply the amount in Section A, Line 3 by 0.00095.

Line 3—Enter the amount from Line 1 or Line 2.

Section D—Computation of Gross Profits LLET

Line 1—If the member's gross profits from all sources (Section B, Line 7) are greater than \$3,000,000, but less than \$6,000,000, enter the following:

$$(\text{Section A, line 7} \times 0.0075) - \left[\frac{\$22,500 \times (\$6,000,000 - \text{Section A, line 7})}{\$3,000,000} \right]$$

But in no case shall the result be less than zero.

Line 2—If the member's gross profits from all sources (Section B, Line 7) are \$6,000,000 or greater, multiply the amount in Section A, Line 7 by 0.0075.

Line 3—Enter the amount from Line 1 or Line 2.

Section E—Computation of LLET Liability

Line 1—Enter the lesser of Section C, Line 3, or Section D, Line 3 for each group member here and on Schedule U9, Section A, Line 1. If less than \$175, enter the minimum \$175 here and on Schedule U9, Section A, Line 1.

INSTRUCTIONS FOR SCHEDULE U9

Purpose of Schedule—This schedule is used to compute a combined group's net income tax and LLET liability.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

In each column heading, enter the name, FEIN, and Kentucky Corporation/LLET account number (if applicable) of a member of the combined group doing business in Kentucky.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the members recorded on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Section A—LLET

Line 1—For each member, enter the amount from Schedule U8, Section E, Line 1.

Line 2—Enter the sum of all tax credit recapture amounts from Schedule RC-R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS, Part III, Section B, Line 10. **Attach Schedule RC-R, Form 8874(K)-B and/or Schedule DS.**

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 nonrefundable 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 for each member. Enter the total for the combined group in the Combined Totals column and on Form 720U, Part I, Line 1.

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 by or on behalf of the member for the taxable year. Do not include amounts 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).**

NOTE: For applications approved prior to April 27, 2018, this credit is refundable and should be entered here. For applications approved on or after April 27, 2018, this credit is nonrefundable and should be entered on Schedule TCS.

Line 11—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return, by or on behalf of each member.

Line 12—Enter the amount credited to the member's 2019 LLET from Form 720, Part I, Line 21 of the 2018 return (or as determined by the designated filer).

Line 13—Enter the income tax overpayment from Section B, Line 17 credited to the 2019 LLET. If filing an amended return, enter the amount from the original return.

Line 14—Enter the LLET paid by or on behalf of the member on the original return. This line is used only when filing an amended return.

Line 15—Enter the LLET overpayment by or on behalf of the member 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 for each member.

Line 16 Combined Totals column, TOTAL LLET DUE—This line should be completed after following the instructions for Line 22 to allow for the offset of LLET due with other members' overpayments after credits to income tax, interest, penalty, and for credits to 2020 LLET.

Line 17—If the total of Lines 6 and 15 is less than the total of Lines 7 through 14, enter the LLET overpayment for each member.

Line 18—Enter the portion of Line 17 to be credited to the 2019 income tax liability of the member. 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 2019 LLET interest for each member. Enter the total for the combined group in the Combined Totals column.

Line 20—Enter the portion of Line 17 to be credited to 2019 LLET penalty for each member. Enter the total for the combined group in the Combined Totals column.

Line 21—Enter the portion of Line 17 to be credited to 2020 LLET for each member. If filing an amended return, do not enter an amount on this line.

Line 22—Enter the net amount overpaid (Line 17 less Lines 18 through 21) for each member. If the sum of all members' amounts on Line 16 (LLET Due) is greater than the sum of all members' amounts on Line 22, enter the net amount of LLET due on the **TOTAL LLET DUE** line in the Combined Totals column and on Form 720U, Part I, Line 2. If the sum of all members' amounts on Line 22 is greater than the sum of all members' amounts on Line 16 (LLET due), enter the amount to be refunded on the **REFUND AMOUNT** line in the Combined Totals column and on Form 720U, Part I, Line 3. If Line 16 and Line 22 are equal, enter zero on the TOTAL LLET DUE and the REFUND AMOUNT lines.

Section B—Income Tax

Line 1—Enter the amount from Schedule U5, Section D, Line 8.

Line 2—Enter the sum of all tax credit recapture amounts from Schedule RC-R, Line 13, Form 8874(K)-B, Line 3 and/or Schedule DS, Part III, Section B, Line 11. **Attach Schedule RC-R, Form 8874(K)-B or Schedule DS.**

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 net income after NOLD from Schedule U5, Section D, Line 7.... _____
2. LIFO recapture amount..... _____
3. Add Lines 1 and 2..... _____
4. Income tax on the amount on Line 3 above..... _____
5. Income tax from Schedule U5, Section D, Line 8..... _____
6. Line 4 less Line 5..... _____
7. Tax installment on LIFO Recapture (Line 6 multiplied by 25%) (enter on Schedule U9, Section B, Line 3)..... _____

Line 4—Add the totals for Lines 1 through 3. Enter the total for the combined group in the Combined Totals column.

Line 5—Enter the amount from Line 8 of the Corporation LLET Credit Worksheet(s). 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 is the 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 is 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 is disallowed.

Enter on Line 2 of the worksheet, 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 factor from Schedule U5, Section A, Line 7. If the net distributive share income includes amounts not related to the unitary business, include only the amount from Schedule U6, Column E on Line 2.

Corporation LLET Credit Worksheet

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 net income after NOLD Schedule U5, Section D, Line 7..... _____
2. Kentucky net distributive share income from Kentucky Schedule K-1 (see instructions above)..... _____
3. Line 1 less Line 2..... _____
4. Income tax from Schedule U5, Section D, Line 8..... _____
5. Income tax on the amount on Line 3 above..... _____
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 Schedule U9, Section B, Line 5... _____

Line 6—Enter the amount from Section A, 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. Enter the total for the combined group in the CombinedTotals column and on Form 720U, Part II, Line 1.

Line 9—Enter the total of estimated income tax payments made by or on behalf of the member for the taxable year. Do not include the amount credited from the prior year.

Line 10—Enter the total of income tax paid by or on behalf of the member with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to the 2019 income tax by or on behalf of the member from Form 720, Part II, Line 20 of the 2018 return.

Line 12—Enter the LLET overpayment from Section A, Line 18 credited to the 2019 income tax. If filing an amended return, enter the amount from the original return.

Line 13—Enter the corporation income tax paid by or on behalf of the member 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 income tax due for each member.

Line 15 Combined Totals Column, TOTAL INCOME TAX DUE—This line should be completed after following the instructions for Line 21 to allow for the offset of income tax due with other members' overpayments after credits to LLET, interest, penalty, and for credits to 2020 corporation income tax.

Line 16—If the total of Lines 8 and 14 is less than the total of Lines 9 through 13, enter the income tax overpayment for each member.

Line 17—Enter the portion of Line 16 to be credited to the member's 2019 LLET on Section A, 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 2019 corporation income tax interest for each member. Enter the total for the combined group in the Combined Totals column.

Line 19—Enter the portion of Line 16 to be credited to 2019 corporation income tax penalty for each member. Enter the total for the combined group in the Combined Totals column.

Line 20—Enter the portion of Line 16 to be credited to the member's 2020 corporation income tax. If filing an amended return, do not enter an amount on this line.

Line 21—Enter the net amount overpaid (Line 16 less Lines 17 through 20) for each member. If the sum of all members' amounts on Line 15 (income tax due) is greater than the sum of all members' amounts on Line 21, enter the net amount of income tax due on the **TOTAL INCOME TAX DUE** line in the CombinedTotals column and on Form 720U, Part II, Line 2. If the sum of all members' amounts on Line 21 is greater than the sum of all members' amounts on Line 15 (income tax due), enter the amount to be refunded on the **REFUND AMOUNT** line in the CombinedTotals column and on Form 720U, Part II, Line 3. If Line 15 and Line 21 are equal, enter zero on the **TOTAL INCOME TAX DUE** and **REFUND AMOUNT** lines.

INSTRUCTIONS FOR SCHEDULE U10

Purpose of Schedule—This schedule is used to compute the amount of Kentucky net operating loss (NOL) deduction that can be utilized by taxpayer members of a combined group and the NOL amounts that can be carried forward to succeeding tax periods.

KRS 141.202(5)(c) allows taxpayer members of a combined group to utilize Kentucky NOL deductions against the amount of taxable income derived from the unitary business apportioned to this state, provided the group member was doing business in Kentucky in the year the loss was incurred. It also allows other taxpayer members of the combined group to deduct losses incurred by another taxpayer member of the group in certain situations. Under KRS 141.202(5)(c)2., the taxpayer member may share the net operating loss carryover with other taxpayer members of the combined group if the other taxpayer members were members of the combined group in the tax year that the loss was incurred. Furthermore, utilization of one taxpayer member's NOL by another taxpayer member is subject to a 50% limitation if the loss was incurred in a taxable year prior to the first year in which a combined return was required, per KRS 141.202(5)(c)3., or in a taxable year in which the taxpayer member that incurred the loss was not a member of the combined group, per KRS 141.202(5)(c)4.

Net operating losses generated on or after January 1, 2018, may only offset up to 80% of taxable income, but any unused amounts are available for carryforward indefinitely per IRC Sec. 172.

NOTE: If any members of the combined group were included in a Kentucky consolidated nexus group in 2018 or earlier with an NOL carryforward amount, the amounts of any unused NOL carryforward must be calculated on a post-apportionment basis and assigned pro rata to the loss corporations in the nexus group in the year the loss was generated. See 103 KAR 16:250 for further instructions and examples.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return. In each column heading, enter the name and FEIN, and the Kentucky Corporation/LLET account number of each taxpayer member.

PART I – Net Operating Loss Deduction

Section A—NOL Generated on or before December 31, 2017 (Pre-2018)

Line 1—Enter the amount from Schedule U5, Section D, Line 5.

Line 2—Enter the member’s share of the post-apportioned NOL carryforward from tax years ending on or before December 31, 2017.

Line 3—Enter the lesser of Line 1 or Line 2.

Line 4—Subtract Line 2 from Line 1. If the result is negative, enter zero. This is the taxable net income remaining after subtracting the pre-2018 Kentucky NOL deduction.

Line 5—If Line 2 is greater than Line 1, subtract Line 1 from Line 2. This is the pre-2018 NOL carryforward.

Section B—NOL Generated on or after January 1, 2018 (Post-2017)

Line 1—Enter the amount from Part I, Section A, Line 4.

Line 2—Multiply the current year taxable net income from Part I, Section A, Line 1 by 80%.

Line 3—Enter the lesser of Line 1 or Line 2. This is the corporation’s maximum allowable post-2017 NOL deduction.

Line 4—Enter the member’s share of the post-apportioned NOL carryforward from tax years ending on or after January 1, 2018.

Line 5—Enter the lesser of Line 3 or Line 4. This is the amount of post-2017 NOL that may be utilized this tax year by the member.

Line 6—Subtract Line 5 from Line 1. If the result is negative, enter zero. This is the taxable net income remaining after subtracting the post-2017 Kentucky NOL deduction.

Line 7—If Line 4 is greater than Line 5, subtract Line 5 from Line 4. This is the post-2017 NOL carryforward before sharing.

Section C—Sharing of NOLs Between Combined Group Members

Line 1—Enter the amount from Part I, Section B, Line 6.

Line 2—Multiply the current year taxable net income reported on Part I, Section A, Line 1 by 50%. This is the maximum amount of shared NOL that the member may deduct this year.

Line 3—Enter the amount of shared NOL utilized by the corporation. The amount may not exceed the lesser of line 1 or 2. *A supporting statement must be attached to reflect which member’s (s’) NOL was shared and utilized.*

NOTE: Per KRS 141.202(5)(c)(2), any amount of NOL carryforward that is deducted by another taxpayer member of the combined group shall reduce the amount of NOL that may be carried forward by the group member that originally incurred the loss.

Line 4—Subtract Line 3 from Line 1. This is the taxable net income remaining after deducting shared NOL.

Section D—Total Net Operating Loss Deduction

Line 1—Add Part I, Section A, Line 3, plus Part I, Section B, Line 5, plus Part I, Section C, Line 3, then enter here and on Schedule U5, Section D, Line 6. This is the member’s amount of NOLD utilized.

PART II

Section A—Net Operating Loss Carryforward for NOL Generated on or before December 31, 2017 (Pre-2018)

Line 1—Enter the amount from Part I, Section A, Line 5.

Line 2—NOL shared with other members. A supporting statement must be attached to show which member’s (s’) NOL was utilized by the group member.

Line 3—Subtract Line 2 from Line 1. This is the member’s remaining Pre-2018 NOL carryforward after sharing.

Section B—Net Operating Loss Carryforward for NOL Generated on or after January 1, 2018 (Post-2017)

Line 1—Enter the amount from Part I, Section B, Line 7.

Line 2—NOL shared with other members. **A supporting statement must be attached to show which member’s (s’) NOL was utilized by the group member.**

Line 3—Subtract Line 2 from Line 1. This is the member’s remaining Post-2018 NOL carryforward after sharing.

Schedule TCS is used by corporations 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 the corporation.

Economic Development Tax Credits— This section is completed only if a corporation has been approved for one or more of the credits authorized by the:

- **Kentucky Rural Economic Development Act** (KREDA – KRS 154.22)
- **Metropolitan College Consortium** (MCC – KRS 141.381)
- **Kentucky Small Business Tax Credit Program** (KSBTC – KRS 141.384)
- **Kentucky Industrial Development Act** (KIDA – KRS 154.28)
- **Kentucky Jobs Retention Agreement** (KJRA – KRS 154.25)
- **Kentucky Industrial Revitalization Act** (KIRA – KRS 154.26);
- **Kentucky Jobs Development Act** (KJDA – KRS 154.32);
- **Kentucky Business Investment Program** (KBI – KRS 154.32)
- **Kentucky Reinvestment Act** (KRA – KRS 154.34)
- **Skills Training Investment Credit Act** (STICA – KRS 154.12)
- **Incentives for Energy Independence Act** (IEIA – KRS 154.27)

To qualify for the KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA credits, a corporation must be approved by the Kentucky Economic Development Finance Authority (KEDFA) and must 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 after activation. 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 must be attached to the tax return. The credit for either the STICA or MCC must 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, 2027. 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 must be attached to the tax return. The credit for the KSBTC must 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 per KRS 141.410 to KRS 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or KRS 141.020 and KRS 141.0401 attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts 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 or KRS 141.040 and KRS 141.0401 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Certification copies must be attached to the return claiming the credit. **KRS 171.3961 and KRS 171.397**

Unemployment Tax Credit—If a taxpayer 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 or 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 per KRS 154.20–250 to KRS 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 or 141.040, 141.0401, 136.320, 136.300, 136.310, 136.505, and 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 must 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 will 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, will 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**

Qualified Research Facility Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or 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 or 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 151B.402**

Voluntary Environmental Remediation Tax Credit—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.1–514. 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 or KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at 502–564–6716. 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 or 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 will 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**

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 or KRS 141.020 or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per 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 is \$2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit will 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 or 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 will 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 or 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 will 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, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or KRS 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 must not exceed the product of \$3,500 multiplied by the sum of: (1) 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 (2) 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. Attach Schedule RR-I to the return claiming this credit. **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 KRS 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 KRS 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and KRS 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 is limited to \$1 million. If the total amount of approved credit exceeds \$1 million, the department will 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 must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will 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, 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 KRS 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 will issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation per 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 must 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. **Note:** This credit may limit charitable contribution deductions allowed under Section 170 of the IRC. See the IRC and federal regulations for additional information on any limitations. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—A taxpayer that makes a qualified equity investment per KRS 141.432(7) in a qualified community development entity defined by KRS 141.432(6) is 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 is 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 is \$10 million, whether made by one or several qualified community development entities.

The amount of the credit will 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 KRS 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2018, the tax credit was repealed. Any unused credit may be carried forward for up to four (4) succeeding years after the credit was claimed. See Schedule TCS, Part II, line 18 to claim this credit. **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 KRS 141.040 and KRS 141.0401 is available to taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to: 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. Attach Schedule DS to the return claiming the credit. **KRS 141.389**

Film Industry Tax Credit—For applications approved on or after April 27, 2018, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to KRS 148.546. Attach film office certification to the return claiming the credit. **KRS 141.383**

Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. Attach Schedule INV to the return claiming the credit. **KRS 141.408**

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 personal property 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. Do not attach a copy of Form 62A500 to Form 720U.

Kentucky State Treasury—Unclaimed Property

Individuals

The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit www.treasury.ky.gov or www.missingmoney.com for more information on how to locate and claim any funds that may belong to you.

Businesses

Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit www.treasury.ky.gov for more information.

**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
502-564-5930

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. Taxable period beginning _____, 20 ____, and ending _____, 20 ____.

A Number of Corporations in Waters-Edge Group _____	D Federal Identification Number _____	E Kentucky Corporation/LLET Account Number (Required) _____	
B Number of Corporations with Kentucky Nexus _____	Name of Designated Filer Corporation _____ <input type="checkbox"/> Change of Name		Taxable Year Ending ____ / ____ M M / Y Y
	Number and Street _____		State and Date of Incorporation _____
C Check if applicable: <input type="checkbox"/> Amended return <input type="checkbox"/> Amended return—RAR Attach explanation of changes statement.	City _____	State _____		ZIP Code _____
	Telephone Number _____		Principal Business Activity in KY _____
	Foreign Country (if not United States) _____		
F Check if applicable: <input type="checkbox"/> Initial return <input type="checkbox"/> Change of accounting period		<input type="checkbox"/> Short-period return (Complete Box G) <input type="checkbox"/> Final return (Complete Box G)	
Primary NAICS Code Number in KY (See www.census.gov) _____			

G EXPLANATION OF FINAL RETURN AND/OR SHORT-PERIOD RETURN

Check if applicable:

<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 I—COMBINED GROUP LLET SUMMARY

1 Total LLET liability. Enter the combined totals column amount from Schedule U9, Section A, line 6.	1		00
2 Total LLET due. Enter the combined totals column amount from Schedule U9, Section A, line 16.....	2		00
3 Total LLET amount to be refunded. Enter the combined totals column amount from Schedule U9, Section A, line 22	3		00

PART II—COMBINED GROUP INCOME TAX SUMMARY

1 Total income tax liability. Enter the combined totals column amount from Schedule U9, Section B, line 8	1		00
2 Total income tax due. Enter the combined totals column amount from Schedule U9, Section B, line 15.....	2		00
3 Total income tax amount to be refunded. Enter the combined totals column amount from Schedule U9, Section B, line 21	3		00

Enclose	Include federal form 1120 with all supporting schedules and statements.	Refund or No Payment	Kentucky Department of Revenue P. O. Box 856905 Louisville, KY 40285-6905
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov	With Payment	Kentucky Department of Revenue P. O. Box 856910 Louisville, KY 40285-6910

TAX PAYMENT SUMMARY				OFFICIAL USE ONLY	
LLET		INCOME		P W 2 0 4	
1 LLET due (Part I, Line 2)	\$ _____	1 Income Tax Due (Part II, Line 2)	\$ _____	V A L	
2 Interest	\$ _____	2 Interest	\$ _____		
3 Penalty	\$ _____	3 Penalty	\$ _____		
4 Subtotal	\$ _____	4 Subtotal	\$ _____		
TOTAL PAYMENT (Add Subtotals).....► \$ _____				#	



- See instructions.
- Attach to Form 720U.

Name of Designated Filer	Federal Identification Number _____ - _____	Kentucky Corporation/LLET Account Number _____
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IMPORTANT: Questions 3-14 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 identification number for the preceding year, questions 1 and 2 must be answered. **Failure to do so may result in a request for a delinquent return.**

	Name		
	FEIN	---	---
1 Check the box if the corporation is a new business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 If the corporation is a successor to a previously existing business, enter the following:			
2(a) Previous business name			
2(b) Previous business address			
2(c) Previous business FEIN.....	---	---	---
3 If a foreign corporation, enter the date qualified to do business in Kentucky	_/_/_	_/_/_	_/_/_
4 List the following Kentucky account numbers. Enter N/A for any number not applicable.			
4(a) Kentucky Secretary of State Organization.....			
4(b) Employer Withholding			
4(c) Sales and Use Tax Permit.....			
4(d) Consumer Use Tax			
4(e) Unemployment Insurance			
4(f) Coal Severance and/or Processing Tax			
5 The corporation's books are in care of: (Name and address).....			
6 List any disregarded entities and their FEINs that are owned by the member included in each column. Attach a supporting statement if more than 3 are owned by any member.			
6(a) Name 1			
6(b) FEIN 1	---	---	---
6(c) Name 2			
6(d) FEIN 2	---	---	---
6(e) Name 3			
6(f) FEIN 3	---	---	---
7 If the corporation was a partner or member in a pass-through entity doing business in Kentucky, list the name and federal I.D. number of the pass-through entity(ies). Attach a supporting statement if more than three entities.			
7(a) Name 1			
7(b) FEIN 1	---	---	---
7(c) Name 2			
7(d) FEIN 2	---	---	---
7(e) Name 3			
7(f) FEIN 3	---	---	---



Name			
FEIN	---	---	---
8 Was the corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
9 Are related party costs as defined in KRS 141.205(1)(I) included for this member? If yes, attach Schedule RPC, Related Party Costs Disclosure Statement, and enter any related party cost additions on Form 720U, Schedule U4, line 6..	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
10 If the entity filing this Kentucky tax return or any entity included in the tax return is organized as a limited cooperative association per KRS Chapter 272A, enter each limited cooperative association's name, address, and federal I.D. number included in the return.	---	---	---
11(a) 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 per KRS Chapter 386A?.....	(a) <input type="checkbox"/> Yes <input type="checkbox"/> No	(a) <input type="checkbox"/> Yes <input type="checkbox"/> No	(a) <input type="checkbox"/> Yes <input type="checkbox"/> No
11(b) If yes, is the entity filing this Kentucky tax return or any entity included in this tax return a series within a statutory trust?.....	(b) <input type="checkbox"/> Yes <input type="checkbox"/> No	(b) <input type="checkbox"/> Yes <input type="checkbox"/> No	(b) <input type="checkbox"/> Yes <input type="checkbox"/> No
11(c) 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	---	---	---
12 Was this return prepared on: (a) cash basis, (b) accrual basis, or (c) other.....	(a) <input type="checkbox"/> (b) <input type="checkbox"/> (c) _____	(a) <input type="checkbox"/> (b) <input type="checkbox"/> (c) _____	(a) <input type="checkbox"/> (b) <input type="checkbox"/> (c) _____
13 Did the corporation file a Kentucky tangible personal property tax return for January 1, 2020? ..	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
14(a) Is the corporation currently under audit by the Internal Revenue Service?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
14(b) If yes, enter years under audit.....			
14(c) 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 the box and file an amended return. See instructions. Attach a copy of the final determination to each amended return	Check here <input type="checkbox"/>	Check here <input type="checkbox"/>	Check here <input type="checkbox"/>

OFFICER INFORMATION

Attach a schedule listing the name, home address, and Social Security number of the vice president, secretary, and treasurer of designated filer corporation.

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 ____ / ____ / ____

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of Officer	Date
	Name of Officer	Title
Paid Preparer Use	Signature of Preparer	Date
	Name of Preparer or Firm	ID Number
	Email and/or Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No



➤ **Complete Sections A through D. See instructions.** ➤ **Attach to Form 720U.**

Name of Designated Filer	Kentucky Corporation/LLET Account Number _____	Federal Identification Number _____-_____-_____
Name of the designated filer for last year, if different from above		FEIN, if different from above _____-_____-_____
Name of the controlling corporation <input type="checkbox"/> If the controlling corporation is a member of the unitary group, check the box.		FEIN, if different from above _____-_____-_____

Section A – List All Members (see specific instructions)

Corp. No.	A Name	B FEIN	C Year Ending (Mo/Yr)	D Protected by P.L. 86-272	E LLET Exemption Code	F New Member	G Percent of Voting Power	H Owned by Corp. No (or Excluded Corp.)
1		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
2		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
3		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
4		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
5		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
6		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
7		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
8		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
9		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
10		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
11		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
12		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
13		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
14		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		
15		_____-_____-_____		<input type="checkbox"/>	_____	<input type="checkbox"/>		

Section B – List any Mergers with Members Listed in Section A (see specific instructions)

	A Entity that was merged with member	B Member listed in Section A									
1	<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%; border-bottom: 1px solid black;"></td> <td style="width:40%; border-bottom: 1px solid black;">_____-_____-_____</td> </tr> <tr> <td style="text-align: center;">Name</td> <td style="text-align: center;">FEIN</td> </tr> </table>		_____-_____-_____	Name	FEIN	<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%; border-bottom: 1px solid black;"></td> <td style="width:40%; border-bottom: 1px solid black;">_____-_____-_____</td> </tr> <tr> <td style="text-align: center;">Name</td> <td style="text-align: center;">FEIN</td> </tr> </table>		_____-_____-_____	Name	FEIN	____/____/____ Date of Merger
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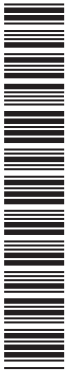
Section C—List All Members Who Left the Group During the Tax Year (see specific instructions)

	A Entity that was sold		B Entity to which member in Column A was sold		
1	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	___/___/___ Date of Sale
	Name	FEIN	Name	FEIN	
2	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	___/___/___ Date of Sale
	Name	FEIN	Name	FEIN	
3	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	___/___/___ Date of Sale
	Name	FEIN	Name	FEIN	

Section D—Provide Information About Your Excluded Members
(see specific instructions and complete Section D if one or more members are excluded.)

1 Enter the total number of members excluded

Excluded Corp.	A Name	B FEIN	C Reason for Exclusion					
			KRS 141.202			KRS 141.040(1)(a)	Voting Stock	Not Unitary
			8(a)	8(b)	8(c)			
A		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
G		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
L		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
M		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
N		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
O		___-____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



PRO FORMA FEDERAL RETURN SCHEDULE FOR THE KENTUCKY UNITARY GROUP

2019

➤ **See instructions.** ➤ **Attach to Form 720U.**

Name of Designated Filer

Federal Identification Number

Kentucky Corporation/LLET Account Number

Name	FEIN		Elimination Adjustments	Combined Totals
1(a) Gross receipts or sales.....				
1(b) Less returns and allowances				
1(c) Balance				
2 Cost of goods sold.....				
3 Gross profits (line 1(c) less line 2).....				
4 Dividends and inclusions				
5 Interest.....				
6 Gross rents.....				
7 Gross royalties.....				
8 Capital gain net income.....				
9 Net gain or (loss) from Form 4797				
10 Other Income				
11 Total Income (add lines 3 through 10)				
12 Compensation of officers.....				
13 Salaries and wages.....				
14 Repairs and maintenance				
15 Bad debts				
16 Rents.....				
17 Taxes and licenses.....				
18 Interest.....				
19 Charitable contributions				
20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return				
21 Depletion.....				
22 Advertising				
23 Pension, profit-sharing, etc., plans				
24 Employee benefit programs.....				
25 Other deductions				
26 Total deductions (add lines 12 through 25)				



	Name	FEIN	Elimination Adjustments		Combined Totals
27	Taxable income before NOL deduction and special deductions (subtract line 26 from line 11)				
28	Adjustments to recognize deferred income from intercompany transactions				
29	Other adjustments based on federal law (attach statement)				
30	Modified taxable income (add lines 27 through 29)				



KENTUCKY UNITARY COMBINED INCOME
MODIFICATION SCHEDULE

2019

▶ See instructions. ▶ Attach to Form 720U.

Name of Designated Filer		Federal Identification Number	Kentucky Corporation/LLET Account Number
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	Name FEIN	Elimination Adjustments		Combined Totals
1	Modified federal taxable income from Schedule U3, line 30			
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	Loss from Form 4797 found on Schedule U3, line 9.			
9	Federal allowable depletion from Schedule U3, line 21			
10	Federal contribution deductions from Schedule U3, line 19			
11	Terminal Railroad Corporation adjustments			
12	Federal allowable passive activity loss.....			
13	Federal taxable loss of all exempt corporations.....			
14	Adjustments for qualified construction allowance(s) for short-term lease(s).....			
15	Enter additions to federal taxable income from Kentucky Schedule(s) K-1.....			
16	Internal Revenue Code adjustments (see instructions).....			
17	Other additions (attach explanation)			
18	Revenue Agent Report (RAR).....			
19	Total (add lines 1 through 18)			



	Name FEIN				Elimination Adjustments	Combined Totals
Subtractions						
20	Interest income (U.S. obligations).....					
21	Dividend income					
22	Federal work opportunity credit.....					
23	Depreciation adjustment.....					
24	Capital gain from Schedule U3, line 8.....					
25	Gain from Form 4797 found on Schedule U3, line 9					
26	50% of the gross royalty income derived from any disposal of coal with a retained economic interest defined in IRC § 631(c) and all IRC § 272 expenses if the corporation elects not to use percentage depletion					
27	Terminal Railroad Corporation adjustments					
28	Kentucky allowable passive activity loss.....					
29	Kentucky allowable depletion.....					
30	Adjustments for qualified construction allowance(s) for short-term lease(s).....					
31	Internal Revenue Code adjustments (see instructions)					
32	Other subtractions (attach explanation)					
33	Revenue Agent Report (RAR).....					
34	Net Income (line 19 less lines 20 through 33).....					



- **Complete Sections A through D for each member of the combined group. See instructions.**
- **Attach to Form 720U.**

Name of Designated Filer	Federal Identification Number ____ - ____ - _____	Kentucky Corporation/LLET Account Number _____
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	Name	FEIN
	_____	_____
Check the box and complete Schedule U6 if the corporation is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky.	Check Here <input type="checkbox"/>	Check Here <input type="checkbox"/>

SECTION A

	Combined Totals
1 Enter the combined totals column amount from Schedule U4, line 34. This is the total income of the combined group	_____
2 Enter any income, less any expense or loss, other than the apportionable income of the combined group	_____
3 Combined group's apportionable income or loss from unitary business (line 1 less line 2)	_____
4 Apportionment Method Code	
5(a) Kentucky receipts of corporation ...	
5(b) Kentucky receipts of pass-through entity(ies) (attach Schedule U6).....	
5(c) Kentucky receipts (add lines 5(a) and 5(b))	
6(a) Total receipts of corporation.....	
6(b) Total receipts of pass-through entity(ies) (attach Schedule U6).....	
6(c) Total receipts (add lines 6(a) and 6(b)).....	_____
7 Apportionment Factor. Divide line 5(c) of each column by line 6(c) of the Combined Totals Column (round to the fourth decimal place). Each 3-factor apportionment member should complete a separate Schedule A and attach it to the 720U.....	

Continued on next page



Name				Combined Totals
FEIN	---	---	---	

SECTION B

1 Combined group's apportionable income or loss (enter the amount from Section A, Line 3)				
2 Less: Charitable contribution deduction (see instructions)				
3 Combined group's apportionable income or loss after charitable contribution deduction (line 1 less line 2)				
4 Member's Kentucky taxable share of combined group's apportionable income (multiply line 3 by apportionment factor from Section A, line 7 (see instructions)				

SECTION C

Nonapportionable Income and Allocation (if applicable)

1 Nonapportionable income or loss				
1(a) Interest.....				
1(b) Rents.....				
1(c) Royalties.....				
1(d) Net gain or loss on the sale or exchange of capital assets				
1(e) Total (add lines 1(a) through 1(d)).....				
1(f) Less related expenses (attach schedule)				
2 Net nonapportionable income or loss (line 1(e) less line 1(f)) (Combined Amount should match amount on Section A, line 2).....				
3 Kentucky nonapportionable income or loss				
3(a) Interest.....				
3(b) Rents.....				
3(c) Royalties.....				
3(d) Net gain or loss on the sale or exchange of capital assets				
3(e) Total (add lines 3(a) through 3(d)).....				
3(f) Less related expenses (attach schedule)				
4 Kentucky net nonapportionable income or loss (line 3(e) less line 3(f))				
5 Income of distinct business activity conducted wholly by the taxpayer member separately apportioned (attach statement).....				



Name				Combined Totals
FEIN	---	---	---	

SECTION D

1	Member's net nonapportionable and separately apportioned income (add Section C, lines 4 and 5 and Schedule U7, Section A, line 9)				
2	Member's Kentucky taxable share of combined group's apportionable income (enter amount from Section B, line 4)				
3	Net Income (add lines 1 and 2).....				
4	Less: Charitable contribution deduction remaining to be allocated to member (see instructions)				
5	Taxable Net Income (line 3 less line 4)				
6	Net Operating Loss Deduction				
7	Taxable Net Income after NOLD (line 5 less line 6)				
8	Income Tax Due (line 7 multiplied by 5%)				



- See instructions.
- Attach to Form 720U.

Name of Designated Filer	Federal Identification Number _____ - _____	Kentucky Corporation/LLET Account Number _____
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	Name			Combined Totals
	FEIN			

SECTION A—Apportionment of Gains and Losses

1	Kentucky net short term capital gains or (losses)	
2	Kentucky net long term capital gains or (losses)	
3	Kentucky net IRC Section 1231 gains or (losses)	
4	Kentucky net involuntary conversion gains or (losses).....	

5(a) Apportioned net short term capital gains or (losses) (Line 1 multiplied by the member's apportionment factor from Schedule U5, Section A, line 7)			
5(b) Kentucky allocated nonapportionable net short term capital gains or (losses)			
5(c) Kentucky apportioned net short term capital gains or (losses) from other combined group(s)			
5(d) Total net short term capital gains or (losses). Add Lines 5(a) through 5(c)			

6(a) Apportioned net long term capital gains or (losses) (Line 2 multiplied by the member's apportionment factor from Schedule U5, Section A, line 7)			
6(b) Kentucky allocated nonapportionable net long term capital gains or (losses)			
6(c) Kentucky apportioned net long term capital gains or (losses) from other combined group(s)			
6(d) Total net long term capital gains or (losses). Add Lines 6(a) through 6(c)			

Continued on next page



Name				Combined Totals
FEIN	---	---	---	

SECTION A—Apportionment of Gains and Losses—Continued

7(a) Apportioned net IRC Section 1231 gains or (losses) (Line 3 multiplied by the member's apportionment factor from Schedule U5, Section A, line 7)			
7(b) Kentucky allocated nonapportionable net IRC Section 1231 gains or (losses).....			
7(c) Kentucky apportioned net IRC Section 1231 gains or (losses) from other combined group(s).....			
7(d) Total net IRC Section 1231 gains or (losses). Add Lines 7(a) through 7(c)			
8(a) Apportioned net involuntary conversion gains or (losses)(Line 4 multiplied by the member's apportionment factor from Schedule U5, Section A, line 7)			
8(b) Kentucky allocated nonapportionable net involuntary conversion gains or (losses).....			
8(c) Kentucky apportioned net involuntary conversion gains or (losses) from other combined group(s)			
8(d) Total net involuntary conversion gains or (losses). Add Lines 8(a) through 8(c).....			
9 Member's net Kentucky gain or (loss). Add lines 5(d), 6(d), 7(d), and 8(d) using the rules of IRC Sections 1231, 1222, and 1211. See instructions. Any resulting gain (or loss not subject to IRC Section 1211 limit) should be added to the sum on Schedule U5, Section D, line 1			



- **Complete Sections A through E for each member of the combined group doing business in Kentucky. See instructions.**
- **Attach to Form 720U.**

Name of Designated Filer	Federal Identification Number ____ - _____	Kentucky Corporation/LLET Account Number _____
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	Name			
	FEIN			
	____ - _____	____ - _____	____ - _____	

Section A – Kentucky Receipts

1 Gross receipts less returns and allowances.....			
2 Kentucky additional gross receipts from Schedule L–C, Section A, line 2 for each group member that is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky.....			
3 Total Kentucky gross receipts (add lines 1 and 2)....			
4 Kentucky cost of goods sold (attach Schedule COGS for each entity)			
5 Kentucky gross profits			
6 Kentucky additional gross profits from Schedule L–C, Section A, line 5 for each group member that is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky.....			
7 Total Kentucky gross profits (add lines 5 and 6)			

Section B – Total Receipts

1 Total gross receipts less returns and allowances			
2 Additional total gross receipts from Schedule L–C, Section B, line 2 for each group member that is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky.....			
3 Total gross receipts (add lines 1 and 2)			
4 Cost of goods sold (attach Schedule COGS for each entity).....			
5 Gross profits			
6 Additional total gross profits from Schedule L–C, Section B, line 5 for each group member that is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky.....			
7 Total gross profits (add lines 5 and 6).....			

Continued on next page



If Section B, line 3 or 7 for the entity is less than \$3,000,000, STOP and enter \$175 in Section E, line 1.



	Name		
	FEIN	---	---

Section C—Computation of Gross Receipts

<p>1 If entity's gross receipts from all sources (Section B, line 3) are greater than \$3,000,000, but less than \$6,000,000, enter the following:</p> <p>(Section A, line 3 x 0.00095) – $\left[\frac{\\$2,850 \times (\\$6,000,000 - \text{Section A, line 3})}{\\$3,000,000} \right]$</p> <p>but in no case shall the result be less than zero</p>			
<p>2 If entity's gross receipts from all sources (Section B, line 3) are \$6,000,000 or greater, enter the following: Section A, Line 3 x 0.00095.....</p>			
<p>3 Enter the amount from line 1 or line 2.....</p>			

Section D—Computation of Gross Profits LLET

<p>1 If entity's gross profits from all sources (Section B, line 7) are greater than \$3,000,000, but less than \$6,000,000, enter the following:</p> <p>(Section A, line 7 x 0.0075) – $\left[\frac{\\$22,500 \times (\\$6,000,000 - \text{Section A, line 7})}{\\$3,000,000} \right]$</p> <p>but in no case shall the result be less than zero</p>			
<p>2 If the entity's gross profits from all sources (Section B, line 7) are \$6,000,000 or greater, enter the following: Section A, line 7 x 0.0075.....</p>			
<p>3 Enter the amount from line 1 or line 2.....</p>			

Section E—Computation of LLET Liability

<p>1 Enter the lesser of Section C, line 3 or Section D, line 3 for each entity. If less than \$175, enter the minimum \$175.....</p>			
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► **Complete Sections A and B for all members. See instructions.**

► **Attach to Form 720U.**

Name of Designated Filer	Federal Identification Number	Kentucky Corporation/LLET Account Number
_____	_____	_____

Name	FEIN	Kentucky Corp/LLET No.	Combined Totals
_____	_____	_____	
_____	_____	_____	

SECTION A – LLET

1	Enter amount from Schedule U8, Section E, line 1 .....	.00	.00	.00	
2	Tax credit recapture.....	.00	.00	.00	
3	Total (add lines 1 and 2).....	.00	.00	.00	
4	Nonrefundable LLET credit from Kentucky Schedule(s) K-1.....	.00	.00	.00	
5	Nonrefundable tax credits (attach Schedule TCS) .....	.00	.00	.00	
6	LLET liability (greater of line 3 less lines 4 and 5 or \$175 minimum)...	.00	.00	.00	.00
7	Withholding tax (Form PTE-WH)..	.00	.00	.00	
8	Estimated tax payments .....	.00	.00	.00	
9	Certified rehabilitation tax credit..	.00	.00	.00	
10	Film industry tax credit.....	.00	.00	.00	
11	Extension payment.....	.00	.00	.00	
12	Prior year's tax credit .....	.00	.00	.00	
13	Income tax overpayment from Section B, line 17 .....	.00	.00	.00	
14	LLET paid on original return.....	.00	.00	.00	
15	LLET overpayment on original return .....	.00	.00	.00	TOTAL LLET DUE <i>Calculate after line 22</i>
16	LLET Due (lines 6 and 15 less lines 7 through 14).....	.00	.00	.00	.00
17	LLET Overpayment (lines 7 through 14 less lines 6 and 15).....	.00	.00	.00	
18	Credited to 2019 income tax .....	.00	.00	.00	
19	Credited to 2019 interest				
20	Credited to 2019 penalty				
21	Credited to 2020 LLET .....	.00	.00	.00	REFUND AMOUNT
22	Net Amount Overpaid .....				.00



Name				Combined Totals
FEIN	- - - - -	- - - - -	- - - - -	
Kentucky Corp/LLET No.	- - - - -	- - - - -	- - - - -	

SECTION B—Income Tax

1	Income Tax. Enter amount from Schedule U5, Section D, line 8 .....	.00	.00	.00	
2	Tax credit recapture.....	.00	.00	.00	
3	Tax installments on LIFO recapture	.00	.00	.00	
4	Total (add lines 1 through 3).....	.00	.00	.00	.00
5	Nonrefundable LLET credit from the Corporation LLET Credit Worksheet(s) (see instructions)....	.00	.00	.00	
6	Nonrefundable LLET credit (Section A, line 6 less \$175) .....	.00	.00	.00	
7	Nonrefundable tax credits (attach Schedule TCS) .....	.00	.00	.00	
8	Net income tax liability (line 4 less lines 5 through 7, but not less than zero) .....	.00	.00	.00	.00
9	Estimated tax payments .....	.00	.00	.00	
10	Extension payments.....	.00	.00	.00	
11	Prior year's tax credit .....	.00	.00	.00	
12	LLET overpayment from Section A, line 18 .....	.00	.00	.00	
13	Corporation income tax paid on original return .....	.00	.00	.00	
14	Corporation income tax overpayment on original return...	.00	.00	.00	TOTAL INCOME TAX DUE <i>Calculate after line 21</i>
15	Income Tax Due (lines 8 and 14 less lines 9 through 13).....	.00	.00	.00	.00
16	Income Tax Overpayment (lines 9 through 13 less lines 8 and 14).....	.00	.00	.00	
17	Credited to 2019 LLET.....	.00	.00	.00	
18	Credited to 2019 interest				
19	Credited to 2019 penalty				
20	Credited to 2020 corporation income tax.....	.00	.00	.00	REFUND AMOUNT
21	Net Amount Overpaid .....				.00



- See instructions.
- Attach to Form 720U.

Name of Designated Filer	Federal Identification Number ____-____-_____	Kentucky Corporation/LLET Account Number ____-____-_____
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	Name		
	FEIN		
Kentucky Corp/LLET No.			

PART I—Net Operating Loss Deduction

Section A—NOL Generated on or before December 31, 2017 (Pre-2018)

1 Corporation's current year taxable net income. Enter the amount from Schedule U5, Section D, line 5.....			
2 Corporation's share of post-apportioned NOL carryforward from tax years ending on or before 12/31/2017.....			
3 Enter the lesser of line 1 or line 2. This is the amount of pre-2018 NOL that may be utilized this tax year by the corporation.....			
4 Subtract line 2 from line 1. If negative, enter zero. This is the taxable net income remaining after pre-2018 NOLD.....			
5 Pre-2018 NOL carryforward before sharing. If line 2 is greater than line 1, subtract line 1 from line 2 and enter the NOL carryforward here.....			

Section B—NOL Generated on or after January 1, 2018 (Post-2017)

1 Enter the amount from Part I, Section A, line 4.....			
2 Multiply Part I, Section A, line 1 by 80%. This is the maximum amount of post-2017 NOL that may be deducted by the corporation this year.....			
3 Enter the lesser of line 1 or line 2. This is the corporation's maximum allowable post-2017 NOL deduction.....			
4 Corporation's share of post-apportioned NOL carryforward from tax years ending on or after January 1, 2018.....			
5 Enter the lesser of line 3 or line 4. This is the amount of post-2017 NOL that may be utilized this tax year by the corporation.....			
6 Subtract line 5 from line 1. If negative, enter zero. This is the taxable net income remaining after post- 2017 NOL.....			
7 Post-2017 NOL carryforward before sharing. If line 4 is greater than line 5, subtract line 5 from line 4 and enter here.....			

Continued on next page



	Name		
	FEIN	---	---
Kentucky Corporation/LLET Acct. No.		---	---

Section C—Sharing of NOLs Between Combined Group Members

1 Enter the amount from Part I, Section B, line 6.....			
2 Multiply Part I, Section A, line 1 by 50%. This is the maximum amount of shared NOL that the corporation may deduct this year			
3 Enter the amount of shared NOL utilized by the corporation. The amount may not exceed the lesser of line 1 or 2. <i>A supporting statement must be attached to reflect which member's (s') NOL was shared and utilized</i>			
4 Subtract line 3 from line 1. This is the taxable net income remaining after deducting shared NOL			

Section D—Total Net Operating Loss Deduction

1 Sum Part I, Section A, line 3, plus Part I, Section B, line 5, plus Part I, Section C, line 3, then enter here and on Schedule U5, Section D, line 6. This is the corporation's amount of NOLD utilized			
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PART II—Net Operating Loss Carryforward

Section A—Net Operating Loss Carryforward for NOL generated on or before December 31, 2017 (Pre-2018)

1 Enter the amount from Part I, Section A, line 5.....			
2 NOL shared with other members. See instructions.			
3 Pre-2018 NOL carryforward after sharing. Line 1 less line 2			

Section B—Net Operating Loss Carryforward for NOL generated on or after January 1, 2018 (Post-2017)

1 Enter the amount from Part I, Section B, line 7.....			
2 NOL shared with other members. See instructions.			
3 Post-2017 NOL carryforward after sharing. Line 1 less line 2.....			

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► See instructions. Taxable period beginning _____, 20 ____, and ending _____, 20 ____.

A LLET Exemption Code Enter Code _____	D Federal Identification Number _____	E Kentucky Corporation/LLET Account Number (Required) _____	
	Name of S Corporation _____ <input type="checkbox"/> Change of Name		Taxable Year Ending ____ / ____
B Income Tax Exemption Code Enter Code _____	Number and Street _____		State and Date of Incorporation _____
			Principal Business Activity in KY _____
C Number of Shareholders (Attach K-1s) _____ Number of QSSSs Included in This Return (Attach Schedule) _____	City _____	State _____	ZIP Code _____
	Telephone Number _____		NAICS Code Number in KY (See www.census.gov) _____
F Check if applicable: <input type="checkbox"/> Qualified investment partnership <input type="checkbox"/> Final return (Complete Part IV) <input type="checkbox"/> Initial return <input type="checkbox"/> Short-period return (Complete Part IV) <input type="checkbox"/> Change of accounting period <input type="checkbox"/> Amended return (Complete Part V)			G Provider 3-Factor Apportionment Code _____

PART I—LLET COMPUTATION			PART II—INCOME TAX COMPUTATION		
1	Schedule L, Section D, line 1 (Page 6) ...	00	1	Excess net passive income tax.....	00
2	Tax credit recapture.....	00	2	Built-in gains tax	00
3	Total (add lines 1 and 2).....	00	3	Tax installment on LIFO recapture	00
4	Nonrefundable LLET credit from Kentucky Schedule(s) K-1	00	4	Total (add lines 1 through 3).....	00
5	Nonrefundable tax credits (attach Schedule TCS).....	00	5	Estimated tax payments	00
6	LLET liability (greater of line 3 less lines 4 and 5 or \$175 minimum)	00	6	Extension payment	00
7	Estimated tax payments	00	7	Prior year's tax credit	00
8	Certified rehabilitation tax credit.....	00	8	LLET overpayment from Part I, line 17	00
9	Film industry tax credit.....	00	9	Income tax paid on original return	00
10	Extension payment	00	10	Income tax overpayment on original return	00
11	Prior year's tax credit	00	11	Income tax due (lines 4 and 10 less lines 5 through 9).....	00
12	Income tax overpayment from Part II, line 13	00	12	Income tax overpayment (lines 5 through 9 less lines 4 and 10).....	00
13	LLET paid on original return.....	00	13	Credited to 2019 LLET	00
14	LLET overpayment on original return.....	00	14	Credited to 2019 interest	
15	LLET due (lines 6 and 14 less lines 7 through 13)	00	15	Credited to 2019 penalty	
16	LLET overpayment (lines 7 through 13 less lines 6 and 14).....	00	16	Credited to 2020 corporation income tax..	00
17	Credited to 2019 income tax	00	17	Amount to be refunded	
18	Credited to 2019 interest				
19	Credited to 2019 penalty				
20	Credited to 2020 LLET	00			
21	Amount to be refunded				

TAX PAYMENT SUMMARY				OFFICIAL USE ONLY	
LLET		INCOME		P	
1 LLET due (Part I, Line 15)	\$ _____	1 Income tax due (Part II, Line 11)	\$ _____	W	
2 Interest	\$ _____	2 Interest	\$ _____	2	
3 Penalty	\$ _____	3 Penalty	\$ _____	0	
4 Subtotal	\$ _____	4 Subtotal	\$ _____	4	
TOTAL PAYMENT (Add Subtotals)				V	
Add Subtotals)				A	
..... > \$ _____				L	
				#	



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 IRC § 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 IRC § 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

- | | |
|---|--|
| <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

OFFICER INFORMATION

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 __ __ / __ __ / __ __

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of Officer	Date
	Name of Officer	Title
Paid Preparer Use	Signature of Preparer	Date
	Name of Preparer or Firm	ID Number
	Email and/or Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No

Enclose	Include federal Form 1120S with all supporting schedules and statements.	Refund or No Payment	Kentucky Department of Revenue P. O. Box 856905 Louisville, KY 40285-6905
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov	With Payment	Kentucky Department of Revenue P. O. Box 856910 Louisville, KY 40285-6910



SCHEDULE Q— KENTUCKY S CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 3–12 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 and 2 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 If a foreign S corporation, enter the date qualified to do business in Kentucky. ___ / ___ / ___

3 List the following Kentucky account numbers. Enter N/A for any number not applicable.
KY Secretary of State Organization _____
Nonresident Income Tax Withholding _____
Employer Withholding _____
Sales and Use Tax Permit _____
Consumer Use Tax _____
Unemployment Insurance _____
Coal Severance and/or Processing Tax _____

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 per 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 Form 720S, Part III, Line 4.

8 Is the entity filing this Kentucky tax return organized as a limited cooperative association per KRS Chapter 272A? [] Yes [] No

9 Is the entity filing this Kentucky tax return organized as a statutory trust or a series statutory trust per 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, 2020? [] 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 A	Pro Rata Share Items	Total Amount
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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 3(a) less line 3(b))	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 IRC §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).....	7		00
8 IRC §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 (see instructions)

12 Enter the applicable tax credit			
(a) ➤ _____	12(a)		00
(b) ➤ _____	(b)		00
(c) ➤ _____	(c)		00
(d) ➤ _____	(d)		00
(e) ➤ _____	(e)		00



SCHEDULE K—SHAREHOLDERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION A—continued	Pro Rata Share Items	Total Amount	
Other Items			
13 (a) Type of IRC §59(e)(2) expenditures ä _____	13(a)		
(b) Amount of IRC §59(e)(2) expenditures.....	(b)		00
14 Tax-exempt interest income	14		00
15 Other tax-exempt income	15		00
16 Nondeductible expenses	16		00
17 Total property distributions (including cash) other than dividends reported on line 19 below.....	17		00
18 Other items and amounts required to be reported separately to shareholders (attach schedule).....	18		
19 Total dividend distributions paid from accumulated earnings and profits	19		00

SECTION B—LLET Pass-through Items (Required)

1 Kentucky gross receipts from Schedule L, Section A, Column A, line 2.....	1		00
2 Total gross receipts from Schedule L, Section A, Column B, line 2	2		00
3 Kentucky gross profits from Schedule L, Section A, Column A, line 5	3		00
4 Total gross profits from Schedule L, Section A, Column B, line 5.....	4		00
5 Limited liability entity tax (LLET) nonrefundable credit from page 1, Part I, the total of lines 4 and 6, less \$175	5		00

SECTION C—Apportionment Pass-through Items

1 Kentucky receipts from Schedule A, Part I, line 1	1		00
2 Total receipts from Schedule A, Part I, line 2.....	2		00

SECTION D—Apportionment for Providers (KRS 141.121 (1)(e))

1 Kentucky property from Schedule A, Part I, line 5	1		00
2 Total property from Schedule A, Part I, line 6	2		00
3 Kentucky payroll from Schedule A, Part I, line 8.....	3		00
4 Total payroll from Schedule A, Part I, line 9	4		00



SCHEDULE L – LIMITED LIABILITY ENTITY TAX COMPUTATION

Check this box and complete Schedule L-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 doing business in Kentucky. Enter the total amounts from Schedule L-C in Section A of this schedule.

SECTION A – Computation of Gross Receipts and Gross Profits

		Column A Kentucky		Column B Total	
1(a) Gross receipts less returns and allowances	1(a)		00		00
(b) Kentucky statutory gross receipts reductions (see instructions)	(b)		00		
2 Adjusted gross receipts (line 1(a) less line 1(b)).....	2		00		00
3(a) Cost of goods sold (attach Schedule COGS).....	3(a)		00		00
(b) Kentucky statutory cost of goods sold reductions (see instructions) ...	(b)		00		
4 Adjusted cost of goods sold (line 3(a) less line 3(b))	4		00		00
5 Gross profits (line 2 less line 4).....	5		00		00



If Section A, Column B, Line 2 or 5 is \$3,000,000 or less, STOP and enter \$175 in Section D, line 1 below.

SECTION B – Computation of Gross Receipts LLET

1 If gross receipts from all sources (Column B, line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following: (Column A, line 2 x 0.00095) – $\left[\frac{\$2,850 \times (\$6,000,000 - \text{Column A, line 2})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	1		00		
2 If gross receipts from all sources (Column B, line 2) are \$6,000,000 or greater, enter the following: Column A, line 2 x 0.00095.....	2		00		
3 Enter the amount from line 1 or line 2.....	3		00		

SECTION C – Computation of Gross Profits LLET

1 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) – $\left[\frac{\$22,500 \times (\$6,000,000 - \text{Column A, line 5})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	1		00		
2 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.....	2		00		
3 Enter the amount from line 1 or line 2.....	3		00		

SECTION D – Computation of LLET

1 Enter the lesser of Section B, line 3 or Section C, line 3 here and on Page 1, Part I, Line 1. If less than \$175, enter the minimum of \$175 here and on Page 1, Part I, line 1.....	1		00		
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KENTUCKY S CORPORATION INCOME TAX AND LLET RETURN

2019

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 and LLET return. Form 720S is complementary to the federal form 1120S.

KENTUCKY TAX LAW CHANGES

Enacted by the 2019 Regular Session of the General Assembly—Kentucky clarified and modified several of the tax changes passed in 2018. The Department of Revenue (“Department”) has guidance at <https://revenue.ky.gov/TaxProfessionals/Pages/default.aspx>.

Internal Revenue Code (IRC) Update—House Bill (HB) 354 updated the Internal Revenue Code (IRC) reference date to December 31, 2018 for taxable years beginning on or after January 1, 2019.

Estimated Tax Payment Requirements—2019 estimated tax rules and penalties changed to generally follow federal for S corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Seven-month Extensions for C Corporations—C corporations requesting an extension of time to file (on Form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.

Unitary Combined Filing Required—Corporations doing business in Kentucky that are part of a unitary business must begin filing combined returns for tax years beginning on or after January 1, 2019, unless they elect to file a same-as-federal affiliated group consolidated return. Unitary combined filers should use the new Form 720U and accompanying schedules.

HOW TO OBTAIN ADDITIONAL FORMS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (see page 22). 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.

- **Net Operating Losses (NOL)**—HB 458 allows NOLs to be shared among taxpayer members of a combined group, subject to certain limitations.
- **“Common control” defined**—Corporations within a combined group must be more than 50% owned by another corporation within the group.
- **Intercompany eliminations**—Intercompany transactions should be eliminated in the calculation of combined income and gross receipts.
- **Includible entities**—HB 354 and HB 458 clarified the definitions of “water’s edge”, “tax haven”, and other provisions affecting which companies are included in the combined group. **KRS 141.202**
- **Regulatory guidance**—The department proposed a regulation, 103 KAR 16:400, to provide taxpayers additional guidance on unitary combined filing.

Elective Consolidated Returns—The election period was shortened to 48 months (from the previous 96 months). To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

Tax Credit Changes:

Inventory Tax Credit—The inventory tax credit increases to 50% of the ad valorem (tangible personal property) tax timely paid in 2019. Rental heavy equipment is now subject to ad valorem tax and thus is eligible for the credit.

Kentucky Revised Statutes—Kentucky Revised Statutes are referred to in these instructions as “KRS” and can be found online at www.lrc.ky.gov/statutes.

Kentucky Administrative Regulations—Kentucky Administrative Regulations are referred to in these instructions as “KAR” and can be found online at www.lrc.ky.gov/kar/titles.htm.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2020 tax interest rate has been set at five percent (5%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is seven percent (7%) and when interest is due on a refund, the rate is three percent (3%).

KENTUCKY FORM CHANGES

New:

Form 720U—Unitary combined filers should use the new Form 720U and accompanying schedules included in the 720U packet to file their returns.

Form 722—Use Form 722 to elect to file a consolidated return including all members of the federal affiliated group. To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached

to the return for each year in which the election is effective.

Updated:

Form 2220-K—Updated to include estimated tax rules and penalty changes to follow federal rules for corporations and pass-through entities. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Form 720ES—Updated to include estimated tax changes to generally follow federal dates for S corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes.

KIRA-SP, KJDA-SP, KJRA-SP, and KBI-SP—Updated to request the amount of credit claimed for local wage assessments.

Forms 725, 725-EZ, and 765—Updated to include income tax payment summary.

Schedule INV—Updated to include Section A to report the Timely Inventory Tax Paid per local bills.

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 complete Form 20A100, "Declaration of Representative," and contact our **Registration Section at 502-564-3306** for information on how to obtain an account number.
- 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 720V voucher at that time. You will get a **NEW** 720V voucher once you have successfully filed 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.

More Options for Taxpayers Paying Online

The Department of Revenue (DOR) is now able to offer taxpayers additional payment options for Corporation Income Tax and Limited Liability Entity Tax (LLET). Taxpayers can make a payment online for an e-filed Corporation Income Tax and/or LLET return that would normally be sent with a Form 720-V voucher. Corporation Income Tax and LLET payments for bills, estimates, and extensions can also be made using the Enterprise Electronic Payment System (EEPS). To use EEPS, go to **www.revenue.ky.gov** and click on the E-File & Payments tile. From the selections of tax types available, click "Corporation Income Tax" or "Limited Liability Entity Tax (LLET)" and select the Electronic Payment link. To make payments, the FEIN is required along with the Kentucky Corporation/LLET 6-digit account number.

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:

- **Account Closure**—There are different requirements for the Secretary of State and the Department of Revenue when ceasing operations and closing an account. It is advised that you consult with both agencies when closing a business tax account.
- **Account Number/FEIN**—Always ensure the correct Kentucky Corporation/LLET account number and FEIN is used on the return being filed.
- **Payments**—Place payments on the front of the return so that they are clearly visible. Do not leave check stubs attached to checks. Check stubs will delay the machines that sort incoming mail, which causes longer processing times.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty.
- **EFT Payments**—When making EFT payments online, use the Taxable Year Ending, **NOT** the due date of the payment.
- **Form 720V**—Form 720V is a payment voucher for e-filed returns, **NOT** an extension form. To extend a filing date, use Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for extending the filing date 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.
- **Incorrect Year Forms**—Returns submitted on the wrong year form on or after the due date will be accepted as timely filed, but will require the return to be revised on the correct year form before the return can be processed.
- **Additional errors that delay processing returns:**
 - Incorrect form submitted
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 720EXT when paying with an extension

IMPORTANT**S Corporations must create a Kentucky Form 4562,
Schedule D and Form 4797 by converting federal forms.****Schedule 4562**

Depreciation—For property placed in service after September 10, 2001, Kentucky depreciation (§168) is determined per the Internal Revenue Code (IRC) in effect on December 31, 2001.

Section 179 Deduction—For property placed in service after September 10, 2001, but prior to January 1, 2020, only the expense deduction (\$25,000) allowed under §179 of the IRC in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, is allowed.

For property placed in service on or after January 1, 2020, only the expense deduction (\$100,000) allowed under §179 of the IRC in effect on December 31, 2003, exclusive of any amendments made subsequent to that date, is allowed.

For 2019 returns, any S 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 IRC §179 expense deduction for Kentucky:

- MACRS bonus depreciation;
- IRC §179 expense deduction in excess of \$25,000 for property placed in service after September 10, 2001, but prior to January 1, 2020; or
- IRC §179 expense deduction in excess of \$100,000 for property placed in service on or after January 1, 2020.

If an S corporation has taken MACRS bonus depreciation or IRC §179 expense deduction in excess of the amounts outlined above for any year, federal and Kentucky differences will exist and the differences will continue through the life of the assets.

Important: If an S corporation has not taken MACRS bonus depreciation or the IRC §179 expense deduction in excess of the amounts outlined above 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 IRC §179 Deduction Differences—federal/Kentucky depreciation or IRC §179 deduction differences must be reported as follows:

1. The depreciation from federal Form 1120S, Line 14 and depreciation claimed on federal Form 1125-A or elsewhere 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 (§168) per the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance. **NOTE:** For Kentucky purposes, for property placed into service between September 10, 2001 and

December 31, 2019, the maximum IRC §179 deduction amount on Line 1 is \$25,000 and the threshold cost of IRC §179 property on Line 3 is \$200,000. For Kentucky purposes, for property placed into service on or after January 1, 2020, the maximum IRC §179 deduction amount on Line 1 is \$100,000 and the threshold cost of IRC §179 property on Line 3 is \$400,000. The maximum allowable IRC §179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying IRC §179 property placed in service during the year exceeds the threshold. In determining the IRC §179 deduction for Kentucky, the income limitation on Line 11 should be determined by using Kentucky net income before the IRC §179 deduction instead of federal taxable income.

3. The S corporation **must attach the Kentucky Form 4562** to Form 720S, and the amount from Kentucky Form 4562, Line 22 must be included on Form 720S, Part III, Line 8. A Kentucky Form 4562 must be filed for each year, even though a federal Form 4562 may not be required.

Schedule 4797 and Schedule D

Gains/Losses from Disposition of Assets—Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year the S corporation disposes of assets on which it has taken the special depreciation allowance or the additional IRC §179 deduction for federal income tax purposes, the S 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 A, Line 4(d) or 6. Enter the amount from Kentucky Schedule D, Line 15 on Form 720S, Schedule K, Section A, 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 per §§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 per KRS 141.010(16). For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) must 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 per KRS 141.0401(2), unless specifically excluded. See LLET Exemption Codes on page 9 of these instructions.

For tax years beginning on or after January 1, 2007, an S corporation is required: (1) to submit installments of tax on the recapture of LIFO reserves per IRC §1363(d); (2) pay tax on built-in gains per IRC §1374; and (3) pay tax on net passive investment income per IRC §1375. The tax rate imposed on the LIFO recapture, built-in gains, and net passive investment income is five percent (5%). **KRS 141.040(4)**

In determining tax per KRS Chapter 141, a resident individual, estate, or trust that is a shareholder of an S corporation must take into account the shareholder's total distributive share of the S corporation's items of income, loss, and deduction. In determining tax per KRS Chapter 141, a nonresident individual, estate, or trust that is a shareholder of an S corporation must 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. **KRS 141.206(11)(b), KRS 141.206(7) and (8)**

Resident and nonresident individual shareholders are entitled to a nonrefundable LLET credit against tax imposed under KRS 141.020 (Kentucky individual income tax). The nonrefundable LLET credit allowed shareholders is 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 may be applied to the income tax assessed on income from the S corporation. Any remaining credit from the S corporation will 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 141.019(1)(h) 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 141.019(1)(h) 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 15 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—Kentucky's Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each corporation should complete a Kentucky Tax Registration Application, Form 10A100, to register for a Kentucky Corporation/LLET Account Number. This account number will be used for remitting the corporation income tax per KRS 141.040 and the LLET per 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**.

***Note:** The One Stop Business Services login page provides information for 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. Welcome to the Kentucky Online Gateway. Select that you are a citizen or business partner. If you do not already have an account, click on **Create Account**. Complete your Kentucky Online Gateway user account. Once a user account has been created, an email will be sent to you with further instructions to activate the account and login. You must use the activation link in the email prior to logging in to your account.
4. Once logged in, launch the Kentucky Business One Stop App.
 - If your business needs to register with both the Secretary of State and the Department of Revenue or only needs to register with the Department of Revenue, use the **Register My Business** option, to register for tax accounts and your Commonwealth Business Identifier (CBI).
 - If the business is already registered with the Secretary of State and you do not already have access to the business on your Dashboard, choose the **Link My Business** option. Enter the Commonwealth Business Identifier (CBI), SecurityToken, and Business Name exactly as it appears on your Kentucky articles of organization/incorporation, your Kentucky Certificate of Authority, or your CBI letter (including all punctuation) and link your business, click **Send Invite** and follow the instructions sent to your email to register for tax accounts.

The Link My Business option will require you to name at least one “**One-Stop Portal Business Administrator**” (for example, 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, changing the business address, or filing and paying taxes. Only the One Stop business administrator(s) can grant, approve, withdraw, or revoke access to the business.*

- Once you have linked your business, your business name and CBI number will appear in the My Businesses box on the dashboard, click on the CBI number, once your business loads, click on the Tax Administration tab to register for tax accounts.

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 Form Search, and search for 10A100). The application may be faxed to 502-227-0772 or e-mailed to DOR.Registration@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 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(7), KRS141.040, 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 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 should be included in the return filed by its single member (owner). A single member filing Form 1120S for federal purposes must file Form 720S. **KRS 141.010(7) and KRS 141.200(10)**

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 per KRS 141.010, 141.120, and 141.206. (See Schedule A—Apportionment and Allocation Instructions.)

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 per KRS 141.010(22).

KRS 141.206(4) provides that for taxable years beginning on or after January 1, 2019, every pass-through entity required to file a return under KRS 141.206(1), except publicly traded partnerships defined in KRS 141.0401(6)(a)18 and (b)14, must 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 is at the highest rate provided in KRS 141.020 or KRS 141.040.

Withholding is not required if: (a) the partner, member, or shareholder is exempt from withholding per KRS 141.206(6)(a); (b) the partner or member is exempt from Kentucky income tax per KRS 141.040(1); (c) the pass-through entity is a qualified investment partnership per KRS 141.206(14), 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, 2019, a pass-through entity required to withhold or file a composite return on Kentucky income tax per KRS 141.206 must make estimated tax payments if required by KRS 141.206(5). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2019, 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 rate of five percent (5%) will 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 must 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(15)). 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 credits and deductions.

A pass-through entity must file Form 740NP-WH and complete a Form PTE-WH for each nonresident individual, estate, or trust partner, member, or shareholder; or corporate partner or member. Form 740NP-WH with Copy A of each Form PTE-WH must be filed and paid by the 15th day of the fourth month following the close of the taxable period. Provide copies B and C of Form PTE-WH to the partner, member, or shareholder.

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. Limited Liability Entity Tax—Continuation Sheet (Schedule L-C)
5. Cost of Goods Sold (Schedule COGS)
6. Application for Filing Extension (Form 720EXT)
7. Tax Credit Summary Schedule (Schedule TCS)
8. Related Party Costs Disclosure Statement (Schedule RPC)
9. 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 accepts 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 S 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, use 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.

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, Item F, and attach a copy of the federal approval to the return when filed. **KRS 141.140**

Mailing/Payment—Only include payment for corporation income tax and/or LLET.

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. **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 an S Corporation Income Tax and LLET Return may be obtained by filing Form 720EXT 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 720EXT must be used. For further information, see the instructions for Form 720EXT. **103 KAR 15:050**

Federal Extension—An S 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 return when it is filed. A copy of the federal Form 7004 should not be mailed to the Department of Revenue before filing the return.

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 720ES, 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 720ES 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 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 15th day of the 4th month, 25% of the estimated tax must be paid by the 15th day of the 4th month, 15th day of the 6th month, 15th day of the 9th month, and the 15th day of the 12th month each year.

Recalculating Estimated Tax—If after the S corporation calculates and pays its estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to recalculate its required installments. If earlier installments were underpaid, the S corporation may owe a penalty. An immediate payment should be made to reduce the amount of penalty resulting from the underpayment of earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Overpayment of Estimated Tax—An S corporation that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected tax liability and at least \$500. To apply, file Form 40A100, Application for Refund of Income Taxes and LLET.

Penalty—Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely will result in an addition to tax that will be considered a penalty under KRS 141.044. The tax interest rate identified under KRS 131.183 is the underpayment rate used to calculate the penalty. Generally, the entity is not required to calculate the penalty because the department will determine the penalty owed and bill the entity. However, the entity may choose to use Form 2220-K to determine the penalty. **KRS 141.044 and KRS 141.990**

Amended Return—To correct Form 720S as originally filed, file an amended Form 720S and check the appropriate box on page 1, Item 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 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.

Internal Revenue Service Audit Adjustments—An S corporation which has received final adjustments resulting from an Internal Revenue Service audit must submit copies of the “final determinations of the federal audit” within 180 days of the conclusion of the federal audit. Use Form 720S for reporting federal audit adjustments, check the Amended Return box, and attach the complete Revenue Agent Report (RAR).

Mail returns with federal audit adjustments (RAR) to:

**Corporate Governmental Programs Section
P. O. Box 1074, Station 68
Frankfort, KY 40602-1074**

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 2 for the current year rate.

Penalties—Refer below.

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)**

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)**

Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely penalty—The addition to tax is considered a penalty under KRS 141.044. The underpayment rate is the tax interest rate identified under KRS 131.183. **KRS 141.044**

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(3)**

Negligence—10 percent of the tax assessed. **KRS 131.180(6)**

Fraud—50 percent of the tax assessed. **KRS 131.180(7)**

Cost of Collection Fees—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)**

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 720S—SPECIFIC INSTRUCTIONS**Item A—LLET Exemption Code**

If the S corporation is exempt from LLET, 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 §269A(b)(1) of the Internal Revenue Code.
21	A qualified investment partnership as defined in KRS 141.206(14)(a).

Item B—Income Tax Exemption Code

If the S corporation is exempt from income tax, 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 S corporation is exempt from income tax as provided by Public Law 86-272.

Item C—Enter the number of shareholders on the first line and enter the number of Qualified Subchapter S Subsidiaries (QSSSs) included in this return on the second line.

Item D—Enter the S corporation's federal identification number. See federal Publication 583 if the S corporation has not obtained this number.

Item E—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, complete Form 20A100, "Declaration of Representative," and contact Registration at 502-564-3306 for instructions on how to obtain an account number.

Name and Address—Print or type the S 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 S corporation has a P.O. Box, show the box number instead of the street address.

Change of Name—Check the applicable box if the S corporation's name has changed since the filing of the prior year Kentucky tax return. Attach a statement to the tax return providing the S 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.

Period Covered—File the 2019 return for calendar year 2019 and fiscal years that begin in 2019. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 720S.

NOTE: For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

All S corporations must enter the 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:

$$\frac{12}{MM} / \frac{19}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2020, would be entered as:

$$\frac{01}{MM} / \frac{20}{YY}$$

- 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 the month would be entered as the month and year of the prior month. If it ends the first week of January 2020, the taxable year ending would be entered as:

$$\frac{12}{MM} / \frac{19}{YY}$$

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

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 Census Bureau at www.census.gov/eos/www/naics.

Item F—Check the applicable boxes:

- (a) *LLC*—The S corporation is organized as a limited liability company (LLC).
- (b) *Qualified Investment Partnership*—The S corporation is a qualified investment partnership per KRS 141.206(14)(a).
- (c) *Initial Return*—This is the corporation's first time filing an S corporation income tax return in Kentucky. Complete questions 1 and 2 on Schedule Q—Kentucky S Corporation Questionnaire.
- (d) *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.
- (e) *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.
- (f) *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.
- (g) *Amended Return*—This is an amended tax return. Provide an explanation of all changes in Part V – Explanation of Amended Return Changes.

Item G—Provider 3-Factor Apportionment Code

If the entity is a provider as defined in KRS 141.121(1)(e), enter one of the following two-digit codes in the space provided. The apportionment fraction for a provider continues to be calculated using a three (3)- factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018.

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	PROVIDER BUSINESS
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)

PART I – LLET COMPUTATION

Line 1—Enter the amount from Schedule L, Section D, Line 1.

Line 2—Enter the sum of all tax credit recapture amounts from Schedule RC–R, Line 12, Form 8874(K)-B, Line 3, and/or Schedule DS, page 2, Line 10. **Attach Schedule RC–R, Form 8874(K)-B and/or Schedule DS.**

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 nonrefundable 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 minimum.

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).**

NOTE: For applications approved prior to April 27, 2018, this credit is refundable and should be entered here. For applications approved on or after April 27, 2018, this credit is nonrefundable and should be entered on Schedule TCS.

Line 10—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to 2019 LLET from Form 720S, Part I, Line 20 of the 2018 return.

Line 12—Enter the income tax overpayment from Part II, Line 13 credited to the 2019 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—If an underpayment exists on Part II, Line 11, **Income tax due**, enter all or a portion of Line 16 of the overpayment to the 2019 corporation 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 2019 LLET interest due.

Line 19—Enter the portion of Line 16 to be credited to the 2019 LLET penalty due.

Line 20—Enter the portion of Line 16 to be credited to 2020 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 17.)

If the S 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 S corporation must pay a tax on the excess net passive income per KRS 141.040(4)(c). Complete Lines 1 through 3 and Line 9 of the worksheet on page 17 to make this determination. If Line 2 is greater than Line 3 and the S 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 17.)

If the S corporation for the taxable year has built-in gains per IRC §1374, the S corporation must pay a built-in gains tax as provided by KRS 141.040(4)(c).

IRC §1374 provides that the built-in gains tax may apply to the following S corporations: (1) An S corporation that was a C corporation before it elected to be an S corporation; or (2) 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 per IRC §1374(d)(8).

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: (1) 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 (2) 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 §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 S 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.

Line 6—Enter the amount of income tax paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 7—Enter the amount credited to the 2019 income tax from Form 720S, Part II, Line 16 of the 2018 return.

Line 8—Enter the LLET overpayment credited to the 2019 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— If an underpayment exists on Part I, Line 15, **LLET due**, enter all or a portion of Line 12 of the overpayment to the 2019 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 2019 corporation income tax interest due.

Line 15—Enter the portion of Line 12 to be credited to the 2019 corporation income tax penalty due.

Line 16—Enter the portion of Line 12 to be credited to 2020 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 141.039(2)(c)**

Line 3— See instructions on page 4 regarding depreciation and IRC §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 IRC §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 IRC §179 deduction). See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, Kentucky Form 4562 must be attached.

Line 9—Enter the amount from Schedule O—PTE, Part II, Line 7.

Line 10—Subtract Lines 7, 8, and 9 from Line 6.

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. For entities with income tax due on project income carried from Schedules KREDA-SP, KIDA-SP, KIRA-SP, KJDA-SP, KRA-SP, KJRA-SP, IEIA-SP, KBI-SP, and FON-SP, add the income tax liability due from specified credit schedule(s) to the income tax due line of the Tax Payment

Summary. Subtotal each and enter the total payment due on the Total Payment line.

SCHEDULE Q—Answer all applicable questions on Schedule Q. The Kentucky Secretary of State Organization number can be found online at www.sos.ky.gov. This is not the same number as the Corporation/LLET Account Number reported in Item E on page 1.

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 720S(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 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 5 of these instructions.

Section A—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 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 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 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 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 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 720S.** Otherwise, enter net gain (loss) under IRC §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.

Line 8—See instructions on page 4 regarding **depreciation and IRC §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 IRC §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 included on Line 9, Schedule K, Form 720S. See federal instructions for Schedule K, Form 1120S.

Line 12—Use the following codes for tax credits passed through to the S corporation's owners.

KSBTC—Kentucky Small Business tax credit per KRS 141.384; attach a copy of the Kentucky Economic Development Finance Authority notification

STICA—Skills Training Investment Credit Act tax credit per KRS 141.405; attach copy of the Bluegrass State Skills Corporation certification(s)

CR—Certified Rehabilitation tax credit per KRS 171.397; attach a copy of the Kentucky Heritage Council certification(s)

UTC—Kentucky Unemployment tax credit per KRS 141.065; attach Schedule UTC

RC—Recycling/Composting Equipment tax credit per KRS 141.390; attach Schedule RC

KIFA—Kentucky Investment Fund tax credit per KRS 154.20-258; attach a copy of the Kentucky Economic Development Finance Authority notification with the credit amount granted and the first year the credit may be claimed

QR—Qualified Research facility tax credit per KRS 141.395; attach Schedule QR

GED—GED incentive tax credit per KRS 151B.402; attach GED-Incentive Program Final Report (Form DAEL-31) for each employee that completed a learning contract during the year

VERB—Voluntary Environmental Remediation tax credit per KRS 141.418; attach Schedule VERB

BIO—Biodiesel tax credit per KRS 141.424; attach Schedule BIO

CCI—Clean Coal Initiative tax credit per KRS 141.428; attach Schedule CCI

ETH—Ethanol tax credit per KRS 141.4242; attach Schedule ETH

CELL—Cellulosic Ethanol tax credit per KRS 141.4244; attach Schedule CELL

RR-I—Railroad Maintenance and Improvement tax credit per KRS 141.385; attach Schedule RR-I

ENDOW—ENDOW Kentucky tax credit per KRS 141.438; attach Schedule ENDOW

NMDP—New Markets Development Program tax credit per KRS 141.434; attach Form 8874(K)-A

DS—Distilled Spirits tax credit per KRS 141.389; attach Schedule DS

FILM—Film Industry tax credit per KRS 141.383; attach film office certification

INV—Inventory tax credit per KRS 141.408; attach Schedule INV

Line 13(a)—Enter the information provided on federal Schedule K, Form 1120S, Line 12c(1).

Line 13(b)—Enter the amount reported on federal Schedule K, Form 1120S, Line 12c(2).

Line 14—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 15—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 16—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 17—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 18—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 13 through 19 including, but not limited to, any recapture of IRC §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.

Line 19—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 B—LLET Pass-through Items (Required)

Line 1—Enter the S corporation's Kentucky gross receipts from Schedule L, Section A, Column A, Line 2.

Line 2—Enter the S corporation's total gross receipts from Schedule L, Section A, Column B, Line 2.

Line 3—Enter the S corporation's Kentucky gross profits from Schedule L, Section A, Column A, Line 5.

Line 4—Enter the S corporation's total gross profits from Schedule L, Section A, Column B, Line 5.

Line 5—Enter the limited liability entity tax (LLET) nonrefundable credit from page 1, Part I, the total of Lines 4 and 6, less \$175.

SECTION C—Apportionment Pass-through Items (if applicable)

Line 1—Enter the S corporation's Kentucky receipts from Schedule A, Part I, Line 1.

Line 2—Enter the S corporation's total receipts from Schedule A, Part I, Line 2.

Section D—Apportionment for Providers (KRS 141.121(1)(e))

Line 1—Enter the S corporation's Kentucky property from Schedule A, Part I, Line 5.

Line 2—Enter the S corporation's total property from Schedule A, Part I, Line 6.

Line 3—Enter the S corporation's Kentucky payroll from Schedule A, Part I, Line 8.

Line 4—Enter the S corporation's total payroll from Schedule A, Part I, Line 9.

SCHEDULE L—LIMITED LIABILITY ENTITY TAX COMPUTATION

Purpose of Schedule—Schedule L, Limited Liability Entity Tax Computation, is used to compute the limited liability entity tax (LLET) per KRS 141.0401(2). If the S corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-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 is due per taxable year. *Taxable year* is defined as the period for which the return is made. **KRS 141.010(29)**

Section A of this schedule must be completed by the S corporation, except an S corporation exempt from LLET per KRS 141.0401(6). If the S corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-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 per 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.

SPECIFIC LINE INSTRUCTIONS

Check Box—If the entity is required to attach Schedule L-C, check the box.

Section A—Computation of Gross Receipts and Gross Profits

If the S corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-C and enter the total amounts from Schedule L-C, Section A, Lines 2 and 5 on Schedule L, Section A, Column A, Lines 2 and 5; and the total amounts from Schedule L-C, Section B, Lines 2 and 5 on Schedule L, Section A, Column B, Lines 2 and 5, and continue to Schedule L, Sections B, C, and D. If the amount in Section A, Column B, Line 2 is \$3,000,000 or less, STOP, and enter \$175 in Section D, Line 1.

Line 1(a)—Enter Kentucky gross receipts less returns and allowances in Column A and total gross receipts less returns and allowances in Column B. Gross receipts includes, but is not limited to sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

Line 1(b)—Enter Kentucky gross receipts allocable to a “qualified exempt organization” defined in KRS 141.0401(7).

Line 3(a)—Enter the Kentucky cost of goods sold and total cost of goods sold from Schedule COGS, Columns A and B, Line 8. For an entity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs can be claimed.
KRS 141.0401(1)(d)

Line 3(b)—Enter the Kentucky cost of goods sold associated with the gross receipts allocable to a “qualified exempt organization” defined in KRS 141.0401(7).

Section B—Computation of Gross Receipts LLET

Line 1—If gross receipts from all sources (Column B, Line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following: $(\text{Column A, Line 2} \times 0.00095) - (\$2,850 \times ((\$6,000,000 - \text{Column A, Line 2}) / \$3,000,000))$, but in no case shall the result be less than zero.

Line 2—If gross receipts from all sources (Column B, Line 2) are \$6,000,000 or greater, enter the following: $\text{Column A, Line 2} \times 0.00095$.

Line 3—Enter the amount from Line 1 or Line 2.

Section C—Computation of Gross Profits LLET

Line 1—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 2—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 3—Enter the amount from Line 1 or Line 2.

Section D—Computation of LLET

Line 1—Enter the lesser of Section B, Line 3 or Section C, Line 3. If less than \$175, enter the minimum of \$175 here and on page 1, Part I, Line 1.



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.

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.

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 19 must equal the amounts reported on Kentucky Schedule K, Lines 1 through 19. The total share items reported on all Schedules K-1, Sections B, C, and D must equal the amounts reported on the comparable lines of Schedule K, Sections B, C, and D. Schedule K-1, Section E does 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.

Sections A, B, C, and D—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 §469 passive activity and each IRC §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 19 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 IRC §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.

Instructions for Excess Net Passive Income Tax Worksheet:

1. Enter the gross receipts for the tax year. Also see §1362(d)(3)(B) of the IRC. 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 §1362(d)(3)(C) of the IRC. 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 §1375(b)(4) of the IRC 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 §1375(b)(2) of the IRC). 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 §1375(b)(4) of the IRC 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 §1.1374-1A(d) of the Treasury Regulations. Figure this income by completing Form 720, Part III, lines 1 through 17. 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 (see Schedule A instructions).
12. Enter the amount on Line 10 multiplied by the percentage on Line 11.
13. Excess net passive income tax—enter 5% 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 §1362(d)(3)(B)
2. Enter passive investment income as defined in IRC §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 (see Schedule A instructions).....
12. Multiply the amount on line 10 by the percentage on line 11
13. Enter 5% 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 §1374(d)(2)(B) of the IRC) and recognized built-in losses were taken into account.
2. Figure taxable income by completing Form 720, Part III, Lines 1 through 17. Follow the instructions for Form 720. Enter the amount from Form 720, Part III, Line 17 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 §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 §1374(b)(2) of the IRC and §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 (see Schedule A instructions).
7. Enter the amount on Line 5 multiplied by the percentage on Line 6.
8. Multiply the amount on Line 7 by 5% 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. IRC §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 (see Schedule A instructions).....
7. Multiply the amount on line 5 by the percentage on line 6.....
8. Enter 5% of line 7 on this line and on Form 720S, Part II, line 2.....

Schedule TCS is used by S corporations 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 the S corporation.

Economic Development Tax Credits—This section is completed only if a limited liability pass-through entity has been approved for one or more of the credits authorized by the: (1) Metropolitan College Consortium Tax Credit (MCC – KRS 141.381); (2) Kentucky Small Business Tax Credit Program (KSBTC – KRS 141.384); or (3) Skills Training Investment Credit Act (STICA – KRS 154.12).

A limited liability pass-through entity must not enter income or LLET tax credits on Schedule TCS from:

- Kentucky Rural Economic Development Act (KREDA – KRS 154.22);
- Kentucky Industrial Development Act (KIDA – KRS 154.28);
- Kentucky Jobs Retention Agreement (KJRA – KRS 154.25);
- Kentucky Industrial Revitalization Act (KIRA – KRS 154.26);
- Kentucky Jobs Development Act (KJDA – KRS 154.24);
- Kentucky Business Investment Program (KBI – KRS 154.32);
- Kentucky Reinvestment Act (KRA – KRS 154.34);
- Incentives for Energy Independence Act (IEIA – KRS 154.27); or
- Farming Operation Networking Project (FON – KRS 141.412).

A limited liability pass-through entity must file Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or 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 must be attached to the tax return. The credit for either the STICA or MCC must 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, 2027. 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 must be attached to the tax return. The credit for the KSBTC must 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).

Farming Operation Networking Tax Credit—A qualified farming operation which has a farm operation networking project approved by the Cabinet for Economic Development per KRS 141.410 to KRS 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or KRS 141.020 and KRS 141.0401 attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts 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 or KRS 141.040 and KRS 141.0401 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Certified copies must be attached to the return claiming the credit. **KRS 171.3961 and KRS 171.397**

Unemployment Tax Credit—If a taxpayer 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 or 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 per KRS 154.20–250 to KRS 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 or 141.040, 141.0401, 136.320, 136.300, 136.310, 136.505, and 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 must 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 will 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, will 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**

Qualified Research Facility Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or 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 or 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 151B.402**

Voluntary Environmental Remediation Tax Credit—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.1–514. 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 or KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at 502–564–6716. 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 or 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 will 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**

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 or KRS 141.020 or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per 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 is \$2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit will 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 or 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 will 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 or 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 will 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, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or KRS 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 must not exceed the product of \$3,500 multiplied by the sum of: (1) 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 (2) 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. Attach Schedule RR-I to the return when claiming the credit. **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 KRS 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 KRS 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and KRS 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 is limited to \$1 million. If the total amount of approved credit exceeds \$1 million, the department will 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 must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will 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, 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 KRS 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 will issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation per 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 must 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. **Note:** This credit may limit charitable contribution deductions allowed under Section 170 of the IRC. See the IRC and federal regulations for additional information on any limitations. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—A taxpayer that makes a qualified equity investment per KRS 141.432(7) in a qualified community development entity defined by KRS 141.432(6) is 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 is 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 is \$10 million, whether made by one or several qualified community development entities.

The amount of the credit will 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 KRS 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2018, the tax credit was repealed. Any unused credit may be carried forward for up to four (4) years after the credit was claimed. See Schedule TCS, Part II, line 18 to claim this credit. **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 KRS 141.040 and KRS 141.0401 is available to taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to: 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. Attach Schedule DS to the return claiming the credit. **KRS 141.389**

Film Industry Tax Credit—For applications approved on or after April 27, 2018, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to KRS 148.546. Attach film office certification to the return claiming the credit. **KRS 141.383**

Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. Attach Schedule INV to the return claiming the credit. **KRS 141.408**

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. Do not attach a copy of Form 62A500 to Form 720S.

Kentucky State Treasury—Unclaimed Property

Individuals

The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit www.treasury.ky.gov or www.missingmoney.com for more information on how to locate and claim any funds that may belong to you.

Businesses

Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit www.treasury.ky.gov for more information.

**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 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
502-564-5930

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.**

Shareholder's identifying number	S corporation's FEIN	Kentucky Corporation/LLET Account Number
Shareholder's name, address, and ZIP code		S corporation's name, address, and ZIP code <i>Check if applicable:</i> <input type="checkbox"/> Qualified investment pass-through entity

- A Shareholder's percentage of stock ownership for tax year▶ _____ %
- B (1) Resident shareholder's taxable percentage of pro rata share items▶ _____ 100%
- (2) Nonresident shareholder's taxable percentage of pro rata share items (see Schedule A instructions)▶ _____ %
- C What type of entity is this shareholder? Individual Estate Trust Single Member LLC
 ESOP Tax Exempt _____
- D Check the box if nonresident shareholder's income is reported on:
 Kentucky Nonresident Income Tax Withholding on Distributive Share Income Report
and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)
- E Check if applicable: (1) Final K-1 (2) Amended K-1

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

SECTION A	Pro Rata Share Items	Total Amount
Income (Loss) and Deductions		
1	Kentucky ordinary income (loss) from trade or business activities.....	00
2	Net income (loss) from rental real estate activities.....	00
3	Net income (loss) from other rental activities.....	00
4	Portfolio income (loss):	
	(a) Interest income.....	00
	(b) Dividend income.....	00
	(c) Royalty income.....	00
	(d) Net short-term capital gain (loss).....	00
	(e) Net long-term capital gain (loss).....	00
	(f) Other portfolio income (loss) (attach schedule).....	00
5	IRC §1231 net gain (loss) (other than due to casualty or theft).....	00
6	Other income (loss) (attach schedule).....	00
7	Charitable contributions (attach schedule).....	00
8	IRC §179 expense deduction (attach federal Form 4562 and Kentucky Form 4562).....	00
9	Deductions related to portfolio income (loss) (attach schedule).....	00
10	Other deductions (attach schedule).....	00
Investment Interest		
11	(a) Interest expense on investment debts.....	00
	(b) (1) Investment income included on lines 4(a), 4(b), 4(c), and 4(f) above.....	00
	(b) (2) Investment expenses included on line 9 above.....	00
Tax Credits (see instructions)		
12	Enter the applicable tax credit.....	
	(a) ▶ _____	00
	(b) ▶ _____	00
	(c) ▶ _____	00
	(d) ▶ _____	00
	(e) ▶ _____	00



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

SECTION A—continued		Pro Rata Share Items	Total Amount
Other Items			
13	(a) Type of IRC §59(e)(2) expenditures ▶ _____	13(a)	
	(b) Amount of IRC §59(e)(2) expenditures.....	(b)	00
14	Tax-exempt interest income.....	14	00
15	Other tax-exempt income.....	15	00
16	Nondeductible expenses.....	16	00
17	Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV....	17	00
18	Supplemental information required to be reported to each shareholder (attach schedule).....	18	
19	Total dividend distributions paid from accumulated earnings and profits.....	19	00

SECTION B—LLET Pass-through Items (Required)		SHAREHOLDER'S SHARE	
1	Kentucky gross receipts.....	1	00
2	Total gross receipts.....	2	00
3	Kentucky gross profits.....	3	00
4	Total gross profits.....	4	00
5	Limited liability entity tax (LLET) nonrefundable credit.....	5	00

SECTION C— Apportionment Pass-through Items		SHAREHOLDER'S SHARE	
1	Kentucky receipts.....	1	00
2	Total receipts.....	2	00

SECTION D— Apportionment for Providers (KRS 141.121(1)(e))		SHAREHOLDER'S SHARE	
1	Kentucky property.....	1	00
2	Total property.....	2	00
3	Kentucky payroll.....	3	00
4	Total payroll.....	4	00

SECTION E— Resident Shareholder Adjustment			
1	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).....	1	00
2	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).....	2	00
3	Enter the difference of lines 1 and 2 here and on appropriate line on Schedule M (see instructions).....	3	00

Note: An additional designation has been added to account for a K-1 issued to an employee stock ownership plan (ESOP). If you checked this box, disregard the other check boxes in Item C. The ESOP designation supersedes the entity type for purposes of this form. An ESOP is an employee-owner program that provides a company's workforce with an ownership interest in the company.

Who Must File—The shareholders are liable for tax on their share of the S Corporation 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.

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 an estate and trust, 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 who is not a resident of Kentucky.

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. **S Corporation 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.

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 §469 are figured at the shareholder level and may apply to any loss reported in Section A, 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 federal 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.

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 Section E, Lines 1 through 3.

Line 1—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 2—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 in Section A, Lines 1, 2, and 3 to exclude any income, loss, deduction, or expense related to a passive activity. Complete the passive activities adjustment worksheet (Form 8582-K) to determine additions to or subtractions from federal adjusted gross income. **See Form 740 instructions for Schedule M, Line 5 and/or Line 14.**

If amounts in Section A, Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include in Section A, Lines 1 and 2. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 3—Enter difference of Section E, Lines 1 and 2. If Line 1 is greater than Line 2, enter the difference as an addition to

federal adjusted gross income on Schedule M, Line 2. If Line 2 is greater than Line 1, enter the difference as a subtraction on Schedule M, Line 11.

Caution: If the amount in Section E, Line 1 is a (loss) and Line 2 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 either Line 1 or Line 2 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 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 must 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 13(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 13(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, Page 4, Line 32 (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, Page 4, Line 3.

Line 4(b)—Enter on Form 740-NP, Page 4, 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, if applicable.

Line 10—Enter on applicable form or schedule (see federal Shareholder's Instruction for Schedule K-1 (Form 1120S)).

For All Shareholders

Lines 11 and 13 through 19—See federal Shareholder's Instructions for Lines 12, 16, and 17, Schedule K-1 (Form 1120S).

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).

Individual Shareholders (LLET Credit)

Enter the net distributive share income from Kentucky Schedule K-1 (Form 720S), Section A, 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 Section B, Line 5 on Line 7 of the Kentucky Limited Liability Entity Tax Credit Worksheet.

Sections C and D—See Schedule A, Apportionment and Allocation.



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

Name of Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
	_____ - _____	_____ - _____

PART I—ADDITIONS TO FEDERAL ORDINARY INCOME

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 adjustments (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

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 Enter subtractions from federal taxable income from Kentucky Schedule(s) K-1	4		00
5 Internal Revenue Code adjustments (see instructions)	5		00
6 Other subtractions (attach explanation)	6		00
7 Total of lines 1 through 6 (enter on Form 720S, Part III, line 9; or Form 765 or 765-GP, Part I, line 9)	7		00

Purpose of Schedule—Schedule O-PTE is used by an entity filing Kentucky Form 720S, 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, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

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 per the IRC must be applied using Kentucky taxable income and deductions.**

Line 4—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 5— Kentucky's IRC reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

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 6—Enter any other subtractions from 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 9; or Form 765 or 765-GP, Part I, Line 9).



➤ See instructions.

SCHEDULE K—SHAREHOLDERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC., EXCLUDING THE ECONOMIC DEVELOPMENT PROJECT(S)

SECTION A		Pro Rata Share Items	(a) Total Amount	(b) Adjustments	(c) Net Kentucky Amount
Income (Loss) and Deductions					
1		Kentucky ordinary income (loss) from trade or business activities (Form 720S, Part III, line 10) .	1	00	00
2		Net income (loss) from rental real estate activities (attach federal Form 8825).....	2	00	00
3	(a)	Gross income from other rental activities.....	00		
	(b)	Less expenses from other rental activities (attach schedule).....	00		
	(c)	Net income (loss) from other rental activities (line 3a less line 3b)	3(c)	00	00
4		Portfolio income (loss):			
	(a)	Interest income	4(a)	00	00
	(b)	Dividend income.....	(b)	00	00
	(c)	Royalty income	(c)	00	00
	(d)	Net short-term capital gain (loss)(attach federal Schedule D and Kentucky Schedule D, if applicable).....	(d)	00	00
	(e)	Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable).....	(e)	00	00
	(f)	Other portfolio income (loss) (attach schedule)	(f)	00	00
5		IRC §1231 net gain (loss) (other than due to casualty or theft) (attach federal Form 4797 and Kentucky Form 4797)	5	00	00
6		Other income (loss) (attach schedule)	6	00	00
7		Charitable contributions (attach schedule)	7	00	00
8		IRC §179 expense deduction (attach federal Form 4562 and Kentucky Form 4562).....	8	00	00
9		Deductions related to portfolio income (loss) (attach schedule)	9	00	00
10		Other deductions (attach schedule)	10	00	00
Investment Interest					
11	(a)	Interest expense on investment debts	11(a)	00	00
	(b)(1)	(1) Investment income included on lines 4(a), 4(b), 4(c), and 4(f) above.....	(b)(1)	00	00
	(b)(2)	(2) Investment expenses included on line 9 above.....	(b)(2)	00	00
Tax Credits (see instructions)					
12		Enter the applicable tax credit			
	(a)	➤	12(a)	00	00
	(b)	➤	(b)	00	00
	(c)	➤	(c)	00	00
	(d)	➤	(d)	00	00
	(e)	➤	(e)	00	00



SCHEDULE K—SHAREHOLDERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC., EXCLUDING THE ECONOMIC DEVELOPMENT PROJECT(S)

SECTION A—continued

Pro Rata Share Items

Other Items

13 (a) Type of IRC §59(e)(2) expenditures ▶	13(a)					
(b) Amount of IRC §59(e)(2) expenditures	(b)		00		00	00
14 Tax-exempt interest income	14		00		00	00
15 Other tax-exempt income	15		00		00	00
16 Nondeductible expenses	16		00		00	00
17 Total property distributions (including cash) other than dividends reported on line 19 below.....	17		00		00	00
18 Other items and amounts required to be reported separately to shareholders (attach schedule).....	18					
19 Total dividend distributions paid from accumulated earnings and profits	19		00		00	00

SECTION B—LLET Pass-through Items (Required)

Total Amount

1 Kentucky gross receipts from Schedule L, Section A, Column A, line 2.....	1				00
2 Total gross receipts from Schedule L, Section A, Column B, line 2	2				00
3 Kentucky gross profits from Schedule L, Section A, Column A, line 5	3				00
4 Total gross profits from Schedule L, Section A, Column B, line 5.....	4				00
5 Limited liability entity tax (LLET) nonrefundable credit from page 1, Part I, the total of lines 4 and 6, less \$175	5				00

SECTION C—Apportionment Pass-through Items

Total Amount

1 Kentucky receipts from Schedule A, Part I, line 1	1				00
2 Total receipts from Schedule A, Part I, line 2.....	2				00

SECTION D—Apportionment for Providers (KRS 141.121(1)(e))

1 Kentucky property from Schedule A, Part I, line 5	1				00
2 Total property from Schedule A, Part I, line 6	2				00
3 Kentucky payroll from Schedule A, Part I, line 8.....	3				00
4 Total payroll from Schedule A, Part I, line 9	4				00

INSTRUCTIONS—KENTUCKY SCHEDULE K FOR S CORPORATIONS WITH ECONOMIC DEVELOPMENT PROJECT(S)

IMPORTANT: An S corporation that has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), 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) must use this Schedule K instead of Form 720S Schedule K.

Purpose of Schedule—This schedule is used to determine the shareholders' shares of each item of income, credit, deduction, etc., excluding the amount of each item of income, credit, deduction, etc., attributable to the project(s). See Instructions for Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or FON-SP for additional information on this exclusion.

SECTION A INSTRUCTIONS

Column (a)—Complete this column following the instructions for Form 720S Schedule K.

Column (b)—For each item of income or deduction, enter the amount attributable to the project or projects. If the S corporation has more than one project, attach a schedule reflecting the computation of the total amount of each item.

If the S corporation's only operation is the project or projects, the amount entered for each item should be the same as the amount entered in column (a).

Attach applicable tax computation schedule(s) (Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or FON-SP) and supporting schedules for each project.

Column (c)—For each item of income or deduction, subtract the amount in column (b) from the amount in column (a) and enter the result. The amounts from this column are used to determine the amount of income, credits, deductions, etc. reflected on each shareholder's Kentucky Schedule K-1. The total pro rata share items of all Schedules K-1 should equal the amount reported on the same lines of this column, Lines 1 through 19.

SECTIONS B, C, AND D INSTRUCTIONS

See instructions for Sections B, C, and D of Form 720S Schedule K.

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▶ See instructions. Taxable period beginning _____, 20____, and ending _____, 20____.

A If exempt from LLET, file Form 725	B FEIN/SSN _____			C Kentucky Corporation/LLET Account Number (Required) _____		
	Name of LLC _____ <input type="checkbox"/> Change of Name				Taxable Year Ending ____ / ____ M M / Y Y	
	Number and Street _____				State and Date of Organization _____	
	City _____ State _____ ZIP Code _____ Telephone Number _____				Principal Business Activity in KY _____	
					NAICS Code Number in KY (See www.census.gov) _____	
D Check if applicable: <input type="checkbox"/> Initial return <input type="checkbox"/> Final return (Complete Part III) <input type="checkbox"/> Change of accounting period <input type="checkbox"/> Short-period return (Complete Part III) <input type="checkbox"/> Qualified investment pass-through entity						

PART I—QUALIFICATION QUESTIONS

All of the following statements must be true of the LLC to use this form. Use Form 725 if any of the following statements are false.	TRUE	FALSE
1 Gross receipts from all sources were \$3,000,000 or less.		
2 All of the LLC's activities were in Kentucky.		
3 The single member is a Kentucky resident.		
4 No tax credits or recaptures are claimed on this return.		
5 The LLC was not an owner in a pass-through entity.		
6 No prior year tax credit exists.		

PART II—LLET COMPUTATION

1 Minimum \$175 LLET tax due.....	1	\$175	00
2 Estimated tax payments.....	2		00
3 Extension payment.....	3		00
4 Penalty and/or Interest due.....	4		
5 Total tax, interest, and penalty due (add lines 1 and 4).....	5		
6 Total amount paid (add lines 2 and 3).....	6		
7 If line 5 is greater than line 6, you owe . Enter the amount due here (line 5 less line 6).....	7	<input type="text" value="OWE"/>	
8 If line 6 is greater than line 5, you overpaid . Enter the overpayment here (line 6 less line 5) ...	8	<input type="text" value="REFUND"/>	

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

<input type="checkbox"/> Ceased operations in Kentucky <input type="checkbox"/> Change of ownership <input type="checkbox"/> Successor to previous business	<input type="checkbox"/> Change in filing status <input type="checkbox"/> Merger <input type="checkbox"/> Other _____	<p style="text-align: center;">LLET Payment Summary</p> <table style="width:100%;"> <tr> <td>1 LLET due</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>2 Interest</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>3 Penalty</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>4 Total Payment</td> <td style="text-align: right;">\$ _____</td> </tr> </table>	1 LLET due	\$ _____	2 Interest	\$ _____	3 Penalty	\$ _____	4 Total Payment	\$ _____
1 LLET due	\$ _____									
2 Interest	\$ _____									
3 Penalty	\$ _____									
4 Total Payment	\$ _____									

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of Member	Date
	Name of Member	Title
Paid Preparer Use	Signature of Preparer	Date
	Name of Preparer or Firm	ID Number
	Email and/or Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No

Enclose	All supporting federal forms and schedules, including Federal Schedule(s) C, E, and/or F.	Refund or No Payment	Kentucky Department of Revenue P. O. Box 856905 Louisville, KY 40285-6905	OFFICIAL USE ONLY	
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov	With Payment	Kentucky Department of Revenue P. O. Box 856910 Louisville, KY 40285-6910	P W 2 0 4 V A L #	



SCHEDULE Q—SINGLE MEMBER LIMITED LIABILITY COMPANY QUESTIONNAIRE

IMPORTANT: Questions 3—9 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 and 2 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 If a foreign limited liability company, enter the date qualified to do business in Kentucky. ___ / ___ / ___

3 List the following **Kentucky** account numbers. Enter N/A for any number not applicable.

KY Secretary of State Organization _____
 Nonresident Income Tax Withholding _____
 Employer Withholding _____
 Sales and Use Tax Permit _____
 Consumer Use Tax _____
 Unemployment Insurance _____
 Coal Severance and/or Processing Tax _____

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 Is the entity filing this Kentucky tax return organized as a statutory trust or a series statutory trust per 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: _____

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

8 Did the limited liability company file a Kentucky tangible personal property tax return for January 1, 2020?
 Yes No

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

9 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.**



► See instructions. Taxable period beginning _____, 20____, and ending _____, 20____.

A LLET Exemption Code Enter Code ____	B FEIN/SSN _____			C Kentucky Corporation/LLET Account Number (Required) _____		
	Name of LLC _____ <input type="checkbox"/> Change of Name				Taxable Year Ending ____ / ____	
	Number and Street _____				State and Date of Organization _____	
	City _____ State _____ ZIP Code _____ Telephone Number _____				Principal Business Activity in KY _____	
	D Check if applicable: <input type="checkbox"/> Initial return <input type="checkbox"/> Change of accounting period <input type="checkbox"/> Qualified investment partnership				<input type="checkbox"/> Final return (Complete Part IV) <input type="checkbox"/> Short-period return (Complete Part IV) <input type="checkbox"/> Amended return (Complete Part V)	
E Is Single Member a... <input type="checkbox"/> Kentucky Resident			<input type="checkbox"/> Non-Resident			
If non-resident, LLC must also file Form 740NP-WH						
F Provider 3-Factor Apportionment Code _____						

PART I—KENTUCKY NET DISTRIBUTABLE INCOME				PART II—LLET COMPUTATION			
1 Ordinary income (loss).....	1		00	1 Schedule L, Section D, line 1 (Page 4)	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 IRC §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. (see instructions).....	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 2019 Interest.....	16		
				17 Credited to 2019 Penalty.....	17		
				18 Credited to 2020 LLET.....	18		00
				19 Amount to be refunded	19		

TAX PAYMENT SUMMARY				OFFICIAL USE ONLY	
LLET	INCOME			P W 2 0 4	
1 LLET due (Part II, Line 14) \$ _____	1 Income Tax Due \$ _____				
2 Interest \$ _____	2 Interest \$ _____				
3 Penalty \$ _____	3 Penalty \$ _____				
4 Subtotal \$ _____	4 Subtotal \$ _____			V A L	
TOTAL PAYMENT (Add Subtotals).....► \$ _____					



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

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of Member	Date
	Name of Member	Title
Paid Preparer Use	Signature of Preparer	Date
	Name of Preparer or Firm	ID Number
	Email and/or Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No

Enclose	All supporting federal forms and schedules, including Federal Schedule(s) C, E, and/or F.	Refund or No Payment	Kentucky Department of Revenue P. O. Box 856905 Louisville, KY 40285-6905
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov	With Payment	Kentucky Department of Revenue P. O. Box 856910 Louisville, KY 40285-6910



SCHEDULE Q—SINGLE MEMBER LIMITED LIABILITY COMPANY QUESTIONNAIRE

IMPORTANT: Questions 3—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 and 2 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 If a foreign limited liability company, enter the date qualified to do business in Kentucky.

- 3 List the following Kentucky account numbers. Enter N/A for any number not applicable. KY Secretary of State Organization, Nonresident Income Tax Withholding, Employer Withholding, Sales and Use Tax Permit, Consumer Use Tax, Unemployment Insurance, Coal Severance and/or Processing Tax

4 The limited liability company's books are in care of: (name and address)

5 Are disregarded entities included in this return?
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?
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?

7 Is the entity filing this Kentucky tax return organized as a statutory trust or a series statutory trust per KRS Chapter 386A?

If yes, is the entity filing this Kentucky tax return a series within a statutory trust?

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, 2020?

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?
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.



SCHEDULE L – LIMITED LIABILITY ENTITY TAX COMPUTATION

Check this box and complete Schedule L-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 doing business in Kentucky. Enter the total amounts from Schedule L-C in Section A of this schedule.

SECTION A – Computation of Gross Receipts and Gross Profits

		Column A Kentucky		Column B Total	
1(a) Gross receipts less returns and allowances	1(a)		00		00
(b) Kentucky statutory gross receipts reductions (see instructions)	(b)		00		
2 Adjusted gross receipts (line 1(a) less line 1(b)).....	2		00		00
3(a) Cost of goods sold (attach Schedule COGS).....	3(a)		00		00
(b) Kentucky statutory cost of goods sold reductions (see instructions) ...	(b)		00		
4 Adjusted cost of goods sold (line 3(a) less line 3(b))	4		00		00
5 Gross profits (line 2 less line 4).....	5		00		00



If Section A, Column B, Line 2 or 5 is \$3,000,000 or less, STOP and enter \$175 in Section D, line 1 below.

SECTION B – Computation of Gross Receipts LLET

1 If gross receipts from all sources (Column B, line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following: (Column A, line 2 x 0.00095) – $\left[\frac{\$2,850 \times (\$6,000,000 - \text{Column A, line 2})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	1		00		
2 If gross receipts from all sources (Column B, line 2) are \$6,000,000 or greater, enter the following: Column A, line 2 x 0.00095.....	2		00		
3 Enter the amount from line 1 or line 2.....	3		00		

SECTION C – Computation of Gross Profits LLET

1 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) – $\left[\frac{\$22,500 \times (\$6,000,000 - \text{Column A, line 5})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	1		00		
2 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.....	2		00		
3 Enter the amount from line 1 or line 2.....	3		00		

SECTION D – Computation of LLET

1 Enter the lesser of Section B, line 3 or Section C, line 3 here and on Page 1, Part II, line 1. If less than \$175, enter the minimum of \$175 here and on Page 1, Part II, line 1.....	1		00		
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KENTUCKY SINGLE MEMBER LLC INDIVIDUALLY OWNED INCOME AND LLET RETURN

2019

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) or; if eligible, a Kentucky Single Member LLC Individually Owned LLET Return (Form 725-EZ).

KENTUCKY TAX LAW CHANGES

Enacted by the 2019 Regular Session of the General Assembly—Kentucky clarified and modified several of the tax changes passed in 2018. The Department of Revenue (“Department”) has guidance at <https://revenue.ky.gov/TaxProfessionals/Pages/default.aspx>.

Internal Revenue Code (IRC) Update—House Bill (HB) 354 updated the Internal Revenue Code (IRC) reference date to December 31, 2018 for taxable years beginning on or after January 1, 2019.

Estimated Tax Payment Requirements—2019 estimated tax rules and penalties changed to generally follow federal for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Seven-month Extensions for C Corporations—C corporations requesting an extension of time to file (on Form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.

Unitary Combined Filing Required—Corporations doing business in Kentucky that are part of a unitary

HOW TO OBTAIN ADDITIONAL FORMS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (see 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.

business must begin filing combined returns for tax years beginning on or after January 1, 2019, unless they elect to file a same-as-federal affiliated group consolidated return. Unitary combined filers should use the new Form 720U and accompanying schedules.

- **Net Operating Losses (NOL)**—HB 458 allows NOLs to be shared among taxpayer members of a combined group, subject to certain limitations.
- **“Common control” defined**—Corporations within a combined group must be more than 50% owned by another corporation within the group.
- **Intercompany eliminations**—Intercompany transactions should be eliminated in the calculation of combined income and gross receipts.
- **Includible entities.** HB 354 and HB 458 clarified the definitions of “water’s edge”, “tax haven”, and other provisions affecting which companies are included in the combined group. **KRS 141.202**
- **Regulatory guidance.** The department proposed a regulation, 103 KAR 16:400, to provide taxpayers additional guidance on unitary combined filing.

Elective Consolidated Returns—The election period was shortened to 48 months (from the previous 96 months). To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached

to the return for each year in which the election is effective.

Tax Credit Changes:

Inventory Tax Credit—The inventory tax credit increases to 50% of the ad valorem (tangible personal property) tax timely paid in 2019. Rental heavy equipment is now subject to ad valorem tax and thus is eligible for the credit.

Kentucky Revised Statutes—Kentucky Revised Statutes are referred to in these instructions as “KRS” and can be found online at www.lrc.ky.gov/statutes.

Kentucky Administrative Regulations—Kentucky Administrative Regulations are referred to in these instructions as “KAR” and can be found online at www.lrc.ky.gov/kar/titles.htm.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2020 tax interest rate has been set at five percent (5%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is seven percent (7%) and when interest is due on a refund, the rate is three percent (3%).

KENTUCKY FORM CHANGES

New:

Form 720U—Unitary combined filers should use the new Form 720U and accompanying schedules included in the 720U packet to file their returns.

Form 722—Use Form 722 to elect to file a consolidated return including all members of the federal affiliated group. To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

Updated:

Form 2220-K—Updated to include estimated tax rules and penalty changes to follow federal rules for corporations and pass-through entities. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Form 720ES—Updated to include estimated tax changes to generally follow federal dates for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes.

KIRA-SP, KJDA-SP, KJRA-SP, and KBI-SP—Updated to request the amount of credit claimed for local wage assessments.

Forms 725, 725-EZ, and 765—Updated to include income tax payment summary.

Schedule INV—Updated to include Section A to report the Timely Inventory Tax Paid per local bills.

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 complete Form 20A100, "Declaration of Representative" and contact our **Registration Section at 502-564-3306** for instructions on how to obtain an account number.
- 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 720V voucher at that time. You will get a **NEW** 720V voucher once you have successfully filed 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.

More Options for Taxpayers Paying Online

The Department of Revenue (DOR) is now able to offer taxpayers additional payment options for Limited Liability Entity Tax (LLET). Taxpayers can make a payment online for an e-filed Kentucky Single Member LLC Income and LLET Return that would normally be sent with a Form 720-V voucher. LLET payments for bills, estimates, and extensions can also be made using the Enterprise Electronic Payment System (EEPS). To use EEPS, go to www.revenue.ky.gov and click on the E-File & Payments tile. From the selections of tax types available, click "Limited Liability Entity Tax (LLET)" and select the Electronic Payment link. To make payments, the FEIN is required along with the Kentucky Corporation/LLET 6-digit account number.

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:

- **Account Closure**—There are different requirements for the Secretary of State and the Department of Revenue when ceasing operations and closing an account. It is advised that you consult with both agencies when closing a business account.
- **Account Number/FEIN**—Always ensure the correct Kentucky Corporation/LLET account number and FEIN is used on the return being filed.
- **Payments**—Place payments on the front of the return so that they are clearly visible. Do not leave check stubs attached to checks. Check stubs will delay the machines that sort incoming mail, which causes longer processing times.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty.
- **EFT Payments**—When making EFT payments online, use the Taxable Year Ending, NOT the due date of the payment.
- **Form 720V**—Form 720V is a payment voucher for e-filed returns, NOT an extension form. To extend a filing date, use Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for extending the filing date 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.
- **Incorrect Year Forms**—Returns submitted on the wrong year form, on or before the due date, will be accepted as timely filed, but will require the return to be revised on the correct year form before the return can be processed.
- **Additional errors that delay processing:**
 - Incorrect form submitted
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 720EXT when paying with an extension

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 per KRS 141.010(16). For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) must 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 per KRS 141.0401(2), unless specifically excluded. See LLET exemption codes on page 9 of these instructions.

A single member LLC whose single member is an individual must file a Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725) or, if eligible, a Kentucky Single Member LLC Individually Owned LLET Return (Form 725-EZ).

A resident or nonresident individual single member is 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 is 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 may be applied to the income tax assessed on income from the single member LLC. Any remaining credit from the single member LLC will be disallowed. **KRS 141.0401(3)**

GENERAL INFORMATION

Internal Revenue Code Reference Date— Kentucky's Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each entity should complete a Kentucky Tax Registration Application, Form 10A100, to register for a Kentucky Corporation/LLET Account Number. This account number will be used for remitting the corporation income tax per KRS 141.040 and LLET per 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**.

Note: The One Stop Business Services login page provides information for 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. Welcome to the Kentucky Online Gateway. Select that you are a citizen or business partner. If you do not already have an account, click on **Create Account**. Complete your Kentucky Online Gateway user account. Once a user

account has been created, an email will be sent to you with further instructions to activate the account and login. You must use the activation link in the email prior to logging in to your account.

4. Once logged in, launch the Kentucky Business One Stop App.
 - If your business needs to register with both the Secretary of State and the Department of Revenue or only needs to register with the Department of Revenue, use the **Register My Business** option, to register for tax accounts and your Commonwealth Business Identifier (CBI).
 - If the business is already registered with the Secretary of State and you do not already have access to the business on your Dashboard, choose the **Link My Business** option. Enter the Commonwealth Business Identifier (CBI), Security Token, and Business Name exactly as it appears on your Kentucky articles of organization/incorporation, your Kentucky Certificate of Authority, or your CBI letter (including all punctuation) and link your business, click Send Invite and follow the instructions sent to your email to register for tax accounts.

The Link My Business option will require you to name at least one **"One-Stop Portal Business Administrator"** (for example, 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, changing the business address, or filing and paying taxes. Only the One Stop business administrator(s) can grant, approve, withdraw, or revoke access to the business.

5. Once you have linked your business, your business name and CBI number will appear in the My Businesses box on the dashboard, click on the CBI number, once your business loads, click on the Tax Administration tab to register for accounts.

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 Form Search, and search for 10A100). The application may be faxed to 502-227-0772 or e-mailed to DOR.Registration@ky.gov.

Who Must File—Kentucky Single Member LLC

LLET—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) or a Kentucky Single Member LLC Individually Owned LLET Return (Form 725-EZ) 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(7), KRS 141.0401, 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 per KRS 141.010(16) and is subject to the limited liability entity tax per 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) or a Kentucky Single Member LLC Individually Owned LLET Return (Form 725-EZ) 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 or Form 725-EZ per KRS 141.010, KRS 141.0401, and KRS 141.206. (See Schedule A—Apportionment and Allocations Instructions.)

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(4) provides that for taxable years beginning on or after January 1, 2019, every pass-through entity required to file a return under KRS 141.206(1), except publicly traded partnerships defined in KRS 141.0401(6)(a)18 and (b)14, must 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 is at the highest rate provided in KRS 141.020 or KRS 141.040.

Withholding will not be required if: (a) the partner, member, or shareholder is exempt from withholding per KRS 141.206(6)(a); (b) the partner or member is exempt from Kentucky income tax per KRS 141.020 or KRS 141.040; (c) the pass-through entity is a qualified investment partnership per KRS 141.206(4), 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, 2019, a pass-through entity required to withhold or file a composite return on Kentucky income tax per KRS 141.206 must make estimated tax payments if required by KRS 141.206(5). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2019, 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 rate of five percent (5%) will 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 must 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(15)). 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 credits and deductions.

A pass-through entity must file Form 740NP-WH and complete a Form PTE-WH for each nonresident individual or corporate partner or member. Form 740NP-WH with Copy A of each Form PTE-WH must be filed and paid with the Kentucky Department of Revenue by the 15th day of the fourth month following the close of the taxable year. Provide copies B and C of Form PTE-WH to the partners, members, or shareholders.

Required Forms and Information—A single member LLC must enter all applicable information on Form 725 or Form 725-EZ, 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. Apportionment and Allocation (Schedule A)
3. Limited Liability Entity Tax—Continuation Sheet (Schedule L-C)
4. Application for Filing Extension (Form 720EXT)
5. 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 accepts 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, use 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.

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, Item D and attach a copy of the federal approval to the return when filed. **KRS 141.140**

Mailing/Payment—Only include payment for Corporation Income Tax and/or LLET.

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 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)**

Extensions—A six-month extension of time to file a Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725) or, if eligible, a Kentucky Single Member LLC Individually Owned LLET Return (Form 725-EZ) may be obtained by filing Form 720EXT, 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 720EXT must be used. For further information, see the instructions for Form 720EXT. **103 KAR 15:050**

Federal Extension—A single member LLC 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 if a copy of the federal Form 7004 is attached to the Kentucky return when it is filed. **A copy of the federal Form 7004 should not be mailed to the Department of Revenue before filing the return.**

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 (Form 725 filers only) 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 15th day of the 4th month, 25% of the estimated tax must be paid by the 15th day of the 4th month, 15th day of the 6th month, 15th day of the 9th month, and the 15th day of the 12th month.

Recalculating Estimated Tax—If after the single member LLC calculates and pays its estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to recalculate its required installments. If earlier installments were underpaid, the single member LLC may owe a penalty. An immediate payment should be made to reduce the amount of penalty resulting from the underpayment of earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Overpayment of Estimated Tax—A single member LLC that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected tax liability and at least \$500. To apply, file Form 40A100, Application for Refund of Income Taxes and LLET.

Penalty—Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely will result in an addition to tax that will be considered a penalty under KRS 141.044. The tax interest rate identified under KRS 131.183 is the underpayment rate used to calculate the penalty. Generally, the entity is not required to calculate the penalty because the department will determine the penalty owed and bill the entity. However, the entity may choose to use Form 2220-K to determine the penalty. **KRS 141.044 and KRS 141.990**

Amended Return—To correct Form 725 as originally filed, file an amended Form 725 and check the appropriate box on page 1, Item D.

Internal Revenue Service Audit Adjustments—A Kentucky individually owned single member LLC which has received final adjustments resulting from an Internal Revenue Service audit must submit copies of the “final determinations of the federal audit” within 180 days of the conclusion of the federal audit. Use Form 725 for reporting federal audit adjustments, check the Amended Return box, and attach the complete Revenue Agent Report (RAR).

Mail returns with federal audit adjustments (RAR) to:

Corporate Governmental Programs Section
P. O. Box 1074, Station 68
Frankfort, KY 40602-1074

Interest—Interest at the tax interest rate plus two percent 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 2 for the current year rate.

Penalties—Refer below.

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)**

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)**

Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely penalty—The addition to tax is considered a penalty under KRS 141.044. The underpayment rate is the tax interest rate identified under KRS 131.183. **KRS 141.044**

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(3)**

Negligence—10 percent of the tax assessed. **KRS 131.180(6)**

Fraud—50 percent of the tax assessed. **KRS 131.180(7)**

Cost of Collection Fees—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)**

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 725-EZ – SPECIFIC INSTRUCTIONS

Item A—If the single member LLC is exempt from LLET, file Form 725. **Failure to file the correct return will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

Item B—Enter the federal identification number (FEIN) if the single member LLC has obtained this number. Otherwise, enter the social security number (SSN) of the single member owner.

Item C—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, complete Form 20A100, “Declaration of Representative”, and contact Registration at 502-564-3306 for instructions on how to obtain an account 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, enter the box number instead of the street address.

Change of Name—Check the applicable box if the entity’s name has changed since the filing of the prior year Kentucky tax return. Attach a statement to the tax return providing the entity’s name reported on the prior year Kentucky tax return.

Telephone Number—Enter the business telephone number of the member signing this return.

Period Covered—File the 2019 return for calendar year 2019 and fiscal years that begin in 2019. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 725-EZ.

NOTE: For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

All Kentucky individually owned single member LLC's must enter the Taxable Year Ending at the top right of Form 725-EZ 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:

$$\frac{12}{MM} / \frac{19}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2020, would be entered as:

$$\frac{01}{MM} / \frac{20}{YY}$$

- 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 the month would be entered as the month and year of the prior month. If it ends the first week of January 2020, the taxable year ending would be entered as:

$$\frac{12}{MM} / \frac{19}{YY}$$

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

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 Census Bureau at www.census.gov/eos/www/naics.

Item D—Check the applicable boxes.

- (a) **Initial Return**—This is the single member LLC's first time filing a single member LLC return in Kentucky. Complete questions 1 and 2 of Schedule Q, Single Member Limited Liability Company Questionnaire.

- (b) **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.

- (c) **Qualified Investment Partnership**—The single member LLC is a qualified investment partnership per KRS 141.206(14)(a).

- (d) **Final Return**—This is the single member LLC's final Kentucky tax return. Check the appropriate box in Part III-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 is not an initial or final return. Check the appropriate box in Part III-Explanation of Final Return and/or Short-Period Return.

PART I—QUALIFICATION QUESTIONS

Lines 1 through 6—In order to use Form 725-EZ, the entity must be able to answer "true" to all six statements. If the entity answers "false" to any of the six questions, it must file Form 725.

PART II – LLET COMPUTATION

Line 1—This field has been populated with the statutory minimum, \$175. If tax due is greater than \$175, you must file Form 725.

Line 2—Enter the total estimated LLET payments made for the taxable year.

Line 3—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 4—Enter any penalty and/or interest due (see information on interest and penalties on page 7 of these instructions).

Line 5—Enter total tax, interest, and penalty due. Add Lines 1 and 4.


Line 6—Enter total amount paid. Add Lines 2 and 3.

Line 7—If Line 5 is greater than Line 6, **You Owe**. Enter the amount due here. Line 5 less Line 6.

Line 8—If Line 6 is greater than Line 5, **You Overpaid**. Enter the overpayment here. Line 6 less Line 5.

Tax Payment Summary—The payment due with Form 725-EZ must be itemized. Enter the amount of the tax payment due from Part II, Line 1, on the LLET due line, the amount of interest due on the Interest line, the amount of penalty due on the Penalty line, and the total payment due on the Total Payment line.

SCHEDULE Q—Answer all applicable questions on Schedule Q. The Kentucky Secretary of State Organization number can be found online at www.sos.ky.gov. This is not the same number as the Corporation/LLET Account Number reported in Item C on page 1.

 **Signature**—Form 725-EZ 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.

FORM 725 — SPECIFIC INSTRUCTIONS

Item A—LLET Exemption Code

If the single member LLC is exempt from LLET, 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 partnership as defined in KRS 141.206(14)(a).

Item B—Enter the federal identification number (FEIN) if the single member LLC has obtained this number. Otherwise, enter the social security number (SSN) of the single member owner.

Item C—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, complete Form 20A100, "Declaration of Representative", and contact Registration at 502-564-3306 for instructions on how to obtain an account 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, enter the box number instead of the street address.

Change of Name—Check the applicable box if the entity's name has changed since the filing of the prior year Kentucky tax return. Attach a statement to the tax return providing the entity's name reported on the prior year Kentucky tax return.

Telephone Number—Enter the business telephone number of the member signing this return.

Period Covered—File the 2019 return for calendar year 2019 and fiscal years that begin in 2019. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 725.

NOTE: For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

All Kentucky individually owned single member LLC's 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:

$$\frac{12}{MM} / \frac{19}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2020, would be entered as:

$$\frac{01}{MM} / \frac{20}{YY}$$

- 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 the month would be entered as the month and year of the prior month. If it ends the first week of January 2020, the taxable year ending would be entered as:

$$\frac{12}{MM} / \frac{19}{YY}$$

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

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 Census Bureau at www.census.gov/eos/www/naics.

Item D—Check the applicable boxes.

- (a) **Initial Return**—This is the single member LLC's first time filing a single member LLC return in Kentucky. Complete questions 1 and 2 of Schedule Q, Single Member Limited Liability Company Questionnaire.
- (b) **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.
- (c) **Qualified Investment Partnership**—The single member LLC is a qualified investment partnership per KRS 141.206(14)(a).
- (d) **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.
- (e) **Short-Period Return**—This return is for a period of less than one year and is not an initial or 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.

Item E—Check the appropriate box to indicate whether the single member of the LLC is a Kentucky resident or non-resident. If the single member is a non-resident, complete Form 740NP-WH and refer to the instructions on page 5.

Item F—Provider 3-Factor Apportionment Code

If the entity is a provider as defined in KRS 141.121(1)(e), enter one of the following two-digit codes in the space provided. The apportionment fraction for a provider continues to be calculated using a three (3)- factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018.

REASON CODE	PROVIDER BUSINESS
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)

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.

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: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) 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: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) 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: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) 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: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) 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: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form

1065 for a general partnership; and (4) 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 IRC §1231 gain (loss) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) 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 (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, Part I, Line 12 if the single member limited liability company is doing business within and without Kentucky. Attach Schedule A to Form 725.

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 Form 740-NP, 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 L, Section D, Line 1.

Line 2—Enter the sum of all tax credit recapture amounts from Schedule RC-R, Line 12, Form 8874(K)-B, Line 3, and/or Schedule DS, page 2, Line 10. **Attach Schedule RC-R, Form 8874(K)-B, and/or Schedule DS.**

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 nonrefundable 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 minimum.

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).**

NOTE: For applications approved prior to April 27, 2018, this credit is refundable and should be entered here. For applications approved on or after April 27, 2018, this credit is nonrefundable and should be entered on Schedule TCS.

Line 10—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to 2019 from Form 725, Part II, Line 18 of the 2018 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 2019 LLET interest.

Line 17—Enter the portion of Line 15 to be credited to 2019 LLET penalty.

Line 18—Enter the portion of Line 15 to be credited to 2020 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 LLET payment due from page 1, Part II, Line 14 on the applicable tax payment line in addition to respective amounts of interest and penalties. For entities with income tax due on project income carried from Schedules KREDA-SP, KIDA-SP, KIRA-SP, KJDA-SP, KRA-SP, KJRA-SP, IEIA-SP, KBI-SP, and FON-SP, and the income tax liability due from specified credit schedule(s) to the income tax due line of the Tax

Payment Summary. Subtotal each and enter the total payment due on the Total Payment Line.

SCHEDULE Q—Answer all applicable questions on Schedule Q. The Kentucky Secretary of State Organization number can be found online at www.sos.ky.gov. This is not the same number as the Corporation/LLET Account Number reported in Item C on page 1.

SCHEDULE L—LIMITED LIABILITY ENTITY TAX COMPUTATION

Purpose of Schedule—Schedule L, Limited Liability Entity Tax Computation, is used to compute the limited liability entity tax (LLET) per KRS 141.0401(2). If the single member LLC filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-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 is due per taxable year. *Taxable year* is defined as the period for which the return is made. **KRS 141.010(29)**

Section A of this schedule must be completed by the single member LLC, except a single member LLC exempt from LLET per KRS 141.0401(6). If the single member LLC filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-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 per 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.

SPECIFIC LINE INSTRUCTIONS

Check Box—If the entity is required to attach Schedule L-C, check the box.

Section A—Computation of Gross Receipts and Gross Profits

If the single member LLC filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-C and enter the total amounts from Schedule L-C, Section A, Lines 2 and 5 on Schedule L, Section A, Column A, Lines 2 and 5; and the total amounts from Schedule L-C, Section B, Lines 2 and 5 on Schedule L, Section A, Column B, Lines 2 and 5, and continue to Schedule L, Sections B, C, and D. If the amount in Section A, Column B, Line 2 is \$3,000,000 or less, STOP and enter \$175 in Section D, Line 1.

Line 1(a)—Enter Kentucky gross receipts less returns and allowances in Column A and total gross receipts less returns and allowances in Column B. Gross receipts includes, but is not limited to sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

Line 1(b)—Enter Kentucky gross receipts allocable to a “qualified exempt organization” as defined in KRS 141.0401(7).

Line 3(a)—Enter the Kentucky cost of goods sold and Total cost of goods sold from Schedule COGS, Columns A and B, line 8. For an entity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs can be claimed. **KRS 141.0401(1)(d)**

Line 3(b)—Enter the Kentucky cost of goods sold associated with the gross receipts allocable to a “qualified exempt organization” as defined in KRS 141.0401(7).

Section B—Computation of Gross Receipts LLET

Line 1—If gross receipts from all sources (Column B, Line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following: $(\text{Column A, Line 2} \times 0.00095) - (\$2,850 \times ((\$6,000,000 - \text{Column A, Line 2}) / \$3,000,000))$, but in no case shall the result be less than zero.

Line 2—If gross receipts from all sources (Column B, Line 2) are \$6,000,000 or greater, enter the following: Column A, Line 2 x 0.00095.

Line 3—Enter the amount from Line 1 or Line 2.

Section C—Computation of Gross Profits LLET


Line 1—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 2—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 3—Enter the amount from Line 1 or Line 2.

Section D—Computation of LLET

Line 1—Enter the lesser of Section B, Line 3 or Section C, Line 3. If less than \$175, enter the minimum of \$175 here and on page 1, Part II, Line 1.

 **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.

Schedule TCS is used by single member LLCs to apply tax credits for entities subject to the limited liability entity tax (LLET) imposed by KRS 141.0401. *Taxpayer* as used in this section refers to the single member LLC.

Economic Development Tax Credits—This section is completed only if a limited liability pass-through entity has been approved for one or more of the credits authorized by the: (1) Metropolitan College Consortium (MCC – KRS 141.381); (2) Kentucky Small Business Tax Credit Program (KSBTC – KRS 141.384); or (3) Skills Training Investment Credit Act (STICA – KRS 154.12).

A limited liability pass-through entity must not enter income or LLET tax credits on Schedule TCS from:

- **Kentucky Rural Economic Development Act** (KREDA – KRS 154.22)
- **Kentucky Industrial Development Act** (KIDA – KRS 154.28)
- **Kentucky Jobs Retention Agreement** (KJRA – KRS 154.25)
- **Kentucky Industrial Revitalization Act** (KIRA – KRS 154.26)
- **Kentucky Jobs Development Act** (KJDA – KRS 154.24)
- **Kentucky Business Investment Program** (KBI – KRS 154.32)
- **Kentucky Reinvestment Act** (KRA – KRS 154.34)
- **Incentives for Energy Independence Act** (IEIA – KRS 154.27)
- **Farming Operation Networking Project** (FON – KRS 141.412)

A limited liability pass-through entity must file Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or 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 must be attached to the tax return. The credit for either the STICA or MCC must 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, 2027. 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 must be attached to the tax return. The credit for the KSBTC must 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).

Farming Operation Networking Tax Credit—A qualified farming operation which has a farm operation networking project approved by the Cabinet for Economic Development per KRS 141.410 to KRS 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or KRS 141.020 and KRS 141.0401 attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts 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 or KRS 141.040 and KRS 141.0401 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Certification copies must be attached to the return claiming the credit. **KRS 171.3961 and KRS 171.397**

Unemployment Tax Credit—If a taxpayer 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 or 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 per KRS 154.20–250 to KRS 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 or 141.040, 141.0401, 136.320, 136.300, 136.310, 136.505, and 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 must 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 will 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, will 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**

Qualified Research Facility Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or 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 or 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 151B.402**

Voluntary Environmental Remediation Tax Credit—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.1–514. 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 or KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at 502–564–6716. 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 or 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 will 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**

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, or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per 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 is \$2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit will 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 or 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 will 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 or 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 will 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, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or KRS 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 must not exceed the product of \$3,500 multiplied by the sum of: (1) 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 (2) 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. Attach Schedule RR-I to the return when claiming this credit. **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 KRS 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 KRS 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and KRS 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 is limited to \$1 million. If the total amount of approved credit exceeds \$1 million, the department will 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 must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will 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, 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 KRS 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 will issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation per 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 must 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. **NOTE:** This credit may limit charitable contribution deductions allowed under Section 170 of the IRC. See the IRC and federal regulations for additional information on any limitations. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—A taxpayer that makes a qualified equity investment per KRS 141.432(7) in a qualified community development entity defined by KRS 141.432(6) is 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 is 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 is \$10 million, whether made by one or several qualified community development entities.

The amount of the credit will 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 KRS 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2018, the tax credit was repealed. Any unused credit may be carried forward for up to four (4) years after the credit was claimed. See Schedule TCS, Part II, line 18 to claim this credit. **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 KRS 141.040 and KRS 141.0401 is available to taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to 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. Attach Schedule DS to the return claiming the credit. **KRS 141.389**

Film Industry Tax Credit—For applications approved on or after April 27, 2018, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to KRS 148.546. Attach film office certification to the return claiming the credit. **KRS 141.383**

Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. Attach Schedule INV to the return claiming the credit. **KRS 141.408**

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. Do not attach a copy of Form 62A500 to Form 725 or 725-EZ.

Kentucky State Treasury—Unclaimed Property

Individuals

The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit www.treasury.ky.gov or www.missingmoney.com for more information on how to locate and claim any funds that may belong to you.

Businesses

Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit www.treasury.ky.gov for more information.

**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 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
502-564-5930

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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► See instructions. Taxable period beginning _____, 20 ____, and ending _____, 20 ____.

A LLET Exemption Code Enter Code B Income Tax Exemption Code Enter Code C Number of Partners (Attach K-1s)	D Federal Identification Number _____ Name of Partnership _____ <input type="checkbox"/> Change of Name Number and Street _____ City _____ State _____ ZIP Code _____ Telephone Number _____	E Kentucky Corporation/LLET Account Number (Required) _____ Taxable Year Ending M M / Y Y State and Date of Organization _____ Principal Business Activity in KY _____ NAICS Code Number in KY (See www.census.gov) _____ F Check if applicable: <input type="checkbox"/> LLC <input type="checkbox"/> Initial return <input type="checkbox"/> Final return (Complete Part III) <input type="checkbox"/> LP <input type="checkbox"/> Change of accounting period <input type="checkbox"/> Short-period return (Complete Part III) <input type="checkbox"/> LLP <input type="checkbox"/> Qualified investment partnership <input type="checkbox"/> Amended return (Complete Part IV)	G Provider 3-Factor Apportionment Code _____
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PART I—ORDINARY INCOME (LOSS) COMPUTATION				PART II—LLET COMPUTATION			
1 Federal ordinary income (loss) (see instructions).....	1		00	1 Schedule L, Section D, line 1 (Page 6)	1		00
ADDITIONS				2 Tax credit recapture	2		00
2 State taxes based on net/gross income	2		00	3 Total (add lines 1 and 2)	3		00
3 Federal depreciation (do not include IRC §179 expense deduction)	3		00	4 Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
4 Related party expenses (attach Schedule RPC)	4		00	5 Nonrefundable tax credits (attach Schedule TCS)	5		00
5 Other (attach Schedule O-PTE).....	5		00	6 LLET liability (greater of line 3 less lines 4 and 5 or \$175 minimum)	6		00
6 Total (add lines 1 through 5)	6		00	7 Estimated tax payments.....	7		00
SUBTRACTIONS				8 Certified rehabilitation tax credit	8		00
7 Federal work opportunity credit	7		00	9 Film industry tax credit.....	9		00
8 Kentucky depreciation (do not include IRC §179 expense deduction).....	8		00	10 Extension payment	10		00
9 Other (attach Schedule O-PTE).....	9		00	11 Prior year's tax credit.....	11		00
10 Kentucky ordinary income (loss) (line 6 less lines 7 through 9)	10		00	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 2019 interest.....	16		
				17 Credited to 2019 penalty.....	17		
				18 Credited to 2020 LLET.....	18		00
				19 Amount to be refunded	19		

TAX PAYMENT SUMMARY				OFFICIAL USE ONLY	
LLET	INCOME			P	
1 LLET due (Part II, Line 14) \$ _____	1 Income Tax Due \$ _____			W	
2 Interest \$ _____	2 Interest \$ _____			2	
3 Penalty \$ _____	3 Penalty \$ _____			0	
4 Subtotal \$ _____	4 Subtotal \$ _____			4	
TOTAL PAYMENT (Add Subtotals).....► \$ _____				V	
				A	
				L	
				#	



PART III – 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 IV – EXPLANATION OF AMENDED RETURN CHANGES

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of Officer	Date
	Name of Officer	Title
Paid Preparer Use	Signature of Preparer	Date
	Name of Preparer or Firm	ID Number
	Email and/or Telephone No.	May the DOR discuss this return with this preparer? <input type="checkbox"/> Yes <input type="checkbox"/> No

Enclose	Include federal Form 1065 with all supporting schedules and statements.	Refund or No Payment	Kentucky Department of Revenue P. O. Box 856905 Louisville, KY 40285-6905
Payment	Check Payable: Kentucky State Treasurer E-Pay Options: www.revenue.ky.gov	With Payment	Kentucky Department of Revenue P. O. Box 856910 Louisville, KY 40285-6910



SCHEDULE Q—KENTUCKY PARTNERSHIP QUESTIONNAIRE

IMPORTANT: Questions 3—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 and 2 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 If a foreign partnership, enter the date qualified to do business in Kentucky. ___ / ___ / ___

3 List the following Kentucky account numbers. Enter N/A for any number not applicable.
KY Secretary of State Organization
Nonresident Income Tax Withholding
Employer Withholding
Sales and Use Tax Permit
Consumer Use Tax
Unemployment Insurance
Coal Severance and/or Processing Tax

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)(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 Form 765, Part I, Line 4.

8 Is the entity filing this Kentucky tax return organized as a limited cooperative association per KRS Chapter 272A? [] Yes [] No

9 Is the entity filing this Kentucky tax return organized as a statutory trust or a series statutory trust per 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, 2020? [] 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 A	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).....	00
2	Net income (loss) from rental real estate activities (attach federal Form 8825)	00
3	(a) Gross income from other rental activities	00
	(b) Less expenses from other rental activities (attach schedule)	00
	(c) Net income (loss) from other rental activities (line 3(a) less line 3(b))	00
4	Portfolio income (loss):	
	(a) Interest income	00
	(b) Dividend income.....	00
	(c) Royalty income	00
	(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable).....	00
	(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable).....	00
	(f) Other portfolio income (loss) (attach schedule)	00
5	Guaranteed payments to partners	00
6	IRC §1231 net gain (loss) (other than due to casualty or theft)(attach federal Form 4797 and Kentucky Form 4797)	00
7	Other income (loss) (attach schedule)	00
8	Charitable contributions (attach schedule).....	00
9	IRC §179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	00
10	Deductions related to portfolio income (loss) (attach schedule)	00
11	Other deductions (attach schedule)	00
Investment Interest		
12	(a) Interest expense on investment debts.....	00
	(b) (1) Investment income included on lines 4(a), 4(b), 4(c), and 4(f) above	00
	(b) (2) Investment expenses included on line 10 above	00
Tax Credits (see instructions)		
13	Enter the applicable tax credit	
	(a) > _____	00
	(b) > _____	00
	(c) > _____	00
	(d) > _____	00
	(e) > _____	00



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

SECTION A—continued	Distributive Share Items	Total Amount	
Other Items			
14 (a) Type of IRC §59(e)(2) expenditures ▶ _____	14(a)		
(b) Amount of IRC §59(e)(2) expenditures.....	(b)		00
15 Tax-exempt interest income	15		00
16 Other tax-exempt income	16		00
17 Nondeductible expenses	17		00
18 Total property distributions (including cash)	18		00
19 Other items and amounts required to be reported separately to partners (attach schedule).....	19		

SECTION B—LLET Pass-through Items (Required)

1 Kentucky gross receipts from Schedule L, Section A, Column A, line 2	1		00
2 Total gross receipts from Schedule L, Section A, Column B, line 2	2		00
3 Kentucky gross profits from Schedule L, Section A, Column A, line 5	3		00
4 Total gross profits from Schedule L, Section A, Column B, line 5.....	4		00
5 Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less \$175	5		00

SECTION C—Apportionment Pass-through Items

1 Kentucky receipts from Schedule A, Part I, line 1	1		00
2 Total receipts from Schedule A, Part I, line 2.....	2		00

SECTION D—Apportionment for Providers (KRS 141.121(1)(e))

1 Kentucky property from Schedule A, Part I, line 5	1		00
2 Total property from Schedule A, Part I, line 6	2		00
3 Kentucky payroll from Schedule A, Part I, line 8.....	3		00
4 Total payroll from Schedule A, Part I, line 9	4		00



SCHEDULE L – LIMITED LIABILITY ENTITY TAX COMPUTATION

Check this box and complete Schedule L-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 doing business in Kentucky. Enter the total amounts from Schedule L-C in Section A of this schedule.

SECTION A – Computation of Gross Receipts and Gross Profits

		Column A Kentucky		Column B Total	
1(a) Gross receipts less returns and allowances	1(a)		00		00
(b) Kentucky statutory gross receipts reductions (see instructions)	(b)		00		
2 Adjusted gross receipts (line 1(a) less line 1(b)).....	2		00		00
3(a) Cost of goods sold (attach Schedule COGS).....	3(a)		00		00
(b) Kentucky statutory cost of goods sold reductions (see instructions) ...	(b)		00		
4 Adjusted cost of goods sold (line 3(a) less line 3(b))	4		00		00
5 Gross profits (line 2 less line 4).....	5		00		00



If Section A, Column B, Line 2 or 5 is \$3,000,000 or less, STOP and enter \$175 in Section D, line 1 below.

SECTION B – Computation of Gross Receipts LLET

1 If gross receipts from all sources (Column B, line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following: (Column A, line 2 x 0.00095) – $\left[\frac{\$2,850 \times (\$6,000,000 - \text{Column A, line 2})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	1		00		
2 If gross receipts from all sources (Column B, line 2) are \$6,000,000 or greater, enter the following: Column A, line 2 x 0.00095.....	2		00		
3 Enter the amount from line 1 or line 2.....	3		00		

SECTION C – Computation of Gross Profits LLET

1 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) – $\left[\frac{\$22,500 \times (\$6,000,000 - \text{Column A, line 5})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	1		00		
2 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.....	2		00		
3 Enter the amount from line 1 or line 2.....	3		00		

SECTION D – Computation of LLET

1 Enter the lesser of Section B, line 3 or Section C, line 3 here and on Page 1, Part II, line 1. If less than \$175, enter the minimum of \$175 here and on Page 1, Part II, line 1	1		00		
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KENTUCKY PARTNERSHIP INCOME AND LLET RETURN

2019

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). Form 765 is complementary to the federal form 1065.

KENTUCKY TAX LAW CHANGES

Enacted by the 2019 Regular Session of the General Assembly—Kentucky clarified and modified several of the tax changes passed in 2018. The Department of Revenue (“Department”) has guidance at <https://revenue.ky.gov/TaxProfessionals/Pages/default.aspx>.

Internal Revenue Code (IRC) Update—House Bill (HB) 354 updated the Internal Revenue Code (IRC) reference date to December 31, 2018 for taxable years beginning on or after January 1, 2019.

Estimated Tax Payment Requirements—2019 estimated tax rules and penalties changed to generally follow federal for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Seven-month Extensions for C Corporations—C corporations requesting an extension of time to file (on Form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.

Unitary Combined Filing Required—Corporations doing business in Kentucky that are part of a unitary business

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.

must begin filing combined returns for tax years beginning on or after January 1, 2019, unless they elect to file a same-as-federal affiliated group consolidated return. Unitary combined filers should use the new Form 720U and accompanying schedules.

- **Net Operating Losses (NOL)**—HB 458 allows NOLs to be shared among taxpayer members of a combined group, subject to certain limitations.
- **“Common control” defined**—Corporations within a combined group must be more than 50% owned by another corporation within the group.
- **Intercompany eliminations**—Intercompany transactions should be eliminated in the calculation of combined income and gross receipts.
- **Includible entities**—HB 354 and HB 458 clarified the definitions of “water’s edge,” “tax haven,” and other provisions affecting which companies are included in the combined group. **KRS 141.202**
- **Regulatory guidance**—The department proposed a regulation, 103 KAR 16:400, to provide taxpayers additional guidance on unitary combined filing.

Elective Consolidated Returns—The election period was shortened to 48 months (from the previous 96 months). To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

Tax Credit Changes:

Inventory Tax Credit—The inventory tax credit increases to 50% of the ad valorem (tangible personal property) tax timely paid in 2019. Rental heavy equipment is now subject to ad valorem tax and thus is eligible for the credit.

Kentucky Revised Statutes—Kentucky Revised Statutes are referred to in these instructions as “KRS” and can be found online at www.lrc.ky.gov/statutes.

Kentucky Administrative Regulations—Kentucky Administrative Regulations are referred to in these instructions as “KAR” and can be found online at www.lrc.ky.gov/kar/titles.htm.

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2020 tax interest rate has been set at five percent (5%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is seven percent (7%) and when interest is due on a refund, the rate is three percent (3%).

KENTUCKY FORM CHANGES**New:**

Form 720U—Unitary combined filers should use the new Form 720U and accompanying schedules included in the 720U packet to file their returns.

Form 722—Use Form 722 to elect to file a consolidated return including all members of the federal affiliated group. To make the election, the common parent of

the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

Updated:

Form 2220-K—Updated to include estimated tax rules and penalty changes to follow federal rules for corporations and pass-through entities. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

Form 720ES—Updated to include estimated tax changes to generally follow federal dates for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes.

KIRA-SP, KJDA-SP, KJRA-SP, and KBI-SP—Updated to request the amount of credit claimed for local wage assessments.

Forms 725, 725-EZ, and 765—Updated to include income tax payment summary.

Schedule INV—Updated to include Section A to report the Timely Inventory Tax Paid per local bills.

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 complete Form 20A100, "Declaration of Representative," and contact our **Registration Section at 502-564-3306** for instructions on how to obtain an account number.
- 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 720V voucher at that time. You will get a **NEW** 720V voucher once you have successfully filed 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.

More Options for Taxpayers Paying Online

The Department of Revenue (DOR) is now able to offer taxpayers additional payment options for Limited Liability Entity Tax (LLET). Taxpayers can make a payment online for an e-filed Partnership Income and LLET Return that would normally be sent with a Form 720-V voucher. LLET payments for bills, estimates, and extensions can also be made using the Enterprise Electronic Payment System (EEPS). To use EEPS, go to www.revenue.ky.gov and click on the E-File & Payments tile. From the selections of tax types available, click "Limited Liability Entity Tax (LLET)" and select the Electronic Payment link. To make payments, the FEIN is required along with the Kentucky Corporation/LLET 6-digit account number.

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:

- **Account Closure**—There are different requirements for the Secretary of State and the Department of Revenue when ceasing operations and closing an account. It is advised that you consult with both agencies when closing a business tax account.
- **Account Number/FEIN**—Always ensure the correct Kentucky Corporation/LLET account number and FEIN is used on the return being filed.
- **Payments**—Place payments on the front of the return so that they are clearly visible. Do not leave check stubs attached to checks. Check stubs will delay the machines that sort incoming mail, which causes longer processing times.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty.
- **EFT Payments**—When making EFT payments online, use the Taxable Year Ending, NOT the due date of the payment.
- **Form 720V**—Form 720V is a payment voucher for e-filed returns, NOT an extension form. To extend a filing date, use Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for extending the filing date 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.
- **Incorrect Year Forms**—Returns submitted on the wrong year form, on or before the due date, will be accepted as timely filed, but will require the return to be revised on the correct year form before the return can be processed.
- **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:**
 - Incorrect form submitted
 - Incorrect tax exemption code
 - Incomplete information
 - Missing forms or schedules
 - Incorrect taxable year end
 - Tax Payment Summary Section of return blank or incorrect
 - Failure to include payment of tax due with the return
 - Omitting Form 720EXT when paying with an extension

IMPORTANT**Partnerships must create a Kentucky Form 4562, Schedule D and Form 4797 by converting federal forms.****Schedule 4562**

Depreciation—For property placed in service after September 10, 2001, Kentucky depreciation (§168) is determined per the Internal Revenue Code (IRC) in effect on December 31, 2001.

Section 179 Deduction—For property placed in service after September 10, 2001, but prior to January 1, 2020, only the expense deduction (\$25,000) allowed under §179 of the IRC in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, is allowed.

For property placed in service on or after January 1, 2020, only the expense deduction (\$100,000) allowed under §179 of the IRC in effect on December 31, 2003, exclusive of any amendments made subsequent to that date, is allowed.

For 2019 returns, 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 IRC §179 expense deduction for Kentucky:

- MACRS bonus depreciation;
- IRC §179 expense deduction in excess of \$25,000 for property placed in service after September 10, 2001, but prior to January 1, 2020; or
- IRC §179 expense deduction in excess of \$100,000 for property placed in service on or after January 1, 2020.

If a partnership has taken MACRS bonus depreciation or IRC §179 expense deduction in excess of the amounts outlined above 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 IRC §179 expense deduction in excess of the amounts outlined above 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 IRC §179 Deduction Differences—federal/Kentucky depreciation or IRC §179 deduction differences must 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 (§168) per the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance. **NOTE:** For Kentucky purposes, for property placed into service between September 10, 2001 and December 31, 2019, the maximum IRC §179 deduction amount on Line 1 is \$25,000 and the threshold cost of IRC §179 property on Line 3 is \$200,000. For Kentucky

purposes, for property placed into service on or after January 1, 2020, the maximum IRC §179 deduction amount on Line 1 is \$100,000 and the threshold cost of IRC §179 property on Line 3 is \$400,000. The maximum allowable IRC §179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying IRC §179 property placed in service during the year exceeds the threshold. In determining the IRC §179 deduction for Kentucky, the income limitation on Line 11 should be determined by using Kentucky net income before the IRC §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 IRC §179 deduction on Line 12 must be included on Form 765, Part I, Line 8. The IRC §179 deduction from the Kentucky Form 4562, Line 12 must be included on Form 765, Schedule K, Section A, Line 9. A Kentucky Form 4562 must be filed for each year, even though a federal Form 4562 may not be required.

Schedule 4797 and Schedule D

Gains/Losses from Disposition of Assets—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 IRC §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 A, Line 4(d) or 7. Enter the amount from Kentucky Schedule D, Line 15 on Form 765, Schedule K, Section A, 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 per KRS 141.010(16). For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) must 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 per KRS 141.0401(2), unless specifically excluded. See LLET Exemption Codes on page 8 of these instructions.

In determining tax per 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 must 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 per KRS Chapter 141, a nonresident individual, estate, or trust that is a partner or member of a partnership must take into account the partner's or member's total distributive share of the partnership's items of income, loss, and deduction multiplied by the apportionment fraction per KRS 141.206(11)(b). **KRS 141.206(7) and (8)**

In determining tax per KRS Chapter 141, a corporation that is a partner or member of a partnership must take into account its total distributive share of the partnership's items of income, loss, and deduction. **KRS 141.206(9)**

The LLET credit allowed partners or members of a partnership classified as a limited liability pass-through entity is 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 may be applied to the income tax assessed on income from the partnership. Any remaining credit from the partnership will be disallowed. **KRS 141.0401(3)**

GENERAL INFORMATION

Internal Revenue Code Reference Date—Kentucky's Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

Kentucky Tax Registration Application—Prior to doing business in Kentucky, each entity should complete a Kentucky Tax Registration Application, Form 10A100, to register for a Kentucky Corporation/LLET Account Number. This account number will be used for remitting the corporation income tax per KRS 141.040 and LLET per 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**.

Note: *The One Stop Business Services login page provides information for 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. Welcome to the Kentucky Online Gateway. Select that you are a citizen or business partner. If you do not already have an account, click on **Create Account**. Complete your Kentucky Online Gateway user account. Once a user account has been created, an email will be sent to you with further instructions to activate the account and login. You must use the activation link in the email prior to logging in to your account.
4. Once logged in, launch the Kentucky Business One Stop App.
 - If your business needs to register with both the Secretary of State and the Department of Revenue or only needs to register with the Department of Revenue, use the **Register My Business** option, to register for tax accounts and your Commonwealth Business Identifier (CBI).
 - If the business is already registered with the Secretary of State and you do not already have access to the business on your Dashboard, choose the **Link My Business** option. Enter the Commonwealth Business Identifier (CBI), SecurityToken, and Business Name exactly as it appears on your Kentucky articles of organization/incorporation, your Kentucky Certificate of Authority, or your CBI letter (including all punctuation) and link your business, click Send Invite and follow the instructions sent to your email to register for tax accounts.

The Link My Business option will require you to name at least one "**One-Stop Portal Business Administrator**" (for example, 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, changing the business address, or filing and paying taxes. Only the One Stop business administrator(s) can grant, approve, withdraw, or revoke access to the business.

5. Once you have linked your business, your business name and CBI number will appear in the My Businesses box on the dashboard, click on the CBI number, once your business loads, click on the Tax Administration tab to register for tax accounts.

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 Form Search, and search for 10A100). The application may be faxed to 502-227-0772 or e-mailed to DOR.Registration@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 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(7), 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 should be included in the return filed by its single member (owner). **KRS 141.010(7)**

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 per KRS 141.010, KRS 141.120, and KRS 141.206. (See Schedule A—Apportionment and Allocation Instructions.)

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 per KRS 141.010(22).

KRS 141.206(4) provides that for taxable years beginning on or after January 1, 2019, every pass-through entity required to file a return under KRS 141.206(1), except publicly traded partnerships defined in KRS 141.0401(6)(a)18 and (b)14, must 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 is at the highest rate provided in KRS 141.020 or KRS 141.040.

Withholding is not required if: (a) the partner, member, or shareholder is exempt from withholding per KRS 141.206(6)(a); (b) the partner or member is exempt from Kentucky income tax per KRS 141.040(1); (c) the pass-through entity is a qualified investment partnership per KRS 141.206(14), 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, 2019, a pass-through entity required to withhold or file a composite return on Kentucky income tax per KRS 141.206 must make

estimated tax payments if required by KRS 141.206(5). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2019, 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 rate of five percent (5%) will 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 must 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(15)). 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 credits and deductions.

A pass-through entity must file Form 740NP-WH and complete a Form PTE-WH for each nonresident individual, estate, or trust partner, member, or shareholder; or corporate partner or member. Form 740NP-WH with Copy A of each Form PTE-WH must be filed and paid by the 15th day of the fourth month following the close of the taxable period. Provide copies B and C of Form PTE-WH to the partner, member, or shareholder.

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. Limited Liability Entity Tax—Continuation Sheet (Schedule L-C)
5. Cost of Goods Sold (Schedule COGS)
6. Application for Filing Extension (Form 720EXT)
7. Tax Credit Summary Schedule (Schedule TCS)
8. Related Party Costs Disclosure Statement (Schedule RPC)
9. 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 accepts 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, use 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.

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, Item F and attach a copy of the federal approval to the return when filed. **KRS 141.140**

Mailing/Payment—Only include payment for Corporation Income Tax and/or LLET.

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

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)**

Extensions—A six-month extension of time to file a partnership income and LLET return may be obtained by filing Form 720EXT 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 720EXT must be used. For

further information, see the instructions for Form 720EXT. **103 KAR 15:050**

Federal Extension—A partnership 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 if a copy of the federal Form 7004 is attached to the Kentucky return when it is filed. **A copy of the federal Form 7004 should not be mailed to the Department of Revenue before filing the return.**

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 15th day of the 4th month, 25% of the estimated tax must be paid by the 15th day of the 4th month, 15th day of the 6th month, 15th day of the 9th month, and the 15th day of the 12th month each year.

Recalculating Estimated Tax—If after the partnership calculates and pays its estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to recalculate its required installments. If earlier installments were underpaid, the partnership may owe a penalty. An immediate payment should be made to reduce the amount of penalty resulting from the underpayment of earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Overpayment of Estimated Tax—A partnership that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected tax liability and at least \$500. To apply, file Form 40A100, Application for Refund of Income Taxes and LLET.

Penalty—Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely will result in an addition to tax that will be considered a penalty under KRS 141.044. The tax interest rate identified under KRS 131.183 is the underpayment rate used to calculate the penalty. Generally, the entity is not required to calculate the penalty because the department will determine the penalty owed and bill the entity. However, the entity may choose to use Form 2220-K to determine the penalty. **KRS 141.044 and KRS 141.990**

Amended Return—To correct Form 765 as originally filed, file an amended Form 765 and check the appropriate box on page 1, Item 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) 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.

Internal Revenue Service Audit Adjustments—A partnership which has received final adjustments resulting from an Internal Revenue Service audit must submit copies of the “final determinations of the federal audit” within 180 days of the conclusion of the federal audit. Use Form 765 for reporting federal audit adjustments, check the Amended Return box, and attach the complete Revenue Agent Report (RAR). Failure to submit the required amended form will result in delays in processing refunds requested. 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)**

Mail returns with federal audit adjustments (RAR) to:

Corporate Governmental Programs Section
P. O. Box 1074, Station 68
Frankfort, KY 40602-1074

Interest—Interest at the tax interest rate plus two percent 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 2 for the current year rate.

Penalties—Refer below.

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)**

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)**

Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely penalty—The addition to tax is considered a penalty under KRS 141.044. The underpayment rate is the tax interest rate identified under KRS 131.183. **KRS 141.044**

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(3)**

Negligence—10 percent of the tax assessed. **KRS 131.180(6)**

Fraud—50 percent of the tax assessed. **KRS 131.180(7)**

Cost of Collection Fees—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)**

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 765—SPECIFIC INSTRUCTIONS

Item A—LLET Exemption Code

If the partnership is exempt from LLET, 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 partnership as defined in KRS 141.206(14)(a).

Item B—Income Exemption Code

If the partnership is exempt from income tax, 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 income tax as provided by Public Law 86-272.

Item C—Enter the number of partners (Attach K-1s).

Item D—Enter the partnership’s federal identification number. See federal Publication 583 if the partnership has not obtained this number.

Item E—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, complete Form 20A100, “Declaration of Representative,” and contact Registration at 502-564-3306 for information on how to obtain an account 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—Check the applicable box if the partnership's name has changed since the filing of the prior year Kentucky tax return. 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.

Period Covered—File the 2019 return for calendar year 2019 and fiscal years that begin in 2019. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 765.

NOTE: For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

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:

$$\frac{12}{MM} / \frac{19}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2020, would be entered as:

$$\frac{01}{MM} / \frac{20}{YY}$$

- 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 the month would be entered as the month and year of the prior month. If it ends the first week of January 2020, the taxable year ending would be entered as:

$$\frac{12}{MM} / \frac{19}{YY}$$

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

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 Census Bureau at www.census.gov/eos/www/naics.

Item F—Check the applicable boxes:

- LLC*—The partnership is organized as a limited liability company (LLC).
- LP*—The partnership is organized as a limited partnership (LP).
- LLP*—The partnership is organized as a limited liability partnership (LLP).
- Initial Return*—This is the partnership's first time filing a partnership return in Kentucky. Complete questions 1 and 2 on Schedule Q—Kentucky Partnership Questionnaire.
- 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.
- Qualified Investment Partnership*—The partnership is a qualified investment partnership per KRS 141.206(14)(a).
- 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.
- 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.
- Amended Return*—This is an amended tax return. Provide an explanation of all changes in Part IV – Explanation of Amended Return Changes.

Item G—Provider 3-Factor Apportionment Code

If the entity is a provider as defined in KRS 141.121(1)(e), enter one of the following two-digit codes in the space provided. The apportionment fraction for a provider continues to be calculated using a three (3)- factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018.

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	PROVIDER BUSINESS
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)

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 (Loss)—Lines 2 through 5 specify 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 141.039(2)(c)**

Line 3—See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, include the depreciation amount from Line 16a of Form 1065 (do not include the IRC §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 (Loss)—Lines 7 through 9 specify 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 IRC §179 deduction). See instructions on page 4 regarding depreciation and IRC §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 7.

Line 10—Subtract Lines 7, 8, and 9 from Line 6.

PART II—LLET COMPUTATION

Line 1—Enter the amount from Schedule L, Section D, Line 1.

Line 2—Enter the sum of all tax credit recapture amounts from Schedule RC–R, Line 12, Form 8874(K)–B, Line 3, and/or Schedule DS, page 2, Line 10. **Attach Schedule RC–R, Form 8874(K)–B, and/or Schedule DS.**

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 nonrefundable 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 minimum.

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).**

NOTE: For applications approved prior to April 27, 2018, this credit is refundable and should be entered here. For applications approved on or after April 27, 2018, this credit is nonrefundable and should be entered on Schedule TCS.

Line 10—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to 2019 from Form 765, Part II, Line 18 of the 2018 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 2019 LLET interest due.

Line 17—Enter the portion of Line 15 to be credited to 2019 LLET penalty due.

Line 18—Enter the portion of Line 15 to be credited to 2020 LLET.

Line 19—Enter the portion of Line 15 to be refunded (Line 15 less Lines 16 through 18).

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 respective amounts of interest and penalties. For entities with income tax due on project income carried from Schedules KREDA-SP, KIDA-SP, KIRA-SP, KJDA-SP, KRA-SP, KJRA-SP, IEIA-SP, KBI-SP, and FON-SP, add the income

tax liability due from specified credit schedule(s) to the income tax due line of the Tax Payment Summary. Subtotal each and enter the total payment due on the Total Payment Line.

SCHEDULE Q—Answer all applicable questions on Schedule Q. The Kentucky Secretary of State Organization number can be found online at www.sos.ky.gov. This is not the same number as the Corporation/LLET Account Number reported in Item E on page 1.

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 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 A—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 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. **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 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. **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 4 regarding **differences in gain or loss from disposition of assets**. If applicable, enter the amount from Line 17 of the Kentucky Form 4797, and **Kentucky Form 4797 must be attached to Form 765.** Otherwise, enter net gain (loss) under IRC §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 percentage limitation of each category. These percentage limitations must be applied to the Kentucky amounts rather than the federal amounts.

Line 9—See instructions on page 4 regarding **depreciation and IRC §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 IRC §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 included on Line 10, Schedule K, Form 765. See federal instructions for Schedule K, Form 1065.

Line 13—Use the following codes for tax credits passed through to the partnership's owners.

KSBTC—Kentucky Small Business tax credit per KRS 141.384; attach a copy of the Kentucky Economic Development Finance Authority notification

STICA—Skills Training Investment Credit Act tax credit per KRS 141.405; attach copy of the Bluegrass State Skills Corporation certification(s)

CR—Certified Rehabilitation tax credit per KRS 171.397; attach a copy of the Kentucky Heritage Council certification(s)

UTC—Kentucky Unemployment tax credit per KRS 141.065; attach Schedule UTC

RC—Recycling/Composting Equipment tax credit per KRS 141.390; attach Schedule RC

KIFA—Kentucky Investment Fund tax credit per KRS 154.20-258; attach a copy of the Kentucky Economic Development Finance Authority notification with the credit amount granted and the first year the credit may be claimed

QR—Qualified Research facility tax credit per KRS 141.395; attach Schedule QR

GED—GED incentive tax credit per KRS 151B.402; attach GED—Incentive Program Final Report (Form DAEL-31) for each employee that completed a learning contract during the year

VERB—Voluntary Environmental Remediation tax credit per KRS 141.418; attach Schedule VERB

BIO—Biodiesel tax credit per KRS 141.424; attach Schedule BIO

CCI—Clean Coal Initiative tax credit per KRS 141.428; attach Schedule CCI

ETH—Ethanol tax credit per KRS 141.4242; attach Schedule ETH

CELL—Cellulosic Ethanol tax credit per KRS 141.4244; attach Schedule CELL

RR-I—Railroad Maintenance and Improvement tax credit per KRS 141.385; attach Schedule RR-I

RR-E—Railroad Expansion tax credit per KRS 141.386; attach Schedule RR-E

ENDOW—ENDOW Kentucky tax credit per KRS 141.438; attach Schedule ENDOW

NMDP—New Markets Development Program tax credit per KRS 141.434; attach Form 8874(K)-A

DS—Distilled Spirits tax credit per KRS 141.389; attach Schedule DS

FILM—Film industry tax credit per KRS 141.383; attach film office certification

INV—Inventory tax credit per KRS 141.408; attach Schedule INV

Line 14(a)—Enter the information provided on federal Schedule K, Form 1065, Line 13c(1).

Line 14(b)—Enter the amount reported on federal Schedule K, Form 1065, Line 13c(2).

Line 15—Enter the total amount of tax exempt interest income of the partnership from U.S. government bonds and securities and obligations of Kentucky and its political subdivisions.

Line 16—Enter the total amount of any other type of income of the partnership where the partner is exempt from Kentucky income tax.

Line 17—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 18—Enter the amount reported on federal Schedule K, Form 1065, Line 19a and 19b, adjusted to reflect any differences in Kentucky and federal tax laws, such as depreciation.

Line 19—Attach schedules to report the partnership's total income, expenses, and other information applicable to items not included on Lines 1 through 12 and Lines 14 through 19 including, but not limited to, any recapture of IRC §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.

SECTION B—LLET Pass-through Items (Required)

Line 1—Enter the partnership's Kentucky gross receipts from Schedule L, Section A, Column A, Line 2.

Line 2—Enter the partnership's total gross receipts from Schedule L, Section A, Column B, Line 2.

Line 3—Enter the partnership's Kentucky gross profits from Schedule L, Section A, Column A, Line 5.

Line 4—Enter the partnership's total gross profits from Schedule L, Section A, Column B, Line 5.

Line 5—Enter the limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of Lines 4 and 6, less \$175.

SECTION C—Apportionment Pass-through Items (if applicable)

Line 1—Enter the partnership's Kentucky receipts from Schedule A, Part I, Line 1.

Line 2—Enter the partnership's total receipts from Schedule A, Part I, Line 2.

Section D—Apportionment for Providers (KRS 141.121(1)(e))

Line 1—Enter the partnership's Kentucky property from Schedule A, Part I, Line 5.

Line 2—Enter the partnership's total property from Schedule A, Part I, Line 6.

Line 3—Enter the partnership's Kentucky payroll from Schedule A, Part I, Line 8.

Line 4—Enter the partnership's total payroll from Schedule A, Part I, Line 9.

SCHEDULE L—LIMITED LIABILITY ENTITY TAX COMPUTATION

Purpose of Schedule—Schedule L, Limited Liability Entity Tax Computation, is used to compute the limited liability entity tax (LLET) per KRS 141.0401(2). If the partnership filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-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 is due per taxable year. *Taxable year* is defined as the period for which the return is made. **KRS 141.010(29)**

Section A of this schedule must be completed by the partnership, except a partnership exempt from LLET per KRS 141.0401(6). If the partnership filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-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 per 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.

SPECIFIC LINE INSTRUCTIONS

Check Box—If the entity is required to attach Schedule L-C, check the box.

Section A—Computation of Gross Receipts and Gross Profits

If the partnership filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-C and enter the total amounts from Schedule L-C, Section A, Lines 2 and 5 on Schedule L, Section A, Column A, Lines 2 and 5; and the total amounts from Schedule L-C, Section B, Lines 2 and 5 on Schedule L, Section A, Column B, Lines 2 and 5, and continue to Schedule L, Sections B, C, and D. If the amount in Section A, Column B, Line 2 is \$3,000,000 or less, STOP and enter \$175 in Section D, Line 1.

Line 1(a)—Enter Kentucky gross receipts less returns and allowances in Column A and total gross receipts less returns and allowances in Column B. Gross receipts includes but is not limited to sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

Line 1(b)—Enter Kentucky gross receipts allocable to a “qualified exempt organization” defined in KRS 141.0401(7).

Line 3(a)—Enter the Kentucky cost of goods sold and total cost of goods sold from Schedule COGS, Columns A and B, Line 8. For an entity other than manufacturing, producing,

reselling, retailing, or wholesaling, no costs can be claimed. **KRS 141.0401(1)(d)**

Line 3(b)—Enter the Kentucky cost of goods sold associated with the gross receipts allocable to a “qualified exempt organization” defined in KRS 141.0401(7).

Section B—Computation of Gross Receipts LLET

Line 1—If gross receipts from all sources (Column B, Line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following: $(\text{Column A, Line 2} \times 0.00095) - (\$2,850 \times ((\$6,000,000 - \text{Column A, Line 2}) / \$3,000,000))$, but in no case shall the result be less than zero.

Line 2—If gross receipts from all sources (Column B, Line 2) are \$6,000,000 or greater, enter the following: $\text{Column A, Line 2} \times 0.00095$.

Line 3—Enter the amount from Line 1 or Line 2.

Section C—Computation of Gross Profits LLET

Line 1—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 2—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 3—Enter the amount from Line 1 or Line 2.

Section D—Computation of LLET

Line 1—Enter the lesser of Section B, Line 3 or Section C, Line 3. If less than \$175, enter the minimum of \$175 here and on page 1, Part II, Line 1.



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.

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.

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 19 must equal the amounts reported on Kentucky Schedule K, Lines 1 through 19. The distributive share items reported on all Schedules K-1, Sections B, C, and D must equal the amounts reported on comparable lines of Schedule K, Sections B, C, and D. Schedule K-1, Section E does 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.

Sections A, B, C, and D—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 §469 passive activity and each IRC §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 19 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 IRC §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.

Schedule TCS is used by partnerships to apply tax credits for entities subject to the limited liability entity tax (LLET) imposed by KRS 141.0401. *Taxpayer* as used in this section refers to the partnership.

Economic Development Tax Credits—This section is completed only if a limited liability pass-through entity has been approved for one or more of the credits authorized by the: (1) Metropolitan College Consortium (MCC – KRS 141.381); (2) Kentucky Small Business Tax Credit Program (KSBTC – KRS 141.384); or (3) Skills Training Investment Credit Act (STICA – KRS 154.12).

A limited liability pass-through entity must not enter income or LLET tax credits on Schedule TCS from:

- Kentucky Rural Economic Development Act (KREDA – KRS 154.22)
- Kentucky Industrial Development Act (KIDA – KRS 154.28)
- Kentucky Jobs Retention Agreement (KJRA – KRS 154.25)
- Kentucky Industrial Revitalization Act (KIRA – KRS 154.26)
- Kentucky Jobs Development Act (KJDA – KRS 154.24)
- Kentucky Business Investment Program (KBI – KRS 154.32)
- Kentucky Reinvestment Act (KRA – KRS 154.34)
- Incentives for Energy Independence Act (IEIA – KRS 154.27)
- Farming Operation Networking Project (FON – KRS 141.412)

A limited liability pass-through entity must file Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or 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 must be attached to the tax return. The credit for either the STICA or MCC must 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, 2027. 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 must be attached to the tax return. The credit for the KSBTC must 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).

Farming Operation Networking Tax Credit—A qualified farming operation which has a farm operation networking project approved by the Cabinet for Economic Development per KRS 141.410 to KRS 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or KRS 141.020 and KRS 141.0401 attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts 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 or KRS 141.040 and KRS 141.0401 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Certification copies must be attached to the return claiming the credit. **KRS 171.3961 and KRS 171.397**

Unemployment Tax Credit—If a taxpayer 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 or 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 per KRS 154.20–250 to KRS 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 or 141.040, 141.0401, 136.320, 136.300, 136.310, 136.505, and 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 must 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 will 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, will 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**

Qualified Research Facility Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or 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 or 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 151B.402**

Voluntary Environmental Remediation Tax Credit—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.1-514. 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 or KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at 502–564–6716. 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 or 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 will 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**

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, or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per 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 is \$2 per ton of eligible coal purchased that is used to generate

electric power at a certified clean coal facility, except that no credit will 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 or 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 will 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 or 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 will 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, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or KRS 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 must not exceed the product of \$3,500 multiplied by the sum of: (1) 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 (2) 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. Attach Schedule RR-I to the return when claiming the credit. **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 KRS 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 KRS 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and KRS 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 is limited to \$1 million. If the total amount of approved credit exceeds \$1 million, the department will 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 must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will 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, 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 KRS 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 will issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation per 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 must 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. **Note:** This credit may limit charitable contribution deductions allowed under Section 170 of the IRC. See the IRC and federal regulations for additional information on any limitations. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—A taxpayer that makes a qualified equity investment per KRS 141.432(7) in a qualified community development entity defined by KRS 141.432(6) is 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 is 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 is \$10 million, whether made by one or several qualified community development entities.

The amount of the credit will 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 KRS 141.434**

Food Donation Tax Credit—For taxable years beginning on or after January 1, 2018, the tax credit was repealed. Any unused credit may be carried forward for up to four (4) succeeding years after the credit was claimed. See Schedule TCS, Part II, Line 18 to claim this credit. **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 KRS 141.040 and KRS 141.0401 is available to taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to 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. Attach Schedule DS to the return claiming the credit. **KRS 141.389**

Film Industry Tax Credit—For applications approved on or after April 27, 2018, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to KRS 148.546. Attach film office certification to the return claiming the credit. **KRS 141.383**

Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. Attach Schedule INV to the return claiming the credit. **KRS 141.408**

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 personal property 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. Do not attach a copy of Form 62A500 to Form 765.

Kentucky State Treasury—Unclaimed Property

Individuals

The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit www.treasury.ky.gov or www.missingmoney.com for more information on how to locate and claim any funds that may belong to you.

Businesses

Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit www.treasury.ky.gov for more information.

**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 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 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.

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
502-564-5930

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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➤ **See instructions.**

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 <input type="checkbox"/> ESOP</p> <p><input type="checkbox"/> Tax Exempt _____</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 instructions) ➤ _____%</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;"> <tr> <td></td> <td style="text-align: center;">(i) Before change or termination</td> <td style="text-align: center;">(ii) End of year</td> </tr> <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> </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												

SECTION A	Pro Rata Share Items	Total Amount
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Income (Loss) and Deductions		
1 Kentucky 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 Income.....	4 (a)	00
(b) Dividend Income	(b)	00
(c) Royalty Income.....	(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 IRC §1231 net gain (loss)(other than due to casualty or theft).....	6	00
7 Other income (loss) (attach schedule)	7	00
8 Charitable contributions (attach schedule)	8	00
9 IRC §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.

SECTION A—continued	Pro Rata Share Items	Total Amount	
Tax Credits (see instructions)			
13	Enter the applicable tax credit.....		
	(a) ▶	13(a)	00
	(b) ▶	(b)	00
	(c) ▶	(c)	00
	(d) ▶	(d)	00
	(e) ▶	(e)	00
Other Items			
14	(a) Type of IRC § 59(e)(2) expenditures ▶	14(a)	
	(b) Amount of IRC § 59(e)(2) expenditures	(b)	00
15	Tax-exempt interest income	15	00
16	Other tax-exempt income	16	00
17	Nondeductible expenses	17	00
18	Property distributions (including cash)	18	00
19	Supplemental information required to be reported to each partner (attach schedule).....	19	
SECTION B—LLET Pass-through Items (Required) PARTNER'S SHARE			
1	Kentucky gross receipts	1	00
2	Total gross receipts.....	2	00
3	Kentucky gross profits	3	00
4	Total gross profits	4	00
5	Limited liability entity tax (LLET) nonrefundable credit	5	00
SECTION C— Apportionment Pass-through Items PARTNER'S SHARE			
1	Kentucky receipts.....	1	00
2	Total receipts	2	00
SECTION D— Apportionment for Providers (KRS 141.121(1)(e)) PARTNER'S SHARE			
1	Kentucky property	1	00
2	Total property	2	00
3	Kentucky payroll	3	00
4	Total payroll.....	4	00
SECTION E—Resident Partner Adjustment			
1	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).....	1	00
2	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).....	2	00
3	Enter difference of lines 1 and 2 here and on appropriate line on Schedule M (see instructions).....	3	00

Note: An additional designation has been added to account for a K-1 issued to an employee stock ownership plan (ESOP). If you checked this box, disregard the other check boxes in Item C. The ESOP designation supersedes the entity type for purposes of this form. An ESOP is an employee-owner program that provides a company's workforce with an ownership interest in the company.

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 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) 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, 2018, you must take the items listed on Schedule K-1 (Form 765) into account on your tax return for calendar year 2018.

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 5 and/or Line 14.

Passive Activity Limitations—The passive activity limitations in IRC § 469 are figured at the partner level and may apply to any loss reported in Section A, 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 Section E, Lines 1, 2, and 3. 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 1—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 2—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 in Section A, Lines 1 and 2 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 5 and/or Line 14.**

If amounts in Section A, Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include in Section A, Lines 1 and 2. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 3—Enter difference of Section E, Lines 1 and 2. If Line 1 is greater than Line 2, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 2. If Line 2 is greater than Line 1, enter the difference as a subtraction on Schedule M, Line 11.

Caution: If the amount in Section E, Line 1 is a (loss) and Line 2 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 either Line 1 or Line 2 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 must 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 14(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 14(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, Page 4, Line 32 (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, Page 4, Line 3.

Line 4(b)—Enter on Form 740-NP, Page 4, 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, if applicable.

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 14 through 19—See federal partner's instructions for Lines 13, 19, and 20, Schedule K-1 (Form 1065).

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).

Individual Partners and Members (LLET Credit)

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) for nonresident partners or members) on Line 2 of the Kentucky Limited Liability Entity Tax Credit Worksheet located in the Instructions for Form 740, Form 740-NP, or Form 741 under Business Incentives and Other Tax Credits, to determine the LLET credit allowed. 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 Section B, Line 5 on Line 7 of the Kentucky Limited Liability Entity Tax Credit Worksheet.

Corporate Partners and Members (LLET Credit)

Enter the net distributive share income from the Kentucky Schedule K-1 (Form 765) that is included in the Corporation's Kentucky taxable income (multiplied by the percentage on Item D(2) for nonresident partners or members) on Line 2 of the Corporation LLET Credit Worksheet located in the Form 720 Instructions under Part II, Income Tax Computation, to determine the LLET credit allowed. If the net distributive 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 Section B, Line 7 of the Corporation LLET Credit worksheet.

Sections C and D—See Schedule A, Apportionment and Allocation.



➤ See instructions.

SCHEDULE K—PARTNERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC., EXCLUDING THE ECONOMIC DEVELOPMENT PROJECT(S)

SECTION A		Pro Rata Share Items		(a) Total Amount	(b) Adjustments	(c) Net Kentucky Amount
Income (Loss) and Deductions						
1	Kentucky ordinary income (loss) from trade or business activities (Form 765, Part I, line 10) ...	1		00	00	00
2	Net income (loss) from rental real estate activities (attach federal Form 8825).....	2		00	00	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 3(a) less line 3(b))	3(c)		00	00	00
4	Portfolio income (loss):					
	(a) Interest income	4(a)		00	00	00
	(b) Dividend income.....	(b)		00	00	00
	(c) Royalty income	(c)		00	00	00
	(d) Net short-term capital gain (loss)(attach federal Schedule D and Kentucky Schedule D, if applicable).....	(d)		00	00	00
	(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable).....	(e)		00	00	00
	(f) Other portfolio income (loss) (attach schedule)	(f)		00	00	00
5	Guaranteed payments to partners.....	5		00	00	00
6	IRC §1231 net gain (loss) (other than due to casualty or theft) (attach federal Form 4797 and Kentucky Form 4797)	6		00	00	00
7	Other income (loss) (attach schedule)	7		00	00	00
8	Charitable contributions (attach schedule).....	8		00	00	00
9	IRC §179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	9		00	00	00
10	Deductions related to portfolio income (loss) (attach schedule)	10		00	00	00
11	Other deductions (attach schedule)	11		00	00	00
Investment Interest						
12	(a) Interest expense on investment debts	12(a)		00	00	00
	(b) (1) Investment income included on lines 4(a), 4(b), 4(c), and 4(f) above.....	(b)(1)		00	00	00
	(b) (2) Investment expenses included on line 10 above.....	(b)(2)		00	00	00
Tax Credits (see instructions)						
13	Enter the applicable tax credit					
	(a) ➤ _____	13(a)		00	00	00
	(b) ➤ _____	(b)		00	00	00
	(c) ➤ _____	(c)		00	00	00
	(d) ➤ _____	(d)		00	00	00
	(e) ➤ _____	(e)		00	00	00



SCHEDULE K—PARTNERS’ SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC., EXCLUDING THE ECONOMIC DEVELOPMENT PROJECT(S)

SECTION A—continued

Pro Rata Share Items

Other Items

14 (a) Type of IRC §59(e)(2) expenditures	14(a)				
➤ (b) Amount of IRC §59(e)(2) expenditures.....	(b)		00	00	00
15 Tax-exempt interest income	15		00	00	00
16 Other tax-exempt income	16		00	00	00
17 Nondeductible expenses	17		00	00	00
18 Total property distributions (including cash) ...	18		00	00	00
19 Other items and amounts required to be reported separately to partners (attach schedule)	19				

SECTION B—LLET Pass-through Items (Required)

TOTAL AMOUNT

1 Kentucky gross receipts from Schedule L, Section A, Column A, line 2.....	1		00
2 Total gross receipts from Schedule L, Section A, Column B, line 2	2		00
3 Kentucky gross profits from Schedule L, Section A, Column A, line 5	3		00
4 Total gross profits from Schedule L, Section A, Column B, line 5.....	4		00
5 Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less \$175	5		00

SECTION C—Apportionment Pass-through Items

TOTAL AMOUNT

1 Kentucky receipts from Schedule A, Part I, line 1	1		00
2 Total receipts from Schedule A, Part I, line 2.....	2		00

SECTION D—Apportionment for Providers (KRS 141.121(1)(e))

TOTAL AMOUNT

1 Kentucky property from Schedule A, Part I, line 5	1		00
2 Total property from Schedule A, Part I, line 6	2		00
3 Kentucky payroll from Schedule A, Part I, line 8.....	3		00
4 Total payroll from Schedule A, Part I, line 9	4		00

IMPORTANT: A partnership that has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), 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) must use this Schedule K instead of Form 765 Schedule K.

Purpose of Schedule—This schedule is used to determine the partners' shares of each item of income, credit, deduction, etc., excluding the amount of each item of income, credit, deduction, etc., attributable to the project(s). See Instructions for Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or FON-SP for additional information on this exclusion.

SECTION A INSTRUCTIONS

Column (a)—Complete this column following the instructions for Form 765 Schedule K.

Column (b)—For each item of income or deduction, enter the amount attributable to the project or projects. If the partnership has more than one project, attach a schedule reflecting the computation of the total amount of each item.

If the partnership's only operation is the project or projects, the amount entered for each item should be the same as the amount entered in column (a).

Attach applicable tax computation schedule(s) (Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or FON-SP) and supporting schedules for each project.

Column (c)—For each item of income or deduction, subtract the amount in column (b) from the amount in column (a) and enter the result. The amounts from this column are used to determine the amount of income, credits, deductions, etc. reflected on each partner's Kentucky Schedule K-1. The total pro rata share items of all Schedules K-1 should equal the amount reported on the same lines of this column, Lines 1 through 19.

SECTIONS B, C, AND D INSTRUCTIONS

See instructions for Sections B, C, and D of Form 765 Schedule K.

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DO NOT REPRODUCE

F 720-ES, FRN



★ DO NOT include Check Stubs ★

★ Enclose Unattached Check and Voucher ★

Form 720-ES
KENTUCKY
ESTIMATED TAX VOUCHER

2020 CORPORATION INCOME/LIMITED LIABILITY ENTITY TAX

KY Corporation / LLET Account No.

Taxable Year Ending (MMYY)

Entity Name

Grid for KY Corporation / LLET Account No.

Grid for Taxable Year Ending (MMYY)

20
TRAN CODE

Long grid for Entity Name

Dollars

Cents

Federal Identification Number			

Number and Street			

City	State	ZIP Code	Telephone Number

Corporation
Income Tax
Limited Liability
Entity Tax
Total

Grid for Tax Amounts

41A720ES0003

Print or Type
Name of Responsible Party _____

Form Type: 720 720S 720U 725EZ 725 765

Mail to:
KY Department of Revenue
Frankfort, KY 40620-0021



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**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 (LLET) imposed by KRS 141.0401 must make estimated tax payments if the combined liability per these statutes can reasonably be expected to exceed \$5,000.

NOTE: Limited liability pass-through entities per KRS 141.010(16) are subject to the LLET per KRS 141.0401. Corporations as defined in KRS 141.010(4) 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 entity's estimated tax exceeds \$5,000, 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	December 15	25% of Estimated Tax Due

Fiscal Year Filers—Use the 15th day of the 4th, 6th, 9th, and 12th months of your tax year.

NOTE: If a payment date falls on a holiday or weekend, the applicable payment date is the next working day.

LLET rates are as follows:

Kentucky Gross Receipts	.00095 (.095%)
Kentucky Gross Profits	.0075 (.75%)

Corporation income tax rate:

.05 (5%)

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 using the worksheet on page 3.

**MAKE CHECK PAYABLE TO: KENTUCKY STATE TREASURER
MAIL TO: KENTUCKY DEPARTMENT OF REVENUE, FRANKFORT, KENTUCKY 40620-0021**

Enterprise Electronic Payment System (EEPS)—Corporation income tax and LLET estimated payments can be made using EEPS. To use EEPS, go to www.revenue.ky.gov and click on the E-File and Payments tile. From the selections of tax types available, click "Corporation Income Tax" or "LLET" and select the Electronic Payment link. To make payments, the FEIN is required along with the Kentucky Corporation/LLET 6-digit account number.

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.



NOTE: Do not submit the estimated tax voucher if you make an electronic payment.

Recalculating Estimated Tax—If, after the corporation or pass-through entity calculates and pays its estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to recalculate its required installments. If earlier installments were underpaid, the corporation or pass-through entity may owe a penalty. An immediate payment should be made to reduce the amount of penalty resulting from the underpayment of earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Overpayment of Estimated Tax—A corporation or pass-through entity that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected tax liability and at least \$500. To apply, file Form 40A100, Application for Refund of Income Taxes and LLET.

INSTRUCTIONS

Specific line by line instructions for *Corporation Income/ Limited Liability Entity Tax Estimated Tax Worksheet* on page 3.

NOTE: If using the Annualized Income Installment Method and/or the Adjusted Seasonal Installment Method for Corporations, only complete Column A, lines 1 through 4, and proceed to page 5 for further instructions.

Line 1(a)—Specify if Kentucky Gross Receipts (KGR) or Kentucky Gross Profits (KGP) are entered for taxable LLET in Column A, Line 1(b).

Line 1(b)—Enter the amount of current year estimated taxable net income and KGR or KGP.

Line 2—Calculate the taxes using the applicable tax rates from page 1.

NOTE: If estimated total gross receipts or gross profits are less than \$3,000,000, skip Column A, line 3 and enter \$175 in Column A, line 4.

Line 3—Enter Statutory Credits. This may include 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, qualified research facility tax credit, GED incentive tax credit, voluntary environmental remediation tax credit, biodiesel 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, distilled spirits tax credit, film industry tax credit, and inventory tax credit. **Do not include the nonrefundable LLET credit.**

Line 4—Columns A and B: Subtract Line 3 from Line 2. Column A, Line 4 is estimated LLET.

Line 5—Enter Column A, Line 4 less \$175 in Column B. If negative, enter zero.

Line 6—Enter estimated income tax in Columns B; subtract Line 5 from Line 4. If negative, enter zero.

Line 7—Column C: Enter the total current year estimated tax, Column A, Line 4 plus Column B, Line 6. Note: If less than \$5,000, the entity is not required to make estimated payments.

Line 8—Column A: Enter the entity's LLET shown on the 2019 tax return.

Line 9—Column B: Enter the entity's income tax shown on the 2019 tax return. If the tax is zero or the tax year was less than 12 months, skip this line.

Line 10—Column C: Enter the entity's LLET and income tax shown on the 2019 tax return, Column A, Line 8 plus Column B, Line 9. If Line 9 is blank, skip this line.

Line 11—Enter the smaller of Column C, Line 7 or Column C, Line 10. If the entity is required to skip Line 10, enter amount from Line 7, Column C.

CORPORATION INCOME/LIMITED LIABILITY ENTITY TAX ESTIMATED TAX WORKSHEET

Estimated Installments (See instructions.)

	LLET	Income Tax	Total
	Column A	Column B	Column C
1(a) Specify if Kentucky Gross Receipts (KGR) or Kentucky Gross Profits (KGP) are entered for taxable LLET in Column A, line 1(b)			
1(b) Enter amount of current year estimated taxable net income and KGR or KGP			
2 Calculate the taxes using the applicable rates specified on page 1.....			
3 Statutory Credits.....			
4 Columns A and B: Subtract line 3 from line 2. Column A, line 4 is estimated LLET			
5 Nonrefundable LLET credit. Columns B: Enter Column A, line 4 less \$175. If negative, enter zero			
6 Estimated income tax. Columns B: Subtract line 5 from line 4. If negative, enter zero			
7 Column C: Enter the total current year estimated tax, Column A, line 4 plus Column B, line 6. Note: If the result is less than \$5,000, the entity is not required to make estimated tax payments.....			
8 Column A: Enter the entity's LLET shown on the 2019 tax return			
9 Column B: Enter the entity's income tax shown on the 2019 tax return. If the tax is zero or the tax year was less than 12 months, skip this line.....			
10 Column C: Enter the entity's LLET and income tax shown on the 2019 tax return, Column A, line 8 plus Column B, line 9. If line 9 is blank, skip this line....			
11 Required installments: Enter the smaller of Column C, line 7 or Column C, line 10. If the entity is required to skip Column C, line 10, enter amount from Column C, line 7 in Column C			

Instructions for A—LLET Installments 1 through 4, Column B in Required Installments Breakdown Box Below:

If Column C, Line 11 is equal to Column C, Line 7, enter 25% of Column A, Line 4 in each Installment 1, 2, 3, and 4, A-LLET, Column B below. Otherwise, if an alternative method is NOT used per Federal, enter 25% of Column A, Line 8 in each Installment 1, 2, 3, and 4, A-LLET, Column B below.

If an alternative method is used per Federal, enter Line 5 of each column of the Adjusted Seasonal Installment Method and/or Annualized Method Worksheet (see page 5) into applicable row of each Installment 1, 2, 3, and 4, A-LLET, Column B below.

Instructions for B—Income Installments 1 through 4, Column B in Required Installments Breakdown Box Below:

If Column C, Line 11 is equal to Column C, Line 7 AND:

If an alternative method is NOT used per Federal, enter 25% of Column B, Line 6 in each Installment 1, 2, 3, and 4, B-Income, Column B below, OR

If an alternative method is used per Federal, enter Line 4 of each column of the Adjusted Seasonal Installment Method and/or Annualized Method Worksheet (see page 5) into applicable row of each Installment 1, 2, 3, and 4, B-Income, Column B below.

If Column C, Line 11 is equal to Column C, Line 10 AND:

if Column B, Line 9 is skipped, enter 25% of Column C, Line 7 in each Installment 1, 2, 3, and 4, B-Income, Column B below, OR

if Column B, Line 9 is not skipped, enter 25% of Column B, Line 9 in each Installment 1, 2, 3, and 4, B-Income, Column B below.

Instructions for Required Installments Breakdown box, Columns C and D

Column C—Enter the estimated payments timely paid by each installment due date for each tax in applicable rows. A prior year carryforward is considered a timely paid estimated payment for the first installment. If amount of payment exceeds specified installment due, enter the excess in Column C on the next line for applicable tax added to any additional timely payments.

Column D—Subtract Column C from Column B for each row and enter here. These payments are the estimated payments due that should be listed on each installment voucher.

REQUIRED INSTALLMENTS BREAKDOWN					
		Due Date	25%	Prior Year Carryforward/Estimated Payments	Payment Voucher Amounts
		Column A	Column B	Column C	Column D
INSTALLMENT 1	A-LLET	15th day of the 4th month of the Tax Year	A	A	A
	B-Income		B	B	B
INSTALLMENT 2	A-LLET	15th day of the 6th month of the Tax Year	A	A	A
	B-Income		B	B	B
INSTALLMENT 3	A-LLET	15th day of the 9th month of the Tax Year	A	A	A
	B-Income		B	B	B
INSTALLMENT 4	A-LLET	15th day of the 12th month of the Tax Year	A	A	A
	B-Income		B	B	B

Annualized Income Installment Method and/or Adjusted Seasonal Installment Method for Corporations—If the corporation uses the annualized income installment method and/or the adjusted seasonal installment method, or is a “large corporation” per IRC § 6655, see Federal Instructions for Form 1120-W for guidance. An entity may calculate income tax installments based on the adjusted seasonal installment method and/or annualized income installment method by converting Federal Form 1120-W, Schedule A, to a Kentucky form by entering Kentucky at the top center of the worksheet above “Adjusted Seasonal Installment Method and Annualized Income Installment Method.”

Converted Form 1120-W, Schedule A Exception Instructions:

- Part I – Adjusted Seasonal Installment Method
 - (1) Part I, Line 10 (Use 5% instead of 21%);
 - (2) Skip Part I, Lines 16 and 18;
- Part II – Annualized Income Installment Method
 - (3) Part II, Line 24 (Use 5% instead of 21%);
 - (4) Skip Part II, Lines 26 and 28;
- Part III – Required Installments
 - (5) Skip Part III, Lines 33-38; and then
 - (6) Complete the Kentucky Adjusted Seasonal Installment Method and/or Annualized Income Installment Method Worksheet below.

Adjusted Seasonal Installment Method and/or Annualized Income Installment Method Worksheet

	Installment 1	Installment 2	Installment 3	Installment 4
	Column A	Column B	Column C	Column D
1 Enter the amounts from each Column of Kentucky Form 1120-W, Schedule A, Part III, Line 32 in each column here....				
2 Enter statutory credits in each column. Refer to Line 3 in Specific Instructions on page 2.....				
3 Divide <i>Corporation Income/Limited Liability Entity Tax Estimated Tax Worksheet</i> , Column A, Line 4 less \$175 by 4 and enter in each column. Round to nearest whole dollar.....				
4 Subtract in each column, Lines 2 and 3 from Line 1 and enter in each column. If negative, enter zero. This is estimated income				
5 Divide <i>Corporation Income/Limited Liability Entity Tax Estimated Tax Worksheet</i> , Column A, Line 4 by 4 and enter in each column. This is estimated LLET				
6 Add lines 4 and 5 and enter in each column. Note: If the total of all columns is less than \$5,000, the corporation is not required to make estimated payments.....				

Enter Line 4 of each column above in Column B of the applicable row of the Required Installments Breakdown Box, B—Income and enter Line 5 of each column above in Column B of the applicable row of the Required Installments Breakdown Box, A—LLET found at the bottom of page 4.

The Kentucky converted Federal Form 1120-W must be attached to your Kentucky 720 or 720U return when filed to avoid interest and penalties for underpayment of estimated tax.

A Corporation electing a different annualization period on Federal Form 8842, Election to use Different Annualization Periods for Corporate Estimated Tax, must make the election on or before the due date of the first required installment payment. Once the election is made, the election is irrevocable for the particular tax year. A copy of your Form 8842 election is a required attachment to your Kentucky 720 or 720U return to avoid interest and penalties for underpayment of estimated tax.

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DO NOT REPRODUCE

1/7/2019, PM



★ Please cut on the dotted line. ★

720EXT

EXTENSION OF TIME TO FILE KENTUCKY CORPORATION / LLET RETURN 2019

KY Corporation / LLET Account No.

Taxable Year Ending (MMYY)

24
TRAN CODE

Entity Name

Federal Identification Number

Grid for Entity Name and Federal Identification Number

Number and Street		State and Date of Organization	
City	State	ZIP Code	
Name of President, Partner or Member		Telephone No. of Entity	

Corporation
Income Tax
Limited Liability
Entity Tax
Total

Dollars		Cents	

Form Type: 720 720S 720U 725EZ 725 765

41A720SL0003

KY Department of Revenue
Frankfort, KY 40620-0021



Signature of Principle Officer or Chief Accounting Officer OR
Preparer Other than Taxpayer

Date



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General—A six month extension for pass-through entities, including S-corporations (720S, 765, 725 and 725EZ), and a seven month extension of time to file a Kentucky corporation income tax and/or LLET return for corporations (Form 720 or 720U) may be obtained by either:

1. Requesting an extension per KRS 141.170 before the 15th day of the fourth month following the close of the taxable year;
or
2. Submitting a copy of federal Form 7004 (Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns) with the tax return.

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 return when it is filed. A copy of the federal Form 7004 should not be mailed to the Department of Revenue before filing the return.**

Note: If submitting payment with extension, use the current year Kentucky Form 720EXT. The use of a prior year or invalid form will delay timely processing of your extension.

Filling Out the Voucher:

Enter the **Kentucky Corporation/LLET Account Number**.

To obtain your valid Kentucky Corporation/LLET account number, please contact Registration at 502-564-3306.

Enter the month and year of the entity's taxable year ending date as four-digits. Example: (MMYY) 1219.

Enter the Federal Employer Identification Number (FEIN).

Enter the entity's name, address, contact name, and telephone number. Do not use punctuation marks (quotation marks, periods, parenthesis, etc.) in the entity's name.

Preparing Your 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 FEIN and the Kentucky Corporation/LLET account number on the check or money order.

Consolidated and Unitary Combined Returns—An extension of time for filing a consolidated or unitary combined Kentucky corporation income tax and LLET return by the parent or designated filer corporation also constitutes an extension of time to file for each member of an affiliated group (consolidated) or combined group (unitary combined).

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 must be submitted to the Department of Revenue along with this form on or before the 15th day of the fourth month following the close of the taxable year.

- **Please place both the check or money order and the 720EXT payment voucher in the envelope together without staples or clips.**
- **DO NOT leave check stubs attached to checks.**
- Mail with payment to **Kentucky Department of Revenue, Frankfort, Kentucky 40620-0021.**

Note: 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.

The Kentucky Department of Revenue encourages taxpayers to make payments electronically. You can make a one-time electronic payment or you can register for a user name and password to make multiple and reoccurring payments electronically. Please visit **www.revenue.ky.gov** for details.

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**KENTUCKY AFFILIATIONS
AND PAYMENT SCHEDULE**

2019

▶ See instructions.

▶ Attach to the elective consolidated income tax return (Form 720).

List the parent corporation and all subsidiaries.

Corp. No.	Name of Parent Corporation	Federal Identification Number	Kentucky Corporation/LLET Account Number	Parent Corporation Tax Payments			Subsidiary(ies) Tax Payments			Stock Ownership Information											
				Prior Year Credit	Estimated Payment(s)	Extension Payment	Prior Year Credit	Estimated Payment(s)	Extension Payment	Percent of Value	Percent of Voting Power	Owned by Corp. No.									
1																					
2																					
3																					
4																					
5																					
6																					
7																					
8																					
9																					
10																					

INSTRUCTIONS FOR FORM 851-K — KENTUCKY AFFILIATIONS AND PAYMENT SCHEDULE

SCHEDULE 851-K (2019)

Purpose of Form— This form must be completed and attached to the Kentucky Corporation Income Tax and Limited Liability Entity Tax (LLET) Return (Form 720) if the corporation is filing an elective consolidated tax return per KRS 141.201.

The information requested on this form identifies the parent of the affiliated group, each subsidiary included in the elective 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 of Revenue such as delinquency notices to subsidiaries.

Elective Consolidated Return— For tax years beginning on or after January 1, 2019, KRS 141.201 provides that an affiliated group may elect to file a consolidated return which includes all members of the federal affiliated group.

General Instructions

Enter the name, federal identification number, and, if applicable, the Kentucky Corporation/LLET Account Number of the parent corporation and each subsidiary included in the elective 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 LLET 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 720EXT.

Lines 2-10— Enter the total LLET and corporation income tax paid, including overpayments applied from the prior year, estimated tax payments, and amounts paid with extension Form 720EXT, by each subsidiary included in the elective 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.



► Attach to Form 720, 720U, 720S, 765, or 725

Name	Federal Identification Number	Kentucky Corporation/LLET Account Number
_____	_____	_____

Only Corporate (Form 720 or 720U) filers complete Part I.

Part I—Reasons for Filing

Check the boxes below that apply. If any boxes are checked, the corporation must file Form 2220-K even if it does not owe a penalty.

- 1 The corporation is using the adjusted seasonal installment method.
- 2 The corporation is using the annualized income installment method.

NOTE: A “large corporation” is required to figure its first required installment based on the prior year’s tax.

Important: The entity should use Form 2220-K to figure the penalty from underpayment of estimated taxes. The penalty from Part IV, Line 27, must be added to the penalty line of the Tax Payment Summary of the Kentucky Corporation and/or LLET Return. Form 2220-K must be attached to the return.

If you checked one or more boxes in Part I, complete Part II, Column A, Line 3 **and** the worksheet on Page 5 before proceeding to Part III. Large corporations must complete Column A, Line 3, Column B, Lines 3 and 4, and **calculate** all columns of Part III, Line 7 per instructions on page 7 before completing the worksheet on Page 5. Amounts to enter in all columns on Line 7 will come from Line 10 of the worksheet on Page 5.

Part II—Required Annual Payment (For all entities)

	LLET	Income	Total
	Column A	Column B	Column C
3 Enter LLET and Income tax after reduction for the nonrefundable LLET credit and any other tax credits from Schedule TCS from current year tax return in applicable columns. Add Column A, line 3 to Column B, line 3 and enter in Column C, line 3. Note: If Column C, line 3 is less than \$5,000, no penalty is due.....			
4 Enter LLET and Income tax after reduction for the nonrefundable LLET credit and any other tax credits from Schedule TCS from 2018 tax return in applicable columns. Add Column A, line 4 to Column B, line 4 and enter in Column C, line 4. Caution: If the tax in Column B, line 4 is zero or the tax year was for less than 12 months, skip this line			
5 Required annual payment. Enter the smaller of Column C, line 3 or line 4. If the entity is required to skip line 4, enter the amount from Column C, line 3			



Part III—Figuring the Underpayment (For all entities)

	(a)	(b)	(c)	(d)
6 Installment Due Dates	15th Day of 4th month of tax year	15th Day of 6th month of tax year	15th Day of 9th month of tax year	15th Day of 12th month of tax year
7 Required Income Installments —If box in Part I, line 1 and/or line 2 is checked, enter the amounts from each column of Adjusted Seasonal Method and/or Annualized Income Installment Method Worksheet, line 10 into each column here. If none of these boxes are checked and Part II, Column C, line 5 is equal to Part II, Column C, line 3, enter 25% (.25) of Part II, Column B, line 3 in each column. Otherwise, enter 25% of Part II, Column B, line 4 in each column				
8 Required LLET Installments —If the box in Part I, line 1 and/or line 2 is checked, enter the amounts from each column of Adjusted Seasonal Method and/or Annualized Income Installment Method Worksheet, line 11 into each column here. If none of these boxes are checked and Part II, Column C, line 5 is equal to Part II, Column C, line 3, enter 25% (.25) of Part II, Column A, line 3 in each column. Otherwise, enter 25% of Part II, Column A, line 4 in each column.....				
9 Total Required Income and LLET Installments —Add lines 7 and 8 and enter into each column here				
10 Estimated Tax Paid or credited for each period. For column (a) only, enter the amount from line 10 on line 14				

Complete lines 11 through 17 of one column before going to next column.

11 Enter amount, if any, from line 17 of the preceding column.....				
12 Add lines 10 and 11 in each column.....				
13 Add amounts on lines 15 and 16 of the preceding column.....				
14 Subtract line 13 from line 12 in each column. If zero or less, enter -0-. For column (a) only, enter the amount from line 10.....				
15 If the amount on line 14 is zero, subtract line 12 from line 13 in each column. Otherwise, enter -0-...				
16 Underpayment. If line 14 is less than or equal to line 9, subtract line 14 from line 9. Then, go to line 11 of next column. Otherwise, go to line 17.....				
17 Overpayment. If line 9 is less than line 14, subtract line 9 from line 14. Then, go to line 11 of the next column.....				



Part IV—Figuring the Penalty (For all entities)

	(a)	(b)	(c)	(d)
18 Enter the date when the specific installment is paid in full or the 15th day of the 4th month after the close of the tax year, whichever date is earlier, in each column.....				
19 Number of days from the due date of the installment on line 6 to the date shown on line 18 in each column.....				
20 Number of days on line 19 after 04/15/2019 and before 01/01/2020 in each column.....				
21 Line 16 X $\left(\frac{\text{Line 20}}{365} \right)$ X 7%				
22 Number of days on line 19 after 12/31/2019 and before the day after the due date of the return or 01/01/2021, whichever date is earlier, in each column.....				
23 Line 16 X $\left(\frac{\text{Line 22}}{366} \right)$ X 7%				
24 Number of days on line 19 after 12/31/2020 and before 03/16/2021 or the day after the due date of the return, whichever date is earlier, in each column.....				
25 Line 16 X $\left(\frac{\text{Line 24}}{365} \right)$ X 2021 Tax Due Interest Rate				
26 Add lines 21, 23, and 25 in each column.				
27 Penalty. Add columns (a) through (d) of line 26. Enter total in column (d) and add to the line specified in the instructions of the applicable form				

PURPOSE OF FORM—The form is used by a corporation or pass-through entity required by KRS 141.044 to file a declaration of estimated tax to determine:

- Whether they are subject to the penalty for underpayment of estimated tax and if so,
- To compute the amount of underpayment and addition to tax penalty per KRS 141.044.

PART I—REASONS FOR FILING (ONLY CORPORATE, FORM 720 OR 720U, FILERS COMPLETE THIS PART)

Lines 1 and 2. Adjusted seasonal installment method and/or annualized income installment method. If the corporation's income varied during the year because, for example, it operated its business on a seasonal basis, it may be able to lower or eliminate the amount of one or more required installments by using the adjusted seasonal installment method and/or the annualized income installment method. If the corporation uses the annualized income installment method and/or the adjusted seasonal installment method, or is a "large corporation" per IRC § 6655, see Federal Instructions for Form 1120-W for guidance. An entity may calculate income tax installments based on the adjusted seasonal installment method and/or annualized income installment method by converting Federal Form 1120-W, Schedule A, to a Kentucky form by entering Kentucky at the top center of the schedule above "Adjusted Seasonal Installment Method and Annualized Income Installment Method."

Converted Form 1120-W, Schedule A Exception Instructions:

Part I – Adjusted Seasonal Installment Method

- (1) Part I, Line 10 (Use 5% instead of 21%);
- (2) Skip Part I, Lines 16 and 18;

Part II – Annualized Income Installment Method

- (3) Part II, Line 24 (Use 5% instead of 21%);
- (4) Skip Part II, Lines 26 and 28;

Part III – Required Installments

- (5) Skip Part III, Lines 33-38; and then
- (6) Complete the Kentucky Adjusted Seasonal Installment Method and/or Annualized Income Installment Method Worksheet on page 5.

Instructions for Adjusted Seasonal Installment Method and/or Annualized Income Installment Method Worksheet on page 5

Line 1—Enter the amounts from each column of Kentucky Form 1120-W, Schedule A, Part III, Line 32.

Line 2—Add amounts in the preceding columns of Line 7. **NOTE:** Before completing this line in Columns B through D, complete Lines 3 through 7 of each of the preceding columns.

Line 3—Adjusted seasonal or annualized income installments. Subtract Line 2 from Line 1. If zero or less, enter zero.

Line 4—Enter 25% (.25) of Part II, Line 5 in each column. **NOTE:** "Large corporations," see instructions for Part III, Line 7 for the amounts to enter.

Line 5—Subtract Line 7 of the preceding column from Line 6 of the preceding column.

Line 6—Add Lines 4 and 5 in each column.

Line 7—Total income installments before Kentucky credits. Enter the smaller of Line 3 or Line 6 here.

Line 8—Enter Kentucky statutory credits in each column. This may include 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, qualified research facility tax credit, GED incentive tax credit, voluntary environmental remediation tax credit, biodiesel 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, distilled spirits tax credit, film industry tax credit, and inventory tax credit. **Do not include the nonrefundable LLET credit.**

Line 9—Divide current year LLET less \$175 by 4 and enter in each column. Round to nearest whole dollar.

Line 10—Subtract in each column, Lines 8 and 9 from Line 7 and enter in each column here and in Part III, Line 7. If negative, enter zero. **These are your required estimated income tax installments.**

Line 11—Divide current year LLET by 4 and enter in each column. **These are your required estimated LLET installments.**

Line 12—Add lines 10 and 11 and enter in each column. **Note:** If the total of Line 12 for all columns is less than \$5,000, no penalty is due.



Adjusted Seasonal Installment Method and/or Annualized Income Installment Method Worksheet

	Installment 1	Installment 2	Installment 3	Installment 4
	Column A	Column B	Column C	Column D
1 Enter the amounts from each Column of Kentucky Form 1120-W, Schedule A, Part III, line 32.....				
2 Add amounts in the preceding columns of line 7. NOTE: Before completing this line in Columns B through D, complete lines 3 through 7 of each of the preceding columns				
3 Adjusted seasonal or annualized income installments. Subtract line 2 from line 1. If zero or less, enter zero ..				
4 Enter 25% (.25) of Part II, line 5. NOTE: "Large Corporations" see instructions for Part III, line 7 for the amounts to enter.....				
5 Subtract line 7 of the preceding column from line 6 of the preceding column.....				
6 Add lines 4 and 5 in each column.....				
7 Total income installments before Kentucky credits. Enter the smaller of line 3 or line 6 here				
8 Enter Kentucky statutory credits in each column. Refer to line 2 in Specific Instructions on page 4.....				
9 Divide current year LLET less \$175 by 4 and enter in each column. Round to nearest whole dollar.				
10 Subtract in each column, lines 8 and 9 from line 7 and enter in each column here and in Part III, line 7. If negative, enter zero. These are your required estimated income tax installments				
11 Divide current year LLET by 4 and enter in each column. Round to 2 decimal places. These are your required estimated LLET installments				
12 Required installments. Add lines 10 and 11 and enter in each Column. If the total of all columns is less than \$5,000, no penalty is due				

The Kentucky converted Federal Form 1120-W, Schedule A must be attached to your Kentucky 720 or 720U return when filed to avoid interest and penalties for underpayment of estimated tax.

Follow the steps below to determine which parts of the form have to be completed.

- If the corporation is using only the adjusted seasonal installment method, check the box in Part I, Line 1 and complete Kentucky Converted Form 1120-W, Schedule A, Parts I and III as discussed above.
- If the corporation is using only the annualized income installment method, check the box on Part I, Line 2 and complete Kentucky Converted Form 1120-W, Schedule A, Parts II and III as discussed above.
- If the corporation is using both methods, check the boxes in Part I, Lines 1 and 2, and complete Kentucky Converted Form 1120-W, Schedule A, Parts I, II, and III as discussed above.

A Corporation electing a different annualization period on Federal Form 8842, Election to use Different Annualization Periods for Corporate Estimated Tax, must make the election on or before the due date of the first required installment payment. Once the election is made, the election is irrevocable for the particular tax year. A copy of your Form 8842 election is a required attachment to your Kentucky 720 or 720U return to avoid interest and penalties for underpayment of estimated tax.

THE REMAINING INSTRUCTIONS APPLY TO ALL ENTITIES

If you checked one or more boxes in Part I, complete Part II, Column A, Line 3 and the worksheet on Page 5 before proceeding to Part III. Large corporations must complete Column A, Line 3, Column B, Lines 3 and 4, and calculate all columns of Part III, Line 7 per instructions before completing the worksheet on page 5. Amounts to enter in all columns on Line 7 will come from Line 10 of the worksheet on page 5.

PART II—REQUIRED ANNUAL PAYMENT

Line 3—Enter LLET and Income tax from current year tax return in applicable columns. Add Column A, Line 3 to Column B, Line 3 and enter in Column C, Line 3. NOTE: If Column C, Line 3 is less than \$5,000, no penalty is due.

Line 4—Enter LLET and Income tax from 2018 tax return in applicable columns. Add Column A, Line 4 to Column B, Line 4 and enter in Column C, Line 4. CAUTION: If the tax in Column B, Line 4 is zero or the tax year is for less than 12 months, skip this line.

Line 5—Enter the smaller of Column C, Line 3 or Line 4. If the entity is required to skip Line 4, enter the amount from Column C, Line 3.

PART III—FIGURING THE UNDERPAYMENT

Line 6—These fields contain pre-filled installment due dates.

Line 7—If the box in Part I, Line 1 and/or Line 2 is checked, enter the amounts from each column of Adjusted Seasonal Method and/or Annualized Income Installment Method Worksheet, Line 10 into each column here. If none of these boxes are checked and Part II, Column C, Line 5 is equal to Part II, Column C, Line 3, enter 25% (.25) of Part II, Column B, Line 3 in each column. Otherwise, enter 25% of Part II, Column B, Line 4 in each column.

Large corporations. Large corporations, follow the instructions below.

1. If the corporation is a large corporation, the boxes on Line 1 and Line 2 are not checked, and Column B, Line 3 is smaller than Column B, Line 4, enter 25% of Column B, Line 3 in columns (a) through (d) of Line 7.
2. If the corporation is a large corporation, the boxes on Line 1 and Line 2 are not checked, and Column B, Line 4 is smaller than Column B, Line 3, enter 25% of Column B, Line 4 in column (a) of Line 7. In column (b), figure the amount to enter as follows:
 - a. Subtract Column B, Line 4 from Column B, Line 3,
 - b. Add the result to the amount on Column B, Line 3, and
 - c. Multiply the total in item b above by 25%, and enter the result in column (b).
 In columns (c) and (d), enter 25% of Column B, Line 3.
3. If the corporation is a large corporation and the box on Line 1 and/or Line 2 are checked, follow the instructions in items 1 and 2 above by substituting the Adjusted Seasonal Method and/or Annualized Income Installment Method Worksheet, Line 4 for Part III, Line 7 and complete the rest of the Adjusted Seasonal Method and/or Annualized Income Installment Method Worksheet. Amounts to enter in all columns on Line 7 will come from Line 10 of the worksheet on Page 5.

Line 8—If the box in Part I, Line 1 and/or Line 2 is checked, enter the amounts from each column of Adjusted Seasonal Method and/or Annualized Income Installment Method Worksheet, Line 11 into each column here. If none of these boxes are checked and Part II, Column C, Line 5 is equal to Part II, Column C, Line 3, enter 25% (.25) of Part II, Column A, Line 3 in each column. Otherwise, enter 25% of Part II, Column A, Line 4 in each column.

Line 9—Add Lines 7 and 8 in each column.

Line 10—Estimated Tax Paid or credited for each period. For first installment, include prior year credits and any payments received by the first installment due date. For the other installments, enter the payments from prior installment up through due date of specific installment. For column (a) only, enter the amount from Line 10 on Line 14.

Complete Lines 11 through 17 of one column before going to the next column.

Line 11—Enter amount, if any, from Line 17 of the preceding column.

Line 12—Add Lines 10 and 11 in each column.

Line 13—Add amounts on Lines 15 and 16 of the preceding column.

Line 14—Subtract Line 13 from Line 12 in each column. If zero or less, enter -0-. For column (a) only, enter the amount from Line 10.

Line 15—If the amount on Line 14 is zero, subtract Line 12 from Line 13 in each column. Otherwise, enter -0-

Line 16—Underpayment. If Line 14 is less than or equal to Line 9, subtract Line 14 from Line 9. Then, go to Line 11 of next column. Otherwise, go to Line 17.

Line 17—Overpayment. Subtract Line 9 from Line 14. Then, go to Line 11 of the next column.

PART IV—FIGURING THE PENALTY

Line 18—Enter the date when the specific installment is paid in full or the 15th day of the 4th month after the close of the tax year, whichever date is earlier, in each column.

Line 19—Enter the number of days from the due date of the installment on Line 6 to the date shown on Line 18 in each column.

Line 20—Enter the number of days on Line 19 after 04/15/2019 and before 01/01/2020 in each column.

Line 21— Underpayment on Line 16 X $\left(\frac{\text{Line 20}}{365} \right)$ X 7%

Line 22—Enter the number of days on Line 19 after 12/31/2019 and before the day after the due date of the return or 01/01/2021, whichever date is earlier, in each column.

Line 23— Underpayment on Line 16 X $\left(\frac{\text{Line 22}}{366} \right)$ X 7%

Line 24—Enter the number of days on Line 19 after 12/31/2020 and before 03/16/2021 or the day after the due date of the return, whichever date is earlier, in each column.

Line 25— Underpayment on Line 16 X $\left(\frac{\text{Line 24}}{365} \right)$ X 2021 Tax Due Interest Rate

Note: The 2021 tax due interest rate will be made public in early October 2020.

Line 26—Add Lines 21, 23, and 25 in each column.

Line 27—Penalty. Add columns (a) through (d) of Line 26. Enter total in column (d). If there is a tax overpayment, add to the "Credited to 2019 penalty" line of the applicable form. If there is a tax due, add to the LLET Tax Payment Summary, penalty line of the applicable form.

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

FOR OFFICE USE ONLY	
<input type="checkbox"/> WH	<input type="checkbox"/> SU <input type="checkbox"/> TEL <input type="checkbox"/> CU <input type="checkbox"/> CT <input type="checkbox"/> CP <input type="checkbox"/> NRW
<input type="checkbox"/> TR	<input type="checkbox"/> UTL <input type="checkbox"/> CID <input type="checkbox"/> LL
<input type="checkbox"/> TF	
<input type="checkbox"/> CMRS	
CBI #	
FEIN	
CRIS #	
RCS Flag	NAICS
Coded/Date Coded	Data Entry/Data Entered

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.Registration@ky.gov

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*)
 - ➔ Purchased business assets from previous owner
 - Yes No
- 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*)

<input type="text"/>	<input type="text"/>	-	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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7. Kentucky Commonwealth Business Identifier
 (*if already assigned*)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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8. Secretary of State Information (*if applicable*)

Kentucky Secretary of State Organization Number									
<table border="1"> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> </table>			<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>			
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

Street Address (DO NOT List a PO Box)		
City	State	Zip Code
Telephone Number () -	County (if in Kentucky)	

11. Accounting Period

Calendar Year: Year Ending December 31st

Fiscal Year: Year Ending ____/____ (mm/dd)

52/53 Week Calendar Year: _____
(Month and Day of Week Year Ends)

52/53 Week Fiscal Year: _____
(Month and Day of Week Year Ends)

12. Accounting Method

Cash Accrual

10. Business Operations are Primarily

Home Based Web Based Office/Store Based Transient

13. Business Structure

<input type="checkbox"/> Profit Limited Liability Company (LLC)	<input type="checkbox"/> Association	<input type="checkbox"/> General Partnership	<input type="checkbox"/> Protected Cell Company (PCC)
<input type="checkbox"/> Non-Profit Limited Liability Company (LLC)	<input type="checkbox"/> Statutory Trust	<input type="checkbox"/> Joint Venture	<input type="checkbox"/> Cell of a Protected Cell Company
<input type="checkbox"/> Professional Limited Liability Company (PLLC)	<input type="checkbox"/> Series of a Statutory Trust	<input type="checkbox"/> Estate	<input type="checkbox"/> Public Benefit Corporation
<input type="checkbox"/> Series of a Limited Liability Company	<input type="checkbox"/> Business Trust	<input type="checkbox"/> Government	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Profit Corporation	<input type="checkbox"/> Trust (Non-statutory)	<input type="checkbox"/> Unincorporated Non-profit Association	
<input type="checkbox"/> Non-Profit Corporation	<input type="checkbox"/> Limited Partnership (LP)	<input type="checkbox"/> Sole Proprietorship	
<input type="checkbox"/> Professional Service Corporation (PSC)	<input type="checkbox"/> Limited Liability Partnership (LLP)	<input type="checkbox"/> Home Care Service Recipient (HCSR)	
<input type="checkbox"/> Cooperative Corporation	<input type="checkbox"/> Limited Liability Limited Partnership (LLLP)	<input type="checkbox"/> Qualified Joint Venture (Married Couple)	
<input type="checkbox"/> Limited Cooperative Association	<input type="checkbox"/> Series of a Partnership		

14. How Will You be Taxed for Federal Purposes?

(Sole Proprietorships, HCSRs, Qualified Joint Ventures, Estates, Governments, and Unincorporated Non-Profits SKIP question 14)

<input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> S-Corporation <input type="checkbox"/> Cooperative <input type="checkbox"/> Trust	<input type="checkbox"/> Single Member Disregarded Entity <i>Check below how the Member will be taxed federally</i> <input type="checkbox"/> Individual Sole Proprietorship <input type="checkbox"/> General Partnership/Joint Venture <input type="checkbox"/> Estate <input type="checkbox"/> Trust (Non-statutory)/Business Trust <input type="checkbox"/> Other (Specify how the Member is federally taxed) _____
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15-16. OWNERSHIP DISCLOSURE-RESPONSIBLE PARTIES (REQUIRED FOR ALL BUSINESS STRUCTURES)



See instructions regarding required responsible parties for your business structure

Full Legal Name (First Middle Last)		Full Legal Name (First Middle Last)	
Social Security Number (REQUIRED)	FEIN (if Responsible Party is another business)	Social Security Number (REQUIRED)	FEIN (if Responsible Party is another business)
Driver's License Number (if applicable)	Driver's License State of Issuance	Driver's License Number (if applicable)	Driver's License State of Issuance
Business Title	Effective Date of Title ____/____/____	Business Title	Effective Date of Title ____/____/____
Residence Address		Residence Address	
City	State	Zip Code	
Telephone Number () -	County (if in Kentucky)		

- | | | |
|---|--------------------------|--------------------------|
| | Yes | No |
| 28. Will you sell extended warranties? | <input type="checkbox"/> | <input type="checkbox"/> |
| 29. Will you rent or lease tangible or digital property to others, including related companies?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 30. Will you charge admissions, including initiation fees, monthly fees or membership fees for the use of a facility or participating in an event or activity? (Non-profit organizations check NO. (<i>See instructions for additional information.</i>)..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 31. Are you a remote retailer selling tangible personal property or digital property delivered or transferred electronically to a purchaser in Kentucky? (<i>See instructions for additional information.</i>) | <input type="checkbox"/> | <input type="checkbox"/> |
| 32. Are you a manufacturer’s agent soliciting orders for a nonresident seller not registered in Kentucky?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 33a. Are you a marketplace provider or retailer? (<i>See instructions for additional information.</i>)..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 33b. Do you allow sales by third party retailers? (KRS 139.450 requires the marketplace provider to register for two Kentucky sales tax account numbers.)(<i>See instructions for additional information.</i>)..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 34. Are you a manufacturing fee processor or a contract miner operating in Kentucky?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 35. Are you bidding on a contract with Kentucky state government? | <input type="checkbox"/> | <input type="checkbox"/> |
| 36. Are you an affiliate of a company who has been awarded a Kentucky state government contract?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 37. Will you rent campsites at campgrounds or recreational vehicle parks?..... | <input type="checkbox"/> | <input type="checkbox"/> |

Sales and Use Tax Account Schedules

- | | | | |
|---|-----|--------------------------|--------------------------|
| 38. Will you receive receipts from the breeding of a stallion to a mare in Kentucky?..... | 38. | <input type="checkbox"/> | <input type="checkbox"/> |
| 39. Will you make sales of aviation jet fuel? | 39. | <input type="checkbox"/> | <input type="checkbox"/> |
| 40. Will you make sales of motor vehicles to residents of Arizona, California, Florida, Indiana, Massachusetts, Michigan, South Carolina, or Washington?..... | 40. | <input type="checkbox"/> | <input type="checkbox"/> |

Transient Room Tax Account

- | | | | |
|---|-----|--------------------------|--------------------------|
| 41. Will you rent temporary lodging to others?..... | 41. | <input type="checkbox"/> | <input type="checkbox"/> |
|---|-----|--------------------------|--------------------------|
- TIP** Examples: hotel, motel, or inn (*See instructions for more.*)

Motor Vehicle Tire Fee Account

- | | | | |
|---|-----|--------------------------|--------------------------|
| 42. Will you sell new tires for motor vehicles? | 42. | <input type="checkbox"/> | <input type="checkbox"/> |
|---|-----|--------------------------|--------------------------|

Commercial Mobile Radio Service (CMRS) Prepaid Service Charge Account

- | | | | |
|---|-----|--------------------------|--------------------------|
| 43. Will you sell cellular phones with preloaded minutes, prepaid cellular phone cards, or recharge cellular phones and cards with minutes? | 43. | <input type="checkbox"/> | <input type="checkbox"/> |
|---|-----|--------------------------|--------------------------|

Utility Gross Receipts License Tax Account and/or Telecommunications Tax Account

- | | | | |
|---|-----|--------------------------|--------------------------|
| 44. Were you approved for an Energy Direct Pay Authorization with a Utility Gross Receipts License Tax Exemption? | 44. | <input type="checkbox"/> | <input type="checkbox"/> |
|---|-----|--------------------------|--------------------------|
- Attach a copy of your official UGRLT Exemption Authorization.**
- | | | | | | |
|--|--------------------------|--------------------------|--|--------------------------|--------------------------|
| 45. Will you sell any of the following? | | | | | |
| | Yes | No | | Yes | No |
| <input type="checkbox"/> <input type="checkbox"/> A. Water utilities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> <input type="checkbox"/> E. Communications services | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> <input type="checkbox"/> B. Natural, artificial, or mixed gas utilities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> <input type="checkbox"/> F. Multichannel video programming services
<i>*(see instructions)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> <input type="checkbox"/> C. Electricity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> <input type="checkbox"/> G. Direct broadcast satellite services
<i>*(see instructions)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> <input type="checkbox"/> D. Sewer services | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered Yes to any of questions 23 through 45 E, you must complete SECTION E.

If you answered Yes to any of questions 44 through 45 F, you must complete SECTION F.

If you answered Yes to any of questions 45 E through 45 G, you must complete SECTION G.



The following question will determine your need for a Consumer’s Use Tax Account.

Skip question 46 if you must complete Section E.

- | | | |
|---|--------------------------|--------------------------|
| 46. 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. | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered Yes to question 46, 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 47 through 53.

- | | Yes | No |
|---|--------------------------|--------------------------|
| 47. Are you organized under the laws of Kentucky with the Kentucky Secretary of State's Office?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 48. Will your business have its commercial domicile in Kentucky?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 49. Will your business own or lease any real or tangible property in Kentucky? | <input type="checkbox"/> | <input type="checkbox"/> |
| 50. Will your business have one or more individuals performing services in Kentucky?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 51. Will your business maintain an interest in a pass-through entity or derive income from Kentucky sources?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 52. Will you direct activities toward Kentucky customers for the purpose of selling them goods and/or services?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 53. 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.? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered Yes to any of questions 47 through 53, 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.

- | | Yes | No |
|--|--------------------------|--------------------------|
| 54. Is the business considered a pass-through entity as defined in KRS 141.010(22)?..... | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered Yes to question 54, you must answer questions 55 A and 55 B.

- | | | |
|--|--------------------------|--------------------------|
| 55. Does your pass-through entity have nonresident: | Yes | No |
| A. Individual partner(s), shareholder(s), or member(s) receiving Kentucky distributive share income from your pass-through entity? | <input type="checkbox"/> | <input type="checkbox"/> |
| TIP "Individual" includes estates and trusts. | | |
| B. Corporate partner(s) or member(s) receiving Kentucky distributive share income from your pass-through entity? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered Yes to questions 55 A and/or 55 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#.

- | | Yes | No |
|---|--------------------------|--------------------------|
| 56. Will you mine coal to which you own or possess the mineral rights?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 57. Will you purchase coal for the purpose of processing and resale, or do you process refuse coal? | <input type="checkbox"/> | <input type="checkbox"/> |
| TIP Processing means cleaning, breaking, sizing, dust allaying, treating to prevent freezing, or loading or unloading for any purpose. | | |
| 58. Will you purchase and sell coal as a coal broker? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered Yes to any of questions 56 through 58, 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.

59. A. Has a Kentucky Employer's Withholding Tax Account already been assigned to this business? Yes No

B. If Yes, list the Employer's Withholding Tax Account Number

60. Number of Kentucky employees _____

64. *Employer's Withholding Tax* returns should be mailed to:

- Use the same address as your location address
- Use the same address as _____ Tax Account

61. Date wages/pensions first paid or will be paid **(REQUIRED)**

____ / ____ / ____

62. 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

c/o or Attn.		
Address		
City	State	Zip Code
Mailing Telephone Number () -	County (if in Kentucky)	

63. 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 45 E or any of questions 56 through 58.

65. 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

66. Date sales began or will begin **(REQUIRED)**

____ / ____ / ____

69. *Sales and Use Tax* returns should be mailed to:

- Use the same address as your location address
- Use the same address as _____ Tax Account

67. Estimated gross monthly sales tax collected in Kentucky:

- \$0.00-\$1,199.99 \$1,200.00 or more

68. 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 44 through 45 F.

70. 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

71. 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.

72. Telephone Number

() -

<http://revenue.ky.gov/Business/Utility-Gross-Receipts-License-Tax/Pages/default.aspx>

SECTION G

TELECOMMUNICATIONS TAX ACCOUNT
Must be completed if you answered Yes to any of questions 45 E through 45 G.

73. A. Has a Kentucky Telecommunications Tax Account already been assigned to this business? Yes No

B. If Yes, list the Telecommunications Tax Account Number

74. Does your organization have tangible personal property located within the Commonwealth of Kentucky? Yes No

75. 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.

76. Telephone Number

() -

<http://revenue.ky.gov/Business/Telecommunications-Tax/Pages/default.aspx>

SECTION H

CONSUMER'S USE TAX ACCOUNT
Must be completed if you answered Yes to question 46.

77. 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

78. Date purchases began or will begin (REQUIRED)

___ / ___ / ___

79. 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 47 through 53.

80. 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
81. 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)
82. 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
83. If an out-of-state entity, date activity or receipt of pass through income began or will begin in Kentucky
- ___ / ___ / ___
84. 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
85. *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)	

SECTION J

KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON DISTRIBUTIVE SHARE INCOME TAX ACCOUNT

Must be completed if you answered Yes to question 55 A and/or B.

86. 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
87. Date first nonresident corporation or individual became a partner, member, or shareholder (**REQUIRED**)
- ___ / ___ / ___
88. 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.
- _____
89. *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

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 56 through 58.

90. 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

91. Date mining/processing or coal brokering operations began or will begin (REQUIRED)

___/___/___

92. 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.

Signature: _____

Printed Name: _____

Phone Number: _____

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.Registration@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>.



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 www.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 www.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 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. Welcome to the Kentucky Online Gateway. Select that you are a citizen or business partner and click Create Account.

4. Complete your Kentucky Online Gateway user account. Once a user account has been created, an email will be sent to you with further instructions to activate the account and login. You must use the activation link in the email prior to logging in to your account.

5. Once logged in, launch the Kentucky Business One Stop App.

6. Go to the **Link My Business** option. Click on the link provided within that web page to obtain the Commonwealth Business Identifier (CBI) and the Security Token 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 and Security Token. To gain secure access to the portal, each business has been assigned a unique **Security Token**, which is an enhanced security feature of the portal.*

7. Once you have the CBI and Security Token for the business, the **Link My Business** option will require you to name at least one "**One-Stop Portal Business Administrator**" (This should be the business owner or a representative from the business).

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 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 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 (LLLP) ■ 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) ■ Public Benefit Corporation ■ 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 www.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 Corporation converting to a Limited Liability Company (LLC) 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 and Data Integrity—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 month and day of the week your year ends. 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
<p>Profit Limited Liability Company (LLC)</p> <p>Non-Profit Limited Liability Company (LLC)</p> <p>Professional Limited Liability Company (PLLC)</p> <p>Series of a Limited Liability Company</p>	<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>
<p>Profit Corporation</p> <p>Non-Profit Corporation</p> <p>Professional Service Corporation (PSC)</p>	<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>
<p>Cooperative Corporation</p> <p>Limited Cooperative Association</p>	<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
Association	An association is an unincorporated group joined together for a common purpose. However, associations may be treated as corporations for Kentucky tax purposes.
Public Benefit Corporation	A Public Benefit Corporation means a for-profit corporation that is intended to produce a public benefit and to operate in a responsible manner, balancing the stockholder's pecuniary interests, the best interests of those materially affected by the corporation's conduct, and the public benefit identified in its articles of incorporation.
Trust (Non-statutory) Business Trust Statutory Trust Series of a Statutory Trust	<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. (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>
Limited Partnership (LP) Limited Liability Partnership (LLP) Limited Liability Limited Partnership (LLLLP) Series of a Partnership	<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>
General Partnership	Two or more individuals owning and/or operating a business. All partners jointly share profits and losses and are individually responsible for debts incurred.
Joint Venture	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).
Estate	The total property, real and personal, that was owned by an individual, now deceased, before distribution through a trust or will.
Government	City, county, state and federal agencies.
Unincorporated Non-Profit Association	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".
Sole Proprietorship	One single person owning and/or operating a business, solely responsible for all debts and liabilities incurred by the business.
Home Care Service Recipient (HCSR)	<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(3)).** 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 	Enter owner's individual information, including Social Security Number, in question 15. Do not use name abbreviations or nicknames.
<ul style="list-style-type: none"> ■ Qualified Joint Venture 	Enter the information for the married couple, including Social Security Numbers, in question 15 and 16. Do not use name abbreviations or nicknames.
<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 	Enter the single member's company information, including FEIN, in question 15. If the LLC has managers, their full individual information can be entered in question 16. Attach a separate sheet for more LLC managers.
<ul style="list-style-type: none"> ■ Profit Corporation ■ Professional Service Corporation (PSC) ■ Public Benefit Corporation ■ Association ■ Cooperative Corporation ■ Limited Cooperative Association ■ Non-profit Corporation ■ Government 	Enter the officers' information, including Social Security Numbers in questions 15 and 16. If more than two officers, attach a separate sheet. Note: Information for the President is required. The information for an Officer must be for an individual and not another business.
<ul style="list-style-type: none"> ■ Unincorporated Non-Profit Association 	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. If more than two members/managers, attach a separate sheet.
<ul style="list-style-type: none"> ■ Statutory Trust ■ Series of a Statutory Trust ■ Business Trust ■ Trust (non-statutory) 	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. 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.

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 58 to determine accounts for which your business or organization is required to apply.

18a. Business Activity Description—Give a description of the nature of your Kentucky business activity, including a description of any services provided.

18b. Products Sold in Kentucky—List any products sold in Kentucky.

19. An employee is anyone to whom you pay wages, including part-time help and family members (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 (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(41)) "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(10)) "means any of the following which is transferred electronically: digital audio works, 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 (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 (103 KAR 27:130 and 103 KAR 28:030).
- 26. Beginning July 1, 2018, the amount charged for labor or services rendered in installing or applying the tangible personal property, digital property, or service sold is subject to Sales and Use Tax (KRS 139.010(15)(a)(6)).
- 27a. Beginning July 1, 2018, the collection of Sales and Use Tax is required on the following services (KRS 139.200(2)(g-p)).

<p>Landscaping services, including but not limited to:</p> <ul style="list-style-type: none"> ■ Lawn care and maintenance services ■ Tree trimming, pruning or removal services ■ Landscape design and installation services ■ Landscape care and maintenance services ■ Snow plowing or removal services 	<p>Linen supply services, including but not limited to:</p> <ul style="list-style-type: none"> ■ Table and bed linen supply services ■ Non-industrial services
<p>Janitorial services, including but not limited to:</p> <ul style="list-style-type: none"> ■ Residential and commercial cleaning services ■ Carpet, upholstery, and window cleaning services 	<p>Indoor skin tanning services, including but not limited to:</p> <ul style="list-style-type: none"> ■ Tanning booth or tanning bed services ■ Spray tanning services
<p>Small animal veterinary services, excluding veterinary services for equine, cattle, poultry, swine, sheep, goats, llamas, alpacas, ratite birds, buffalo, and cervids.</p>	<p>Non-medical diet and weight reducing services</p>
<p>Pet care services, including but not limited to:</p> <ul style="list-style-type: none"> ■ Grooming and boarding services ■ Pet sitting services ■ Pet obedience or training services 	<p>Limousine services, if a driver is provided.</p>
<p>Industrial laundry services, including but not limited to:</p> <ul style="list-style-type: none"> ■ Industrial uniform supply services ■ Protective apparel supply services ■ Industrial mat and rug supply services 	
<p>Non-coin operated laundry and dry cleaning services.</p>	

- 27b. Beginning July 1, 2019, all gross receipts over \$6,000 are taxable in that calendar year, and all gross receipts are subject to tax in subsequent calendar years for the services above (KRS 139.470(23-24)).
- 28. Beginning July 1, 2018, the sale of an extended warranty on tangible or digital property is subject to Sales and Use Tax (KRS 139.200((2)(q))).
Beginning July 1, 2019, extended warranty services does not include the sale of a service contract agreement for tangible personal property to be used by a small telephone utility or a Tier III CMRS provider (KRS 139.010(3)(b)).
- 29. 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 (103 KAR 28:051).
- 30. Beginning July 1, 2018, admissions paid for the right of entrance to an entertainment or amusement event or venue are subject to Sales and Use Tax, except admission to racetracks taxed under KRS 138.480, admission to historical sites exempt under KRS 139.482, and a portion of the admission to county fairs exempt under KRS 139.470. Initiation fees, monthly fees, and membership fees paid for the use of a facility or participating in an event or activity, regardless of whether the fee is paid per use or in any other form, are subject to Sales and Use Tax (KRS 139.010 (1)).
Beginning March 26, 2019, admissions charged by nonprofit educational, charitable, religious institutions, nonprofit civic, government or other nonprofit organizations are exempt from Sales and Use Tax (KRS 139.200(2)(c)).
Beginning July 1, 2019, admissions paid to enter or participate in a fishing tournament, and any fee paid for the use of a boat ramp for the purposes of allowing boats to be launched into or hauled out from water are exempt from Sales and Use Tax (KRS 139.010).
- 31. Beginning July 1, 2018, a remote retailer selling tangible personal property or digital property delivered or transferred electronically to a purchaser in this state if: the remote retailer sold tangible personal property or digital property that was delivered or transferred electronically to a purchaser in this state in two hundred (200) or more separate transactions in the previous calendar year or the current calendar year; or the remote retailer's gross receipts derived from the sale of tangible personal property or digital property delivered or transferred electronically to a purchaser in this state in the previous calendar year or current calendar year exceeds one hundred thousand dollars (\$100,000) (See KRS 139.340(g)).
- 32. 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(34)(b)).

- 33a.** Marketplace provider means a person, including an affiliate of the person, that facilitates a retail sale directly or indirectly (KRS 139.010(22)(a-b)).
- 33b.** Marketplace retailer means a seller that makes retail sales through any marketplace owned, operated, or controlled by a marketplace provider (KRS 139.010(23)).

Business that operate an online marketplace and allow sales by a third party retailer must collect sales tax for the sales transactions facilitated through the online marketplace in addition to the sales made on their own behalf. KRS 139.450 requires the marketplace provider to register for two Kentucky sales tax account numbers. You will report and remit your sales tax under one account and remit the sales tax that you facilitate on behalf of marketplace retailers on a separate account.

- 34.** 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.
- 35.** 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 (200 KAR 5:390).
- 36.** 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.
- 37.** The rental of any lodgings, campsites, or accommodations furnished by any campground or recreational vehicle park are subject to Sales and Use Tax (KRS 139.200(2)(a)). The tax shall not apply to lodgings, campsites, or accommodations supplied for a continuous period of thirty days or more to a person.
- 38.** 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 www.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.

- 39.** 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 www.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.

- 40.** 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 www.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.

- 41.** Temporary rental of rooms, lodgings or accommodations by any hotel, motel, inn or tourist camp are subject to Sales and Use Tax (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 (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.

- 42.** Retail businesses which sell new tires for motor vehicles are subject to Sales and Use Tax and the Motor Vehicle Tire Fee. Effective July 1, 2018, the Motor Vehicle Tire Fee is also subject to the Sales and Use Tax (KRS 224.50-868).

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.

- 43.** 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.

- 44.** 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.

45. 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 (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 (KRS Chapter 160.613).

Providers of cable services, internet protocol services, and video streaming 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 (KRS 136.600-136.660 and KRS 160.613).

46. Per KRS 139.330, a 6 percent Use Tax is due if you make out-of-state purchases of tangible property, digital property, or an extended warranty service 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.

47. For assistance, contact the Kentucky Secretary of State's Office at (502) 564-3490 or visit them online at <http://www.sos.ky.gov>.
48. A commercial domicile is the principal place from which the trade or business of the corporation is managed (103 KAR 16:240).
49. 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 (103 KAR 16:240). See definition in instruction 23 for tangible property.
50. 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 (103 KAR 16:240). Services do not include the mere solicitation of the sale of tangible personal property.
51. 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 (KRS 141.010) or otherwise derived from or attributable to sources in Kentucky.
52. 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 (103 KAR 16:240). Directing activities at Kentucky customers for the purpose of selling services, in addition to unprotected solicitation activities, is taxable in Kentucky (103 KAR 16:240).
53. Intangible property is subject to Kentucky Corporation Income Tax and/or Limited Liability Entity Tax (103 KAR 16:240).

For Corporation Income Tax, nothing in questions 47 through 53 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.

54. See instruction 51 for an explanation of pass-through entities.

- 55A-55B** 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, 2007, 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.

56. - 57. 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 (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.

58. 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

59. **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.

60. **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.

61. **Date Wages or Pensions First Paid**—Enter the date wages or pensions were or will be paid to employees.

62. **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.

63. **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.

64. **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)

65. **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.

66. **Date Sales Began or Will Begin**—Give the date that sales, services, repairs, rentals, leases, lodgings, or admissions began or will begin in Kentucky.

67. **Estimated Gross Monthly Sales Tax Collected**—Check estimated amount of monthly sales tax collected in Kentucky.

68. **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 68B.

69. **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.

70. **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.

71. 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.

72. 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.

73. 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.

74. 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.

75. 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.

76. Telephone Number—List the telephone number for the business.

SECTION H—CONSUMER'S USE TAX ACCOUNT

77. 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.

78. Date Purchases Began or Will Begin—Give the date that purchases of tangible property, digital property, or extended warranty services began or will begin.

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 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.

80. 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.

81. 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.

82. 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.

83. 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.

84. 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

85. 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

- 86. 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.
- 87. 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.
- 88. 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(14)	21
Publicly Traded Partnership as defined in KRS 141.0401(6)(r)	22
Qualified Subchapter S-Corporation Subsidiary (QSUB)	23

- 89. 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

- 90. 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.
- 91. 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.
- 92. 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.**

DECLARATION OF REPRESENTATIVE

1 TAXPAYER INFORMATION: Please type or print.

Enter only those that apply.

Taxpayer Name			Federal Taxpayer Identification Number		
Mailing Address - Number and Street		Apartment/Suite No.		E-mail Address	
City	State	Zip Code	Daytime Phone		

2 REPRESENTATIVE(S) INFORMATION

Enter applicable identification number.

Name			State and State Bar Number		
Mailing Address - Number and Street		Apartment/Suite No.		State and CPA License Number	
City	State	Zip Code	Daytime Phone		
Name			State and State Bar Number		
Mailing Address - Number and Street		Apartment/Suite No.		State and CPA License Number	
City	State	Zip Code	Daytime Phone		
Name			State and State Bar Number		
Mailing Address - Number and Street		Apartment/Suite No.		State and CPA License Number	
City	State	Zip Code	Daytime Phone		
Name			State and State Bar Number		
Mailing Address - Number and Street		Apartment/Suite No.		State and CPA License Number	
City	State	Zip Code	Daytime Phone		

3 TAX MATTERS: The taxpayer appoints the above representative(s) for purposes of duly authorized representation in any proceeding with the Kentucky Department of Revenue with respect to the tax matters indicated below. If no tax form number or tax year is provided, this form will be valid for all tax types, tax years, and authorized acts selected until revoked.

TAX TYPE	ACCOUNT NUMBER	TAX FORM NUMBER (740, 720, 51A205, etc.)	TAX YEAR(S) OR PERIOD(S)
<input type="checkbox"/> Corporation Income/Limited Liability Entity Tax			
<input type="checkbox"/> Individual Income Tax			
<input type="checkbox"/> Sales and Use Tax			
<input type="checkbox"/> Property Tax			
<input type="checkbox"/> Other (Please Specify)			

4 AUTHORIZED ACTS: The representative(s) listed above is authorized to receive, inspect, and discuss the taxpayer's confidential tax information. The taxpayer also authorizes the following acts:

- Representative has the authority to sign a statute of limitations waiver on Taxpayer's behalf.
- Representative has the authority to execute a protest on Taxpayer's behalf.
- Representative has the authority to represent Taxpayer in any administrative tax proceeding, including conferences.
- Representative has the authority to receive notices and communications (unless system generated) from the Department of Revenue.
- Representative has the authority to represent Taxpayer in any collection matter, including an Offer-in-Settlement.
- Representative may obtain Taxpayer's CBI number and execute changes to Taxpayer's account.
- Other acts. (Please specify) _____

5 CONSOLIDATED OR UNITARY COMBINED RETURN FILERS: If the taxpayer files a consolidated or unitary combined tax return per KRS 141.200(11) and/or KRS 141.201(3)(a), the authorized acts will be extended to the subsidiaries included in the return. If any subsidiaries are to be excluded from the authorized acts, list below.

Table with 3 columns: NAME, FEDERAL IDENTIFICATION NUMBER, TAX YEARS. Multiple empty rows for listing subsidiaries.

6 RETENTION/REVOCAION OF PRIOR POWER(S) OF ATTORNEY OR REPRESENTATIVE AUTHORIZATION(S) The filing of this authorization form automatically revokes any prior power(s) of attorney or representative authorization(s) on file with the Department of Revenue for the same matter(s) and year(s) or period(s) covered by this document. If you do not want to revoke any prior power(s) of attorney or representative authorization(s), you must attach a copy of any power(s) of attorney or representative authorization(s) you wish to remain in effect for the same matter(s) and year(s) or period(s) covered.

7 SIGNATURE OF TAXPAYER. If a tax matter concerns a year in which a joint return was filed, each spouse must file a separate representative authorization even if they are appointing the same representative(s). If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the legal authority to execute this form on behalf of the taxpayer.

NOT VALID UNLESS COMPLETED, SIGNED, AND DATED BY THE TAXPAYER.

Signature _____ Date Signed _____
Print Name _____ Title (if applicable) _____

8 SIGNATURE OF REPRESENTATIVE(S) Under penalties of perjury, by my signature below I declare that:
• I am not currently suspended or disbarred from practice, or ineligible for practice;
• I am subject to regulations contained in Circular 230 (31 CFR, Subtitle A, Part 10) as amended, governing practice before the Internal Revenue Service;
• I am authorized to represent the taxpayer for the matter(s) specified; and

NOT VALID UNLESS COMPLETED, SIGNED, AND DATED BY THE REPRESENTATIVE(S).

Signature _____ Date Signed _____
Printed Name _____ PTIN (if applicable) _____
Signature _____ Date Signed _____
Printed Name _____ PTIN (if applicable) _____
Signature _____ Date Signed _____
Printed Name _____ PTIN (if applicable) _____

Purpose of Form 20A100

Use the *Declaration of Representative* (Form 20A100) to authorize the individual(s) to represent you before the Kentucky Department of Revenue. You may grant the individual(s) authorization to act on your behalf with regard to any tax administered by the Kentucky Department of Revenue. Form 20A100 is provided for the taxpayer's convenience. One form may be submitted to designate all tax types the Department is authorized to communicate with the authorized representative(s). You may revoke this form at any time.

1 Taxpayer Information—enter the following:

Name and Address—Print or type the name of the taxpayer submitting this form. For the address, include the suite, room, or other unit number after the street address. If the U.S. Postal Service does not deliver to the street address and the taxpayer has a P.O. box, include the box number instead of the street address.

Daytime Phone—Enter the taxpayer's telephone number.

Federal Taxpayer Identification Number—Enter the federal identification number. For individuals, this will be your social security number. For business entities, this will be your federal employer identification number (FEIN).

E-mail Address—Enter the taxpayer's e-mail address.

2 Representative Information

Enter up to three individuals authorized to represent you and act on your behalf before the Department about the tax matters and authorized acts specified on this form. Provide the name, address, and telephone number of the authorized representative(s). If the authorized representative is an attorney, certified public accountant (CPA), or enrolled agent, provide the appropriate identification number.

3 Tax Matters

Select the tax types the authorized representative(s) may act on your behalf with the Department. Provide the account number for all tax types selected. If authorization is being granted for specific forms and tax periods, list the tax forms and tax periods. If tax forms and tax periods are left blank, this form will be valid for all tax types, tax periods, and authorized acts selected until revoked.

4 Authorized Acts

This form allows the authorized representative(s) to communicate and receive confidential tax information. You may also select other acts the authorized representative(s) may perform on your behalf. If an act is not listed, select "Other" and specify.

Note: This form does not allow the authorized representative to sign tax returns or settlement agreements on your behalf.

5 Consolidated or Unitary Combined Return Filers

If a consolidated or unitary combined tax return has been filed, list any subsidiary(ies) to be excluded from this authorization. The Department will not discuss or provide confidential tax information to the authorized representative(s) for any subsidiary listed. If no subsidiaries are listed, this form will extend to all corporations in a consolidated or unitary combined tax return.

6 Retention/Revocation

Filing this form will automatically revoke any prior power of attorney or authorization letter submitted to the Department for the tax matters included on this form. **If you do not want to revoke a prior power of attorney or authorization letter, a copy MUST be attached to this form to remain in effect.**

7 Signature of Taxpayer

This form must be signed and dated by the taxpayer to be valid. If the taxpayer is a business entity, it must be signed by an individual with the authority to delegate a representative on behalf of the taxpayer. If not signed and dated, the Department will not communicate with or provide confidential tax information to the authorized representative(s) included on this form.

8 Signature of the Authorized Representative(s)

This form must be signed and dated by the authorized representative(s) to be valid. If not signed and dated, the Department will not communicate with or provide confidential tax information to the authorized representative(s) included on this form.

Mail this form to the following address:

**Kentucky Department of Revenue
P. O. Box 181, Station 56
Frankfort, Kentucky 40602-0181**

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**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 _____

FORMS	QUANTITY
740—Kentucky Individual Income Tax Packet (Maximum 10)	
740-NP—Nonresident or Part-Year Resident Income Tax Packet (Maximum 10)	
Kentucky Individual Income Tax Installment Agreement Request (12A200)	
765-GP—Kentucky General Partnership Income Return	
765-GP(I)—Instructions	
Schedule K-1 (765-GP)—Partner’s Share of Income, Credits, Deductions, etc.	
720—Kentucky Corporation Income Tax and LLET Return	
720(I)—Instructions	
720U Package—Kentucky Unitary Combined Corporation Income Tax and LLET Return and Instructions	
720S—Kentucky S Corporation Income Tax and LLET Return	
720S(I)—Instructions	
Schedule K-1 (720S)—Shareholder’s Share of Income, Credits, Deductions, etc.	
725—Kentucky Single Member LLC Individually Owned Income and LLET Return	
725-EZ—Kentucky Single Member LLC Individually Owned LLET Return	
725 & 725-EZ—Instructions	
765—Kentucky Partnership Income and LLET Return	
765(I)—Instructions.....	
Schedule K-1 (765)—Partner’s Share of Income, Credits, Deductions, etc.	
VOUCHERS	QUANTITY
740-ES—2020 Estimated Tax Voucher	
740-ES—Instructions	
740-EXT—Kentucky Extension Payment Voucher (Individual, General Partnership, or Fiduciary)	
720-ES—2020 Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher	
720-ES—Instructions	
720EXT—Extension of Time to File Kentucky Corporation/LLET Return	
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 720EXT (720-SL)—Corporate/LLET estimate or extension payment	
740-ES—Individual estimated tax payment	
OTHER	QUANTITY

Mail order form to: Kentucky Department of Revenue
FORMS
P.O. Box 518
Frankfort, Kentucky 40602-0518
Phone: 502-564-3658

All income tax and limited liability entity tax (LLET) forms
are available at www.revenue.ky.gov.

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CORPORATION AND PASS-THROUGH ENTITY
NEXUS QUESTIONNAIRE

The term "you" is defined to mean the taxpayer or an agent of the taxpayer.

Please explain all "YES" answers in detail. If additional space is needed, please attach a separate statement.

1 Legal Name of Corporation or Pass-through Entity: _____

FEIN: _____

Kentucky Corporation/LLET Account Number: _____

2 Home Office Mailing Address: _____

3 Location of Books and Records: _____

4 Principal Product or Service in Kentucky: _____

5 Give State and Year of Incorporation or Organization:

6 Accounting Period:

- Calendar Year: Year Ending December 31st
- Fiscal Year: Year Ending _____ (mm/dd)
- 52/53 Week Calendar Year: December _____
(Day of week year ends)
- 52/53 Week Fiscal Year: _____
(Month and day of week year ends)

7 Does your entity have a filing requirement with the Internal Revenue Service (IRS)?

YES NO

If yes, what form does the entity file with the IRS? _____

8 Is your business registered with the Kentucky Secretary of State to do business in Kentucky? YES NO

If yes, provide registration date: _____

Organization number: _____

9 If the entity in Question 1 is a corporation, does any corporation own directly or indirectly 50% or more of its voting stock? YES NO

If yes, enter the Name: _____

FEIN: _____

Address: _____

10 (a) Is Kentucky the commercial domicile of your business? YES NO

Commercial domicile means the principal place from which the trade or business of the corporation or the pass-through entity is managed.

If yes, provide address: _____

(b) Do you own or lease intangible personal property located or utilized in Kentucky? YES NO

If yes, explain: _____

11 (a) Do you own or lease real or personal property in Kentucky? YES NO

If yes, provide explanation and name and address of property:

(b) Do you maintain 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? YES NO

If yes, provide an explanation and location of any goods: _____

CORPORATION AND PASS-THROUGH ENTITY NEXUS QUESTIONNAIRE

(c) Do you own computer software used in the business of a third party within Kentucky? YES [] NO []

If yes, provide explanation and name and address of any third parties:

12 (a) Do you have one or more individuals performing services in Kentucky? YES [] NO []

If yes, explain: _____

(b) Do you perform services in Kentucky, whether directly by the corporation or pass-through entity, or indirectly by directing activities performed by a third party? YES [] NO []

If yes, explain: _____

(c) Do you accept orders in Kentucky? YES [] NO []

If yes, explain: _____

(d) Do you operate a sports team which engages in professional sports activities in Kentucky? YES [] NO []

If yes, explain: _____

(e) Do you own an interest in mineral rights in Kentucky, including interests in coal, oil, or natural gas? YES [] NO []

If yes, explain: _____

(f) Do you lease motion picture films to movie theaters and television stations in Kentucky? YES [] NO []

If yes, explain: _____

(g) Are you a member of a single member limited liability company that is doing business in Kentucky and is disregarded for federal income tax purposes? YES NO

If yes, provide the name, identification number, and address of each:

(h) Are you a shareholder, partner, or member of a pass-through entity doing business in Kentucky? YES NO

If yes, provide the name, identification number, and address of each:

(i) Do you receive income from intangible personal property that has acquired a Kentucky situs? (See 103 KAR 16:240 for definition of situs) YES NO

If yes, explain: _____

13 Are you a professional service provider (such as a law firm, accounting firm, etc.) providing services in Kentucky? YES NO

If yes, provide dates in Kentucky: _____

14 Does your business maintain an interest in a pass-through entity or derive income from Kentucky sources? YES NO

If yes, explain: _____

15 Do you derive income from or attributable to sources within this state including deriving income directly or indirectly from a trust doing business in this state? YES NO

If yes, provide the name, identification number, and address of each:

CORPORATION AND PASS-THROUGH ENTITY
NEXUS QUESTIONNAIRE

16 (a) Do you direct activities at Kentucky customers for the purpose of selling them goods and/or services? YES NO

If yes, explain: _____

(b) Do you solicit Kentucky customers for the sale, lease, rental, license, or other disposition of real property or intangibles? YES NO

If yes, explain: _____

17 (a) Do you make repairs or provide maintenance service to property sold or to be sold in Kentucky? YES NO

If yes, explain: _____

(b) Do you install or supervise the installation of property at or after shipment or delivery to a Kentucky customer? YES NO

If yes, explain: _____

(c) Do you investigate the credit worthiness of Kentucky customers and/or are you involved in collecting current or delinquent accounts from Kentucky customers or parties through assignment or otherwise? YES NO

If yes, explain: _____

(d) Are you involved in repossessing property in Kentucky? YES NO

If yes, explain: _____

(e) Do you conduct training courses, seminars, or lectures in Kentucky for personnel other than personnel involved only in solicitation? YES NO

If yes, explain: _____

- (f) Are you involved in investigating, handling, or otherwise assisting in resolving Kentucky customer complaints, other than mediating direct customer complaints if the sole purpose of the mediation is to ingratiate the sales personnel with the customer? YES NO

If yes, explain: _____

- (g) Do you approve or accept orders from Kentucky customers? YES NO

If yes, explain: _____

- (h) Are you involved in securing deposits on Kentucky sales? YES NO

If yes, explain: _____

- (i) Do you pick up or replace damaged or returned property, including stale or unsaleable property in Kentucky? YES NO

If yes, explain: _____

- (j) Do you maintain a sample or display area for an aggregate of fifteen (15) days or more at any one location within Kentucky during the year? YES NO

If yes, explain: _____

- (k) Do you provide in Kentucky technical assistance or service, including engineering assistance or design service, if one of the purposes is other than the facilitation of the solicitation of orders? YES NO

If yes, explain: _____

- (l) Do you hire, train, or supervise personnel in Kentucky for other than solicitation purposes? YES NO

If yes, explain: _____

CORPORATION AND PASS-THROUGH ENTITY
NEXUS QUESTIONNAIRE

(m) Do you use agency stock checks or any other instrument or process by which sales are made within Kentucky by sales personnel? YES NO

If yes, explain: _____

(n) Do you carry samples in Kentucky for sale, exchange, or distribution in any manner for consideration or other value? YES NO

If yes, explain: _____

(o) Do you provide shipping information and coordinate deliveries in Kentucky? YES NO

If yes, explain: _____

(p) Do you supervise the operations of a franchisee or similar party in Kentucky? YES NO

If yes, explain: _____

(q) Do you monitor, inspect, or approve work performed by an independent contractor under a warranty or similar arrangement in Kentucky? YES NO

If yes, explain: _____

(r) Do you consign stock of goods or other tangible personal property for sale to any person, including an independent contractor, in Kentucky? YES NO

If yes, explain: _____

(s) Do you fulfill sales orders by shipment or delivery from a point within Kentucky? YES NO

If yes, explain: _____

(t) Do you own, lease, maintain, or otherwise use as part of the business operations in Kentucky any of the following facilities or property:

- | | | | |
|---|--|------------------------------|-----------------------------|
| 1 | Repair shop? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 2 | Parts department? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 3 | Warehouse? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 4 | Meeting place for directors, officers, or employees? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 5 | Stock of goods other than samples for sales personnel or that are used entirely ancillary to solicitation? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 6 | Telephone answering service that is publicly attributed to the company in their representative status? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |

If yes to any of the above questions, explain: _____

(u) Does an employee or other representative of your company maintain in Kentucky any of the following:

- | | | | |
|---|---|------------------------------|-----------------------------|
| 1 | An in-home office attributable to the company or to the employee or representative of the company in an employee or representative capacity? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| | <i>An office is considered in-home if it is located within the residence of the employee or representative.</i> | | |
| 2 | A telephone listing or other public listing within Kentucky for the company, or for an employee or representative of the company in that capacity, or other indications through advertising or business literature that the company or its employee or representative can be contacted at a specific address within Kentucky? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
| 3 | An office or place of business of any kind other than an in-home office that is used for any purpose other than soliciting and receiving orders from customers or for transmitting orders outside of Kentucky for acceptance or rejection by the company? | YES <input type="checkbox"/> | NO <input type="checkbox"/> |

If yes to any of the above questions, explain: _____

(v) Do you enter into franchising or licensing agreements, sell, or otherwise dispose of franchises and licenses, or sell or otherwise transfer tangible personal property pursuant to the franchise or license by the franchisor or licensor to its franchisee or licensee within Kentucky? YES NO

If yes, explain: _____

18 Do you solicit orders for services in Kentucky? YES NO

If yes, explain: _____

19 (a) Are you the parent corporation of a qualified real estate investment trust (REIT) subsidiary that is doing business in Kentucky? YES NO

If yes, provide the name, identification number, and address of each:

(b) Are you the parent corporation of a qualified subchapter S subsidiary (QSSS) that is doing business in Kentucky? YES NO

If yes, provide the name, identification number, and address of each:

(c) Do you own a related corporation which is performing activities as the company's agent in Kentucky? YES NO

Related corporation means having an ownership interest of 50% or more during any portion of the taxable year.

If yes, provide the name, identification number, and address of each:

- (d) Do you receive income from a contract between your company and a related corporation doing business in Kentucky? YES NO

If yes, provide the name, identification number, and address of each:

- (e) Does your business receive payments from a related or unrelated party for the use of intangible property in Kentucky such as royalties, franchise agreements, patents, trademarks, etc.? YES NO

If yes, explain: _____

- (f) Have you entered into any franchising or licensing agreements and received income from franchising or licensing agreements that have acquired a Kentucky business situs? YES NO

If yes, explain: _____

- 20 Are you considered a pass-through entity? YES NO

A pass-through entity is defined as any partnership, S corporation, limited liability company, limited liability partnership, limited partnership, or similar entity recognized by the laws of this state that is not taxed for federal purposes 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.

CORPORATION AND PASS-THROUGH ENTITY NEXUS QUESTIONNAIRE

21 Does your pass-through entity have nonresident:

(a) Individual partner(s), member(s), or shareholder(s) receiving Kentucky distributive share income from your pass-through entity? YES [] NO []

Individuals include estates and trusts.

(b) Corporate partner(s) or member(s) receiving Kentucky distributive share income from your pass-through entity? YES [] NO []

If yes to 21(a) and/or 21(b), explain: _____

The above responses apply to the period from _____ to _____. (Please give details of any changes in the nature of the entity's activity in Kentucky and specify the tax periods involved.)

PROVIDE ANY ADDITIONAL INFORMATION WHICH MAY BE USEFUL IN DETERMINING WHETHER YOU HAVE A FILING REQUIREMENT FOR TAXES IN KENTUCKY.

Person completing questionnaire: _____

Title: _____

Telephone: _____

E-mail address: _____

Date: _____

Please return this completed questionnaire to:

ATTN: Division of Corporation Tax
Kentucky Department of Revenue
P.O. Box 181, Station 52
Frankfort, Kentucky 40602-0181
Telephone: 502-564-8139
Fax: 502-564-0058

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Part I

 KREDA KJDA KIDA KBI KIRA KJRA

Company Name	Project Number	Kentucky Withholding Account Number
	Activation Date	
Company Address	Period Covered in Part III	Approved Percentage

Part II

1	Total wages paid to eligible employees only	1	\$
2	Total credit calculated by your company <input type="checkbox"/> REFUND	2	\$
3	Total Kentucky tax withheld and reported under this account number for all employees, eligible and ineligible	3	\$
4	Total local wage assessment claimed, if eligible	4	\$

Annual Reconciliation is due by March 15 of each year.

Mail to: Kentucky Department of Revenue
Tax Credits Section
P.O. Box 181, Station 52
Frankfort, KY 40602-0181

Fax to: (502) 564-0058

E-mail to: KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

Signature _____

Date _____

Title _____

E-Mail _____

Part III Company Name		Project Number	Kentucky Withholding Account Number		VERIFY AMOUNT CLAIMED					
Period Ending		C	D	E	F	G	H	I	J	
A	B	C	D	E	F	G	H	I	J	
Employee Name	Social Security Number (last 4 digits)	State of Residency	Hire Date	Wages (for the period)	State Tax Withheld (for the period)	Credit Claimed (for the period)	Column E multiplied by your approved percentage	The lesser of Column H or Column F	The lesser of Column I or Column G	

NOTE: Companies approved for wage assessment incentives must use the above format to detail the amount of credit claimed. The Department of Revenue prefers to receive these spreadsheets in excel format via email to KRS.Webresponseeconomicdevelopmentcredits@ky.gov to expedite the verification and application of the credit to your withholding account.

Purpose of Form—A company that has received approval from the Cabinet for Economic Development to take wage assessment credits against their withholding account must complete the Wage Assessment Report for each period of their filing frequency. Each Wage Assessment Report must include only one active project. If the company has received approval for multiple projects or credits, a separate report is required for each credit and each project.

This credit does not impact the employees who are part of the credit calculation. The total amount of tax withheld from their wages (regardless of whether it is considered in the credit calculation) should appear in box 17 of their W-2. You will be required to issue an amended W-2 to the employee and provide an amended W-2 to the Department of Revenue if the W-2 does not correctly reflect the amount of money withheld from the employee's wages.

This form is also used for Annual Reconciliation. The withholding tax year is always January 1 through December 31. The Annual Reconciliation must always represent wages for this period when completed on an annual basis even if the company operates on a fiscal year other than a calendar year. The Annual Reconciliation must be completed and submitted by March 15.

Note: Both the Wage Assessment Report and the Annual Reconciliation must include a copy of the applicable tracking schedule (IEIA-T, KBI-T, KIDA-T, KIRA-T, KJDA-T, KJRA-T, or KREDA-T).

Part I

Choose the box that represents the Economic Development Credit for which you have received prior approval.

Enter the company name, company address for issuance of any refund, project number (located on the agreement completed by the Cabinet for Economic Development), activation date, Kentucky withholding account number (issued by the Department of Revenue), and approved percentage for the state portion of the credit (located on the agreement completed by the Cabinet for Economic Development).

Period covered in Part III—Include the date range the wages in Part III represent.

Part II

Line 1—Enter the total of **Part III, column E**.

Line 2—Enter the total of **Part III, column J**. Mark the box if your submission is a refund request.

Line 3—Enter the total amount of Kentucky tax withheld on all employees under the withholding account number before the credit calculation is factored in. This includes employees who may work in a different location or employees who are not included in the credit calculation

if their W-2 is filed under the withholding account listed in Part I.

Line 4—Enter the amount of approved local wage assessment credit for the covered period. There will only be an amount on this line if the company is eligible for local wage assessment credit as outlined in the agreement signed with the Cabinet for Economic Development. This amount is not calculated in Part III of this form.

Provide contact information of the individual the department can contact with questions.

Part III

This spreadsheet includes the information that must be submitted to the department to determine the credit amount the company is eligible to receive.

Note: The department will accept an alternate spreadsheet filed electronically (preferably in Excel format) as long as the spreadsheet is in the same format as Part III.

Column D—If the agreement identifies a base number of employees for which the company cannot claim credit, they must be included in Part III and identified as the employees with the oldest hire date at the approved facility by using column D. The base number of employees must be maintained throughout the term of the agreement. If for any reason an employee who is part of the base leaves the company, the employee with the next oldest hire date must be moved into the base as of the date the former employee left. This could cause some employees to be eligible to receive credit for part of the tax year and be included in the base and ineligible for the credit calculation for part of the tax year.

Column E—If you have been approved for KBI or KJDA, you are required to use **taxable wages**. For all other credits, use **gross wages**. Per KRS 154, each credit must use the wages specified in the Kentucky Statutes.

Column H, I, and J are used to confirm the credit is accurately claimed.

Employees who reside in Illinois, Indiana, Ohio, Michigan, Virginia, West Virginia, and Wisconsin are not included in the credit calculation. These states have a reciprocal agreement with Kentucky; therefore, their withholding is not eligible as part of the credit calculation.

Suspension—If you have received a suspension notice from the Cabinet for Economic Development detailing the dates the company is not eligible to receive credit, the wages included in Part III of this packet must exclude all days the company was in a suspended state.

Note: If the company is approved for a KBI project and received a suspension notice, the company is not eligible to claim wage assessment credit for the entire tax year.

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KRS 154.22-010 to 102



KREDA

- ◆ **Only use this package if you have received approval for the KREDA credit per KRS 154.22-010 to 102 by the Cabinet for Economic Development.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package—Use this package to report KREDA tax incentives for which your business entity has been approved per KRS 154.22–010 to 102. You must have received preliminary or final approval in accordance with KRS 154.22 on or before June 26, 2009 to determine the credit allowed. Schedule KREDA-T is used by the company which has entered into a financing agreement or tax incentive agreement for a Kentucky Rural Economic Development Act (KREDA) project to maintain a record of the debt service payments or approved costs, whichever is applicable, wage assessments, and tax credits.

General Instructions—Only include one incentive project per Package KREDA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KREDA (Page 3) and Schedule KREDA-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule KREDA-SP (Page 5) and Schedule KREDA-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



Taxable Year Ending

____ / ____
Mo. Yr.

Name of Corporation	Federal Identification Number _____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of KREDA Incentive Agreement ____ / ____ / ____ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of LLET Excluding KREDA Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1	1	00
2 LLET on KREDA project (see instructions)	2	00
3 LLET excluding LLET on KREDA project (line 1 less line 2)	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from KREDA Project and KREDA Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1	1	00
2 LLET of corporation (Part I, line 1).....	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1).....	3	00
4 Total corporation tax (lines 1 and 2 less line 3).....	4	00

Section B—Computation of Tax Excluding KREDA Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7	1	00
2 Enter net income from KREDA project; if loss, enter -0-	2	00
3 Taxable net income excluding net income from KREDA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	00
4 Income tax liability excluding KREDA project (line 3 multiplied by the tax rate of 5%)	4	00
5 LLET excluding LLET on KREDA project (Part I, line 3)	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4	6	00
7 Total tax excluding KREDA project (lines 4 and 5 less line 6).....	7	00
8 Total tax attributable to KREDA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	00

PART III—Limitation

1 Enter tax liability attributable to KREDA project from Part II, Section B, line 8.....	1	00
2 Enter limitation from Schedule KREDA-T, Column E.....	2	00
3 Allowable KREDA tax credit (lesser of line 1 or line 2)..... Enter allowable credit on Schedule TCS, Part I, Column E and Column F	3	00

➤ *Economic development project* means a project authorized 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 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).

The KREDA tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.347.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KREDA Project

Line 2—Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the KREDA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “KREDA” at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project’s LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

If the corporation has operations other than the KREDA project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KREDA project per KRS 141.347(6)(b)** or KRS 141.347(7)(b).***

Part II—Computation of Taxable Net Income Excluding Net Income from KREDA Project and KREDA Tax Credit

Section B

Line 2—Enter net income for KREDA project. If the corporation’s only operation in Kentucky is the KREDA project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the KREDA project, it must attach schedules reflecting the computation of the net income from the KREDA project per KRS 141.347(6)(a)* or KRS 141.347(7)(a).*** In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

Calculate KREDA tax credit based on the corporation’s tax liability, tax liability attributable to KREDA project, and credit limitation from Schedule KREDA-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax

Credit Program (KSBTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods—Per KRS 141.347(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Facility

- * Per KRS 141.347(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.
- ** Per KRS 141.347(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

Expansion of Existing Facility

- *** Per KRS 141.347(7)(a), if the KREDA project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KREDA project shall be determined by apportioning the separate accounting net income of the entire facility to the KREDA project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**
- **** Per KRS 141.347(7)(b), if the KREDA project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KREDA project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KREDA project Kentucky gross receipts or Kentucky gross profits using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**



Taxable Year Ending
____/____
Mo. Yr.

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

PART I—Computation of KREDA Tax Credit and Tax Due

1	Kentucky taxable income on KREDA project (see instructions)	1		00
2	Net operating loss deduction on KREDA project.....	2	()	00
3	Kentucky taxable income on KREDA project after net operating loss deduction (line 1 less line 2).....	3		00
4	Income tax liability of KREDA project (line 3 multiplied by the tax rate of 5%)	4		00
5	LLET on KREDA project (see instructions). Not applicable for Form 765-GP	5		00
6	LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7	Total tax on KREDA project (lines 4 and 5 less line 6)	7		00
8	Limitation (Column E from Schedule KREDA-T)	8		00
9	Enter the lesser of line 7 or line 8 as either:			
	(a) KREDA tax credit	9(a)		00
	<i>or</i>			
	(b) Estimated tax payment and complete election in Part II.....	9(b)		00
10	Income Tax Due on the Project —If line 7 is larger than line 9(a) or 9(b), enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725)	10		00

PART II—Estimated Tax Election

In accordance with KRS 141.347(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the KREDA tax credit, to have an amount equal
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤ _____
Signature of Shareholder, Partner, or Member Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.347.

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

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEIA-SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the KREDA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765-GP. If the pass-through entity has operations other than the KREDA project, a schedule must be attached reflecting the computation of the net income (loss) from the KREDA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.347(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Expansion of Existing Facility—Per KRS 141.347(7), if the KREDA project is an expansion to a previously existing facility, the net income, Kentucky gross receipts, or Kentucky gross profits must be determined under a separate accounting method reflecting the entire facility and the net income, Kentucky gross receipts, or Kentucky gross profits must be determined by apportioning the net income, Kentucky gross receipts, or Kentucky gross profits of the entire facility to the economic development project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to the schedule.**

Alternative Methods—Per KRS 141.347(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the economic development project is located, the approved company must use an alternative method approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

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

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

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

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

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

Line 5—Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the KREDA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "KREDA" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.347(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the debt service payments or approved costs, whichever is applicable, wage assessments and tax credits (income tax and LLET) for the duration of the agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

GENERAL INSTRUCTIONS

The 2002 General Assembly amended KRS 154.22-010 to 154.22-100, effective on July 15, 2002. Projects that received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 2002, and have entered into a financing agreement no later than June 30, 2003, shall be subject to KRS 154.22-010 to 154.22-100 as in effect prior to July 15, 2002.

A separate Schedule KREDA-T, Tracking Schedule for a KREDA Project, must be maintained for the duration of each KREDA project. Beginning with the first tax year of the KREDA financing agreement or tax incentive agreement, complete Columns A through F using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KREDA or Schedule KREDA-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

Activation Date of KREDA Incentive Agreement—For projects which received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 1996, enter the date the

financing agreement was executed. For projects which received preliminary approval from KEDFA on or after July 15, 1996, enter the date established by the approved company as the activation date for implementation of the inducements authorized by the financing agreement.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month, day, and year) of the tax year for which the information requested in Columns B through F is entered.

Column B—This column will always be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column E for the prior year exceeds the amount entered in Column F for the prior year, enter the difference. If the amount entered in Column F for the prior year equals the amount entered in Column E for the prior year, enter zero (-0-).

Column C—Enter the total amount of debt service payment or approved costs, whichever is applicable per the agreement, for the taxable year. Debt service payment includes both principal and interest paid per the financing agreement.

Column D—Enter the total amount of employee wage assessments (both the state and local portion) withheld from the salaries of employees during the taxable year.

Column E—Enter the result of adding the amounts entered in Columns B and C and subtracting the amount entered in Column D. Then, enter on Schedule KREDA, Part III, Line 2 or Schedule KREDA-SP, Part I, Line 8, whichever is applicable.

Column F—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET or income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

KRS 154.28-010 to 140



KIDA

- ◆ **Only use this package if you have received approval for the KIDA credit per KRS 154.28-010 to 140 by the Cabinet for Economic Development.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package – Use this package to report KIDA tax incentives for which your business entity has been approved per KRS 154.28–010 to 140. You must have received preliminary or final approval in accordance with KRS 154.28 on or before June 26, 2009 to determine the credit allowed. Schedule KIDA-T is used by the company which has entered into a financing agreement or tax incentive agreement for a Kentucky Industrial Development Act (KIDA) project to maintain a record of the debt service payments or approved costs, whichever is applicable, and tax credits.

General Instructions – Only include one incentive project per Package KIDA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KIDA (Page 3) and Schedule KIDA-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule KIDA-SP (Page 5) and Schedule KIDA-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



Taxable Year Ending

____ / ____
Mo. Yr.

Name of Corporation	Federal Identification Number _____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of KIDA Incentive Agreement ____ / ____ / ____ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of LLET Excluding KIDA Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1.....	1	00
2 LLET on KIDA project (see instructions).....	2	00
3 LLET excluding LLET on KIDA project (line 1 less line 2).....	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from KIDA Project and KIDA Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1.....	1	00
2 LLET of corporation (Part I, line 1).....	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1).....	3	00
4 Total corporation tax (lines 1 and 2 less line 3).....	4	00

Section B—Computation of Tax Excluding KIDA Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7.....	1	00
2 Enter net income from KIDA project; if loss, enter -0-.....	2	00
3 Taxable net income excluding net income from KIDA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-.....	3	00
4 Income tax liability excluding KIDA project (line 3 multiplied by the tax rate of 5%).....	4	00
5 LLET excluding LLET on KIDA project (Part I, line 3).....	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4.....	6	00
7 Total tax excluding KIDA project (lines 4 and 5 less line 6).....	7	00
8 Total tax attributable to KIDA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1.....	8	00

PART III—Limitation

1 Enter tax liability attributable to KIDA project from Part II, Section B, line 8.....	1	00
2 Enter limitation from Schedule KIDA-T, Column D.....	2	00
3 Allowable KIDA tax credit (lesser of line 1 or line 2)..... Enter allowable credit on Schedule TCS, Part I, Column E and Column F	3	00

➤ *Economic development project* means a project authorized 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 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).

The KIDA tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.400.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KIDA Project

Line 2—Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the KIDA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “KIDA” at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project’s LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

If the corporation has operations other than the KIDA project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KIDA project per KRS 141.400(6)(b)** or KRS 141.400(7)(b).****

Part II—Computation of Taxable Net Income Excluding Net Income from KIDA Project and KIDA Tax Credit

Section B

Line 2—Enter net income for KIDA project. If the corporation’s only operation in Kentucky is the KIDA project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the KIDA project, it must attach schedules reflecting the computation of the net income from the KIDA project per KRS 141.400(6)(a)* or KRS 141.400(7)(a).*** In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

Calculate KIDA tax credit based on the corporation’s tax liability, tax liability attributable to KIDA project, and credit limitation from Schedule KIDA-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

41A720-S20 KIDA (10-19)

Alternative Methods—Per KRS 141.400(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Facility

- * Per KRS 141.400(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.
- ** Per KRS 141.400(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

Expansion of Existing Facility

- *** Per KRS 141.400(7)(a), if the KIDA project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KIDA project shall be determined by apportioning the separate accounting net income of the entire facility to the KIDA project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**
- **** Per KRS 141.400(7)(b), if the KIDA project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KIDA project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KIDA project Kentucky gross receipts or Kentucky gross profits using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**



Taxable Year Ending
____/____
Mo. Yr.

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

PART I—Computation of KIDA Tax Credit and Tax Due

1	Kentucky taxable income on KIDA project (see instructions).....	1		00
2	Net operating loss deduction on KIDA project	2	()	00
3	Kentucky taxable income on KIDA project after net operating loss deduction (line 1 less line 2).....	3		00
4	Income tax liability of KIDA project (line 3 multiplied by the tax rate of 5%).....	4		00
5	LLET on KIDA project (see instructions). Not applicable for Form 765-GP	5		00
6	LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7	Total tax on KIDA project (lines 4 and 5 less line 6).....	7		00
8	Limitation (Column D from Schedule KIDA-T)	8		00
9	Enter the lesser of line 7 or line 8 as either:			
	(a) KIDA tax credit.....	9(a)		00
	or			
	(b) Estimated tax payment and complete election in Part II.....	9(b)		00
10	Income Tax Due on the Project —If line 7 is larger than line 9(a) or 9(b), enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725).....	10		00

PART II—Estimated Tax Election

In accordance with KRS 141.400(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the KIDA tax credit, to have an amount equal
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤ _____
Signature of Shareholder, Partner, or Member Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.400.

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

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEIA-SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the KIDA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765-GP. If the pass-through entity has operations other than the KIDA project, a schedule must be attached reflecting the computation of the net income (loss) from the KIDA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.400(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Expansion of Existing Facility—Per KRS 141.400(7), if the KIDA project is an expansion to a previously existing facility, the net income, Kentucky gross receipts, or Kentucky gross profits must be determined under a separate accounting method reflecting the entire facility and the net income, Kentucky gross receipts, or Kentucky gross profits must be determined by apportioning the net income, Kentucky gross receipts, or Kentucky gross profits of the entire facility to the economic development project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to the schedule.**

Alternative Methods—Per KRS 141.400(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the economic development project is located, the approved company must use an alternative method approved by the Department of Revenue.

A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.

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

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

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

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

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

Line 5—Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the KIDA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "KIDA" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.400(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the debt service payments or approved costs, whichever is applicable, and tax credits (income tax and LLET) for the duration of the agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

GENERAL INSTRUCTIONS

The 2002 General Assembly amended KRS 154.28-010 to 154.28-130, effective on July 15, 2002. Projects that received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 2002, and have entered into a financing agreement no later than June 30, 2003, shall be subject to KRS 154.28-010 to 154.28-130 as in effect prior to July 15, 2002.

A separate Schedule KIDA-T, Tracking Schedule for a KIDA Project, must be maintained for the duration of each KIDA project. Beginning with the first taxable year of the KIDA financing agreement or tax incentive agreement, complete Columns A through E using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KIDA or Schedule KIDA-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

Activation Date of KIDA Incentive Agreement—For projects which received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 1996, enter the date the financing agreement was executed. For projects which received preliminary approval from KEDFA on or after July 15, 1996, enter the date established by the approved company as the activation date for implementation of the inducements authorized by the financing agreement.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month, day, and year) of the taxable year for which the information in Columns B through E is entered.

Column B—This column will be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column D for the prior year exceeds the amount entered in Column E for the prior year, enter the difference. If the amount entered in Column E for the prior year equals the amount entered in Column D for the prior year, enter zero (-0-).

Column C—Enter the total amount of debt service payment or approved costs, whichever is applicable per the agreement, for the taxable year. Debt service payment includes both principal and interest paid per the financing agreement.

Column D—Enter the result of adding the amounts entered in Columns B and C. Then, enter this amount on Schedule KIDA, Part III, Line 2 or Schedule KIDA-SP, Part I, Line 8, whichever is applicable.

Column E—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET or income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

KRS 154.26-010 to 125



KIRA

- ◆ **Only use this package if you have received final approval for the KIRA credit per KRS 154.26-010 to 125 by the Cabinet for Economic Development.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package – Use this package to report KIRA tax incentives for which your business entity has been approved per KRS 154.26–010 to 125. You must have received preliminary or final approval in accordance with KRS 154.26 to determine the credit allowed. Schedule KIRA-T is used by the company which has entered into a tax incentive agreement for a Kentucky Industrial Revitalization Act (KIRA) project to maintain a record of the approved costs, wage assessment fees, and tax credits, including local wage assessment credit claimed.

General Instructions – Only include one incentive project per Package KIRA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KIRA (Page 3) and Schedule KIRA-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule KIRA-SP (Page 5) and Schedule KIRA-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



Taxable Year Ending

___ / ___
Mo. Yr.

Name of Corporation	Federal Identification Number _____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of KIRA Incentive Agreement ___ / ___ / ___ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of LLET Excluding KIRA Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1	1	00
2 LLET on KIRA project (see instructions)	2	00
3 LLET excluding LLET on KIRA project (line 1 less line 2)	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from KIRA Project and KIRA Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1.....	1	00
2 LLET of corporation (Part I, line 1).....	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1).....	3	00
4 Total corporation tax (lines 1 and 2 less line 3).....	4	00

Section B—Computation of Tax Excluding KIRA Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7.....	1	00
2 Enter net income from KIRA project; if loss, enter -0-.....	2	00
3 Taxable net income excluding net income from KIRA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	00
4 Income tax liability excluding KIRA project (line 3 multiplied by the tax rate of 5%).....	4	00
5 LLET excluding LLET on KIRA project (Part I, line 3)	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4.....	6	00
7 Total tax excluding KIRA project (lines 4 and 5 less line 6).....	7	00
8 Total tax attributable to KIRA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	00

PART III—Limitation

1 Enter tax liability attributable to KIRA project from Part II, Section B, line 8.....	1	00
2 Enter limitation from Schedule KIRA-T, Column E.....	2	00
3 Allowable KIRA tax credit (lesser of line 1 or line 2)	3	00

Enter allowable credit on Schedule TCS, Part I, Column E and Column F

➤ *Economic development project* means a project authorized 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 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).

The KIRA tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.403.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KIRA Project

Line 2—Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the KIRA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “KIRA” at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project’s LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

If the corporation has operations other than the KIRA project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KIRA project per KRS 141.403(6)(b)** or KRS 141.403(7)(b).****

Part II—Computation of Taxable Net Income Excluding Net Income from KIRA Project and KIRA Tax Credit

Section B

Line 2—Enter net income for KIRA project. If the corporation’s only operation in Kentucky is the KIRA project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the KIRA project, it must attach schedules reflecting the computation of the net income from the KIRA project per KRS 141.403(6)(a)* or KRS 141.403(7)(a).*** In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

Calculate KIRA tax credit based on the corporation’s tax liability, tax liability attributable to KIRA project, and credit limitation from Schedule KIRA-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the

Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods—Per KRS 141.403(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Facility

- * Per KRS 141.403(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.
- ** Per KRS 141.403(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

Expansion to Existing Facility

- *** Per KRS 141.403(7)(a), if the KIRA project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KIRA project shall be determined by apportioning the separate accounting net income of the entire facility to the KIRA project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**
- **** Per KRS 141.403(7)(b), if the KIRA project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KIRA project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KIRA project Kentucky gross receipts or Kentucky gross profits using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**



Taxable Year Ending

____/____
Mo. Yr.

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

PART I—Computation of KIRA Tax Credit and Tax Due

1 Kentucky taxable income on KIRA project (see instructions)	1		00
2 Net operating loss deduction on KIRA project.....	2	()	00
3 Kentucky taxable income on KIRA project after net operating loss deduction (line 1 less line 2)	3		00
4 Income tax of KIRA project (line 3 multiplied by the tax rate of 5%)	4		00
5 LLET on KIRA project (see instructions). Not applicable for Form 765-GP	5		00
6 LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7 Total tax on KIRA project (lines 4 and 5 less line 6).....	7		00
8 Limitation (Column E from Schedule KIRA-T).....	8		00
9 Enter the lesser of line 7 or line 8 as either:			
(a) KIRA tax credit.....	9(a)		00
or			
(b) Estimated tax payment and complete election in Part II.....	9(b)		00
10 Income Tax Due on the Project —If line 7 is larger than line 9(a) or 9(b), enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725)	10		00

PART II—Estimated Tax Election

In accordance with KRS 141.403(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the KIRA tax credit, to have an amount equal
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤ _____
Signature of Shareholder, Partner, or Member Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.403.

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

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEIA-SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the KIRA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765-GP. If the pass-through entity has operations other than the KIRA project, a schedule must be attached reflecting the computation of the net income (loss) from the KIRA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.403(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Expansion of Existing Facility—Per KRS 141.403(7), if the KIRA project is an expansion to a previously existing facility, the net income, Kentucky gross receipts, or Kentucky gross profits must be determined under a separate accounting method reflecting the entire facility and the net income, Kentucky gross receipts, or Kentucky gross profits must be determined by apportioning the net income, Kentucky gross receipts, or Kentucky gross profits of the entire facility to the economic development project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to the schedule.**

Alternative Methods—Per KRS 141.403(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the economic development project is located, the approved company must use an alternative method approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

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

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

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

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

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

Line 5—Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the KIRA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "KIRA" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.403(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the approved costs, wage assessment fees and income, LLET and license tax* credits for the duration of the revitalization agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the revitalization agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

GENERAL INSTRUCTIONS

A separate Schedule KIRA-T, Tracking Schedule for a KIRA Project, must be maintained for the duration of each KIRA project. Beginning with the first taxable year of the KIRA revitalization agreement, complete Columns A through F using a separate line for each year of the revitalization agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KIRA or Schedule KIRA-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month and year) of the taxable year for which the information requested in Columns B through F is entered.

Column B—For the taxable year that includes the revitalization agreement date, enter 50 percent or 75 percent of the approved costs as verified by the Kentucky Economic Development Finance Authority. Refer to your agreement for the applicable percentage. For each year

thereafter, if the amount entered in Column E for the prior year exceeds the combined total of income tax credit and corporation license tax credit claimed for the prior year in Column F, enter the difference.

Column C—Enter the total amount of employee wage assessments (both the state and local portion) withheld from the salaries of employees during the taxable year, or the appropriations received during the taxable year if an appropriation agreement was entered into in lieu of utilization of the wage assessment.

Column D—Enter the total amount of local wage assessment credit claimed, if eligible.

Column E—Enter the result of subtracting the amounts entered in Columns C and D from the amount entered in Column B. Then, enter on Schedule KIRA, Part III, Line 2 or Schedule KIRA-SP, Part I, Line 8, whichever is applicable.

Column F—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET **or** income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

**Prior to January 1, 2006, KIRA tax credits were applied against corporation license tax. The tax was repealed effective for tax periods ending on or after December 31, 2005. KIRA credit used to offset license tax prior to that effective date must be reported on the Schedule KIRA-T.*

KRS 154.24-010 to 160



KJDA

- ◆ **Only use this package if you have received approval for the KJDA credit per KRS 154.24-010 to 160 by the Cabinet for Economic Development.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package – Use this package to report KJDA tax incentives for which your business entity has been approved per KRS 154.24–010 to 160. You must have received preliminary or final approval in accordance with KRS 154.24 on or before June 26, 2009 to determine the credit allowed. Schedule KJDA-T is used by the company which has entered into a service and technology agreement for a Kentucky Jobs Development Act (KJDA) project to maintain a record of the approved costs, wage assessments, and tax credits, including local wage assessment credit claimed.

General Instructions – Only include one incentive project per Package KJDA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KJDA (Page 3) and Schedule KJDA-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule KJDA-SP (Page 5) and Schedule KJDA-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



Taxable Year Ending

____ / ____
Mo. Yr.

Name of Corporation	Federal Identification Number ____ - ____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of KJDA Incentive Agreement ____ / ____ / ____ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of LLET Excluding KJDA Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1	1	00
2 LLET on KJDA project (see instructions)	2	00
3 LLET excluding LLET on KJDA project (line 1 less line 2)	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from KJDA Project and KJDA Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1	1	00
2 LLET of corporation (Part I, line 1)	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1)	3	00
4 Total corporation tax (lines 1 and 2 less line 3)	4	00

Section B—Computation of Tax Excluding KJDA Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7	1	00
2 Enter net income from KJDA project; if loss, enter -0-	2	00
3 Taxable net income excluding net income from KJDA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	00
4 Income tax liability excluding KJDA project (line 3 multiplied by the tax rate of 5%)	4	00
5 LLET excluding LLET on KJDA project (Part I, line 3)	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4	6	00
7 Total tax excluding KJDA project (lines 4 and 5 less line 6)	7	00
8 Total tax attributable to KJDA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	00

PART III—Limitation

1 Enter tax liability attributable to KJDA project from Part II, Section B, line 8	1	00
2 Enter limitation from Schedule KJDA-T, Column G	2	00
3 Allowable KJDA tax credit (lesser of line 1 or line 2)	3	00

Enter allowable credit on Schedule TCS, Part I, Column E and Column F

➤ *Economic development project* means a project authorized 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 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).

The KJDA tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.407.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KJDA Project

Line 2—Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the KJDA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “KJDA” at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project’s LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

If the corporation has operations other than the KJDA project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KJDA project per KRS 141.407(6)(b)** or KRS 141.407(7)(b).****

Part II—Computation of Taxable Net Income Excluding Net Income from KJDA Project and KJDA Tax Credit

Section B

Line 2—Enter net income for KJDA project. If the corporation’s only operation in Kentucky is the KJDA project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the KJDA project, it must attach schedules reflecting the computation of the net income from the KJDA project per KRS 141.407(6)(a)* or KRS 141.407(7)(a).*** In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

Calculate KJDA tax credit based on the corporation’s tax liability, tax liability attributable to KJDA project, and credit limitation from Schedule KJDA-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from

the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods—Per KRS 141.407(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Facility

* Per KRS 141.407(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.

** Per KRS 141.407(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

Expansion of Existing Facility

*** Per KRS 141.407(7)(a), if the KJDA project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KJDA project shall be determined by apportioning the separate accounting net income of the entire facility to the KJDA project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**

**** Per KRS 141.407(7)(b), if the KJDA project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KJDA project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KJDA project Kentucky gross receipts or Kentucky gross profits using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**



Taxable Year Ending

____ / ____
Mo. Yr.

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

PART I—Computation of KJDA Tax Credit and Tax Due

1	Kentucky taxable income on KJDA project (see instructions).....	1		00
2	Net operating loss deduction on KJDA project	2	()	00
3	Kentucky taxable income on KJDA project after net operating loss deduction (line 1 less line 2).....	3		00
4	Income tax liability of KJDA project (line 3 multiplied by the tax rate of 5%).....	4		00
5	LLET on KJDA project (see instructions). Not applicable for Form 765-GP	5		00
6	LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7	Total tax on KJDA project (lines 4 and 5 less line 6).....	7		00
8	Limitation (Column G from Schedule KJDA-T).....	8		00
9	Enter the lesser of line 7 or line 8 as either: (a) KJDA tax credit..... or (b) Estimated tax payment and complete election in Part II.....	9(a) 9(b)		00 00
10	Income Tax Due on the Project —If line 7 is larger than line 9(a) or 9(b), enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725).....	10		00

PART II—Estimated Tax Election

In accordance with KRS 141.407(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the KJDA tax credit, to have an amount equal
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤

Signature of Shareholder, Partner, or Member
Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.407.

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

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEIA-SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the KJDA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765-GP. If the pass-through entity has operations other than the KJDA project, a schedule must be attached reflecting the computation of the net income (loss) from the KJDA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.407(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Expansion of Existing Facility—Per KRS 141.407(7), if the KJDA project is an expansion to a previously existing facility, the net income, Kentucky gross receipts, or Kentucky gross profits must be determined under a separate accounting method reflecting the entire facility and the net income, Kentucky gross receipts, or Kentucky gross profits must be determined by apportioning the net income, Kentucky gross receipts, or Kentucky gross profits of the entire facility to the economic development project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to the schedule.**

Alternative Methods—Per KRS 141.407(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the economic development project is located, the approved company must use an alternative method approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

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

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

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

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

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

Line 5—Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the KJDA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "KJDA" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.407(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the approved costs, wage assessments, in-lieu-of credits and tax credits (income tax and LLET) for the duration of the service and technology agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the service and technology agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

GENERAL INSTRUCTIONS

A separate Schedule KJDA-T, Tracking Schedule for a KJDA Project, must be maintained for the duration of each KJDA project. Beginning with the first taxable year of the KJDA service and technology agreement, complete Columns A through H using a separate line for each year of the service and technology agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KJDA or Schedule KJDA-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month and year) of the taxable year for which the information requested in Columns B through H is entered.

Column B—For the taxable year that includes the activation date of the service and technology agreement, enter 50 percent of the total start-up costs as verified by the Kentucky Economic Development Finance Authority. For each year thereafter, if the amount entered in Column G for the prior year exceeds the amount entered in Column H for the prior year, enter the difference. If the amount entered in Column H for the prior year equals the amount entered in Column G for the prior year, enter zero (-0-).

Column C—Enter 50 percent of rental payments made during the taxable year as set forth in the service and technology agreement.

Column D—Enter the total amount of employee wage assessments (both the state and local portion) withheld from the salaries of employees during the taxable year.

Column E—Enter the total amount of local wage assessment credit claimed, if eligible.

Column F—If the local jurisdiction where the project is located elected to provide in-lieu-of credits per KRS 154.24-150(1) and (2), enter the amount of in-lieu-of credits received during the taxable year.

Column G—Enter the result of adding the amounts entered in Columns B and C and subtracting the amounts entered in Columns D, E, and F. Then, enter on Schedule KJDA, Part III, Line 2 or Schedule KJDA-SP, Part I, Line 8, whichever is applicable.

Column H—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET **or** income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

KRS 154.34-010 to 120



KRA

- ◆ **Only use this form if you have received approval for the KRA credit per KRS 154.34-010 to 120 by the Cabinet for Economic Development.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package – Use this package to report KRA tax incentives for which your business entity has been approved per KRS 154.34–010 to 120. You must have received preliminary or final approval in accordance with KRS 154.34 to determine the credit allowed. Schedule KRA-T is used by the company which has entered into a reinvestment agreement for a Kentucky Reinvestment Act (KRA) project to maintain a record of the balance of approved costs and tax credits.

General Instructions – Only include one incentive project per Package KRA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KRA (Page 3) and Schedule KRA-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule KRA-SP (Page 5) and Schedule KRA-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



Taxable Year Ending

___/___/___
Mo. Yr.

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

PART I—Computation of LLET Excluding KRA Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1	1	00
2 LLET on KRA project (see instructions)	2	00
3 LLET excluding LLET on KRA project (line 1 less line 2)	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from KRA Project and KRA Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1	1	00
2 LLET of corporation (Part I, line 1)	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1)	3	00
4 Total corporation tax (lines 1 and 2 less line 3)	4	00

Section B—Computation of Tax Excluding KRA Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7	1	00
2 Enter net income from KRA project; if loss, enter -0-	2	00
3 Taxable net income excluding net income from KRA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	00
4 Income tax liability excluding KRA project (line 3 multiplied by the tax rate of 5%)	4	00
5 LLET excluding LLET on KRA project (Part I, line 3)	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4	6	00
7 Total tax excluding KRA project (lines 4 and 5 less line 6)	7	00
8 Total tax attributable to KRA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	00

PART III—Limitation

1 Enter tax liability attributable to KRA project from Part II, Section B, line 8	1	00
2 Enter balance of approved costs from Schedule KRA-T, Column B	2	00
3 Enter the limitation as provided by KRS 154.34-120(5) (see instructions)	3	00
4 Allowable KRA tax credit (lesser of line 1, 2, or 3)	4	00

Enter allowable credit on Schedule TCS, Part I, Column E and Column F

➤ *Economic development project* means a project authorized 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 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).

The KRA tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used to determine the credit allowed against the Kentucky corporation income tax liability and/or LLET attributable to the project per KRS 141.415.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KRA Project

Line 2—Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the KRA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “KRA” at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project’s LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

If the corporation has operations other than the KRA project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KRA project per KRS 141.415(6)(b)** or KRS 141.415(7)(b).****

Part II—Computation of Taxable Net Income Excluding Net Income from KRA Project and KRA Tax Credit

Section B

Line 2—Enter net income from KRA project. If the corporation’s only operation in Kentucky is the KRA project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the KRA project, it must attach schedules reflecting the computation of the net income from the KRA project per KRS 141.415(6)(a)* or KRS 141.415(7)(a).*** In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

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

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

Line 3—Enter: (i) the total amount of the approved costs if the company received preliminary approval for the project prior to February 1, 2010; or (ii) twenty percent (20%) of the total amount of the approved costs if the company received preliminary approval for the project on or after February 1, 2010.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods—Per KRS 141.415(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Facility

- * Per KRS 141.415(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.
- ** Per KRS 141.415(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

Expansion of Existing Facility

- *** Per KRS 141.415(7)(a), if the KRA project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KRA project shall be determined by apportioning the separate accounting net income of the entire facility to the KRA project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the formula must be attached to this schedule.**
- **** Per KRS 141.415(7)(b), if the KRA project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KRA project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KRA project Kentucky gross receipts or Kentucky gross profits using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the formula must be attached to this schedule.**



Taxable Year Ending

____/____
Mo. Yr.

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

PART I—Computation of KRA Tax Credit and Tax Due

1 Kentucky taxable income on KRA project (see instructions)	1		00
2 Net operating loss deduction on KRA project.....	2	()	00
3 Kentucky taxable income on KRA project after net operating loss deduction (line 1 less line 2).....	3		00
4 Income tax liability of KRA project (line 3 multiplied by the tax rate of 5%).....	4		00
5 LLET on KRA project (see instructions). Not applicable for Form 765-GP	5		00
6 LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7 Total tax on KRA project (lines 4 and 5 less line 6).....	7		00
8 Limitation (Column B from Schedule KRA-T).....	8		00
9 Enter the limitation per KRS 154.34-120(5) (see instructions).....	9		00
10 Enter the lesser of line 7, 8, or 9 as either: (a) KRA tax credit.....	10(a)		00
<i>or</i>			
(b) Estimated tax payment and complete election in Part II.....	10(b)		00
11 Income Tax Due on the Project —If line 7 is larger than line 10(a) or 10(b), enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725).....	11		00

PART II—Estimated Tax Election

In accordance with KRS 141.415(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the KRA tax credit, to have an amount equal
to the lesser of line 7, 8, or 9, above applied as an estimated tax payment.

➤ _____
Signature of Shareholder, Partner, or Member Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.415.

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

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEIA-SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the KRA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765-GP. If the pass-through entity has operations other than the KRA project, a schedule must be attached reflecting the computation of the net income (loss) from the KRA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

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

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

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

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

If the economic development project is an expansion to a previously existing facility, net income of the entire facility must reflect only the gross income, deductions, expenses, gains, and losses allowed

under this chapter directly attributable to the facility and overhead expenses apportioned to the facility; and Kentucky gross receipts and Kentucky gross profits must reflect only Kentucky gross receipts and Kentucky gross profits directly attributable to the facility. Net income, Kentucky gross receipts, and Kentucky gross profits of the entire facility attributable to the economic development project must be determined by apportioning the net income, Kentucky gross receipts, and Kentucky gross profits by a formula approved by the Department of Revenue.

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

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

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

Line 5—Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the KRA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "KRA" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

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

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

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

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

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the balance of approved costs and income tax and LLET for the duration of the agreement. This information is necessary for the company to determine the limitation of the tax credit throughout the life of the project and to allow the Kentucky Department of Revenue to verify that credit has been properly computed.

GENERAL INSTRUCTIONS

A separate Schedule KRA-T, Tracking Schedule for a KRA Project, must be maintained for the duration of each KRA project. Beginning with the first taxable year of the KRA reinvestment agreement, complete Columns A through E using a separate line for each tax year of the reinvestment agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KRA or Schedule KRA-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month and year) of the taxable year for which the information requested in Columns B through E is entered.

Column B—This column will be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column D for the prior year exceeds the amount entered in Column E for the prior year, enter the difference. If the amount entered in Column E for the prior year equals the amount entered in Column D for the prior year, enter zero (-0-).

Column C—Enter the total amount of approved costs per the agreement for the taxable year.

Column D—Enter the result of adding the amounts entered in Columns B and C. Then, enter on Schedule KRA, Part III, Line 2, or Schedule KRA-SP, Part I, Line 8, whichever is applicable.

Column E—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET or income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

KRS 154.25-010 to 050



KJRA

- ◆ **Only use this package if you have received approval for the KJRA incentive per KRS 154.25-010 to 050.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package – Use this package to report KJRA tax incentives for which your business entity has been approved per KRS 154.25–010 to 050. You must have received preliminary or final approval in accordance with KRS 154.25 to determine the credit allowed. Schedule KJRA-T is used by the company which has entered into a tax incentive agreement for a Kentucky Jobs Retention Act (KJRA) project to maintain a record of the approved costs and tax credits, including local wage assessment credit claimed.

General Instructions – Only include one incentive project per Package KJRA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KJRA (Page 3) and Schedule KJRA-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule KJRA-SP (Page 5) and Schedule KJRA-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



Taxable Year Ending

____/____
Mo. Yr.

Name of Corporation	Federal Identification Number ____-____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of KJRA Incentive Agreement ____/____/____ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of LLET Excluding KJRA Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1	1	00
2 LLET on KJRA project (see instructions)	2	00
3 LLET excluding LLET on KJRA project (line 1 less line 2)	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from KJRA Project and KJRA Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1.....	1	00
2 LLET of corporation (Part I, line 1).....	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1).....	3	00
4 Total corporation tax (lines 1 and 2 less line 3).....	4	00

Section B—Computation of Tax Excluding KJRA Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7.....	1	00
2 Enter net income from KJRA project; if loss, enter -0-.....	2	00
3 Taxable net income excluding net income from KJRA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	00
4 Income tax liability excluding KJRA project (line 3 multiplied by the tax rate of 5%).....	4	00
5 LLET excluding LLET on KJRA project (Part I, line 3)	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4	6	00
7 Total tax excluding KJRA project (lines 4 and 5 less line 6).....	7	00
8 Total tax attributable to KJRA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	00

PART III—Limitation

1 Enter tax liability attributable to KJRA project from Part II, Section B, line 8.....	1	00
2 Enter limitation from Schedule KJRA-T, Column G	2	00
3 Allowable KJRA tax credit (lesser of line 1 or line 2)	3	00

Enter allowable credit on Schedule TCS, Part I, Column E and Column F

➤ *Economic development project* means a project authorized 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 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).

The KJRA tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.402.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KJRA Project

Line 2—Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the KJRA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “KJRA” at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project’s LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

Part II—Computation of Taxable Net Income Excluding Net Income from KJRA Project and KJRA Tax Credit

Section B

Line 2—Enter net income for KJRA project. If the corporation’s only operation in Kentucky is the KJRA project, the amount entered on Line 1 must also be entered on Line 2. In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

Calculate KJRA tax credit based on the corporation’s tax liability, tax liability attributable to KJRA project, and credit limitation from Schedule KJRA-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods—Per KRS 141.402(7), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**



Taxable Year Ending

____/____
Mo. Yr.

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

PART I—Computation of KJRA Tax Credit and Tax Due

1 Kentucky taxable income on KJRA project (see instructions)	1		00
2 Net operating loss deduction on KJRA project.....	2	()	00
3 Kentucky taxable income on KJRA project after net operating loss deduction (line 1 less line 2).....	3		00
4 Income tax liability of KJRA project (line 3 multiplied by the tax rate of 5%).....	4		00
5 LLET on KJRA project (see instructions). Not applicable for Form 765-GP	5		00
6 LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7 Total tax on KJRA project (lines 4 and 5 less line 6).....	7		00
8 Limitation (Column G from Schedule KJRA-T)	8		00
9 Enter the lesser of line 7 or line 8 as either:			
(a) KJRA tax credit	9(a)		00
or			
(b) Estimated tax payment and complete election in Part II.....	9(b)		00
10 Income Tax Due on the Project —If line 7 is larger than line 9(a) or 9(b), enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725)	10		00

PART II—Estimated Tax Election

In accordance with KRS 141.402(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the KJRA tax credit, to have an amount equal
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤ _____
Signature of Shareholder, Partner, or Member Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.402.

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

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEIA-SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the KJRA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765-GP. If the pass-through entity has operations other than the KJRA project, a schedule must be attached reflecting the computation of the net income (loss) from the KJRA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.402(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Alternative Methods—Per KRS 141.402(7), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the economic development project is located, the approved company must use an alternative method approved by the Department of Revenue. **A copy of the**

letter from the Department of Revenue approving the alternative method must be attached to this schedule.

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

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

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

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

Line 5—Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the KJRA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "KJRA" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.402(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the approved costs and tax credits (income tax and the LLET) for the duration of the agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

GENERAL INSTRUCTIONS

A separate Schedule KJRA-T, Tracking Schedule for a KJRA Project, must be maintained for the duration of each KJRA project. Beginning with the first taxable year of the KJRA agreement, complete Columns A through H using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KJRA or Schedule KJRA-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month, day, and year) of the taxable year for which the information in Columns B through H is entered.

Column B—This column will be blank for the first taxable year of the agreement. For each year thereafter, if the

amount entered in Column G for the prior year exceeds the amount entered in Column H for the prior year, enter the difference. If the amount entered in Column H for the prior year equals the amount entered in Column G for the prior year, enter zero (-0-).

Column C—Enter the portion of the eligible costs approved by the authority that an approved company may recover through inducements. The negotiated percentage cannot exceed 50 percent of the approved costs for the initial project; however, the Kentucky Economic Development Finance Authority (KEDFA) may negotiate an increase in the percentage such that both the initial project and the supplemental project are eligible for 75 percent of approved costs upon approval of a supplemental project.

Column D—Enter the balance of unused approved costs from a previously existing KIDA or KJDA project to be transferred to the KJRA project.

Column E—Enter the amount of wage assessments withheld.

Column F—Enter the total amount of local wage assessment credit claimed, if eligible.

Column G—Enter the KJRA limitation. This is the total of Columns B through D less Columns E and F.

Column H—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET **or** income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

KRS 154.27-010 to 100



IEIA

- ◆ **Only use this package if you have received approval for the IEIA credit per KRS 154.27-010 to 100 by the Cabinet for Economic Development.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package – Use this package to report IEIA tax incentives for which your business entity has been approved per KRS 154.27–010 to 100. You must have received preliminary or final approval in accordance with KRS 154.27 to determine the credit allowed. Schedule IEIA-T is used by the company which has entered into a financing agreement or tax incentive agreement for an Incentives for Energy Independence Act (IEIA) project to maintain a record of approved costs and tax credits.

General Instructions – Only include one incentive project per Package IEIA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule IEIA (Page 3) and Schedule IEIA-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule IEIA-SP (Page 5) and Schedule IEIA-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



Taxable Year Ending

____ / ____
Mo. Yr.

Name of Corporation	Federal Identification Number ____ - _____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of IEIA Incentive Agreement ____ / ____ / ____ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of LLET Excluding IEIA Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1	1	00
2 LLET on IEIA project (see instructions).....	2	00
3 LLET excluding LLET on IEIA project (line 1 less line 2).....	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from IEIA Project and IEIA Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1.....	1	00
2 LLET of corporation (Part I, line 1).....	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1).....	3	00
4 Total corporation tax (lines 1 and 2 less line 3).....	4	00

Section B—Computation of Tax Excluding IEIA Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7.....	1	00
2 Enter net income from IEIA project; if loss, enter -0-	2	00
3 Taxable net income excluding net income from IEIA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	00
4 Income tax liability excluding IEIA project (line 3 multiplied by the tax rate of 5%)	4	00
5 LLET excluding LLET on IEIA project (Part I, line 3).....	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4.....	6	00
7 Total tax excluding IEIA project (lines 4 and 5 less line 6)	7	00
8 Total tax attributable to IEIA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	00

PART III—Limitation

1 Enter tax liability attributable to IEIA project from Part II, Section B, line 8	1	00
2 Enter limitation from Schedule IEIA-T, Column C	2	00
3 Allowable IEIA tax credit (lesser of line 1 or line 2)	3	00

Enter allowable credit on Schedule TCS, Part I, Column E and Column F

➤ *Economic development project* means a project authorized 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 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).

The IEIA tax credit is applied against 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; however, for tracking purposes, the larger amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.421.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding IEIA Project

Line 2— Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the IEIA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “IEIA” at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project’s LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

Part II—Computation of Taxable Net Income Excluding Net Income from IEIA Project and IEIA Tax Credit

Section B

Line 2—Enter net income from IEIA project. If the corporation’s only operation in Kentucky is the IEIA project, the amount entered on Line 1 must also be entered on Line 2. In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

Calculate IEIA tax credit based on the corporation’s tax liability, tax liability attributable to IEIA project, and credit limitation from Schedule IEIA-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods—Per KRS 141.421(7), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**



Taxable Year Ending
____/____/____
Mo. Yr.

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

PART I—Computation of IEIA Tax Credit and Tax Due

1 Kentucky taxable income on IEIA project (see instructions).....	1		00
2 Net operating loss deduction on IEIA project	2	()	00
3 Kentucky taxable income on IEIA project after net operating loss deduction (line 1 less line 2).....	3		00
4 Income tax liability of IEIA project (line 3 multiplied by the tax rate of 5%)	4		00
5 LLET on IEIA project (see instructions). Not applicable for Form 765-GP	5		00
6 LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7 Total tax on IEIA project (lines 4 and 5 less line 6)	7		00
8 Limitation (Column C from Schedule IEIA-T)	8		00
9 Enter the lesser of line 7 or line 8 as either: (a) IEIA tax credit.....	9(a)		00
<i>or</i> (b) Estimated tax payment and complete election in Part II.....	9(b)		00
10 Income Tax Due on the Project —If line 7 is larger than line 9(a) or 9(b), enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725)	10		00

PART II—Estimated Tax Election

In accordance with KRS 141.421(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the IEIA tax credit, to have an amount equal
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤

Signature of Shareholder, Partner, or Member Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.421.

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

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEIA-SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the IEIA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765-GP. If the pass-through entity has operations other than the IEIA project, a schedule must be attached reflecting the computation of the net income (loss) from the IEIA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.421(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Alternative Methods—Per KRS 141.421(7), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the economic development project is located, the approved company must use an alternative method approved by the Department of Revenue.

A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.

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

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

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

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

Line 5— Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the IEIA project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "IEIA" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.421(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the approved costs permitted to be recovered through: (i) Kentucky income tax imposed by KRS 141.040 or 141.020, and the LLET imposed by KRS 141.0401; or (ii) wage assessments.

GENERAL INSTRUCTIONS

A separate Schedule IEIA-T, Tracking Schedule for an IEIA Project, must be maintained for the duration of each IEIA project. Beginning with the first taxable year of the IEIA agreement, complete Columns A through E using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with the current year information to the Schedule IEIA or Schedule IEIA-SP which is filed with the Kentucky tax return.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the tax credits that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month, day, and year) of the taxable year for which the information in Columns B through E is entered.

Column B—For the first taxable year of the agreement, enter the approved incentive to be recovered by wage assessments per the Tax Incentive Agreement. For each subsequent year: (i) if the amount entered in Column B for the prior year exceeds the amount entered in Column D for the prior year, enter the difference; or (ii) if the amount entered in Column D for the prior year equals the amount entered in Column B for the prior year, enter zero (–0–).

Column C—For the first taxable year of the agreement, enter the approved incentive to be recovered by tax credits against income tax and LLET per the Tax Incentive Agreement. For each subsequent year: (i) if the amount entered in Column C for the prior year exceeds the amount entered in Column E for the prior year, enter the difference; or (ii) if the amount entered in Column E for the prior year equals the amount entered in Column C for the prior year, enter zero (–0–).

Column D—Enter the IEIA wage assessments withheld during the current year. IEIA wage assessments taken cannot exceed the balance of the incentive in Column B.

Column E—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET **or** income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

KRS 154.32-010 to 100



KBI

- ◆ **Only use this package if you have received approval for the KBI credit per KRS 154.32-010 to 100 by the Cabinet for Economic Development.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package – Use this package to report KBI tax incentives for which your business entity has been approved per KRS 154.32–010 to 100. You must have received preliminary or final approval in accordance with KRS 154.32 to determine the credit allowed. Schedule KBI-T is used by the company which has entered into an agreement for a Kentucky Business Investment Program (KBI) project to maintain a record of approved costs, wage assessments, and tax credits, including local wage assessment credit claimed.

General Instructions – Only include one incentive project per Package KBI. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KBI (Page 3) and Schedule KBI-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule KBI-SP (Page 5) and Schedule KBI-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



Taxable Year Ending

____ / ____
Mo. Yr.

Name of Corporation	Federal Identification Number _____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of KBI Incentive Agreement ____ / ____ / ____ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of LLET Excluding KBI Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1	1	00
2 LLET on KBI project (see instructions).....	2	00
3 LLET excluding LLET on KBI project (line 1 less line 2).....	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from KBI Project and KBI Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1.....	1	00
2 LLET of corporation (Part I, line 1).....	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1).....	3	00
4 Total corporation tax (lines 1 and 2 less line 3).....	4	00

Section B—Computation of Tax Excluding KBI Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7.....	1	00
2 Enter net income from KBI project; if loss, enter -0-	2	00
3 Taxable net income excluding net income from KBI project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	00
4 Income tax liability excluding KBI project (line 3 multiplied by the tax rate of 5%)	4	00
5 LLET excluding LLET on KBI project (Part I, line 3).....	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4.....	6	00
7 Total tax excluding KBI project (lines 4 and 5 less line 6)	7	00
8 Total tax attributable to KBI project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	00

PART III—Limitation

1 Enter tax liability attributable to KBI project from Part II, Section B, line 8	1	00
2 Enter balance of approved costs from Schedule KBI-T, Column F	2	00
3 Allowable KBI tax credit (lesser of line 1 or line 2)	3	00

Enter allowable credit on Schedule TCS, Part I, Column E and Column F

➤ *Economic development project* means a project authorized 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 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).

The KBI tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax liability and/or LLET attributable to the project per KRS 141.415.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KBI Project

Line 2— Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the KBI project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter “KBI” at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project’s LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

If the corporation has operations other than the KBI project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KBI project per KRS 141.415(6)(b)** or KRS 141.415(7)(b).****

Part II—Computation of Taxable Net Income Excluding Net Income from KBI Project and KBI Tax Credit

Section B

Line 2—Enter net income from the KBI project. If the corporation’s only operation in Kentucky is the KBI project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the KBI project, it must attach schedules reflecting the computation of the net income from the KBI project per KRS 141.415(6)(a)* or KRS 141.415(7)(a).*** In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

Calculate KBI tax credit based on the corporation’s tax liability, tax liability attributable to KBI project, and balance of approved costs from Schedule KBI-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation.

A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods — Per KRS 141.415(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Facility

- * Per KRS 141.415(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.
- ** Per KRS 141.415(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

Expansion of Existing Facility

- *** Per KRS 141.415(7)(a), if the KBI project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KBI project shall be determined by apportioning the separate accounting net income of the entire facility to the KBI project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the formula must be attached to this schedule.**
- **** Per KRS 141.415(7)(b), if the KBI project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KBI project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KBI project Kentucky gross receipts or Kentucky gross profits using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the formula must be attached to this schedule.**



Taxable Year Ending

____/____
Mo. Yr.

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

PART I—Computation of KBI Tax Credit and Tax Due

1 Kentucky taxable income on KBI project (see instructions).....	1		00
2 Net operating loss deduction on KBI project	2	()	00
3 Kentucky taxable income on KBI project after net operating loss deduction (line 1 less line 2).....	3		00
4 Income tax liability of KBI project (line 3 multiplied by the tax rate of 5%)	4		00
5 LLET on KBI project (see instructions). Not applicable for Form 765-GP	5		00
6 LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7 Total tax on KBI project (lines 4 and 5 less line 6)	7		00
8 Limitation (Column F from Schedule KBI-T)	8		00
9 Enter the lesser of line 7 or line 8 as either:			
(a) KBI tax credit.....	9(a)		00
or			
(b) Estimated tax payment and complete election in Part II.....	9(b)		00
10 Income Tax Due on the Project —If line 7 is larger than line 9(a) or 9(b), enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725)	10		00

PART II—Estimated Tax Election

In accordance with KRS 141.415(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the KBI tax credit, to have an amount equal
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤ _____
Signature of Shareholder, Partner, or Member Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.415.

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

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA–SP, KIDA–SP, KJRA–SP, KIRA–SP, KJDA–SP, KBI–SP, KRA–SP, or IEIA–SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the KBI project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765–GP. If the pass-through entity has operations other than the KBI project, a schedule must be attached reflecting the computation of the net income (loss) from the KBI project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.415(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

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

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

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

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

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

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

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

Line 5— Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the KBI project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "KBI" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.415(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the approved costs, wage assessments, and tax credits (income tax and LLET) for the duration of the agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

GENERAL INSTRUCTIONS

A separate Schedule KBI-T, Tracking Schedule for a KBI Project, must be maintained for the duration of each KBI project. Beginning with the first tax year of the KBI tax incentive agreement, complete Columns A through G using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KBI or Schedule KBI-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month, day, and year) of the tax year for which the information requested in Columns B through G is entered.

Column B—This column will always be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column F for the prior year exceeds the amount entered in Column G for the prior year, enter the difference. If the amount entered in Column G for the prior year equals the amount entered in Column F for the prior year, enter zero (-0-).

Column C—Enter the total amount of approved costs per the agreement for the taxable year.

Column D—Enter the total amount of employee wage assessments imposed on the salaries of employees during the taxable year.

Column E—Enter the total amount of local wage assessment credit claimed, if eligible.

Column F—Enter the result of adding the amounts entered in Columns B and C and subtracting the amounts entered in Columns D and E. Then, enter on Schedule KBI, Part III, Line 2, or Schedule KBI-SP, Part I, Line 8, whichever is applicable.

Column G—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET **or** income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

KRS 141.410 to 141.414



FON

- ◆ **Only use this package if you have received approval for the FON credit per KRS 141.410 to 141.414 by the Cabinet for Economic Development.**
- ◆ **See instructions.**
- ◆ **Attach to form 720, 720S, 720U, 765, 765-GP, or 725.**

Purpose of Package – Use this package to report FON tax incentives for which your business entity has been approved per KRS 141.410 to 141.414. You must have received preliminary or final approval in accordance with KRS 141.410 to determine the credit allowed. Schedule FON-T is used by the company which has a Farming Operation Networking (FON) project to maintain a record of the approved costs and tax credits.

General Instructions – Only include one incentive project per Package FON. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule FON (Page 3) and Schedule FON-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule FON-SP (Page 5) and Schedule FON-T (Page 7).



Taxable Year Ending
____/____
Mo. Yr.

Name of Corporation	Federal Identification Number ____-____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of FON Incentive Agreement ____/____/____ Mo. Day Yr.	Farming Operation Networking Project Number

PART I—Computation of LLET Excluding FON Project

1 LLET from Form 720, Part I, line 1 or Form 720U, Schedule U9, Section A, line 1	1	00
2 LLET on FON project (see instructions)	2	00
3 LLET excluding LLET on FON project (line 1 less line 2).....	3	00

PART II—Computation of Taxable Net Income Excluding Net Income from FON Project and FON Tax Credit

Section A—Computation of Corporation Tax

1 Enter income tax from Form 720, Part II, line 1 or Form 720U, Schedule U9, Section B, line 1.....	1	00
2 LLET of corporation (Part I, line 1).....	2	00
3 LLET credit allowed (line 2 less \$175, but not more than line 1).....	3	00
4 Total corporation tax (lines 1 and 2 less line 3).....	4	00

Section B—Computation of Tax Excluding FON Project

1 Enter taxable net income from Form 720, Part III, line 20 or Form 720U, Schedule U5, Section D, line 7.....	1	00
2 Enter net income from FON project; if loss, enter -0-.....	2	00
3 Taxable net income excluding net income from FON project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3	00
4 Income tax liability excluding FON project (line 3 multiplied by the tax rate of 5%)	4	00
5 LLET excluding LLET on FON project (Part I, line 3)	5	00
6 Enter LLET from line 5 less \$175, but not more than line 4	6	00
7 Total tax excluding FON project (lines 4 and 5 less line 6)	7	00
8 Total tax attributable to FON project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8	00

PART III—Limitation

1 Enter tax liability attributable to FON project from Part II, Section B, line 8	1	00
2 Enter limitation from Schedule FON-T, Column D	2	00
3 Allowable FON tax credit (lesser of line 1 or line 2)	3	00

Enter allowable credit on Schedule TCS, Part II, Column E and Column F

The FON tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding FON Project

Line 2— Use Form 720, Schedule L on page 4 or Form 720U, Schedule U8 to compute a separate LLET of the FON project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "FON" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation.

If the corporation has operations other than the FON project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the FON project per KRS 141.414(4)(b)** or KRS 141.414(5)(b).****

Part II—Computation of Taxable Net Income Excluding Net Income from FON Project and FON Tax Credit

Section B

Line 2—Enter net income for the FON project. If the corporation's only operation in Kentucky is the FON project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the FON project, it must attach schedules reflecting the computation of the net income from the FON project per KRS 141.414(4)(a)* or KRS 141.414(5)(a).***

See form for computation.

Part III—Limitation

Calculate the FON tax credit based on the corporation's tax liability, tax liability attributable to the FON project, and the credit limitation from Schedule FON-T. Enter credit on Schedule TCS, Part II, Column E and Column F.

A corporation with more than one farming operation networking project must separately compute the tax credit derived from each project. Complete the applicable schedules for each project and attach a copy of the certification(s) from the Cabinet for Economic Development.

Alternative Methods—Per KRS 141.414(6), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the operation where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Facility

- * Per KRS 141.414(4)(a), if the project is a separate operation, net income attributable to the project shall be determined by the separate accounting method.
- ** Per KRS 141.414(4)(b), if the project is a separate operation, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the operation.

Expansion of Existing Facility

- *** Per KRS 141.414(5)(a), if the FON project is an expansion to a previously existing operation, net income attributable to the entire operation shall be determined under the separate accounting method and the net income attributable to the FON project shall be determined by apportioning the separate accounting net income of the entire operation to the FON project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**
- **** Per KRS 141.414(5)(b), if the FON project is an expansion to a previously existing operation, Kentucky gross receipts or Kentucky gross profits attributable to the entire operation shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the FON project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire operation to the FON project Kentucky gross receipts or Kentucky gross profits using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**



Taxable Year Ending

____/____
Mo. Yr.

Name of Pass-through Entity	Federal Identification Number _____	Kentucky Corporation/LLET Account Number _____
Location of Project City _____ County _____	Activation Date of FON Incentive Agreement ____/____/____ Mo. Day Yr.	Farming Operation Networking Project Number _____

PART I—Computation of FON Tax Credit and Tax Due

1	Kentucky taxable income on FON project (see instructions).....	1		00
2	Net operating loss deduction on FON project	2	()	00
3	Kentucky taxable income on FON project after net operating loss deduction (line 1 less line 2).....	3		00
4	Income tax liability of FON project (line 3 multiplied by the tax rate of 5%).....	4		00
5	LLET on FON project (see instructions). Not applicable for Form 765-GP	5		00
6	LLET credit allowed (line 5 less \$175, but not more than line 4). Not applicable for Form 765-GP	6		00
7	Total tax on FON project (lines 4 and 5 less line 6).....	7		00
8	Limitation (Column D from Schedule FON-T)	8		00
9	Enter the lesser of line 7 or line 8 as the FON tax credit.....	9		00
10	Income Tax Due on the Project —If line 7 is larger than line 9, enter the difference here as a liability of the pass-through entity and add to the income tax payment summary on page 1 of the applicable form (720S, 765, or 725).....	10		00

PART II—Certification

I, the undersigned, declare under the penalties of perjury, that I have examined this schedule, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.



Signature of Shareholder, Partner, or Member

Date

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project.

KRS 141.414(3) provides that the net income subject to tax and the tax credit determined under KRS 141.414(2) must be excluded in determining each partner's, member's, shareholder's, or beneficiary's distributive share of net income or credit of the pass-through entity or trust.

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

Multiple Projects—A pass-through entity with multiple farming operation networking projects must complete the applicable Schedule FON-SP to determine the credit and net tax liability, if any, for each project.

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

Separate Operation—Per KRS 141.414(4), if the project is a separate operation, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Expansion of Existing Operation—Per KRS 141.414(5), if the FON project is an expansion to a previously existing operation, the net income, Kentucky gross receipts, or Kentucky gross profits must be determined under a separate accounting method reflecting the entire operation and the net income, Kentucky gross receipts, or Kentucky gross profits must be determined by apportioning the net income, Kentucky gross receipts, or Kentucky gross profits of the entire operation to the farming operation networking

project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to the schedule.**

Alternative Methods—Per KRS 141.414(6), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts or Kentucky gross profits from the operation where it is located, the approved company must use an alternative method approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Accounting—If the farming operation networking project is a separate operation, net income must reflect only the gross income, deductions, expenses, gains, and losses allowed under this chapter directly attributable to the operation and overhead expenses apportioned to the operation; and Kentucky gross receipts or Kentucky gross profits must reflect only Kentucky gross receipts or Kentucky gross profits directly attributable to the operation.

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

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

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

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

Line 5—Use Forms 720S or 765, Schedule L on page 6 or Form 725 on page 4 to compute a separate LLET of the FON project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "FON" at the top center of the separate Schedule L and attach it to the tax return when filed. If approved for multiple projects, attach a separate Schedule L of each project's LLET computation.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of approved costs and the tax credits taken for the duration of the project. This information is necessary for the company to determine the limitation of the tax credit for each taxable year of the agreement and to allow the Kentucky Department of Revenue to verify that the tax credit carryover has been properly determined.

KRS 141.412 provides that any tax credit not used in the taxable year in which it becomes available may be carried forward to the next succeeding five (5) taxable years until the tax credit has been fully used. The aggregate tax credit used in any taxable year must not exceed the income, Kentucky gross profits, or Kentucky gross receipts of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project in that taxable year.

GENERAL INSTRUCTIONS

"Approved costs" means costs incurred during the taxable year by a qualified farming operation for training and improving skills of managers and employees involved in a networking project per KRS 141.410(1).

"Qualified farming operation" means an individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, or institution, engaged in farming in Kentucky that provides raw materials for food-producing facilities in Kentucky, and that purchases new buildings or equipment, or that incurs training expenses, to support its participation in a networking project.

KRS 141.414(3) provides that the net income subject to tax and the tax credit determined under KRS 141.414(2) must be excluded in determining each partner's, member's, shareholder's, or beneficiary's distributive share of net income or credit of the pass-through entity or trust.

A separate Schedule FON-T, Tracking Schedule for a FON Project, must be maintained for the duration

of each FON project. Beginning with the first taxable year of the FON incentive agreement, complete Columns A through E using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with current year information to the Schedule FON or Schedule FON-SP which is filed with the Kentucky tax return.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month, day, and year) of the taxable year for which the information in Columns B through E is entered.

Column B—This column will be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column D for the prior year exceeds the amount entered in Column E for the prior year, enter the difference. If the amount entered in Column E for the prior year equals the amount entered in Column D for the prior year, enter zero (-0-).

Column C—Enter the total amount of approved costs for the taxable year.

Column D—Enter the result of adding the amounts entered in Columns B and C. Then, enter this amount on Schedule FON, Part III, Line 2 or Schedule FON-SP, Part I, Line 8, whichever is applicable.

Column E—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET **or** income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.

KRS 141.432 to 141.434



NMDP

- ◆ **Only use this package if your entity is a qualified community development entity (CDE) applying or approved for a Kentucky New Markets Development Program tax credit.**
- ◆ **This package contains the following forms and instructions.**
 - **Form 8874(K) "Application for Certification of Qualified Equity Investments Eligible for Kentucky New Markets Development Program Tax Credit"**
 - **Form 8874(K)-A "Notice of Kentucky New Markets Development Program Tax Credit and Certification"**
 - **Form 8874(K)-B "Notice of Kentucky New Markets Development Program Tax Credit Recapture"**
 - **Form 8874(K)-C "Kentucky New Markets Development Program Tax Credit Request for Refund of Performance Fee"**

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

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

By: _____
Signature of executive officer of CDE _____ Date _____

Print Name: _____

Title: _____

	Department of Revenue Use Only
<p>The application is approved _____</p> <p>The application is not approved (see attached explanation) _____</p> <p style="text-align: right;">By: _____ Date: _____</p>	

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

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

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

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

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

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

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

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

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

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Per KRS 141.433(4), cash in the amount of the certified purchase price of the qualified equity investment must be received by the qualified community development entity (CDE) from each taxpayer in exchange for the taxpayer's qualified equity investment within ninety (90) days after receipt of the approved application (Form 8874(K)) by the CDE. The CDE must provide the department with evidence of the receipt of the cash in exchange for the qualified equity investment within ten (10) business days after receipt of the cash. If the CDE does not receive cash in the amount of certified purchase price of the qualified equity investment within ninety (90) days following receipt of the application approved by the department, the certification of the taxpayer will lapse and the CDE may not issue a qualified equity investment without filing a new application with the department.

A CDE must file this form (Form 8874(K)-A) with the department for each taxpayer as evidence of the receipt of the cash for the taxpayer's qualified equity investment.

If the department is satisfied that the cash amount of the qualified equity investment was received by the CDE, a copy of Form 8874(K)-A will be returned to the taxpayer and CDE with the department's approval of the tax credit available to the taxpayer for each of the next seven years.

A taxpayer must attach a copy of the approved Form 8874(K)-A to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, or 304.3-270. For the tax credit against taxes imposed by KRS 141.020, 141.040, or 141.0401, the ordering of the credits will be as provided by KRS 141.0205. An insurance company claiming a tax credit against the insurance premium tax is not required to pay additional retaliatory tax levied pursuant to KRS 304.3-270.

A partner, member, or shareholder claiming the tax credit must attach a copy of Schedule K-1, Form 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP to the tax return each year to claim the tax credit.

If there is an event per KRS 141.433(6) which would result in the recapture of any portion of the tax credit previously approved: (i) the CDE must notify the department upon discovery of such event; or (ii) the department upon discovery of such event or after receiving notice from the CDE of such event must provide written notice (via certified mail) of the proposed recapture to the CDE per KRS 141.433(6)(b).

If the CDE fails or is unable to cure the deficiency per KRS 141.433(6)(b), the department must notify the CDE and each taxpayer of the amount of the recapture or the balance of the tax credit on Form 8874(K)-B.



► See instructions.

A Name of Qualified Community Development Entity (CDE)	B Federal Identification Number of CDE _____	C Kentucky Corporation/LLET Account Number (if applicable) of CDE _____
D Name of taxpayer making the qualified equity investment	E Identification number of taxpayer _____	F Kentucky Corporation/LLET Account Number (if applicable) of taxpayer _____
Number and Street (taxpayer's address)		G Certified purchase price of the taxpayer's qualified equity investment \$ _____
City	State Zip Code	

H Date the CDE received cash for taxpayer's qualified equity investment ____ / ____ / ____ Mo. Day Yr.	I What type of entity is the taxpayer? <input type="checkbox"/> Individual <input type="checkbox"/> Estate <input type="checkbox"/> Trust <input type="checkbox"/> General Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Limited Liability Pass-through Entity
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J Date taxpayer's qualified equity investment was subject to recapture ____ / ____ / ____ Mo. Day Yr.	K Explanation of recapture
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	Original Tax Credit	Decrease of Tax Credit	Balance of Tax Credit	Tax Credit Claimed by Taxpayer
1 Total (add lines 2(a) through 2(g)).....				
2 (a) Year 1.....				
(b) Year 2.....				
(c) Year 3.....				
(d) Year 4.....				
(e) Year 5.....				
(f) Year 6.....				
(g) Year 7.....				

3 If the Tax Credit Claimed by Taxpayer on line 1 is greater than the Balance of Tax Credit on line 1, enter the recapture of the tax credit on this line	
4 If the Balance of Tax Credit on line 1 is greater than the Tax Credit Claimed by Taxpayer on line 1, enter the balance of the tax credit on this line.....	

	Department of Revenue Use Only
Recapture of Tax Credit Amount _____	
By: _____	Date: _____

If there is an event per KRS 141.433(6) which would result in the recapture of any portion of the tax credit previously approved: (i) the qualified community development entity (CDE) must notify the department upon discovery of such event; or (ii) the department upon discovery of such event or after receiving notice from the CDE of such event must provide written notice (via certified mail) of the proposed recapture to the CDE per KRS 141.433(6)(b).

If the CDE fails or is unable to cure the deficiency within ninety (90) days after receiving the department's original notice of recapture per KRS 141.433(6)(b), a copy of this form (Form 8874(K)-B) will be sent by the department to the CDE and each taxpayer showing the amount of the tax credit recapture or balance of the tax credit. If the taxpayer is a pass-through entity, a Form 8874(K)-B will also be sent to each partner, member, or shareholder showing the partner's, member's, or shareholder's tax credit recapture or balance of the tax credit.

If Form 8874(K)-B, Line 3 shows a recapture of tax credit, the taxpayer or a partner, member, or shareholder of a taxpayer must attach a copy of Form 8874(K)-B to the tax return for the tax year that includes the credit recapture date and enter the tax credit recapture on the applicable line of the tax return.

If Form 8874(K)-B, Line 4 shows a tax credit balance, the taxpayer or a partner, member, or shareholder of a taxpayer must attach a copy of Form 8874(K)-B to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, or 304.3-270.

**KENTUCKY NEW MARKETS DEVELOPMENT PROGRAM
TAX CREDIT REQUEST FOR REFUND OF PERFORMANCE FEE**

► See instructions.

A Name of Qualified Community Development Entity (CDE) Number and Street (taxpayer's address) City _____ State _____ Zip Code _____	B Federal Identification Number of CDE _____	C Kentucky Corporation/LLET Account Number (if applicable) of CDE _____ D Certified purchase price of the qualified equity investment \$ _____
E Date of this request for refund of performance fee ____ / ____ / ____ Mo. Day Yr.	F What type of entity is the CDE? <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Other _____	

1 Enter the amount of the qualified equity investment certified by the department which the CDE received cash in exchange for qualified equity investment within 90 days after the qualified equity investment was certified	1		00
2 Enter the amount of the qualified equity investment in qualified active low-income community businesses located in the Commonwealth 12 months after the CDE received cash in exchange for the qualified equity investment	2		00
3 Divide line 2 by line 1 and enter the resultant percentage here	3		%
4 Percentage required to be invested outlined under KRS 141.433(6)	4		100%
5 If line 3 is smaller than line 4, subtract line 3 from line 4 and enter the resultant percentage here; otherwise, enter 0%	5		%
6 Enter the refundable performance fee paid by the CDE	6		00
7 Multiply the percentage on line 5 by the amount on line 6, this is the amount of the forfeited performance fee	7		00
8 Subtract the amount on line 7 from the amount on line 6 and enter here; this is the amount of performance fee to be refunded	8		00

Under the penalty of perjury, I declare that I have examined the information on this form, including all accompanying documents and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

By: _____ Date: _____
 Signature of executive officer of CDE

Print name: _____

Title: _____

Department of Revenue Use Only
A refund of the performance fee is approved in the amount of..... _____ By: _____ Date: _____

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

INSTRUCTIONS—KENTUCKY NEW MARKETS
DEVELOPMENT PROGRAM TAX CREDIT
REQUEST FOR REFUND OF PERFORMANCE FEE

KRS 141.433(8)(c)3 provides that a qualified community development entity (CDE) may request a refund of the performance fee no sooner than thirty (30) days after having met all the requirements of KRS 141.433(8). The refund request must be made in writing to the department (the submission of this form will comply with this requirement). The department must review the refund request within thirty (30) days, and will either comply with the request and issue the refund of the performance fee, without interest, if the CDE has met all of the requirement of KRS 141.433(8), or give written notice to the CDE that it is noncompliant and subject to possible forfeiture of the fee.

The entire amount of the fee will be forfeited if the CDE, or any subsidiary of the CDE, fail to issue the total amount of qualified equity investment certified by the department and receive cash in exchange therefore within ninety (90) days after receipt of the notice of certification.

A portion of the performance fee will be forfeited if the CDE, or any subsidiary of the CDE, that issues a qualified equity investment certified by the department fails to meet the percentage of investment required by KRS 141.433(6) by the first allowance date of the qualified equity investment. The forfeiture will be proportionate to the amount of the qualified equity investment that is not invested as required by KRS 141.433(6). Forfeiture of the fee will be subject to the ninety (90) day cure period allowed under KRS 141.433(6)(b).

SPECIFIC INSTRUCTIONS

Line 3—Convert Line 3 to a percentage carried out to two decimal places.

In the case of a qualified equity investment issued on or after January 1, 2014, at least **one hundred percent (100%)** of the purchase price of the qualified equity investment in qualified low-income community investments in qualified active low-income community businesses located in the Commonwealth within twelve (12) months of the issuance of the qualified equity investment and maintain this level of investment in qualified low-income community investments in qualified active low-income community businesses located in the Commonwealth until the last credit allowance date for the qualified equity investment. In this case, the department's recapture will be proportionate to the amount of the redemption or repayment with respect to the qualified equity investment.

REQUIRED ATTACHMENTS

Proof of certification and proof that the requirements under KRS 141.433(8)(d) have been met are required to be included with the submission of this form.