



Income (Loss) and Deductions, continued

5	Partnerships only: Guaranteed payments to partners	▶ 5		00
6	IRC §1231 net gain (loss)(other than due to casualty or theft)	▶ 6		00
7	Other income (loss) (attach schedule)	▶ 7		00
8	Charitable contributions (attach schedule)	▶ 8		00
9	IRC §179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	▶ 9		00
10	Deductions related to portfolio income (loss) (attach schedule)	▶ 10		00
11	Other deductions (attach schedule)	▶ 11		00

Investment Interest

12	(a) Interest expense on investment debts	▶ 12(a)		00
	(b) (1) Investment income included on lines 4(a), 4(b), 4(c), and 4(f)	▶ b(1)		00
	(b) (2) Investment expenses included on line 10	▶ b(2)		00

Tax Credits—Nonrefundable (see instructions)

13	Enter the applicable tax credit			
	(a) ▶ _____	▶ 13(a)		00
	(b) ▶ _____	▶ 13(b)		00
	(c) ▶ _____	▶ 13(c)		00

General Partnerships Only—Tax Credits—Refundable

14	Certified rehabilitation tax credit (attach certification(s))	▶ 14		00
15	Kentucky Entertainment Incentive tax credit (attach certification(s))	▶ 15		00
16	Decontamination tax credit (attach certification(s))	▶ 16		00

Owner's identifying number

Pass-through Entity's FEIN

Kentucky Corporation/LLET
Account Number



OWNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION A—continued	Pro Rata Share Items	Total Amount
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Other Items

17 (a) Type of IRC §59(e)(2) expenditures ▶ _____		
(b) Amount of IRC §59(e)(2) expenditures	▶ 17(b)	00
18 Tax-exempt interest income	▶ 18	00
19 Other tax-exempt income	▶ 19	00
20 Nondeductible expenses	▶ 20	00
21 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	▶ 21	00
22 Supplemental information required to be reported to each owner (attach schedule)	▶ 22	00
23 S-corporations only: Total dividend distributions paid from accumulated earnings and profits	▶ 23	00

SECTION B—LLET Pass-through Items (Required)	OWNER'S SHARE
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1 Kentucky gross receipts	▶ 1	00
2 Total gross receipts	▶ 2	00
3 Kentucky gross profits	▶ 3	00
4 Total gross profits	▶ 4	00
5 Limited liability entity tax (LLET) nonrefundable credit	▶ 5	00

SECTION C—Apportionment Pass-through Items	OWNER'S SHARE
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1 Kentucky receipts	▶ 1	00
2 Total receipts	▶ 2	00

Owner's identifying number	Pass-through Entity's FEIN	Kentucky Corporation/LLET Account Number
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OWNER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION D—3—Factor Apportionment (KRS 141.121) OWNER'S SHARE

1	Kentucky property	▶ 1		00
2	Total property	▶ 2		00
3	Kentucky payroll	▶ 3		00
4	Total payroll	▶ 4		00

SECTION E—Resident Shareholder Adjustment

1	Combination of Kentucky Schedule K-1, Section A, lines 1 through 6, 9, and portions of lines 7 and 11. Add income amounts and subtract (loss) and deduction amounts (see instructions)	▶ 1		00
2	Combination of federal Schedule K-1, Form 1120S, lines 1 through 11, and portions of line 12 or federal Schedule K-1, Form 1065, lines 1 through 12, and portions of line 13. Add income amounts and subtract (loss) and deduction amounts (see instructions)	▶ 2		00
3	Enter the difference of lines 1 and 2 here and on appropriate line on Schedule M (see instructions)	▶ 3		00

Owner's identifying number

Pass-through Entity's FEIN

Kentucky Corporation/LLET
Account Number

Who Must File—The owners of a pass-through entity are liable for tax on their share of the Pass-through entity income, whether or not distributed, and must include their share on the applicable Kentucky tax return.

If you are an individual who was a Kentucky resident for the entire year, your filing requirement depends upon your family size, modified gross income, Kentucky adjusted gross income, and income from self-employment.

Any person with gross receipts exceeding the threshold amount determined under KRS 141.066 from self-employment must file a Form 740, regardless of the amount of adjusted gross income or the number of tax credits claimed. Generally, all income of Kentucky residents, regardless of where it was earned, is subject to Kentucky income tax. See Form 740 Instructions.

S-corporations only

Kentucky Schedule K-1 does not show the amount of actual dividend distributions the S corporation paid to you. The S corporation must report such amounts to you on Form 1099-DIV. You report actual dividend distributions on federal Schedule B (Form 1040). Refer to the shareholder instructions you received for federal Schedule K-1 (Form 1120S) for information concerning your basis in corporate stock, elections to be made by you separately on your income tax return and not by the S corporation, etc.

Every individual, including an estate or trust, who is a resident of Kentucky and is a shareholder in an S corporation is required to report 100 percent of his or her share of income/(loss), credits, deductions, etc. for Kentucky individual income tax purposes. **A nonresident shareholder must report the portion of his or her share of income attributable to the S corporation's business in Kentucky unless the entity is withholding on behalf of the nonresident owner per KRS 141.206.** A **resident** is an individual domiciled within Kentucky or an individual who is not domiciled in Kentucky but maintains a place of abode in Kentucky and spends in the aggregate more than 183 days of the taxable year in Kentucky. A **nonresident** is any individual who is not a resident of Kentucky.

All Pass-through Entities

Nonresidents with income from Kentucky sources and part-year residents receiving income while a Kentucky resident or from Kentucky sources while a nonresident must file a Kentucky return.

Pass-through entity income is not exempted by reciprocal agreements between Kentucky and any other state. Form 740-NP must be filed by an individual with income from Kentucky sources and a combined gross income from all sources exceeding the threshold amount determined under KRS 141.066. Full-year nonresidents must report all income from Kentucky sources and from property located in Kentucky. Persons moving into Kentucky must report income received from Kentucky sources prior to becoming residents and income received from all sources after becoming Kentucky residents. Residents moving out of Kentucky during the year must report income from all sources while a resident and from Kentucky sources while a nonresident.

At-Risk Limitations—Generally, if you have a (loss) from any activity carried on as a trade or business or for the production of income by the Pass-through entity and you, the owner, have amounts invested in that activity for which you are not at risk, you will be required to complete federal Form 6198, At-Risk Limitations, to figure the allowable (loss) to report on your Kentucky income tax return. Your deductible (loss) from each activity for the tax year generally is limited to the amount you are at risk of losing or could actually lose in the activity, whichever is less. To help you complete Form 6198, if required, the Pass-through entity will provide a schedule showing your share of income, expenses, etc., for each at-risk activity.

NOTE: Form 740 filers see Form 740 instructions for Schedule M, Line 5 and/or Line 14.

Passive Activity Limitations—The passive activity limitations in IRC §469 are figured at the owner level and may apply to any (loss) reported in Section A, Lines 1, 2, or 3 and any other related items of income, (loss), and deductions reported on Kentucky Schedule K-1. Refer to the federal Instructions for federal Schedule K-1 (Form 1120S or Form 1065) to determine if the passive activity limitations apply to your share of (loss)(es) reported on Kentucky Schedule K-1 and if you must file Form 8582-K, Kentucky Passive Activity Loss Limitations.

SPECIFIC INSTRUCTIONS

Kentucky Resident Owners (Form 740 Filers)

To determine the net difference between the federal Schedule K-1 amounts and the Kentucky Schedule K-1 amounts, complete Section E, Lines 1, 2, and 3. This will adjust the items of income, (loss), and deductions used to compute your federal adjusted gross income to the Kentucky amounts shown on Kentucky Schedule K-1.

Line 1—Enter the Kentucky Schedule K-1 amounts from Section A, Lines 1 through 7 and 9. Also, include the amounts from Lines 8, 10, and 11 that do not pass through to Form 740 or 740-NP, Schedule A, as itemized deductions.

Line 2—For a federal 1120S Schedule K-1, enter amounts from Lines 1 through 11 and include amounts from Line 12 that do not pass through to Form 740 or 740-NP, Schedule A, as itemized deductions. For a federal 1065 Schedule K-1, enter the amounts from Lines 1 through 12 and include amounts from Line 13 that do not pass through to Form 740 or 740-NP, Schedule A, as itemized deductions.

NOTE: If Form 8582-K is required, adjust the amounts entered on Kentucky Schedule K-1 in Section A, Lines 1, 2, and 3 to exclude any income, (loss), deduction, or expense related to a passive activity. Complete the passive activities adjustment worksheet (Form 8582-K) to determine additions to or subtractions from federal adjusted gross income. **See Form 740 instructions for Schedule M, Line 5 and/or Line 14.**

If amounts on Kentucky Schedule K-1 in Section A, Lines 4(d) and 4(e) are subject to the capital (loss) limitations, do not include the amount in Section A, Lines 1 and 2. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 3—Enter difference of Section E, Lines 1 and 2. If Line 1 is greater than Line 2, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 2. If Line 2 is greater than Line 1, enter the difference as a subtraction on Schedule M, Line 11.

Caution: If the amount in Section E, Lines 1 and 2, are both (losses), subtract the smaller dollar amount from the larger dollar amount and enter the difference on Line 3. If the amount on either Line 1 or Line 2 is an income amount and the amount on the other line is a (loss) amount, add the two amounts to determine the difference and enter on Line 3.

Nonresident Owners (Form 740-NP Filers)

A nonresident individual who is required to file Form 740-NP, Kentucky Individual Income Tax Return Nonresident or Part-Year Resident, or who elects to file Form 740-NP to take advantage of capital (loss) and net operating loss carryovers, must enter the amounts from Schedule K-1 as follows:

If the percentage in Item B(2) is 100 percent, the amounts on Section A, Lines 1 through 6 and 9, portions of Lines 7 and 11, and the portion of Line 17(b) actually deducted for the current year must be entered on the appropriate lines of Form 740-NP and related schedules.

If the percentage in Item B(2) is less than 100 percent, the amounts on Section A, Lines 1 through 6 and 9, portions of Lines 7 and 11, and the portion of Line 17(b) actually deducted for the current year must be multiplied by this percentage and entered on the appropriate lines of Form 740-NP and related schedules. Amounts on Line 12(a) and the portions of Lines 8 and 10 which pass through to Schedule A (Form 740-NP) should not be multiplied by the percentage in Item B(2) since these amounts will be multiplied by the percentage on Form 740-NP, Page 4, Line 34 (Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income).

Refer to specific instructions below and federal Instructions for Schedule K-1 (Form 1120S or Form 1065).

Lines 1 through 3—Enter on federal Schedule E using Kentucky amounts or on Form 8582-K, if applicable.

Line 4(a)—Enter on Form 740-NP, Page 4, Line 3.

Line 4(b)—Enter on Form 740-NP, Page 4, Line 4.

Line 4(c)—Enter on federal Schedule E using Kentucky amounts.

Lines 4(d) and (e)—Enter on federal Schedule D using Kentucky amounts or Form 8582-K, if applicable.

Line 4(f)—Enter on applicable lines of your return (see federal Instructions for Schedule K-1 (Form 1120S or Form 1065)).

Line 5—Partnerships Only: Guaranteed Payments to Partners.

Line 6—Enter on federal Form 4797 and on Form 740-NP, Page 4.

Line 7—Enter on applicable lines of your return (see federal Instructions for Schedule K-1 (Form 1120S or Form 1065)).

Line 8—Enter on Schedule A, Form 740-NP.

Line 9—Enter on federal Schedule E using Kentucky amounts.

Line 10—Enter on Schedule A, if applicable.

Line 11—Enter on applicable form or schedule (see federal Instruction for Schedule K-1 (Form 1120S or Form 1065)).

For All Owners

Lines 12 and 17 through 23—See federal Instructions for Schedule K-1 (Form 1120S or Form 1065).

Estates and Trusts (Form 741 Filers)

Estates or trusts report the amounts shown on Schedule K-1 on Form 741, Kentucky Fiduciary Income Tax Return, and related schedules. See federal Instructions for Schedule K-1 (Form 1120S or Form 1065).

Individual Owners (LLET Credit)

Enter the net distributive share income from Kentucky Schedule K-1, Section A, Lines 1 through 6, 9, and portions of Lines 7 and 11 (multiplied by the percentage in Item B(2) for **nonresident** individual partners) on Line 2 of the Kentucky Limited Liability Entity Tax Credit Worksheet located in Form 740, Form 740-NP, or Form 741 instructions under Business Incentives and Other Tax Credits to determine the LLET credit allowed. If net distributive share income includes losses subject to passive activity or capital (loss) limitations, net distributive share income must be adjusted to include only amounts allowed to be deducted on the applicable Kentucky tax return.

Corporate Partners and Members (LLET Credit)

Enter the net distributive share income from the Kentucky Schedule K-1 that is included in the Corporation's Kentucky taxable income (multiplied by the percentage on Item B(2) for nonresident partners or members) on Line 2 of the Corporation LLET Credit Worksheet located in the Form 720 Instructions under Part III, Income Tax Computation, to determine the LLET credit allowed. If the net distributive income includes losses subject to passive activity or capital loss limitations, net distributive share income must be adjusted to include only amounts allowed to be deducted on the applicable Kentucky tax return.

Enter the amount from Section B, Line 5, on Line 7 of the Corporation LLET Credit Worksheet located in the Form 720 Instructions.

Sections C and D—See Schedule A, Apportionment and Allocation.

Calculating Distributable Share for Form PTE

KRS 141.209(2)(a) imposes the tax "based upon the ordinary income and separately stated items of income calculated under KRS 141.206." These items include all items listed on the Kentucky Schedule K-1 reporting distributable share income including, but not limited to, interest income, dividend income, capital gains, guaranteed payments, and rents.