



➤ See instructions.

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

KRS 141.408

Name of Taxpayer	Federal Identification Number or Social Security Number _____	Kentucky Corporation/LLET Account Number (if applicable) _____
Mailing Address	Taxed as: <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Individual <input type="checkbox"/> Other _____	

PART I—Qualifications

- Did you pay ad valorem (inventory) tax to a taxing jurisdiction within Kentucky? Yes No
- Was part or all of the inventory tax timely paid to the taxing jurisdiction on or before December 31? **Note:** The credit can only be claimed on timely paid tax Yes No

If you answered "No" to either question above, **STOP!** You do not qualify for the credit.

If you answered "Yes" to both questions above, go to Part II.



Visit revenue.ky.gov for a worksheet to calculate the amount of allowable inventory tax credit.

PART II—Amount of Credit

Enter the total amount reported on all Forms 62A500 (Lines 1-6).	Taxpayer's Valuation of Inventory		Tax Timely Paid on Inventory	
1 Line 31, Merchants Inventory.....	1	00	1	00
2 Line 32, Manufacturing Finished Goods	2	00	2	00
3 Line 33, Manufacturers Raw Materials/Goods in Process	3	00	3	00
4 Line 34, Motor Vehicles Held for Sale (dealers only), New Farm Machinery Held Under a Floor Plan, New Boats and Marine Equipment Held Under a Floor Plan, Salvage Titled Vehicles (insurance companies only), Recreational Vehicles Held in Retailer's Inventory, Biotechnology Products Held in a Warehouse (manufacturers and affiliates only), and Nonferrous Metal Located in a Commodity Warehouse and Held on Warranty.....	4	00	4	00
5 Line 35, Goods Stored in Warehouse/Distribution Center	5	00	5	00
6 Line 36, Inventory - In Transit.....	6	00	6	00
7 Total (add lines 1 through 6).....	7	00	7	00
8 Allowable percentage.....	8		8	25%
9 Allowable Inventory Tax Credit (Line 7 multiplied by Line 8).....	9		9	00

The inventory tax credit is a nonrefundable and nontransferable credit that may be applied against income taxes imposed by KRS141.020 or KRS 141.040 and the limited liability entity tax (LLET) imposed by KRS 141.0401, with the ordering of the credits as provided in KRS 141.0205, for any taxpayer that, on or after January 1, 2018, timely pays ad valorem (personal property) taxes to the Commonwealth or any political subdivision for property described in KRS 132.020(1)(n) or KRS 132.099. If the taxpayer is a pass-through entity, such as a partnership, S-corporation, or limited liability company classified as a pass-through entity for Kentucky income tax purposes, the taxpayer may apply the credit against the LLET and pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.

Purpose of Schedule—This schedule is used to report the valuation of inventory as reported on Tangible Personal Property Tax Forms (62A500), report the amount of ad valorem tax timely paid on the inventory, and calculate the allowable inventory tax credit.

The credit allowed is phased in as follows:

- For taxable years beginning on or after January 1, 2018, and before January 1, 2019, the credit is equal to twenty-five percent (25%) of the ad valorem taxes timely paid.
- For taxable years beginning on or after January 1, 2019, and before January 1, 2020, the credit is equal to fifty percent (50%) of the ad valorem taxes timely paid.
- For taxable years beginning on or after January 1, 2020, and before January 1, 2021, the credit is equal to seventy-five percent (75%) of the ad valorem taxes timely paid.
- For taxable years beginning on or after January 1, 2021, the credit is equal to one hundred percent (100%) of the ad valorem taxes timely paid.

SPECIFIC INSTRUCTIONS

PART I—Qualifications

Answer the qualification questions by checking the appropriate “Yes” or “No” box. If you answered “No” to either question, STOP! You do not qualify for the credit. If you answered “Yes” to both questions, go to Part II.

PART II—Amount of Credit



Visit www.revenue.ky.gov for a downloadable worksheet to calculate the amount of allowable inventory tax credit.

Note: Calculation of the tax credit without the worksheet is not advised unless the company only files an inventory tax return for one location.

The worksheet calculator will allow you to input unlimited locations, enter timely paid taxes, and provides a total for all taxing jurisdictions. The worksheet automatically computes the tax on each category of inventory for each taxing jurisdiction.

Once all data is entered, select the option to save as a PDF. The detailed worksheet will generate a PDF. Once the worksheet is saved as a PDF, the calculations will automatically generate a Schedule INV with all lines and columns filled with the necessary information.



The worksheet must be attached as a supporting statement to the return. If the property tax bill is used to calculate the tax credit amount, attach an 8.5” x 11” photocopy of the front and back of the bill to the Schedule INV as a supporting statement.

Lines 1 through 7—Enter the total valuation of inventory for all locations on the lines which correspond to each category of inventory in the column titled “Taxpayer’s Valuation of Inventory”. Enter the total tax timely paid for all locations on the lines which correspond to each category of inventory in the column titled “Tax Timely Paid on Inventory”.

Line 8—The percentage is set according to the tax year. Please use the correct year’s schedule to ensure you are receiving all the tax credit for which you are eligible.

Line 9—Multiply the total tax timely paid on inventory from Line 7 by the percentage on Line 8. Enter here and on Schedule TCS, Part II Line 21. This is the allowable Inventory Tax Credit.