

**KENTUCKY CORPORATION INCOME  
TAX AND LLET RETURN****2017****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 (also available from the Department of Revenue). Form 720 is complementary to Federal form 1120 Series.

**KENTUCKY TAX LAW CHANGES****Enacted by the 2016 Regular Session of the General Assembly**

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

**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](http://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](http://www.lrc.ky.gov/kar/titles.htm).

**CURRENT YEAR INTEREST RATE**

Pursuant to KRS 131.183, the 2018 tax interest rate has been set at four percent (4%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is six percent (6%) and when interest is due on a refund, the rate is two percent (2%).

**HOW TO OBTAIN FORMS AND INSTRUCTIONS**

Forms and instructions are available at all Kentucky Taxpayer Service Centers (page 18). 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](http://www.revenue.ky.gov).

**KENTUCKY FORM CHANGES**

**Form 20A100**—A “Declaration of Representative” form was created to authorize taxpayer representatives to communicate with the Department of Revenue about all taxes administered by the department. This form facilitates obtaining account numbers.

**Forms 720, 720S, 765, and 725**—Schedule L was added as an integral part of the basic forms to replace Schedule LLET. Schedule L-C was provided as a continuation sheet to report consolidated group members and pass-through LLET items.

**Form 725-EZ**—Form 725-EZ was created to simplify filing requirements for single member LLCs that meet certain requirements and owe the minimum \$175 LLET. See the qualification questions in Part I of Form 725-EZ for more information.

**Schedule LLET and Related Schedules**—Schedules LLET, LLET-C, LLET(K), and LLET(K)-C have been discontinued and replaced with Schedules L and L-C.

**Schedule A and Related Schedules**—Schedule A was updated to include the information collected on Schedules A-C and A-N. Schedules A-C and A-N have been discontinued.

**Schedule CP**—Schedule CP has been discontinued. Please file Form 725 or Form 725-EZ.

**Schedules CR, CR-C, KCR, and KCR-C**—Schedule CR and KCR were updated to include the information collected on Schedules CR-C and KCR-C, respectively. Schedules CR-C and KCR-C have been discontinued.

**Schedules NOL and NOL-CF**—Schedule NOL was updated to include the information collected on Schedule NOL-CF. Schedule NOL-CF has been discontinued.

**Tax Credit Packages**—Schedules for the various Kentucky incentive tax credits have been grouped together in packages with all necessary forms and instructions. Many of the incentive tax credits require pre-approval.

## 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 submitted an accepted Kentucky return. (Note: The Submission ID number will change each time your return is sent to the Kentucky Department of Revenue.)
- To determine which forms are supported by your software, please check with the company that develops your software.
- **New for tax year 2017:** E-filing is available for all 2016 and 2017 business tax returns including amended returns.

## Filing Tips and Checkpoints

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

- **Schedule COGS**—If the company is computing its LLET based on gross profits, the Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to Form 720. Failure to include this schedule may result in a tax adjustment and assessment.
- **Account Closure**—When ceasing operations and closing an account, there are different requirements for the Secretary of State and the Department of Revenue.
- **Account Number**—Always ensure the correct Kentucky Corporation/LLET account number is used on the return being filed.
- **Payments**—Place payments on the front of the return so they are clearly visible when the return is processed.
- **Payments**—Do not leave check stubs attached to checks when sending in a payment. Check stubs delay the machines that sort incoming mail, which causes longer processing times.
- **Form 851-K/Schedule A**—When completing these forms only include subsidiaries in which the parent company directly owns 80% or more of the voting stock and are doing business in Kentucky.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty and interest. When making EFT payments online, input the Taxable Year Ending NOT the due date of the payment.
- **Form 720V**—Form 720V is a payment voucher, 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 filing purposes only; late payment penalties and interest apply to payments made after the original due date.
- **Schedule A**—Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the corporation has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- **Additional errors that delay processing returns or create adjustments include:**
  - Incorrect tax exemption code
  - Incomplete information
  - Missing forms or schedules
  - Incorrect taxable year end
  - 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.**

**Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets**—For taxable years beginning after December 31, 2001, Kentucky depreciation and IRC §179 deduction are determined per the Internal Revenue Code in effect on December 31, 2001. For calendar year 2017 returns and fiscal year returns that begin in 2017, 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; or
- IRC §179 expense deduction in excess of \$25,000.

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

**Important:** If a corporation has not taken MACRS bonus depreciation or the IRC §179 expense deduction in excess of \$25,000 for any taxable year, then no adjustment will be needed for Kentucky income tax purposes. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be submitted with Form 720 to substantiate that no adjustment is required.**

**Determining and Reporting Depreciation and 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 and IRC §179 deduction per the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance and the additional IRC §179 deduction. **NOTE:** For Kentucky purposes, 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. The \$25,000 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 \$200,000. 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 15. A Kentucky Form 4562 must be filed for each year even though a federal Form 4562 may not be required.

**Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year the corporation disposes of assets on which it has taken the special depreciation allowance or the additional 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**—Effective for tax years beginning on or before April 26, 2016, the IRC reference date is December 31, 2013, for purposes of computing corporation income tax, except for depreciation differences contained in KRS 141.0101. For tax years beginning on or after April 27, 2016, the applicable IRC reference date is December 31, 2015.

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

**Kentucky Tax Registration Application**—Prior to doing business in Kentucky, each corporation should complete a Kentucky Tax Registration Application, 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](http://onestop.ky.gov).
2. Click on **Begin Your Registration**.

**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. If you do not already have a One Stop user account, click on the link labeled **Click here to create one**. Once a user account has been created, an e-mail will be sent to you with further instructions to activate the account and login.
4. Once logged in,
  - 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) and Business Name exactly as it appears on your Kentucky articles of organization/incorporation or your Kentucky Certificate of Authority 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, then use the **Register for Taxes** button to register with the Department of Revenue.

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](http://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.WEBResponseRegistration@ky.gov](mailto:DOR.WEBResponseRegistration@ky.gov)

### Who Must File—LLET and Corporation Income Tax

**LLET**—The limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272 do not apply to the tax imposed by KRS 141.0401. A Kentucky Corporation Income Tax and LLET Return (Form 720) must be filed by every corporation (a) organized under the laws of this state; (b) having its commercial domicile in this state; (c) owning or leasing property in this state; (d) having one or more individuals performing services in this state; (e) maintaining an interest in a pass-through entity doing business in this state; (f) deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purposes or (g) directing activities at Kentucky customers for the purposes of selling them goods or services. **KRS 141.0401 and KRS 141.010(25)**

**Corporation Income Tax**—Except for the limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272, a Kentucky corporation income tax and LLET return must be filed by every corporation meeting the provisions listed above. **KRS 141.040 and KRS 141.010(25)**

**Disregarded Entities**—A limited liability company (LLC) is treated 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(25), KRS 141.200(10) and 103 KAR 16:300**

**Pass-through Entities**—Corporations doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 720 pursuant to the provisions of KRS 141.010, 141.120, and 141.206.

**Other Entities**—Foreign Sales Corporations (FSCs) and interest-deferred or interest-charged Domestic International Sales Corporations (DISCs) are subject to Kentucky income tax to the same extent as other corporations.

Additionally, certain organizations which must file special returns for federal purposes, e.g., homeowners associations, political organizations, real estate investment trusts, and regulated investment companies must file Form 720.

**Corporations Not Required to File**—Corporations which are exempt by law from Kentucky income tax and LLET include financial institutions as defined in KRS 136.500, insurance companies, savings and loan associations, corporations exempted by IRC §501, and religious, educational, charitable, and like corporations not conducted for profit. **KRS 141.040 and KRS 141.0401**

**Substitute Forms**—Any form to be used in lieu of an official Department of Revenue form must be submitted to the department for prior approval.

**Required Forms and Information**—Each corporation must enter all applicable information on Form 720, 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. Underpayment and Late Payment of Estimated Income Tax and LLET (Form 2220-K)
7. Related Party Costs Disclosure Statement (Schedule RPC)
8. Other Additions And Subtractions To/From Federal Ordinary Income (Schedule O-720)

#### 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, input the taxable year ending, NOT the due date of the payment.

For more information, contact the Department of Revenue at 800-839-4137 or 502-564-6020. The EFT registration form is available at [www.revenue.ky.gov](http://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**—If including payments for other taxes in addition to corporation income tax or LLET, **send a separate check or money order for each type of tax.**

Mail the return to:

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

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

**Filing/Payment Date**—A Kentucky Corporation Income Tax and LLET Return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year. **KRS 141.160, KRS 141.220, and 103 KAR 15:050**

If the filing/payment date falls on a Saturday, Sunday, or a legal holiday, the filing/payment date is deemed to be on the next business day. **KRS 446.030(1)(a)**

**Extensions**—A six-month extension of time to file a Kentucky Corporation Income Tax and LLET Return may be obtained by either making a specific request to the Department of Revenue or attaching a copy of the federal extension to the return when filed. A copy of the federal extension submitted after the return is filed does not constitute a valid extension, and late filing penalties will be assessed. If a payment is made with an extension, Kentucky Form 720EXT must be used. For further information, see the instructions for Form 720EXT. **103 KAR 15:050**

**NOTE: An extension of time to file a return does not extend the date for payment of tax.**

#### Corporation Estimated Taxes

**The Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher, Form 720-ES,** is used to submit estimated tax payments for corporation income tax and LLET. See **Electronic Funds Transfer (EFT)**. If the corporation is required to make estimated tax payments and needs Form 720-ES vouchers, contact the Department of Revenue at 502-564-3658.

**Corporation Estimated Tax Payments**—A corporation must make estimated tax installments if its combined tax liability per KRS 141.040 and 141.0401 can reasonably be expected to exceed \$5,000. Estimated tax installments are required as follows:

If the estimated tax is reasonably expected to exceed \$5,000 before the 2nd day of the 6th month, 50% of the estimated tax must be paid by the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 6th month and before the 2nd day of the 9th month, 75% of the estimated tax must be paid by the 15th day of the 9th month, and 25% by the 15th day of the 12th month.

If the estimated tax is reasonably expected to exceed \$5,000 after the 1st day of the 9th month, 100% of the estimated tax must be paid by the 15th day of the 12th month.

**Safe harbor:** A corporation can satisfy its declaration requirement if its estimated tax payments are equal to the combined tax liability per KRS 141.040 and 141.0401 for the prior tax year, and its combined tax liability for the prior tax year was equal to or less than \$25,000. If the estimated tax is based on the corporation's combined tax liability for the prior tax year, 50% of the estimated tax must be paid by the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of the 12th month.

**Interest:** Failure to pay estimated tax installments on or before the due date prescribed by 141.042 and 141.044 will result in an assessment of interest on the late payment or underpayment. The interest due on any late payment or underpayment will be at the rate provided by KRS 131.183(1). **KRS 141.042(4) and KRS 141.985**

**Penalty:** Failure to pay estimated tax installments equal to the amount determined by subtracting \$5,000 from 70% of the combined tax liability due per KRS 141.040 and KRS 141.0401 as computed by the taxpayer on the return filed for the taxable year will result in an underpayment penalty of 10% of the underpayment. The underpayment penalty will not apply if the estimated tax payments are equal to or greater than the combined tax liability due per KRS 141.040 and KRS 141.0401 for the previous taxable year, and the combined tax liability due per KRS 141.040 and KRS 141.0401 for the previous taxable year was equal to or less than \$25,000. **KRS 131.180(3) and KRS 141.990(3)**

**Amended Return**—Amended Kentucky forms must be used to make any corrections to Form 720 (See table below for required amended form), including net operating loss carrybacks (for years prior to 2005), capital loss carrybacks and Internal Revenue Service audit adjustments. Do not submit Federal Form 1139 to apply for a refund of Kentucky corporation income tax resulting from net operating loss carryback or a capital loss carryback. Failure to submit the required Kentucky amended forms will result in delays in processing refunds requested on amended returns.

Tax Year	Amended Form
2004 & prior .....	720X
2005 & 2006 .....	720–Amended
2007 & 2008 .....	720–Amended (2007–2008)
2009 - 2017 .....	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 Internal Revenue Service audits must submit copies of the “final determinations of the federal audit” within 30 days of the conclusion of the federal audits. Use the required amended form from the table above for reporting federal audit adjustments and computing additional tax due or refunds and attach the complete Revenue Agent's Report (RAR). Failure to submit the required amended form will result in delays in processing refunds requested on amended returns. Any refund claim resulting from a federal audit adjustment must be filed within four years of the date the tax was paid or within six months of the conclusion of the federal audit, whichever is later. **KRS 141.210(2)(d) and KRS 141.235(2)(b)**

**Interest**—Interest at the tax interest rate plus two percent is applied to corporation income tax and LLET liabilities not paid by the date prescribed by law for filing the return (determined without regard to extensions thereof). See page 1 for the current year rate.

**Penalties**

**Failure to file the Kentucky Corporation Income Tax and LLET Return by the filing date including extensions**—2 percent of the tax due for each 30 days or fraction thereof that the return is late (maximum 20 percent). The minimum penalty is \$10 for each tax. **KRS 131.180(1)**

**Failure to pay income tax and/or LLET tax by the payment date**—2 percent of the tax due for each 30 days or fraction thereof that the payment is overdue (maximum 20 percent). The minimum penalty is \$10 for each tax. **KRS 131.180(2)**

**Late payment or underpayment of estimated tax**—10 percent of the late payment or underpayment. The minimum penalty is \$25. **KRS 131.180(3)**

**Failure or refusal to file a Kentucky Corporation Income Tax and LLET Return or furnish information requested in writing**—5 percent of the tax assessed for each 30 days or fraction thereof that the return is not filed or the information is not submitted (maximum 50 percent). The minimum penalty is \$100. **KRS 131.180(4)**

**Negligence**—10 percent of the tax assessed. **KRS 131.180(7)**

**Fraud**—50 percent of the tax assessed. **KRS 131.180(8)**

**Cost of Collection Fees**—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**

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

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

**Item A—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(29).
16	A regulated investment company as defined in Section 851 of the Internal Revenue Code.
17	A real estate mortgage investment conduit as defined in Section 860D of the Internal Revenue Code.
18	A personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code.
19	A cooperative described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, homeowners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives.

**Item 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 a mandatory nexus consolidated return.

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

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

**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/Address**—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. The Department of Revenue will use the address on the most recently filed tax return, so notification of a change is not required.

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

**Period Covered**—File the 2017 return for calendar year 2017 and fiscal years that begin in 2017. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 720.

**All corporations must enter the Taxable Year Ending at the top right of Form 720** and supporting forms and schedules to indicate the ending month and year for which the return is filed.

- A calendar year is a period from January 1 through December 31 each year. This would be entered as:

$$\frac{12}{MM} / \frac{17}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2018, would be entered as:

$$\frac{01}{MM} / \frac{18}{YY}$$

- 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 January 2018, would be entered as:

$$\frac{12}{MM} / \frac{17}{YY}$$

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](http://www.census.gov).

**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.

#### PART I—LLET COMPUTATION

**Line 1**—Enter the amount from Schedule L, Section D, Line 1.

**Line 2**—Enter the sum of all recapture amounts from Schedule RC-R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS, 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 tax credits from Schedule TCS, Part III, Column E, Line 1 (**attach Schedule TCS**).

**Line 6**—Enter the greater of Line 3 less Lines 4 and 5, or \$175.

**Line 7**—Enter the amount of tax withheld on Form PTE-WH, Line 9. **Form PTE-WH must be attached to the tax return.**

**Line 8**—Enter the total LLET estimated tax payments made for the taxable year. Do not include the amount credited from the prior year. Check the box if Form 2220-K is attached.

**Line 9**—Enter the refundable certified rehabilitation tax credit (**attach the Kentucky Heritage Council certification(s)**).

**Line 10**—Enter the refundable film industry tax credit (**attach the Kentucky Film Office certification(s)**).

**Line 11**—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

**Line 12**—Enter the amount credited to the 2017 LLET from Form 720, Part I, Line 21 of the 2016 return.

**Line 13**—Enter the income tax overpayment from Part II, Line 17 credited to the 2017 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 2017 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 2017 LLET interest.

**Line 20**—Enter the portion of Line 17 to be credited to 2017 LLET penalty.

**Line 21**—Enter the portion of Line 17 to be credited to 2018 LLET. **If filing an amended return, do not enter an amount on this line.**

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

**PART II—INCOME TAX COMPUTATION**

**Line 1**—To compute the income tax liability, apply the following rates:

- (a) 4 percent of the first \$50,000 of taxable net income;
- (b) 5 percent of the amount of taxable net income in excess of \$50,000 but not in excess of \$100,000; and
- (c) 6 percent of the amount of taxable net income in excess of \$100,000.

**Short-Period Computation of Income Tax**—A corporation filing an income tax return for a period of less than 12 months is required to annualize taxable net income. To annualize, multiply taxable net income computed for the short-period by 365 and divide by the number of days in the short-period. The income tax liability is the tax computed on the annualized income multiplied by the number of days in the short-period and divided by 365. **Annualization is not permitted if the return is for the initial or final period of operations. KRS 141.140**

**Line 2**—Enter the sum of all recapture amounts from Schedule RC-R, Line 13, Form 8874(K)-B, Line 3 and/or Schedule DS, 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 income from Form 720, Part III, Line 25 .....
2. LIFO recapture amount.....
3. Add Lines 1 and 2.....
4. Income tax on the amount on Line 3....
5. Income tax from Form 720, Part II, Line 1.....
6. Line 4 less Line 5.....
7. Tax installment on LIFO Recapture (Line 6 multiplied by 25%) (enter on Line 3) .....

**Line 4**—Add the totals for Lines 1 through 3.

**Line 5**—Enter the total amount from Line 8 of the worksheets below. KRS 141.0401(3)(a) provides that the LLET credit allowed a member or partner of a limited liability pass-through entity against tax imposed by KRS 141.040 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.

**Corporation LLET Credit Worksheet**

Enter on Line 2 of the worksheet below, the Kentucky net distributive share income from the limited liability pass-through entity that is included in the corporation's Kentucky taxable income on Line 1. If the corporation is taxable only in Kentucky, enter the net distributive share income from the Kentucky Schedule K-1. If the corporation is taxable in Kentucky and taxable in another state, enter the net distributive share income from the Kentucky Schedule K-1 multiplied by the corporation's apportionment fraction on Schedule A, Part I, Line 12.

Complete a separate worksheet for each limited liability pass-through entity. **Attach each worksheet to the return and retain a copy for your records.**

Name \_\_\_\_\_

Address \_\_\_\_\_

FEIN \_\_\_\_\_ KY Acct # \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_ %

1. Kentucky taxable income, Form 720, Part III, Line 25..... \_\_\_\_\_
2. Kentucky net distributive share income from Kentucky Schedule K-1 (see instructions above)..... \_\_\_\_\_
3. Line 1 less Line 2 ..... \_\_\_\_\_
4. Income tax from Form 720, Part II, Line 1 ..... \_\_\_\_\_
5. Income tax on the amount on Line 3 ..... \_\_\_\_\_
6. Line 4 less Line 5. If Line 5 is greater than Line 4, enter -0- ..... \_\_\_\_\_
7. Nonrefundable LLET credit from Kentucky Schedule K-1 (Form 765 or Form 765-GP)..... \_\_\_\_\_
8. Lesser of Line 6 or Line 7, enter here and on Form 720, Part II, Line 5..... \_\_\_\_\_

**Line 6**—Enter the amount from Part I, Line 6 less \$175.

**Line 7**—Enter total credits from Kentucky Schedule TCS, Part III, Column F, Line 2 (**attach Schedule TCS**).

**Line 8**—Enter the amount of Line 4, less Lines 5 through 7, but not less than zero.

**Line 9**—Enter the total of estimated income tax payments made for the taxable year. Do not include the amount credited from the prior year. Check the box if Form 2220-K is attached.

**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 2017 income tax from Form 720, Part II, Line 20 of the 2016 return.

**Line 12**—Enter the 2017 LLET overpayment from Part I, Line 18 credited to the 2017 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 2017 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 2017 corporation income tax interest.

**Line 19**—Enter the portion of Line 16 to be credited to 2017 corporation income tax penalty.

**Line 20**—Enter the portion of Line 16 to be credited to 2018 corporation income tax. **If filing an amended return, do not enter an amount on this line.**

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

**PART III—TAXABLE INCOME COMPUTATION**

**Line 1**—Enter the amount of federal taxable income in accordance with the following instructions:

- (a) **Separate Entity Kentucky Return/Separate Entity Federal Return**—If this is a separate entity income tax return and the corporation filed a separate entity federal income tax return for the taxable year, enter the amount from Line 28 of Form 1120. **Attach a copy of Form 1120, all pages.**
- (b) **Separate Entity Kentucky Return/Consolidated Federal Return**—If this is a separate entity income tax return and the corporation filed a consolidated federal income tax return for the taxable year, enter the amount from Line 28 of the pro forma Form 1120 prepared on a separate entity basis. **Attach a copy of the pro forma Form 1120, all pages.**
- (c) **Mandatory Nexus Consolidated Return**—Attach a pro forma federal Form 1120 and supporting Schedule CR showing the federal income and deductions of each member of the mandatory nexus consolidated group and the consolidated totals. Enter the amounts from Schedule CR, Line 28 on Schedule KCR, Line 1. Enter the statutory additions and subtractions from federal taxable income of each member of the nexus consolidated group and the consolidated totals. Enter the consolidated totals from Schedule KCR Lines 1 through 18 on Form 720, Part III, Lines 1 through 18.

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

**Special Returns**—If the corporation is an organization which filed a special return for federal purposes (e.g., 1120H, 1120POL), enter the amount from the line on the special return which is comparable to Line 28 (Form 1120), federal taxable income. **Attach all pages of form comparable to all the pages of Form 1120.**

**REIT Returns**—Enter the amount from Line 22, Form 1120—REIT adjusted to add back any net operating loss deduction reflected on Line 21a, Form 1120—REIT.

**Additions to Federal Taxable Income**—Lines 2 through 10 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 141.010(12)(c)**

**Line 3**—Enter state taxes measured in whole or in part by gross or net income. "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any foreign country or political subdivision thereof. Attach a schedule itemizing the total taxes deducted on Form 1120. **KRS 141.010(13)(d)**

**Line 4**—See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, include the total of depreciation amounts from Line 20 of Form 1120, Form 1125-A and elsewhere on the return. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached.**

**Line 5**—Enter deductions attributable to income which is exempt from taxation. Any expense related directly or indirectly to the acquisition, management, or disposition of assets, the income from which is exempt, is not deductible. Attach a schedule. An entry is REQUIRED on this line if amounts appear on lines 12 or 13 below. **KRS 141.010(13)(d) and 103 KAR 16:060**

**Line 6**—Enter related party cost additions from Schedule RPC, Part II, Section B, Line 1.

**Line 7**—Enter the amount of dividend-paid deduction of a captive real estate investment trust. **KRS 141.010(13)(d)**

**Line 8**—Enter the amount of domestic production activities deduction from Form 1120, Line 25. **KRS 141.010(13)(d) and 103 KAR 16:310**

**Line 9**—Enter the amount from Schedule O-720, Part I, Line 14.

**Line 10**— Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income increase(s). **Use this line only if amending Form 720 as a result of an RAR adjustment (attach a copy of Form 4549 to the amended Form 720).**

**Line 11**—Enter the total of Lines 1 through 10.

**Subtractions from Federal Taxable Income**—Lines 12 through 17 specify items of income which are excluded or additional deductions allowed which are differences between federal taxable income and Kentucky taxable net income.

**Line 12**—Enter the amount of interest income from U.S. government bonds or from securities issued by a federal agency or other income exempt from state taxation by the Kentucky

Constitution, the United States Constitution or the United States Code. Securities which are merely guaranteed by the U.S. government are not tax-exempt. Attach a schedule listing the type of obligation and the amount of tax-exempt interest. **KRS 141.010(12)(a)**

**Line 13**—Enter the amount of dividend income from Form 1120. **KRS 141.010(12)(b)**

**Line 14**—Enter the amount of the work opportunity credit reflected on federal Form 5884. For Kentucky purposes, the corporation may deduct the total amount of salaries and wages paid or incurred for the taxable year. This adjustment does not apply for other federal tax credits.

**Line 15**—See instructions on page 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 16**—Enter the amount from Schedule O-720, Part II, Line 20.

**Line 17**—Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income decrease(s). **Use this line only if amending Form 720 as a result of an RAR adjustment (attach a copy of Form 4549 to the amended Form 720).**

**Line 18**—Subtract Lines 12 through 17 from Line 11.

**Line 19**—For a mandatory nexus consolidated filer only, enter the amount from Schedule NOL (Form 720), Part I, Section A, Line 6 or 7, as applicable. Line 6 is the current net operating loss disallowed and is added to net income. Enter this amount as a positive. Line 7 is the net operating loss carryforward and is subtracted from net income. Enter this amount as a negative. Separate entity filers enter zero (–0–). If the affiliated group includes a member having a NOL carryforward that was not a member of the affiliated group in the prior year, complete Schedule NOL, Part I, Section A, Column D.

**Line 20**—Add Line 18 and Line 19.

**Line 21**—Enter the amount from Line 20 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(14) and KRS 141.120.**

**Line 22**—If the corporation is filing a mandatory nexus consolidated return, enter zero (–0–). For Kentucky purposes, the same carryforward provisions allowed by IRC §172 are applicable for losses incurred in taxable years beginning after December 31, 1979, except that no loss may be carried to a taxable year beginning before January 1, 1980. The amount to be carried forward is the amount of loss determined by KRS Chapter 141 and, in the case of a multistate corporation, it is the amount determined after apportionment and allocation. Attach a schedule showing the computation of the net operating loss deduction but do not enter more than the corporation's taxable income. For additional details on carryover rules, see federal Publication 536, Net Operating Losses. Attach Schedule NOL. **KRS 141.050**

**Line 23**—Subtract Line 22 from Line 21.

**Line 24**—Enter the amount of Kentucky domestic production activities deduction from Kentucky Form 8903-K, Line 21.

**Line 25**—Subtract Line 24 from Line 23.

**Tax Payment Summary**

The payment submitted with Form 720 must be itemized. Enter the amount of LLET payment from Part I, Line 16 and/or corporation income tax payment from Part II, Line 15 on the applicable tax payment lines in addition to the respective amount of interest and penalties. Subtotal each and enter the total payment on the Total Payment line.

**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](http://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 (organized or formed as a general partnership after January 1, 2006) 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(16)**

**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 (organized or formed as a general partnership after January 1, 2006) 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.

**LINE-BY-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 (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky, complete Schedule L-C and enter the total amounts from Schedule L-C, Section A, Lines 2 and 5 in Column A, Lines 2 and 5; and the total amounts from Schedule L-C, Section B, Lines 2 and 5 in Column B, Lines 2 and 5, and continue to Sections B, C, and D unless the amount in Section A, Column B, Line 2 is \$3,000,000 or less (see form).

**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 economic development projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA), Incentives for Energy Independence Act (IEIA), or Farming Operation Network Project (FON).

**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 economic development projects reported on Line 1(b).

**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: (Column A, Line 2 x 0.00095) – (\$2,850 x ((\$6,000,000 – 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: (Column A, Line 5 x 0.0075) – (\$22,500 x ((\$6,000,000 – Column A, Line 5) / \$3,000,000)), but in no case shall the result be less than zero.

**Line 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, or a minimum of \$175 on this line and on page 1, Part II, 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: (i) Kentucky Rural Economic Development Act (KREDA – KRS 154.22); (ii) Metropolitan College Consortium Tax Credit (MCC – KRS 141.381); (iii) Kentucky Small Business Tax Credit Program (KSBTC – KRS 141.384) (iv) Kentucky Industrial Development Act (KIDA – KRS 154.28); (v) Kentucky Economic Opportunity Zone Act (KEOZ – KRS 154.23); (vi) Kentucky Jobs Retention Agreement (KJRA – KRS 154.25); (vii) Kentucky Industrial Revitalization Act (KIRA – KRS 154.26); (viii) Kentucky Jobs Development Act (KJDA – KRS 154.24); (ix) Kentucky Business Investment Program (KBI – KRS 154.32); (x) Kentucky Reinvestment Act (KRA – KRS 154.34); (xi) Skills Training Investment Credit Act (STICA – KRS 154.12); or (xii) Incentives for Energy Independence Act (IEIA – KRS 154.27).

To qualify for the KREDA, KIDA, KEOZ, KJRA, KIRA, KJDA, KBI, KRA, or IEIA credits, a corporation 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. 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, 2017. If a STICA or MCC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year, and the balance of the credit.

To claim the KSBTC credit, a copy of the tax credit notification received from KEDFA reflecting the amount of credit awarded 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 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or 141.020 and KRS 141.0401 attributable to the

project 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 with the ordering of credits per KRS 141.0205 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Information regarding this credit is available at [www.heritage.ky.gov](http://www.heritage.ky.gov). **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 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 KRS 141.040, KRS 141.0401, KRS 136.320, KRS 136.300, KRS 136.310, KRS 136.505, and KRS 304.3–270. **A copy of the notification from KEDFA reflecting the amount of credit granted and the year in which the credit may first be claimed must be attached to the tax return claiming this credit.**

The tax credit amount that may be claimed by an investor in any tax year 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**

**Coal Incentive Tax Credit**—Effective for tax returns filed after July 15, 2001, an electric power company or a company that owns and operates a coal-fired electric generating plant may be entitled to a coal incentive tax credit first against the taxes imposed by KRS 141.020 or KRS 141.040, and KRS 141.0401 and then against tax imposed by KRS 136.120. Application for this credit is made on Schedule CI, Application for Coal Incentive Tax Credit, and a copy of the credit certificate issued by the Kentucky Department of Revenue must be attached to the tax return on which the credit is claimed. **KRS 141.0405**

**Qualified Research Facility Tax Credit**—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 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 164.0062**

**Voluntary Environmental Remediation Tax Credit**—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.01–518. Maximum tax credit allowed to be claimed per taxable year is 25 percent of the approved credit. This credit may be claimed against the taxes imposed by KRS 141.020 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**

**Kentucky Environmental Stewardship Tax Credit**—For tax years beginning on or after January 1, 2006, an approved company may be entitled to a credit against the taxes imposed by KRS 141.020 or KRS 141.040, or KRS 141.0401 on the income and the LLET of the approved company generated by or arising out of a project per KRS 154.48–020. An "environmental stewardship product" means any new manufactured product or substantially improved existing manufactured product that has a lesser or reduced adverse effect on human health and the environment or provides for improvement to human health and the environment when compared with existing products or competing products that serve the same purpose. A company must have eligible costs of at least \$5 million and within six months after the activation date, the approved company compensates a minimum of 90 percent of its full-time employees whose jobs were created or retained with base hourly wages equal to either: (1) 75 percent of the average hourly wage for the commonwealth; or (2) 75 percent of the average hourly wage for the county in which the project is to be undertaken. The maximum amount of negotiated inducement that can be claimed by a company for any single tax year may be up to 25 percent of the authorized inducement. The agreement will expire on the earlier of the date the approved company has received inducements equal to the approved costs of its project, or 10 years from the activation date. For more information, contact the Cabinet for Economic Development, Department of Financial Incentives at 502–564–4554.

KRS 141.430 was amended to provide that for tax years beginning on or after June 4, 2010, the base tax year is reduced by 50 percent. The base tax year is the combined income tax and LLET for the first taxable year after December 31, 2005, that ends immediately prior to the activation date. If the base tax year is for a taxable year beginning before January 1, 2007, the LLET will not apply. **KRS 141.430**

**Caution:** An approved company under the Environmental Stewardship Act is not entitled to the recycling credit provided by KRS 141.390 for equipment used in the production of an environmental stewardship project.

**Clean Coal Incentive Tax Credit**—Effective for tax years ending on or after December 31, 2006, a nonrefundable, nontransferable credit against the taxes imposed by KRS 136.120 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, 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 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: (i) The number of miles of railroad track in Kentucky owned or leased by the eligible taxpayer as of the close of the taxable year; and (ii) The number of miles of railroad track in Kentucky assigned to the eligible taxpayer by a Class II railroad or Class III railroad which owns or leases the

railroad track as of the close of the taxable year. **KRS 141.385**

**Railroad Expansion Tax Credit**—For tax years beginning on or after January 1, 2010: (a) a corporation that owns fossil energy resources subject to tax under KRS 143.020 or 143A.020 or biomass resources and transports these resources using rail facilities; or (b) a railway company subject to tax under KRS 136.120 that serves a corporation that owns fossil energy resources subject to tax under KRS 143.020 or 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and 141.0401 equal to twenty-five percent of the expenditures paid or incurred by the corporation or railway company to expand or upgrade railroad track, including roadbeds, bridges, and related track structures, to accommodate the transport of fossil energy resources or biomass resources.

The credit amount approved for a calendar year for all taxpayers under KRS 141.386 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, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, is entitled to a tax credit equal to twenty percent (20%) of the endowment gift, not to exceed \$10,000. The nonrefundable tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 and if not used in the year the tax credit is awarded may be carried forward for a period not to exceed five years. The department 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. **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 141.434**

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

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

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

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

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

**TANGIBLE PERSONAL PROPERTY TAXES**—The listing period for tangible personal property is January 1 through May 15 of each year. Each taxpayer is responsible for reporting his tangible 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](http://www.revenue.ky.gov) to download these forms. A separate form must be filed for each location in Kentucky where you have tangible personal property.

**Kentucky Department of Revenue  
Mission Statement**

*As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens.*

\* \* \* \* \*

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

**TAXPAYER ASSISTANCE**

*Forms:*

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

Website: [www.revenue.ky.gov](http://www.revenue.ky.gov)  
Email: [Financerevenueformsandenvelopes@ky.gov](mailto:Financerevenueformsandenvelopes@ky.gov)

*Information:*

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

*Mailing/Payment:*

*Mail the return to:*

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

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

**KENTUCKY TAXPAYER SERVICE CENTERS**

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

**Ashland**, 1539 Greenup Avenue, 41101-7695  
606-920-2037

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

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

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

**Hopkinsville**, 181 Hammond Drive, 42240-7926  
270-889-6521

**Louisville**, 600 West Cedar Street  
2nd Floor West, 40202-2310  
502-595-4512

**Northern Kentucky**, Turfway Ridge Office Park  
7310 Turfway Road, Suite 190  
Florence, 41042-4871  
859-371-9049

**Owensboro**, Corporate Center  
401 Frederica Street,  
Building C, Suite 201, 42301-6295  
270-687-7301

**Paducah**, Clark Business Complex, Suite G  
2928 Park Avenue, 42001-4024  
270-575-7148

**Pikeville**, Uniplex Center, Suite 203  
126 Trivette Drive, 41501-1275  
606-433-7675



# 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 45 days of the original Notice of Tax Due, 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

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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](http://www.revenue.ky.gov).

The information in this brochure merely summarizes your rights as a Kentucky taxpayer and the responsibilities of the Department of Revenue. The Kentucky Taxpayers' Bill of Rights may be found in the Kentucky Revised Statutes (KRS) at Chapter 131.041-131.083. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.1817, 131.183, 131.190, 131.500, 131.654, 133.120, 133.130, 134.580, and 134.590.

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

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**DEPARTMENT OF REVENUE**