

41A720-S16 KREDa (PKG) (10-25)

COMMONWEALTH OF KENTUCKY  
DEPARTMENT OF REVENUE  
FRANKFORT

**2025**



# **KREDA**

## **KENTUCKY RURAL ECONOMIC DEVELOPMENT ACT**

- ◆ Only use this package if you have received approval for the KREDA credit per KRS 154.22-010 to 102 by the Cabinet for Economic Development.
- ◆ See instructions.
- ◆ Attach to form 720, 720U, PTE, or 725.

TEAM  
**KENTUCKY**<sup>®</sup>

**Purpose of Package—**Use this package to report KREDA tax incentives for which your business entity has been approved per KRS 154.22–010 to 102. You must have received preliminary or final approval in accordance with KRS 154.22 on or before June 26, 2009 to determine the credit allowed. Schedule KREDA-T is used by the company which has entered into a financing agreement or tax incentive agreement for a Kentucky Rural Economic Development Act (KREDA) project to maintain a record of the debt service payments or approved costs, whichever is applicable, wage assessments, and tax credits.

**General Instructions—**Only include one incentive project per Package KREDA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KREDA (Page 3) and Schedule KREDA-T (Page 7). If your business entity files form PTE or 725, you must complete Schedule KREDA-SP (Page 5) and Schedule KREDA-T (Page 7).

**First and Last Year Prorations—**Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



**Taxable Year Ending**

Mo. Yr.

|                     |                                              |                                                                                                         |
|---------------------|----------------------------------------------|---------------------------------------------------------------------------------------------------------|
| Name of Corporation | Federal Identification Number                | Kentucky Corporation/LLET Account Number<br><i>Must be 9 digits. If 6 digits, must lead with zeros.</i> |
| Location of Project | Activation Date of KREDA Incentive Agreement | Economic Development Project Number                                                                     |
| City County         | Mo. Day Yr.                                  |                                                                                                         |

**PART I—Computation of LLET Excluding KREDA Project**

|                                                                                          |   |    |
|------------------------------------------------------------------------------------------|---|----|
| 1 LLET from Form 720, Part II, line 1 or Form 720U, Schedule U8, Section E, line 1 ..... | 1 | 00 |
| 2 LLET on KREDA project from Schedule L—ECON (see instructions).....                     | 2 | 00 |
| 3 LLET excluding LLET on KREDA project (line 1 less line 2).....                         | 3 | 00 |

**PART II—Computation of Taxable Net Income Excluding Net Income from KREDA Project and KREDA Tax Credit**

**Section A—Computation of Corporation Tax**

|                                                                                                       |   |    |
|-------------------------------------------------------------------------------------------------------|---|----|
| 1 Enter income tax from Form 720, Part III, line 1 or Form 720U, Schedule U5, Section D, line 8.....  | 1 | 00 |
| 2 LLET of corporation (Part I, line 1) .....                                                          | 2 | 00 |
| 3 Nonrefundable LLET credit allowed per KRS 141.0401(3) (line 2 less \$175, but not more than line 1) | 3 | 00 |
| 4 Total corporation tax (lines 1 and 2 less line 3) .....                                             | 4 | 00 |

**Section B—Computation of Tax Excluding KREDA Project**

|                                                                                                                                                              |   |    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---|----|
| 1 Enter taxable net income from Form 720, Part I, line 43 or Form 720U, Schedule U5, Section D, line 7 .....                                                 | 1 | 00 |
| 2 Enter net income from KREDA project; if loss, enter -0- .....                                                                                              | 2 | 00 |
| 3 Taxable net income excluding net income from KREDA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-.....                          | 3 | 00 |
| 4 Income tax liability excluding KREDA project (line 3 multiplied by the tax rate of 5%).....                                                                | 4 | 00 |
| 5 LLET excluding LLET on KREDA project (Part I, line 3) .....                                                                                                | 5 | 00 |
| 6 Enter LLET from line 5 less \$175, but not more than line 4 .....                                                                                          | 6 | 00 |
| 7 Total tax excluding KREDA project (lines 4 and 5 less line 6) .....                                                                                        | 7 | 00 |
| 8 Total tax attributable to KREDA project (Section A, line 4 less Section B, line 7)<br>Continue to Part III and enter this amount on Part III, line 1 ..... | 8 | 00 |

**PART III—Limitation**

|                                                                                                                                         |   |    |
|-----------------------------------------------------------------------------------------------------------------------------------------|---|----|
| 1 Enter tax liability attributable to KREDA project from Part II, Section B, line 8.....                                                | 1 | 00 |
| 2 Enter limitation from Schedule KREDA-T, Column E .....                                                                                | 2 | 00 |
| 3 Allowable KREDA tax credit (lesser of line 1 or line 2).....<br>Enter allowable credit on Schedule TCS, Part I, Column E and Column F | 3 | 00 |

The KRED A tax credit is applied against the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

**PURPOSE OF SCHEDULE**—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.347.

## GENERAL INSTRUCTIONS

### Part I—Computation of LLET Excluding KRED A Project

**Line 2**—Use Schedule L—ECON to compute a separate LLET of the KRED A project using only the Kentucky gross receipts and Kentucky gross profits of the project and attach it to the return when filed. If approved for multiple projects, attach a separate Schedule L—ECON for each project's LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

If the corporation has operations other than the KRED A project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KRED A project per KRS 141.347(6)(b)\*\* or KRS 141.347(7)(b).\*\*\*\*

### Part II—Computation of Taxable Net Income Excluding Net Income from KRED A Project and KRED A Tax Credit

#### Section B

**Line 2**—Enter net income for KRED A project. If the corporation's only operation in Kentucky is the KRED A project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the KRED A project, it must attach schedules reflecting the computation of the net income from the KRED A project per KRS 141.347(6)(a)\* or KRS 141.347(7)(a).\*\*\* In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

### Part III—Limitation

Calculate KRED A tax credit based on the corporation's tax liability, tax liability attributable to KRED A project, and credit limitation from Schedule KRED A-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KRED A, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEBA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) or the Kentucky Selling Farmer Tax Credit (KSFTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

**Alternative Methods**—Per KRS 141.347(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

#### Separate Facility

\* Per KRS 141.347(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.

\*\* Per KRS 141.347(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

#### Expansion of Existing Facility

\*\*\* Per KRS 141.347(7)(a), if the KRED A project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KRED A project shall be determined by apportioning the separate accounting net income of the entire facility to the KRED A project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**

\*\*\*\* Per KRS 141.347(7)(b), if the KRED A project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KRED A project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KRED A project Kentucky gross receipts or Kentucky gross profits using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**



**Taxable Year Ending**

Mo. Yr.

|                             |                                              |                                                                                                         |
|-----------------------------|----------------------------------------------|---------------------------------------------------------------------------------------------------------|
| Name of Pass-through Entity | Federal Identification Number                | Kentucky Corporation/LLET Account Number<br><i>Must be 9 digits. If 6 digits, must lead with zeros.</i> |
| Location of Project         | Activation Date of KREDA Incentive Agreement | Economic Development Project Number                                                                     |
| City County                 | Mo. Day Yr.                                  |                                                                                                         |

**PART I—Computation of KREDA Tax Credit and Tax Due**

|    |                                                                                                                                                                                                                                                      |      |     |    |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-----|----|
| 1  | Kentucky taxable income on KREDA project (see instructions).....                                                                                                                                                                                     | 1    |     | 00 |
| 2  | Net operating loss deduction on KREDA project.....                                                                                                                                                                                                   | 2    | ( ) | 00 |
| 3  | Kentucky taxable income on KREDA project after net operating loss deduction<br>(line 1 less line 2) .....                                                                                                                                            | 3    |     | 00 |
| 4  | Income tax liability of KREDA project (line 3 multiplied by the tax rate of 5%).....                                                                                                                                                                 | 4    |     | 00 |
| 5  | LLET on KREDA project from Schedule L—ECON (see instructions). <b>Not applicable for<br/>general partnerships</b> .....                                                                                                                              | 5    |     | 00 |
| 6  | Nonrefundable LLET credit allowed per KRS 141.0401(3) (line 5 less \$175, but not more than line 4).<br><b>Not applicable for general partnerships</b> .....                                                                                         | 6    |     | 00 |
| 7  | Total tax on KREDA project (lines 4 and 5 less line 6) .....                                                                                                                                                                                         | 7    |     | 00 |
| 8  | Limitation (Column E from Schedule KREDA-T) .....                                                                                                                                                                                                    | 8    |     | 00 |
| 9  | Enter the lesser of line 7 or line 8 as either:<br>(a) KREDA tax credit .....                                                                                                                                                                        | 9(a) |     | 00 |
|    | <b>or</b><br>(b) Estimated tax payment and complete election in Part II .....                                                                                                                                                                        | 9(b) |     | 00 |
| 10 | <b>Tax Due on the Project</b> —If line 7 is larger than line 9(a) or 9(b), enter the difference<br>here as a <b>liability</b> of the pass-through entity and add to the tax due on Form PTE,<br>Part II, line 16 or Form 725, Part II, line 15 ..... | 10   |     | 00 |

**PART II—Estimated Tax Election**

In accordance with KRS 141.347(4)(b), \_\_\_\_\_  
Name of Pass-through Entity  
elects for the taxable year ended \_\_\_\_\_, in lieu of the KREDA tax credit, to have an amount equal  
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤  
Signature of Shareholder, Partner, or Member \_\_\_\_\_ Print Name \_\_\_\_\_ Date \_\_\_\_\_

**PURPOSE OF SCHEDULE**—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.347.

**NOTE:** These credits do not pass through to members, partners, or shareholders of pass-through entities.

Pass-through entities should first complete Form PTE to determine net income (loss), deductions, etc., from the entire operations of the pass-through entity. The pass-through entity should then complete Schedule KREDA-SP to determine the KREDA tax credit and the tax due, if any, from the KREDA project. A pass-through entity is subject to tax per KRS 141.020 and KRS 141.0401 on the net income and the Kentucky gross receipts or Kentucky gross profits from the KREDA project and the KREDA credit is applied against the tax of the KREDA project. Consequently, the pass-through entity must use Form PTE(K) to exclude the net income from the KREDA project from the partners', members', or shareholders' distributive share income.

**Multiple Projects**—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEBA-SP) to determine the credit and net tax liability, if any, for each project.

**Line 1**—If the pass-through entity's only operation is the KREDA project, the amount entered on Line 1 is the net income (loss) from Form PTE. If the pass-through entity has operations other than the KREDA project, a schedule must be attached reflecting the computation of the net income (loss) from the KREDA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

**Separate Facility**—Per KRS 141.347(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

**Expansion of Existing Facility**—Per KRS 141.347(7), if the KREDA project is an expansion to a previously existing facility, the net income, Kentucky gross receipts, or Kentucky gross profits must be determined under a separate accounting method reflecting the entire facility and the net income, Kentucky gross receipts, or Kentucky gross profits must be determined by apportioning the net income, Kentucky gross receipts, or Kentucky gross profits of the entire facility to the economic development project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to the schedule.**

**Alternative Methods**—Per KRS 141.347(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the economic development

project is located, the approved company must use an alternative method approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

**Separate Accounting**—If the economic development project is a totally separate facility, net income must reflect only the gross income, deductions, expenses, gains, and losses allowed under this chapter directly attributable to the facility and overhead expenses apportioned to the facility; and Kentucky gross receipts or Kentucky gross profits must reflect only Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

If the economic development project is an expansion to a previously existing facility, net income of the entire facility must reflect only the gross income, deductions, expenses, gains, and losses allowed under this chapter directly attributable to the facility and overhead expenses apportioned to the facility; and Kentucky gross receipts and Kentucky gross profits must reflect only Kentucky gross receipts and Kentucky gross profits directly attributable to the facility. Net income, Kentucky gross receipts, and Kentucky gross profits of the entire facility attributable to the economic development project must be determined by apportioning the net income, Kentucky gross receipts, and Kentucky gross profits by a formula approved by the Department of Revenue.

**Line 2**—Enter the net operating loss from the KREDA project, if any, being carried forward from previous years.

**Note:** Just as the income from a KREDA project does not flow through to partners, members, or shareholders, neither do the losses. The project's net operating loss from prior years must be subtracted from the project income before calculating the KREDA credit.

**General Partnership**—Lines 5 and 6 of this schedule should not be completed by a general partnership as a general partnership is not subject to LLET.

**Line 5**—Use Schedule L-ECON to compute a separate LLET of the KREDA project using only the Kentucky gross receipts and Kentucky gross profits of the project and attach it to the return when filed. If approved for multiple projects, attach a separate Schedule L-ECON for each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

**Line 9**—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.347(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.



**PURPOSE OF SCHEDULE**—This schedule is used to maintain a record of the debt service payments or approved costs, whichever is applicable, wage assessments and tax credits (income tax and LLET) for the duration of the agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

### GENERAL INSTRUCTIONS

The 2002 General Assembly amended KRS 154.22-010 to 154.22-100, effective on July 15, 2002. Projects that received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 2002, and have entered into a financing agreement no later than June 30, 2003, shall be subject to KRS 154.22-010 to 154.22-100 as in effect prior to July 15, 2002.

A separate Schedule KREDA-T, Tracking Schedule for a KREDA Project, must be maintained for the duration of each KREDA project. Beginning with the first tax year of the KREDA financing agreement or tax incentive agreement, complete Columns A through F using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KREDA or Schedule KREDA-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

**Activation Date of KREDA Incentive Agreement**—For projects which received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 1996, enter the date the financing agreement was executed. For projects which received preliminary approval from KEDFA on or after July 15, 1996,

enter the date established by the approved company as the activation date for implementation of the inducements authorized by the financing agreement.

### SPECIFIC INSTRUCTIONS

**Column A**—Enter on each line the ending date (month, day, and year) of the tax year for which the information requested in Columns B through F is entered.

**Column B**—This column will always be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column E for the prior year exceeds the amount entered in Column F for the prior year, enter the difference. If the amount entered in Column F for the prior year equals the amount entered in Column E for the prior year, enter zero (-0-). If the amount entered in Column F for the prior year is greater than the amount claimed in Column E, you have exceeded the amount of credits eligible to claim.

**Column C**—Enter the total amount of debt service payment or approved costs, whichever is applicable per the agreement, for the taxable year. Debt service payment includes both principal and interest paid per the financing agreement.

**Column D**—Enter the total amount of employee wage assessments (both the state and local portion), if eligible, withheld from the salaries of employees or claimed as a refund during the taxable year.

**Column E**—Enter the result of adding the amounts entered in Columns B and C and subtracting the amount entered in Column D. Then, enter on Schedule KREDA, Part III, Line 2 or Schedule KREDA-SP, Part I, Line 8, whichever is applicable.

**Column F**—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET **or** income tax is recorded as the amount claimed. Enter the greater of Column E **or** Column F from Schedule TCS for this project, if applicable. Otherwise, enter zero (-0-).