INSTRUCTIONS **720S** Commonwealth of Kentucky **Department of Revenue**

KENTUCKY S CORPORATION INCOME TAX AND LLET RETURN

2017

PURPOSE OF THE INSTRUCTIONS

These instructions have been designed for S corporations, both domestic and foreign, which are required by law to file a Kentucky S corporation income tax and LLET return. Form 720S is complementary to federal form 1120S.

HOW TO OBTAIN ADDITIONAL FORMS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (see page 22). They may also be obtained by writing FORMS, Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or by calling 502–564–3658. Forms can be downloaded from **www.revenue.ky.gov**.

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**.

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

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 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%).

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 information on how to obtain an account number.
- Direct debit is an option for electronically filed forms; however, direct deposit is not.
- If your e-filed return has been **REJECTED, DO NOT** submit a 720V voucher at that time. You will get a **NEW** 720V voucher once you have successfully 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 720S. 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.
- **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.
- **Corrected K-1's**—Adjustments to LLET or distributive share require that corrected Kentucky K-1's are sent to all partners, members, or shareholders for proper compliance by taxpayers.
- **Schedule A**—Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the corporation has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- **Additional errors that delay processing returns or create adjustments include:**
  - Incorrect tax exemption code
  - Incomplete information
  - Missing forms or schedules
  - Incorrect taxable year end
  - 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 720S to substantiate that no adjustment is required.**

Determining and Reporting Depreciation and IRC §179 Deduction Differences—federal/Kentucky depreciation or IRC §179 deduction differences must be reported as follows:

1. The depreciation from federal Form 1120S, Line 14 and depreciation claimed on federal Form 1125-A or elsewhere (except for the IRC §179 deduction) on Form 1120S must be included on Form 720S, Part III, Line 3. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached to Form 720S**.

2. Convert federal Form 4562 to a **Kentucky** form by entering **Kentucky** at the top center of the form above Depreciation and Amortization. Compute Kentucky depreciation and IRC §179 deduction per 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 720S, and the amount from Kentucky Form 4562, Line 22 less the IRC §179 deduction on Line 12 must be included on Form 720S, Part III, Line 8. The IRC §179 deduction from the Kentucky Form 4562, Line 12 must be included on Form 720S, Schedule K, Section A, Line 8. A Kentucky Form 4562 must be filed for each year even though a federal Form 4562 may not be required.

Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year the corporation disposes of assets on which it has taken the special depreciation allowance or the additional 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. Convert **federal Schedule D (Form 1120S)** and other applicable federal forms to Kentucky forms by entering **Kentucky** at the top center of the form, and compute the Kentucky capital gain or (loss) from the disposal of assets using Kentucky basis. Enter the amount from Kentucky Schedule D, Line 7 on Form 720S, Schedule K, Section A, Line 4(d) or 6. Enter the amount from Kentucky Schedule D, Line 15 on Form 720S, Schedule K, Section A, Line 4(e) or 6. **Federal Schedule D (Form 1120S) filed with the federal return and the Kentucky Schedule D must be attached to Form 720S.**

2. If the amount reported on federal Form 1120S, Line 4 (from Form 4797, Line 17) is a gain, enter this amount on Schedule O–PTE, Part II, Line 1. If the amount reported on federal Form 1120S, Line 4 (from Form 4797, Line 17) is a loss, enter this amount on Schedule O–PTE, Part I, Line 1. Convert **federal Form 4797** and other applicable federal forms to Kentucky forms by entering **Kentucky** at the top center of the form, and compute the Kentucky gain or (loss) from the sale of business property listing Kentucky basis. If the amount on Kentucky Form 4797, Line 17 is a gain, enter this amount on Schedule O–PTE, Part I, Line 2. If the amount on Kentucky Form 4797, Line 17 is a loss, enter this amount on Schedule O–PTE, Part II, Line 2. **Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached to Form 720S.**

Tax Treatment of S Corporation and Shareholder(s)

A corporation which elects S corporation treatment for federal income tax purposes per §§1361(a) and 1361(b) of the IRC must file as an S corporation for Kentucky income tax purposes. For taxable years beginning on or after January 1, 2007, an S corporation is classified as a limited liability pass–through entity per KRS 141.010(28). For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) must be paid by every corporation and every limited liability pass–through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits per KRS 141.0401(2), unless specifically excluded. See LLET Exemption Codes on page 9 of these instructions.

Also, an S corporation for tax years beginning on or after January 1, 2007, is required: (1) to submit installments of tax on the recapture of LIFO reserves per IRC §1363(d); (2) pay tax on built-in gains per IRC §1374; and (3) pay tax on net passive investment income per IRC §1375. The tax rate imposed on the LIFO recapture, built–in gains and net passive investment income is at the highest rate of tax for the taxable year, which is currently six percent (6%). **KRS 141.040(14)**

In determining tax per KRS Chapter 141, a resident individual, estate, or trust that is a shareholder of an S corporation must take into account the shareholder's total distributive share of the S corporation's items of income, loss, and deduction. In determining tax per KRS Chapter 141, a nonresident individual, estate, or trust that is a shareholder of an S corporation must take into account the shareholder's total distributive share of the S corporation's items of income, loss, and deduction multiplied by the apportionment fraction, if applicable, in KRS 141.206(12). **KRS 141.206(8) and (9)**

Resident and nonresident individual shareholders are entitled to a nonrefundable LLET credit against tax imposed under KRS 141.020 (Kentucky individual income tax). The nonrefundable LLET credit allowed shareholders is the shareholders' proportionate share of the LLET for the current year after the subtraction of any credits identified in KRS 141.0205 and reduced by $175. The credit allowed shareholders may be applied to the income tax assessed on income from the S corporation. Any remaining credit from the S corporation will be disallowed. **KRS 141.0401(3)**

Banks and Savings and Loan Associations—KRS 141.040(1) excludes financial institutions (banks and savings and loan associations) as defined in KRS 136.500 from tax on taxable net income, and KRS 141.0401(6)(a) and (b) exclude financial institutions from the LLET.

KRS 141.010(10)(j) excludes from the Kentucky adjusted gross income of the shareholders the distributive share of net income from an S corporation subject to tax under KRS 136.505, the bank franchise tax, or KRS 136.300, the savings and loan association capital stock tax. KRS 141.010(10)(j) also excludes from the Kentucky adjusted gross income of the shareholders the portion of the distributive share of net income from an S corporation related to a qualified S subsidiary subject to tax under KRS 136.505 or KRS 136.300.

An S corporation subject to tax under KRS 136.505 or KRS 136.300 should enter zero on Lines 1 through 10 of Form 720S, Schedule K. An S corporation related to a qualified S subsidiary subject to tax under KRS 136.505 or KRS 136.300 should exclude from the amounts entered on Lines 1 through 10 of Form 720S, Schedule K the portion of these items related to the subsidiary. The net amount of the items of income and deductions excluded from Lines 1 through 10 of Form 720S, Schedule K should be entered on Line 15 of Form 720S, Schedule K. A statement should be attached to each shareholder's Form 720S, Schedule K–1 advising the shareholder that this income is excluded for Kentucky income tax purposes because the S corporation is subject to tax under either KRS 136.505 or KRS 136.300.

GENERAL INFORMATION

Internal Revenue Code Reference Date—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*** .
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*** (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***

Who Must File—LLET and Corporation Income Tax

LLET—The limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86–272 do not apply to the limited liability entity tax imposed by KRS 141.0401. A Kentucky S Corporation Income Tax and LLET Return (Form 720S) must be filed by every S corporation: (a) being organized under the laws of this state; (b) having a commercial domicile in this state; (c) owning or leasing property in this state; (d) having one or more individuals performing services in this state; (e) maintaining an interest in a pass–through entity doing business in this state; (f) deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purposes, or (g) directing activities at Kentucky customers for the purpose of selling them goods or services. **KRS 141.010(25), KRS141.040, KRS 141.0401, and KRS 141.206**

Disregarded Entities—A Qualified Sub Chapter S Subsidiary (QSSS) and a single member limited liability company (LLC) are treated in the same manner as they are treated for federal income tax purposes. Therefore, a QSSS or a single member LLC that is disregarded for federal income tax purposes should be included in the return filed by its single member (owner). A single member filing Form 1120S for federal purposes must file Form 720S. **KRS 141.010(25) and KRS 141.200(10)**

Pass–through Entities—An S corporation doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 720S per KRS 141.010, 141.120, and 141.206. (See Schedule A—Apportionment and Allocation Instructions.)

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

A partner or member that is an S corporation or partnership is not subject to withholding. S corporations and partnerships are pass-through entities per KRS 141.010(26).

KRS 141.206(5) provides that for taxable years beginning on or after January 1, 2007, every pass–through entity required to file a return under KRS 141.206(2), except publicly traded partnerships defined in KRS 141.0401(6)(r), must withhold Kentucky income tax or file a composite return on the distributive share, whether distributed or undistributed, of each nonresident individual **(includes an estate or trust)** partner, member, or shareholder, or each C–corporation partner or member that is doing business in Kentucky only through its ownership interest in a pass–through entity. Withholding and composite filing is at the maximum rate provided in KRS 141.020 or KRS 141.040.

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

For taxable years beginning on or after January 1, 2012, a pass-through entity required to withhold or file a composite return on Kentucky income tax per KRS 141.206(5) must make estimated tax payments if required by KRS 141.206(6). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2012, use Form 740NP-WH-ES (Kentucky Estimated Tax Voucher).

The reporting of a nonresident individual's, estate's, or trust's net distributive share income and withholding on Form 740NP–WH at the maximum rate of six (6) percent will satisfy the filing requirements of KRS 141.180 for a nonresident individual, estate or trust partner, member, or shareholder whose only Kentucky source income is net distributive share income. The partners', members', or shareholders' distributive share of income must include all items of income or deduction used to compute adjusted gross income on the Kentucky return that is passed through to the partner, member, or shareholder by the pass–through entity, including but not limited to interest, dividend, capital gains or losses, guaranteed payments, and rents (KRS 141.206(16)). The nonresident individual, estate or trust partner, member, or shareholder may file a Kentucky Individual Income Tax Return Nonresident or Part–Year Resident (Form 740–NP) or a Kentucky Fiduciary Income Tax Return (Form 741) to take advantage of the graduated tax rates, credits, and deductions.

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

Note: Composite returns apply to nonresidents only.

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

Required Forms and Information—An S corporation must enter all applicable information on Form 720S, attach a schedule for each line item or line item instruction which states "attach schedule," and attach the following forms or schedules, if applicable:

Kentucky Forms and Schedules

1. S Corporation Income Tax Return (Form 720S)
2. Kentucky Shareholder's Share of Income, Credits, Deductions, Etc.—Schedule K–1 (Form 720S)
3. Apportionment and Allocation (Schedule A)
4. Limited Liability Entity Tax—Continuation Sheet (Schedule L–C)
5. Cost of Goods Sold (Schedule COGS)
6. Application for Filing Extension (Form 720EXT)
7. Tax Credit Summary Schedule (Schedule TCS)
8. Underpayment and Late Payment of Estimated Income Tax and LLET (Form 2220-K)
9. Related Party Costs Disclosure Statement (Schedule RPC)
10. Other Additions And Subtractions To/From Federal Ordinary Income (Schedule O–PTE)

Required Federal Forms and Schedules

All S corporations **must** provide a copy of the following federal forms submitted to the Internal Revenue Service:

1. Form 1120S, all pages
2. Form 1125-A—Cost of Goods Sold
3. Form 4797—Sales of Business Property
4. Schedule D—Capital Gains and Losses
5. Form 5884—Work Opportunity Credit
6. Schedules for items on Form 1120S, Schedule L, which state, "attach schedule."
7. Form 4562—Depreciation and Amortization
8. Form 8825—Rental Real Estate Income and Expenses of a Partnership or an S Corporation

Electronic Funds Transfer (EFT)—The Department of Revenue accepts electronically filed Corporation Income Tax/Limited Liability Entity Tax estimated tax voucher payments and extension payments for corporation income tax and limited liability entity tax. Before filing by EFT, the 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**.

Accounting Procedures—Kentucky income tax law requires an S corporation to report income on the same calendar or fiscal year and to use the same methods of accounting required for federal income tax purposes. Any federally approved change in accounting periods or methods must be reported to the Department of Revenue. Check the applicable box on page 1, Item F, and attach a copy of the federal approval to the return when filed. **KRS 141.140**

Mailing/Payment—If including payments for other taxes in addition to corporation income tax or LLET, **send a separate check or money order for each type of tax.**

Mail the return to:

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

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

Filing/Payment Date—An S corporation return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year. **KRS 141.160, KRS 141.220, and 103 KAR 15:050**

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

Extensions—A six-month extension of time to file an S Corporation Income Tax and LLET Return may be obtained by either making a specific request to the Department of Revenue or attaching a copy of the federal extension to the return when filed. **A copy of the federal extension submitted after the return is filed does not constitute a valid extension, and late filing penalties will be assessed.** If an S corporation is making a payment with its extension, Kentucky Form 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.

S Corporation Estimated Taxes

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

Estimated Tax Payments—An S corporation must make estimated tax installments if its combined tax liability under

KRS 141.040 and 141.0401 can reasonably be expected to exceed $5,000. Estimated tax installments are required as follows:

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

If the estimated tax is reasonably expected to exceed $5,000 after the 1st day of the 6th month and before the 2nd day of the 9th month, 75% of the estimated tax must be paid by the 15th day of the 9th month, and 25% by the 15th day of the 12th month. If the estimated tax is reasonably expected to exceed $5,000 after the 1st day of the 9th month, 100% of the estimated tax must be paid by the 15th day of the 12th month.

Safe harbor: An S corporation can satisfy its declaration requirement if its estimated tax payments are equal to the combined tax liability 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 S corporation's combined tax liability for the prior tax year, 50% of the estimated tax must be paid by the 15th day of the 6th month, 25% by the 15th day of the 9th month, and 25% by the 15th day of the 12th month.

Interest: Failure to pay estimated tax installments on or before the due date prescribed by KRS 141.042 and 141.044 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)**

Other Information

Amended Return—To correct Form 720S as originally filed, file an amended Form 720S and check the appropriate box on page 1, Item F. If the amended return results in a change in income or a change in the distribution of any income or other information provided to shareholders, an amended Schedule K–1 (Form 720S) must also be filed with the amended Form 720S and a copy given to each shareholder. Check Item E(2) on each Schedule K–1 to indicate that it is an amended Schedule K–1.

Records Retention—The Department of Revenue deems acceptable virtually any records retention system which results in an essentially unalterable method of records storage and retrieval, provided: (a) authorized Department of Revenue personnel are granted access, including any specialized equipment; (b) taxpayer maintains adequate back–up; and (c) taxpayer maintains documentation to verify the retention system is accurate and complete.

Internal Revenue Service Audit Adjustments—An S corporation which has received final adjustments resulting from Internal Revenue Service audits must submit copies of the "final determinations of the federal audit" within 30 days of the conclusion of the federal audits. Use Form 720S for reporting federal audit adjustments, check the Amended Return box, and attach the complete Revenue Agents Report (RAR).

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

Penalties

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

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

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

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

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

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

Cost of Collection Fees—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)**

FORM 720S—SPECIFIC INSTRUCTIONS

Item A—LLET Exemption Code

If the S corporation is exempt from LLET, enter one of the following two–digit codes in the space provided. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

REASON CODE	REASON
10	A public service corporation subject to tax under KRS 136.120.
12	A property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390.
13	An alcohol production facility as defined in KRS 247.910.
18	A personal service corporation as defined in §269A(b)(1) of the Internal Revenue Code.
21	A qualified investment pass-through entity as defined in KRS 141.206(15).

Item B—Income Tax Exemption Code

If the S corporation is exempt from income tax, enter the following two–digit code in the space provided. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

REASON CODE	REASON
22	This return contains only the LLET as the corporation is exempt from income tax as provided by Public Law 86–272.

Item C—Enter the number of shareholders on the first line, and enter the number of Qualified Subchapter S Subsidiaries (QSSSs) included in this return on the second line.

Item D—Enter the S corporation's federal identification number. See federal Publication 583 if the 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 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 720S.

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

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

  1 2 / 1 7
  MM 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:

  0 1 / 1 8
  MM 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:

  1 2 / 1 7
  MM YY

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

State and Date of Incorporation—Enter the state and date of incorporation of the S corporation filing this return.

Principal Business Activity in Kentucky—Enter the entity's principal business activitiy 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.**

Item F—Check the applicable boxes:

(a) *LLC*—The S corporation is organized as a limited liability company (LLC).

(b) *Qualified Investment Pass–through Entity*—The S corporation is a qualified investment pass–through entity per KRS 141.206(15)(a).

(c) *Initial Return*—This is the corporation's first time filing an S corporation income tax return in Kentucky. Complete questions 1 and 2 on Schedule Q—Kentucky S Corporation Questionnaire.

(d) *Change of Accounting Period*—The S corporation has changed its accounting period since it filed its prior year Kentucky tax return. Attach a statement to the tax return showing the S corporation's taxable year end before the change and its new taxable year end. If the S corporation received written approval from the Internal Revenue Service to change its taxable year, attach a copy of the letter.

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

(f) *Short–period Return*—This return is for a period of less than one year and not an initial return or a final return. Check the appropriate box in Part IV – Explanation of Final Return and/or Short-Period Return.

(g) *Amended Return*—This is an amended tax return. Provide an explanation of all changes in Part V – Explanation of Amended Return Changes.

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 total estimated LLET 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 8—Enter the refundable Certified Rehabilitation Tax Credit **(attach the Kentucky Heritage Council certification(s) or Kentucky Schedule(s) K–1 (Form 765-GP))**.

Line 9—Enter the refundable Film Industry Tax Credit **(attach the Kentucky Film Office certification(s) or Kentucky Schedule(s) K–1 (Form 765-GP))**.

Line 10—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to 2017 LLET from Form 720S, Part I, Line 20 of the 2016 return.

Line 12—Enter the 2017 income tax overpayment from Part II, Line 13 credited to the 2017 LLET. If filing an amended return, enter the amount from the original return.

Line 13—Enter the LLET paid on the original return. **This line is used only when filing an amended return.**

Line 14—Enter the LLET overpayment on the original return. **This line is used only when filing an amended return.**

Line 15—If the total of Lines 6 and 14 is greater than the total of Lines 7 through 13, enter the difference on this line and enter the amount on Line 1 of the LLET Payment Summary.

Line 16—If the total of Lines 6 and 14 is less than the total of Lines 7 through 13, enter the difference on this line.

Line 17—Enter the portion of Line 16 to be credited to the 2017 income tax. Enter the amount on this line and on Part II, Line 8.

Line 18—Enter the portion of Line 16 to be credited to 2017 LLET interest due.

Line 19—Enter the portion of Line 16 to be credited to the 2017 LLET penalty due.

Line 20—Enter the portion of Line 16 to be credited to 2018 LLET.

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

PART II – INCOME TAX COMPUTATION

Line 1—Enter tax from the Excess Net Passive Income Tax Worksheet, Line 13. (See instructions and worksheet on page 17.)

If the corporation has accumulated earnings and profits (AE&P) at the close of its tax year, has passive investment income for the tax year that is in excess of 25% of gross receipts, and has excess passive income, the corporation must pay a tax on the excess net passive income per KRS 141.040(14)(c). Complete Lines 1 through 3 and Line 9 of the worksheet on page 17 to make this determination. If Line 2 is greater than Line 3 and the corporation has taxable income (see instructions for Line 9 of worksheet), it must pay the tax. **Attach completed worksheet to the return.**

Line 2—Enter the built–in gains tax from the Built–In Gains Tax Worksheet, Line 8. **Attach completed worksheet to the return.** (See instructions and worksheet on page 17.)

If the corporation for the taxable year has built-in gains per IRC §1374, the corporation must pay a built-in gains tax as provided by KRS 141.040(14)(c).

IRC §1374 provides that the built-in gains tax may apply to the following S corporations: (i) An S corporation that was a C corporation before it elected to be an S corporation; or (ii) An S corporation that acquired an asset with a basis determined (in whole or in part) by reference to its basis (or the basis of any other property) in the hands of a C corporation per IRC §1374(d)(8).

An S corporation may owe tax if it has net recognized built-in gain during the applicable recognition period. The applicable recognition period is the ten (10) year period beginning: (i) For an asset held when the S corporation was a C corporation, on the first day of the first tax year for which the corporation is an S corporation; or (ii) For an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of the C corporation, on the date the asset was acquired by the S corporation.

A corporation must compute the built-in gains tax separately for the group of assets it held at the time its S election became effective and for each group of assets it acquired from a C corporation with the basis determined (in whole or in part) by reference to the basis of the asset (or any other property) in hands of the C corporation. For details, see §1.1374-8 of the Treasury Regulations.

Line 3—Enter the tax installment on LIFO recapture. The first installment is paid on the C corporation's final return, and the remaining three installments are paid on the S corporation's first three tax returns. **Attach a schedule showing the amounts and dates of the installments paid by the corporation.**

Line 4—Enter the total of Lines 1, 2, and 3.

Line 5—Enter the total of the estimated income tax payments made for the taxable year. Do not include the amount credited from the prior year.

Line 6—Enter the amount of income tax paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 7—Enter the amount credited to the 2017 income tax from Form 720S, Part II, Line 16 of the 2016 return.

Line 8—Enter the 2017 LLET overpayment credited to the 2017 income tax from Part I, Line 17. If filing an amended return, enter the amount from the original return.

Line 9—Enter the income tax paid on the original return. **This line is used only when filing an amended return.**

Line 10—Enter the income tax overpayment on the original return. **This line is used only when filing an amended return.**

Line 11—If the total of Lines 4 and 10 is greater than the total of Lines 5 through 9, enter the difference on this line and enter the amount on Line 1 of the Income Tax Payment Summary.

Line 12—If the total of Lines 4 and 10 is less than the total of Lines 5 through 9, enter the difference on this line.

Line 13—Enter the portion of Line 12 to be credited to the 2017 LLET. Enter the amount on this line and on Part I, Line 12.

Line 14—Enter the portion of Line 12 to be credited to 2017 corporation income tax interest due.

Line 15—Enter the portion of Line 12 to be credited to the 2017 corporation income tax penalty due.

Line 16—Enter the portion of Line 12 to be credited to 2018 corporation income tax.

Line 17—Enter the portion of Line 12 to be refunded (Line 12 less Lines 13 through 16).

PART III—ORDINARY INCOME (LOSS) COMPUTATION

Line 1—Enter the amount from federal Form 1120S, Line 21, ordinary income (loss) from trade or business activities. **Attach Form 1120S, all pages.**

Additions to Federal Ordinary Income—Lines 2 through 5 itemize additional income or unallowed deductions which are differences between federal ordinary income and Kentucky ordinary income.

Line 2—Enter state taxes measured in whole or in part by gross or net income. "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States or any foreign country or political subdivision thereof. Attach a schedule reflecting the total taxes deducted on federal Form 1120S. **KRS 141.010(11)(d)**

Line 3— See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, include the total of depreciation amounts from Line 14 of Form 1120S, Form 1125-A and elsewhere on the return (do not include the IRC §179 deduction). ***If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached.***

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

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

Line 6—Enter the total of Lines 1 through 5.

Subtractions from Federal Ordinary Income—Lines 7 through 9 itemize additional deductions allowed which are differences between federal ordinary income and Kentucky ordinary income.

Line 7—Enter the amount of the work opportunity credit reflected on federal Form 5884. For Kentucky purposes, the S corporation may deduct the total amount of salaries and wages paid or incurred for the taxable year. **This adjustment does not apply for other federal tax credits.**

Line 8—Enter Kentucky depreciation (do not include IRC §179 deduction). See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, Kentucky Form 4562 must be attached.

Line 9—Enter the amount from Schedule O–PTE, Part II, Line 11.

Line 10—Subtract Lines 7, 8, and 9 from Line 6.

Tax Payment Summary

The payment due with Form 720S must be itemized. Enter the amount of LLET payment due from Part I, Line 15 and/or corporation income tax payment due from Part II, Line 11 on the applicable tax payment lines in addition to the respective amounts of interest and penalties. Subtotal each and enter the total payment due on the Total Payment line.

SCHEDULE Q—Answer all applicable questions on Schedule Q. The Kentucky Secretary of State Organization number can be found online at **www.sos.ky.gov**. This is not the same number as the Corporation/LLET Account Number reported in Item E on page 1.

SCHEDULE K (FORM 720S)

General Instructions—Complete all applicable lines by entering the total pro rata share amount for each item listed. Federal instructions for Form 1120S and federal Schedule K provide additional information which will assist the S corporation in completing Schedule K, Form 720S.

An S corporation must use Form 720S(K), Kentucky Schedule K For S Corporations With Economic Development Project(s), if the S Corporation has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Economic Opportunity Zone Act (KEOZ), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA), Incentives for Energy Independence Act (IEIA), or Farming Operation Networking Project (FON).

NOTE: Banks and savings and loan associations see special instructions under Tax Treatment of S Corporation and Shareholder(s) on page 5 of these instructions.

Section A—Income (Loss) and Deductions

Line 1—Enter Kentucky ordinary income (loss) from Form 720S, Part III, Line 10.

Line 2—Enter net income (loss) from rental real estate activities reported on federal Schedule K, Form 1120S, adjusted to reflect any differences in Kentucky and federal income tax laws.

Line 3(a)—Enter the gross income from other rental activities reported on federal Schedule K, Form 1120S.

Line 3(b)—Enter the expenses from other rental activities reported on federal Schedule K, Form 1120S, adjusted to reflect any differences in Kentucky and federal income tax laws.

Line 3(c)—Enter the difference of Line 3(a) and Line 3(b).

Line 4(a)—Enter interest income from federal Schedule K, Form 1120S, adjusted to exclude tax-exempt U.S. government interest, if any, and to include interest income from obligations of states other than Kentucky and their political subdivisions.

Lines 4(b) and 4(c)—Enter the amount of dividend and royalty income reported on federal Schedule K, Form 1120S.

Line 4(d)—See instructions on page 4 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 7 of the Kentucky Schedule D that is portfolio income. Report any gain or loss that is not portfolio income on Line 6, Schedule K, Form 720S. **Kentucky Schedule D must be attached to Form 720S.** Otherwise, enter the amount from Line 7 of the federal Schedule D (Form 1120S) that is portfolio income.

Line 4(e)—See instructions on page 4 regarding **differences in gain or loss from disposition of assets**, and if applicable, enter the amount from Line 15 of the Kentucky Schedule D that is portfolio income. Report any gain or loss that is not portfolio income on Line 6, Schedule K, Form 720S. **Kentucky Schedule D must be attached to Form 720S.** Otherwise, enter the amount from Line 15 of the federal Schedule D (Form 1120S) that is portfolio income.

Line 4(f)—Enter any other portfolio income not reported on Lines 4(a) through 4(e), Schedule K, Form 720S.

Line 5—See instructions on page 4 regarding **differences in gain or loss from disposition of assets**. If applicable, enter the amount from Line 7 of the Kentucky Form 4797, and **Kentucky Form 4797 must be attached to Form 720S**. Otherwise, enter net gain (loss) under IRC §1231 from federal Form 4797. Do not include net gains (losses) from involuntary conversions due to casualties or thefts on this line. Instead, report them on Line 6.

Line 6—Enter all other items of income (loss) of the S corporation not included on Lines 1 through 5. See federal instructions for Schedule K, Form 1120S.

Line 7—Enter total contributions paid by the S corporation during its taxable year and attach a schedule showing separately the contributions subject to the 50 percent, 30 percent, and 20 percent limitations. These percentage limitations must be applied to the Kentucky amounts rather than the federal amounts.

Also, enter the amount of deduction allowable from Schedule HH for the value of leasehold interest of property donated for living quarters for a homeless family. The ordinary charitable contribution deduction must be reduced by any amount attributable to property on which this deduction is taken.

Line 8—See instructions on page 4 regarding **depreciation and IRC §179 deduction differences**, and if applicable, include the amount from Line 12 of the Kentucky Form 4562. ***Kentucky Form 4562 must be attached***. Otherwise, enter IRC §179 deduction from federal Form 4562.

Line 9—Enter the expenses related to portfolio income reported on federal Schedule K, Form 1120S, adjusted to exclude expenses related to tax–exempt interest income and other exempt income.

Line 10—Enter any other deductions of the S corporation not included on Lines 7, 8, and 9. See federal instructions for Schedule K, Form 1120S.

Line 11(a)—Enter the S corporation's deductible interest expense allocable to debt on property held for investment purposes. Property held for investment purposes includes property that produces investment income (interest, dividends, annuities, royalties, etc.). The total amount entered should equal the amount of interest expense reported on federal Schedule K, Form 1120S, adjusted to exclude any interest expense on debts incurred to purchase or carry investment property producing, or held for the production of, U.S. government interest income.

Lines 11(b)(1) and (b)(2)—Enter only the investment income included on Lines 4(a), 4(b), 4(c), and 4(f), Schedule K, Form 720S, and only the investment expenses related thereto included on Line 9, Schedule K, Form 720S. See federal instructions for Schedule K, Form 1120S.

Line 12—Use the following codes for tax credits passed through to the S corporation's owners.

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

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

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

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

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

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

CI—Coal Incentive tax credit for electric power generation per KRS 141.0405; attach Schedule CI

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

GED—GED incentive tax credit per KRS 151B.127; attach GED-Incentive Program Final Report (Form DAEL-31) for each employee that completed a learning contract during the year

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

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

KESA—Kentucky Environmental Stewardship Act tax credit per KRS 141.430; attach Schedule KESA

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

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

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

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

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

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

FD—Food Donation tax credit per KRS 141.392; attach Schedule FD

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

Line 13(a)—Enter the information provided on federal Schedule K, Form 1120S, Line 12c(1).

Line 13(b)—Enter the amount reported on federal Schedule K, Form 1120S, Line 12c(2).

Line 14—Enter the total amount of interest income of the S corporation from U.S. government bonds and securities and obligations of Kentucky and its political subdivisions.

Line 15—Enter the total amount of any other type of income of the S corporation on which the shareholder is exempt from Kentucky income tax.

Line 16—Enter the total amount of nondeductible expenses paid or incurred by the S corporation including, but not limited to, state taxes measured by gross/net income, expenses related to tax-exempt income, etc. Do not include a deduction reported elsewhere on Schedule K, Form 720S, capital expenditures or items the deductions for which are deferred to a later year.

Line 17—Enter the amount reported on federal Schedule K, Form 1120S, Line 16d adjusted to reflect any differences in Kentucky and federal income tax laws, such as depreciation.

Line 18—Attach schedules to report the S corporation's total income, expenses, and other information applicable to items not included on Lines 1 through 11 and lines 13 through 19 including, but not limited to, any recapture of IRC §179 deduction, gross income, and other information relating to oil and gas well properties enabling the shareholders to figure the allowable depletion deduction, and any other information the shareholders need to prepare their Kentucky income tax returns. See federal instructions for Schedule K, Form 1120S, Line 12d.

Domestic Production Activities Deduction (DPAD)—A pass–through entity does not complete Form 8903–K, but attaches information to each partner's, member's, or shareholder's Kentucky Schedule K–1 that will be needed to compute their DPAD. A pass–through entity must attach the following information to each Kentucky Schedule K–1 to be used by the partner, member, or shareholder to compute their DPAD for Kentucky income tax purposes:

If the partner, member, or shareholder is an individual (includes estates and trusts), attach the following: (i) Domestic Production Gross Receipts (DPGR); (ii) Kentucky Domestic Production Gross Receipts (KDPGR); and (iii) Kentucky W–2 wages allocable to DPGR.

If the partner or member is a corporation or pass–through entity, and the partnership filing Form 765 or 765–GP was eligible and chose to figure Qualified Production Activities Income (QPAI) at the entity level, attach the following: (i) QPAI, adjusted to reflect differences in Kentucky and federal income tax laws; and (ii) Kentucky W–2 wages allocable to DPGR.

If the partner or member is a corporation or pass–through entity, and the partnership filing Form 765 or 765–GP was not eligible or chose not to figure QPAI at the entity level, attach the following: (i) DPGR (ii) Cost of goods sold allocable to DPGR, adjusted to reflect differences in Kentucky and federal income tax laws; (iii) Expenses allocable to DPGR, adjusted to reflect differences in Kentucky and federal income tax laws; and (iv) Kentucky W–2 wages allocable to DPGR.

See the instructions to Form 8903–K for definitions of: (i) Domestic Production Gross Receipts (DPGR); (ii) Kentucky Domestic Production Gross Receipts (KDPGR); and (iii) Qualified Production Activities Income (QPAI).

Line 19—Enter the amount reported on federal Schedule K, Form 1120S, Line 17c adjusted to reflect any differences in Kentucky and federal income tax laws, such as depreciation.

SECTION B—LLET Pass-through Items (Required)

Line 1—Enter the S corporation's Kentucky gross receipts from Schedule L, Section A, Column A, Line 2.

Line 2—Enter the S corporation's total gross receipts from Schedule L, Section A, Column B, Line 2.

Line 3—Enter the S corporation's Kentucky gross profits from Schedule L, Section A, Column A, Line 5.

Line 4—Enter the S corporation's total gross profits from Schedule L, Section A, Column B, Line 5.

Line 5 —Enter the limited liability entity tax (LLET) nonrefundable credit from page 1, Part I, the total of Lines 4 and 6, less $175.

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

Line 1—Enter the S corporation's Kentucky sales from Schedule A, Part I, Line 1.

Line 2—Enter the S corporation's total sales from Schedule A, Part I, Line 2.

Line 3—Enter the S corporation's Kentucky property from Schedule A, Part I, Line 5.

Line 4—Enter the S corporation's total property from Schedule A, Part I, Line 6.

Line 5—Enter the S corporation's Kentucky payroll from Schedule A, Part I, Line 8.

Line 6—Enter the S corporation's total payroll from Schedule A, Part I, Line 9.

SCHEDULE L—LIMITED LIABILITY ENTITY TAX COMPUTATION

Purpose of Schedule—Schedule L, Limited Liability Entity Tax Computation, is used to compute the limited liability entity tax (LLET) per KRS 141.0401(2). If the S corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (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 S corporation, except an S corporation exempt from LLET per KRS 141.0401(6). If the S corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership (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 S corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-C and enter the total amounts from Schedule L-C, Section A, Lines 2 and 5 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).

Also, enter Kentucky gross receipts allocable to a "qualified exempt organization" defined in KRS 141.0401(7).

Line 3(a)—Enter the Kentucky cost of goods sold and total cost of goods sold from Schedule COGS, Columns A and B, Line 8. For an entity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs can be claimed. **KRS 141.0401(1)(d)**

Line 3(b)—Enter the Kentucky cost of goods sold associated with the gross receipts allocable to economic development projects reported on Line 1(b).

Also enter Kentucky cost of goods sold allocable to a "qualified exempt organization" defined in KRS 141.0401(7).

Section B—Computation of Gross Receipts LLET

Line 1—If gross receipts from all sources (Column B, Line 2) are greater than $3,000,000 but less than $6,000,000, enter the following: (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 720S must be signed by an authorized corporate officer. Failure by corporate officers to sign the return, to complete all applicable lines on any required Kentucky form, to attach all applicable schedules including copies of federal forms, or to complete all information on the questionnaire will delay the processing of tax returns.

SCHEDULE K–1 (FORM 720S)—KENTUCKY SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

General Instructions

Schedule K–1 (Form 720S) shows each shareholder's pro rata share of the S corporation's income, deductions, credits, etc. On each Schedule K–1 (Form 720S) enter the names, addresses, and identifying numbers of the shareholder and S corporation, and complete items A, B, C, D, and E. All shareholders' names, Social Security or identifying numbers, and other shareholder information must be complete and legible. Schedule K–1 (Form 720S) must be completed and given to each shareholder with instructions on or before the day on which Form 720S is filed with the Department of Revenue.

A copy of each shareholder's K–1 (Form 720S) must be attached to Form 720S filed with the Department of Revenue, and a copy kept as part of the S corporation's records.

Specific Instructions

Federal instructions for Schedule K–1 (Form 1120S) explain the rules for allocating items of income (loss), deductions, credits, etc., to each shareholder. The total share items reported on all Kentucky Schedules K–1, Lines 1 through 19 must equal the amounts reported on Kentucky Schedule K, Lines 1 through 19. The total share items reported on all Schedules K–1, Sections B and C must equal the amounts reported on the comparable lines of Schedule K, Sections B and C. Schedule K–1, Section D does not correspond with Schedule K.

Multiple Activities—If items of income, loss, or deduction from more than one activity are reported on Lines 1, 2, or 3 of Schedule K–1 (Form 720S), the S corporation must provide information for each activity to its shareholders. See **Passive Activity Reporting Requirements** in the instructions for Schedule K–1 (Form 1120S) for details on the information to be provided on an attachment to Schedule K–1 (Form 720S) for each activity.

At-Risk Activities—If the S corporation is involved in one or more at–risk activities for which a loss is reported on Schedule K–1 (Form 720S), the S corporation must report information separately for each at–risk activity. See **Special Reporting Requirements for At-Risk Activities** in the federal instructions for Schedule K–1 (Form 1120S) for details on the information to be provided on an attachment to Schedule K–1 (Form 720S) for each at–risk activity.

Sections A, B, and C—Enter the shareholder's total pro rata share of each item listed on Schedule K, Form 720S. **Do not multiply these amounts by the percentage entered on Item B(2)**. Attach schedules showing separately the required information for each IRC §469 passive activity and each IRC

§465 at–risk activity. Other schedules are to be attached for line items where requested on Schedule K–1 (Form 720S).

Enter on attached schedules the supplemental information required to be reported separately to each shareholder for Lines 1 through 19 and any other information or items and amounts not included on Schedule K–1 (Form 720S) for which the shareholder needs to prepare a Kentucky income tax return including, but not limited to, any recapture of IRC §179 deduction, gross income, and other information relating to oil and gas well properties enabling the shareholder to figure the allowable depletion deduction, etc. See instructions for federal Schedule K–1 (Form 1120S), Line 17.

Section D—The amounts are to be entered by the shareholder, not the S corporation.

Instructions for Excess Net Passive Income Tax Worksheet:

1. Enter the gross receipts for the tax year. Also see §1362(d)(3)(B) of the IRC. Income on Line 1 is from total operations for the year and includes income from Form 720S, Part III as well as income reported separately on Schedule K.
2. Enter the passive investment income as defined in §1362(d)(3)(C) of the IRC. Deductions on Line 2 are from total operations for the year and include deductions from Form 720S, Part III as well as those reported separately on Schedule K. See §1375(b)(4) of the IRC for an exception regarding this line.
3. Enter 25% of the amount on Line 1 (If Line 2 is less than Line 3, stop here. You are not liable for this tax.)
4. Enter the amount of Line 2 less Line 3.
5. Enter deductions directly connected with the production of income on Line 2 (See §1375(b)(2) of the IRC). Deductions on Line 5 are from total operations for the year and include deductions from Form 720S, Part III as well as those reported separately on Schedule K. See §1375(b)(4) of the IRC for an exception regarding this line.
6. Enter the amount of Line 2 less Line 5. This is your Net Passive Income.
7. Enter the amount of Line 4 divided by the amount on Line 2.
8. Enter the amount of Line 6 multiplied by Line 7. This is your Excess Net Passive Income.
9. Enter taxable income as defined in §1.1374-1A(d) of the Treasury Regulations. Figure this income by completing Form 720, Part III, lines 1 through 18. Include the Form 720 computation with the worksheet computation you attach to Form 720S. You do not have to attach the schedules, etc., called for on Form 720. However, you may want to complete certain Form 720 schedules, such as Kentucky converted Schedule D, if you have capital gains or losses.
10. Enter the lesser of the amount from Line 8 or Line 9.
11. Enter 100%, or if taxable in Kentucky and taxable in another state, the apportionment factor from Schedule A, Part I, Line 12.
12. Enter the amount on Line 10 multiplied by the percentage on Line 11.
13. Excess net passive income tax—enter 6% of Line 12. Enter here and on Form 720S, Part II, Line 1.

Excess Net Passive Income Tax Worksheet
(Attach this Worksheet to Form 720S)

1. Enter gross income receipts for the tax year as defined in IRC §1362(d)(3)(B) .... ____________________
2. Enter passive investment income as defined in IRC §1362(d)(3)(C) .... ____________________
3. Enter 25% of line 1 (If line 2 is less than line 3, stop here. You are not liable for the tax.)................... ____________________
4. Enter line 2 less line 3 (This is your excess passive investment income.) .... ____________________
5. Enter deduction directly connected with the production of income on line 2 (see instructions).............................. ____________________
6. Enter line 2 less line 5 (This is your net passive income.) .... ____________________
7. Enter line 4 divided by the amount on line 2 .... ____________________
8. Multiply line 6 by line 7 (This is your excess net passive income.) .... ____________________
9. Enter taxable income (see instructions).. ____________________
10. Enter the lesser of the amount on line 8 or line 9.. ____________________
11. Enter 100% or the apportionment factor from Schedule A, Part I, line 12 .... ____________________
12. Multiply the amount on line 10 by the percentage on line 11 .... ____________________
13. Enter 6% of line 12 on this line and on Form 720S, Part II, line 1.. ____________________

Instructions for Built-in Gains Tax Worksheet:

1. Enter the amount that would be the taxable income of the corporation for the tax year if only recognized built-in gains (including any carryover of gain under §1374(d)(2)(B) of the IRC) and recognized built-in losses were taken into account.
2. Figure taxable income by completing Form 720, Part III, Lines 1 through 18. Follow the instructions for Form 720. Enter the amount from Form 720, Part III, Line 18 on Line 2 of the Built-in Gains Tax Worksheet.
3. Enter the lesser of the amount from Line 1 or Line 2. If for any year the amount on Line 1 exceeds the taxable amount on Line 2, the excess is treated as a recognized built-in gain in the succeeding tax year.
4. Enter the IRC §1374(b)(2) deduction. Generally, this is any net operating loss carryforward (to the extent of net capital gain included in recognized built-in-gain for the tax year) arising in tax years for which the corporation was a C corporation. See §1374(b)(2) of the IRC and §1.1374-5 of the Treasury Regulations.
5. Enter the amount of Line 3 less Line 4. If zero or less, enter zero here and on Line 8.
6. Enter 100% or the apportionment factor from the last C corporation return, Schedule A, Part I, Line 12.
7. Enter the amount on Line 5 multiplied by the percentage on Line 6.
8. Multiply the amount on Line 7 by 6% and enter the amount on this line and on Form 720S, Part II, Line 2, and attach computation to Form 720S.

Built-in Gains Tax Worksheet
(Attach this Worksheet to Form 720S)

1. Excess of recognized built-in gains over recognized built-in losses (see instructions).. ____________________
2. Taxable income (see instructions) .... ____________________
3. Net recognized built-in gains. Enter the lesser of line 1 or line 2 .... ____________________
4. IRC §1374(b)(2) deduction .... ____________________
5. Enter line 3 less line 4. If zero or less, enter zero here and on line 8 .... ____________________
6. Enter 100% or the apportionment factor from the last C corporation return, Schedule A, Part I, line 12... ____________________
7. Multiply the amount on line 5 by the percentage on line 6............................ ____________________
8. Enter 6% of line 7 on this line and on Form 720S, Part II, line 2.. ____________________

Tax Credit Summary Schedule—Schedule TCS

Schedule TCS is used by S corporations to apply tax credits for entities subject to the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different. *Taxpayer* as used in this section refers to the S corporation.

Economic Development Tax Credits – This section is completed only if a limited liability pass-through entity has been approved for one or more of the credits authorized by the: (i) Metropolitan College Consortium Tax Credit (MCC – KRS 141.381); (ii) Kentucky Small Business Tax Credit Program (KSBTC – KRS 141.384); or (iii) Skills Training Investment Credit Act (STICA – KRS 154.12).

A limited liability pass-through entity must not enter income or LLET tax credits on Schedule TCS from: (i) Kentucky Rural Economic Development Act (KREDA – KRS 154.22); (ii) Kentucky Industrial Development Act (KIDA – KRS 154.28); (iii) Kentucky Economic Opportunity Zone Act (KEOZ – KRS 154.23); (iv) Kentucky Jobs Retention Agreement (KJRA – KRS 154.25); (v) Kentucky Industrial Revitalization Act (KIRA – KRS 154.26); (vi) Kentucky Jobs Development Act (KJDA – KRS 154.24); (vii) Kentucky Business Investment Program (KBI – KRS 154.32); (viii) Kentucky Reinvestment Act (KRA – KRS 154.34); (ix) Incentives for Energy Independence Act (IEIA – KRS 154.27); or (x) Farming Operation Networking Project (FON– KRS 141.412).

A limited liability pass-through entity must file Schedules KREDA-SP, KIDA-SP, KEOZ-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, or FON-SP to compute the tax credits for these programs.

To claim the STICA or MCC credit, a copy of the tax credit certification(s) received from Bluegrass State Skills Corporation reflecting the amount of credit awarded must be attached to the tax return. The credit for either the STICA or MCC must be claimed on the tax return filed for the taxable year during which the final authorizing resolution is adopted by Bluegrass State Skills Corporation. The STICA credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward three successive years; the MCC credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward to tax years ending before April 15, 2017. If a STICA or MCC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year, and the balance of the credit.

To claim the KSBTC credit, a copy of the tax credit notification received from Kentucky Economic Development Finance Authority (KEDFA) reflecting the amount of credit awarded must be attached to the tax return. The credit for the KSBTC must be claimed on the tax return for the taxable year during which the credit was approved by KEDFA. The tax credit not used during the year of approval by KEDFA may be carried forward up to five years. If a KSBTC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year, and the balance of the credit.

Economic development tax credits are allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department for Financial Incentives (telephone: 502-564-4554) or Bluegrass State Skills Corporation (telephone: 502-564-2021).

Farming Operation Networking Tax Credit—A qualified farming operation which has a farm operation networking project approved by the Cabinet for Economic Development per KRS 141.410 to 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, as the case may be, of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project. Schedule FON must be attached to the tax return claiming the credit. **KRS 141.412**

Certified Rehabilitation Tax Credit—This credit is allowed only if the taxpayer has been approved for the credit by the Kentucky Heritage Council. Credit is allowed against the taxes imposed by KRS 141.020 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. 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 x 10% x 50%).

If the amount of credit that may be claimed in any tax year exceeds the tax liabilities, the excess credit may be carried forward, but the carryforward of any excess tax credit will not increase the limitation that may be claimed in any tax year. Any credit not used in 15 years, including the year in which the credit may first be claimed, will be lost.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department of Financial Incentives at 502–564–4554. **KRS 141.068**

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. 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 taxes imposed by KRS 136.120 or KRS 141.020 or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per KRS 141.428, a clean coal facility means an electric generation facility beginning commercial operation on or after January 1, 2005, at a cost greater than $150 million that is located in the Commonwealth of Kentucky and is certified by the Energy and Environment Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies. The amount of the credit is $2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit will be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent, or subsidiary. **KRS 141.428**

Ethanol Tax Credit—Producers of ethanol are entitled to a tax credit against the taxes imposed by KRS 141.020 or KRS 141.040, and KRS 141.0401. The taxpayer must file a claim for ethanol credit with the Department of Revenue by January 15 each year for ethanol produced in the previous calendar year. The department will issue a credit certification (Schedule ETH) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.4242 and 103 KAR 15:110**

Cellulosic Ethanol Tax Credit—Producers of cellulosic ethanol are entitled to a tax credit against the taxes imposed by KRS 141.020 or KRS 141.040, and KRS 141.0401. The taxpayer must file a claim for ethanol credit with the Department of Revenue by January 15 each year for cellulosic ethanol produced in the previous calendar year. The department will issue a credit certification (Schedule CELL) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.4244 and 103 KAR 15:120**

Railroad Maintenance and Improvement Tax Credit—For tax years beginning on or after January 1, 2010, an owner of any Class II railroad or Class III railroad located in Kentucky or any person who transports property using the rail facilities of a Class II railroad or Class III railroad located in Kentucky or furnishes railroad–related property or services to a Class II railroad or Class III railroad located in Kentucky, but only with respect to miles of railroad track assigned to the person by a Class II railroad or Class III railroad, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 in an amount equal to fifty percent (50%) of the qualified expenditures paid or incurred to maintain or improve railroads located in Kentucky, including roadbeds, bridges, and related structures, that are owned or leased as of January 1, 2008, by a Class II or Class III railroad.

The credit allowed must not exceed the product of $3,500 multiplied by the sum of: (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 (25%) of the expenditures paid or incurred by the corporation or railway company to expand or upgrade railroad track, including roadbeds, bridges, and related track structures, to accommodate the transport of fossil energy resources or biomass resources.

The credit amount approved for a calendar year for all taxpayers under KRS 141.386 is limited to $1 million. If the total amount of approved credit exceeds $1 million, the department will determine the amount of credit each corporation and railroad company receives by multiplying $1 million by a fraction, the numerator of which is the amount of approved credit for a corporation or railway company and the denominator of which is the total approved credit for all corporations and railway companies.

Each corporation or railway company eligible for the credit must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will determine the amount of the approved credit and issue a credit certificate to the corporation or railway company by the fifteenth day of the third month following the close of the calendar year. **KRS 141.386**

ENDOW Kentucky Tax Credit – A taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, 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 under 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 personalty subject to ad valorem taxation. The Tangible Personal Property Tax Return, Revenue Form 62A500, and instructions can be obtained from your local county property valuation administrator's office or the Office of Property Valuation. You may also go to **www.revenue.ky.gov** to download these forms. A separate form must be filed for each location in Kentucky where you have tangible personal property.

Kentucky Department of Revenue
Mission Statement

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

* * * * * * * * *

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

TAXPAYER ASSISTANCE

Forms:

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

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

Information:

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

Mailing/Payment:

Mail the return to:

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

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

KENTUCKY TAXPAYER SERVICE CENTERS

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

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

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

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

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

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

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

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

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

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

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

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

* * * * * * * * * * *

The DOR has an online taxpayer service center where you can download forms, publications, and obtain general information about the department. The address is www.revenue.ky.gov.

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

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

Printing costs paid from state funds.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

10F100 (11-17)