



➤ See instructions.

➤ Attach to Form 720, 720U, PTE, 725, 740, 740-NP, or 741.

**KRS 141.385 and 141.387**

Name of Entity	Federal Identification Number  _____	Kentucky Corporation/LLET Account Number (if applicable)  _____
Mailing 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 _____	
Location Address		

**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 <b>LLET Credit</b> —Enter on Schedule TCS, Part II, Column E .....	1		00
2 <b>Corporation Income Tax Credit</b> —Enter on Schedule TCS, Part II, Column F .....	2		00
3 <b>Individual Income Tax Credit</b> —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.**