



INVENTORY TAX CREDIT OVERVIEW

Kentucky PVA Fall Conference

December 7, 2018

Introductions

Jessica S. Honican, CPA

**Director, Corporation Tax Division,
Kentucky Department of Revenue**



Agenda

- **KRS 141.408**
- **Main Provisions of the Inventory Tax Credit**
- **Reporting Inventory on Form 62A500**
- **Claiming the Tax Credit**
- **Inventory Tax Credit Calculator**
- **Some Examples**
- **Published Guidance**



KRS 141.408

- **Part of HB 487**

- Most substantial Kentucky tax law changes since 2006
- Effective date: January 1, 2018
- Intended as an effective repeal of the property tax on inventory
- Phased-in 25% per year from 2018 through 2021
 - 2018: 25% of timely paid ad valorem taxes
 - 2019: 50% of timely paid ad valorem taxes
 - 2020: 75% of timely paid ad valorem taxes
 - 2021+: 100% of timely paid ad valorem taxes



Main Provisions of the Inventory Tax Credit

- Credit against individual income tax or corporation income tax and LLET
 - May be claimed by a sole proprietor reporting business income on Schedule C (Form 1040)
 - Pass-through entities (partnerships, S-Corporations, etc) pass the credit through to their partners and shareholders to report on their separate returns
- Credit allowed only if tax on inventory is paid *timely*
- Credit is nonrefundable, nontransferable, and cannot be carried forward
- Credit is available only after all other available credits have been claimed (KRS 141.0205 establishes the order in which credits should be claimed)



What is the Tax on Inventory?

- KRS 132.020(1)(n) imposes a tax of five cents (\$0.05) on each \$100 of goods “held for sale in the regular course of business.”
 - Local taxing authorities also impose their own ad valorem taxes (at varying rates) on inventory
- KRS 132.099 (2) exempts property placed in a warehouse or distribution center for shipment to an out-of state destination from local property taxes.
- KRS 132.099(5) states that goods are deemed to be held for shipment out of state if it can be shown the property will be shipped within the next six months.



Reporting Inventory

- Property tax *bills* generally do *not* distinguish between tax paid on inventory and tax paid on other tangible property.
- Lines 31-36 of the property tax return (Form 62A500) will usually be the most helpful in determining the amount of tax paid on inventory

See pages 3 through 5 for instructions.		Taxpayer's Valuation
31	Merchants Inventory	
32	Manufacturers Finished Goods	
33	Manufacturers Raw Materials/Goods in Process	
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 a Retailer's Inventory Biotechnology Products Held in a Warehouse (manufacturers and affiliates only) Nonferrous Metal Located in a Commodity Warehouse and Held on Warrant	
35	Goods Stored in Warehouse/Distribution Center (see instructions)	
36	Goods—In Transit (see instructions)	



Reporting Inventory

- Line 31: Merchants Inventory: “Goods held for sale or machinery and equipment that originated under a floor plan financing agreement.”
- Line 32: Manufacturers Finished Goods: “Products that have been manufactured and are ready for sale or shipment.”
- Line 33: Manufacturers Raw Materials/Goods in Process: “Raw materials actually on hand at the plant for ... introduction into the manufacturing process. It does not include unmanufactured agricultural products” OR “inventory that has been acted upon in some manner, but has not completed the manufacturing process” (Goods in process)



Reporting Inventory

- Line 34:
 - Motor Vehicles Held for Sale (Dealers Only)
 - Salvage-Titled Vehicles (Insurance Companies only)
 - New Farm Machinery Held under a floor plan
 - New Boats and Marine Inventory
 - Nonferrous metal located in a commodity warehouse
 - Biotechnology products held in a warehouse for distribution
 - Recreational vehicles held for sale in a dealer's inventory
- Line 35: Goods stored in a Warehouse/Distribution Center: Goods “for shipment to a Kentucky destination or held longer than six months.”
- Line 36: Goods in Transit: Property stored in a warehouse or distribution center for “shipment to an out-of-state destination” within the next six months.



Claiming the Tax Credit

- Taxpayers File Schedule INV to claim the tax credit

- Schedule INV is attached to Form 720, 720S, 725, 740, 740-NP, 741, 765, or 765-GP

SCHEDULE INV |  | **KENTUCKY INVENTORY TAX CREDIT (Ad Valorem)** | **2018**

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/LEET Account Number (if applicable)

Mailing Address | Taxed as: Corporation
 Limited Liability Pass-through Entity
 General Partnership
 Individual
 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.

PART II—Amount of Credit  Visit revenue.ky.gov for a worksheet to calculate the amount of allowable inventory tax 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	25%
9 Allowable Inventory Tax Credit (Line 7 multiplied by Line 8).....	9	00

41A720INV (8-27-18 DRAFT) | Page 1 of 1



Claiming the Tax Credit - Qualifications

Part I of Sch. INV establishes the taxpayer's eligibility for the credit

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.



Claiming the Tax Credit - Calculation

- Part II of Sch INV is the calculation of the tax credit amount
- Ties to Lines 31-36 of Form 62A500

Schedule INV

62A500

See pages 3 through 5 for instructions with PDF form.		Taxpayer's Valuation
31	Merchants Inventory	●
32	Manufacturers Finished Goods	●
33	Manufacturers Raw Materials / Goods in Process	●
	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 a Retailer's Inventory Biotechnology Products Held in a Warehouse (manufacturers and affiliates only)	
34	Nonferrous Metal Located in a Commodity Warehouse and Held on Warrant	●
35	Goods Stored in Warehouse / Distribution Center (see instructions)	●
36	Inventory - In Transit (see instructions)	●

PART II—Amount of Credit		Visit revenue.ky.gov for a worksheet to calculate the amount of allowable inventory tax 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
2	Line 32, Manufacturing Finished Goods	2	00
3	Line 33, Manufacturers Raw Materials/Goods in Process	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 Warrant.....	4	00
5	Line 35, Goods Stored in Warehouse/Distribution Center.....	5	00
6	Line 36, Inventory - In Transit.....	6	00
7	Total (add lines 1 through 6).....	7	00
8	Allowable percentage.....	8	25%
9	Allowable Inventory Tax Credit (Line 7 multiplied by Line 8).....	9	00



Claiming the Tax Credit

Schedule INV

PART II—Amount of Credit

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

- To calculate the tax timely paid on inventory, visit www.revenue.ky.gov for a downloadable Excel worksheet
- The worksheet automatically computes the tax on each category of inventory for each taxing jurisdiction.
- Note:** Calculation of the tax credit without the worksheet is not advised unless the company only files an inventory tax return (62A500) and knows the rates & tax on the inventory for one location.



Inventory Tax Credit Worksheet

- Posted at www.revenue.ky.gov
- Launching the Tax Credit Calculator
 - On the welcome screen, enter the FEIN or SSN of the taxpayer who filed the property tax return.
 - Enter FEINs of any additional entities included in the tax return
 - Click “Enter Location Data” to launch the calculator

LAUNCHING THE CALCULATOR

* Enter your FEIN or SSN below. Also enter FEINs of any other entities included on your tax return
* Values of INVENTORY are the only amounts relevant to this credit.
* This calculator is Excel-based, so you can save your work as you go and finish later
* You will have the option to create two PDF forms which will be saved in the same location as this program. These can be printed and added to your income tax return.
* Once FEINs of all relevant entities have been entered, click "Enter Location Data" below

	FEIN / Social Security#	
9	Primary FEIN (Parent) / SS#	123456789
9	Secondary FEIN	654987321
9	Secondary FEIN	555555555
0	Secondary FEIN (if applicable)	
0		
0		
0		
0		

Enter your primary FEIN or SS# on this first line. It is a required field to continue!

If necessary, use the additional lines to enter the FEINs of any other entities for which you claiming the inventory tax credit. (Proceed from top to bottom with the additional FEINs)

If you discover later that a FEIN you entered is incorrect, you will need to navigate back to this WELCOME screen and update the above list with the correct information.

★ Click the button below to continue to the Tax Credit Calculator.
★ Then follow the numbered STARS to help guide you along!

ENTER LOCATION DATA



Inventory Tax Credit Worksheet

Commonwealth of Kentucky
DEPARTMENT OF REVENUE
2018 Computation of Inventory

Hint: Follow the stars!

1 Need some basic INFO below

TAXPAYER INFO

Taxed as: Corporation

Name of Taxpayer: Name of Taxpayer

Number & Street: Number and Street

Number & Street: **Number and Street**

City, State, Zip: City, State, ZIP

FEIN / SSN: 123456789

KY Corp/LLET Account: 123456

6 -- CLICK below when you are done!

SAVE as PDF

5 If necessary, CLICK below to DELETE a location.

DELETE A LOCATION

4 If necessary, CLICK below to ADD another location. Then repeat STEP #3

ADD ANOTHER LOCATION

Have questions or need assistance navigating the calculator?
Call the DOR's dedicated Inventory Tax Credit phone number!

502-564-1555

2 Read this part carefully!

RED AREAS - ALL red areas should be completed!

PINK AREAS only need to be completed when necessary.

GREEN NUMBERS are your LOCATION #'s within this program!

3 Input LOCATION 1's Inventory Data based upon the FILED TPT RETURNS

Complete all the LOCATION's RED areas.

	1	2	3
LOCATION #	1	2	3
COUNTY / DISTRICT	Metcalfe (Dist 00)	Boone (Dist 02)	Fayette (Dist 02)
Inv. Calculation OVERRIDE	\$ 112,233	\$ 654,321	
Tax Paid Timely?	NO	YES	YES
Paid within discount period?	NO	NO	YES
Grand Totals	\$ 246,912	\$ 740,736	\$ 740,736
31 Merchants Inventory	\$ 246,912	\$ 123,456	\$ 123,456
32 Manufacturers Finished Goods	\$ 246,912	\$ 123,456	\$ 123,456
33 Manufacturers Raw Materials/Goods in Process	\$ 246,912	\$ 123,456	\$ 123,456
34 Line 34 Items (see embedded note)	\$ 246,912	\$ 123,456	\$ 123,456
35 Goods Stored in Warehouse/Distribution Center	\$ 246,912	\$ 123,456	\$ 123,456
Total Inventory Value (per Taxpayer)	\$ 1,481,472	\$ 740,736	\$ 740,736
Estimated total TIMELY Tangible Personal Property Tax Paid on Inventory (APPLY to FORM xxxx, Line 7) (Before application of the 25% limitation)	\$ 658,154.83	\$ -	\$ 3,833.83
	(rounded)		
FEIN / Taxpayer ID	123456789	123456789	123456789

1. Enter Taxpayer Info
 - Taxed as
 - Name
 - Address
 - FEIN
 - KY Corp/LLET Account Number
2. Fill-in Inventory Tax Information
 - Select: County/District
 - Timely paid: Yes/No
 - Paid within discount period: Yes/No
 - Enter value of inventory property for each category (follows lines from 62A500)
3. Input Each Location in a Separate Column
 - Keep adding columns until all locations entered
 - Tax automatically computes
4. Click to save worksheet work paper as a PDF and retain for your records
5. Click to generate a mock-up Sch INV
 - Save as a PDF

1/14/19 Update: Image shown on left updated to 1-10-19 version of calculator



Inventory Tax Credit Worksheet: Step by Step

1 Need some basic INFO below

TAXPAYER INFO

Taxed as:

Name of Business:

Number & Street:

Number & Street:

City, State, Zip:

FEIN Number: 123456789

KY Corp/LLET Account:

- 1) Enter identifying information
 - Note that the FEIN has been carried over from the Welcome Screen
 - “Taxed as” provides a drop down menu for the type of entity

TAXPAYER INFO

Taxed as:

Corporation

Limited Liability Pass-Through Entity

General Partnership

Individual

Other



Inventory Tax Credit Worksheet: Step by Step

LOCATION # → 1

COUNTY / DISTRICT → Clay (DIST 01)

PVA PHONE NUMBER → (606) 598-3832

Tax Paid Timely? → YES

Paid within discount period? → YES

1/14/19 Update:
Phone numbers
now removed
from calculator

	Grand Totals	
Line 31	\$ 100,000	\$ 100,000
Line 32	\$ 200,000	\$ 200,000
Line 33	\$ 50,000	\$ 50,000
Line 34	\$ -	\$ -
Line 34	\$ 20,000	\$ 20,000
Line 35	\$ -	\$ -
Line 36	\$ -	\$ -
Total value	\$ 370,000	\$ 370,000
Estimated tax paid	\$ 4,476.05	\$ 4,476.05

2) Fill in Inventory Tax Information

- Choose County/District from drop down menu

LOCATION # → 1

COUNTY / DISTRICT → Clark (DIST ND)

PVA PHONE NUMBER →

Tax Paid Timely? →

Paid within discount period? →

Grand Total

ON 1's

\$ -

- Choose "Yes" or "No" that tax was paid timely and/or within a discount period
- Enter inventory valuation amounts from Lines 31-36 of Form 62A500
- The spreadsheet calculates the estimated tax paid based on the amounts entered



Inventory Tax Credit Worksheet: Step by Step

4 If necessary, **CLICK** below to **ADD** another location. Then repeat **STEP #3**

ADD ANOTHER LOCATION

3) Input each location in a separate column

Click "Add Another Location"

Keep Adding Columns Until All Locations Entered

Totals Automatically Compute

LOCATION #	1	2	3
COUNTY / DISTRICT	Jefferson (DIST 18)	Anderson (02) - City	Clay (DIST 01)
PVA PHONE NUMBER	(502) 574-6380	(502) 839-4061	(606) 598-3832
Tax Paid Timely?	YES	YES	YES
Paid within discount period?	YES	NO	YES
Grand Totals			
\$ 650,000	\$ 250,000	\$ 300,000	\$ 100,000
\$ 400,000	\$ 150,000	\$ 50,000	\$ 200,000
\$ 125,000	\$ 75,000	\$ -	\$ 50,000
\$ -	\$ -	\$ -	\$ -
\$ 75,000	\$ 40,000	\$ 15,000	\$ 20,000
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ 1,250,000	\$ 515,000	\$ 365,000	\$ 370,000
\$ 11,976.63	\$ 3,404.03	\$ 4,096.55	\$ 4,476.05
taxpayer ID	555555555	654987321	123456789

Total Inventory Value (per Taxpayer)	\$ 1,250,000
Estimated total <u>TIMELY</u> Tangible Personal Property Tax Paid on Inventory (APPLY to FORM xxxx, Line 7)	\$ 11,977



Inventory Tax Credit Worksheet: Step by Step

6 -- CLICK below when done!
-- 2 PDFs will be created for your tax return

SAVE as PDF

5 If necessary, CLICK below to DELETE

DELET

Microsoft Excel

Your PDFs have been created and saved to the location of this file!

OK

4 If necessary, CLICK below to ADD another location. Then repeat STEP #3

- 4) Click to save worksheet work paper as a PDF and retain for your records
- The PDFs are saved to the same location as the Excel worksheet

2018 Inventory Tax Credit Worksheet

Taxpayer Name:
FEDERAL ID: 123456789
KY Corp/LEET Account:

	County/District PVA Phone	Jefferson (DIST 18) (502) 574-6380	Anderson (02) - City (502) 839-4061	Clay (DIST 01) (606) 598-3832
Tax Paid Timely		YES	YES	YES
Paid Within Discount Period		YES	NO	YES

	ALL Location Totals	Jefferson (DIST 18)	Anderson (02) - City	Clay (DIST 01)
Total Inventory Value				
Merchants Inventory	\$ 650,000	\$ 250,000	\$ 300,000	\$ 100,000
Manufacturers Finished Goods	\$ 400,000	\$ 150,000	\$ 50,000	\$ 200,000
Manufacturers Raw Materials/Goods In Process	\$ 125,000	\$ 75,000	\$ -	\$ 50,000
Motor Vehicles/New Farm Machinery Under Floor Plan	\$ -	\$ -	\$ -	\$ -
New Marine Inventory Under Floor Plan/Salvage Title Veh.	\$ 75,000	\$ 40,000	\$ 15,000	\$ 20,000
Goods Stored in Warehouse/Distribution Center	\$ -	\$ -	\$ -	\$ -
Inventory in Transit	\$ -	\$ -	\$ -	\$ -
TOTAL Inventory Value	\$ 1,250,000	\$ 515,000	\$ 365,000	\$ 370,000
FEIN / Tax ID reported under		55555555	654987321	123456789

	ALL Location Totals	Jefferson (DIST 18)	Anderson (02) - City	Clay (DIST 01)
Total Allowable Tax Paid				
Merchants Inventory	\$ 7,077.78	\$ 2,092.30	\$ 3,504.90	\$ 1,480.58
Manufacturers Finished Goods	\$ 4,800.70	\$ 1,265.38	\$ 584.15	\$ 2,961.17
Manufacturers Raw Materials/Goods In Process	\$ 61.25	\$ 38.75	\$ -	\$ 24.50
Motor Vehicles/New Farm Machinery Under Floor Plan	\$ -	\$ -	\$ -	\$ -
New Marine Inventory Under Floor Plan/Salvage Title Veh.	\$ 36.90	\$ 19.80	\$ 7.50	\$ 9.80
Goods Stored in Warehouse/Distribution Center	\$ -	\$ -	\$ -	\$ -
Inventory in Transit	\$ -	\$ -	\$ -	\$ -
TOTAL Timely-Paid TPT Inventory Tax (rounded)	\$ 11,977	\$ 3,404.03	\$ 4,096.55	\$ 4,476.05



Inventory Tax Credit Worksheet: Step by Step

5) The worksheet generates a mock-up Sch INV

- For corporate taxpayers, the amount on Line 9 of Schedule INV flows to Line 21 of Schedule TCS

SCHEDULE TCS |  | TAX CREDIT SUMMARY SCHEDULE | **2018**
 Commonwealth of Kentucky
 Department of Revenue

➤ See instructions.
 ➤ Attach this schedule to Form 720, 720S, 725, or 765.

Name of Entity _____ Federal Identification Number _____ Kentucky Corporation/LLET Account Number _____

21	No	Inventory (ad valorem)	Schedule INV	00	00
----	----	------------------------	--------------	----	----

- For individual taxpayers, the amount on Line 9 of Schedule INV flows to Line 23 of Schedule ITC

SCHEDULE ITC |  | KENTUCKY INDIVIDUAL TAX CREDIT SCHEDULE | **2018**
 Commonwealth of Kentucky
 Department of Revenue

➤ Enclose with Form 740 or 740-NP

Enter name(s) as shown on tax return. _____ Your Social Security Number _____

SECTION A – BUSINESS INCENTIVES AND OTHER TAX CREDITS

23	No	Inventory	Schedule INV	00	00
----	----	-----------	--------------	----	----

SCHEDULE INV |  | KENTUCKY INVENTORY TAX CREDIT (Ad Valorem) | **2018**
 Commonwealth of Kentucky
 Department of Revenue

DRAFT COPY

➤ See instructions.
 ➤ Attach to Form 720, 720S, 725, 740, 740-NP, 741, 705, or 765-GR | KRS 141.406

Name of Taxpayer _____ Federal Identification Number or Social Security Number 123456789
 Kentucky Corporation/LLET Account Number (if applicable) _____

Mailing Address _____ Taxed as: Corporation
 Limited Liability Pass-through Entity
 General Partnership
 Individual
 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.....	1 650,000.00	1 7,078.00
2 Line 32, Manufacturing Finished Goods.....	2 400,000.00	2 4,801.00
3 Line 33, Manufacturers Raw Materials/Goods in Process.....	3 125,000.00	3 61.00
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 75,000.00	4 37.00
5 Line 35, Goods Stored in Warehouse/Distribution Center.....	5 0.00	5 0.00
6 Line 36, Inventory - In Transit.....	6 0.00	6 0.00
7 Total (add lines 1 through 6).....	7 1,250,000.00	7 11,977.00
8 Allowable percentage.....		8 25%
9 Allowable Inventory Tax Credit (Line 7 multiplied by Line 8).....		9 2,994.00

41A720 (REV 10-27-18) DRAFT | Page 1 of 1



What PVAs Can Do To Assist Taxpayers

LOCATION #	→	1
COUNTY / DISTRICT	→	Clay (DIST 01)
PVA PHONE NUMBER	→	(606) 598-3832
Tax Paid Timely?	→	YES
Paid within discount period?	→	YES

1/14/19 Update: Phone numbers now removed from calculator

2018 Harrison County Property Tax Statement

Shain Stephens
Harrison County Sheriff
113 W. Pike St.
Cynthiana, KY 41031

Bill Number: [REDACTED]
District: **CY-Cynthiana**
Location: [REDACTED]
Description: TANGIBLE
Map Number:
Farm Acres: 0 Exemption: \$0.00 Deed:

- Check on the tax credit calculator at: <http://revenue.ky.gov>
- Make sure the district number is clearly printed on the property tax bill
- Taxpayers enter the district number into the tax credit calculator

 **Campbell County Sheriff's Office**
Mike Jansen, Sheriff
1098 Monmouth St Suite 216
Newport, KY 41071
Phone (859) 292-3833
<https://sheriff.campbellcountykentucky.com/>
TAX YEAR 2018

Bill No. 2

Pay By	With Tax & Adjustments	Total Due
11/30/2018	17.71	17.71
12/31/2018	18.08	18.08
1/31/2019	18.99	18.99



Example – Only Total Tax Due on Statement

- **Madison County: Shows only the tax due. The amount related to inventory is not listed separately**

- In this case, the taxpayer would need to refer back to the Form 62A500 for the amount of the tangible property that represented inventory in order to get the necessary information to enter on the worksheet

2018 - Madison County Sheriff Property Tax Statement

Madison County Sheriff 135 West Irvine St. Suite B01 Richmond KY 40475	Bill Number: [REDACTED] District: 06-Berea Tangibles Location: [REDACTED] Description: TANGIBLE Map Number: Farm Acres: 0.00
--	---

[REDACTED]

Amount Due if:	
2% Discount 10/1/18- 11/01/2018	3175.31
Face Amount 12/1/18- 12/31/2018	3240.11
5% Penalty 1/1/19- 01/31/2019	3402.12
21% Penalty 2/1/19- 04/15/2019	3920.53
Additional penalty after April 15, 2019	



Example – Tax for Inventory Credit Shown



2018 BOONE COUNTY PROPERTY TAX BILL

Michael A. Helmig, Boone County Sheriff
(859) 334-2175
3000 Conrad Lane, Burlington, KY
Kenny Brown, Boone County Clerk



Property Description: [REDACTED]
Property Location : [REDACTED]

Taxing District	Rate per \$100	Taxable Value	Tax Amount
STATE TANGIBLE	.45000	64,184	288.83
STATE TANGIBLE	.05000	146,752	73.38
COUNTY TANGIBLE	.12500	210,936	263.67
BOONE COUNTY SCHOOLS	.65300	210,936	1,377.41
LIBRARY	.05340	210,936	112.64
HEALTH	.01900	210,936	40.08
EXTENSION	.04290	210,936	90.49
Gross Tax Due			\$2,246.50

Bill Number: [REDACTED]
Map Number:
Bank Code:
Deed Book:
District: TANGIBLE
Exemption: (Homestead/Disability)

Amount to be used for Inventory Credit

Discount: \$1,356.63
Base: \$1,384.32

Taxes must be paid timely to claim credit

Boone County: The specific amount of inventory tax is shown on the face of the bill

- Taxpayers can easily locate the amount to enter into the tax credit calculator

Update 1/14/19: The calculator has an override to accommodate direct input of known inventory tax



Example – Itemized Statement

Bill #	Parcel:	Tax District: 00	Deed B/P:
Property Location:			
Description: Tangible Property			
Description	Rate per \$100	Assessed Value	Tax
AMBULANCE (TANG MERCH INV 31)	0.060000	1,121	\$0.67
AMBULANCE (TANG FULL 17 60 82)	0.060000	52,688	\$31.61
CO SCHOOL (TANG MERCH INV 31)	0.536000	1,121	\$6.01
CO SCHOOL (TANG FULL 17 60 82)	0.536000	52,688	\$282.41
COUNTY (TANG MERCH INV 31)	0.100000	1,121	\$1.12
COUNTY (TANG FULL 17 60 82)	0.100000	52,688	\$52.69
EXTENSION (TANG MERCH INV 31)	0.131742	1,121	\$1.48
EXTENSION (TANG FULL 17 60 82)	0.131742	52,688	\$69.41
LIBRARY (TANG MERCH INV 31)	0.172300	1,121	\$1.93
LIBRARY (TANG FULL 17 60 82)	0.172300	52,688	\$90.78
STATE (TANG MERCH INV 31)	0.050000	1,121	\$0.56
STATE (TANG FULL 17 60 82)	0.450000	52,688	\$237.10

LOCATION #	1
COUNTY / DISTRICT	Metcalf (DIST 00)
PVA PHONE NUMBER	(270) 432-3162
Tax Paid Timely?	YES
Paid within discount period?	NO

Metcalf County:
Inventory tax is broken out separately.

Grand Totals	
\$ 1,121	\$ 1,121
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ 1,121	\$ 1,121
\$ 11.55	\$ 11.55

Total Inventory Value (per Taxpayer)	\$ 1,121
Estimated total TIMELY Tangible Personal Property Tax Paid on Inventory (APPLY to FORM xxxx, Line 7)	\$ 12 (rounded)



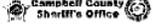
Example – Itemized Assessment Statement

Campbell County: Lists the type of tangible property subject to tax

- In this taxpayer's case, the whole amount is for Merchant's Inventory (Line 31 of Form 62A500)



Campbell County Sheriff's Office
 Mike Jansen, Sheriff
 1098 Monmouth St Suite 216
 Newport, KY 41071
 Phone (859) 292-3833
<https://sheriff.campbellcountykentucky.com/>
TAX YEAR 2018



Bill No. [REDACTED]

Pay By	With Tax & Adjustments	Total Due
11/30/2018	17.71	17.71
12/31/2018	18.08	18.08
1/31/2019	18.99	18.99
4/15/2019	21.89	21.89

Pay to County Clerk After 4/15/2019 **

4/22/2019	84.33	84.33
After 4/23/2019	95.19	95.19

Tax Authority	Rate @ \$100	Taxable Amt	Tax Amount
Campbell County School	0.657000	1,599	10.51
County	0.270400	1,599	4.32
Extension Services	0.054700	1,599	0.87
Health	0.024000	1,599	0.38
Library	0.075000	1,599	1.20
State	0.050000	1,599	0.80
Gross Tax			18.08

** Additior

Assessment Type	Amount	Ex.Type	Exemption	Taxable Amt
Merchant's	1,599		0	1,599

Property Location: [REDACTED]
 Legal Description: Tangible Property

LOCATION #	1	2
COUNTY / DISTRICT	Campbell (DIST 01)	Metcalfe (DIST 00)
PVA PHONE NUMBER	(859) 292-3871	(270) 432-3162
Tax Paid Timely?	YES	YES
Paid within discount period?	NO	NO
Grand Totals		
\$ 2,720	\$ 1,599	\$ 1,121
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ 2,720	\$ 1,599	\$ 1,121
\$ 29.41	\$ 17.86	\$ 11.55

Total Inventory Value (per Taxpayer) \$ 2,720

Estimated total **TIMELY** Tangible Personal Property Tax Paid on Inventory (APPLY to FORM xxxx, Line 7) \$ 29 (rounded)



Example – Itemized... Partially

Greenup County: Inventory tax is broken out separately for some taxing authorities, but not for others.

- Note that the separately billed amounts for inventory do not add up to the amount calculated by the worksheet

2018 Greenup County Property Tax Statement
Greenup County Sheriff
PO Box 318, Greenup, KY 41144

District: 02

Bill: [REDACTED]

Description	Rate per \$100	Assessed Value	Tax
STATE Tang 45 Full	0.450000	\$58,108	\$261.49
STATE Merchants' Inv/Fin Gds	0.050000	\$188,575	\$94.29
COUNTY CountyMFG_FIN	0.421900	\$188,575	\$795.60
COUNTY County Tang Full	0.421900	\$58,108	\$245.16
GREENUP COUNTY SCHOOLS Co Sch Tangible Full	0.850000	\$58,108	\$493.92
GREENUP COUNTY SCHOOLS Co Sch(Inv/Fin Gds)	0.850000	\$188,575	\$1,602.89
EXT Tangibles	0.025162	\$246,683	\$62.07
HEALTH Tangible Full	0.080000	\$246,683	\$197.35
LIBRARY Tangible Full	0.138800	\$246,683	\$342.40
AMBULANCE Tangible	0.100000	\$246,683	\$246.68
TOTAL TAX			\$4,341.85

LOCATION #	1
COUNTY / DISTRICT	Greenup (DIST 02)
PVA PHONE NUMBER	(606) 473-9984
Tax Paid Timely?	YES
Paid within discount period?	YES
	\$ 188,575
	\$ 188,575
	\$ 3,124.84

≠

The \$246,683 also contains inventory

*Note: The prototype calculator uses 2017 rates, so there is a \$15 difference between the worksheet-calculated amount and the manually calculated amount. All 2018 rates were not known as of the PVA Conference date



Examples

Greenup County: shows why taxpayers should use the calculator if they want the full amount of the credit

- The worksheet automatically computes the tax on each category of inventory for each taxing jurisdiction**

2018 Greenup County Property Tax Statement		Account: [REDACTED]	Bill: [REDACTED]
Greenup County Sheriff PO Box 318, Greenup, KY 41144		District: 02	
Description	Rate per \$100	Assessed Value	Tax
STATE Tang 45 Full	0.450000	\$58,108	\$261.49
STATE Merchants' Inv/Fin Gds	0.050000	\$188,575	\$94.29
COUNTY CountyMFG_FIN	0.421900	\$188,575	\$795.60
COUNTY County Tang Full	0.421900	\$58,108	\$245.16
GREENUP COUNTY SCHOOLS Co Sch Tangible Full	0.850000	\$58,108	\$493.92
GREENUP COUNTY SCHOOLS Co Sch(Inv/Fin Gds)	0.850000	\$188,575	\$1,602.89
EXT Tangibles	0.025162	\$246,683	\$62.07
HEALTH Tangible Full	0.080000	\$246,683	\$197.35
LIBRARY Tangible Full	0.138800	\$246,683	\$342.40
AMBULANCE Tangible	0.100000	\$246,683	\$246.68
TOTAL TAX			\$4,341.85

LOCATION #	1	2	3
COUNTY / DISTRICT	Greenup (DIST 02)	Campbell (DIST 01)	Metcalfe (DIST 00)
PVA PHONE NUMBER	(606) 473-9984	(859) 292-3871	(270) 432-3162
Tax Paid Timely?	YES	YES	YES
Paid within discount period?	YES	NO	NO
Grand Totals			
\$ 191,295	\$ 188,575	\$ 1,599	\$ 1,121
\$ -			\$ -
\$ -			\$ -
\$ -			\$ -
\$ -			\$ -
\$ -			\$ -
\$ -			\$ -
\$ -			\$ -
\$ -			\$ -
\$ 191,295	\$ 188,575	\$ 1,599	\$ 1,121
Estimated total TIMELY Tangible Personal Property Tax Paid on Inventory (APPLY to FORM xxxx, Line 7)	\$ 3,154.25	\$ 3,124.84	\$ 17.86
	(rounded)		

Total Inventory Value (per Taxpayer)	\$ 191,295
Estimated total TIMELY Tangible Personal Property Tax Paid on Inventory (APPLY to FORM xxxx, Line 7)	\$ 3,154



Examples

- The worksheet generates a completed Sch INV
- The INV shows the total inventory value, the tax paid, and calculates the amount of the credit
- In this case, the credit is \$789

Total Inventory Value (per Taxpayer)	\$ 191,295
Estimated total TIMELY Tangible Personal Property Tax Paid on Inventory (APPLY to FORM xxxx, Line 7)	\$ 3,154 (rounded)

SCHEDULE INV | **KENTUCKY INVENTORY TAX CREDIT (Ad Valorem)** | **2018**

See instructions. | **DRAFT COPY** | KRS 141.406

Attach to Form 720, 720S, 725, 740, 740-NR 741, 705, or 705-GR

Name of Taxpayer: _____ Federal Identification Number or Social Security Number: **123456789** Kentucky Corporation/LET Account Number (if applicable): _____

Mailing Address: _____ Taxed as: Corporation Limited Liability Pass-through Entity General Partnership Individual 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.

PART II—Amount of Credit Visit revenue.ky.gov for a worksheet to calculate the amount of allowable inventory tax 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	1 191,295 00	1 3,154 00
2 Line 32, Manufacturing Finished Goods	2 0 00	2 0 00
3 Line 33, Manufacturers Raw Materials/Goods in Process	3 0 00	3 0 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 0 00	4 0 00
5 Line 35, Goods Stored in Warehouse/Distribution Center	5 0 00	5 0 00
6 Line 36, Inventory - In Transit	6 0 00	6 0 00
7 Total (add lines 1 through 6)	7 191,295 00	7 3,154 00
8 Allowable percentage		8 25%
9 Allowable Inventory Tax Credit (Line 7 multiplied by Line 8)		9 789 00

41A720 INV (8-27-18 DRAFT) | Page 1 of 1

KDOR Guidance

The screenshot shows the Kentucky Department of Revenue website. The navigation bar includes links for Individual, Business, Tax Professionals (selected), Property, Collections, Get Help, and News. A search bar is present with the text "Search Department of Revenue". The main content area is titled "Guidance" and includes a breadcrumb trail: Home / Tax Professionals / Guidance. The text explains that the DOR issues various forms of guidance to provide reliable information. A list of guidance types is provided: General Information Letter, Private Letter Ruling, Revenue Procedure, and Technical Advice Memorandum. A note states that full definitions are provided in KY-RP-17-01. Below this, three sections are highlighted with blue bars: "General Information Letters" (containing a link to KY-GIL-18-01), "Revenue Procedures" (containing a link to KY-RP-17-01), and "Technical Advice Memorandums (TAMs)" (containing links to TAM-18-01 through TAM-18-06). A "Stay Connected!" sidebar offers a "Sign me up!" button for updates. Another sidebar, "Other Laws & Regulations", provides links for LRC Search, DOR Pending Regulations, and various tax-related resources.

KENTUCKY DEPARTMENT OF REVENUE

Individual Business **Tax Professionals** Property Collections Get Help News

Search Department of Revenue

Guidance

Home / Tax Professionals / Guidance

The Kentucky Department of Revenue ("DOR") issues various forms of guidance in order to provide the public with reliable information regarding the position DOR may take when confronted with a question concerning the applicability of a tax law or regulation. This guidance is issued in order to help taxpayers understand DOR's opinions concerning tax liability matters and to help ensure consistent application of the tax laws and regulations by all DOR employees. The DOR issues guidance referred to as:

- General Information Letter
- Revenue Procedure
- Private Letter Ruling
- Technical Advice Memorandum

*Full definitions and descriptions of the above types of guidance are provided in KY-RP-17-01 posted below.

General Information Letters

[KY-GIL-18-01](#) Corporation Income Tax Nexus for Leased Airplanes

Revenue Procedures

[KY-RP-17-01](#) Administration of Guidance

Technical Advice Memorandums (TAMs)

- [TAM-18-01](#) Conversion Factors for Communication and Video Programming Service Providers
- [TAM-18-02](#) Kentucky's Treatment of Global Intangible Low-Taxed Income
- [TAM-18-03](#) Credit for Income Tax Paid to Another State
- [TAM-18-04](#) Credit for Ad Valorem Tax Paid on Inventory
- [TAM-18-05](#) Application of Sales Tax to Vegetation Management Performed on Behalf of Utilities
- [TAM-18-06](#) Deductibility of State Taxes

Stay Connected!

Get the latest Revenue Policy and Regulation updates directly in your inbox.

[Sign me up!](#)

Other Laws & Regulations

The Legislative Research Commission (LRC) provides a search engine that allows users to research all Kentucky laws, regulations, revised statutes, records and bills.

[LRC Search](#)

[DOR Pending Regulations](#)

[Statutes & Regulations](#)
[Contact a Specific Tax Section](#)
[Current Year Legislation](#)
[Taxpayer Service Center Locations](#)

revenue.ky.gov → Tax Professionals → Guidance



KDOR Guidance – Published TAMs

TAM 18-01	Conversion Factors for Communication and Video Programming Service Providers
TAM 18-02	Kentucky’s Treatment of Global Intangible Low-Taxed Income (GILTI)
TAM 18-03	Credit for Income Tax Paid to Another State
TAM 18-07	Credit for Ad Valorem Tax Paid on Inventory (updated)
TAM 18-05	Application of Sales Tax to Vegetation Management Performed on Behalf of Utilities
TAM 18-06	Deductibility of State Taxes

KY-TAM-18-07 replaced previous guidance on the inventory tax credit (KY-TAM-18-04)

revenue.ky.gov → Tax Professionals → Guidance



Questions, Comments, or Concerns



Thank You!



2018 Kentucky State Tax Update

Jessica S. Honican, CPA

Director, Corporation Tax

✉ JessicaS.Honican@ky.gov

☎ (502) 564-7268

**Kentucky Department of Revenue
Office of Income Taxation
501 High Street • Station 52 • Frankfort, KY 40601
(502) 564-8139**

