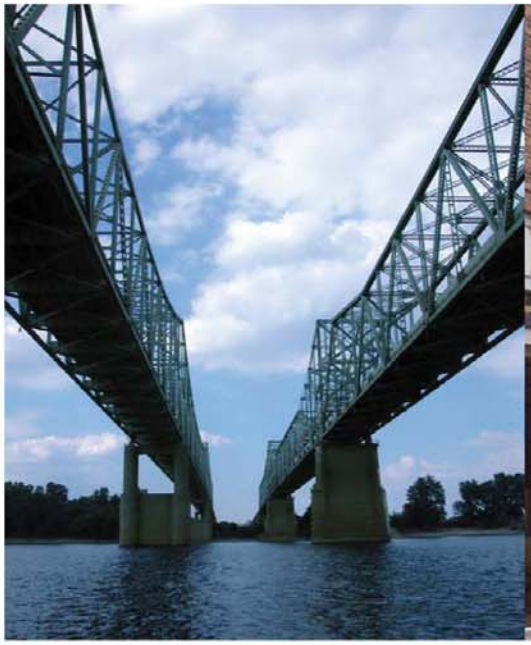
KENTUCKY DEPARTMENT OF REVENUE



2010 KENTUCKY INCOME TAX SEMINAR for PRACTITIONERS

Kentucky UNBRIDLED SPIRIT

DEPARTMENT OF REVENUE

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2010 KENTUCKY INCOME TAX SEMINAR for PRACTITIONERS

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D I S C L A I M E R

Every effort and care has been taken in the preparation of this manual. However, the possibility of mechanical and/or human error does exist.

In the event that any information in this manual is later determined to be in error, this manual cannot be used by taxpayers in supporting a specific position or issue before the Department of Revenue as it does not have the statutory or regulatory authority.

FORMS
Operations and Support
Services Branches
501 High Street
Frankfort, KY 40620
(502) 564-3658

INFORMATION
Refund Inquiries: (502) 564-1600
Forms & Information via internet:
www.revenue.ky.gov

KENTUCKY TAXPAYER SERVICE CENTERS

Ashland
134 16th Street
Ashland, KY 41101-7670
(606)920-2037

Bowling Green
201 West Professional Park Court
Bowling Green, KY 42104-3278
(270) 746-7470

Central Kentucky
501 High Street
Frankfort, KY 40620
(502) 564-4581

Corbin
15100 North US 25 E, Suite 2
Corbin, KY 40701-6188
(606) 528-3322

Hopkinsville
181 Hammond Drive
Hopkinsville, KY 42240-7926
(270) 889-6521

Louisville
600 West Cedar Street
Second Floor West
Louisville, KY 40202-2310
(502) 595-4512

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

Owensboro
401 Frederica Street
Building C, Suite 201
Owensboro, KY 42301
(270) 687-7301

Paducah
Clark Business Complex, Suite G
2928 Park Avenue
Paducah, KY 42001-0734
(270) 575-7148

Pikeville
Uniplex Center
126 Trivette Drive, Suite 203
Pikeville, KY 41501-1275
(606) 433-7675

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, religion, age or disability in employment or the provision of services.

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.

RIGHTS of TAXPAYER

Privacy – you have the right to privacy of information provided to the DOR.

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 determination of the DOR; and
• tax laws and changes in tax laws so that you can comply with the law.

Protest and Appeal – You have the right to protest and appeal a determination of the DOR if you disagree with an assessment of tax or penalty, reduction or a denial of a refund, a revocation of a license or permit, or other determination made by the DOR.

Conference – you have the right to request a conference to discuss the issue.

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 may be required to give your representative a power of attorney before the DOR can discuss tax matters with your authorized agent.

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 Board of Claims 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, 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; and
• 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.

YOUR RIGHTS as a KENTUCKY TAXPAYER PROTEST and APPEAL PROCEDURE

Protest – if you receive a notice of assessment, a Notice of Tax Due for tax or penalty or if the DOR notifies you that a tax refund or credit has been reduced or denied, a license or permit revoked or denied, or other determination made by the DOR, you have the right to protest. To do so:

• submit a written protest within 45 days from the original notice date;
• 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 determination to support that 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, KY 40620.

Independent Informal Review – you have the right to request an independent informal review.

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 Board of Tax Appeals. If you do not agree with the decision of the Kentucky Board of Tax Appeals, 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).

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. See the quick reference guide for a listing of the Kentucky taxpayer service centers. The DOR has an online taxpayer service center where you can download forms, publications, and obtain general information about the department. The Web address is *www.revenue.ky.gov*.

This information 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—131.081. Additional rights and responsibilities are provided for in **KRS 131.020, 131.110, 131.170, 131.183, 131.500, 133.120, 133.130, 134.580** and **134.590**.

2010 SESSION of the KENTUCKY GENERAL ASSEMBLY

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This 2010 legislative summary presents only general information concerning tax provisions enacted by the General Assembly during the 2010 Regular Session and does not represent a complete analysis of the law changes. The 2010 Regular Session did not result in any major tax changes, but tax changes were made and more of the changes will be effective during 2010. Full text of the enacted bills is available on the legislative home page at *www.lrc.ky.gov*.

ELECTRONIC COMMERCE

Individual Income Tax Returns – Several law changes were enacted to mandate or permit an increase to the number of tax returns filed electronically. Tax return preparers that file more than 10 individual income tax returns will be required to file their clients' returns electronically. The mandate will first apply to 2010 individual income tax returns due on April 15, 2011 and follows a federal return mandate enacted by Congress in 2009.

Business Tax Returns for Non-Road Fund Taxes – Electronic returns and corresponding electronic payment of tax due may be mandated for various business taxes via the promulgation of Administrative regulations. Any new business tax electronic filing mandate beyond specific tax guidelines included in this legislation will not be imposed on taxpayers or tax return preparers until an administrative regulation approved by the General Assembly promulgates the rules for complying with the mandate.

Road Fund Taxes – For tax periods beginning on or after Aug. 1, 2010, motor fuel transporters required to file a monthly return under the provisions of Kentucky Revised Statute **KRS 138.260** are required to file the return electronically. **KRS 138.464** was amended to close 120 bank accounts established in statute for the County Clerks to use in the collection of motor vehicle usage tax. Eliminating these designated bank accounts will simplify the clerks' daily deposit and reconciliation processes (HB 319).

ENERGY RELATED TAX INCENTIVES

Energy Efficient Homes and Energy Efficient Products Income Tax Credits – KRS 141.435, 141.436, 141.437 and **141.0205** were repealed and re-enacted to ensure that the language passed in 2008 Regular Session House Bill 2 was properly enacted in the Kentucky Revised Statutes. Several other nontax related statutes were repealed and re-enacted for the same purpose. The energy efficient homes credit (**KRS 141.437**) and energy efficient products credit **KRS 141.436**) remain effective for taxable years beginning after Dec. 31, 2008 and before Jan.1, 2016 (HB 240).

Incentives for Energy Independence – KRS 154.27 and **KRS 143.024** were amended to allow an expansion of the provisions of the Incentives for Energy Independence to apply to an energy efficient alternative fuel facility newly constructed on or after Aug. 30, 2010, or an existing facility located in Kentucky that is retrofitted or upgraded on or after Aug. 30, 2010. The new construction, retrofit or upgrade must produce energy efficient alternative fuels. Energy-efficient alternative fuels are homogeneous fuels that are produced from processes designed to densify feedstock coal, waste coal, or biomass resources. The energy-efficient alternative fuels must have an energy content that is greater than the feedstock used in their production. An approved company under these incentives may qualify for sales and use tax, coal severance tax, income tax, limited liability entity tax or wage assessment fee incentives (HB 552).

KRS 152.715 and **154.27** were amended and a new section of KRS Chapter 143A was created to expand the provisions of the Incentives for Energy Independence Act to include facilities newly constructed or retrofitted on or after Aug. 1, 2010 that produce alternative transportation fuels using natural gas or natural gas liquids as the primary feedstock, and in which a minimum capital investment of $1 million is made. An approved company under these incentives may qualify for sales and use tax, natural gas severance tax, income tax, limited liability entity tax or wage assessment fee incentives (HB 589).

KENTUCKY RURAL ECONOMIC DEVELOPMENT ACT (KREDA) INCENTIVES

Effective July 14, 2010, **KRS 154.22-050** was amended to allow approved companies under the KREDA incentive program to apply to the Kentucky Economic Development Financing Authority (KEDFA) to extend the length of the project agreement term from 15 years up to 25 years. If an extension is granted, KEDFA cannot increase the maximum amount of incentives established by the existing tax incentive agreement. To qualify for the extension, the approved company has to meet the following requirements:

- Agrees to an additional investment or the creation of additional jobs;
- Consolidates operations, facilities or services currently located in another state to the Kentucky facility; and
- Has used less than 60 percent of the inducements awarded under the tax incentive agreement at the time the extension is granted. The KREDA tax incentives are income tax credits, limited liability entity tax credits and wage assessment fees (HB287).

SALE of DELINQUENT PROPERTY TAX BILLS

Various property tax statutes were amended to clarify and expand upon the provisions enacted in 2009 Regular Session HB 262 which permits the sale of delinquent property tax bills to third parties. The changes made include the following:

• Adds the sale of delinquent oil and gas and unmined coal property tax bills to the types of delinquent property tax bills that may be sold to third parties;
• Provides procedures to prevent the sale of a certificate of delinquency that is involved in bankruptcy or some other litigation initiated by the county attorney;
• Provides the proper steps to issue a refund to a third party, if necessary;
• Clarifies the base for the calculation of interest on certificates of delinquency; and
• Allows third party purchasers to enter into payment plans with taxpayers.

These legislative changes will apply to sales of delinquent property tax bills occurring in 2010. (HB 298)

PARI-MUTUEL TAX

Various sections of the pari-mutuel tax statutes were amended to accomplish the following:
• Effective July 14, 2010, creates a new section of KRS Chapter 230 to create the Kentucky quarter horse, appaloosa and Arabian development fund; and
• Requires the sponsor of an international horse racing event held in the Commonwealth in 2010 to contract on a date specific to conduct that same event in Kentucky in 2011 or 2012 in order for wagers associated with the 2010 event to qualify for a pari-mutuel tax exemption. The additional contractual agreement must be in place by Nov. 4, 2010 (HB 347).

ADMINISTRATIVE REGULATIONS

Effective July 14, 2010, **KRS 131.130** was amended to allow DOR to include examples as part of an administrative regulation, and to allow those examples to include demonstrative, non-exclusive lists (SB 158).

This 2010 Special Session legislative summary presents only general information concerning tax provisions enacted by the General Assembly during the 2010 Special Session and does not represent a complete analysis of the law changes. Changes were made to HB 2. Full text of the enacted bill is available on the legislative home page at *www.lrc.ky.gov*.

TAX LAW CHANGES in HOUSE BILL 2

Expedited Protest Resolution – An expedited protest resolution program was signed into law by Gov. Beshear on June 4, 2010. Any notice of tax due (tax bill) that as of Jan. 19, 2010 has been properly protested under Kentucky Revised Statute **KRS 131.110**, not been the subject of a final ruling letter and not been the subject of collections action is eligible. A taxpayer may pay 100 percent of the tax due on eligible bills and be absolved from owing penalty and interest on those bills. Payment of 100 percent of the tax due on eligible bills must be made by the close of business on July 30, 2010 in order to qualify. The DOR has sent a letter to taxpayers with bills that have been identified as being eligible under this program. This program should not be confused with previous tax amnesty programs. This is not a tax amnesty program, but rather a program to expedite resolution of the Jan. 19, 2010 inventory of tax bill protests.

Individual Income Tax New Home Tax Credit – The new home tax credit provided by **KRS 141.388** has been extended to Dec. 31, 2010. The credit cap has been lowered from $25 million to $15 million. *Qualified buyer* is now defined as "a resident who purchases a qualified principal residence." Qualified buyers who purchased a qualified principal residence between Nov. 7, 2009 and June 4, 2010 have until July 6, 2010 to fax an application for approval. Homeowners who purchased a home between these dates may qualify for this credit even if they also qualified for the federal homebuyer credit. Qualified buyers that purchase a qualified principal residence outside of the above referenced dates are still required to fax the application for approval within seven (7) calendar days from the date of purchase. The fax number is (502) 564-3706. Additional questions regarding the changes to the credit may be answered by calling the Individual Income Taxpayer Assistance Section at (502) 564-4581 or using the Live Help service available on the main page of our Web site at *www.revenue.ky.gov*.

Individual and Corporation Income Tax – Domestic Production Activities Deduction – For taxable years beginning on or after Jan. 1, 2010, the amount of the domestic production

activities deduction (DPAD) for Kentucky income tax returns will be 6 percent as allowed in Section 199(a)(2) of the Internal Revenue Code (IRC) for taxable years beginning before Jan. 1, 2010. Thus, Kentucky does not recognize the 9 percent DPAD calculation rate allowed for federal income tax returns filed for taxable years beginning on or after Jan. 1, 2010.

Individual and Corporation Income Tax Pass-through Entity Withholding Estimated Payments – Effective for taxable years beginning after Dec. 31, 2011, every pass-through entity required to withhold Kentucky income tax from nonresident individual partners, members or shareholders and corporate partners or members doing business in Kentucky only through its ownership interest in a pass-through entity, must make estimated payments. The estimated payments are due under the same estimated payment installment rules provided for individuals under the provisions of **KRS 141.305** and for corporations under **KRS 141.044**.

Motor Vehicle Usage Tax – The new car trade-in allowance was extended to June 30, 2011. The cap for the trade-in allowance remains at $25 million.

Income and Limited Liability Entity Taxes – Film Industry Tax Credit – The film industry tax incentives provided in **KRS 141.383** and **148.542** to **148.546** were amended to establish a cap of $5 million for the fiscal year 2010-2011, and $7.5 million for the fiscal year 2011-2012. The cap was codified in **KRS 148.546(3)(b)**.

Income and Limited Liability Entity Taxes – Kentucky Reinvestment Act Credit – The Kentucky Reinvestment Act credit, provided by **KRS 154.34-120**, was amended for any approved company which receives preliminary approval on or after Feb. 1, 2010 to limit the amount of incentives allowed in any year to not exceed the lesser of the tax liability of the approved company related to the reinvestment project for that taxable year or 20 percent of the total amount of the approved costs.

Income and Limited Liability Entity Taxes – Small Business Development Credit Program – The Small Business Development Credit Program authorized by **KRS 154.60-020** and **KRS 141.384** was amended to allow the credit to apply to taxable years beginning after Dec. 31, 2010 instead of taxable years beginning after Dec. 31, 2011. The definition of *base year* for purposes of the credit computation was changed to the first full year of operation that begins on or after Jan. 1, 2009 and before Jan. 1, 2010.

Income and Limited Liability Entity Taxes – Endow Kentucky Tax Credit – Effective for taxable years beginning on or after Jan. 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of

the value of the endowment gift, not to exceed $10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the DOR in each fiscal year is $500,000. An application for preliminary authorization for the credit must be submitted to the DOR. The new application form is currently under development. If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. The taxpayer has ten days after making the gift to provide the department with proof of the gift. If the proof is then approved, the department will issue a final tax credit letter to the taxpayer.

Income, Limited Liability Entity and Insurance Premiums Taxes – New Markets Development Program Tax Credit – The New Markets Development Program Tax Credit (NMDPTC) was created in **KRS 141.432** to **141.434** to encourage taxpayer investment in low-income communities. A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the DOR and once approved, the qualified community development entity may issue a long-term debt security or receive an equity investment that will result in eligible credit. The person or entity actually making the loan or making the equity investment will be able to claim a credit, subject to a $5 million credit cap each fiscal year. The total credit computation is 39 percent of the purchase price or loan amount, broken down as follows for each of the next seven years beginning with the date on which the equity investment is initially made:

- 0 percent of the purchase price or loan amount may be taken in the first two years including the year in which the investment is initially made;
- 7 percent of the purchase price or loan amount may be taken in the third year including the year in which the investment is initially made; and,
- 8 percent of the purchase price or loan amount may be taken for fourth through seventh years including the year in which the investment is initially made.

Any unused approved credit may be carried forward for use in any subsequent tax year. The qualified community development entity must utilize at least 85 percent of the funds received via a qualified equity investment to invest in qualified active low-income community businesses located in the Commonwealth of Kentucky within 24 months after the issuance of the investment. The maximum investment in any individual qualified active low-income community business is $10 million. A *qualified active low- income community business* is defined by Section 45D of the IRC. The DOR is

currently developing a regulation to provide guidance on the credit application and approval process for the NMDPTC. The regulation should be filed by Sept. 15, 2010. Additional information regarding this new credit program will be provided via our Web site at *www.revenue.ky.gov*.

Income and Limited Liability Entity Taxes – Environmental Stewardship Tax Credit Changes – Effective for taxable years ending on or after June 4, 2010, the baseline year portion of the Kentucky Environmental Stewardship Credit calculation shall be multiplied by 50 percent.

KENTUCKY INDIVIDUAL INCOME TAX FORMS

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Form 740-EZ with instructions
Form 740
Form 740-NP
Form 740-NP-R
Form 740, Schedule A
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Form 740, Schedule M
Form 740, Schedule P
Form 2210-K
Form 5695-K
Form 8863-K
Form 740-X & 740-XP

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Form 40A727 – Forms Requisition 64

NEW for 2010

Increase in the Kentucky Standard Deduction – KRS 141.081 provides for annually indexing the standard deduction based upon the Consumer Price Index (CPI). For tax year 2010, the standard deduction is $2,210.

Family Size Tax Credit – This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2010 threshold amount is $10,830 for a family size of one, $14,570 for a family of two, $18,310 for a family of three and $22,050 for a family of four or more.

Military Pay Exclusion – Effective for taxable years beginning on or after January 1, 2010, all military pay received by active duty members of the Armed Forces of the United States, members of reserve components of the Armed Forces, and members of the National Guard will be exempt from Kentucky individual income tax.

Soldiers will claim the exemption by excluding military pay when filing a Kentucky individual income tax return (if necessary) starting with the 2010 return. Provided the military member has no income other than military pay, he or she would not be required to file a Kentucky income tax return. The military pay exemption applies to all Kentucky military members regardless of where the member is stationed.

Kentucky income tax should no longer be withheld from checks received for military pay beginning January 2, 2010. If Kentucky income tax is incorrectly withheld from a soldier's military pay in 2010 and after, the Kentucky Department of Revenue will refund the tax withheld.

New Home Tax Credit – The New Home Tax Credit provided by **KRS 141.388** has been extended to December 31, 2010. The credit cap has been lowered from $25 million to $15 million. A *qualified buyer* is now defined as "a resident who purchases a qualified principal residence."

Kentucky Energy Efficiency Products Tax Credit – The energy efficient homes credit (**KRS 141.437**) and energy efficient products credit (**KRS 141.436**) remains effective for taxable years beginning after December 31, 2008 and before January 1, 2016.

If you qualified for the energy efficiency products tax credit in 2009 and could not utilize your entire approved credit, the balance may be carried forward to apply against your 2010 tax liability. Unused amounts are limited to a one-year carry forward period.

Film Industry Tax Credit – The film industry tax incentives provided in **KRS 141.383** and **141.542** to **148.546** were amended to establish a cap of $5 million for the fiscal year 2010-2011, and $7.5 million for the fiscal year 2011-2012.

Railroad Maintenance and Improvement Tax Credit – A nonrefundable credit against the individual income, corporation income and limited liability entity taxes has been enacted in an amount equal to 50 percent of the qualified expenditures paid or incurred by an eligible taxpayer during the taxable year to maintain or improve railroads located in Kentucky. The credit applies to taxable years beginning after December 31, 2009. An eligible taxpayer is defined as the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or Class III railroad located in Kentucky. The credit is reported on Form 740, Page 2, Section A, Line 18. The credit cannot be carried forward.

Military Spouse – The Military Spouses Residency Relief Act (MSRRA) was signed into law on November 11, 2009. This new law is effective beginning January 1, 2009. The MSRRA allows the same residency benefits permitted to military personnel under the Service members Civil Relief Act to also apply to a military spouse's nonmilitary income. The MSRRA prohibits a spouse's income from being considered income earned in a tax jurisdiction if the spouse is not a resident or domiciliary of such jurisdiction when the spouse is in that jurisdiction solely to be with a service member serving under military orders.

Those military spouses who fall under this law should file Form 740-NP Kentucky Individual Income Tax Nonresident or Part-Year Resident Return to request a refund of the Kentucky income tax withheld from his or her pay. The income would not be reported as taxable on the Kentucky income tax return. To assist the department in identifying those returns, please write across the top of the return "*MILITARY SPOUSE*."

2010 Kentucky Individual Income Tax Forms – Draft Version

The following 2010 draft forms are included in this manual:

- 740-EZ Kentucky Individual Income Tax Form
- 740 Kentucky Individual Income Tax Form
- 740-NP Nonresident or Part-Year Resident Kentucky Income Tax Form
- 740-NP-R Kentucky Income Tax Return, Nonresident-Reciprocal State
- Schedule A – Itemized Deductions
- Schedule KNOL – Kentucky Net Operating Loss
- Schedule M – Kentucky Federal Adjusted Gross Income Modifications
- Schedule P – Pension Income Exclusion
- 2210-K Underpayment of Estimated Tax by Individuals
- 5695-K Energy Efficiency Products Tax Credit
- 8863-K Kentucky Education Tuition Tax Credit
- 740-X & 740-XP – Amended Kentucky Individual Income Tax Form
- Application for Extension for Kentucky

Form 740-EZ

There are very few changes from the 2009 form. The pre-printed standard deduction is now $2,210.

740-EZ
Single Persons With No Dependents
42A740-EZ
Department of Revenue

KENTUCKY INDIVIDUAL INCOME TAX RETURN

Kentucky **2010**

Your Social Security Number

Name—Last, First, Middle Initial

Mailing Address (Number and Street or P.O. Box) Apartment Number

City, Town or Post Office State ZIP Code

LABEL

DRAFT 7/01/10

FAMILY SIZE 1

POLITICAL PARTY FUND Designating $2 will not change your refund or tax due. Mark an X in Box 1 for **Democratic,** Box 2 for **Republican,** or Box 3 for **No Designation.** 1 ☐ 2 ☐ 3 ☐

INCOME	1. Enter federal Adjusted Gross Income from **Form 1040EZ, line 4.** This is your **Kentucky Modified Gross Income (If $14,404 or less, you may qualify for the Family Size Tax Credit. See instructions on page 2.)**	1 •		00
	2. Standard deduction	2	2,210	00
	3. Subtract line 2 from line 1. This is your Taxable Income	3		00
TAX	4. Enter tax from Tax Table or Tax Computation for amount on line 3	4		00
	5. Personal tax credit	5	20	00
	6. Subtract line 5 from line 4. If line 5 is larger than line 4, enter zero	6		00
	7. Multiply line 6 by the Family Size Tax Credit for **Family Size 1** decimal amount __.___ (_____ %) and enter here (see instructions on page 2)	7 •		00
	8. Subtract line 7 from line 6. This is your **Income Tax Liability**	8		00
	9. Enter **Kentucky Use Tax**	9 •		00
	10. Add lines 8 and 9. This is your **Total Tax Liability**	10 •		00
	11. Enter **Kentucky Income Tax** withheld as shown on ***attached*** 2010 Form W-2, Wage and Tax Statement(s)	11 •		00
	12. If line 11 is larger than line 10, enter **AMOUNT OVERPAID** (see instructions)	12		00
	Fund Contributions; See instructions. ➤ ***(Enter amount(s) checked)***			
	13. a **Nature and Wildlife Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____ •			
	b **Child Victims' Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____ •			
	c **Veterans' Program Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____ •			
	d **Breast Cancer Research/Education Trust** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____ •			
	14. Add amounts contributed on lines 13a, 13b, 13c and 13d	14		00
	15. Subtract line 14 from line 12. Amount to be **refunded to you** **REFUND**	15 •		00
	16. If line 10 is larger than line 11, enter amount you owe. Enclose check payable to **Kentucky State Treasurer.** Write your Social Security number and "KY Income Tax—2010" on the check **OWE**	16 •		00

I, the undersigned, declare under penalties of perjury that I have examined this return, including any accompanying statements, and to the best of my knowledge and belief, it is true, correct and complete.

➤ ☎

Your Signature Telephone Number (daytime) Date Signed

Typed or Printed Name of Preparer Other Than Taxpayer I.D. Number of Preparer Date

Mail to:

REFUNDS **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

OFFICIAL USE ONLY

PWR

Attach Form W-2, Wage and Tax Statement(s) and Payment Here

INSTRUCTIONS—FORM 740-EZ

DRAFT 7/01/10

Who May Use Form 740-EZ—You may use Form 740-EZ if all five of the following apply:

- ✓ you were a Kentucky resident for the entire year;
- ✓ you are filing federal Form 1040EZ;
- ✓ your filing status is single;
- ✓ you do not claim additional credits for being age 65 or over, blind, or a member of the Kentucky National Guard at the end of 2010; and
- ✓ you had only wages, salaries, tips, unemployment compensation, taxable scholarship or fellowship grants, and your taxable interest was $1,500 or less.

If you do not meet all five of the above requirements, see Form 740 instructions.

When to File—The 2010 Form 740-EZ must be postmarked no later than April 18, 2011, to avoid penalties and interest.

COMPLETING FORM 740-EZ—For more information, see the General Instructions. You may also contact the Department of Revenue in Frankfort at (502) 564-4581 or a Kentucky Taxpayer Service Center.

Please print your numbers inside the boxes with black ink. Do not use dollar signs.

Enter your Social Security number on your return. To protect your privacy, your Social Security number is not printed on the peel-off label that came in the mail.

Political Party Fund Designation—You may designate $2 of your taxes to either the Democratic or Republican party if you have a tax liability of at least $2.

LINE-BY-LINE INSTRUCTIONS

Line 1—Enter federal adjusted gross income from Form 1040EZ, Line 4. **(Do not confuse federal adjusted gross income with federal taxable income shown on the federal return.)** If $14,404 or less, see instructions for Line 7 and enter the decimal amount on Line 7.

If you are not required to file a federal income tax return, enter the total income from sources within and without Kentucky.

Line 2—The standard deduction of $2,210 has been preprinted. If your itemized deductions exceed $2,210, it will benefit you to file Form 740 and itemize your deductions on Schedule A.

Line 4—Compute your tax using the following tax rate schedule.

If taxable income is:	*Tax before credit is:*
$ 0 — $3,000	2% of taxable income
$3,001 — $4,000	3% of taxable income minus $30
$4,001 — $5,000	4% of taxable income minus $70
$5,001 — $8,000	5% of taxable income minus $120
$8,001 — $75,000	5.8% of taxable income minus $184
$75,001 and up	6% of taxable income minus $334

Example: (Taxable income) $8,500 x 5.8% – $184 = $309

Note: An optional tax table is available online at www.revenue.ky.gov or by calling the Department of Revenue, (502) 564-4581.

Line 7, Family Size Tax Credit—For single persons eligible to file Form 740-EZ, Kentucky family size is one and Kentucky modified gross income is equal to federal adjusted gross income. A family size tax credit is allowed for single persons whose **Kentucky modified gross income** is not over $14,404. If over $14,404, you do not qualify for this tax credit. Skip Line 7.

Enter in the space provided the decimal amount from the following table.

Family Size One		Percent of Tax as Family Size Tax Credit
If the Kentucky modified gross income (Line 1) is:		Enter decimal amount on Line 7
over	but not over	
$ 0	$10,830	1.00 (100%)
$10,830	$11,263	0.90 (90%)
$11,263	$11,696	0.80 (80%)
$11,696	$12,130	0.70 (70%)
$12,130	$12,563	0.60 (60%)
$12,563	$12,996	0.50 (50%)
$12,996	$13,429	0.40 (40%)
$13,429	$13,754	0.30 (30%)
$13,754	$14,079	0.20 (20%)
$14,079	$14,404	0.10 (10%)

Multiply amount on Line 6 by decimal amount. Enter result on Line 7. This is your Family Size Tax Credit.

Line 9, Kentucky Use Tax—Enter 6 percent of out-of-state purchases for use in Kentucky on which sales tax was not charged. Include Internet and catalog purchases, subscriptions, furniture, carpet, boats, etc.

Line 11, Kentucky Tax Withheld—Enter the amount of Kentucky income tax withheld as shown on your 2010 wage and tax statements. **These statements must be attached to your return.** Make sure you file the copy designated to be filed with your state return. Do not include amounts withheld by your employer for other states. Amounts withheld in other states cannot be credited to your Kentucky income tax. Local government occupational, license or income taxes must not be included on Line 11.

Line 12—If the amount on Line 11 (Kentucky Tax Withheld) is more than the amount on Line 10 (Total Tax Liability), you have an overpayment and are due a refund. Subtract Line 10 from Line 11, and enter the difference on Line 12 as an overpayment. However, if your Total Tax Liability on Line 10 is larger than Line 11, you owe additional tax. Subtract Line 11 from Line 10 and enter on Line 16.

Line 13—If you show an overpayment on Line 12, you may contribute to: (a) the **Nature and Wildlife Fund,** (b) the **Child Victims' Trust Fund,** (c) the **Veterans' Program Trust Fund** and/or (d) the **Breast Cancer Research and Education Trust Fund.** *Donations are voluntary and amounts donated will be deducted from your refund.*

Enter the amount(s) you wish to contribute on Lines 13(a), 13(b), 13(c) and/or 13(d). The total of these amounts cannot exceed the amount of the overpayment.

Line 16—You must pay any tax due shown on Line 16. Make check payable to **Kentucky State Treasurer,** and attach it to your return. On the face of the check, please write "KY Income Tax–2010" and your Social Security number.

Underpayment of Estimated Tax—If the amount owed is more than 30 percent of the income tax liability on Line 8, you may be subject to a penalty of 10 percent of the underpayment of estimated tax. The minimum penalty is $25. The amount of the penalty may be calculated on Form 2210-K, which may be obtained from the Department of Revenue.

Interest and Penalties—File your return and pay any additional tax due by April 18, 2011 to avoid interest and penalties. See the General Instructions or contact the Department of Revenue for additional information.

Note: Penalties but not interest may be reduced or waived if reasonable cause can be shown.

Signature—Each return must be properly signed by the taxpayer.

Form 740

Changes for 2010 include:

- Refundable Certified Rehabilitation Credit added on page 2, line 32C
- Film Industry Credit added on page 2, line 32D
- Changed the name of the Certified Rehabilitation Credit to Nonrefundable Certified Rehabilitation Credit in Section A, line 3
- Railroad Maintenance and Improvement Credit added in Section A, line 18
- Under the *Make check payable* section on page 2, the verbiage "for electronic payment options" has been changed to "for more options"

740
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Department of Revenue

KENTUCKY
INDIVIDUAL INCOME TAX RETURN
Full-Year Residents Only

Kentucky
2010

For calendar year or other taxable year beginning _____ , 2010, and ending _____ , 20____ .

A. Spouse's Social Security Number | **B.** Your Social Security Number

LABEL

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)

Mailing Address (Number and Street or P.O. Box) | Apartment Number

City, Town or Post Office | State | ZIP Code

DRAFT 7/07/10

FILING STATUS (see instructions)

1 ☐ Single
2 ☐ *Married,* filing separately on this combined return. **(If both had income.)**
3 ☐ *Married,* filing joint return.
4 ☐ *Married,* filing separate returns. Enter spouse's Social Security number above and full name here. _____

POLITICAL PARTY FUND
Designating $2 will not change your refund or tax due.

	A. Spouse	B. Yourself
Democratic	(1) ☐	(4) ☐
Republican	(2) ☐	(5) ☐
No Designation	(3) ☐	(6) ☐

INCOME/TAX

			A. Spouse (*Use if Filing Status 2 is checked.*)			B. Yourself (or Joint)	
5	Enter amount from federal Form 1040, line 37; 1040A, line 21 or 1040EZ, line 4. **(If total of Columns A and B is $29,327 or less, you may qualify for the Family Size Tax Credit. See instructions.)**	• 5		00	• 5		00
6	Additions from Schedule M, line 8	• 6		00	• 6		00
7	Add lines 5 and 6	7		00	7		00
8	Subtractions from Schedule M, line 20	• 8		00	• 8		00
9	Subtract line 8 from line 7. This is your **Kentucky Adjusted Gross Income**	9		00	9		00
10	**Itemizers:** Enter itemized deductions from Kentucky Schedule A. **Nonitemizers:** Enter **$2,210** in Columns A and/or B	• 10		00	• 10		00
11	Subtract line 10 from line 9. This is your **Taxable Income**	• 11		00	• 11		00
12	Enter tax from Tax Table, Computation or Schedule J. Check if from Schedule J ☐	12		00	12		00
13	Enter tax from Form 4972-K ☐ ; Schedule RC-R ☐	• 13		00	• 13		00
14	Add lines 12 and 13 and enter total here	14		00	14		00
15	Enter amounts from page 2, Section A, lines 19A and 19B	15		00	15		00
16	Subtract line 15 from line 14. If line 15 is larger than line 14, enter zero	16		00	16		00
17	**Enter personal tax credit amounts from page 3, Section B, lines 4A and 4B**	• 17		00	• 17		00
18	Subtract line 17 from line 16. If line 17 is larger than line 16, enter zero	18		00	18		00
19	Add tax amount(s) in Columns A and B, line 18 and enter here				19		00
20	Check the box that represents your total family size (**see instructions** before completing lines 20 and 21)				• 20	1 ☐ 2 ☐ 3 ☐ 4 ☐	
21	Multiply line 19 by **Family Size Tax Credit** decimal amount __.___ (_____%) and enter here				• 21		00
22	Subtract line 21 from line 19				22		00
23	Enter the **Education Tuition Tax Credit** from Form 8863-K				• 23		00
24	Subtract line 23 from line 22				24		00
25	Enter **Child and Dependent Care Credit** from federal Form 2441, line 9 ➤ _____ **x 20%** (.20)				• 25		00
26	Subtract line 25 from line 24				26		00
27	Enter the **New Home Tax Credit (see instructions)**				• 27		00
28	**Income Tax Liability.** Subtract line 27 from line 26. If line 27 is larger than line 26, enter zero				28		00
29	Enter **KENTUCKY USE TAX** from worksheet in the instructions				• 29		00
30	Add lines 28 and 29. Enter here and on page 2, line 31				30		00

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only

FORM 740 (2010)

DRAFT 7/15/10

REFUND/TAX PAYMENT SUMMARY

31	Enter amount from page 1, line 30. This is your **Total Tax Liability**		• 31		00
32	(a) Enter **Kentucky income tax withheld** as shown on **attached** 2010 Form W-2(s) and other supporting statements	• 32(a)	00		
	(b) Enter 2010 Kentucky estimated tax payments	• 32(b)	00		
	(c) Enter 2010 refundable certified rehabilitation credit (KRS 141.382(1)(b))	• 32(c)	00		
	(d) Enter 2010 film industry tax credit (KRS 141.383)	• 32(d)	00		
33	Add lines 32(a) through 32(d)		• 33		00
34	If line 33 is larger than line 31, enter **AMOUNT OVERPAID** (see instructions)		34		00
	Fund Contributions; See instructions.		➤ ***(Enter amount(s) checked)***		
35	**Nature and Wildlife Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____	• 35	00		
36	**Child Victims' Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____	• 36	00		
37	**Veterans' Program Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____	• 37	00		
38	**Breast Cancer Research/Education Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other _____	• 38	00		
39	Add lines 35 through 38		39		00
40	Amount of line 34 to be **CREDITED TO YOUR 2011 ESTIMATED TAX**		• 40		00
41	Subtract lines 39 and 40 from line 34. Amount to be **REFUNDED TO YOU**	**REFUND**	• 41		00
42	If line 31 is larger than line 33, enter **ADDITIONAL TAX DUE**		• 42		00
43	(a) Estimated tax penalty and/or interest. ☐ ***Check if Form 2210-K attached***	• 43(a)	00		
	(b) Interest	• 43(b)	00		
	(c) Late payment penalty	• 43(c)	00		
	(d) Late filing penalty	• 43(d)	00		
44	Add lines 43(a) through 43(d). Enter here		• 44		00
45	Add lines 42 and 44 and enter here. This is the **AMOUNT YOU OWE**	**OWE**	45		00

- Make check payable to **Kentucky State Treasurer** or visit **www.revenue.ky.gov** for more options.
- Write your Social Security number and "KY Income Tax—2010" on the check.

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	PWR

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

		A. Spouse			B. Yourself	
1	Enter nonrefundable limited liability entity credit (KRS 141.0401(2)) **(attach Kentucky Schedule(s) K-1 or Form(s) 725)**	1		00	1		00
2	Enter skills training investment credit (attach copy(ies) of certification)	2		00	2		00
3	Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a))	3		00	3		00
4	Enter credit for tax paid to another state **(attach copy of other state's return(s))**	4		00	4		00
5	Enter unemployment credit (attach Schedule UTC)	5		00	5		00
6	Enter recycling and/or composting equipment credit (attach Schedule RC)	6		00	6		00
7	Enter Kentucky Investment Fund credit (attach copy(ies) of certification)	7		00	7		00
8	Enter coal incentive credit	8		00	8		00
9	Enter qualified research facility credit (attach Schedule QR)	9		00	9		00
10	Enter GED incentive credit (attach Form DAEL-31)	10		00	10		00
11	Enter voluntary environmental remediation credit (attach Schedule VERB)	11		00	11		00
12	Enter biodiesel and renewable diesel credit	12		00	12		00
13	Enter environmental stewardship credit	13		00	13		00
14	Enter clean coal incentive credit	14		00	14		00
15	Enter ethanol credit (attach Schedule ETH)	15		00	15		00
16	Enter cellulosic ethanol credit (attach Schedule CELL)	16		00	16		00
17	Enter energy efficiency products credit (attach Form 5695-K)	17		00	17		00
18	Enter railroad maintenance and improvement credit (attach Schedule RR-I)	18		00	18		00
19	Add lines 1 through 18, Columns A and B. **Enter here and on page 1, line 15**	19		00	19		00

FORM 740 (2010)

SECTION B— PERSONAL TAX CREDITS

	Check Regular	Check both if 65 or over	Check both if blind
1 (a) Credits for yourself:	☐	☐ ☐	☐ ☐
(b) Credits for spouse:	☐	☐ ☐	☐ ☐

1 Enter number of boxes checked on line 1 .....

2 **Dependents:**

First name	Last name	Dependent's Social Security number	Dependent's relationship to you	Check if qualifying child for family size tax credit
				☐
				☐
				☐
				☐

2 Enter number of dependents who:

- lived with you .....
- did not live with you (see instructions) .....
- other dependents .....

3 Add total number of credits claimed on lines 1 and 2.
If married filing separately on a combined return (Filing Status 2), each taxpayer must claim his or her own credits from line 1, divide the credits on line 2, and enter the totals in Boxes 3A and 3B. All other filers enter the amount from line 3 in Box 3B ..... ➤

3 Enter total credits .....

Spouse	Yourself
•3A x $20	•3B x $20
4A	4B

4 Multiply credits on line 3A by $20 and enter on line 4A. Multiply credits on line 3B by $20 and enter on line 4B. **Enter here and on page 1, line 17, Columns A and B** .....

SECTION C— FAMILY SIZE TAX CREDIT (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

First name	Last name	Social Security number	First name	Last name	Social Security number

Attach a complete copy of federal Form 1040 if you received farm, business, or rental income or loss. If not required, check here. ☐

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint or combined return, both must sign.) Spouse's Signature Date Signed

( )
Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Firm Name EIN Date

Mail to: **REFUNDS** **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

OFFICIAL USE ONLY					
EST	CF	NT	P B F R		1 2

Form 740-NP

Changes for 2010 include:

- Refundable Certified Rehabilitation Credit added on page 2, line 32C
- Film Industry Credit added on page 2, line 32D
- Changed the name of the Certified Rehabilitation Credit to Nonrefundable Certified Rehabilitation Credit in Section A, line 3
- Railroad Maintenance and Improvement Credit added in Section A, line 18
- Nonresident withholding is now entered on page 2, line 32E
- Under the *Make check payable* section on page 2, the verbiage "for electronic payment options" has been changed to "for more options"
- Lines 18 and 29 on page 4 have been reserved on this draft form to account for possible future changes to the federal Form 1040

740-NP
42A740-NP
Department of Revenue

Check if return is:
☐ ***Amended*** *(Attach copy of original return.)*

KENTUCKY INDIVIDUAL INCOME TAX RETURN
Nonresident or Part-Year Resident

Kentucky

2010

For calendar year or other taxable year beginning _____, 2010, and ending _____, 20____.

A. Spouse's Social Security Number	**B.** Your Social Security Number

LABEL

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)

Mailing Address (Number and Street or P.O. Box) — Apartment Number

City, Town or Post Office — State — ZIP Code

DRAFT 7/30/10

FILING STATUS (see instructions)

1 ☐ Single
2 ☐ *Married*, filing joint return.
3 ☐ *Married*, filing separate returns. Enter spouse's Social Security number above and full name here. _____

POLITICAL PARTY FUND
Designating $2 will not change your refund or tax due.

	A. Spouse	B. Yourself
Democratic	(1) ☐	(4) ☐
Republican	(2) ☐	(5) ☐
No Designation	(3) ☐	(6) ☐

RESIDENCY STATUS *(check one box)*

4 ☐ Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2010 _____.
5 ☐ Part-year resident. Complete appropriate line(s) below.
Moved into Kentucky ____/____/ **10**. State moved from _____.
Moved out of Kentucky ____/____/ **10**. State moved to _____.
6 ☐ Full-year resident of a **reciprocal state** with Kentucky income of wages and salaries only. Circle the state of residence. ➤ **IL IN MI OH VA WV WI**

➲ ***COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 30.***

OFFICIAL USE ONLY 1 2 3 4 5

INCOME/TAX

7	Enter percentage from page 4, line 36 ➤ 7		__ __ . __ %			
8	Enter amount from page 4, line 35, Column A. This is your **Federal Adjusted Gross Income**	• 8				00
9	Enter amount from page 4, line 35, Column B. This is your **Kentucky Adjusted Gross Income**	• 9				00
10	**Nonitemizers:** Enter $2,210 (do not prorate). Skip lines 11 and 12	10				00
11	**Itemizers:** Enter itemized deductions from Kentucky Schedule A, Form 740-NP	• 11		00		
12	Multiply line 11 by the percentage on line 7	12		00		
13	Subtract line 10 or 12 from line 9. This is your **Taxable Income**	13				00
14	Enter tax from Tax Table	14				00
15	Enter amount from page 2, Section A, line 19	15				00
16	Subtract line 15 from line 14	16				00
17	**Enter personal tax credit amounts from page 3, Section B, line 4**	• 17		00		
18	Multiply line 17 by the percentage on line 7	18		00		
19	Subtract line 18 from line 16	19				00
20	Check the box that represents your total family size (**see instructions** for lines 20 and 21)	• 20			1 ☐ 2 ☐ 3 ☐ 4 ☐	
21	Multiply line 19 by the **Family Size Tax Credit** decimal amount __ . __ __ (__ __ __ %) and enter here	• 21				00
22	Subtract line 21 from line 19	22				00
23	Enter the **Education Tuition Tax Credit** from Form 8863-K	• 23				00
24	Subtract line 23 from line 22	24				00
25	Enter **Child and Dependent Care Credit** from worksheet in the instructions	• 25				00
26	Subtract line 25 from line 24	26				00
27	Enter the **New Home Tax Credit (see instructions)**	• 27				00
28	**Income Tax Liability.** Subtract line 27 from line 26. If line 27 is larger than line 26, enter zero	28				00
29	Enter **KENTUCKY USE TAX** from worksheet in the instructions	• 29				00
30	Add lines 28 and 29. Enter here and on page 2, line 31	30				00

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only

FORM 740-NP (2010)

DRAFT 7/15/10

REFUND/TAX PAYMENT SUMMARY

31	Enter amount from page 1, line 30. This is your **Total Tax Liability**		• 31		00
32	(a) Enter **Kentucky income tax withheld** as shown on **attached** 2010 Form W-2(s) and other supporting statements	• 32(a)	00		
	(b) Enter 2010 Kentucky estimated tax payments	• 32(b)	00		
	(c) Enter 2010 refundable certified rehabilitation credit (KRS 141.382(1)(b))	• 32(c)	00		
	(d) Enter 2010 film industry tax credit (KRS 141.383)	• 32(d)	00		
	(e) Enter **Nonresident Withholding** from Form PTE-WH, line 9 (KRS 141.206(4)(b)(1))	• 32(e)	00		
33	Add lines 32(a) through 32(e)		• 33		00
34	If line 33 is larger than line 31, enter **AMOUNT OVERPAID** (see instructions)		34		00
	Fund Contributions; See instructions.		➤ ***(Enter amount(s) checked)***		
35	**Nature and Wildlife Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other	• 35	00		
36	**Child Victims' Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other	• 36	00		
37	**Veterans' Program Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other	• 37	00		
38	**Breast Cancer Research/Education Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other	• 38	00		
39	Add lines 35 through 38		39		00
40	Amount of line 34 to be **CREDITED TO YOUR 2011 ESTIMATED TAX**		• 40		00
41	Subtract lines 39 and 40 from line 34. Amount to be **REFUNDED TO YOU**	**REFUND**	• 41		00
42	If line 31 is larger than line 33, enter **ADDITIONAL TAX DUE**		• 42		00
43	(a) Estimated tax penalty and/or interest. ☐ ***Check if Form 2210-K attached***	• 43(a)	00		
	(b) Interest	• 43(b)	00		
	(c) Late payment penalty	• 43(c)	00		
	(d) Late filing penalty	• 43(d)	00		
44	Add lines 43(a) through 43(d). Enter here		• 44		00
45	Add lines 42 and 44 and enter here. This is the **AMOUNT YOU OWE**	**OWE**	45		00

- Make check payable to **Kentucky State Treasurer** or visit **www.revenue.ky.gov** for more options.
- Write your Social Security number and "KY Income Tax—2010" on the check.

OFFICIAL USE ONLY	
	PWR

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

1	Enter nonrefundable limited liability entity credit (KRS 141.0401(2)) **(attach Kentucky Schedule(s) K-1 or Form(s) 725)**	1	00
2	Enter skills training investment credit (attach copy(ies) of certification)	2	00
3	Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a))	3	00
4	Enter credit for tax paid to another state **(attach copy of other state's return(s))**	4	00
5	Enter unemployment credit (attach Schedule UTC)	5	00
6	Enter recycling and/or composting equipment credit (attach Schedule RC)	6	00
7	Enter Kentucky Investment Fund credit (attach copy(ies) of certification)	7	00
8	Enter coal incentive credit	8	00
9	Enter qualified research facility credit (attach Schedule QR)	9	00
10	Enter GED incentive credit (attach Form DAEL-31)	10	00
11	Enter voluntary environmental remediation credit (attach Schedule VERB)	11	00
12	Enter biodiesel and renewable diesel credit	12	00
13	Enter environmental stewardship credit	13	00
14	Enter clean coal incentive credit	14	00
15	Enter ethanol credit (attach Schedule ETH)	15	00
16	Enter cellulosic ethanol credit (attach Schedule CELL)	16	00
17	Enter energy efficiency products credit (attach Form 5695-K)	17	00
18	Enter railroad maintenance and improvement credit (attach Schedule RR-I)	18	00
19	Add lines 1 through 18, Columns A and B. **Enter here and on page 1, line 15**	19	00

FORM 740-NP (2010)

SECTION B— PERSONAL TAX CREDITS

	Check Regular	Check both if 65 or over	Check both if blind
1 (a) Credits for yourself:	☐	☐ ☐	☐ ☐
(b) Credits for spouse:	☐	☐ ☐	☐ ☐

1 Enter number of boxes checked on line 1 .....

2 **Dependents:**

First name	Last name	Dependent's Social Security number	Dependent's relationship to you	Check if qualifying child for family size tax credit
				☐
				☐
				☐
				☐

2 Enter number of dependents who:

- lived with you .....
- did not live with you (see instructions) .....
- other dependents .....

3 Add lines 1 and 2 and enter here..... • 3

x $20

4 Multiply credits on line 3 by $20. Enter here and **on page 1, line 17** 4

SECTION C— FAMILY SIZE TAX CREDIT (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

First name	Last name	Social Security number	First name	Last name	Social Security number

A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be attached to Kentucky Form 740-NP.

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint return, both must sign.) Spouse's Signature Date Signed ( ) Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Firm Name EIN Date

Mail to: **REFUNDS** **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

Official Use Only				
EST	CF	NT	P B F R	

FORM 740-NP (2010)

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SECTION D INCOME		A. Total from *Attached* Federal Return	B. Kentucky
1 Enter all wages, salaries, tips, etc. ***(attach wage and tax statements)*** Do not include moving expense reimbursements	1	00	00
2 Moving expense reimbursement *(attach Schedule ME)*	2	00	00
3 Interest	3	00	00
4 Dividends	4	00	00
5 Taxable refunds, credits or offsets of state and local income taxes	5	00	00
6 Alimony received	6	00	00
7 Business income or loss *(attach federal Schedule C or C-EZ)*	7	00	00
8 Capital gain or loss *(attach federal Schedule D)*	8	00	00
9 Other gains or losses *(attach federal Form 4797)*	9	00	00
10 (a) Federally taxable IRA distributions, pensions and annuities	10(a)	00	00
(b) Pension income exclusion *(attach Schedule P if more than $41,110)*	10(b)		(00)
11 Rents, royalties, partnerships, estates, trusts, etc. *(attach federal Schedule E)*	11	00	00
12 Farm income or loss *(attach federal Schedule F)*	12	00	00
13 Unemployment compensation (see instructions)	13	00	00
14 Taxable Social Security benefits	14	00	
15 Gambling winnings	15	00	00
16 Other income (list type and amount) _____	16	00	00
17 Combine lines 1 through 16. This is your **Total Income**	17	00	00
ADJUSTMENTS TO INCOME			
18 RESERVED	18	00	00
19 Certain business expenses of reservists, performing artists and fee-basis government officials *(attach federal Form 2106 or 2106-EZ)*	19	00	00
20 Health savings account deduction *(attach federal Form 8889)*	20	00	00
21 Moving expenses *(attach Schedule ME)*	21	00	00
22 Deduction for one-half of self-employment tax	22	00	00
23 Self-employed SEP, SIMPLE, and qualified plans deduction	23	00	00
24 Self-employed health insurance deduction	24	00	
25 Penalty on early withdrawal of savings	25	00	00
26 Alimony paid (enter recipient's name and Social Security number) _____	26	00	00
27 IRA deduction	27	00	00
28 Student loan interest deduction	28	00	00
29 RESERVED	29	00	00
30 Domestic production activities deduction	30	00	00
31 Long-term care insurance premiums (see instructions)	31		00
32 Health insurance premiums (see instructions)	32		00
33 Other deductions (list type and amount) _____	33	00	00
34 Add lines 18 through 33. **Total Adjustments to Income**	34	00	00
35 Subtract line 34 from line 17. This is your **Adjusted Gross Income**	35	00	00
36 Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your **Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income**	36	___ ___ ___ . ___ %	

Form 740-NP-R

There are no significant changes on the 2010 form. The department's Web site has been added under the "note" section at the bottom of the form. Advise taxpayers who are nonresidents and wish to prevent their employer from withholding Kentucky tax that they may file Form 42A809, Certificate of Nonresidence.

740-NP-R
42A740-NP-R
Department of Revenue

KENTUCKY INCOME TAX RETURN
Nonresident—Reciprocal State
2010

Last name	Your first name and middle initial	Your Social Security no.	Did you file a Kentucky income tax return for 2009? Yes ☐ No ☐. If no, give reason:

Mailing Address: Number and street or P.O. box	Apt. no.	City, town or post office	State	ZIP code

INSTRUCTIONS

This form may be used by qualifying full-year nonresidents to claim a refund of Kentucky income taxes withheld during 2010. To determine if you qualify, you must check "Yes" or "No" for the applicable statements below. *If eligible, complete lines 1–6.* Enter only the taxpayer's name in which the Kentucky wages and salaries were earned in the name box above. Do not include your spouse's name. If both spouses earned only Kentucky wages and salaries as a resident of a reciprocal state, **each spouse must file a separate Form 740-NP-R.**

A. I was a **nonresident** of Kentucky during all of 2010. ☐ Yes ☐ No

B. My only 2010 Kentucky income was from salaries or wages earned while a resident of any of the following states: ☐ Yes ☐ No
(circle state(s)) **1**–Illinois **2**–Indiana **3**–Michigan **4**–Ohio **5**–Virginia **6**–West Virginia **7**–Wisconsin
Note: *Race track, lottery and other gambling winnings are not salaries or wages.*

For Virginia residents only:
C. I commuted ***daily*** to a place of employment in Kentucky. ☐ Yes ☐ No

Nonresidents who answered "No" to any of the statements above must file Form 740-NP to report Kentucky income.
Enter name and address of principal employer in Kentucky

Name

Number and street

City State ZIP code

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Form 740-NP and other Kentucky tax forms can be downloaded.
www.revenue.ky.gov

Attach Kentucky Wage and Tax Statements Here

1. Enter total **Kentucky income tax withheld.** Do not include local tax withheld. *Attach 2010 wage and tax statement(s)* ● 1			00
2. **Nature and Wildlife Fund Contribution** ☐$10 ☐$25 ☐$50 ☐Other _____ *Enter amount checked* ● 2		00	
3. **Child Victims' Trust Fund Contribution** ☐$10 ☐$25 ☐$50 ☐Other _____ *Enter amount checked* ● 3		00	
4. **Veterans' Program Trust Fund Contribution** ☐$10 ☐$25 ☐$50 ☐Other _____ *Enter amount checked* ● 4		00	
5. **Breast Cancer Research/Education Trust Fund Contribution** ☐$10 ☐$25 ☐$50 ☐Other _____ *Enter amount checked* ● 5		00	
6. From line 1, subtract lines 2, 3, 4 and 5. Amount to be **REFUNDED** ● 6			00

ATTACH A COPY OF THE 2010 RETURN FILED WITH YOUR STATE OF RESIDENCE.

I declare under the penalties of perjury that I have examined this return and to the best of my knowledge and belief, it is a true, correct and complete return.

Your Signature Date Signed ( ) Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Mail to: Kentucky Department of Revenue, Frankfort, KY 40618-0006

Note: Nonresidents of reciprocal states who want to prevent their Kentucky employer from withholding Kentucky income tax from their paychecks should file a copy of Revenue Form 42A809, Certificate of Nonresidence, with their employer. The form is available from the employer, the Kentucky Department of Revenue, Frankfort, KY 40620, or by visiting www.revenue.ky.gov

Schedule A

As per federal legislation that has been previously adopted by Kentucky, the Itemized Deductions Limitation Schedule has been removed for tax year 2010.

SCHEDULE A
Form 740
42A740-A
Department of Revenue

KENTUCKY ITEMIZED DEDUCTIONS
➤ See instructions.
➤ Attach to Form 740.

2010

Enter name(s) as shown on Form 740, page 1. | Your Social Security Number

Medical and Dental Expenses	**Do not include expenses reimbursed or paid by others.**		
	1. Medical and dental expenses 1		
	2. Enter 7.5% (.075) of the amount from Form 740, line 9 2		
	3. **Total medical and dental.** Subtract line 2 from line 1. If zero or less, enter -0- ..... ➤ 3		00
Taxes *Note: Sales and use taxes and new motor vehicle taxes are not deductible.*	4. Local income taxes (do not include state income tax) 4		
	5. Real estate taxes 5		
	6. Personal property taxes 6		
	7. Other taxes (list) _____ 7		
	8. **Total taxes.** Add lines 4 through 7. Enter here ..... ➤ 8		00
Interest Expense *Note: Personal interest is not deductible.*	9. Home mortgage interest and points reported to you on federal Form 1098 9		
	10. Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name, identifying number and address) _____ 10		
	See instructions for lines 11 and 12.		
	11. Points not reported to you on federal Form 1098 11		
	12. Qualified mortgage insurance premiums 12		
	13. Investment interest (attach federal Form 4952 if required) 13		
	14. **Total interest.** Add lines 9 through 13. Enter here ..... ➤ 14		00
Contributions *Note: For any contribution of $250 or more, see instructions.*	15. Contributions by cash or check 15		
	16. Other than cash or check (attach federal Form 8283 if over $500) 16		
	17. Artistic charitable contributions deduction (attach copy of appraisal) 17		
	18. Carryover from prior year 18		
	19. **Total contributions.** Add lines 15 through 18. Enter here ..... ➤ 19		00
Casualty and Theft Losses	20. Enter amount from attached federal Form 4684, Section A, line 16 20		
	21. Enter 10% (.10) of the amount from Form 740, line 9 21		
	22. **Total casualty or theft loss(es).** Subtract line 21 from line 20. If zero or less, enter -0- ..... ➤ 22		00
Job Expenses and Most Other Miscellaneous Deductions	23. Unreimbursed employee expenses—job travel, union dues, job education, etc. (attach Form 2106 or 2106-EZ if applicable) list _____ 23		
	24. Tax preparation fees 24		
	25. Other (investment, safe deposit box, etc.) list _____ 25		
	26. Add the amounts on lines 23, 24 and 25. Enter here 26		
	27. Enter 2% (.02) of the amount from Form 740, line 9 27		
	28. **Total.** Subtract line 27 from line 26. If zero or less, enter -0- ..... ➤ 28		00
Other Miscellaneous Deductions	29. Other (see instructions) _____ ..... ➤ 29		00
Total Itemized Deductions	30. Add lines 3, 8, 14, 19, 22, 28 and 29. Enter here ..... ➤ 30		00

★ If single or married filing jointly, enter the total itemized deductions from line 30 on Form 740, line 10, column B.
★ All others go to page 2.

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SCHEDULE A (Form 740) 2010
42A740-A

Page 2

PART I—DIVIDING DEDUCTIONS BETWEEN SPOUSES

Use this schedule if married filing separately on a combined return.

DRAFT 7/01/10

1. Total itemized deductions from page 1, line 30 ..... _____
2. Percent of income (Form 740, line 9, Column A) to total income (Form 740, total of line 9, Columns A and B) ..... _____ %
3. Percent of income (Form 740, line 9, Column B) to total income (Form 740, total of line 9, Columns A and B) ..... _____ %
4. Percent on line 2 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column A) ..... _____
5. Percent on line 3 times total deductions entered on line 1 (enter here and on Form 740, line 10, Column B) ..... _____

SCHEDULE KNOL

There have been no changes to the 2010 schedule, other than updating the year. The following information is provided for informational purposes:

Claiming and Reporting the Kentucky Net Operating Loss Deduction

For 2005 and future years, the carryback of net operating losses to prior years will no longer be allowed. Any net operating loss must be carried forward and utilized within 20 years.

Schedule KNOL is to be used to compute the current year loss for purposes of carryforward.

Attach copies of federal Form 1040 with all supporting schedules and the Kentucky Form 740 with all supporting schedules to verify amounts claimed on Kentucky Schedule KNOL.

All future years claiming a Kentucky Net Operating Loss Deduction (NOLD) should have a supporting schedule to verify the loss claimed. The supporting schedule should include the loss amount, applicable year of loss, any amounts utilized in prior years and amounts to be carried forward.

Use Kentucky adjusted gross income, itemized deductions, business and nonbusiness income and losses to compute a Kentucky NOLD.

Please make the necessary adjustments to business and nonbusiness income. Recognize that federal & Kentucky NOLDs are seldom the same. The additions and subtractions to federal adjusted gross income on Schedule M must be incorporated to compute a Kentucky NOLD. For example, state tax refunds and pension income exclusions that are a subtraction on Schedule M can not be included as nonbusiness income for Kentucky purposes. Kentucky itemized deductions must also be used.

SCHEDULE KNOL
42A740-KNOL
Department of Revenue

2010

KENTUCKY
NET OPERATING LOSS SCHEDULE
➤ **Attach to Form 740, Form 740-NP or Form 741.**

Enter name(s) as shown on tax return. | Social Security or Federal Identification Number

1. Enter amount from Form 740, line 9 (Form 740-NP, line 9) (estates and trusts, skip lines 1 and 2) 1
2. Enter deductions from Form 740, line 10 (Form 740-NP, line 10 or 12) ..... 2 ( )
3. Combine lines 1 and 2 (estates and trusts, enter taxable income) 3

Note: *If line 3 is zero or more, do not complete rest of schedule. You do not have a net operating loss.*

Adjustments

4. Enter your nonbusiness capital losses (enter as a positive number) . 4
5. Enter your nonbusiness capital gains (see federal 1045 instructions). 5
6. If line 4 is more than line 5, enter difference; otherwise, enter zero 6
7. If line 5 is more than line 4, enter difference; otherwise, enter zero 7
8. Nonbusiness deductions 8
9. Nonbusiness income (other than capital gains) 9
10. Add lines 7 and 9 10
11. If line 8 is more than line 10, enter difference; otherwise, enter zero 11
12. If line 10 is more than line 8, enter difference (but do not enter more than line 7); otherwise, enter zero 12
13. Enter your business capital losses (enter as a positive number) ... 13
14. Enter your business capital gains 14
15. Add lines 12 and 14 15
16. If line 13 is more than line 15, enter difference; otherwise, enter zero 16
17. Add lines 6 and 16 17
18. Enter the loss, if any, from federal Form 1040, Schedule D, line 16. (Estates and trusts, enter the loss, if any, from Form 741, Schedule D, line 17, column 3.) Enter as a positive number. If you do not have a loss on that line (and do not have a Section 1202 exclusion), skip lines 18 through 23 and enter on line 24 the amount from line 17 18
19. Enter Section 1202 exclusion. Enter as a positive number 19
20. Subtract line 19 from line 18 20
21. Enter the loss from federal Form 1040, Schedule D, line 21. (Estates and trusts, enter the loss from Form 741, Schedule D, line 18.) Enter as a positive number 21
22. If line 20 is more than line 21, enter the difference; otherwise, enter -0-. 22
23. If line 21 is more than line 20, enter the difference; otherwise, enter -0- 23
24. Subtract line 22 from line 17 24
25. Domestic production activities deduction from federal Form 1040, Form 1040NR or Form 1041 25
26. Net operating losses from other years (enter as a positive number) 26
27. Add lines 11, 19, 23, 24, 25 and 26 27
28. Combine lines 3 and 27. This is your **net operating loss** to be claimed in **subsequent** years 28

Note: *If line 28 is zero or more, you do not have a net operating loss.*

DRAFT 8/17/10

INSTRUCTIONS FOR SCHEDULE KNOL

Computation of Net Operating Loss

Purpose of Schedule— Schedule KNOL is to be used by an individual, estate or trust to compute a Kentucky net operating loss (KNOL) deduction. **Schedule KNOL is to be used only in the year the loss occurred.**

Net Operating Losses— For 2005 and future years, the carryback of net operating losses to prior years is no longer allowed. Net operating losses may be carried forward for up to 20 years. Documentation to substantiate any loss must be available to the Department of Revenue upon request.

Line 8— Nonbusiness deductions are those not connected with a trade or business.

The standard deduction from line 2 above is allowed as a nonbusiness deduction if you do not itemize deductions. Itemized deductions are usually nonbusiness except for casualty loss deductions and any employee expenses. See federal Form 1045 for further instructions.

Line 9— Nonbusiness income (other than capital gains)— Include income that is not from trade or business. Examples are dividends, annuities and interest on investments. See federal Form 1045 for further instructions.

Lines 18 and 19— Adjust this amount by the appropriate addition or subtraction entered on Schedule M. For more information, see federal regulation Section 1.172-3 and federal Publication 536, Net Operating Losses.

Note: Attach statement reflecting amount of original net operating loss and amount(s) utilized each prior year.

Schedule M

Changes for 2010 include:

- Part 1, Line 6 is now used for adding back the amount of domestic production activity that was deducted on page 1 of federal Form 1040

- Part 2, Line 18 is now used for subtracting off the amount of domestic production activity as allowed per the Kentucky Revised Statutes

SCHEDULE M

2010

Form 740
42A740-M

Department of Revenue

➤ **Attach to Form 740.**

KENTUCKY
FEDERAL ADJUSTED GROSS INCOME
MODIFICATIONS

Enter name(s) as shown on tax return.

Your Social Security Number

DRAFT 8/16/10

PART I **ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME**

			A. Spouse (Use if Filing Status 2 is checked.)		B. Yourself (or Joint)	
1 Enter interest income from bonds issued by other states and their political subdivisions	1		00	1		00
2 Enter self-employed health insurance deduction from federal Form 1040, line 29	2		00	2		00
3 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1	3		00	3		00
4 Enter federal depreciation from Form 4562	4		00	4		00
5 Enter federal Net Operating Loss	5		00	5		00
6 Enter federal domestic production activities deduction from federal Form 8903, line 25	6		00	6		00
7 Other additions (list and enter total): (a) ____ (b) ____ (c) ____	7		00	7		00
8 Total Additions. Enter here and on Form 740, page 1, line 6	8		00	8		00

PART II **SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME**

9 Enter state income tax refund or credit **reported** as income on federal Form 1040	9		00	9		00
10 Enter interest income from U.S. government bonds and securities	10		00	10		00
11 Enter excludable amount of retirement income (attach Schedule P if more than $41,110)	11		00	11		00
12 Enter taxable amount of Social Security and Railroad Retirement Board benefits from federal Form 1040, line 20(b) (1040A, line 14(b))	12		00	12		00
13 Enter long-term care insurance premiums	13		00	13		00
14 Enter health insurance premiums not previously deducted from income. Do not include premiums paid with pretax dollars (cafeteria plan)	14		00	14		00
15 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1	15		00	15		00
16 Enter Kentucky depreciation from revised Form 4562	16		00	16		00
17 Enter Kentucky Net Operating Loss	17		00	17		00
18 Enter Kentucky domestic production activities deduction (see instructions)	18		00	18		00
19 Other subtractions (list and enter total): (a) ____ (b) ____ (c) ____	19		00	19		00
20 Total Subtractions. Enter here and on Form 740, page 1, line 8	20		00	20		00

Schedule P

KRS 141.010 (10)(i) provides for the exclusion of pension income distributions. For 2010 the exclusion amount remains at $41,110. The information following is for your reference.

The pension income exclusion applies to each taxpayer separately, therefore, a husband and wife may each claim the appropriate exclusion, regardless of filing status and any unused amounts may not be shared with his/her spouse. The amount of pension income that can be excluded is subject to an upper limit or "cap."

In accordance with **KRS 141.010(10)(i)** the exclusion extends to the applicable amount of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans. Any distribution from a qualifying plan is eligible regardless of the reason for the distribution and is applicable regardless of age. For example, early distributions qualify for the pension income exclusion.

- "Distributions" includes, but is not limited to, any lump-sum distribution from pension or profit-sharing plans qualifying for the income tax averaging provisions of IRC Section 402; any distribution from an individual retirement account as defined in Section 408 of the Internal Revenue Code; and any disability pension; **KRS 141.010(10)(i)(3)a**;

- "Annuity Contract" has the same meaning as set forth in IRC Section 1035; **KRS 141.010(10)(i)(3)b** and

- "Pension plans, profit-sharing plans, retirement plans or employee savings plans" mean any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit-sharing plan of a public or private employer for the exclusive benefit of employees or their beneficiaries and includes plans qualified or unqualified under Section 401 of the Internal Revenue Code and individual retirement accounts as defined in Section 408 of the Internal Revenue Code. **KRS 141.010(10)(i)(3)c**.

As a general rule, pension income is reported on the federal income tax return as IRA income or as pension or annuity income on page 1 of the federal Form 1040. Income from disability pensions, annuities or deferred compensation plans may also be reflected on line 7 of the federal Form 1040 or 1040A (Wages, Salaries, Tips, etc.), since the income is reported on the W-2 Wage and Tax Statement. Disability pensions, annuities, and deferred compensation

distributions are eligible for the pension income exclusion. A death benefit paid under a retirement plan is eligible for the pension income exclusion allowed under **KRS 141.010(10)**.

Lump-Sum Distribution – Taxpayers must add back that portion of a lump-sum distribution on which taxpayers have elected the 20 percent capital gains rate for federal income tax purposes.

However, if the pension income is from a lump-sum distribution and reported for income averaging on federal Form 4972, the individual will still be eligible for the pension income exclusion. Kentucky Form 4972-K - Kentucky Tax on Lump-Sum Distributions and Schedule P – Pension Income Exclusion must be completed.

Pension Income from the Federal Government and Kentucky and Kentucky Local Governments – Income from plans established for public employees by the federal government and Kentucky and its political subdivisions (includes Kentucky Teachers' Retirement System, Kentucky State Employees' Retirement System, County Employees' Retirement System (Ky.), Kentucky State Police Retirement System, Kentucky Judicial Retirement Plan, Kentucky Legislators' Retirement Plan, Kentucky State - Supported Institutions of Higher Education Retirement Plans (institution-sponsored), Kentucky Local Government Retirement Systems, Federal and Military Retirement Systems, and any other plans authorized by the Kentucky Revised Statutes) for work performed prior to 1998 is exempt and excluded from taxable income. Pension income for work performed after 1997 is subject to tax but eligible for the pension exclusion. See the 2010 Schedule P - Pension Income Exclusion, for specific instructions. The exempt pension income does not utilize any of the pension income exclusion.

A death benefit paid by a federal, Kentucky state or Kentucky local retirement system after December 31, 1997, must be included in Kentucky gross income at the rate that other retirement benefits are included. If the deceased were retired before January 1, 1998, his/her benefits including the death benefit would remain fully tax exempt, since the numerator of the fraction under **KRS 141.0215** would remain zero.

Retirement Benefits that are Exempt With Out Reducing the Pension Exclusion – The following types of retirement benefits are exempt and may be deducted from federal adjusted gross income without reducing the pension exclusion.

- Social Security and U.S. Railroad Retirement Board Benefits
- Supplemental Annuities from the U.S. Railroad Retirement Board

- Commonwealth of Kentucky Retirement Systems – All benefits if retired before January 1, 1998, and benefits accruing for service before January 1, 1998, if retired after December 31, 1997.

- Kentucky Local Government Retirement and Federal and U.S. Military Retirement Systems – All benefits if retired before January 1, 1998, and benefits accruing for service before January 1, 1998, if retired after December 31, 1997.

Completion of Schedule P – Kentucky Pension Income Exclusion – Complete Schedule P if:

1. Your taxable pension and retirement income from all sources is greater than $41,110; and,

   (a) you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or,

   (b) you receive supplemental U.S. Railroad Retirement Board benefits.

2. You file Form 4972-K – Tax on Lump-Sum Distributions.

Complete the Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97, in the year of retirement to determine what percentage of the pension is exempt or earned before 1/1/98. This percentage, determined in the year of retirement, will never change and is reflected in Part I–Exempt Retirement Income, Line 1b.

Schedule P–Illustrated – State Employee John Doe retired August 1, 2001 with 25-years of service credit and 5-years of purchased service credit under IRC 415(n). His pension for 2010 is $40,000. His exempt percentage was computed in 2001 to be 88.06%. The percentage computed in 2001 is transferred to the Schedule P for 2010 and the exempt portion of the pension is $35,224. The remainder is added to other pension benefits to determine the amount that is taxable but eligible for the exclusion. An example of the 2010 Schedule P follows.

SCHEDULE P **2010**

42A740-P

Department of Revenue

Use this form to calculate excludable retirement income.

DRAFT 6/30/10

KENTUCKY PENSION INCOME EXCLUSION

➤ **Attach to Form 740, 740-NP or 741.**

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

Complete this schedule and file with Form 740 if:

1. your taxable pension and retirement income from all sources is **greater than $41,110**; and
   (a) you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or
   (b) you receive supplemental (Tier 2) U.S. Railroad Retirement Board benefits.
2. you file Form 4972-K, Tax on Lump-Sum Distributions.

All others, STOP, you do not need to complete Schedule P. See instructions for Schedule M, line 11.

PART I—EXEMPT RETIREMENT INCOME (Do Not Include Income From Deferred Compensation Plans)

1. Enter on line (a) or (b) the amount of federal, Kentucky state and Kentucky local government pension income attributable to service credit earned before January 1, 1998, and supplemental (Tier 2) U.S. Railroad Retirement Board benefits included on federal Form 1040, line 16(b) (Form 1040A, line 12(b)). Also include federal or Kentucky disability retirement income attributable to service credit earned before January 1, 1998.

(a) If date of retirement is **before January 1, 1998**, enter here.

Names of Payers	Date of Retirement	A. Spouse	B. Yourself
	Total ➤		

(b) If date of retirement is **after December 31, 1997**, see the instructions.

Names of Payers	Date of Retirement	Taxable Pension	Exempt Percentage	A. Spouse	B. Yourself
			Total ➤		

(c) Add lines 1(a) and 1(b) ..... (c)

PART II—OTHER RETIREMENT INCOME (Amounts Not Included in Line 1(c))

2. Enter the total of taxable retirement income not included in line 1(c) above as reported on federal Form 1040, line 15(b) and 16(b) (Form 1040A, line 11(b) and 12(b)). Also report other disability retirement income or deferred compensation included on federal Form 1040, line 7 (Form 1040A, line 7) 2

PART III—TOTAL TO BE EXCLUDED THIS YEAR

3. Enter the lesser of line 2 or $41,110 3
4. Add lines 1(c) and 3. Enter here and on Schedule M, line 11 (Form 740-NP, page 4, line 10(b) or Form 741, line 11) 4

Joint filers— *Combine lines 4(a) and 4(b) and enter on appropriate form.*

STOP Stop here unless you have a lump-sum distribution reported on Form 4972-K.

Form 4972-K Filers—If line 3 is less than $41,110, enter the amount on Form 4972-K, Part II, line 2.

INSTRUCTIONS—SCHEDULE P

Types of Income Subject to Exclusion—All pension and retirement income paid under a written retirement plan is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, death benefits, and other similar accounts or plans. As a general rule, if the income is reported on the federal income tax return, Form 1040, line 15(b) or 16(b); Form 1040A, line 11(b) or 12(b); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 7 or 1040A, line 7, then it qualifies for the exclusion.

Form 740-NP filers report only pension income received while a resident of Kentucky.

DRAFT 6/30/10

LINE-BY-LINE INSTRUCTIONS

Column A, Column B—This exclusion is for each taxpayer. A husband and wife must compute and claim their own exclusion, regardless of filing status.

PART I—Exempt Retirement Income—Enter the federally taxable portion of pension income paid by the federal government, by the Commonwealth of Kentucky, or by any Kentucky local government. Also include supplemental (Tier 2) U.S. Railroad Retirement Board benefits reported on Form 1040, line 16(b) (Form 1040A, line 12(b)) and federal or Kentucky disability retirement income included on federal Form 1040, line 7 (Form 1040A, line 7). Do not include income from deferred compensation plans in Part I.

Use Line 1(a) if retired before January 1, 1998, to report fully exempt pension benefits.

Use Line 1(b) if retired after December 31, 1997, to compute the amount of pension income attributable to service credits earned before January 1, 1998. Multiply the taxable pension by the exempt percentage, enter the result (exempt amount) in Column A or Column B. **Use the worksheet below to compute the exempt percentage in the year of retirement.**

Note: Subtract the exempt amount from the taxable pension amount and include the difference with other retirement income in Part II.

PART II—Other Retirement Income, Line 2—Enter the amount reported on federal Form 1040 or 1040A of non-lump-sum pension and retirement income not reported on line 1(c). Also include amounts from Schedule M, line 7 (Form 740-NP, page 4, line 16) that reflect pension and IRA bases differences.

PART III—Total to Be Excluded This Year, Line 3—Enter the lesser of the amount on line 2 or $41,110.

Line 4—Enter the total of lines 1(c) and 3. This is your pension income exclusion. Enter on line 4 and as follows: Schedule M, line 11; Form 740-NP, page 4, line 10(b); or Form 741, page 1, line 11.

DEFINITIONS—For use with Schedule P and the worksheet below.

Service Credit—Number of months (years) used by your retirement system to determine retirement benefits.

Purchased Service Credit—Voluntary purchases of service credit as allowed by your retirement system (i.e., military service or prior service with the same or similar system). **Note:** Purchased time is credited based on the dates of service.

Purchased Service Credit (Air-time)—Certain retirement plans allow for the purchase of up to five years of service credit unrelated to prior work history. These purchases are commonly known as air-time. Air-time is not included in total service earned after December 31, 1997, regardless of when purchased.

Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97

Complete this worksheet only if you retired in 2010 or have not computed your exempt percentage in prior years. Keep this worksheet in your records. The percentage will be used this year and in future years to determine the amount of exempt retirement income.

Complete this worksheet to determine what percentage of your pension income is exempt. This percentage must be calculated for each pension.

If your retirement system has computed the exempt amount (earned before January 1, 1998), enter the amount on page 1, line 1(b), column A or B. If your retirement system has computed the exempt percentage, **enter the exempt percentage on page 1, line 1(b) in the exempt percentage column**. Use a separate worksheet for each governmental pension. Retain this worksheet with your tax records. **Use the percentage on line 4 to compute the exempt portion of your pension in future years.**

1. Enter total months of service credit including purchased service..... _____
2. Enter months of service credit earned after 12/31/97. Include sick leave credited at date of retirement, and service credit from purchase of military and other service earned after 12/31/97. Do not include purchased credit unrelated to prior work history (air-time)..... _____
3. Subtract line 2 from line 1. Total months of service before January 1, 1998..... _____
4. Divide line 3 by line 1. Enter here and on page 1, line 1(b), in the exempt percentage column..... _____
   Use this percentage to determine the amount of pension attributable to service earned before 1/1/98.

ILLUSTRATION - SCHEDULE P

YEAR of RETIREMENT (2001)

Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97

Complete this worksheet to determine what percentage of your pension is exempt. If your retirement system has computed the exempt amount (earned before January 1, 1998), enter the amount on page 1, line 1(b), column A or B. If your retirement system has computed the exempt percentage, **enter the exempt percentage on page 1, line 1(b) in the exempt percentage column**. Use a separate worksheet for each governmental pension. Retain this worksheet with your tax records. **Use the percentage on line 4 to compute the exempt portion of your pension in subsequent years.**

1. Enter total months of service credit including purchased service 360
2. Enter months of service credit earned after 12/31/97. Include sick leave credited at date of retirement, and service credit from purchase of military and other service earned after 12/31/97. Do not include purchased service credit under IRC 415(n) 43
3. Subtract line 2 from line 1. Total months of service before January 1, 1998 317
4. Divide line 3 by line 1. Enter here and on page 1, line 1(b), in the exempt percentage column 88.06%
   Use this percentage to determine the amount of pension attributable to service earned Before 1/1/98.

Line 1	**25 Years X 12 =**		**300**
	Purchased Service Credit Under IRC 415(n)		
	5 years X 12 =		**60**
			360
Line 2	**1998**	**12**	
	1999	**12**	
	2000	**12**	
	1/1/01 – 7/31/01	**7**	**43**

Form 2210-K

There are no major changes to the 2010 Form 2210-K. The instructions have been clarified; at press time, this form is still being reviewed.

2210-K **2010**

42A740-S1

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ **Attach to Form 740 or 740-NP.**

UNDERPAYMENT OF ESTIMATED TAX BY INDIVIDUALS

Enter name(s) as shown on page 1, Form 740 or 740-NP. | Your Social Security Number

PART I—EXCEPTIONS AND EXCLUSIONS

The penalty shall not apply if one of the following exceptions is met. If one or more of the following applies to you, check the appropriate block(s), complete any necessary blank(s) and check the "Form 2210-K attached" block on Form 740, line 43a (Form 740-NP, line 43a). **If none of the exceptions apply, go to Part II.**

Check applicable block(s).

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1. ☐ The taxpayer died during the taxable year.

2. ☐ The declaration was not required until after September 1, 2010, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before January 31, 2011.

3. ☐ Two-thirds ($^2/_3$) or more of the gross income was from farming; this return is being filed on or before March 1, 2011; ***and*** the total tax due is being paid in full. Fiscal year taxpayers must file a return and pay the tax due on or before the first day of the third month following the close of the tax year.
   a. Enter total gross income ..... ____
   b. Multiply by $^2/_3$ (.67) ..... ____
   c. Enter gross income from farming ..... ____

   Line (c) must ***equal or exceed*** line (b) to qualify for the exception.

4. ☐ Prepaid tax ***equals or exceeds*** last year's income tax liability.
   a. Enter the liability from the 2009 return, *Form 740*, line 28; *Form 740-NP*, line 28 ..... ____
   b. Enter amount from the 2010 Form 740, line 33 (Form 740-NP, page 2, line 33)* ..... ____

   Line (b) must ***equal or exceed*** line (a) to claim the exception.

PART II—FIGURING THE UNDERPAYMENT AND PENALTY *(Complete Part II only if the **additional** tax due exceeds $500; otherwise, proceed to page 2, Part III.)*

1.	a. Enter 2010 income tax liability from Form 740, line 28 (Form 740-NP, page 1, line 28)	1a	
	b. Enter credit for taxes paid to another state from Form 740, Section A, line 4 (Form 740-NP, Section A, line 4)	1b	
	c. Total (add lines 1a and 1b)	1c	
2.	Percentage of liability required to be prepaid is 70%	2	x .7
3.	Multiply line 1c by line 2	3	
4.	a. Enter the amount from Form 740, line 33 (Form 740-NP, page 2, line 33)*	4a	
	b. Enter credit for taxes paid to another state from Form 740, Section A, line 4 (Form 740-NP, Section A, line 4)	4b	
	c. Total (add lines 4a and 4b)	4c	
5.	Subtract line 4c from line 3 (If line 4c exceeds line 3, no penalty applies.)	5	
6.	Penalty percentage is 10%	6	x .1
7.	Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated tax (minimum penalty $25)	7	
8.	Enter interest amount due from Form 2210-K, page 2, line 22	8	
9.	Add lines 7 and 8. Enter here and on Form 740 or Form 740-NP, line 43(a). **Also check the "Form 2210-K attached" box**	9	

➲ ***To Avoid Underpayment Penalty In the Future, Obtain and File Form 740-ES.***

*Do not include amounts prepaid with extension after the due date of the fourth declaration installment.

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NOTE: Use this page to calculate interest amount due on underpaid or untimely required estimated payments. See instructions for list of exclusions.

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PART III—REQUIRED ANNUAL PAYMENT

1.	Enter 2010 income tax liability: (Form 740 or Form 740-NP, page 1, line 28)	1	
2.	Enter 2010 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 32a, 32c and 32d)	2	
3.	Enter 2010 nonresident withholding: (Form 740-NP, page 2, line 32e)	3	
4.	Add lines 2 and 3. Enter total here	4	
5.	Subtract line 4 from line 1. (If the result is $500 or less, stop here. Do not compute this schedule.)	5	
6.	Enter 2009 income tax liability: (2009 Form 740 or Form 740-NP, page 1, line 28)	6	
7.	Required annual payment. Enter the smaller of line 1 or line 6	7	

Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.

PAYMENT DUE DATES		A 4-15-10	B 6-15-10	C 9-15-10	D 1-15-11
8. **Required Installments.** Enter 1/4 (.25) of line 7 in each column	8				
9. **Estimated tax paid and tax withheld.** For column A only, enter the amount from line 9 on line 13. If line 9 is equal to or greater than line 8 for all payment periods (columns A through D), stop here. You do not owe interest. Complete lines 10 through 17 of each column before going to the next column	9				
10. Enter amount, if any, from line 17 of previous column	10				
11. Add lines 9 and 10. Enter here	11				
12. Enter the amount from line 16 of previous column.	12				
13. Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9	13				
14. If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero	14				
15. **Underpayment.** If line 8 is equal to or greater than line 13, subtract line 13 from line 8. Otherwise, go to line 17	15				
16. Add lines 14 and 15. Enter here. If line 8 is equal to or greater than line 13, then go to line 10 of the next column	16				
17. **Overpayment.** If line 13 is more than line 8, subtract line 8 from line 13, then go to line 10 of the next column	17				
FIGURING THE INTEREST					
18. Interest calculation payment date	18	6-15-10	9-15-10	1-15-11	4-15-11
19. Number of days **from** the payment due date shown at the top of the column above line 8 **to** the date the amount on line 16 was paid, or the date shown for that column on line 18, whichever is earlier	19				
20. Annual Percentage Rate (APR)	20	.05	.05	.05	
21. Underpayment from line 16 X (Number of days from line 19 / 365) X APR on line 20	21				
22. **INTEREST DUE:** Add amounts on line 21 columns A through D. Enter the total here and on Form 2210-K, page 1, line 8	22				

Form 5695-K

This is the second year the 5695-K form has been used for the Kentucky Energy Efficiency Products Tax Credit. As a result of the possible carryforward from tax year 2009, the 2010 form has added line 66 on page 2. Also, the amount of credit allowed under Part II, Multifamily Residential Rental Unit or Commercial Property has been corrected to indicate $1,000 on page 2, line 50.

5695–K
41A720–S7 (10–10)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

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2010

➤ **Attach to Form 720, 720S, 725, 740, 740–NP, 741, 765, or 765–GP**

Kentucky Energy Efficiency Products Tax Credit
KRS 141.435 to KRS 141.436

Name of Business/Individual	Identification Number (SSN or FEIN)	Kentucky Corporation/LLET Account Number (if applicable)

Part I–Qualifications

	Yes	No
■ Was the installation of the energy efficiency products completed before January 1, 2010?		
■ Was the installation of the energy efficiency products completed after December 31, 2010?		
■ Have you taken a tax credit as provided by KRS 141.437 for an ENERGY STAR home or an ENERGY STAR manufactured home?		

If you answered "yes" to any of the questions above, STOP; you do not qualify for these credits.

If you answered "no" to all of the questions above, go to Part II.

Part II–Installation of Energy Efficiency Products

Residence or Single–family or Multifamily Residential Rental Unit:										
1.	**Qualified upgraded insulation costs**	1		00						
2.	Multiply line 1 by 30% (.30)	2		00						
3.	Credit from pass–through entities	3		00						
4.	Add lines 2 and 3	4		00						
5.	Maximum Credit amount	5	**$100**	**00**						
6.	Enter the smaller of line 4 or line 5				6		00			
7.	**Qualified energy–efficient windows and storm doors**	7		00						
8.	Multiply line 7 by 30% (.30)	8		00						
9.	Credit from pass–through entities	9		00						
10.	Add lines 8 and 9	10		00						
11.	Maximum Credit amount	11	**$250**	**00**						
12.	Enter the smaller of line 10 or line 11				12		00			
13.	**Qualified energy property**	13		00						
14.	Multiply line 13 by 30% (.30)	14		00						
15.	Credit from pass–through entities	15		00						
16.	Add lines 14 and 15	16		00						
17.	Maximum Credit amount	17	**$250**	**00**						
18.	Enter the smaller of line 16 or line 17				18		00			
19.	Add lines 6, 12 and 18				19		00			
20.	Maximum Credit amount				20	**$500**	**00**			
21.	Enter the smaller of line 19 or line 20							21		00
Residence or Single–family Residential Rental Unit:										
22.	Qualified active solar space–heating system	22		00						
23.	Qualified passive solar space–heating system	23		00						
24.	Qualified combined active solar space–heating and water–heating system	24		00						
25.	Qualified solar water–heating system	25		00						
26.	Qualified wind turbine or wind machine	26		00						
27.	Add lines 22 through 26	27		00						
28.	Multiply line 27 by 30% (.30)	28		00						
29.	Credit from pass–through entities	29		00						
30.	Add lines 28 and 29	30		00						
31.	Qualified solar photovoltaic system–Watts of direct current (DC) _____ X $3	31		00						
32.	Credit from pass–through entities	32		00						
33.	Add lines 31 and 32	33		00						
34.	Enter the larger of line 30 or line 33				34		00			
35.	Maximum Credit amount				35	**$500**	**00**			
36.	Enter the smaller of line 34 or line 35							36		00

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Part II–Installation of Energy Efficiency Products (continued)

Multifamily Residential Rental Unit or Commercial Property:										
37. Qualified active solar space–heating system	37		00							
38. Qualified passive solar space–heating system	38		00							
39. Qualified combined active solar space–heating and water–heating system	39		00							
40. Qualified solar water–heating system	40		00							
41. Qualified wind turbine or wind machine	41		00							
42. Add lines 37 through 41	42		00							
43. Multiply line 42 by 30% (.30)	43		00							
44. Credit from pass–through entities	44		00							
45. Add lines 43 and 44	45		00							
46. Qualified solar photovoltaic system–Watts of direct current (DC) _____ X $3	46		00							
47. Credit from pass–through entities	47		00							
48. Add lines 46 and 47	48		00							
49. Enter the larger of line 45 or line 48				49		00				
50. Maximum Credit amount				50	**$1,000**	**00**				
51. Enter the smaller of line 49 or line 50							51		00	
Commercial Property:										
52. **Qualified energy–efficient interior lighting system**	52		00							
53. Multiply line 52 by 30% (.30)	53		00							
54. Credit from pass–through entities	54		00							
55. Add lines 53 and 54	55		00							
56. Maximum Credit amount	56	**$500**	**00**							
57. Enter the smaller of line 55 or line 56				57		00				
58. **Qualified energy–efficient heating, cooling, ventilation, or hot water system**	58		00							
59. Multiply line 58 by 30% (.30)	59		00							
60. Credit from pass–through entities	60		00							
61. Add lines 59 and 60	61		00							
62. Maximum Credit amount	62	**$500**	**00**							
63. Enter the smaller of line 61 or line 62				63		00				
64. Add lines 57 and 63							64		00	
65. Add lines 21, 36, 51 and 64							65		00	
66. Enter any unused Energy Efficiency ProductsTax Credit from 2009, if applicable							66		00	
67. Add lines 65 and 66							67		00	

Enter the amounts from Form 5695–K on the applicable tax return as follows:

Individual, estate or trust filing:

- Form 740–Enter the amount from Line 67 on Form 740, Section A, Line 17.
- Form 740–NP–Enter the amount from Line 67 on Form 740–NP, Section A, Line 17.
- Form 741–Enter the amount from Line 67 on Form 741, Line 18.

Corporation or pass–through entity filing:

- Form 720–Enter the amount from Line 67 on ScheduleTCS, Line 16.
- Form 720S–Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 720S, Schedule K, Lines 26, 27, 28, 29, 30, 31, 32, 33 and 34, respectively; and the amount from Line 67 on ScheduleTCS, Line 16.
- Form 725–Enter the amount from Line 67 on ScheduleTCS, Line 16.
- Form 765–Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 765, Schedule K, Lines 28, 29, 30, 31, 32, 33, 34, 35 and 36, respectively; and the amount from Line 67 on ScheduleTCS, Line 16.
- Form 765–GP–Enter the amounts from Lines 6, 12, 18, 36, 36, 51, 51, 57 and 63 on Form 765–GP, Schedule K, Lines 28, 29, 30, 31, 32, 33, 34, 35 and 36, respectively.

5695–K
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INSTRUCTIONS FOR FORM 5695–K

DRAFT 6/29/10

Purpose of Form—This form is to be used by a taxpayer to claim a tax credit for installation of energy efficiency products for residential and commercial property as provided by KRS 141.436. The nonrefundable credit shall apply against tax imposed under KRS 141.020 or 141.040, and KRS 141.0401 for taxable years beginning after December 31, 2008, and before January 1, 2016. An unused tax credit may be carried forward one year.

PART I – QUALIFICATIONS

The tax credit provided by KRS 141.436 shall apply in the tax year in which the installation is complete. If the installation was completed before January 1, 2010, or after December 31, 2010, you do not qualify for this credit. If you have taken the ENERGY STAR home or the ENERGY STAR manufactured home tax credit provided by KRS 141.437, you do not qualify for this credit.

PART II – INSTALLATION OF ENERGY EFFICIENCY PRODUCTS

Taxpayer's Residence or Single–family or Multifamily Residential Rental Unit:

Line 1—Enter the installed cost of qualified upgraded insulation. KRS 141.435(15) provides that "upgraded insulation" means insulation with the following R–value ratings: (a) Attic insulation rated R–38 or higher; (b) Exterior wall, crawl space, and basement exterior wall insulation rated R–13 or higher; and (c) Floor insulation rated R–19 or higher.

Line 2—Enter the amount on Line 1 multiplied by 30 percent (.30).

Line 3—Enter the total of the amounts from Form 720S, Schedule K–1, Line 26 and Form 765 or Form 765–GP, Schedule K–1, Line 28.

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

Line 6—Enter the smaller of Line 4 or Line 5.

Line 7—Enter the installed cost of qualified energy–efficient windows and storm doors. KRS 141.435(8) provides that "energy–efficient windows and storm doors" means windows and storm doors that are: (a) ENERGY STAR–labeled; and (b) Certified by the National Fenestration Rating Council as meeting the North–Central U.S. climate zone performance standards for U–factor (nonsolar heat conductance), solar heat gain coefficient, air leakage, visible–light transmittance, and condensation resistance.

Line 8—Enter the amount on Line 7 multiplied by 30 percent (.30).

Line 9—Enter the total of the amounts from Form 720S, Schedule K–1, Line 27 and Form 765 or Form 765–GP, Schedule K–1, Line 29.

Line 10—Enter the total of Lines 8 and 9.

Line 12—Enter the smaller of Line 10 or Line 11.

Line 13—Enter the installed cost of qualified energy property. KRS 141.435(12) provides that "qualified energy property" means the following property that meets the performance, quality, and certification standards of and that would have been eligible for the federal tax credit for residential energy property expenditures under 26 U.S.C. § 25C, as it existed on December 31, 2007: (a) An electric heat pump water heater; (b) An electric heat pump; (c) A closed loop geothermal heat pump; (d) An open loop geothermal heat pump; (e) A direct expansion (DX) geothermal heat pump; (f) A central air conditioner; (g) A natural gas, propane, or oil furnace or hot water heater; (h) A hot water boiler including outdoor wood–fired boiler units; or (i) An advanced main air circulating fan.

Line 14—Enter the amount on Line 13 multiplied by 30 percent (.30).

Line 15—Enter the total of the amounts from Form 720S, Schedule K–1, Line 28 and Form 765 or Form 765–GP, Schedule K–1, Line 30.

Line 16—Enter the total of Lines 14 and 15.

Line 18—Enter the smaller of Line 16 or Line 17.

Line 19—Enter the total of Lines 6, 12, and 18.

Line 21—Enter the smaller of Line 19 or Line 20.

Taxpayer's Residence or Single–family Residential Rental Unit:

Line 22—Enter the installed cost of a qualified active solar space–heating system. KRS 141.435(1) provides that "active solar space–heating system" means a system that: (a) Consists of solar energy collectors that collect and absorb solar radiation combined with electric fans or pumps to transfer and distribute that solar heat; (b) May include an energy storage space–heating system to provide heat when the sun is not shining; and (c) Is installed by a certified installer.

Line 23—Enter the installed cost of a qualified passive solar space–heating system. KRS 141.435(11) provides that "passive solar space–heating system" means a system that: (a) Takes advantage of the warmth of the sun through the use of design features such as large south–facing windows and materials in the floors or walls that absorb warmth during the day and release that warmth at night; (b) Includes one or more of the following designs: (i) Direct gain which stores and slowly releases heat energy collected from the sun shining directly into the building and warming materials such as tile or concrete; (ii) Indirect gain which uses materials that are located between the sun and the living space such as a wall to hold, store, and release heat; or (iii) Isolated gain which collects warmer air from an area that is remote from the living space, such as a sunroom attached to a house, and the warmer air flows naturally to the rest of the house; and (c) Meets the guidelines and technical requirements for passive solar design.

Line 24—Enter the installed cost of a qualified combined active solar space–heating and water–heating system. KRS 141.435(3) provides that a "combined active solar space–heating and water–heating system" means a system that meets the requirements of both an active solar space–heating system and a solar water–heating system and is installed by a certified installer.

Line 25—Enter the installed cost of a qualified solar water–heating system. KRS 141.435(14) provides that a "solar water–heating system" means a system that: (a) Uses solar–thermal energy to heat water; (b) Is an indirect pressurized glycol system that uses propylene glycol or an indirect drainback system that uses distilled water or propylene glycol; (c) Uses OG–100 solar thermal collectors that are certified by the Solar Rating and Certification Corporation and covered by a manufacturer's warranty of not less than five years; (d) Is installed by a certified installer; and (e) Is warranted by the certified installer for a period of not less than two years.

Line 26—Enter the installed cost of a qualified wind turbine or wind machine. KRS 141.435(16) provides that a "wind turbine" or "wind machine" means a turbine or machine used for generating

electricity that: (a) Is certified as meeting the U.S. Wind Industry Consensus Standards developed by the American Wind Energy Association in partnership with the U.S. Department of Energy; (b) Is covered by a manufacturer's warranty of not less than five years; (c) Is in compliance with all relevant building codes, height restriction variances, other special code requirements, and zoning ordinances; (d) Has been installed in accordance with all building codes and all permits were received prior to the start of construction and installation; (e) Is in compliance with all applicable Federal Aviation Administration regulations; (f) Meets all requirements of Article 705 of the National Electrical Code for electrical components and installations; and (g) Is rated and listed by Underwriters Laboratories.

Line 27— Enter the total of Lines 22 through 26.

Line 28— Enter the amount on Line 27 multiplied by 30 percent (.30).

Line 29— Enter the total of the amounts from Form 720S, Schedule K–1, Line 29 and Form 765 or Form 765–GP, Schedule K–1, Line 31.

Line 30— Enter the total of Lines 28 and 29.

Line 31— Enter the total watts of direct current (DC) (enter watts in space provided on this line) of the rated capacity of a qualified solar photovoltaic system multiplied by $3. KRS 141.435(13) provides that a "solar photovoltaic system" means a system for electricity generation that: (a) Includes solar photovoltaic panels, structural attachments, electric wiring, inverters for converting direct current output to alternating current, and appropriate controls and safety measures for output monitoring; (b) Meets the requirements of Article 690 of the National Electrical Code; (c) Uses solar photovoltaic panels and inverters that are rated and listed by Underwriters Laboratories; and (d) Is installed by a certified installer.

Line 32— Enter the total of the amounts from Form 720S, Schedule K–1, Line 30 and Form 765 or Form 765–GP, Schedule K–1, Line 32.

Line 33— Enter the total of Lines 31 and 32.

Line 34— Enter the larger of Line 30 or Line 33.

Line 36— Enter the smaller of Line 34 or Line 35.

Multifamily Residential Rental Unit or Commercial Property:

Line 37— Enter the installed cost of a qualified active solar space–heating system. See instructions for Line 22 to determine qualified cost.

Line 38— Enter the installed cost of a qualified passive solar space–heating system. See instructions for Line 23 to determine qualified cost.

Line 39— Enter the installed cost of a qualified combined active solar space–heating and water–heating system. See instructions for Line 24 to determine qualified cost.

Line 40— Enter the installed cost of a qualified solar water–heating system. See instructions for Line 25 to determine qualified cost.

Line 41— Enter the installed cost of a qualified wind turbine or wind machine. See instructions for Line 26 to determine qualified cost.

Line 42— Enter the total of Lines 37 through 41.

Line 43— Enter the amount on Line 42 multiplied by 30 percent (.30).

Line 44— Enter the total of the amounts from Form 720S, Schedule K–1, Line 31 and Form 765 or Form 765–GP, Schedule K–1, Line 33.

Line 45— Enter the total of Lines 43 and 44.

Line 46— Enter the total watts of direct current (DC) (enter watts in space provided on this line) of the rated capacity of a qualified solar photovoltaic system multiplied by $3. See instructions for Line 31 to determine qualified cost.

Line 47—Enter the total of the amounts from Form 720S, Schedule K–1, Line 32 and Form 765 or Form 765–GP, Schedule K–1, Line 34.

Line 48— Enter the total of Lines 46 and 47.

Line 49— Enter the larger of Line 45 or Line 48.

Line 51— Enter the smaller of Line 49 or Line 50.

Commercial Property:

Line 52— Enter the installed cost of a qualified energy–efficient interior lighting system. KRS 141.435(6) provides that "energy–efficient interior lighting system" means an interior lighting system that meets the maximum reduction in lighting power density requirements for the federal energy–efficient commercial building deduction under 26 U.S.C. § 179D, as in effect December 31, 2007.

Line 53— Enter the amount on Line 52 multiplied by 30 percent (.30).

Line 54— Enter the total of the amounts from Form 720S, Schedule K–1, Line 33 and Form 765 or Form 765–GP, Schedule K–1, Line 35.

Line 55— Enter the total of Lines 53 and 54.

Line 57— Enter the smaller of Line 55 or Line 56.

Line 58— Enter the installed cost of a qualified energy–efficient heating, cooling, ventilation, or hot water system. KRS 141.435(7) provides that "energy–efficient heating, cooling, ventilation, or hot water system" means a heating, cooling, ventilation, or hot water system that meets the requirements for the federal energy–efficient commercial building deduction under 26 U.S.C. § 179D, as in effect December 31, 2007.

Line 59— Enter the amount on Line 58 multiplied by 30 percent (.30).

Line 60— Enter the total of the amounts from Form 720S, Schedule K–1, Line 34 and Form 765 or Form 765–GP, Schedule K–1, Line 36.

Line 61— Enter the total of Lines 59 and 60.

Line 63— Enter the smaller of Line 61 or Line 62.

Line 64— Enter the total of Lines 57 and 63.

Line 65— Enter the total of Lines 21, 36, 51 and 64.

Line 66— Enter the balance of the Energy Efficiency Products Tax Credit that was not used in 2009, if applicable.

Line 67— Enter the total of Lines 65 and 66.

8863-K Kentucky Education Tuition Tax Credit

There are no changes to the 2010 form; however, the instructions have been expanded and are now located on pages 3 and 4. Previously, there were significant changes to the 2009 Kentucky Form 8863-K. These changes resulted from modifications made on the federal Form 8863 because of the American Recovery and Reinvestment Act of 2009. Kentucky has not adopted this legislation and, as a result, the 8863-K has been modified to assist taxpayers in determining the mount of available credit allowed on their Kentucky Individual Income tax return.

8863-K 42A740-S24

Department of Revenue

➤ **Attach to Form 740 or Form 740-NP.**

2010

KENTUCKY EDUCATION TUITION TAX CREDIT

Enter name(s) as shown on Form 740 or Form 740-NP, page 1. | Your Social Security Number

If you have a credit carry forward from previous years, see Page 2, Part V.

Caution: Requirements for the 2010 Kentucky Education Tuition Tax Credit are different from the federal education requirements. Please review instructions to determine if you meet the qualifications for this credit.

PART I— Qualifications

	Yes	No
• Are all expenses claimed on this form from an eligible educational institution located within the Commonwealth of Kentucky (Kentucky institution)?		
• Are all of the expenses claimed on this form for undergraduate studies?		
• Is your Kentucky filing status single; married filing separately on a combined return; or married filing a joint return?		

DRAFT 7/30/10

If you answered "No" to any of these questions above, **STOP**, you do not qualify for this credit.
If you answered "Yes" to all questions above, go to Part II.

PART II— Hope Credit (List only expenses from Kentucky institutions.) See Instructions

1. (a) Student Name / SSN	(c) Qualified Expenses (see instructions). **Do not** enter more than $2,400 for each student.	(d) Enter the **smaller** of the amount in column (c) or $1,200	(e) Add column (c) and column (d)	(f) Enter one-half of the amount in column (e)
	$	$	$	$
(b) Institution Name and Address				

(a) Student Name / SSN	(c) Qualified Expenses (see instructions). **Do not** enter more than $2,400 for each student.	(d) Enter the **smaller** of the amount in column (c) or $1,200	(e) Add column (c) and column (d)	(f) Enter one-half of the amount in column (e)
	$	$	$	$
(b) Institution Name and Address				

2. **Tentative Hope Credit.** Add the amounts on line 1, column (f). If you are taking the Lifetime Learning Credit for another student, go to Part III; otherwise, go to line 7 2

PART III— Lifetime Learning Credit

3. (a) Student Name	(b) Student SSN	(c) Name and Address of Kentucky Institution	(d) Qualified Expenses (See instructions)

4. Add the amounts on line 3, column (d) and enter total here 4
5. Enter the smaller of line 4 or $10,000 5
6. **Tentative Lifetime Learning Credit.** Multiply line 5 by 20% (.20), enter here 6
7. Tentative Kentucky Education Credits. Add lines 2 and 6, enter here and on Page 2, line 8 7

Note: If you have an unused credit from prior year(s), complete Page 2, Part V to determine your carryforward amount. You must have completed Form 8863-K in prior years to claim any allowable unused credit carryforward.

FORM 8863-K (2010)
42A740-S24

DRAFT 7/20/10

PART IV — Allowable Education Credits

8.	Enter tentative Kentucky Education Credits from page 1, line 7	8	
9.	Enter: $120,000 if married filing jointly or married filing separately on a combined return; $60,000 if single	9	
10.	Enter the amount from Form 1040, line 37, or Form 1040A, line 21	10	
11.	Subtract line 10 from line 9. If zero or less, STOP; you cannot take any education credits for Kentucky	11	
12.	Enter $20,000 if married filing jointly or married filing separately on a combined return; $10,000 if single	12	
13.	If line 11 is equal to or more than line 12, enter the amount from line 8 on line 14 and go to line 15. If line 11 is less than line 12, divide line 11 by line 12. Enter the result as a decimal (rounded to at least three places)	13	x .
14.	Multiply line 8 by the decimal amount on line 13 and enter here	14	
15.	Multiply the amount on line 14 by 25% (.25) and enter total here	15	
16.	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	16	
17.	Enter amount from Part V, line 37. If Part V, line 37 is blank, enter -0-	17	
18.	Subtract line 17 from line 16	18	
19.	Enter the smaller of line 18 or line 15	19	
20.	Add lines 17 and 19. Enter here and on Form 740 or Form 740-NP, line 23. This is your allowable 2010 education credit	20	
21.	If line 18 is smaller than line 15, subtract line 18 from line 15. This is the amount of **unused credit carryforward from 2010 to 2011.** Enter here and on the 2010 Carryforward Worksheet, Line E, provided below	21	

PART V — Credit Carryforward from Prior Years

22.	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	22	
23.	Enter your credit carryforward from 2005	23	
24.	Enter your credit carryforward from 2006	24	
25.	Enter your credit carryforward from 2007	25	
26.	Enter your credit carryforward from 2008	26	
27.	Enter your credit carryforward from 2009	27	
28.	Add lines 23 through 27 and enter total here	28	
29.	Subtract line 23 from line 22. If zero or less, enter -0-	29	
30.	**Enter 2006 credit carryforward to 2011.** Subtract line 29 from line 24. If zero or less, enter -0-	30	
31.	Subtract line 24 from line 29. If zero or less, enter -0-	31	
32.	**Enter 2007 credit carryforward to 2011.** Subtract line 31 from line 25. If zero or less, enter -0-	32	
33.	Subtract line 25 from line 31. If zero or less, enter -0-	33	
34.	**Enter 2008 credit carryforward to 2011.** Subtract line 33 from line 26. If zero or less, enter -0-	34	
35.	Subtract line 26 from line 33. If zero or less, enter -0-	35	
36.	**Enter 2009 credit carryforward to 2011.** Subtract line 35 from line 27. If zero or less, enter -0-	36	
37.	Enter the smaller of line 22 or line 28	37	

2010 Carryforward Worksheet

A. From Part V, Line 30, 2006 to 2011 _____
B. From Part V, Line 32, 2007 to 2011 _____
C. From Part V, Line 34, 2008 to 2011 _____
D. From Part V, Line 36, 2009 to 2011 _____
E. From Part IV, Line 21, 2010 to 2011 _____

If you have a carryforward of credit, maintain a copy of this worksheet or Form 8863-K for your records. This information will be needed to prepare future returns.

DRAFT 7/30/10

Education Tuition Tax Credit—Instructions and Worksheet

Note: You cannot take a Kentucky Education Tuition Tax Credit if you are not eligible for the federal Hope or Lifetime Learning Credits.

Purpose of Form—Use Form 8863–K to calculate and claim your education credits. The education credits are: the Hope Credit and the Lifetime Learning Credit. These credits are based on qualified education expenses paid to an eligible postsecondary educational institution located in Kentucky. If you elected to claim the education credit for federal purposes rather than the tuition and fees deduction, you must make that same election for Kentucky purposes.

Caution: Requirements for the 2010 Kentucky Education Tuition Tax Credit are different from the federal education requirements due to Kentucky not adopting the American Recovery and Reinvestment Act of 2009.

Qualified Education Expenses—Generally, qualified education expenses are amounts paid in 2010 for tuition and fees required for the student's enrollment or attendance at an eligible educational institution. It does not matter whether the expenses were paid in cash, by check, by credit card, or with borrowed funds.

Eligible Educational Institution located in Kentucky—An eligible educational institution is generally any accredited public, nonprofit, or private college, university, vocational school, or other postsecondary institution. Also, the institution must be eligible to participate in a student aid program administered by the Department of Education. The institution must also be physically located in Kentucky to qualify.

Part I, Qualifications—All questions in Part I must be answered yes to be eligible for the Kentucky Education Tuition Tax Credit.

Part II, Hope Credit—You may be able to take a credit of up to 25% of $1,800 for qualified education expenses paid for each student who qualifies for the Hope Credit. The Hope Credit equals 100% of the first $1,200 and 50% of the next $1,200 of qualified expenses paid for each eligible student. For Kentucky, the credit is then limited to 25% for a maximum amount allowed of $450 for each student who qualified. You can take the Hope Credit for a student if all of the following apply.

- As of the beginning of 2010, the student had not completed the first 2 years of postsecondary education (generally, the freshman and sophomore years of college), as determined by the eligible educational institution. For this purpose, do not include academic credit awarded solely because of the student's performance on proficiency exams.
- The student was enrolled in 2010 in a program that leads to a degree, certificate, or other recognized educational credential.
- The student was taking at least one–half the normal full-time workload for his or her course of study for a least one academic period beginning in 2010.
- The Hope Credit was not claimed for that student's expenses in more than one prior tax year.
- The student has not been convicted of a felony for possessing or distributing a controlled substance.

Note: If a student does not meet all of the above qualifications, you may be able to take the Lifetime Learning Credit for part or all of the student's qualified education expenses.

Line 1, Columns A and B—Enter student's name, Social Security number and the name and address of qualified Kentucky institution.

Line 1, Column C—Enter qualified expenses; do not enter more than $2,400 for each student.

Line 1, Column D—Enter the amount from Column C or $1,200, whichever is smaller.

Line 1, Column E—Add Column C and Column D.

Line 1, Column F—Enter one-half of the amount in Column E.

Line 2—Add all amounts in Column F for all students to compute your tentative Hope credit. If you have expenses for more than two students, attach a list to Form 8863-K and list the total for all students on Line 2. If you are taking the Lifetime Learning Credit for another student, go to Part III; otherwise, go to line 7.

Part III—Lifetime Learning Credit—You may be able to take 25% of the Lifetime Learning Credit that equals 20% of qualified expenses paid, up to a maximum of $10,000 of qualified expenses per return. The maximum amount of Lifetime Learning Credit you can claim on your tax return for the tax year is $2,000. For Kentucky, the Lifetime Learning Credit is then limited to 25% of the $2,000 for a maximum allowed of $500 per return.

Line 3, Column A–D—Enter student's name, Social security number, name and address of qualified Kentucky institution and amount of qualified expenses.

Line 4—Add all amounts in Column C for all students.

Line 5—Enter the smaller of Line 4 or $10,000.

Line 6—Multiply Line 5 by 20%. Do not enter more than $2,000. This is your tentative Lifetime Learning Credit.

Line 7—Add Line 2 (tentative Hope Credit) and Line 6 (tentative Lifetime Learning Credit) to get your tentative Kentucky Education Credits. Enter the amount on Line 7 and on page 2, Line 8.

Part IV—Allowable Education Credits—

Line 9—Line 13—You cannot take any Kentucky Education Credits if your federal adjusted gross income (federal Form 1040, Line 37 or 1040A, Line 21) exceeds $120,000 if married, filing jointly or married, filing separately on a combined return ($60,000 if single). If you are filing a separate return,

you do not qualify for this credit. If your income is greater than $100,000, you may only be entitled to a portion of the credits, if any. Proceed to Line 14 if your income is less than $100,000.

Line 14—Enter the amount from Line 8 if your credit was not limited based on income. If the credit was limited based on income, multiply the amount on Line 8 by the decimal amount on Line 13.

Line 15—Multiply Line 14 by 25% (.25). This is your tentative Kentucky allowable credit.

Line 16—Enter the tentative tax from Form 740 or Form 740–NP, page 1, Line 22.

Line 17—Enter the amount from page 2, Part V, Line 37. This is the allowable credit carryforward from prior year(s). If there is no carryforward, enter zero.

Line 18—Subtract Line 17 from Line 16.

Line 19—Enter the smaller of Line 18 or Line 15.

Line 20—Add Lines 17 and 19. Enter here and on Form 740 or Form 740–NP, Line 23. This is your allowable 2010 education credit.

Line 21—If Line 18 is smaller than Line 15, subtract Line 18 from Line 15. This is the amount of unused credit carryforward from 2010 to 2011. Maintain records for following years.

Part V, Credit Carryforward from Prior Years—The Kentucky Education Tuition Tax credit can be carried forward for up to 5 years if unused during the preceding tax year(s). You must have completed Form 8863–K for any prior year in which you are claiming a credit carryforward.

DRAFT
07/20/10

Forms 740-X and 740-XP

Both forms follow. The Form 740-X should be used for tax years 2006, 2007, 2008 and 2009; while the Form 740-XP is for tax years 2004 and prior. Appropriate schedules, W-2 wage statements, forms, etc. must be attached to support changes. To obtain a Form 740-X for tax year 2005, please visit the DOR Web site at *www.revenue.ky.gov*.

740-X
42A740-X (11-10)
Department of Revenue

AMENDED KENTUCKY INDIVIDUAL INCOME TAX RETURN

For Tax Year 2006 through 2010

20____

☐ For calendar year *or*
☐ For fiscal year beginning _____ , _____ , and ending _____ , _____

Filing Status: Check only one block.

	Original	Amended	
1.	☐	☐	Single
2.	☐	☐	Married, filing separately on this combined return
3.	☐	☐	Married, filing joint return
4.	☐	☐	Married, filing separate returns. Enter spouse's name and Social Security number as it appears on separate return.

➤

Spouse's Social Security No.	Your Social Security No.

Last Name	First Name (Joint or combined return, give both names and initials.)

Mailing Address	Number and Street or P.O. Box	Apt. No.

City, Town or Post Office	State	ZIP Code

INCOME AND DEDUCTIONS	I—As Originally Reported or Adjusted	II—Net Change *Increase or Decrease* (see p. 2)	III Correct Amount
1. **KENTUCKY ADJUSTED GROSS INCOME (Form 740 or 740-EZ)** Column A, Spouse			
Column B, Yourself (or Joint)			
2. **ITEMIZED DEDUCTIONS / STANDARD DEDUCTION** Column A, Spouse			
Column B, Yourself (or Joint)			
3. **TAXABLE INCOME** Column A, Spouse			
Column B, Yourself (or Joint)			
TAX LIABILITY			
4. **Enter tax from Form 740, line 14 or Form 740-EZ, line 4.** Column A, Spouse			
Column B, Yourself (or Joint)			
5. **Business Incentive Credits.** Column A, Spouse			
Column B, Yourself (or Joint)			
6. **Personal Tax Credits.** Column A, Spouse			
Column B, Yourself (or Joint)			
7. **Subtract lines 5 and 6 from line 4.** Column A, Spouse			
Column B, Yourself (or Joint)			
8. Add line 7, Columns A and B and enter here			
9. Family Size Tax Credit			
10. Education Tuition Tax Credit			
11. Child and Dependent Care Credit			
12. New Home Tax Credit (2009 and 2010 Only)			
13. Income Tax Liability. Subtract lines 9, 10, 11 and 12 from line 8			
14. Kentucky Use Tax			
15. Total Tax Liability			
PAYMENTS AND CREDITS			
16. Kentucky Income Tax Withheld			
17. Kentucky Estimated Tax Payments			
18. Refundable Kentucky Corporation Tax Credit (KRS 141.420(3)(c))			
19. Refundable certified rehabilitation credit (KRS 141.382(1)(b))			
20. Film industry tax credit (KRS 141.383)			
21. Amount paid with original return, plus additional payments made after it was filed			
22. Total of lines 16 through 21, Column III			
REFUND OR AMOUNT DUE			
23. Overpayment, if any, shown on original return, Form 740 or Form 740-EZ			
24. Subtract line 23 from line 22 and enter the result			
25. If line 15, Column III, is more than line 24, enter amount due			
26. Compute interest on the amount due from the due date until paid. **Use Interest Rate Chart on Page 2, Part IV when calculating interest.**			
27. Add lines 25 and 26. Pay in full with this return			
28. If line 15, Column III, is less than line 24, enter refund to be received			

DRAFT 8/2/10

N	F

Form 740-X (11-10)

Page 2

PART I – TAX CREDITS **(This section must be completed for any increase or decrease in the number of personal tax credits claimed on original return)**

1. Number of personal tax credits claimed on original return (Form 740, Section B, lines 3A and 3B)	
2. Number of personal tax credits claimed on this return	
3. Difference	

Explain any difference in detail below. Include name and Social Security number.

PART II – FAMILY SIZE TAX CREDIT **(This section must be completed for any increase or decrease to Total Family Size claimed on original return.)**

4. Total Family Size claimed on original return	1 ☐	2 ☐	3 ☐	4 or more ☐
5. Total Family Size claimed on this return	1 ☐	2 ☐	3 ☐	4 or more ☐

Explain any difference in detail below. Include name and Social Security number.

PART III – CHANGES Explain changes to income, deductions and tax from page 1, Column II in detail below. **Attach additional or corrected Kentucky and/or federal forms, schedules or W-2s.**

If you do not attach the required information, processing of your Form 740-X may be delayed.

DRAFT 8/30/10

PART IV – INTEREST RATE CHART - Use the following rates when computing interest for amount on Page 1, Line 25.

Jan. 1, 2011–Dec. 31, 2011	– ???%
Jan. 1, 2010–Dec. 31, 2010	– 5%
Jan. 1, 2009–Dec. 31, 2009	– 7%
May 1, 2008–Dec. 31, 2008	– 10%
Jan. 1, 2008–Apr. 30, 2008	– 8%
Jan. 1, 2007–Dec. 31, 2007	– 8%

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and, to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of appropriate income tax regulations will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If a joint or combined return, both must sign.) | Spouse's Signature | Telephone Number (daytime) | Date Signed

Typed or Printed Name of Preparer Other than Taxpayer | I.D. Number of Preparer | Date

Make check payable to:
Kentucky State Treasurer.

REFUNDS Mail to: **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS Mail to: **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

740-XP
42A740-XP (11-08)
Department of Revenue

☐ For calendar year *or*
☐ For fiscal year beginning _____ , _____ , and ending _____ , _____

AMENDED KENTUCKY INDIVIDUAL INCOME TAX RETURN
2004 and Prior Years

Kentucky
200___

Filing Status: Check only one block.

	Original	Amended	
1.	☐	☐	Single
2.	☐	☐	Married, filing separately on this combined return
3.	☐	☐	Married, filing joint return
4.	☐	☐	Married, filing separate returns. Enter spouse's name and Social Security number as it appears on separate return.

Spouse's Social Security No. | Your Social Security No.

Name | First name (Joint or combined return, give both names and initials)

Mailing Address | Number and Street or P.O. Box | Apt. No.

City, Town or Post Office | State | ZIP Code

List validating numbers stamped on cancelled checks for payments claimed on line 18.

INCOME AND DEDUCTIONS	I—As Originally Reported or Adjusted	II—Net Change *Increase or Decrease* (see p. 2)	III Correct Amount
1. **KENTUCKY ADJUSTED GROSS INCOME: Form 740 or Form 740-EZ**			
Column A. Spouse			
Column B. Yourself (or Joint)			
2. **ITEMIZED DEDUCTIONS/STANDARD DEDUCTION**			
Column A. Spouse			
Column B. Yourself (or Joint)			
3. **TAXABLE INCOME**			
Column A. Spouse			
Column B. Yourself (or Joint)			
TAX LIABILITY Enter credits from original return or page 2, line 7 ➤ **A.** Spouse _____ **B.** Yourself (or Joint) _____			
4. Enter tax from Tax Table, Tax Computation or Schedule TC			
5. Low Income Credit			
6. Child and Dependent Care Credit			
If amount is entered on line 6, enter number of dependent children under age 13 _____			
7. Income Tax Liability. Subtract lines 5 and 6 from line 4. (If zero or less, enter -0-)			
8. Kentucky Use Tax			
9. Total Tax Liability. Add lines 7 and 8			
PAYMENTS AND CREDITS			
10. Kentucky Income Tax Withheld			
11. Kentucky Estimated Tax Payments			
12. Amount paid with original return, plus additional payments made after it was filed (list checks above)			
13. Total of lines 10 through 12, Column III			
REFUND OR AMOUNT DUE			
14. Overpayment, if any, shown on original return, Form 740 or Form 740-EZ			
15. Subtract line 14 from line 13 and enter result			
16. If line 9, Column III, is more than line 15, enter amount due			
17. Compute interest on the amount on line 16 from the due date until the date paid. **Use Interest rate chart on Page 2, Part III, when calculating interest**			
18. Add lines 16 and 17. **Pay in full with this return**			
19. If line 9, Column III, is less than line 15, enter refund to be received			

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and, to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of appropriate income tax regulations will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

➤ Your Signature (If a joint or combined return, both must sign.) ➤ Spouse's Signature ☎ Telephone Number (daytime) Date Signed

Typed or Printed Name of Preparer Other than Taxpayer | I.D. Number of Preparer | Date

N F

Form 740-XP (11-08) Page 2

PART I—TAX CREDITS **(Lines 1 through 7 must be completed for any increase or decrease in the number of tax credits claimed on original return.)**

1. Number of tax credits claimed on original return ➤
2. Number of tax credits claimed on this return ➤
3. Difference ➤
4. **Additional Credits for Yourself and Spouse** *(Check only those boxes not checked on original return.)*

	Regular	If 65 or Over Check Two		If Blind Check Two	
Yourself.....	☐	☐	☐	☐	☐
Spouse.....	☐	☐	☐	☐	☐

Enter number of boxes checked ➤

5. Enter first names of your dependent children who lived with you, but were not claimed on original return.

Enter number ➤

6. Other dependents not claimed on original return

(a) Name	(b) Relationship	(c) Months lived in your home.	(d) Did you provide more than one-half of dependent's support?

Enter number of other dependents listed ➤

7. Tax credits claimed on this return by: (a) Spouse _____ ; (b) Yourself (or Joint) _____ .

PART II—CHANGES Explain changes to income, deductions and tax from page 1, Column II in detail below. **Attach additional or corrected Kentucky and/or federal forms, schedules and W-2s.**

If you do not attach the required information, processing of your Form 740-XP may be delayed.

PART III – INTEREST RATE CHART - Use the following rates when computing interest for amount on Page 1, Line 16.

Jan. 1, 2009–Dec. 31, 2009	–	7%
May 1, 2008–Dec. 31, 2008	–	10%
Jan. 1, 2008–Apr. 30, 2008	–	8%
Jan. 1, 2007–Dec. 31, 2007	–	8%
Jan. 1, 2006–Dec. 31, 2006	–	7%

Make check payable to:
Kentucky State Treasurer.

REFUNDS Mail to: **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS Mail to: **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

EXTENSIONS

Kentucky individual and corporation income tax returns for the 2010 calendar year must be filed with the Department of Revenue on or before April 18, 2011, unless an extension is obtained.

The Form 40A102 - Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky is located on page 61 of these materials.

Since the Department of Revenue accepts the federal extension, only a few circumstances will require a separate Kentucky extension. Form 40A102 is **NOT** an automatic extension. The request must state a reasonable cause for the inability to timely file. Even though it is not an automatic extension, you will only be notified if the extension request is denied. Form 40A102, if utilized, must be filed by April 18, 2011. You must attach a copy of Form 40A102 to the return, if a Kentucky extension is used.

Federal Extension – Individuals may use federal Form 4868 to obtain an automatic six month extension. If you file Form 4868, a separate extension request for Kentucky is not required. Attach Form 4868 to your Kentucky return.

Payments – An extension of time to file a return does not extend the due date for payment of tax. Interest and penalty charges can be avoided on payments sent by the due date. To make a payment with the extension request, write "KY Income Tax–2010" and your Social Security number(s) on the face of the check. Mail payment with:

- Completed Section II, Kentucky Extension Payment Voucher, of Form 40A102 – Application for Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Returns for Kentucky, or

- A copy of the lower portion of federal Form 4868 - Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.

ELECTRONIC FILED EXTENSION

Attach a copy of federal Form 4868 with the confirmation number listed on the form or a copy of the electronic acknowledgement to a paper Kentucky individual income tax return. To E-file a return using a personal computer or through a tax professional, follow the instructions provided.

Instructions for federal Form 4868 advise taxpayers to complete Form 4868 to use as a worksheet. Then, taxpayers may take advantage of one of the three IRS E-file options; E-file by phone, E-file using your personal computer or tax professional, or E-file and pay by credit card.

If an extension request is E-filed, a confirmation number or acknowledgement to indicate that Form 4868 has been accepted will be received electronically.

The confirmation number should be entered in the lower right-hand corner of Form 4868 and a copy should be kept for record keeping purposes.

MILITARY PERSONNEL ELIGIBLE for COMBAT ZONE EXTENSION and OTHER TAX RELIEF ITEMS

Extension to File and Related Issues – Federal

Internal Revenue Code Sections 112 and 7508 provide for an automatic extension of 180 days following service for the filing and paying federal income taxes and claiming refunds for an individual who is serving in the Armed Forces in a combat zone or qualified hazardous duty area or who has qualifying service outside of a combat zone or qualified hazardous duty area. Specifically, members of the military are allowed an extension of time to file and pay federal income taxes, request a refund, bring a legal suit, make an IRA contribution, and so forth while they are deployed in a combat zone. For the most part, the extension runs for at least 180 days from the day when the taxpayer leaves the combat zone.

In addition, all federal audit and collection activities are ceased while the taxpayer is in the combat area and for 180 days afterward.

Certain personnel who are deployed from their permanent assignments to a position that supports a hazardous duty area – even if the individual is not within the hazardous duty area – receive a similar extension for filing and payment and are not subject to collection activities. They do not, however, receive income exclusion.

Also, civilian employees of the Department of Defense and accredited correspondents are eligible for the extensions of time to file and delay of collection activities, but not for income exclusion, provided they are within the designated combat zone.

Extension to File and Related Issues – Kentucky

When the President signs an executive order designating certain areas as combat zones, provisions of Kentucky law (**KRS 141.215** & **KRS 141.175**) are automatically activated. The law provides for deferred filing of the Individual income tax return and payment of income taxes. Under Kentucky law, a one-year extension of the filing date is in effect for those people serving in the combat zone on January 1, 2009, to April 16, 2009, i.e., members of the Army, Navy, Marines, Air Force or Public Health Service of the United States government as well as members of the National Guard or any branch of the Reserves. The one-year period begins when service in the combat zone ends. No penalty or interest will accrue on tax payments made during the one-year deferment period.

On March 10, 2003, Executive Order 2003-221 became effective, providing an extension of time for obtaining or renewing any licenses, filing any return, report or other document, paying any taxes, fees or other charges, which would

fall due or expire during the period for Kentuckians who have been mobilized or deployed in support of the war. The extension expires 90 days following demobilization from active duty or ninety days following deployment to Kentucky for persons remaining on active duty. The Kentucky Department of Revenue does follow the 180 day IRS extension for filing returns, making payments or taking any other action related to income tax for U.S. Armed Forces deployed overseas away from their permanent duty station in support of operations in a qualified hazardous duty area but outside the qualified hazardous duty area.

EXAMPLE – DUE DATE WHILE in COMBAT ZONE

Sergeant Peterson arrived in the combat zone on March 1, 2011, and served there until June 15, 2011.

Question: When is the due date for his 2010 Individual Income tax return?

Answer: Because Sergeant Peterson was in a combat zone during the filing period for the 2010 return, he is allowed an extension to file the return and to pay any liability. The extension of the due date for his return consists of the time remaining on the normal due date (March 1 to April 18 = 49 days) plus 1 year after leaving the combat zone. Therefore, his 2010 tax return is due June 18, 2012. The due date of his 2011 return is not affected because he was not in the combat zone during the January 1 through April 17, 2012, filing period. However, the due date for the first quarter 2012 estimated tax payment is extended.

In a related matter, the extension continues to apply while a qualifying person is continuously hospitalized outside the United States as a result of injuries suffered in the combat zone. For hospitalization within the United States, the extension cannot exceed 5 years and does not apply to a spouse.

Taxpayers who receive a Notice of Tax Due should return the notice to the address below with "Combat Zone and the date of deployment" written across the top. All actions on the bill will be suspended until the expiration of the extension. Taxpayers who are filing a return using the extended deadline should write "Combat Zone" across the top of the return and the "date that service in the combat zone ended".

CONTACT INFORMATION:
Taxpayer Assistance
P. O. Box 181, Station 56
Frankfort, Kentucky 40602

40A102 (11-10)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

2010

➤ *COMPLETE ONLY IF NOT FILING FEDERAL EXTENSION*

➤ *SEE INSTRUCTIONS FOR PAYMENT REQUIREMENTS*

APPLICATION FOR EXTENSION OF TIME TO FILE INDIVIDUAL, GENERAL PARTNERSHIP AND FIDUCIARY INCOME TAX RETURNS FOR KENTUCKY

INSTRUCTIONS: Taxpayers who request a federal extension are not required to file a separate Kentucky extension. The requirements may be met by attaching federal Form 4868 (automatic extension) to the Kentucky return.

Interest at the annual rate of % percent applies to any income tax paid after the original due date of the return. If the amount of tax paid by the original due date is less than 75 percent of the tax due, a late payment penalty may be assessed (minimum penalty is $10). Interest and late payment penalty charges can be avoided by remitting payment with the Extension Payment Voucher below by the due date.

Use this form if you (1) are requesting a Kentucky extension of time to file **(complete Section I)**; (2) are requesting a Kentucky extension and desire to make a payment prior to the due date **(complete Sections I and II)**; or (3) have a federal extension and desire only to make a Kentucky payment prior to the due date **(complete and submit Section II only)**.

You will be notified only if the application for extension is denied. To avoid the late filing penalty, a copy of this form must be attached to your return when filed. Keep a copy for yourself.

SECTION I *(Please print or type name and address in block below.)*

Check type of return:

- ☐ Individual (740 or 740-NP)
- ☐ General Partnership (765-GP)
- ☐ Fiduciary (741)

DRAFT 7/07/10

Soc. Sec. No. or Employer ID No. _____

A six-month extension is requested for filing the income tax return of the above-named taxpayer(s) for the taxable year ended _____ .

REASON FOR REQUEST (A reason must be given before any request can be considered. Inability to pay tax liability is not a valid reason.)

_____

_____

_____

_____

Signature of taxpayer — Date — Preparer other than taxpayer — Date

➤ **Mail to: Kentucky Department of Revenue, P.O. Box 1190, Frankfort, KY 40602-1190** ◄

DENIED: ☐ Late *(postmarked after return due date)* ☐ Other:

You will be notified only if the application for extension is denied. To avoid the late filing penalty, a copy of this form must be attached to your return when filed. Keep a copy for yourself.

— —

40A102 (11-10)

SECTION II

COMPLETE ONLY IF MAKING PAYMENT

2010

KENTUCKY EXTENSION PAYMENT VOUCHER

Last name — First name (joint or combined return, give both names and initials) — Your Social Security number

Mailing address (number and street or P.O. box) — Apartment number — Spouse's Social Security number

City, town or post office — State — ZIP code

Make check payable to: Kentucky State Treasurer

Mail to: Kentucky Department of Revenue
P.O. Box 1190
Frankfort, KY 40602-1190

Enter payment amount here ..... ➤ $ _____

40A727 (10-08)

KENTUCKY INCOME TAX FORMS REQUISITION

The label at right will be used to mail your forms. ***Do not detach.***
Please prepare a duplicate address below for our files.

Name _____

Street _____
City, State and ZIP _____

Phone ( ) _____

Date Ordered _____

FROM: Department of Revenue
Frankfort, KY 40620

TO: Name _____

Street _____

City, State and ZIP Code _____

Check one: ☐ Individual ☐ Attorney ☐ CPA ☐ Tax Practitioner ☐ Other _____

Package K (contains all individual, fiduciary, partnership, corporation and S corporation income tax forms, schedules and instructions)..... Quantity ➤ _____

FORMS	ISSUANCE NO.	QUANTITY
740/740-EZ—Kentucky Individual Income Tax Packet (Maximum 10)	42A740	
740-NP—Nonresident or Part-Year Resident Income Tax Packet (Maximum 10)	42A740-NP	
740-NP-R—Nonresident Income Tax Return—Reciprocal State	42A740-NP-R	
740-ES—2008 Estimated Tax Voucher	42A740-ES	
740-ES—Instructions	42A740-S4	
Kentucky Individual Income Tax Installment Agreement Request	12A200	
765-GP—Kentucky General Partnership Income Return	42A765-GP	
765-GP(I)—Instructions	42A765-GP(I)	
Schedule K-1 (765-GP)—Partner's Share of Income, Credits, Deductions, etc.	42A765-GP (K-1)	
720—Kentucky Corporation Income Tax and LLET Return	41A720	
720(I)—Instructions	41A720(I)	
720S—Kentucky S Corporation Income Tax and LLET Return	41A720S	
720S(I)—Instructions	41A720S(I)	
Schedule K-1 (720S)—Shareholder's Share of Income, Credits, Deductions, etc.	41A720S (K-1)	
720ES—Corporation Income/Limited Liability Entity Estimated Tax Voucher and Instructions	41A720-ES	
725—Kentucky Single Member LLC Individually Owned LLET Return	41A725	
725(I)—Instructions	41A725(I)	
725CP—Kentucky Single Member LLC Individually Owned Composite Return Schedule	41A725CP	
765—Kentucky Partnership Income and LLET Return	41A765	
765(I)—Instructions	41A765(I)	
Schedule K-1 (765)—Partner's Share of Income, Credits, Deductions, etc.	41A765 (K-1)	
Total Forms ➤		

Package K _____ x $10.00 (includes UPS shipping) ..... _____

ENVELOPES *(Available in groups of 100 only)*

Refund 6" x 9" Blue—Enter number of groups here ➤ _____

Payment 6" x 9" Yellow—Enter number of groups here ➤ _____

Envelopes _____ x $5.00 per group of 100 ..... _____

Subtotal ..... _____

Sales Tax (6%) *(Kentucky residents only)* ..... _____

TOTAL ➤ _____

Make check payable to:
Kentucky State Treasurer

Mail order form and check to: Kentucky Department of Revenue
FORMS
P.O. Box 518
Frankfort, Kentucky 40602-0518

All income tax and limited liability entity tax (LLET) forms are available at ***www.revenue.ky.gov*** (click on Forms).

ELECTRONIC FILING and PROCESSING ISSUES

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GENERAL INFORMATION

Wage and Tax Statements – Wage and Tax Statements should be attached to Forms 740-EZ, 740 or 740-NP where noted on Page 1 of the tax return. Affix to top page only using two staples. Care should be taken to avoid tearing the tax forms and there should not be any additional markings on the return outside of the fields allowed for writing. Wage statements that are faxed or copied are not allowable statements.

TAX TIP:
Attach W-2 forms that reflect the amount claimed as Kentucky income tax withheld. Do not claim any federal (box 2) or local (box 19) income tax withheld.

Copy of Federal Return – A copy of pages 1 and 2 of the federal return and any other supporting federal schedules must be attached to the Kentucky return if certain criteria have been met. If the taxpayer is not required to attach a copy of the return, it is necessary to check the box on the bottom portion of Form 740, page 3. A complete copy of the federal return must be attached if an individual received any of the following during the tax year:

- Farm Income or Loss,
- Business Income or Loss, including income from partnerships, pass-through entities, etc.
- Rental Income or Loss;

–or–

- When an individual is filing a part-year resident or non-resident return (Form 740-NP).

Failure to attach a copy of the federal return may delay processing.

Basic Filing Tips

- Always start the Kentucky return with federal adjusted gross income.
- If you are married filing a joint return, make sure that you enter the taxpayer's names and corresponding Social Security numbers (SSN) in the same order each year.
- Please use the pre-printed labels furnished with your booklet if the name and address is correct. Otherwise, make sure the address entered on the return is the correct address. If you move after you have submitted your return, please contact the Department of Revenue to update your address (502-564-4581).
- Social Security numbers are not on the pre-printed labels. Please be sure to enter them legibly and in the appropriate boxes on the return.
- If you do not use the pre-printed label, when filling out the name and SSN boxes for the first person listed on the return, use SSN boxes labeled B to enter the SSN. For the second person listed on the return, use SSN boxes labeled A to enter the spouse's SSN.

- Make certain that the income amounts reported in columns A and B in the body of the income tax return corresponds with the SSNs entered in the SSN boxes labeled A & B.

- Be sure that all pages of the Forms 740 (3 pages) or 740-NP (4 pages) are included with the return. Personal tax credits on Page 3, Section B should be completed.

ADDITIONAL PROCESSING ISSUES

- Attach forms together with one staple in the upper left hand corner to **Forms 740 or 740-NP** in the following order:

  - ✓ All pages of the Forms 740 or 740-NP;
  - ✓ Any extension to file;
  - ✓ Kentucky schedules, alphabetically;
  - ✓ Other tax forms in numerical order, smallest first;
  - ✓ Copies of the federal return, if required.

- Kentucky copies of wage and tax statements must be attached to the return. Failure to attach the wage statement verifying Kentucky withholding may delay the processing of the return.

- If a pay agreement is needed, please attach Kentucky Individual Income Tax Installment Agreement Request (or statement) to front of the return.

- Paper returns **must** include copies of other state(s) returns when credit is claimed for tax paid to another state or processing will be delayed. Electronically filed returns must have the Credit for Tax Paid to Another State worksheet completed and submitted with the electronic submission for proper processing.

- Changes in filing status may render the preprinted label unusable. For instance, if the filing status for the previous year was married filing jointly and the current filing status is single.

- One of the most common errors on Individual Income Tax returns is in the amount of Kentucky withholding claimed. When electronically filing a return, before the final submission, please be sure to double-check that the amount of Kentucky withholding claimed accurately reflects what is being reported in Box 17 of the W-2 forms.

TAX TIP:
Because the observance of Emancipation Day in Washington D.C. will be on Friday, April 15th, the IRS is extending the filing deadline for the 2011 tax season to Monday, April 18th. Therefore, the KY Department of Revenue will also extend the filing deadline to April 18th.

ELECTRONIC FILING

Through September 1, 2010, Kentucky once again easily topped the one (1) million mark in processing electronic records. This represents approximately 64% of the total returns filed. Electronic filing reduces data entry errors, results in a faster refund turnaround and saves manpower hours during the processing season.

State Only Filing – Kentucky is accepting state only returns for the 2010 tax year. State-only filing is a method to file a state return through the current Fed/State system. The type returns that will be eligible for state only filing are: (1) Previously rejected state e-filed returns, and, (2) State returns input separately from a previously filed federal return. In all transmissions, the federal data must be attached. Consult your software vendor to determine the availability of state only filing.

Online Filing – Prepare and submit the Kentucky return at the same time as the federal return. Approved software developers and providers of online filing will be listed on the Department of Revenue's Web page.

1-D Barcode – The 2010 Kentucky forms will also contain a 1-D barcode printed at the top of the forms. The barcode contains information identifying the form number and page number. This information will be used in the future to index the forms and allow the Department of Revenue the capability of scanning and imaging tax forms.

2-D Barcode – Computer-generated Forms 740, 740-NP and 740-EZ will have a computer-generated two-dimensional (2-D) barcode. Barcode returns account for approximately 15% of the total returns filed. If the taxpayer has their return prepared for them or purchases off the shelf software and chooses not to electronically file their return, the Department of Revenue processes the return using the barcode information.

TAX TIPS:

- **Do not mark through or cover the barcode.**
- **Enter last minute changes into the program and print the entire return again so that the barcode contains the correct information, even if the change is reflected only on one page.**
- **The Department of Revenue (DOR) is encountering a lot of 2-D Barcode returns in which all pertinent information is not being supplied. This may result in an adjustment to the requested refund or tax amount due. Examples include copies of other states' tax return to verify credit for tax paid to another state, wage statements and Form 2210-K to determine if the non-estimating penalty applies, etc.**

APPROVED VENDORS for ELECTRONIC FILING

SOFTWARE COMPANY	MARKET NAME
ACA, Inc.	Direct Alliance
Universal Tax Systems, Inc. DBA CCH Small Firms Services – ATX	MAX
CCH, a Wolters Kluwer Company	Prosystem FX
CS Professional Suite	Ultra Tax CS
Drake Software	Drake Software
H & R Block	H & R Block
Intuit	ProSeries
Jackson Hewitt	Jackson Hewitt Tax Service
Lacerte Software	Lacerte
Lamson Technologies	Lamson Technologies
Liberty Tax Service	Lib Tax
On-Line Taxes, Inc.	OLTPRO Professional Tax Software
Petz Enterprises	Crosslink
Rhodes Computer Services	TaxSlayer Pro
2nd Story Software, Inc.	TaxAct Preparer's Edition
Taxworks	TaxWorks
TaxSimple	TaxSimple
Universal Tax Systems, Inc.	TaxWise

Note: This list reflects vendors for 2009 tax year. Please check the Department of Revenue's Web site for an up-to-date list of approved vendors for 2010.

AVERAGE PROCESSING TIME for INDIVIDUAL INCOME TAX RETURNS

Electronic Filed Returns – 7 to 10 days (any time of year)

Paper Returns – Approximately 8 to 12 weeks

Amended & Prior Year Returns – 4 to 6 months

Help Desk for Transmitters, Preparers & Electronic Return Originators (ERO)

The Kentucky Department of Revenue (DOR) will operate a helpdesk for electronic transmitters/preparers who are experiencing problems. The operating hours will be Monday through Friday, 8:30 a.m. to 4:30 p.m., except for holidays. The helpdesk number, (502) 564-5370, is to be **used by electronic transmitter/preparers only.**

Kentucky Electronic Filing Calendar

For Taxable Period beginning January 1, 2010 and ending December 31, 2010

Begin Federal/State Software Testing ....November 10, 2010
State testing for software developers is to begin after
the developers have been accepted by the IRS.

Begin Transmitting Returns to IRS/DOR ..... January 18, 2011

Last Day to Transmit Kentucky Returns Electronically ..... October 17, 2011

All fed/state rejected returns must be
re-transmitted and accepted by ..... October 22, 2011

Note: Dates are subject to change at any time. Please check the Department of Revenue's Web site to verify updates or changes.

Form 8453-K Kentucky Individual Income Tax Declaration for Electronic Filing:

- ✓ Authenticates the return;
- ✓ Authorizes the ERO to file the return electronically on behalf of the taxpayer;
- ✓ Authorizes the DOR to inform the ERO whether a taxpayer's return has been accepted;
- ✓ Authorizes the DOR to discuss tax return information with the ERO; and
- ✓ **Must be used to complete Direct Deposit or Direct Debit transactions.**

TAX TIP:
Please furnish your clients copies of Form 8453-K if they are requesting a Direct Deposit of a refund or a Direct Debit to pay tax due. This will eliminate preparer contacts should any questions arise during processing concerning a Direct Deposit or Direct Debit.

E-Filing Mandate

The Worker, Homeownership, and Business Assistance Act of 2009 is federal legislation that included a provision originally requiring tax preparers, beginning in the 2011 tax season, who expect to file more than 10 individual, estate, or trust returns to file them electronically.

However, the IRS has announced on its Web site that it has decided to phase in the e-file mandate over 2011 and 2012. As a result, the federal e-file mandate is as follows:

2011 – Return preparers who **reasonably anticipate** filing 100 or more tax returns in 2011 are required to file them electronically.

2012 – Return preparers who **reasonably anticipate** filing more than 10 tax returns in 2012 are required to file them electronically.

Delaying the full implementation for one year will allow both the IRS and small tax practitioners time to adapt to the new requirement.

Along the same lines, the Commonwealth of Kentucky became the 21st state to adopt an e-filing mandate for paid tax preparers, also beginning with the 2011 tax season. Kentucky will follow the IRS' lead as far as implementing the e-filing mandate over a two-year period.

Additional Electronic Filing Information

Beginning with processing year 2008, the IRS eliminated the signature Form 8453 and began using Form 8879. Kentucky continues to have Form 8453-K for use by taxpayers. All ERO returns will require a taxpayer PIN signature. As in the past, Kentucky will accept either Form 8453-K or federal Form 8879 depending on the situation, as detailed below:

Fed/State E-filed returns with a federal PIN – For returns filed via this method, an 8453-K is **not** required. The use of the federal PIN meets signature requirements for the Kentucky return.

Fed/State E-filed returns without a federal PIN – For returns filed via this method, an 8453-K **is** required. <u>This document should not be mailed to the DOR.</u> EROs must retain them for a period of three years. State copies of the wage statements, supporting schedules, documents requiring signatures and other informational documents should be attached to the 8453-K and be retained by the ERO for a period of three years.

Online Filing – For returns filed via this method, an 8453-K **is** required. <u>This document should not be mailed to the DOR</u>. Taxpayers must retain the form for a period of three years.

TAX TIP:
Please be sure that the tax software being used is up-to-date and has the most current version of forms available from the KY Department of Revenue.

Exclusions from Electronic Filing

In addition to the returns excluded from federal electronic filing listed in Publication 1345 for tax year 2010 (2011 filing season), the following are specific Kentucky forms which are also excluded:

1. Form 740-X, Amended Kentucky Individual Income Tax Return
2. Form 740-XP, Prior Year Amended Kentucky Individual Income Tax Return
3. Prior Year Return(s)
4. Form 740-NP, Nonresident or Part-Year Resident Income Tax Return
5. Form 740-NP-R, Nonresident – Reciprocal State
6. Any Partnership, Corporate or Fiduciary Tax Return
7. Fiscal Year Return(s)
8. Injured Spouse Declaration

Acknowledgment of the Kentucky Return

The Kentucky acknowledgment system is designed to inform transmitters that the Kentucky return has been received and either accepted or rejected by the DOR. (Rejection codes are listed at the end of this section.) The acknowledgement system will provide codes of "A" for accepted, "R" for rejected and "D" for a duplicate return, which will not be processed.

Note: The acknowledgement code of "A" means that the return has been accepted for processing by the Department of Revenue, not necessarily that the return is error free.

Direct Deposits

Taxpayers may elect to have their overpayments applied to their next tax year's estimated tax, mailed to them in the form of a refund check, or deposited directly into a bank account. If direct deposit is elected, the same verification procedures outlined in IRS Publication 1345 must be followed.

The DOR's acknowledgment of the electronic return will not indicate whether the refund will be direct deposited.

Refund Delays

It is anticipated that refunds from Kentucky returns filed in the Federal/State Electronic Filing Program will be issued within two weeks. The average amount of time to issue a refund during the 2010 processing year was 7 to 14 days. However, the following conditions may delay refunds and/or change refund amounts on electronically filed returns:

✓ The taxpayer owes delinquent Kentucky taxes.

✓ The taxpayer owes a debt to another state agency or to the IRS.

✓ The estimated tax payments claimed on the return do not match the estimated tax payments recorded on the DOR's estimated tax file.

✓ The refund amount is adjusted when the electronic return is processed.

✓ Address problems. One common problem is addresses containing a rural route. While the DOR recognizes that some rural routes still exist in Kentucky, most rural routes have been eliminated and assigned a street name with a house number. Preparers should verify that the rural route is still a valid address before utilizing this address on the taxpayer's return.

✓ Another common problem is an address that contains both a post office box number and a street address. Please enter the street name and house number on the first address line and enter the post office box number on the second address line.

Please verify that ALL banking information – including bank name, routing number and account number – is correct before transmitting returns. The DOR may only submit Direct Deposit transactions **ONE** time**.** Thus, if the information is incorrect and the transaction is rejected, a paper check must be created and mailed to the taxpayer. **This process will add approximately two to four weeks to the timeframe for a taxpayer to receive their refund check.**

If individuals need to contact the Department of Revenue regarding their Kentucky refund, they should be prepared to give their Social Security number and whole dollar amount of the expected refund. These taxpayers should contact the DOR's ARTIS line (502) 564-1600.

Payment of Balance Due Amounts

The taxpayer is responsible for paying the amount due the DOR by April 18, 2011 to avoid penalties and interest. Details of each payment option are listed below**.**

Direct Debit

Kentucky will again be accepting direct debit payments on tax due returns**.** The payment **must be the full amount due** as indicated on the return. At this time, the DOR cannot process partial payments electronically. A date up to April 18, 2011 can be elected for the payment to be debited from the specified account. After April 18, the payment will be debited when the return has completed processing. Please use the transmitting date as the direct debit date so the return will not be rejected for an invalid date. The direct debit account information can be found on the Form 8453-K.

Note: Please allow up to two weeks for your debit payment to be withdrawn from your account. Payments with a requested withdrawal date of April 18, 2011, will be considered timely when processed.

The DOR accepts MasterCard, Visa and Discover credit cards. In addition, taxpayers may choose to electronically submit payment from a checking or savings account.

Payments made by the April 18, 2011 due date are timely and no additional fees are applied. Access the Department of Revenue's home page at *www.revenue.ky.gov* to make credit card payments and electronic check payments over the Internet. Click on the *KY E-Tax* logo then click on *E-Payments.* If the taxpayer does not have access to the Internet, you may call the DOR at (502) 564-4581.

Vouchers

The taxpayer may submit payment by mailing Form 740-V with their payment. Form 740-V is a payment coupon made available to Electronic Return Originators (ERO). If the ERO's software package has the capability of printing a document in the same format as the Form 740-V, this can also be used.

A paper copy of the electronic return should not be submitted with the 740-V. This not only delays the processing of the electronic voucher and payment, but creates a billing situation for the taxpayer due to an additional return being entered into the system.

Payments made with Form 740-V should be mailed to:

Kentucky Department of Revenue
Frankfort, KY 40619-0008

**** Please note: 740-V envelopes are available FREE of charge from the Kentucky Department of Revenue. ****

TAX TIP:
When submitting a payment for an electronically filed tax-due return, please be sure to use the specially designed 740-V envelope; please send only the 740-V voucher and check (do not include anything else in the envelope), and please do not attach the check to the voucher (no staples or paper clips). This will help ensure that there are fewer delays in the mailroom and a taxpayer's return will be processed in a timely manner.

Notice of Tax Due

A 'tax due notice' will not be sent to the taxpayer prior to the April 18, 2011 filing deadline. The taxpayer should submit payment using one of the payment options listed above prior to April 18, 2011 to avoid penalties and interest.

REJECTION CODES and EXPLANATIONS for TAX YEAR 2010

Form 740 Errors

0001 Kentucky return must begin with Federal Adjusted Gross Income
0002 Invalid Software developer code.
0003 Invalid EFIN.
0004 Duplicate Return. Electronic Return already received.
0005 Error in Federal AGI on married filing separate return.
0006 Federal Return required for State Only returns.
0007 Nonresidents and part-year residents are not eligible for electronic filing.
0008 Unformatted header records incomplete. Software format issue.
0009 Unformatted record byte count incorrect.
0010 Invalid debit routing number.
0011 Invalid debit account number. Must be numeric only. No spaces / dashes allowed.
0012 Invalid indicator. Indicator should be "1" for Direct Deposit option.
0013 Invalid debit indicator. Indicator should be "2" for Direct Debit option.
0014 Invalid debit amount. Debit payment amount must equal amount due on return.
0015 Invalid debit date. Debit payment cannot be warehoused after April 15th.
0016 Invalid debit date. Invalid date format in file.
0017 Incomplete debit/deposit account type. (Checking / Savings account indicator blank)
0018 Primary and/or spouse social security number missing.
0019 Name / Address fields incomplete.
0020 City / State / ZIP Code fields incomplete.
0021 Filing Status incorrect.
0022 Filing status 4 error – Income reported does not belong to primary taxpayer.
0023 Invalid Filing Status. Must equal 1, 2, 3 or 4.
0024 Taxpayer political party fund code invalid. Must equal 4, 5 or 6.
0025 Spouse political party fund code invalid. Must equal 1, 2 or 3 if filing status 2 or 3 is used.
0026 Additions on Form 740, line 6, does not match additions from Schedule M.
0027 Error in calculation on Form 740 Line 7.
0028 Subtractions on Form 740, line 8, does not match subtractions from Schedule M.
0029 Error in computing KY AGI, Form 740, line 9.
0030 Error in standard deduction amount claimed.
0031 Itemized deductions claimed does not match the Spouse total on Schedule A.
0032 Itemized deductions claimed does not match the Taxpayer total on Schedule A.

0033 Error in computing taxable income.

0034 Line 13 amount claimed does not match value on Form 4972-K.

0035 Error in tax amount from tax table or computation.

0036 Total Business Incentive Credits does not match total from Section A, line 19A or 19B.

0037 Total Personal Tax Credits claimed does not match total from Section B, lines 4A or 4B.

0038 Error in computing subtotal tax after business incentive and personal credits, line 18.

0039 Error in computing Total Family Size.

0040 Error in computing Family Size Tax Credit.

0041 Error in computing Education Tuition Tax Credit.

0042 Error in computing Child and Dependent Care Credit.

0043 Error in computing Income Tax Liability, line 26.

0044 Error in computing Total Tax Liability, page 1, line 28 / page 2, line 29.

0045 Error in amount claimed as Kentucky Income Tax Withheld.

0046 Error in amount claimed as Kentucky Estimated Tax Payments.

0047 **BLANK**

0048 Error in computing line 31, total refundable credits.

0049 Error in computing amount overpaid.

0050 Error in computing additional tax due.

0051 If additional tax due is greater that $500, you are required to file Form 2210K.

0052 Error in computing amount you owe.

0053 Error in computing total Business Incentive Credits, Section A.

0054 Credit for Tax Paid to Other State not eligible for electronic filing without supporting documentation.

0055 Limited Liability Entity Tax Credit not eligible for electronic filing without supporting documentation.

0056 **BLANK**

0057 Worksheet required when claiming tax paid to another state.

0058 Check boxes for personal credits must be checked if applicable.

0059 Error in totaling personal credits.

0060 Incomplete dependent information.

0061 Total dependents claimed on lines 3A and 3B, Section B, Personal Tax Credits does not equal total credits claimed on line 3.

0062 Calculation error in Section B, Personal Tax Credits, lines 4A and/or 4B.

SCHEDULE M Errors

0063 Schedule M required but not submitted with return.

0064 Spouse total additions are mathematically incorrect.

0065 Taxpayer total additions are mathematically incorrect.

0066 Spouse total subtractions are mathematically incorrect.

0067 Taxpayer total subtractions are mathematically incorrect.

0068 Negative values are not allowed on Schedule M.

0069 Pension exclusion amount claimed cannot be verified. Does not match federal return data.

0070 Social security amount claimed as deduction cannot be verified. Does not match federal return data submitted.

SCHEDULE A Errors

0071 Schedule A required but not submitted with return.

0072 Percentage field format error.

0073 Error in computing KY AGI on Schedule A.

0074 Total contributions are limited to 50% of KY AGI.

0075 Filing status 2 requires page 2, Schedule A to be completed.

0076 Error in total itemized deduction calculation.

SCHEDULE P Errors

0077 Invalid date format on Schedule P.

0078 Schedule P required but not submitted with return.

0079 Invalid Percentage field format on Schedule P.

0080 Error in Schedule P flow to Schedule M.

Form 2210K Errors

0081 Part I calculation error on Form 2210K.

0082 Part I data incomplete on Form 2210K.

0083 Part II calculation error on Form 2210K.

0084 2210K required but not filed.

Form 8863K Errors

0085 8863K required but not filed.

0086 Error in calculating education credit.

0087 Incomplete data on 8863K.

0088 Only undergraduate studies at Kentucky institutions qualify for education credit.

Form 4972K Errors

0089 4972K required but not filed.

0090 Calculation error on Form 4972K.

0091 Incomplete data on Form 4972K.

Credit for Tax Paid to Other State Worksheet

0092 Tax Paid to Other State worksheet required but not filed.

0093 Incorrect computation on TPOS Worksheet.

0094 Reciprocal state. Other state income appears to be on wages.

Credit for Refundable / Nonrefundable Corporate Entity Credit

0095 Limited Liability Entity Tax Credit worksheet required but not filed.

0096 Incorrect computation on Limited Liability Entity Tax Credit Worksheet.

0097 Total on Limited Liability Entity Tax Credit Worksheet does not match credit claimed on return.

SCHEDULE J Errors

0098 Schedule J required but not filed.

0099 Calculation error on Schedule J.

0100 Incomplete data on Schedule J.

Additional Error Codes

0101 Education Credit carry forward claimed but no 8863-K filed in prior years.

0102 Error in calculating tentative Hope Credit.

0103 Hope Credit claimed exceeds allowable amount.

0104 Lifetime Credit claimed exceeds allowable amount of $2,000.

0105 New Home Tax Credit worksheet required but not filed.

0106 Authorization number not listed on New Home Tax Credit worksheet.

0107 Incomplete data on New Home Tax Credit worksheet.

0108 Energy Efficiency Products Credit Form 5695-K required but not filed.

0109 Error in computing Energy Efficiency Products Credit allowed.

0110 Amount of 8863-K credit does not match amount claimed on 740, page 1.

0111 Total on Schedule A does not match amount claimed on 740, page 1.

0112 State not identified on TPOS worksheet.

0113 KY is not a valid entry on TPOS worksheet.

0114 Energy Efficiency Products Credit carry forward claimed but no Form 5695K filed in prior year.

0115 Energy Efficiency Products Credit carry forward amount incorrect.

0116 Film Industry Refundable Credit claimed in error.

0117 Certified Rehabilitation Refundable Credit claimed in error.

PROCESSING POINTERS

- **Electronic Filing**
  - File electronically. This is the fastest way for your clients to receive their refund.
  - Check all routing and account numbers for accuracy before submitting an electronic return for processing.
  - Do not submit Form 8453-K. Retain for taxpayer's records.
  - Provide your clients with copies of the taxpayer's income tax return including copies of all applicable schedules and wage and tax statements.
  - Send a copy of Form 740-V Electronic Voucher when you remit payment for an electronic filed tax due return. The check should include the SSN(s) and the tax year. Make sure the name on the return and the voucher is the same. **Do not include a paper copy of the return with payment**. This will help avoid a bill being issued due to two returns being filed.
  - Use the specialized 740-V envelope when sending in a payment on a 740-V Electronic Voucher.

- **Paper Filing**
  - Check to make sure the address on the return is correct as filed.
  - Attach supporting schedules for all credits claimed, such as 8863-K, LLET credit, 5695-K, etc.
  - Provide your clients with copies of the taxpayer's income tax return including copies of all applicable schedules and wage and tax statements.
  - Make sure amounts such as tax credits from pages 2 & 3 are entered on the proper line(s) on page 1 of Forms 740 and 740-NP.
  - Use Form 2210-K – Underpayment of Estimated Tax by Individuals to calculate any underestimated tax penalties or to claim a waiver of penalty. Check appropriate box on Form 740 when Form 2210-K is attached.
  - Use the proper form for the year you are amending, enter applicable year and include an explanation of changes on page 2. Attach all schedules and information (i.e., federal return) necessary to verify changes reported on the Amended Income Tax Return.
  - Attach a copy of the letter sent to the taxpayer from DOR when responding for a client. This insures the correspondence will be matched to the return and completion of the return's processing will be resumed promptly.

FEDERAL – STATE DIFFERENCES

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INTRODUCTION

The starting point for the Kentucky income tax return is federal Adjusted Gross Income. Additions and subtractions may apply as the result of provisions of the Kentucky Revised Statutes. Many of these provisions can be found in **KRS 141.010(10) & (11).**

These adjustments are reported on **Kentucky Schedule M – Kentucky Federal Adjusted Gross Income Modifications.** Columns A and B are available to match the additions or subtractions to the appropriate taxpayer.

The foundation for Kentucky Income tax law has always been grounded in the Internal Revenue Code as of a certain date. Accordingly, all rules, regulations and definitions are the same unless specifically different in Kentucky statutes and/or because Kentucky has not yet adopted the current code for the tax year involved.

Normally there are both transitional and traditional differences between the federal and Kentucky income tax returns. The transitional differences are those that only exist until the next time the General Assembly updates the Internal Revenue Code date in **KRS 141.010(3)** to the current Internal Revenue Code. The traditional differences are those differences that will always exist between the Kentucky and Federal tax returns regardless of whether or not there is a code update.

FEDERAL LEGISLATION/ KENTUCKY IMPACT

Internal Revenue Code (IRC) Reference Date – The 2007 General Assembly, through House Bill 258, amended **KRS 141.010**(3) to advance the Internal Revenue Code (IRC) reference date for state individual and corporation income tax purposes to December 31, 2006, exclusive of any amendments made subsequent to that date, other than amendments which extend provisions in effect on December 31, 2006. The depreciation and section 179 expense deductions for property placed in service after September 10, 2001 will still be computed under the IRC in effect on December 31, 2001. The bill also amended **KRS 67.750** to update the reference date for the IRC for local governments to December 31, 2006. In addition, the bill also amended **KRS 141.010(13)** to disallow any dividend-paid deduction of a captive real estate investment trust when computing the taxable net income of a corporation.

Provisions of IRC Not Adopted for Kentucky – HB 258 updates the IRC reference date to Dec. 31, 2006, with two exceptions, as the basis for Kentucky income taxes.

The exceptions are:

1. For property placed in service after September 10, 2001, only the depreciation and expense deductions allowed under Sections 168 and 179 of the IRC in effect on Dec. 31, 2001, exclusive of any amendments made subsequent to that date, shall be allowed. Depreciation calculations are based

on the Code in effect at December 31, 2001. This continues depreciation calculations without the bonus depreciation allowed after September 11, 2001. This is not a change. Corporations and individuals will continue to use the methods in place prior to September 11, 2001.

2. The provisions of the Military Family Tax Relief Act of 2003, P.L. No. 108-121, are effective on the dates specified in that act. Individuals who were impacted unfavorably should file an amended return. The provisions of MFTRA that now apply for Kentucky, include but are not limited, to the following:

- **Military Death Benefit –** MFTRA increases the excludable amount for federal tax purposes to $12,000 (effective with respect to deaths occurring after September 10, 2001).

- **Benefits for Astronauts –** Exclusion for certain income and death benefits of astronauts who have lost their lives on a space mission (effective for qualified individuals whose lives are lost after December 31, 2002).

- **Homeowner's Assistance –** An exclusion for amounts received by certain employees and members of the armed forces under the federal Department of Defense Homeowners Assistance Program, which is designed to offset the adverse effects on housing values that result from a military base realignment or foreclosure (effective for payments made after November 11, 2003).

- **National Guard and Reserve Travel –** An above-the-line deduction for overnight transportation, meals, and lodging expenses of National Guard and Reserve members who must travel away from home more than 100 miles and who must stay overnight to attend National Guard and Reserve meetings (effective with respect to amounts paid or incurred in taxable years beginning after 2002). Kentucky National Guard and Reserve members may deduct other expenses as a miscellaneous itemized deduction subject to the two percent floor. Form 2106 is required.

- **Home Sale Exclusion –** The five-year test period for ownership and use of a residence to be suspended for up to ten years in excluding gain from the sale or exchange of a principal residence, if during the period of the suspension the individual or the individual's spouse is serving on qualified official extended duty in the uniformed services or the Foreign Service of the United States (effective for sales or exchanges made after May 6, 1997).

KENTUCKY DOMESTIC PRODUCTION ACTIVITIES DEDUCTION (KDPAD)

Provision 102 of the American Jobs Creation Act of 2004 passed October 22, 2004, added a deduction based on domestic production activities available to corporations, individuals, S-corporations and partnerships. This provision created a new Internal Revenue Code (IRC) Section 199. For pass-

through entities, the deduction is based on the activities of the partnership or S corporation, and it is computed at the individual partner or shareholder level. The partner or shareholder is allocated its share of items to compute the deduction via the K-1. This deduction became available for tax years beginning after December 31, 2004.

***Production activities* are more than manufacturing. They also includes construction, film production, farming, software development and other production activities. These activities must substantially take place in the United States for the taxpayer to be able to claim the benefit. There is a safe harbor to determine if the product is substantially produced in the United States. Under the safe harbor method, labor and overhead costs incurred by the taxpayer in the United States for the production of the product must be at least twenty percent of the total cost of goods sold of the property.**

The IRC Section 199 deduction is calculated by taking the qualified production activity gross receipts and then reducing it by cost of goods sold, direct expenses and a portion of the indirect expenses. This results in the taxpayer's qualified production activity income. Taxable income is compared to qualified production activity income and the lesser amount is multiplied by the applicable percentage.

Federal Treatment – On the federal return, the applicable percentage is three percent (3%) for 2005 and 2006 tax years; and this applicable percentage increases to six percent (6%) for 2007 through 2009 and then increases again to nine percent (9%) for 2010 and after. This calculated amount is then limited by fifty percent of the W-2 wages paid by the taxpayer.

Kentucky Treatment – For taxable years beginning on or after Jan. 1, 2010, the amount of the domestic production activities deduction (DPAD) for Kentucky income tax returns will remain six percent as allowed in Section 199(a)(2) of the Internal Revenue Code (IRC) for taxable years beginning before Jan. 1, 2010. Kentucky does not recognize the nine percent DPAD calculation rate allowed for federal income tax returns filed for taxable years beginning on or after Jan. 1, 2010.

For production gross receipts to qualify, the gross receipts must be the result of a lease, rental, sale, license, exchange or other disposition of the property. There are special rules for film production, utilities, construction, engineering and architectural services, and for food and beverage production. A taxpayer may be required to allocate its gross receipts between qualified domestic production gross receipts and non-qualified domestic production gross receipts. To do this, the taxpayer must use a reasonable method to make this determination. If less than five percent of the total gross receipts are non-qualified, there is a safe harbor that provides that no allocation is required.

Once gross receipts are determined, costs must be allocated to determine the net qualified activity production income. A simplified method is available for businesses that have average annual gross receipts of $25 million or less.

The W-2 wages limitation is only based on the wages of the taxpayer's common law employees. There are three methods provided to compute the W-2 wages, which include a simplified method based on the total entries in Box 1 or Box 5 of the Form W-2.

For taxpayers other than corporations: (1) a full year resident individual will complete Schedule M to make adjustments to the allowable federal DPAD to determine the KDPAD; (2) a part-year resident or full-year nonresident individual shall prorate the allowable federal DPAD based upon the percentage of Kentucky domestic production gross receipts to federal domestic production gross receipts. The KDPAD shall not exceed 50 percent of the Kentucky W-2 wages from the entity that generated Kentucky domestic production gross receipts. Enter the KDPAD amount computed for a nonresident or part-year resident individual on Form 740-NP, page 3, Column B, Line 30.

INCOME TAX EXCLUSION for MILITARY KILLED in the LINE of DUTY

House Bill 380 amended **KRS.141.010** to exempt all income earned by soldiers killed in the line of duty from Kentucky tax for the years during which the death occurred and the year prior to the year during which the death occurred.

The changes are applicable for tax years beginning after December 31, 2001. The income exclusion applies to all income from all sources of the decedent, not just military income. The exclusion includes all federal and state death benefits payable to the estate or any beneficiaries.

Amended returns may be filed for the year the soldier was killed in the line of duty and the year prior to the year of death. The amended returns must be filed within the statute of limitations period; four years from the due date, the extended due date or the date the tax was paid, whichever is later.

If a combined return was filed, the exclusion would apply to the income reported in Column A or Column B of the Kentucky return attributable to the military member. If a joint return was filed, the income must be separated accordingly. Refunds will be issued in the names on the original return. Beneficiaries or estates that received death benefits that were included in a Kentucky return may file an amended return to request a refund of taxes paid on the benefit.

The Department of Revenue will use the Veterans Administration definition for *in the line of duty*, which is in active military service, whether on active duty or authorized leave, unless the death was the result of the person's own willful misconduct.

FEDERAL LIMITATIONS on STATE TAXATION

Below is a list of federal statutes that limit or otherwise affect the power of the states to tax. This list does not include constitutional provisions – such as the Commerce, Import-Export, Privileges and Immunities and Due Process Clauses, or the First Amendment, to name a few – or doctrines, such as tribal or intergovernmental immunity, that would impact state taxation, or tariffs and treaties. The list also does not include what are probably dozens of statutes pertaining to specific federal instrumentalities and Indian tribes.

1. **Income taxation affecting federal employees**. P.L. 89-554, 80 Stat 608, 4 USCA § 111. States cannot tax federal employees differently from state employees. See *Davis v. Michigan Dept. of Treasury*. 489 U.S. 803, 103 L.Ed.2d 891 (1989), regarding taxation of retirement benefits.

2. **Nonresident pensions**. P.L. 104-95, 109 Stat 979, 4 USCA § 114. Preempts state taxation of pension and other types of deferred compensation when paid out to nonresidents.

3. **Soldiers and Sailors Civil Relief Act of 1940**, 566 Stat. 777, 50 USC 574, members of the armed forces are subject to tax only in their respective states of residence, and not necessarily in the state in which they are stationed or assigned.

4. **"4-R Act" (Railroad Regulatory Reform and Revitalization Act of 1976)**. P.L. 94-210, 90 Stat 31, 45 USC § 801. Provides that state may not treat railroads differently from other commercial and industrial property for property tax purposes.

5. **Property tax on airlines and interstate carriers**. Under federal statute, 49 U.S.C. § 1513(d)(1)(A), a state is prohibited from assessing air carrier transportation property at a value that has a higher ratio to its true market value than the ratio that the assessed value of other property has to its true market value.

6. **Interstate bus and motor carrier transportation tickets**, enacted as a result of the U.S. Supreme Court decision in *Jefferson Lines*. P.L. 104-88, 109 Stat 803, 49 USCA § 101. Preempts state taxation of interstate motor carrier passenger transportation. This includes the sale of transportation or the gross receipts derived from such transportation.

7. **Prohibition against any head tax on passengers in air transportation**. Federal Aviation Act 49 USC § 40116(b), P.L. 103-272. Amended P.L. 103-105. (See below, no. 26 for another reference to this provision.)

8. **Interstate commerce workers**: airline workers, interstate carrier employees and barge workers, as follows:

- ✓ P.L. 101-322, 104 Stat 295, 45 USCA § 501. Compensation paid to an employee of an interstate railroad or an interstate motor carrier may be subject only to income tax laws of the state of the employee's residence. In 1994 P.L. 103-440, 108 Stat 4615, 49 USCA § 20101, extended to include years prior to 1990.

- ✓ P.L. 96-113, 94 Stat 50, 49 USCA 2101, and P.L. 103-305, 108 Stat 1569, 49 USCA § 40101. Airline employees are subject to tax in the state of residence and the state in which they perform 50 percent or more of their duties.

- ✓ P.L. 101-322, 104 Stat 295, 45 USCA § 501. Water carriers are subject to tax withholding only in the state of residence and the state in which the employee earned more than 50 percent of the pay. [This was expanded to prohibit taxation by PL 106-489.]

9. **Waterway workers.** P.L. 106-489 limits state income taxation of workers on vessels operating in the waters of more than one state to the state in which the individual resides.

10. **Amtrak Reauthorization Act of 1997**. P.L. 101-322,104 Stat 295, 45 USCA § 501. Prevents state taxation of Amtrak transportation for the sale of the transportation or gross receipts derived from the transportation.

11. **Income tax on members of Congress**. P.L. 95-67, 91 Stat 271 4 USC §113. Members are not to be considered residents of any state other than the state from which they are elected for purposes of individual income taxation.

12. **P.L. 86-272**, 73 Stat. 555-56, 15 U.S.C. 381-384 (1976). Prevents state from imposing income tax on a business whose only contact with a state is to solicit sales through employees or contractors.

13. **Government sponsored enterprises** receive complete exemption from state and local tax. 12 USC 1723a (c)(2) and 40 USC 24301(1).

14. **Motor fuel tax.** Intermodal Surface Transportation Efficiency Act (ISTEA) of 1992, P.L. 102-240, 105 Stat 1914, 49 USCA § 101. Requires states to collect motor fuel use taxes through a base-state mechanism. [49 USCA § 31701 - 31707.]

15. **Airport Development Acceleration Act of 1973**, P.L. 93-44, 87 Stat. 88, 49 U.S.C. 1513. Preempts state and local gross receipts taxes on the sale of commercial air transportation.

16. **Tax Reform Act of 1976**, P.L. 94-455, 90 Stat. 1520, 15 U.S.C. 391. Prevents state from imposing taxes on or with respect to the generation or transmission of electricity when such a tax would discriminate against out-of-state manufacturers, producers, wholesalers, retailers, and consumers of that electricity.

17. **Bankruptcy jurisdiction**. 11 USC § 505. Allows a bankruptcy court to make decisions regarding state tax matters.

Other bankruptcy provisions affect the ability of states to assess taxes after a bankruptcy has been filed; also, case law indicates that, in some cases, the filing of a claim by a state can be viewed as a waiver of the state's sovereign immunity.

18. **Workers in federal enclaves**. The Defense Authorization Act of 1998 (P.L.105-261) contained provisions that prevent states from imposing individual income tax on nonresidents employed on certain federal installations.

19. **ERISA, Employee Retirement Income Security Act**, 29 USCA § 1144(a). Provides that ERISA super cedes any and all state laws insofar as they may now or hereafter relate to any employee benefit plan.

20. **Exemption from Custom Duties and Internal Revenue Tax** based on bonded aviation fuel. 19 USCA 1309.

21. **Sales tax on purchases food stamps**. 7 USC § 2013. States may only participate in the food stamp program if state and local sales taxes are not collected on food purchases with coupons issued under this act. Similar exemption presumed for women's, infant's and children's program payments, under Child Nutrition Act of 1966, 42 USC §§ 1771-1789.

22. **Prohibition on state and local taxation of federal obligations** or the interest thereon other than under a nondiscriminatory franchise tax. 31 USCA § 3124.

23. **Federal Reserve Banks**. 12 USCA § 531. Federal Reserve banks, including the capital stock and surplus therein and the income derived therefrom shall be exempt from federal, state and local taxation, except taxes upon real estate.

24. **Continental Shelf**. State taxation laws shall not apply to the outer Continental Shelf. 43 USCA §1333(2)(A).

25. **Telecommunications**. Direct-to-home satellite services exempt from local, but not state, taxation. 47 USCA §152.

26. **Aircraft taking off or landing in a state**. State may tax a flight "only if the aircraft takes off or lands in the State or political subdivision as part of the flight." 49 USCA §40116(c).

27. **Mobile Telecommunications Services**. P.L. 106-252 establishes the "customer's place of primary use" as the situs for taxation of all mobile telecommunication services used by the customer.

28. **Internet Tax Freedom Act.** Except for grandfathered states, the states are prohibited from taxing Internet access, as defined in the statute, and from imposing multiple or discriminatory taxes on Internet activity, for the duration of the moratorium. 47 USCA §151, nt.

WHERE to ADJUST for DIFFERENCES between KENTUCKY and FEDERAL LAW

Individual taxpayers should use **Kentucky Schedule M – Kentucky Federal Adjusted Gross Income Modifications** to adjust for differences between the Kentucky and federal income treatment.

PART I – ADDITIONS to FEDERAL ADJUSTED GROSS INCOME

Other States Municipal Bond Interest Income (Line 1, Schedule M) –

> ***KRS 141.010(10)(c)*** *Include interest income derived from obligations of sister states and political subdivisions thereof;*

Self-Employed Health Insurance Deduction (Line 2, Schedule M) – Report self-employed health insurance deduction from federal Form 1040, line 29.

Resident Adjustment from partnerships, fiduciaries and S corporations, Schedule K-1 (Line 3, Schedule M) – Partners, estate and trust beneficiaries, and S Corporation shareholders compute a resident adjustment on Schedule K-1. If the Kentucky income is greater than the federal income an addition to federal adjusted gross income is required.

Federal Depreciation (Line 4, Schedule M) – Enter federal depreciation amounts from federal Form 4562. (See Schedule M instructions.)

Federal Net Operating Losses (Line 5, Schedule M) – Enter amount of federal net operating loss reported on federal Form 1040.

Federal Domestic Production Activities Deduction (Line 6, Schedule M) – Enter the amount of federal domestic production activities deduction calculated on federal Form 8903.

Other Additions (Line 7, Schedule M) – Enter other additions to federal adjusted gross income not listed above. Include any of the following:

- The portion of a lump-sum distribution on which you have elected the 20 percent capital gains rate for federal income tax purposes;
- Any mortgage debt forgiven under the Mortgage Forgiveness Debt Relief Act of 2007;
- The passive activity loss adjustment;
- Differences in pension and IRA bases;
- Differences in gains (losses) from the sale of intangible assets amortized under the provision of the Revenue Reconciliation Act of 1993; and
- Differences in gains (losses) from the sale of depreciable property placed in service after September 10, 2001.

PART II – SUBTRACTIONS from FEDERAL ADJUSTED GROSS INCOME

State Income Tax Refund (Line 9, Schedule M) – Enter the amount of taxable state income tax refund or credit reported on your federal return and included as income on federal Form 1040.

Interest from U. S. Obligations (Line 10, Schedule M) – Kentucky has a very simple rule: If the law that creates the federal obligation prohibits state taxation, then Kentucky cannot tax the income.

> ***KRS 141.010(10)(a)*** *Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States and Kentucky;*

Special rules for mutual funds, partnerships, S Corporations, and estates and trusts: If the taxpayer is to receive the exemption, the entity must provide the name(s) of the obligation and the amount of interest attributable to each obligation.

Pension/Retirement Income Exclusion (Line 11, Schedule M) – Kentucky allows a limited amount of pension income to be excluded. For 2010, the exclusion is $41,110. Benefits accruing for service after December 31, 1997, from federal and Kentucky government retirement systems, other pension and annuities are excludable up to the maximum exclusion. See Schedule P and instructions.

> ***KRS 141.010(10)(i)*** *1. Exclude the applicable amount of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans.*
>
> *3. As used in this paragraph:*
>
> *a. "Distributions" includes, but is not limited to, any lump-sum distribution from pension or profit-sharing plans qualifying for the income tax averaging provisions of Section 402 of the Internal Revenue Code; any distribution from an individual retirement account as defined in Section 408 of the Internal Revenue Code; and any disability pension distribution;*
>
> *b. "Annuity contract" has the same meaning as set forth in Section 1035 of the Internal Revenue Code; and*
>
> *c. "Pension plans, profit-sharing plans, retirement plans, or employee savings plans" means any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit-sharing plan of a public or private employer for the exclusive benefit of employees or their beneficiaries and includes plans qualified or unqualified under Section 401 of the Internal Revenue Code and individual retirement accounts as defined in Section 408 of the Internal Revenue Code.*

Exempt Retirement Benefits (Lines 11 & 12, Schedule M) – The following types of retirement benefits are exempt and may be deducted from federal adjusted gross income without reducing the pension exclusion.

Social Security and U.S. Railroad Retirement Board Benefits – KRS 141.010(10)(e) Exclude Social Security and railroad retirement benefits subject to federal income tax.

Supplemental Annuities from the U.S. Railroad Retirement Board – KRS 141.010(10)(b) Exclude income from supplemental annuities provided by the Railroad Retirement Act of 1937 as amended and which are subject to federal income tax by Public Law 89-699.

Commonwealth of Kentucky Retirement Systems – All benefits if retired before January 1, 1998, and benefits accruing for service before January 1, 1998, if retired after December 31, 1997.

> ***KRS 141.010(10)(a)*** *Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States and Kentucky;*
>
> ***KRS 141.0215*** *Inclusion in gross income of government retirement payments after December 31, 1997 - Computation.*
>
> *(1) Notwithstanding the provisions of* ***KRS 141.010(9)****, for tax years commencing on or after January 1, 1998, the amount of all previously untaxed distributions from a retirement plan paid pursuant to KRS Chapters 6, 16, 21, 61, 67A, 78, 90, 95, 96, 161, and 164, and the amount of all previously untaxed distributions paid from a retirement plan by the federal government, which are excluded from gross income pursuant to* ***KRS 141.021****, shall be included in gross income as follows:*

Kentucky Local Government Retirement and Federal and U.S. Military Retirement Systems (Line 12, Schedule M) – All benefits if retired before January 1, 1998, and benefits accruing for service before January 1, 1998, if retired after December 31,1997.

> ***KRS 141.021*** *Federal and local government annuities excluded from gross income – Taxability after December 31, 1997.*
>
> *Notwithstanding the provisions of* ***KRS 141.010****, federal retirement annuities, and local government retirement annuities paid pursuant to* ***KRS 67A.320****, 67A.340, 67A.360 to 67A.690, 79.080, 90.400, 90.410, 95.290, 95.520 to 95.620, 95.621 to 95.629, 95.767 to 95.784, 95.851 to 95.884, or 96.180, shall be excluded from gross income. Except federal retirement annuities and local government retirement annuities accrued or accruing on or after January 1, 1998, shall be subject to the tax imposed by* ***KRS 141.020****, to the extent provided in* ***KRS 141.010 and 141.0215.***

Long-Term Care Insurance Premiums (Line 13, Schedule M) – KRS 141.010(10)(m) Exclude any amount paid during the taxable year for insurance for long-term care as defined in **KRS 304.14-600**;

KRS 141.010(10)(m) provides an exclusion from gross income on the Kentucky return for any amounts paid for long-term care insurance. This exclusion is not limited to premiums paid for the taxpayer, taxpayer's spouse and dependents. The premiums can be paid for anyone and be excluded. The taxpayer that pays the premium is the one who can claim the exclusion. This provision

was first applicable for the 1998 tax year. The federal limitations, based on age and cost, do not apply to the Kentucky treatment.

Excludable long-term care insurance premiums are subtracted on Line 13, Schedule M. Any amount of long-term care insurance premiums claimed on the line 29 of federal Form 1040 will be added back on Line 2 of Schedule M.

Long-term care insurance premiums shall not be claimed as itemized deductions on the Kentucky return.

Health Insurance Premiums (Line 14, Schedule M) – KRS 141.010(10)(k) states "Exclude for taxable years beginning after December 31, 1998, to the extent not already excluded from gross income, any amounts paid for health insurance which constitutes medical care coverage for the taxpayer, the taxpayer's spouse, and dependents during the taxable year. Any amounts paid by the taxpayer for health insurance that are excluded pursuant to this paragraph shall not be allowed as a deduction in computing the taxpayer's net income under section (11) of this section."

- The law does not allow for any item to be deducted twice.
- Being eligible for employer sponsored health insurance does not make one ineligible for this exclusion. If an employee pays health insurance premiums through their employer, the premiums may be excluded if the premiums are included in box 1 (wages) of the employee's W-2 form.
- No exclusion is allowed for employees whose premiums are paid through a tax deferred arrangement (i.e., pre-tax dollars). This will most likely include all teachers and state employees.
- Any amounts paid for health insurance coverage that is excluded under **KRS 141.010(10)(k)** shall not be allowed as an itemized deduction.
- The exclusion applies to premiums paid for the taxpayer, taxpayer's spouse and dependents.

Schedule M is used to claim the exclusion. Any amount claimed on line 29 of federal Form 1040 shall be added to federal adjusted gross income on Line 2, Schedule M. One hundred percent of excludable Health Insurance Premiums paid may then be subtracted on Line 14, Schedule M.

Resident Adjustment from partnerships, fiduciaries and S corporations, Schedule K-1 (Line 15, Schedule M) – Partners, estate and trust beneficiaries, and S Corporation shareholders compute a resident adjustment on Schedule K-1. If the Kentucky income is less than the federal income a subtraction from federal adjusted gross income is required.

Kentucky Depreciation (Line 16, Schedule M) – Enter Kentucky depreciation amounts from revised Form 4562. (Please see Schedule M instructions.)

Kentucky Net Operating Loss (Line 17, Schedule M) – Enter amount of Kentucky Net Operating Loss. Differences in Net Operating Losses (NOL) occur if the taxpayer has income that is exempt for Kentucky income tax purposes and differences in nonbusiness deductions. Kentucky taxpayers must compute a Kentucky NOL using Kentucky income and deductions on Schedule KNOL – Kentucky Net Operating Loss Schedule. The Kentucky NOL is subtracted on Schedule M, Line 17. The federal NOL is not allowable and for the individual taxpayer must be added to federal adjusted gross income on Schedule M, Line 5.

The Kentucky tobacco farmer may have a Kentucky NOL without having a federal NOL because of the tobacco settlement/TLAP income.

KENTUCKY TAX TREATMENT

Net operating losses must be computed using Schedule KNOL. For 2005 and future years the carryback of net operating losses to prior years will no longer be allowed. Net operating losses will be available for carryforward for up to 20 years.

Schedule KNOL is to be used to compute the current year loss for purposes of carryforward.

Attach copies of federal Form 1040 and all supporting scheduled and the Kentucky Form 740 and all supported schedules to verify amounts claimed on Kentucky Schedule KNOL.

All future years claiming a Kentucky Net Operating Loss Deduction (NOLD) should have a supporting schedule to verify the loss claimed. The supporting schedule should include the loss amount, year(s) the loss is applicable to, any amounts utilized in prior years and amounts to be carried forward.

Loss Incurred in Tax Year Beginning	Kentucky Treatment Carryback	Carryforward
On/before 8/5/97	3 yrs.	15 yrs.
After 8/5/97, but before 1/1/2000	2 yrs.	20 yrs.
After 8/5/97, but before 1/1/2000 (Farm Loss)	2 yrs.	20 yrs.
On/after 1/1/2000 forward	2 yrs.	20 yrs.
On/after 1/1/2000 forward – Farm Loss	5 yrs.	20 yrs.
On/after 1/1/2005 forward	N/A	20 yrs.

Kentucky Domestic Production Activities Deduction (Line 18, Schedule M) – Enter Kentucky domestic productions activities deduction. Beginning on or after January 1, 2010 limit the federal domestic productions activity by the six percent in lieu of the rate provided by IRC § 199(a).

Other Subtractions (Line 19, Schedule M) – Enter other subtractions from federal adjusted gross income not listed above. Include any of the following:

- income received from the tobacco quota buyout;
- income received as a result of the Master Tobacco Settlement Agreement
- income received from the Tobacco Loss Assistance Program (TLAP);
- income of precinct workers for election training or working at election booths;
- capital gains on property taken by eminent domain;
- passive activity loss adjustment (see Form 8582-K and instructions);
- income of a child reported on the parent's return;
- artistic charitable contributions (if you do not itemize deductions);
- the federal work opportunity credit used to reduce wages;
- at-risk limitations (see Schedule M instructions)
- qualified farm networking project differences per **KRS 141.0101(15)**;
- differences in the gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993;
- differences in gains (losses) from assets purchased after September 10, 2001; and
- income of military personnel killed in the line of duty.

Tobacco Master Settlement Agreement (Line 19, Schedule M) – KRS 141.010(10)(o) Exclude any amount received by a producer of tobacco or a tobacco quota owner from the multi-state settlement with the tobacco industry, known as the Master Settlement Agreement, signed on November 22, 1998;

> ***KRS 141.010(10)(p)*** *Exclude any amount received from the secondary settlement fund, referred to as "Phase II," established by tobacco companies to compensate tobacco farmers and quota owners for anticipated financial losses caused by the national tobacco settlement;*

It should be recognized that any self-employment tax taken as a deduction on Form 1040 that is based on monies received from Phase II will be allowed as a deduction for Kentucky income tax purposes.

FEDERAL TAX TREATMENT

Report payments received under the secondary settlement funds, Phase II, in the year received. Cash basis farmers should report the income in the year received.

KENTUCKY TAX TREATMENT

Payments from Phase II are not taxable on the Kentucky return. Growers and quota owners should use Schedule M, Line 19, Other Subtractions, to make the adjustment. Identify as Tobacco Settlement income.

Tobacco Loss Assistance Program (TLAP) (Line 19, Schedule M) – KRS 141.010(10(q) Exclude any amount received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program as a result of a reduction in the quantity of tobacco quota allotted;

Tax treatment of TLAP payments is the same as for the Phase II payments. Use Schedule M, Line 18, Other Subtractions, to make the adjustment.

Tobacco Quota Buydown Exemption – The American Jobs Creation Act of 2004 (AJCA)(H.R. 4520) provides a buyout for tobacco quota owners. However, payments received from a tobacco quota buydown are exempt from the state income taxes imposed on individuals and corporations. (HB 97 (2004) codified as **KRS 141.010(10)(r) and 141.010(12)(l))**

KRS 141.010(10)(r) – (10) *Adjusted gross income*, in the case of taxpayers other than corporations, means gross income as defined in subsection (9) of this section minus the deductions allowed individuals by Section 62 of the Internal Revenue Code and as modified by **KRS 141.0101** and adjusted as follows, except that deductions shall be limited to amounts allocable to income subject to taxation under the provisions of this chapter, and except that nothing in this chapter shall be construed to permit the same item to be deducted more than once:

> (r) Exclude any amount received as a result of a tobacco quota buydown program that all quota owners and growers are eligible to participate in;

KRS 141.010(12)(l) – (12)*Gross income*, in the case of corporations, means *gross income* as defined in Section 61 of the Internal Revenue Code and as modified by **KRS 141.0101** and adjusted as follows:

> (l) Exclude any amount received as a result of a tobacco quota buydown program that all quota owners and growers are eligible to participate in;

Imputed Interest – Imputed interest received as part of the Tobacco Quota Buyout Program is exempt from Kentucky tax. Adjustments to federal adjusted gross income should be made on Kentucky Schedule M.

Income for Training and/or Working at Election Booths (Line 19, Schedule M) – Exclude income received for services performed as a precinct worker for election training or for working at election booths in state, county, and local primary, regular, or special elections. **KRS 141.010(10)(l)**

TAX TIP:
Salary and fees paid to trainers of election workers and County Election Board members are not eligible for the exclusion.

Capital Gains on Property Taken by Eminent Domain (Line 19, Schedule M) – Exclude any capital gains income attributable to property taken by eminent domain. This provision, effective for years beginning after December 31, 1997, is applicable only for individual income tax purposes. Eminent domain is defined as the power of government and certain kinds of corporations, such as railroads and public utilities, to take private property against the objection of the owner, provided the taking is for a public purpose and just compensation is paid to the owner. It also includes threat of condemnation.

If by chance the seizure includes property used in the business that results in a loss, the loss would be deductible on the business return.

The exclusion is claimed on line 19 of Schedule M. Documentation in support of the exclusion should be attached to the return and may include copies of the federal Schedule D and the settlement from the agency, i.e., Transportation Cabinet, or the court.

Child's Income Reported on Parent's Return (Line 19, Schedule M) – Kentucky allows a dependent child to claim both the standard deduction and the $20 tax credit. Subtract any income attributable to the child reported on the parent's federal return and file a separate Kentucky return for the child.

Work Opportunity Tax Credit & Welfare to Work Credit (Line 19, Schedule M) – The Work Opportunity Tax Credit and Welfare to Work credits are now a combined credit for federal purposes. Kentucky does not allow this credit. However, taxpayers are allowed a deduction for those wages that are taken as a direct credit on the federal return. Since the net income from federal Schedules C and F are

ultimately reflected in federal adjusted gross income, taxpayers must make an adjustment to allow as a deduction such wages for Kentucky income tax purposes.

Capital Gains on Sales of Kentucky Turnpike Bonds (Line 19, Schedule M) – Gains on the sale of bonds, even those that produce exempt interest income, are subject to tax. However the Kentucky Turnpike Bond legislation included an exemption for capital gain income realized on the sale.

> ***KRS 175.560*** *Turnpike properties and bonds are tax-exempt.*
>
> *The exercise of the powers granted by this chapter will be in all respects for the benefit of the people of the Commonwealth, . . . and the bonds issued under the provisions of this chapter, their transfer and the income therefrom* ***(including any profit made on the sale thereof)*** *shall at all times be free from taxation within the Commonwealth. [Emphasis added]*

2010 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

Kentucky income tax law is based on the federal income tax law in effect on December 31, 2006. The Department of Revenue generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists.

The chart below provides a quick reference guide to the major federal/Kentucky differences. It is not intended to be all inclusive. Items not listed may be referred to the Department of Revenue to determine Kentucky tax treatment.

PROVISION	FEDERAL TAX TREATMENT	KENTUCKY TAX TREATMENT
1. Interest from Federal Obligations	Taxable	Exempt
2. Retirement Income from:		Partially exempt if retired after December 31, 1997; exempt if retired before January 1, 1998; Schedule P may be required
Commonwealth of Kentucky Retirement Systems	Taxable	
Kentucky Local Government Retirement Systems	Taxable	
Federal and Military Retirement Systems	Taxable	
3. Pensions and Annuities Starting After 7/1/86 and Before 1/1/90	3-year recovery rule eliminated	3-year recovery rule retained
4. Other Pension and Annuity Income	Taxable	100% excludable up to $41,110; Schedule P may be required
5. Benefits from U.S. Railroad Retirement Board	May be taxable	Exempt; Schedule P may be required
6. Social Security Benefits	May be taxable	Exempt
7. Capital Gains on Sale of Kentucky Turnpike Bonds	Taxable	Exempt
8. Other States' Municipal Bond Interest Income	Exempt	Taxable
9. Kentucky Local Government Lease Interest Payments	Taxable	Exempt
10. Long-Term Care Insurance Premiums Paid With After-Tax Dollars	Limited deduction as self-employed health insurance	100% adjustment to gross income
11. Medical and Dental Insurance Premiums Paid With After-Tax Dollars	Limited deduction as self-employed health insurance	100% adjustment to gross income
12. Capital Gains on Property Taken by Eminent Domain	Taxable	Exempt
13. Election Workers—Income for Training or Working at Election Booths	Taxable	Exempt
14. Artistic Contributions	Noncash contribution allowed as itemized deduction	Appraised value allowed as itemized deduction or adjustment to income
15. State Income Taxes	Deductible	Nondeductible
16. Leasehold Interest—Charitable Contribution	May be deductible	Deductible; Schedule HH required
17. Kentucky Unemployment Tax Credit	No credit allowed	$100 per certified employee; Schedule UTC required
18. Work Opportunity Credit (federal Form 5884)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; entire wage expense is deductible
19. Welfare to Work Credit (federal Form 8861)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; wage expense reduced by amount of federal credit
20. Child and Dependent Care Credit	Tax credit based on expenses	20% of federal credit
21. Family Size Tax Credit	No credit allowed	Decreasing tax credit allowed
22. Education Tuition Tax Credit	Tax credit based on expenses	Credit allowed Form 8863-K required
23. Taxpayer Who May be Claimed as Dependent on Another's Return (i.e., full-time student)	May not claim self	May claim self
24. Child's Income Reported by Parent	Permitted; taxed at parent's rate	Not permitted
25. National Tobacco Settlement TLAP Income Quota Buyout (including imputed interest)	Taxable	Exempt
26. Bonus Depreciation/Additional Section 179 Expense	Deductible	Nondeductible
27. Mortgage Debt Forgiveness	Exempt	Taxable
28. Domestic Production Activities Deduction	Deductible	May be limited
29. Active Duty Military Pay	Taxable	Exempt

PROVISIONS of the CODE ENACTED after DECEMBER 31, 2006

Small Business and Work Opportunity Tax Act of 2007 – President Bush signed on May 25, 2007 the Small Business and Work Opportunity Tax Act of 2007. The new tax law targets nearly $5 billion in tax incentives principally to small businesses but also to some larger ones. It also includes tax incentives to help taxpayers recovering from Hurricane Katrina, as well as an important package of S corporation reforms. However, unlike past tax bills, the revenue raisers that mean more taxes for certain taxpayers are significantly fewer in number; although one-an expansion of the *kiddie tax* to apply to children who are 18 years old or who are full-time students up to age 24-will impact millions of families. Since this is after the IRC Code date adopted by Kentucky, provisions of this act will not apply to 20010 Kentucky tax returns. Some of the highlights of this act follow.

The major provisions in the most recent tax law designed to assist small business include:

Work Opportunity Tax Credit (WOTC) – The new law extends the WOTC for 3 1/2 years through September 30, 2011. It also expands the WOTC to allow credit to employers who hire disabled veterans and individuals in counties that have suffered.

Small Business Expensing – The new law extends and expands the Section 179 enhanced expensing provisions through 2010. It provides for an immediate 2007 increase in the expensing limit from $112,000 to $125,000, with phase-out level from $450,000 to $500,000.

GO Zone Businesses – The new law will also extend 179 expensing for Go Zone businesses (those devastated by Katrina and other recent hurricanes) through 2008. Under the new law, the $100,000 limit ($112,000 for 2007) is increased to $125,000 for tax years beginning in 2007 through 2011. The amount is also indexed for inflation for tax years beginning after 2007 and before 2011. The maximum deduction is reduced by the amount by which all qualifying property placed in service during the tax year exceeds an investment limitation. The inflation-adjusted investment limitation for property placed in service in tax years beginning in 2007 is $450,000. The new law also raises the investment limitation to $500,000 for tax years beginning in 2007 through 2011.

FICA Tip Credit – In a move to help many small businesses offset the costs of dealing with the higher minimum wage required in the new law, the tax portion allows employers to receive full tip credit despite increase in federal minimum wage. The tip credit will be based on a minimum wage of $5.15 per hour rather than the new minimum wage, which will reach $7.25 over the next two years. Even though the minimum wage has increased, the amount of the tip credit will not be reduced. The provision applies with respect to tips received for services performed after December 21, 2006.

Family Business Tax Simplification – Under the new law, a married couple who operates a joint venture and who files a joint

return can elect not to be treated as a partnership for federal tax purposes. This treatment is available for tax years beginning after December 31, 2006. Each spouse would take into account his or her share of income, gain, loss, and other items as a sole proprietor. They would not have to file a partnership return (Form 1065) and report two Schedule K-1s. Instead, couples would each report their share of income on Form 1040, Schedule C.

Offsets – Not all provisions in the new law are pro-taxpayer. Some have been inserted to offset the cost of the pro-taxpayer provisions, pursuant to Congressional rules. The more significant offsets, all of which are estimated to raise almost $5 billion over ten years, include:

- Raising those subject to the *kiddie tax*. The new law raises the age from under-18 to under-19 (under-24 if a student) at which a child's unearned income in excess of $1700 is taxed at the parent's rate.

- Interest suspension. The new law doubles the time – from 18 months to 36 months – the time that the IRS has before it must stop charging interest and filing related penalties if it fails to notify the taxpayer about a tax deficiency.

- Collection Due Process (CDP) hearings. The new law eliminates the requirement that the IRS hold a collection due process hearing before issuing a levy on delinquent employment taxes Post-levy hearings remain an option.

- Bad checks. The $750 threshold for bad check penalties is increased to $1,250 and the $15 fee is increased to $25 for bounced checks payable to the IRS.

- Preparer penalties. The new law expands preparer penalties to all types of tax returns (e.g., employment, excise, exempt organizations, estate and gift tax). It also raises the amounts of the penalties.

Mortgage Forgiveness Debt Relief Act of 2007 – The Mortgage Forgiveness Debt Relief Act of 2007 was enacted on December 20, 2007. Generally, the Act allows exclusion of income realized as a result of modification of the terms of the mortgage, or foreclosure on your principal residence.

Usually, debt that is forgiven or cancelled by a lender must be included as income on your tax return and is taxable. The Mortgage Forgiveness Debt Relief Act of 2007 allows you to exclude certain cancelled debt on your principal residence from income.

The Act applies only to forgiven or cancelled debt used to buy, build or substantially improve your principal residence, or to refinance debt incurred for those purposes. Debt used to refinance your home qualifies for this exclusion, but only up to the extent that the principal balance of the old mortgage, immediately before the refinancing, would have qualified.

The Act applies to qualified debt forgiven in 2007, 2008 or 2009. The amount of debt forgiven must be reported on Form 982 and the Form 982 must be attached to your tax return.

Tax Increase Prevention Act of 2007 – On December 19, 2007 Congress passed the *Tax Increase Prevention Act of 2007* and the President signed it into law on December 26, 2007 The AMT exemption *patch* was extended for 2007. The act extends for 2007 the provision that all nonrefundable personal credits are allowed against the AMT.

The Economic Stimulus Act of 2008 – On February 13, 2008, President Bush signed H.R. 5140, otherwise known as the Economic Stimulus Act of 2008. The Economic Stimulus Act immediately grabbed headlines because most Americans would receive a check for $600 from Uncle Sam. While the Economic Stimulus Act is a boon for consumers, there are significant benefits in the Economic Stimulus Act for businesses as well.

Small Business stands to benefit a great deal from the Economic Stimulus Act of 2008. This is because the Section 179 Deduction limits have been generously increased, and small businesses across the country will reap the rewards.

The specific impact the Economic Stimulus Act has had on the Section 179 deduction is related to the dollar limits of the deduction. The previous dollar limits were a $125,000 limit on the deduction and the total amount of equipment purchased could not exceed $500,000. The Economic Stimulus Act raises these limits significantly. The new deduction limits are $250,000 on the deduction, and the total amount of equipment purchased cannot exceed $800,000.

The Food, Conservation, and Energy Act of 2008 – The Food, Conservation, and Energy Act of 2008 was enacted on May 22, 2008 by Congress. Some of its more important provisions include:

- Enhanced like-kind exchanges – The Farm Bill amends the like-kind exchange rules under Code Section 1031 to permit the exchange of water rights in the form of mutual ditch, reservoir and irrigation company stock. The new like- kind exchange treatment applies to exchanges completed after the date of enactment.

- Tax credit for protecting agricultural chemicals – Individuals and businesses that manufacture, sell and distribute agricultural fertilizers and pesticides will be eligible for a tax credit of 30 percent of their costs of protecting these dangerous products. The credit is part of the general business credit. There are limits to the credit, however, and it may not exceed $2 million for any taxpayer in any tax year. In addition, qualifying costs are not limited to the protection of chemicals, but include the costs associated with employee background checks and training.

- Enhanced depreciation for race horses – H.R. 2419 creates a uniform depreciation period of three years for all race horses, regardless of age. The new treatment generally applies to property placed in service after Dec. 31 and before Jan. 1, 2014, with an exception for horses more than two years of age placed in service after Dec. 31, 2013.

- Conservation Reserve Program payments (CRP) – The act excludes any CRP payments to retired or disabled farmers from self-employment income. Instead, payments will be treated as rental payments for federal tax purposes, and this change is retroactive for payments made after Dec. 31, 2007. This change came about so the Social Security benefits paid to retired or disabled farmers would not be reduced because of additional self-employment income.

- Conservation easements – The Pension Protection Act of 2006 (PPA) created new opportunities for, and imposed new requirements on, charitable contributions of real property for conservation purposes. Individuals could take an immediate deduction for the donation of conservation property, up to 50 percent of their contribution base, rather than being restricted to the normal 20 percent limit. This portion of the PPA was designed to encourage farmers and ranchers even more, allowing them charitable contribution deductions of up to 100 percent of their contribution base for contributions of qualified conservation property. This special treatment, both for individuals in general and for farmers and ranchers, expired at the end of 2007. H.R. 2419 extends this treatment through Dec. 31, 2009.

- Forestry conservation bonds – H.R. 2419 authorizes the issuance of new forestry conservation tax-credit bonds to acquire forests for conservation purposes. Some portion of the land must be adjacent to U.S. Forest Service land and at least half of the land must be transferred to the U.S. Forest Service at no net cost to the U.S.

- Timber-related provisions – H.R. 2419 includes a number of timber-specific provisions, such as temporarily reducing the rate of tax on qualified timber gain of C corps, loosening the rules governing the treatment of timber gains to fit timber property held for less than one year (landholdings) within the rules for qualifying real estate investment trusts (REITs) and favorably modifying the taxable REIT subsidiary asset test for timber REITS.

- Agricultural bonds – The legislation increases caps on loans made to first-time farmers from the proceeds of tax-exempt agricultural bonds. The maximum loan amount was raised to $450,000 and is indexed for inflation. Lawmakers also removed the fair market value test from the definition of substantial farmland.

The Emergency Economic Stabilization Act of 2008 – The major provisions in this act include the following:

- Stabilizing the Economy – The Emergency Economic Stabilization Act of 2008 (EESA) provides up to $700 billion to the Secretary of the Treasury to buy mortgages and other assets that are clogging the balance sheets of financial institutions and making it difficult for working families, small businesses, and other companies to access credit. EESA also establishes a program that would

allow companies to insure their troubled assets.

- Homeownership Preservation – EESA requires the Treasury to modify troubled loans – many resulting from predatory lending practices – wherever possible to help American families keep their homes. It also directs other federal agencies to modify loans that they own or control. Finally, it improves the *HOPE for Homeowners* program by expanding eligibility and increasing the tools available to the Department of Housing and Urban Development to help more families keep their homes.

- Taxpayer Protection – The legislation requires companies that sell some of their bad assets to the government to provide warrants so that taxpayers will benefit from any future growth these companies may experience as a result of participation in this program. The legislation also requires the President to submit legislation that would cover any losses to taxpayers resulting from this program from financial institutions.

- No Windfalls for Executives – Executives who made bad decisions should not be allowed to dump their bad assets on the government, and then walk away with millions of dollars in bonuses. In order to participate in this program, companies will lose certain tax benefits and, in some cases, must limit executive pay. In addition, the bill limits *golden parachutes* and requires that unearned bonuses be returned.

- Oversight – Rather than giving the Treasury all the funds at once, the legislation gives the Treasury $250 billion immediately, then requires the President to certify that additional funds are needed ($100 billion, then $350 billion subject to Congressional disapproval). EESA also establishes an Oversight Board so that the Treasury cannot act in an arbitrary manner. It also establishes a special inspector general to protect against waste, fraud and abuse.

Kentucky Impact – Since EESA was enacted October 3, 2008, it is effective after the IRC Code date adopted by Kentucky. Therefore, the provisions of this act will not apply to 2010 Kentucky tax returns.

The American Recovery and Reinvestment Act of 2009 – The American Recovery and Reinvestment Act (ARRA) is an economic stimulus package enacted by the Unites States Congress and signed by President Obama on February 19, 2009. In the face of an economic crisis, the magnitude of which we have not seen since the Great Depression, the American Recovery and Reinvestment Act represents a strategic and significant investment in our country's future. The ARRA was intended to provide a stimulus to the U.S. economy in the wake of the economic downturn, to save or create 3.5 million jobs, and to include measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

Some of its more important provisions include federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector. Many of these provisions were originally adopted for only two tax years – 2009 and 2010 – and are set to expire soon.

Kentucky Impact – Since Kentucky is still under the IRC Code date of December 31, 2006 and has not adopted the legislation for the American Recovery and Reinvestment Act, the provisions of this act will not apply to 2010 Kentucky tax returns.

FEDERAL DISASTER AREAS

On May 11, 2010, following several days of severe storms, flooding, mudslides and tornadoes, President Obama declared the following counties as a federal disaster area qualifying for assistance and special tax relief: Adair, Allen, Anderson, Barren, Bath, Bourbon, Boyd, Boyle, Butler, Carter, Casey, Christian, Clark, Clinton, Crittenden, Cumberland, Edmonson, Elliott, Estill, Fayette, Fleming, Franklin, Garrard, Green, Greenup, Hardin, Hart, Henry, Hopkins, Jackson, Jessamine, Larue, Lee, Leslie, Lewis, Lincoln, Livingston, Logan, Madison, Magoffin, Marion, Menifee, Mercer, Metcalfe, Monroe, Montgomery, Nelson, Nicholas, Ohio, Owen, Powell, Pulaski, Rockcastle, Rowan, Russell, Simpson, Taylor, Warren, Washington, Wayne, Wolfe, and Woodford Counties.

Further, on July 23, 2010, the President declared Madison, Mason, Pike, and Rowan Counties as a federal disaster area after severe storms, flooding and mudslides that occurred in those areas.

Affected Taxpayers – Affected taxpayers in a Presidentially declared disaster area(s) have the option of claiming disaster-related casualty losses on their federal income tax return for either this year or last year. Claiming the loss on an original or amended return for last year will get the taxpayer an earlier refund, but waiting to claim the loss on this year's return could result in a greater tax savings, depending on other income factors.

Note: For further information related to federal disaster areas, please visit the DOR Web site (*www.revenue.ky.gov)* and click on the *Hot Topics* link.

103 KAR 1:130: Taxation of federal and certain nonfederal obligations.

RELATES TO: **KRS 136.290, 136.300, 136.310, 136.320, 141.010(10)(a), (12)(a)**
STATUTORY AUTHORITY: **KRS 131.130(1)**
NECESSITY, FUNCTION, AND CONFORMITY: **KRS 131.130(1)** authorizes the Department of Revenue to promulgate administrative regulations to administer and enforce Kentucky's tax laws. **KRS 141.010(10)(a)** and **(12)(a)** provides an exclusion from gross income when calculating Kentucky income tax for income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States and Kentucky. **KRS 136.290, 136.300, 136.310, and 136.320** impose an ad valorem tax on the total value of the capital of federally or state chartered savings and loan associations, savings banks, and other similar institutions and domestic life insurance companies authorized to transact business in Kentucky, with property and payroll both within and without this state. This administrative regulation establishes the requirements relating to taxation of federal and certain nonfederal obligations in accordance with those statutes.

Section 1. Income Taxation. Interest income from United States government obligations upon which states are prohibited by federal law from imposing a tax shall be excluded from gross income when calculating Kentucky income tax liability. Only the interest income from exempt United States government obligations included in the taxpayer's federal taxable income may be deducted from the taxpayer's gross income for Kentucky income tax purposes.

Section 2. This section contains two (2) lists of certain agencies, authorized corporations, and banks of the United States government from which Kentucky taxpayers may receive interest income. These lists are not all-inclusive, nor are they intended to be conclusive of the taxable or exempt status of a particular obligation issued by or in conjunction with a listed department, agency, instrumentality, or other entity.

(1) The list in this subsection shall serve as examples of departments, agencies, and instrumentalities that issue United States government obligations from which interest income **shall be exempt** from state taxation.

(a) U.S. Treasury (Bonds);
(b) U.S. Treasury (Series EE and HH Savings Bonds and I Bonds);
(c) U.S. Treasury (Certificates of Indebtedness);
(d) U.S. Treasury (Bills);
(e) U.S. Treasury (Notes);
(f) U.S. Treasury (Note and Bond "Strips");
(g) Commodity Credit Corporation;
(h) Central Banks for Cooperatives and Banks for Cooperatives;
(i) Farm Credit Banks;
(j) Federal Land Bank Associations;

(k) Production Credit Associations;
(l) Farm Credit System Financial Assistance Corporation;
(m) Federal Deposit Insurance Corporation;
(n) Federal Financing Bank;
(o) Federal Home Loan Banks;
(p) Federal Savings and Loan Insurance Corporation;
(q) General Insurance Fund, Department of Housing and Urban Development, Rental Housing Insurance, War Housing Insurance Project, Rental Housing Project, Armed Services Housing, National Defense Housing Insurance, Neighborhood Conservation Housing Insurance;
(r) Guam (Bonds);
(s) Puerto Rico (Bonds);
(t) Virgin Islands (General Obligation Bonds and Public Improvement Bonds);
(u) American Samoa (Industrial Development Bonds);
(v) Student Loan Marketing Association (SLMA or "Sallie Mae");
(w) Tennessee Valley Authority (Bonds); or
(x) United States Postal Service.

(2) The list in this subsection shall serve as examples of organizations which issue obligations from which interest income **shall be taxable** for Kentucky income tax purposes.

(a) Bank Certificates of Deposit;
(b) Farmers Home Administration;
(c) Federal Home Loan Mortgage Corp. (FHLMC or "Freddie Mac");
(d) Federal National Mortgage Association (FNMA or "Fannie Mae");
(e) Government National Mortgage Association (GNMA or "Ginnie Mae");
(f) Inter-American Development Bank;
(g) International Bank for Reconstruction and Development (World Bank); or
(h) International Monetary Fund.

Section 3. Property Taxation. A claim by a taxpayer that property or capital subject to the ad valorem taxes imposed by **KRS 136.290, 136.300, 136.310 or 136.320** is exempt under federal law shall be supported by specific statutory or binding case authority. In the absence of statutory or binding case authority, all intangible property shall be taxable. Securities merely guaranteed by the U.S. government shall be taxable as intangible property.

Section 4. Exempt federal obligations shall be classified as:

(1) Direct obligations of the United States such as U.S. Treasury bonds, U.S. Treasury notes or U.S. Treasury bills; or
(2) Direct obligations of U.S. government agencies.

Section 5. (1) The following list is provided as a general reference of obligations exempt from state ad valorem taxation imposed by **KRS 136.290, 136.300, 136.310, or 136.320**:

(a) Banks for Cooperatives;
(b) Central Banks for Cooperatives;
(c) Commodity Credit Corporation;
(d) Farmers Home Administration;
(e) Farmers Home Corporation;
(f) Federal Credit Union;
(g) Federal Savings and Loan Associations (Kentucky);
(h) Federal Deposit Insurance Corporation;
(i) Federal Farm Credit Corporation;
(j) Federal Home Loan Bank (Stocks and Bonds);
(k) Federal Housing Administration;
(l) Federal Intermediate Credit Banks;
(m) Federal Land Banks;
(n) Federal Maritime Board and Maritime Administration;
(o) Federal Reserve Banks;
(p) Federal Savings and Loan Insurance Corporation;
(q) General Insurance Fund;
(r) Guam Bonds;
(s) Municipal Obligations (Kentucky);
(t) National Farm Loan Association;
(u) Panama Canal Bonds;
(v) Production (Agricultural) Credit Association or Corporation;
(w) Puerto Rican Bonds;
(x) Student Loan Marketing Association;
(y) Tennessee Valley Authority;
(z) U.S. Housing Authority;
(aa) U.S. Postal Service Bonds; or
(bb) Virgin Island Bonds.

(2) The following list is provided as a general reference of obligations that are taxable entities for state ad valorem taxation imposed by **KRS 136.290, 136.300, 136.310, or 136.320**:

(a) Federal Home Loan Bank Deposits;
(b) Federal Home Loan Mortgage Corporation Bonds;
(c) Federal National Mortgage Corporation Bonds;
(d) Government National Mortgage Corporation Bonds; or
(e) Retail Repurchase Agreements. (33 Ky.R. 1190; Am. 1790; eff. 2-2-07.)

TAX CREDITS

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KENTUCKY INCOME TAX CREDITS

Kentucky Income Tax Credits – Direct income tax credits come from legislation passed every year by the Kentucky General Assembly. These credits can be applicable to the corporate and/or non-corporate taxpayer; however, a taxpayer must meet various criteria in order to take advantage of a given credit.

Kentucky Revised Statutes determine the order these credits must be used, how the credits are calculated, any carryover provisions (if applicable) and whether a credit may pass through to a shareholder or partner.

Sequence of Nonrefundable Tax Credits – The following is a list of credits that can be claimed on Section A, Business Incentive and Other Tax Credits, found on page 2 of Kentucky forms 740 and 740-NP. These credits are listed in the sequence or order they must be taken (see **KRS 141.0205**).

KRS 141. 0401 – Limited Liability Entity Tax Credit

KRS 141.347, 141.400, 141.403, 141.407, 154.12-2088 – Skills Training Investment Credit and other Economic Development Credits

KRS 171.397 – Nonrefundable Certified Rehabilitation Credit

KRS 141.070 – Credit for Tax Paid to Other States

KRS 141.065 – Unemployment Credit

KRS 141.390 – Recycling and/or Composting Equipment Credit

KRS 154.20-258 – Kentucky Investment Fund Credit

KRS 141.0405 – Coal Incentive Credit

KRS 141.395 – Qualified Research Facilities Credit

KRS 151B.127 – GED Incentive Credit

KRS 141.418 – Environmental Remediation Credit

KRS 141.423 – Biodiesel Credit

KRS 154.48-025 – Environmental Stewardship Credit

KRS 141.428 – Clean Coal Incentive Credit

KRS 141.4242 – Ethanol Credit

KRS 141.4244 – Cellulosic Ethanol Credit

KRS 141.436 – Energy Efficiency Products Credit

KRS 141.385, 141.387 – Railroad Maintenance and Improvement Credit

Additional Nonrefundable Credits – There are five additional nonrefundable tax credits available to the individual taxpayer.

KRS 141.020 – Personal Tax Credit(s)

KRS 141.066 – Family Size Tax Credit

KRS 141.069 – Education Tuition Tax Credit

KRS 141.067 – Child and Dependent Care Credit

KRS 141.388 – New Home Tax Credit

Refundable Credits – Finally, there are two new refundable tax credits also available to the individual taxpayer beginning in the 2010 tax year.

KRS 141.382 – Refundable Certified Rehabilitation Credit

KRS 141.383 – Film Industry Tax Credit

BUSINESS INCENTIVE and OTHER TAX CREDITS

Limited Liability Entity Tax Credit (for taxable years beginning on or after January 1, 2007) – An individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by **KRS 141.020** equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by **KRS 141.0401(2)**, after the LLET is reduced by the minimum tax of $175 and by other tax credits for which the limited liability pass-through entity may be allowed. The credit allowed an individual that is a partner, member or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by **KRS 141.0401(3)(b)**. Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year. The credit amount available to the partner, member or shareholder shall be reflected on the appropriate Kentucky Schedule(s) K-1 or Form (s) 725. **KRS 141.0401(2)**

Skills Training Investment Credit – A credit is allowed for the amount of credit certified by the Bluegrass State Skills Corporation. A copy of the certification must be attached to the return in the first year the credit is claimed.

The credit is equal to fifty percent of the approved cost incurred in connection with the company's occupational or skills upgrade training program. The credit shall not exceed $500 per employee and $100,000 per approved company per biennium. The excess credit over the company's income tax liability in the year approved may be carried forward for three successive taxable years.

A taxpayer that has received a final authorizing resolution from the Bluegrass State Skills Corporation is entitled to a nonrefundable credit against Kentucky individual or corporation income tax.

This credit, as the law was originally written, did not pass through to the shareholders or partners. To utilize the credit, an S corporation or a partnership was required to compute tax using individual income rules and rates. The S corporation or partnership pays any income tax remaining after applying the credit and the income would not pass to the shareholders or partners for Kentucky individual income tax purposes. **KRS 141.347, 141.400, 141.403, 141.407 & 154.12-2088**

Note: *Effective for taxable years beginning after December 31, 1999,* ***KRS 141.405*** *was amended to allow S corporations and partnerships to pass through the skills training investment tax credit to shareholders and partners. For information regarding the application and approval process for this credit, contact the Cabinet for Economic Development, Bluegrass State Skills Corporation at (502) 564-2021.*

Certified Rehabilitation Credit – A credit may be taken against corporation or individual income taxes for a portion of the cost of restoring a qualified residential and commercial structure listed on the National Registry of Historic Places. The credit is equal to 30 percent of the rehabilitation expenses, in the case of owner-occupied residential property, and 20 percent of the rehabilitation expenses, in the case of all other property. The total credit available was originally capped at $3 million annually, with each individual owner-occupied property receiving no more than $60,000. Due to new legislation passed in 2009, the certified rehabilitation credit cap was increased from $3 million to $5 million effective for applications received on or after April 30, 2010.

An application for credit must be submitted to the Kentucky Heritage Council within thirty (30) days following the close of a calendar year. The council shall determine the amount of credit approved for each taxpayer and notify the taxpayer and Department of Revenue of the approved credit amount by the thirty first day of the third month following the close of the calendar year.

Credits received under this section may be transferred or assigned, for some or no consideration, along with any related benefits, rights, responsibilities and liabilities to any entity subject to the tax imposed by **KRS 136.505**. Within thirty (30) days of the date of any transfer of credits, the party transferring the credits shall notify the Department of Revenue of:

(a) The name, address, employer identification number, and bank routing and transfer number of the party to which the credits are transferred;

(b) The amount of credits transferred; and,

(c) Any additional information the Department of Revenue deems necessary.

The provisions of this subsection shall apply to any credits that pass through to a successor or beneficiary of a taxpayer.

For applications received prior to April 30, 2010, the taxpayer may carry any excess tax credit forward until the tax credit is used, provided that any tax credits not used within seven (7) years of the taxable year the certified rehabilitation was complete shall be lost.

Effective for applications approved on or after April 30, 2010, the credit will be refundable if a proper election form is filed. **KRS 171.397**

Credit for Tax Paid to Other States – This particular credit has been in the law since 1952, however, the 1974 General Assembly amended **KRS 141.070** to permit all residents of Kentucky to claim a credit on the Kentucky income tax return for individual income tax paid to other states. Also, the amendment required that nonresidents would no longer be permitted to claim a credit on their Kentucky return. The change was effective for taxable years beginning after December 31, 1973. Prior law allowed the credit to residents or nonresidents depending solely on the credit allowed by the other state(s) involved.

The net effect of the amendment was that Kentucky would no longer allow nonresidents credit, but allow the credit to Kentucky residents or part-year residents for income received from sources outside Kentucky while a resident.

This credit can only be claimed on income derived from sources outside Kentucky. It cannot be claimed on income derived from Kentucky sources.

Kentucky has historically construed the words *income tax* to be a broad based tax on all types of income. It has not recognized any of the taxes of several states levied on investment income as an income tax.

S corporations and partnerships may elect to file combined or composite nonresident returns on behalf of their shareholders or partners to report the individual income tax due to other states. A credit may be allowed if the tax paid to the other states on the composite return is in lieu of the individual shareholders or partners filing separate nonresident individual income tax returns to those states. The credit claimed on the Kentucky return is allowed as if each shareholder or partner filed separately. A copy of the composite return should also be attached to the taxpayer's Kentucky return to verify the actual amount of individual income tax paid for that taxpayer. A schedule signed and certified by the tax manager, listing the individual's name and I.D. number; the income reported on behalf of the individual; and income tax paid to each state is an acceptable substitute for a copy of the composite return.

Franchise tax and intangible income tax are not allowed as credit against Kentucky individual income tax. Kentucky residents may claim a credit for nonrefundable income tax paid to other states. However, you may not claim credit for tax withheld by another state. You must file a return with the other state, and pay tax on income also taxed by Kentucky in 2009 in order to claim the credit. A copy of the other state's return must be attached to verify this credit. The credit is limited to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of the tax paid to the other state, whichever is less. **KRS 141.070**

Gambling Losses and Claiming the Credit for Taxes Paid to Other States – A credit for tax paid to another state on gambling income may be allowed if the income is taxed by both Kentucky and the other state. However, if you have paid tax on gambling income in another state and you claimed an itemized deduction on your Kentucky Schedule

A for losses, the allowable credit may be reduced or eliminated. Any gambling income offset by a gambling loss deduction is not considered taxed in Kentucky. In this situation the income is not being taxed by both Kentucky and another state, so no tax savings result.

Mississippi Casino Patrons – The three percent tax withheld from Mississippi gambling winnings is considered a state income tax paid to Mississippi for purposes of computing the credit for taxes paid to another state. The document provided by the casino is considered the return and therefore is proof that the tax was paid in Mississippi.

Background: Effective January 1, 2002, Mississippi requires casinos to withhold a non-refundable income tax at the rate of three percent on gambling winnings that are required to be reported to the Internal Revenue Service without a subsequent credit for the tax paid.

TAX TIP:
If tax is owed in more than one state, the credit for each state must be completed on separate worksheets.

Credit for Taxes Paid to Other State Worksheet

Kentucky residents/part-year residents only. Complete a separate worksheet for each state. See instructions for Form 740 or 740-NP, Section A, Line 4.

Taxpayer SSN ..... _____

Taxpayer Name ..... _____

Name of Other State ..... _____

Type of Income Reported to Other State ..... _____

1. List Kentucky taxable income from Form 740, Line 1 ..... _____
2. List any gambling losses from Schedule A, Line 29 ..... _____
3. Add Lines 1 and 2 and enter total here ..... _____
4. List income reported to other state included on Kentucky return ..... _____
5. Subtract line 4 from line 3 and enter total here ..... _____
6. Adjusted gambling losses. Compute gambling losses allowed on Kentucky return if income from other state is ignored ..... _____
7. Subtract Line 6 from Line 5 and enter total here ..... _____
8. Enter Kentucky tax on income amount on Line 7 ..... _____
9. Enter Kentucky tax on income amount on Line 1 ..... _____
10. Subtract Line 8 from Line 9. This is the tax savings on return if other state's income is ignored ..... _____
11. Enter tax paid to other state on income claimed on Kentucky return ..... _____
12. Enter the lesser of Line 10 or Line 11. This is your credit for tax paid to other state. Carry this total to Form 740, Section A, Line 4 ..... _____

Unemployment Tax Credit – If you hired unemployed Kentucky residents to work for you during the last six months of 2009 or anytime during 2010, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of $100.

The period of unemployment must be certified by the Office of Employment and Training, Education Cabinet, 275 East Main Street 2-WA, Frankfort, Ky. 40621-0001. The taxpayer must maintain a copy of the certification in his/her files. To claim this credit one must file Schedule UTC. **KRS 141.065**

Recycling and/or Composting Equipment Credit – Individuals, who purchased recycling or composting equipment to be used exclusively in Kentucky for recycling or composting post consumer waste materials, are entitled to a credit against the tax equal to 50 percent of the installed cost of the equipment. Application for this credit must be made on Schedule RC - Application for Income Tax Credit for Recycling and/or Composting Equipment, which may be obtained from the Department of Revenue (DOR). A copy of Schedule RC reflecting the amount of credit approved by the Department must be attached to the return.

The credit claimed for the taxable year during which the equipment is purchased (installed) is limited to ten percent of the total allowable credit and 25 percent of the tax liability less other credits claimed for the year. The unused portion of the total credit may be carried forward to succeeding tax years limited only to 25 percent of the tax liability for the taxable year.

This credit does pass through from a partnership or S corporation to the partner/shareholder. **Schedule RC (K-1) – Pro Rata/Distributive Share of Approved Recycling and/or Composting Equipment Tax Credit** is utilized to allocate the credit to each partner or shareholder. See page 102, Package K.

Corporation and individual income tax recycling credits available are expanded for major recyclers who make a significant investment in plant and equipment and who meet certain employment standards. Credits are allowed for up to fifty percent of the cost of new and expanded recycling equipment, limited each taxable year to fifty percent of the total tax liability for the year the credit is claimed over the tax liability for the most recent taxable year ending prior to January 1, 2005, or $2.5 million, whichever is less. Any unused approved credit may be carried forward for a period of ten years commencing with the date the recycling credit application is approved.

This bill also provides for the recapture of the credit if the equipment is no longer used in a qualifying manner or is sold or disposed of within five years from the date it is purchased, based upon the useful life of the equipment and year of disposition. An exception to the recapture exists in the case of transfers due to death or change in business ownership or organization as long as the equipment remains qualifying equipment. **KRS 141.390**

Kentucky Investment Fund Credit – Legislation introduced in 1998 established the Kentucky Investment Fund Program and authorized the Kentucky Economic Development Finance Authority (KEDFA) to certify investment funds and investment fund managers on or after July, 1999. An investor who makes cash contributions to an investment fund certified by KEDFA is allowed a nonrefundable credit against the Kentucky individual income tax, Kentucky corporation income tax or Kentucky corporation license tax equal to 40 percent of the cash contribution. The credit may be claimed in any tax year after December 31, 1998, during which the investment is made.

For investments before July 1, 2002, twenty-five percent of the total credit certified by the Kentucky Economic Development Finance Authority (KEDFA) is allowed in each year. For investments after June 30, 2002, the credit is claimed on the tax return filed for the tax year following the year in which the credit is granted and is limited in any tax year to 50 percent of the initial aggregate credit apportioned to the investor. A copy of the certification by KEDFA is required in the first year the credit is taken.

Unused credit may be carried forward. Any excess credit that may be claimed in a given year over the investor's liability may be carried forward but may not extend beyond 15 years of the initial certification.

Effective July 1, 2005, KIFA tax credits available to any single investment fund are limited to $1.3 million for all investors and all taxable years. Total KIFA tax credits available for all investors in all investment funds shall not exceed $5 million per fiscal year**. KRS 154.20-258**

Income Tax Credit for the Purchase of Kentucky Coal (Coal Incentive Tax Credit) (Effective for ten consecutive years beginning on July 15, 2001.) **KRS 141.0405** and **KRS 141.0406** were created to allow a nonrefundable credit against corporation income tax, individual income tax, corporation licenses tax and public service company property tax for Kentucky coal purchased and used for generating electricity. Only coal that is subject to Kentucky's coal severance tax qualifies for the credit. The credit is equal to $2 per ton of Kentucky coal purchased by the company that is above the amount of Kentucky purchased during the base year. The base year amount is the amount of coal purchased in 1999 for existing companies. For new entities established after 1999, the base year amount will be zero.

This bill affects corporation and individual income, corporation license tax and public service company property tax. This bill requires the KRC to prescribe Coal Incentive Claim Forms and to issue a Credit Certificate. This credit may be claimed on returns filed after July 15, 2001. **KRS 141.0405**

Qualified Research Facility Credit – A nonrefundable credit is allowed against individual and corporation income taxes equal to five percent of the cost of constructing and equipping new facilities or expanding or remodeling existing facilities in Kentucky for qualified research. "Qualified research" is defined to mean qualified research as defined in Section 41 of the IRC. Any unused credit may be carried forward up to ten years. **KRS 141.395**

GED Incentive Credit – Tax Credit for Employers Who Assist Employees in Obtaining His or Her High School Equivalency Diploma (Effective July 14, 2000.)

Employers who assist employees in obtaining his or her high school equivalency diploma are eligible for a tax credit. A new effort to promote GEDs has direct benefits for Kentucky employers and the commonwealth's workforce.

Employees can earn a tuition discount of $250 per semester for a maximum of four semesters at a Kentucky public postsecondary institution. Their employers can receive a state income tax credit for a portion of the paid release time given to the employee to study for the GED. The tax credit is calculated at half of the employee's hourly salary for released time, up to a maximum of $1,250. The regulation became effective on September 5, 2001. **KRS 151B.127(3)**

WHO IS ELIGIBLE

Full-time employees who enter a learning contract with the adult education program and their employer, and who earn a GED within one year are eligible for tuition discounts. Employers who provide paid release time are eligible for the tax credit.

Requirements:

The employee:

- must have been out of secondary school for at least three years;
- must develop and complete a learning contract (DAEL 29); and
- must spend a minimum of five hours per week studying for the GED.

The employer:

- must sign the learning contract (DAEL 29);
- must allow the employee a minimum of five hours per week paid release time to study; and,
- must complete the employer portion of the final report (DAEL 31) and attach to the tax return to receive credit.

The adult education program:

- must develop and sign the learning contract (DAEL 29);
- must maintain and file attendance records (DAEL 30);
- must provide appropriate assessment and instruction; and,
- must complete and file the final report (DAEL 31).

DOCUMENTS

The Learning Contract (DAEL 29):
No later than ten (10) days after the final signature is obtained on the learning contract, the local adult education program submits a

copy to the employee, the employer, and DAEL, retaining the original contract. The original contract must be retained for three years following the employee's completion of the program.

The Attendance Record (DAEL 30):
The local adult education program submits monthly attendance reports to DAEL and the employer. The program uses sign-in and sign-out sheets to verify the information; maintains these sheets for three years, and provides copies to DAEL upon request.

The Final Report (DAEL 31):
No later than ten (10) days after the final report is created, the local adult education program submits a copy to the employee, the employer, KRC, and DAEL, retaining the original report.

Contact:
For more information regarding the program, please contact the Education Cabinet, Kentucky Adult Education, Council on Postsecondary Education, 1024 Capital Center Drive, Suite 250, Frankfort KY 40601.

Environmental Remediation Credit – (Effective for tax periods beginning after Dec. 31, 2004.) Taxpayers who agree to clean up or develop an existing abandoned Brownfield area may qualify for a nonrefundable credit against corporation or individual income taxes in a maximum amount of $150,000. The credit may be carried forward for ten successive taxable years. **KRS 141.418**

Biodiesel Credit – (Effective for tax periods beginning on or after Jan. 1, 2005.) A nonrefundable credit may be taken against corporation or individual income taxes for producing or blending biodiesel fuels of up to $1 per gallon produced or blended, limited to a maximum statewide credit of $1.5 million. The credit may not be carried forward. **KRS 141.423**

Environmental Stewardship Credit – (Effective for tax years ending on or after Jan. 31, 2007.) A nonrefundable credit is available against the corporation and individual income taxes for a corporation or individual that undertakes an environmental stewardship project with a minimum investment of at least $5 million. The Cabinet for Economic Development must approve these projects. The taxpayer must meet certain wage requirements in order to qualify. The credit will cover 100 percent of eligible skills upgrade training costs and up to 25 percent of eligible equipment costs. The project must produce an environmental stewardship product, which is defined to mean a new manufactured product or substantially improved existing manufactured product that has a lesser or reduced adverse effect on human health and the environment. It may also be used for improvement to human health and the environment when compared with existing products or competing products that serve the same purpose. The maximum amount of credit claimed for any single fiscal year may not exceed 25 percent of the total authorized inducement. **KRS 154.48-025**

Clean Coal Incentive Credit – (Effective for tax periods ending on or after Dec. 31, 2006.) A potential credit is available to an electricity generation facility certified as using clean coal equipment and technology and burning coal subject to Kentucky's severance

tax. The nonrefundable credit may be taken against corporation income, individual income, corporation license and public service property taxes at the rate of $2 per ton of qualifying coal burned. The credit applies to electricity generation facilities with an investment of more than $150 million that meet Natural Resources and Environmental Protection Cabinet standards. **KRS 141.428**

Ethanol Credit – (for taxable years beginning after December 31, 2007). An ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by **KRS 141.020** or **141.040** and **141.0401** in an amount certified by the department. The credit rate shall be one dollar ($1) per ethanol gallon produced, unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers. The credit allowed shall be applied both to the income tax imposed under **KRS 141.020** or **141.040** and to the limited liability entity tax imposed under **KRS 141.0401**, with the ordering of credits as provided in **KRS 141.0205**. Any remaining ethanol credit shall be disallowed and shall not be carried forward to the next year. **KRS 141.4242**

Cellulosic Ethanol Tax Credit (for taxable years beginning after December 31, 2007) – A cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by **KRS 141.020** or **141.040** and **141.0401** in an amount certified by the department. The credit rate shall be one dollar ($1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers. The credit allowed shall be applied both to the income tax imposed under **KRS 141.020** or **141.040** and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in **KRS 141.0205**. Any remaining cellulosic ethanol credit shall be disallowed and shall not be carried forward to the next year. **KRS 141.4244**

Energy Efficiency Products Credit (for taxable years beginning after December 31, 2008 and before January 1, 2016) – A person who installs a qualified energy efficient product shall be eligible for a nonrefundable tax credit against the taxes imposed by **KRS 141.020** in an amount certified by the department. The credit is equal to 30% of the installed costs subject to limitations and

shall apply to the tax year in which the installation is completed. Form 5695-K must be completed to claim this credit and any unused credit shall be carried forward for one year. Some examples of energy efficient products that may qualify for the credit are: upgraded insulation, energy efficient windows, qualified energy property, active and passive solar heating systems, qualified solar water-heating systems, qualified wind turbine or wind machines and qualified solar photovoltaic systems. **KRS 141.436**

Railroad Maintenance and Improvement Credit (for taxable years beginning after December 31, 2009) – A nonrefundable credit against the individual income, corporation income and limited liability entity taxes was enacted in an amount equal to 50 percent of the qualified expenditures paid or incurred by an *eligible taxpayer* during the taxable year to maintain or improve railroads located in Kentucky. The credit applies to taxable years beginning after December 31, 2009. An *eligible taxpayer* means the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or III railroad in Kentucky, or any person that furnishes railroad-related property or services to a Class II or Class III railroad located in Kentucky. The credit is reported on Form 740, Page 2, Section A, Line 18. The credit cannot be carried forward. **KRS 141.385**

ADDITIONAL NON-REFUNDABLE TAX CREDITS

As previously mentioned, there are five additional nonrefundable tax credits available to the individual taxpayer, which are not reflected on Section A, Business Incentive and Other Credits. These are:

KRS 141.020 – Personal Tax Credit(s)

KRS 141.066 – Family Size Tax Credit

KRS 141.069 – Education Tuition Tax Credit

KRS 141.067 – Child and Dependent Care Credit

KRS 141.388 – New Home Tax Credit

PERSONAL TAX CREDIT(S)

Personal tax credits are reported in Section B of Form 740 and 740-NP. A credit of $20 is allowed for each personal and dependency credit claimed.

Yourself – You are always allowed to claim a tax credit for yourself (even if your parent(s) can claim a credit for you on their return). On Line 1(a), there are five boxes under three separate headings. Always check the box under "Check Regular" to claim a tax credit for yourself. *If 65 or older*, then also check the next two boxes on the line. *If legally blind*, then also check the last two boxes on the line.

Do not fill in Line 1(b) if (1) you are single; (2) you are married and you and your spouse are filing two separate returns; or (3) your spouse received more than half of his or her support from another taxpayer. However, if your spouse died during the taxable year, you may claim a credit for the deceased on Line 1(b).

Fill in Line 1(b) if you are married and (1) you and your spouse are filing a joint or combined return, or (2) if your spouse had no income or is not required to file a return. If you meet these criteria, then check the first box on Line 1(b) for your spouse. *If your spouse is 65 or older*, then also check the next two boxes. *If your spouse was legally blind at the end of the taxable year*, then also check the last two boxes on Line 1(b).

Dependents – You are allowed to claim a tax credit for each person defined as a dependent in the Internal Revenue Code. Generally, dependents who qualify for federal purposes also qualify for Kentucky.

Dependents Who Live With You – Use to claim tax credits for your dependent children, including stepchildren and legally adopted children, who lived with you during the taxable year. **If the dependent meets the requirements for a qualifying child under the provisions of IRC 152(c), check the box; this child qualifies to be counted when determining the family size.**

Dependents Who Did Not Live With You – Also use Line 2 to claim tax credits for your dependent children who did not live with you and to claim tax credits for other persons who qualify as dependents. **These**

dependents do not qualify to be counted when determining the family size.

Children of Divorced or Separated Parents – Attach a copy of federal Form 8332 filed with your federal return. Children may only be counted for family size by the custodial parent.

Tax Credits for Individuals Supported by More Than One Taxpayer – Attach a copy of federal Form 2120 filed with your federal return.

Kentucky National Guard Members – Persons who were members of the Kentucky National Guard on December 31, 2010, may claim an additional credit on Line 2. Designate this credit with the initials "N.G." Kentucky law specifically restricts this credit to Kentucky National Guard members only; military reserve members are not eligible.

Dividing the Credits – Each taxpayer must claim all of his or her own tax credits including the credits for age and blindness. *Therefore, if married, each spouse must claim at least one credit. However, spouses may divide tax credits for dependents, or one spouse may claim all dependent credits and the other none.*

FAMILY SIZE TAX CREDIT

The Family Size Tax Credit is a credit that provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. Depending on your modified gross income (MGI) and the size of the family, you may qualify for the Kentucky Family Size Tax Credit.

Claiming the Credit – To claim the Family Size Tax Credit, one must complete the following four steps:

- Determine your family size;
- Determine modified gross income;
- Use the 2010 Family Size Table to determine the correct percentage; and
- Multiply tax liability by the percentage and enter it on the form.

A worksheet with income threshold amounts and instructions for helping to determine the Family Size Tax Credit follow.

TAX TIP:
The Family Size Tax Credit may be claimed by a resident, nonresident or part year resident. The credit is not pro rata, but is the full percentage based upon modified gross income.

LINE 20 and LINE 21, Family Size Tax Credit—The Family Size Tax Credit is based on modified gross income (MGI) and the size of the family. If your total MGI is $29,327 or less, you may qualify for Kentucky Family Size Tax Credit.

Step One—Determine your family size. Check the box on Line 20 to the right of the number that represents your family size.

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children.

Family Size 1 is an individual either single, or married living apart from his or her spouse for the entire year. You may qualify for the Family Size Tax Credit even if you are claimed as a dependent on your parent's tax return.

Family Size 2 is an individual with one qualifying child or a married couple.

Family Size 3 is an individual with two qualifying children or a married couple with one qualifying child.

Family Size 4 is an individual with three or more qualifying children or a married couple with two or more qualifying children.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

Relationship—Must be the taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.

Residence—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents.

Age—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.

Support—Did not provide more than one-half of his/her own support for the year.

Step Two—Determine modified gross income.

FORM 740 WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT

(a) Enter your federal adjusted gross income from Line 5. **If zero or less, enter zero** ..... (a) _____

(b) If married filing separately on a combined return or married filing separate returns and living in the same household, enter your spouse's federal adjusted gross income. **If zero or less, enter zero** ..... (b) _____

(c) Enter tax-exempt interest from municipal bonds (non-Kentucky) ..... (c) _____

(d) Enter amount of lump-sum distributions not included in federal adjusted gross income (federal Form 4972) ..... (d) _____

(e) Enter total of Lines (a), (b), (c) and (d) ..... (e) _____

(f) Enter your Kentucky adjusted gross income from Line 9. **If zero or less, enter zero** ..... (f) _____

(g) If married filing separately on a combined return or married filing separate returns and living in the same household, enter your spouse's Kentucky adjusted gross income from Line 9. **If zero or less, enter zero** ..... (g) _____

(h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K) ..... (h) _____

(i) Enter total of Lines (f), (g) and (h) ..... (i) _____

(j) Enter the **greater** of Line (e) or (i). This is your **Modified Gross Income**. Use this amount to determine if you qualify for the Family Size Tax Credit ..... (j) _____

Step Three—Use the Family Size Table to look up the percentage of credit and enter in the space provided on Line 21.

Family Size	One		Two		Three		Four or More		Credit Percentage is
If MGI . . .	is over	is not over	is over	is not over	is over	is not over	is over	is not over	
2010	$ ---	$ 10,830	$ ---	$14,570	$ ---	$18,310	$ ---	$22,050	100
	10,830	11,263	14,570	15,153	18,310	19,042	22,050	22,932	90
	11,263	11,696	15,153	15,736	19,042	19,775	22,932	23,814	80
	11,696	12,130	15,736	16,318	19,775	20,507	23,814	24,696	70
	12,130	12,563	16,318	16,901	20,507	21,240	24,696	25,578	60
	12,563	12,996	16,901	17,484	21,240	21,972	25,578	26,460	50
	12,996	13,429	17,484	18,067	21,972	22,704	26,460	27,342	40
	13,429	13,754	18,067	18,504	22,704	23,254	27,342	28,004	30
	13,754	14,079	18,504	18,941	23,254	23,803	28,004	28,665	20
	14,079	14,404	18,941	19,378	23,803	24,352	28,665	29,327	10
	14,404	---	19,378	---	24,352	---	29,327	---	0

Step Four—Multiply tax from Line 19 by the percentage and enter on Line 21. This is your **Family Size Tax Credit**.

KENTUCKY EDUCATION TUITION TAX CREDIT

The Hope and Lifetime Learning credits are available to allow persons to receive tax credits for certain educational expenses (i.e. tuition, books and fees). In order to be eligible for a Kentucky education credit, the student must be enrolled in undergraduate studies only and attend a qualified educational institution that has a physical location within the Commonwealth of Kentucky. Further, the taxpayer cannot have a filing status of "married filing separate returns."

On the Kentucky return, the Hope Credit is available only for the first two-years of post-secondary education and the maximum amount a taxpayer can claim is $450 per student. The maximum amount for the Lifetime Learning credit is $500 per return. Any unused credit may be carried forward for up to five years.

Taxpayers claiming the Kentucky Education Tuition Tax credit **must complete Kentucky Form 8863-K** to determine the correct amount of Hope or Lifetime Learning Credits they are eligible to claim and any credit carry forwards that may apply.

Federal Return – Because of the American Recovery and Reinvestment Act of 2009, the Hope Credit was modified on the federal return. The modifications are now titled the American Opportunity Tax Credit and are effective only for 2009 and 2010 tax years.

Previously, the Hope Credit had only been available to students in their first two years of post-secondary education. For the tax years 2009 and 2010, the American Opportunity credit will be made available on the federal return to those students in their first four years of post-secondary education. The maximum amount of the American Opportunity credit was also increased for each eligible student and 40 percent of the credit is refundable on the federal return.

However, because Kentucky is still under the IRC code from Dec. 31, 2006 and has not adopted the legislation from the American Recovery and Reinvestment Act, the American Opportunity credit is available to taxpayers *only* on the Federal return.

TAX TIP:
Qualified expenses are determined by the amount reported in box 1 or 2 of Form 1098-T (provided by the educational institution) minus any adjustments for scholarships or grants received by the student.

CHILD and DEPENDENT CARE CREDIT

Taxpayers claiming the child and dependent care credit must file Form 740 or 740-NP as this credit cannot be claimed on the Form 740-EZ. The credit is claimed on Line 25 - Form 740 or Form 740-NP by entering the amount of the federal credit from federal Form 2441 or Form 1040A, Schedule 2 and multiplying by 20 percent.

It is not necessary that a copy of pages 1 and 2 of your federal return be attached for verification of the federal credit claimed.

If you did not meet the federal filing requirements, but would have been entitled to the federal child and household care credit, you must complete and attach federal **Form 2441 - Child and Dependent Care Expenses** and attach to your Kentucky return. Also, you must state on the Form 2441: "Did not meet federal filing requirements."

In that the law states that the credit allowed for Kentucky income tax purposes shall be twenty percent of the federal credit allowed, Kentucky will allow twenty percent of the credit computed on the federal **Form 2441** even though the credit cannot be fully utilized for Federal income tax purposes.

Part-year residents may be allowed a prorated credit for child and dependent care, based upon a ratio of such expenses paid within and without Kentucky. In other words, for a part-year resident to receive any credit at all, some child and dependent care expenses must have been paid while a resident of Kentucky. Full-year nonresidents are not entitled to this credit. A worksheet is included with the **Form 740-NP** to help facilitate computation of the credit.

It should be noted that if you and your spouse are filing separate returns, the child and dependent care credit calculated for Kentucky must be divided based on the percentage of each spouse's Kentucky adjusted gross income to total Kentucky adjusted gross income.

NEW HOME TAX CREDIT

The New Home Tax Credit is a nonrefundable individual income tax credit provided by **KRS 141.388** that applies to a "qualified buyer" who purchases a *qualified principal residence*. The provision was originally set to expire on July 25, 2010, but has been extended to December 31, 2010. Also, the credit cap has been lowered from $25 million to $15 million.

A *qualified buyer* is now defined as a resident of Kentucky that purchases a qualified principal residence. A *qualified principal residence* means a single-family dwelling, built to be occupied by a single family. It must be certified by the seller as having never been occupied and must be the principal residence of the qualified buyer for a minimum of two years. It may include a detached house, an attached condominium or townhouse, or a manufactured home, including house trailers and modular homes.

Under the provisions of the New Home Tax Credit, a qualified buyer shall be eligible for a nonrefundable tax credit up to $5,000 against the taxes imposed by **KRS 141.020** in an amount certified by the department.

In order to receive this credit, an application (available on our Web site: *www.revenue.ky.gov*) must be completed and faxed in to the Department of Revenue at 502-564-3706 within seven (7) calendar days of escrow closing on the new home. Qualified buyer(s) approved for the credit will receive a credit allocation letter accompanied by a four (4) digit approval code by mail. This credit shall be claimed on Form

740 or 740-NP, Page 1, Line 27. Electronic filers shall be required to complete the New Home Tax Credit Worksheet D and shall also be required to provide the four (4) digit approval code at the time of filing. Individuals who file a paper return will need to attach a copy of the approval letter.

Finally, as a result of House Bill 2, enacted during the 2010 Extraordinary Session of the Kentucky General Assembly, some taxpayers may now be eligible to claim both the federal homebuyer credit and the Kentucky New Home Tax credit if they meet certain criteria.

TAX TIP:
For more information about the New Home Tax Credit, please visit the Kentucky Department of Revenue's Web site.

REFUNDABLE TAX CREDITS

There are also two new refundable tax credits available to the individual taxpayer beginning in 2010 tax year. These are:

KRS 141.382 – Refundable Certified Rehabilitation Credit

KRS 141.383 – Film Industry Tax Credit

REFUNDABLE CERTIFIED REHABILITATION CREDIT

Effective for applications for the Certified Rehabilitation Credit received for preliminary approval on or after April 30, 2010, a taxpayer will be able to claim a refundable tax credit if a proper election form is filed. The refundable credit is reported on Page 2, Line 32(c) of the From 740 or 740-NP.

Note: The certified rehabilitation credit cap was also increased from $3 million to $5 million effective for applications received on or after April 30, 2010. **(KRS 141.382)**

FILM INDUSTRY TAX CREDIT

A refundable credit against individual income, corporation income, and limited liability entity taxes is allowed for Motion Picture and Entertainment Productions that take place within the Commonwealth of Kentucky. An approved company may receive the refundable tax credit beginning July 1, 2010 for tax incentive agreements approved by the Tourism, Arts and Heritage Cabinet and executed before January 2015. The refundable credit is 20 percent of an approved company's qualifying expenditures. There are minimum expenditure thresholds that must be met in order for the film or entertainment production company to be eligible for the credit. For individual taxpayers, the refundable credit should be reported on Form 740 or 740-NP, Page 2, Line 32(d).

Note: The film industry tax credit is subject to a cap of $5 million for the fiscal year 2010-2011, and $7.5 million for the fiscal year 2011-2012. **(KRS 141.383 and 148.542–148.548)**

CORPORATION INCOME and LIMITED LIABILITY ENTITY TAX (LLET)

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NEW for 2010

Endow Kentucky Tax Credit – Effective for taxable years beginning on or after January 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. **KRS 141.438** was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed $10,000. Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years. The total amount of credit that may be awarded by the DOR in each fiscal year is $500,000. An application for preliminary authorization for the credit must be submitted to the DOR. The new application form is currently in development. If preliminary approval is received from the department, the taxpayer must make an endowment gift within 30 days of preliminary approval to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified by the Endow Kentucky Commission created by KRS Chapter 147A. The taxpayer has ten days after making the gift to provide the department with proof of the gift. If the proof is then approved, the department will issue a final tax credit letter to the taxpayer.

New Markets Development Program Tax Credit – The New Markets Development Program Tax Credit (NMDPTC) was created in **KRS 141.432** to **141.434** to encourage taxpayer investment in low-income communities. A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the DOR and once approved, the qualified community development entity may issue a long-term debt security or receive an equity investment that will result in eligible credit. The person or entity actually making the loan or making the equity investment will be able to claim a credit, subject to a $5 million credit cap each fiscal year.

The total credit computation is 39 percent of the purchase price or loan amount, broken down as follows for each of the next seven years beginning with the date on which the equity investment is initially made:

- 0 percent of the purchase price or loan amount may be taken in the first two years including the year in which the investment is initially made;
- 7 percent of the purchase price or loan amount may be taken in the third year including the year in which the investment is initially made; and,
- 8 percent of the purchase price or loan amount may be taken for fourth through seventh years including the year in which the investment is initially made.

Any unused approved credit may be carried forward for use in any subsequent tax year.

Film Industry Tax Credit – A refundable tax credit is available for approved companies against the tax imposed under **KRS 141.020** or **141.040** and **141.0401**, with the ordering of credits as provided in **KRS 141.0205**. For tax incentive agreements executed before January 1, 2015, an approved company may receive a refundable tax credit on and after July 1, 2010, if:

(a) The Finance and Administration Cabinet has received notification from the Kentucky Film office that the approved company has satisfied all requirements of **KRS 148.542** to **148.546**; and

(b) The approved company has provided a detailed cost report and sufficient documentation to the office.

The film industry tax incentives provided in **KRS 141.383** and **148.542** to **148.546** were amended to establish a cap of $5 million for the fiscal year 2010-2011, and $7.5 million for the fiscal year 2011-2012. The cap was codified in **KRS 148.546(3)(b)**.

Kentucky Reinvestment Act Credit – The Kentucky Reinvestment Act credit, provided by **KRS 154.34-120**, was amended for any approved company which receives preliminary approval on or after February 1, 2010 to limit the amount of incentives allowed in any year to not exceed the lesser of the tax liability of the approved company related to the reinvestment project for that taxable year or 20 percent of the total amount of the approved costs.

Metropolitan College Consortium Tax Credit - A nonrefundable credit against the individual income tax, corporation income tax and limited liability entity tax was enacted for a *qualified taxpayer* in the amount of 50 percent of the actual costs incurred for: tuition paid to an education institution for a student participating in the Metropolitan College; and other educational expenses paid on behalf of a student participating in the Metropolitan College. A *qualified taxpayer* is any taxpayer who, on June 26, 2009 is a party to the Metropolitan College Consortium Agreement approved Nov. 5, 2005. *Metropolitan College* means a nonprofit consortium that includes educational institutions located within the Commonwealth and the qualified taxpayer as members. The purpose of Metropolitan College is to provide postsecondary educational opportunities to employees of the qualified taxpayer as part of a combined work and postsecondary education program. The credit is limited to up to 2,800 employees each year. Unused credit may be carried forward. The credit may be taken for taxable years beginning on or after July 1, 2010 and before April 16, 2013.
KRS 141.381

Railroad Expansion Tax Credit – A nonrefundable credit for railroad expansion or upgrading for the transport of fossil fuels or biomass resources was created. The credit may be applied against corporation income tax and limited liability entity tax and applies to taxable years beginning after December 31, 2009. Entities eligible for the credit are corporations that own fossil energy resources or biomass resources or a railway company subject to public service company property tax that serves a corporation that owns fossil energy resources or biomass resources. The credit

is 25 percent of the expenditures incurred by the corporation or railway company to expand or upgrade railroad track. There is a credit cap each calendar year of $1 million. Each corporation or railway company eligible for the credit must apply with the DOR by January 15 to claim the credit on expenditures made during the previous calendar year. The DOR must determine the amount of approved credit and notify taxpayers by the 15th day of the third month following the close of the calendar year. The credit cannot be carried forward. Any entity that qualifies for this credit and the credit for railroad improvement is allowed to claim only one of the credits pursuant to **KRS 141.386 and 141.387**

Railroad Maintenance and Improvement Tax Credit – A nonrefundable credit against the individual income, corporation income and limited liability entity taxes was enacted in an amount equal to 50 percent of the qualified expenditures paid or incurred by an *eligible taxpayer* during the taxable year to maintain or improve railroads located in Kentucky. The credit applies to taxable years beginning after December 31, 2009. An *eligible taxpayer* means the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or Class III railroad in Kentucky, or any person that furnishes railroad-related property or services to a Class II or Class III railroad located in Kentucky. The credit cannot be carried forward. **KRS 141.385 and 141.387**

Small Business Development Credit Program – The Small Business Development Credit Program authorized by **KRS 154.60-020** and **KRS 141.384** was amended to allow the credit to apply to taxable years beginning after December 31, 2010 instead of taxable years beginning after December 31, 2011.

Additional information and related forms concerning these new credits may be obtained via our Web site at: *www.revenue.ky.gov*

UPDATES for 2010

Kentucky Domestic Production Activities Deduction – For taxable years beginning on or after January 1, 2010, the amount of the domestic production activities deduction (DPAD) for Kentucky income tax returns **will remain six percent (6%)** as allowed in Section 199(a)(2) of the Internal Revenue Code (IRC) for taxable years beginning before January 1, 2010.

Kentucky does not recognize the nine percent (9%) DPAD calculation rate allowed for federal income tax returns filed for taxable years beginning on or after January 1, 2010.

Energy Efficiency Products Tax Credit – For 2010 a credit carry forward is available. If you qualified for the Energy Efficiency Products Tax Credit in 2009 and could not utilize your entire **approved** credit, the balance may be carried forward to apply against your 2010 Kentucky tax liability. Unused credit amounts are limited to a one-year carry forward period.

Environmental Stewardship Tax Credit Changes – Effective for taxable years ending on or after June 4, 2010, the baseline year portion of the Kentucky Environmental Stewardship Credit calculation shall be multiplied by 50 percent.

Incentives for Energy Independence – KRS 154.27 and **KRS 143.024** were amended to allow an expansion of the provisions of the Incentives for Energy Independence Act to apply to an energy efficient alternative fuel facility newly constructed on or after August 30, 2010, or an existing facility located in Kentucky that is retrofitted or upgraded on or after August 30, 2010. The new construction, retrofit or upgrade must produce energy efficient alternative fuels. An approved company under these incentives may qualify for sales and use tax, coal severance tax, income tax, limited liability entity tax or wage assessment fee incentives (HB 552).

KRS 152.715 and **154.27** were amended and a new section of KRS Chapter 143A was created to expand the provisions of the Incentives for Energy Independence Act to include facilities newly constructed or retrofitted on or after August 1, 2010 that produce alternative transportation fuels using natural gas or natural gas liquids as the primary feedstock, and in which a minimum capital investment of $1 million is made. An approved company under these incentives may qualify for sales and use tax, natural gas severance tax, income tax, limited liability entity tax or wage assessment fee incentives (HB 589).

LIMITED LIABILITY ENTITY TAX

House Bill 1 of the 2006 Extraordinary Special Session conducted by the Kentucky Legislature contained several provisions that greatly impacted Kentucky's Corporate Tax law, including establishing a Limited Liability Entity Tax (LLET) and credit.

This tax and credit is applicable for tax years beginning on or after January 1, 2007 as per **KRS 141.0401 (2) (a)**:

> **KRS 141.0401 (2) (a)** For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax shall 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 except as provided in this subsection. A small business exclusion from this tax shall be provided based on the reduction contained in this subsection. The tax shall be the greater of the amount computed under paragraph (b) of this subsection or one hundred seventy-five dollars ($175), regardless of the application of any tax credits provided under this chapter or any other provisions of the Kentucky Revised Statutes for which the business entity may qualify.

ENTITIES SUBJECT to LLET

Entities, as defined by various sections of **KRS 141.010**, subject to the LLE tax include:

- C Corporations,
- S Corporations, and
- Limited Liability Pass Through Entities (PTE's)

C Corporations are defined as per **KRS 141.010 (24) (a); 141.010 (24) (b):**

KRS 141.010 (24) (a) For taxable years beginning before January 1, 2005, and *after* December 31, 2006, "corporation" means "corporation" as defined in Section 7701(a)(3) of the Internal Revenue Code;

S Corporations are defined as per **KRS 141.010 (27):**

> **KRS 141.010 (27)** "S corporation" means "S corporation" as defined in Section 1361(a) of the Internal Revenue Code;

Limited Liability PTE's are defined as per **KRS 141. 010 (28):**

> **KRS 141.010 (28)** "Limited liability pass-through entity" means any pass-through entity that affords any of its partners, members, shareholders, or owners, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity;

ENTITIES not SUBJECT to LLET

Not all entities are subject to the LLET. Entities not subject to the LLET imposed by **KRS 141.0401 (2)** are listed as follows in **KRS 141.0401 (6)**:

KRS 141.0401 (6) The tax imposed by subsection (2) of this section shall not apply to:

> (a) Financial institutions, as defined in **KRS 136.500**, except banker's banks organized under **KRS 287.135** or **286.3-135**;
>
> (b) Savings and loan associations organized under the laws of this state and under the laws of the United States and making loans to members only;
>
> (c) Banks for cooperatives;
>
> (d) Production credit associations;
>
> (e) Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;
>
> (f) Corporations or other entities exempt under Section 501 of the Internal Revenue Code;

(g) Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit;

(h) Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that:

1. The property consists of the final printed product, or copy from which the printed product is produced; and
2. The corporation has no individuals receiving compensation in this state as provided in **KRS 141.120(8)(b)**;

(i) Public service corporations subject to tax under **KRS 136.120**;

(j) Open-end registered investment companies organized under the laws of this state and registered under the Investment Company Act of 1940;

(k) Any property or facility which has been certified as a fluidized bed energy production facility as defined in **KRS 211.390**;

(l) An alcohol production facility as defined in **KRS 247.910**;

(m) Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;

(n) Regulated investment companies as defined in Section 851 of the Internal Revenue Code;

(o) Real estate mortgage investment conduits as defined in Section 860D of the Internal Revenue Code;

(p) Personal service corporations as defined in Section 269A(b)(1) of the Internal Revenue Code;

(q) Cooperatives described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, home-owners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives; or

(r) Publicly traded partnerships as defined by Section 7704(b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes under Section 7704(c) of the Internal Revenue Code, or their publicly traded partnership affiliates. *Publicly traded partnership affiliates* shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability company member interests or limited partner interests are

owned directly or indirectly by the publicly traded partnership.

QUALIFIED INVESTMENT PARTNERSHIPS

In addition to the above entities, there is an exception for qualified investment partnerships, as noted by **KRS 141.206 (15) (b)**:

> (15) (b) A qualified investment partnership shall be subject to all other provisions relating to a pass-through entity under this section and shall not be subject to the tax imposed under **KRS 141.040 or 141.0401.**

A qualified investment partnership may file a Kentucky Form 720S, 725, 765 or a 765-GP. Qualified investment pass-through entities should file the form they normally file and check the box for a qualified investment partnership on the return. To qualify, the investments must be intangible portfolio type investments.

The inclusion of any ordinary income, rental income or pass-through income would disqualify the entity as a qualified investment partnership.

REGISTRATION for CORPORATION INCOME and LIMITED LIABILITY ENTITY TAX

An entity must complete a Kentucky Tax Registration Application (Form 10A100) when it begins doing business in Kentucky, begins conducting a new taxable activity in Kentucky, or changes its form or demographics. Form 10A100 can be downloaded from the Department of Revenue's Web site at *www.revenue.ky.gov* following the link to Business or you may request a copy of the application by contacting the Taxpayer Registration Section at 502-564-3306. An entity's ownership type dictates whether they are subject to the Limited Liability Entity Tax (LLET). The following charts outline a business's registration requirements for Corporation Income Tax and/or the Limited Liability Entity Tax.

Ownership Type	ACCOUNT ASSIGNMENT	
	Corporation Income Tax	Limited Liability Entity Tax
Sole Proprietor	NEITHER	
Joint Venture		
Trust		
Nonprofit		
Estate		
General Partnership		
Government		

Note: Kentucky nexus rules apply to both types of tax accounts. However, if a company is not liable for corporation income tax due to protections afforded under PL 86-272, they are still liable for LLET and need the account to pay the LLE tax. The LLE tax is not an income tax and the protections of PL 86-272 DO NOT apply.

Qualified Investment Partnership (QIPs)	QIPs are exempt from tax *(See Corporation and LLET statutory exemptions below)* but must file an informational return. **Corporation Income and/or LLET accounts are assigned based on the ownership type listed on the application.**
Corporation	**BOTH** (Unless otherwise exempted by law. See Corporation and LLET statutory exemptions below.)
S Corporation	
Association	
LLC federally taxed as a corporation	
LLC federally taxed as an s-corporation	

Real Estate Investment Trust (REIT)	**REGISTER FOR CORPORATION INCOME TAX ONLY** (Unless otherwise exempted by law. See Corporation statutory exemptions below.)	
Regulated Investment Company (RIC)		
Real Estate Mortgage Investment Conduit (REMIC)		
Cooperatives		
Professional Service Corporations (PSC)		
Professional Service LLC (PLLC) federally taxed as a corporation or s-corporation		
Public Service Corporations		
Homeowner's Association		
Political Campaigns (if they file federal form 1120POL)		

Limited Partnership (LP)		**REGISTER FOR LLE TAX ONLY** (Unless otherwise exempted by law. See LLET statutory exemptions below.)
Limited Liability Partnership (LLP or LLLP)		
Professional Service LLC (PLLC) federally taxed as a partnership *Note: This LLC must file a KY form 765.*		
Professional Service LLC (PLLC) federally taxed as a sole proprietorship *Note: This LLC must file a KY form 725.*		
LLC federally taxed as a partnership *Note: This LLC must file a KY form 765.*		
LLC federally taxed as a sole proprietorship *Note: This LLC must file a KY form 725.*		
LLC federally taxed as a disregarded entity whose single member owner is an entity that would NOT qualify for its own Corporation/LLET account. **(examples-- single member is a:** **• general partnership,** **• estate, or** **• trust** **• IRA.)** *Note: This LLC must file*		

LLC federally taxed as a disregarded entity whose single member owner is a company that WOULD qualify for its own Coporation/LLET account and is not otherwise exempt. **(examples - single member is a:** **• corporation** **• s-corporation** **• LLC,** **• LP, or** **• LLP)** (Note: The lower level LLC will not be assigned a Coroporation/LLET account. Instead, its members MUST register to file on behalf of the subsidary LLC and to report the LLE tax and any pass-through income. The parent member will file the appropriate tax form that matches its taxing designation. See Corporation/LLET statutory exemptions below.)	**Neither corporate income tax nor LLE tax**
LLC federally taxed as a disregarded entity whose single member owner is a company that CANNOT be assigned a Corporation/LLET account due to being exempt by statute. The disregarded entity LLC takes on the exempt status of its parent member. **(example - single member is:** **• financial institution (bank, credit union),** **• exempt under 501 or IRS code,** **• See below for complete list of those companies statutorily exempt from Corporation and/or LLET.)** (Note: The LLC will not be assigned a Corporation/LLET account. Neither will the parent member since it is exempt by statute.)	
S-corporation or LLC federally taxed as an S-corporation that is wholly owned by another S-corporation or LLC-S-corp. (QSS) **REIT wholly owned by another REIT (QREIT)** (Note: The lower level S-corp or REIT will not be assigned a Corporation/LLET account. Instead its parent MUST register to file on behalf of the subsidiary and to report the LLET tax and any pass-through income. The parent member will file KY Form 720S. See Corporation/LLET statutory exemptions below.)	

Statutorily exempt from Corporation Income Tax: See KRS 141.040 and 141.206(15)(a) & (b)	• Financial institution (bank, credit union); • Savings and loan association; • Bank for cooperatives; • Production credit association; • Insurance company; • Exempt under 501 of IRS code; • Religious, educational, charitable organizations, and; • Corporation whose only owned or leased property located in KY is located at the premises of a printer with which it has contracted for printing. • Qualified Investment Partnership (QIPs)
Statutorily exempt from Limited Liability Entity Tax: See KRS 141.0401 and 141.206(15)(a) & (b)	• **All companies listed in the Corporation Income Exemptions above, AND;** • Public service corporation; • Open-end registered investment company; • Property or facility certified as a fluidized bed energy production facility; • Alcohol production facility; • REIT; • RIC; • REMIC; • Personal service corporation; • Cooperatives (such as farming, advertising, and purchasing); • Homeowner's Association; • Political Associations/Organizations; • Rural Electric and Rural Telephone Cooperatives; • Publicly traded partnerships; and • Qualified Investment Partnership (QIPs)

PUBLIC LAW 86-272

Kentucky, as a member of the Multistate Tax Commission, is a signatory to a resolution adopting a document entitled "Statement of Information Concerning Practices of Multistate Tax Commission and Signatory States Under Public Law 86-272." Public Law 86-272 includes a comprehensive listing of unprotected and protected activities subject to tax. It is the policy of the State signatories to that document to impose their net Income tax, subject to state and federal legislative limitations, to the fullest extent constitutionally permissible.

The LLET imposed by **KRS 141.0401(2)(a**) on an entity doing business in Kentucky is **not** protected by Public Law 86-272 and accordingly the LLET **will apply** to all destination sales.

HOW DOES the LLET WORK?

Previously, for tax years beginning on or after January 1, 2005, corporations subject to corporation income tax under the provisions of **KRS 141.040** paid:

- a minimum of $175; or
- the **greater** of the tax due based on the corporation's net income, or
- the tax due under the alternative minimum calculation (AMC),
- the AMC tax being the **lesser** of: $0.095 per $100 of the corporation's Kentucky gross receipts; or
- $0.75 per $100 of corporation's Kentucky gross profits

However, corporation tax laws were changed under HB1 enacted during the 2006 Extraordinary Special Session and the LLET became effective with tax years beginning on or after January 1, 2007. The AMC tax was repealed for tax years beginning on or after January 1, 2007.

For tax years beginning on or after January 1, 2007, a limited liability entity tax (LLET) shall 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.

FILING GUIDELINES

The guide for filing below details the following:

- Who must file;
- What tax the entity is subject to; and
- The correct form required.

FILING FORM GUIDE

Ownership	Kentucky Form and Tax		
	Form Required	Corporation Income Tax	LLET
1. C corporation	720	Yes	Yes
2. C corporation (consolidated group as provided by KRS 141.200(4))	720	Yes	Yes
3. C corporation (nexus consolidated group as provided by KRS 141.200 (9) to (14))	720	Yes	Yes
4. Publicly traded partnership (taxed as a corporation for federal income tax purposes)	720	Yes	Yes
5. S corporation	720S	Yes *	Yes
6. Single member limited liability company whose single member is an individual	725	No	Yes
7. Limited liability company (two or more members)	765	No	Yes
8. Limited partnership	765	No	Yes
9. Limited liability partnership	765	No	Yes
10. General partnership	765-GP	No	No
11. Publicly traded partnership (taxed as a partnership for federal income tax purposes)	765-GP	No	No

*** If the S corporation has built-in gains, passive investment income or installments of tax on the recapture of LIFO benefits as provided by KRS 141.040(14), corporation income tax is due.**

Note: Regardless of whether or not the entity had any activity or income during the tax year, a return is required and the minimum tax of $175 is due. This also applies to dormant entities that have not officially dissolved if the entity is organized under the laws of Kentucky.

LLET COMPUTATION

Under the new law, the LLET computation works very much like the AMC did for tax years 2005 and 2006. The LLET is the **greater** of:

- a **minimum** of $175, or
- the lessor of gross receipts LLET or gross profits LLET

Additionally, the gross receipts LLET and the gross profits LLET may be subject to reduction, based on gross receipts or gross profits from **all** sources, as follows:

- if gross receipts or gross profits are $3,000,000 or less then the LLET is $0 and only the $175 minimum LLET is due,
- if gross receipts or gross profits are >$3,000,000 but < $6,000,000 the additional LLET is computed at a reduced rate per Schedule LLET, and
- if gross receipts or gross profits are $6,000,000 or more then the LLET shall be computed at a rate of .00095 per $100 of Kentucky gross receipts and .0075 per $100 of Kentucky gross profits

COMBINED GROUP

Combined Group – Combined group means all members of an affiliated group as defined in **KRS 141.200(9)(b)** and all limited liability pass-through entities that would be included in an affiliated group if organized as a corporation.

A member of a combined group pursuant to **KRS 141.0401(1)(c)** must use the total gross receipts and the total gross profits of **the combined group** to determine if it is eligible for the small business relief provided by **KRS 141.0401(2)(b**). The member computes its LLET based upon its Kentucky gross receipts and Kentucky gross profits.

PASS-THROUGH ENTITIES, CORPORATIONS and INDIVIDUALS

Examples of various entities illustrating the LLET calculation will follow later in this material. These examples will include Forms 720, 720S, 725, 740 and 740NP.

LLET FLOW THROUGH CREDIT

The LLET may be allowed as a credit against other taxes depending upon the entity's tax situation. A discussion regarding allowing credit against other entities such as limited liability pass-through entities, corporations and individuals follows.

LIMITED LIABILITY ENTITY TAX (LLET) CREDIT AGAINST LLET

The LLET credit from a limited liability pass-through entity shall be the proportionate share of LLET of a limited liability pass-through entity reduced by the minimum tax of $175 and by any other tax credits which the limited liability pass-through entity may be allowed. The LLET credit from a lower tier limited liability pass-through entity shall be the proportionate share of lower tier LLET of a limited liability pass-through entity reduced by the minimum tax of $175 and by any other tax credits which the limited liability pass-through entity may be allowed.

The LLET credit from multi-layered limited liability pass-through entities shall be the proportionate share of LLET credit from each lower layer, after the LLET is reduced by the minimum tax of $175 and by any other tax credits at each layer.

LLET CREDIT AGAINST CORPORATION INCOME TAX

A corporation is allowed a LLET credit against the income tax imposed by **KRS 141.040** equal to the LLET computed on its gross receipts or gross profits as provided by **KRS 141.0401(2)**, after the LLET is reduced by the minimum tax of $175 and by any other credits which the corporation may be allowed.

A corporation that is a partner or member of a limited liability pass-through entity is allowed a LLET credit against the income tax imposed by **KRS 141.040** equal to the corporation's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by **KRS 141.0401(2)**, after the LLET is reduced by the minimum tax of $175 and by other tax credits which the limited liability pass-through entity may be allowed.

The credit allowed a corporation that is a partner or member of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the corporation's proportionate share of distributive income from the limited liability pass-through entity as provided by **KRS 141.0401(3)(b)**. Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

LLET CREDIT AGAINST INDIVIDUAL INCOME TAX

An individual that is a partner, member, or shareholder of a limited liability pass-through entity is allowed a LLET credit against the income tax imposed by **KRS 141.020** equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by **KRS 141.0401(2)**, after the LLET is reduced by the minimum tax of $175 and by other tax credits which the limited liability pass-through entity may be allowed.

The credit allowed an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by **KRS 141.0401(3)(b)**. Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

Note: The Kentucky Limited Liability Entity Tax Credit Worksheet must be completed for each LLE in order to determine the allowable credit on the Individual Income Tax return. This worksheet may be found in the instructions for Forms 740 and 740-NP.

APPORTIONMENT

General – A corporation that is taxable in this state and taxable in another state shall apportion and allocate net income to Kentucky in accordance with **KRS 141.120**. A corporation must use the statutory formula unless the corporation has been required or granted approval in writing by the Department of Revenue to use an alternative method provided by **KRS 141.120(9)(a)** or the corporation qualifies for and elects an alternative apportionment method provided by **KRS 141.120(9)(b)**. A copy of the letter from the Department of Revenue requiring or granting approval to use a method other than the statutory formula or a statement electing an alternative apportionment method in accordance with **KRS 141.120(9)(b)(1)** or **(2)** must be attached to the return when filed.

Consolidated Return – An affiliated group filing a consolidated return is treated as a single corporation. All transactions between members of the affiliated group shall be eliminated in determining the sales, property and payroll factors.

COMPUTATION of APPORTIONMENT FRACTION

Schedule A must be completed and submitted with the applicable tax return (Form 720, Form 720S, Form 725, Form 765 or Form 765-GP). If the corporation or limited liability pass-through entity filing the tax return is a partner, member, or shareholder of a limited liability pass-through entity or general partnership organized or formed as a general partnership after January 1, 2006; or if the general partnership filing the partnership income return is a partner or member of a pass-through entity, complete Schedule A-C, Apportionment and Allocation– Continuation Sheet.

For a corporation or limited liability pass-through entity that is not a partner, member, or shareholder of a limited liability pass-through entity or general partnership organized or formed as a general partnership after January 1, 2006; or a general partnership that is not a partner or member of a pass-through entity, the business apportionment factors shall be computed as follows:

Sales – Total sales include all gross receipts other than nonbusiness receipts. Sales of real or tangible personal property are assigned to Kentucky if the property is located in Kentucky or is shipped or delivered to a purchaser in Kentucky. Sales of tangible personal property to the U.S. government are assigned to Kentucky if the property is shipped from Kentucky. **KRS 141.120(8)(c)(3)** provides that sales other than sales of tangible personal property are assigned to Kentucky if the income-producing activity is performed entirely within Kentucky or if the income producing activity is performed both within and without Kentucky and a greater portion of the income-producing activity is performed in Kentucky than in any other state based on cost of performance. The following are general guidelines for assigning these receipts to Kentucky, but should not be considered all inclusive:

A. Receipts from intangibles are assigned to Kentucky if the corporation's commercial domicile is in Kentucky or the intangible has acquired a Kentucky business situs. Examples of receipts from intangibles which are deemed to have acquired a Kentucky business situs are franchise fees from a franchisee located in Kentucky and a corporation's Kentucky distributive share of net income from a partnership doing business in Kentucky.

B. Rents or royalties from real or tangible personal property are assigned to Kentucky if the property is located in Kentucky or in the case of mobile property the rent is assigned to Kentucky if the lessee's base of operations for the property is in Kentucky.

C. Receipts from the performance of services are assigned to Kentucky if the services are performed entirely in Kentucky or the services are performed both within and without Kentucky, but a greater portion is performed in Kentucky than in any other state based on cost of performance.

Property – Total property includes all real and tangible personal property owned or rented and used during the taxable year. Property owned is valued at original cost. Leased property is valued at eight times the annual rental rate less any nonbusiness subrentals.

Real and tangible personal properties are assigned to Kentucky if owned or rented and used in Kentucky. Exclude (a) construction in progress and (b) property which has been certified by Kentucky as a pollution control facility and is owned or leased by the corporation. Safe harbor lease property must be included in the factor of the seller/lessee at cost and excluded from the property factor of the purchaser/lessor.

Payroll – Total payroll includes all compensation paid or payable by the corporation during the tax period. Kentucky payroll is that portion of total payroll that is paid or payable for services performed within the state. Compensation is paid or payable in this state if the service is performed entirely within the state, the service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state or if the individual's residence is in this state and some of the service is performed in the

state and the base of operations or the place from which the service is directed is in this state or in any state in which none of the service is performed.

Apportionment Fraction – To compute the apportionment fraction, the sales factor must be multiplied by two and the property and payroll factors must each be multiplied by one and the total divided by four. A corporation which does not have either sales, property or payroll must average only the factors which are present to determine the weighted apportionment fraction.

APPORTIONMENT and ALLOCATION of INCOME

Business income arises from transactions and activities in the regular course of the corporation's trade or business, and includes income from tangible and intangible property if the acquisition, management or disposition of the property constitutes integral parts of the corporation's trade or business. Classifying income by categories (such as interest, rents, royalties and capital gains) does not determine whether income is business or nonbusiness. For example, gain or loss recognized on the sale of property may be business income or nonbusiness income depending upon its relationship to the corporation's trade or business.

Nonbusiness income includes all income not properly classified as business income less all direct or indirect expenses attributable to the production of this income. Nonbusiness income is allocated to Kentucky if (a) the corporation's commercial domicile (the principal place from which the trade or business is managed) is located in Kentucky, or (b) property creating the nonbusiness income is utilized in Kentucky. Generally, tangible personal property is utilized in Kentucky if it is physically located in Kentucky; intangible property, such as patents and copyrights, is utilized in Kentucky if it is actually used in Kentucky.

Note: See instructions for Schedule A for additional information.

SCHEDULE TCS and NONREFUNDABLE CREDITS APPLIED AGAINST LLET

Corporations and limited liability pass-through entities may claim other tax credits that are allowable against the LLET as provided by **KRS 141.0401** by utilizing Schedule TCS. This schedule summarizes the credits and lists them in order as per **KRS 141.0205**:

KRS 141.0205 If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax imposed by **KRS 141.020, 141.040**, and **141.0401**, the priority of application and use of the credits shall be determined as follows:

(1) The nonrefundable business incentive credits against the tax imposed by **KRS 141.020** shall be taken in the following order:

(a) 1. For taxable years beginning **after** December 31, 2004, and **before**

January 1, 2007, the corporation income tax credit permitted by **KRS 141.420(3)(a);**

2. For taxable years beginning **after** December 31, 2006, the limited liability entity tax credit permitted by **KRS 141.0401;**

(b) The economic development credits computed under **KRS 141.347, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-2088, and 154.27-080**;

(c) The certified rehabilitation credit permitted by **KRS 171.397(1)(a)**;

(d) The health insurance credit permitted by **KRS 141.062**;

(e) The tax paid to other states credit permitted by **KRS 141.070**;

(f) The credit for hiring the unemployed permitted by **KRS 141.065**;

(g) The recycling or composting equipment credit permitted by **KRS 141.390;**

(h) The tax credit for cash contributions in investment funds permitted by **KRS 154.20-263** in effect prior to July 15, 2002, and the credit permitted by **KRS 154.20-258;**

(i) The coal incentive credit permitted under **KRS 141.0405**;

(j) The research facilities credit permitted under **KRS 141.395**;

(k) The employer GED incentive credit permitted under **KRS 151B.127**;

(l) The voluntary environmental remediation credit permitted by **KRS 141.418;**

(m) The biodiesel and renewable diesel credit permitted by **KRS 141.423**;

(n) The environmental stewardship credit permitted by **KRS 154.48-025**;

(o) The clean coal incentive credit permitted by **KRS 141.428**;

(p) The ethanol credit permitted by **KRS 141.4242;**

(q) The cellulosic ethanol credit permitted by **KRS 141.4244**;

(r) The energy efficiency credits permitted by **KRS 141.436**;

(s) The railroad maintenance and improvement credit permitted by **KRS 141.385;**

(t) The Endow Kentucky tax credit permitted by **KRS 141.438**; and

(u) The New Markets Development Program tax credit permitted by **KRS 141.434.**

COST of GOODS SOLD

Per **KRS 141.0401 (1) (d)** "Cost of goods sold" means:

Amounts that are:

- Allowable as cost of goods sold pursuant to the Internal Revenue Code and any guidelines issued by the Internal Revenue Service relating to cost of goods sold, unless modified by this paragraph; & incurred in acquiring or producing the tangible product generating the Kentucky gross receipts.

- For manufacturing, producing, reselling, retailing, or wholesaling activities, cost of goods sold shall only include costs directly incurred in acquiring or producing the tangible product. In determining cost of goods sold:

- Labor costs shall be limited to direct labor costs as defined below

- Bulk delivery costs as defined below may be included; and

- Costs allowable under Section 263A of the Internal Revenue Code may be included only to the extent the costs are incurred in acquiring or producing the tangible product generating the Kentucky gross receipts. Notwithstanding the foregoing, indirect labor costs allowable under Section 263A shall **not** be included;

For any activity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs shall be included in cost of goods sold.

Direct labor means labor that is incorporated into the tangible product sold or is an integral part of the manufacturing process;

Bulk delivery costs means the cost of delivering the product to the consumer if:

- The tangible product is delivered in bulk and requires specialized equipment that generally precludes commercial shipping; and

- The tangible product is taxable under **KRS 138.220**;

CONSOLIDATED TAX RETURNS

Federal Definition of an Affiliated Group – Section 1504(a)(1) provides that an affiliated group means one or more chains of includible corporations connected through stock ownership with a common parent which is an includible corporation, but only if (A) the common parent owns directly stock meeting the requirements of § 1504(a)(2) in at least one of the includible corporations and (B) stock meeting the requirements of § 1504(a)(2) in each of the includible corporations (other than the common parent) is owned directly by one or more of the other includible corporations. Section 1504(a)(2) imposes

two requirements. First, pursuant to § 1504(a)(2)(A), the stock must possess at least 80 percent of the total voting power of the stock of the corporation. Second, pursuant to § 1504(a)(2)(B), the stock must have a value equal to at least 80 percent of the total value of the stock of the corporation (the value requirement).

FOR TAXABLE YEARS ENDING before JANUARY 1, 2005 & ELECTION PERIODS BEGINNING PRIOR to JANUARY 1, 2005

House Bill 272 changed the consolidated corporation income tax return rules. Prior to the law change, corporations subject to the tax filed separate entity returns unless an affiliated group of corporations elected to file a consolidated return for a ninety-six month period. House Bill 272 preserved the elective consolidated return provisions for certain periods and enacted new mandatory nexus consolidated return provisions.

Elective Consolidated Returns - KRS 141.200(2) through **(7)** permits an affiliated group of corporations to make an election to file a consolidated income tax return for a group of corporations that meet the federal definition of affiliated group as defined in Section 1504(a) of the Internal Revenue Code and related regulations. The election to file a consolidated return for an affiliated group as defined under the federal rules applies for taxable periods ending before January 1, 2005, and election periods beginning prior to January 1, 2005 **(KRS 141.200(1).**

An *election period* means a period of ninety-six (96) consecutive calendar months that:

(a) Begins prior to January 1, 2005; and,

(b) Begins with the first day of the first taxable year for which an election to file a consolidated return is made and ending on the last day of the taxable year which includes the 96th consecutive calendar month provided the affiliated group remains in existence in accordance with Treasury Regulation section 1.1502-75(d).

Practitioner Question: Can I include limited liability companies, limited partnerships or limited liability partnerships in a Kentucky elective consolidated return filed for calendar years ending on or after December 31, 2005?

Answer: No, under the elective consolidated rules, the federal definition of affiliated group in Section 1504(a) of the Internal Revenue Code (IRC) and related regulations limits the affiliated group to the federal definition of "includible corporations" in Section 1504(b) of the IRC. Non-corporate entities cannot be included as part of the elective consolidated affiliated group. Kentucky will recognize a limited liability company that elects to be taxed as a corporation as an "includible corporation" for an elective consolidated group, provided that the LLC is recognized as a member of the affiliated group under the federal consolidated rules.

FOR TAXABLE YEARS BEGINNING on or after JANUARY 1, 2005

The nexus consolidated return provisions apply to taxable years beginning on or after January 1, 2005. Excluding those affiliated groups under a valid consolidated return election provided under the provisions of **KRS 141.200(1)** through **(7)**, all other corporations that are doing business in Kentucky are required by **KRS 141.200(10)** to file a separate return unless the corporation was, for any part of the taxable year:

(a) An includible corporation in an affiliated group;

(b) A common parent corporation doing business in this state;

(c) A qualified subchapter S Subsidiary that is included in the return filed by the Subchapter S parent corporation; or,

(d) A qualified real estate investment trust subsidiary that is included in the return filed by the real estate investment trust parent.

Common parent corporation is defined by **KRS 141.200(9)(b)** to be the member of an affiliated group that meets the ownership requirement of **KRS 141.200(9)(a)1.**

Practitioner Question: Can I include limited liability companies, limited partnerships or limited liability partnerships in a Kentucky nexus consolidated return filed for calendar years ending on or after December 31, 2005?

Answer: Yes, limited liability corporations, limited partnerships and limited liability partnerships that are doing business in this state can be included in a nexus consolidated return provided those entities meet the definition of "includible corporation" in **KRS 141.200(9)(d)**.

FOR TAXABLE YEARS BEGINNING after DECEMBER 31, 2006

For taxable years beginning after December 31, 2006, "affiliated group" means one (1) or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation if:

a. The common parent directly owns stock meeting the requirements of subparagraph 2. of this paragraph in at least one (1) other includible corporation; and

b. Stock meeting the requirements of subparagraph 2. of this paragraph in each of the includible corporations, excluding the common parent, is owned directly by one (1) or more of the other corporations.

The stock of any corporation meets the requirements of this paragraph if the stock encompasses at least eighty percent (80%) of the voting power of all classes of stock and has a value equal to at least eighty percent (80%) of the total value of all stock.

"Common parent corporation" means the member of an affiliated group that meets

the ownership requirements as per **KRS 141.200 (9) A (1)** or **(9) B (1)**.

Foreign corporation means a corporation that is organized under the laws of a country other than the United States and is related to a member of an affiliated group through stock ownership;

Includible corporation means any corporation that is doing business in this state except:

1. Corporations exempt from corporation income tax under **KRS 141.040(1)(a)** to **(i)**;

2. Foreign corporations;

3. Corporations with respect to which an election under Section 936 of the Internal Revenue Code is in effect for the taxable year;

4. Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;

5. Regulated investment companies as defined in Section 851 of the Internal Revenue Code;

6. A domestic international sales company as defined in Section 992(a)(1) of the Internal Revenue Code;

7. Any corporation that realizes a net operating loss whose Kentucky property, payroll, and sales factors pursuant to **KRS 141.120(8)** are deminimis;

8. Any corporation for which the sum of the property, payroll and sales factors described in **KRS 141.120(8)** is zero; and

9. For taxable years beginning prior to January 1, 2006, and taxable years beginning on or after January 1, 2007, an S corporation as defined in Section 1361(a) of the Internal Revenue Code;

(f) ***Ownership interest*** means stock, a membership interest in a limited liability company, or a partnership interest in a limited partnership or limited liability partnership;

(g) ***Consolidated return*** means a Kentucky corporation income tax return filed by members of an affiliated group in accordance with this section. The determinations and computations required by this chapter shall be made in accordance with the provisions of the Internal Revenue Code and related regulations, except as required by differences between this chapter and the Internal Revenue Code;

(h) ***Separate return*** means a Kentucky corporation income tax return in which only the transactions and activities of a single corporation are considered in making all determinations and computations necessary to calculate taxable net income, tax due, and credits allowed in accordance with the provisions of this chapter; and

(i) ***Stock*** means stock in a corporation, or a membership interest in a limited liability company that has elected to be treated as a corporation for federal tax purposes.

10. Every corporation doing business in this state except those exempt from taxation under **KRS 141.040(1)(a)** to **(i)** shall, for each taxable year, file a separate return unless the corporation was, for any part of the taxable year:
(a) An includible corporation in an affiliated group;
(b) A common parent corporation doing business in this state;
(c) A qualified subchapter S Subsidiary that is included in the return filed by the Subchapter S parent corporation;
(d) A qualified real estate investment trust subsidiary that is included in the return filed by the real estate investment trust parent; or
(e) A disregarded entity that is included in the return filed by its parent entity.

11. (a) An **affiliated group**, whether or not filing a federal consolidated return, shall file a consolidated return which includes all includible corporations.

(b) An affiliated group required to file a consolidated return under this subsection shall be treated for all purposes as a single corporation under the provisions of this chapter. All transactions between corporations included in the consolidated return shall be eliminated in computing net income in accordance with **KRS 141.010(13)**, and in determining the property, payroll, and sales factors in accordance with **KRS 141.120**. Includible corporations that have incurred a net operating loss shall not deduct an amount that exceeds, in the aggregate, fifty percent (50%) of the income realized by the remaining includible corporations that did not realize a net operating loss. The portion of any net operating loss limited by the application of this subsection shall be available for carryforward in accordance with **KRS 141.011**. The Department of Revenue shall promulgate administrative regulations to establish the manner and extent to which net operating losses attributable to tax periods ending prior to January 1, 2005, may offset income of affiliated groups. The gross receipts received by a public service company that is a member of an affiliated group shall be excluded from the calculation of the alternative minimum calculation under **KRS 141.040**. For purposes of this paragraph, "public service company" has the same meaning as provided in **KRS 136.120.**

12. Each includible corporation included as part of an affiliated group filing a consolidated return shall be jointly and severally liable for the income tax liability computed on the consolidated return, except that any includible corporation which was not a member of the affiliated group for the entire taxable year shall be jointly and severally liable only for that portion of the Kentucky consolidated income tax liability attributable to that portion of the year that the corporation was a member of the affiliated group.

13. Every corporation return or report required by this chapter shall be executed by one (1) of the following officers or management of the corporation: the president, vice president, secretary, treasurer, assistant secretary, assistant treasurer, chief accounting officer, manager, member, or partner. The Department of Revenue may require a

further or supplemental report of further information and data necessary for computation of the tax.

14. In the case of a corporation doing business in this state that carries on transactions with stockholders, members or partners, or with other corporations related by ownership, by interlocking directorates, or by some other method, the department shall require that information necessary to make possible an accurate assessment of the income derived by the corporation from sources within this state be provided. To make possible this assessment, the department may require the corporation to file supplementary returns showing information respecting the business of any or all individuals and corporations related by one (1) or more of these methods to the corporation. The department may require the return to show in detail the record of transactions between the corporation and any or all other related corporations or individuals.

15. For any taxable year ending on or after December 31, 1995, except as provided under this section and **KRS 141.205**, nothing in this chapter shall be construed as allowing or requiring the filing of:

(a) A combined return under the unitary business concept; or

(b) A consolidated return.

16. No assessment of additional tax due for any taxable year ending on or before December 31, 1995, made after December 22, 1994, and based on requiring a change from any initially filed separate return or returns to a combined return under the unitary business concept or to a consolidated return, shall be effective or recognized for any purpose.

17. No claim for refund or credit of a tax overpayment for any taxable year ending on or before December, 31, 1995, made by an amended return or any other method after December 22, 1994, and based on a change from any initially filed separate return or returns to a combined return under the unitary business concept or to a consolidated return, shall be effective or recognized for any purpose.

18. No corporation or group of corporations shall be allowed to file a combined return under the unitary business concept or a consolidated return for any taxable year ending before December 31, 1995, unless on or before December 22, 1994, the corporation or group of corporations filed an initial or amended return under the unitary business concept or consolidated return for a taxable year ending before December 22, 1994.

19. This section shall not be construed to limit or otherwise impair the department's authority under **KRS 141.205.**

ESTIMATED TAX ISSUES

Who Must File – Every entity subject to the corporation income tax under **KRS 141.040** and/or the limited liability entity tax under **KRS 141.0401** shall make a declaration of estimated tax and must pay installments if the taxes imposed by **KRS 141.040** and/or KRS 141.0401 for the

taxable year can reasonably be expected to exceed $5,000. Failure to pay estimated tax installments equal to the amount determined by first subtracting $5,000 from 70 percent of the total tax due under **KRS 141.040** and computed by the taxpayer on the return filed for the tax year will result in the assessment of an underpayment penalty. The amount of the penalty is 10 percent of the amount of the underpayment, but not less than $25. Entities whose prior year combined tax liability is less than or equal to $25,000 can make estimated tax installments equal to its prior year tax less $5,000 and avoid the underpayment penalty. **KRS 141.042, KRS 141.044(1) and KRS 141.990**

Interest on Late Installments – Form 2220-K has been revised and is now a two page form. Page two now includes Part III which is used to calculate interest on any installment not paid on time as provided by **KRS 131.183 (2).**

Note: Limited liability pass-through entities as defined in **KRS 141.010(28**) are subject to the LLET as imposed by **KRS 141.0401**. Corporations as defined in **KRS 141.010(24)(a)** are subject to the taxes imposed by **KRS 141.040** and **KRS 141.0401.** Corporations will have the same account number for the LLET and corporation income tax.

EXAMPLES

EXAMPLE # 1

Holy Matrimony, Inc. has $5,000,000 of gross receipts from all sources and $2,000,000 of Kentucky gross receipts, excluding the net distributive share from Divorce Recovery, LLC. In addition, Holy Matrimony, Inc. is a 50 percent member of Divorce Recovery, LLC, which has $2,000,000 of gross receipts from all sources and $2,000,000 of Kentucky gross receipts. Neither Holy Matrimony, Inc. nor Divorce Recovery, LLC computes costs of goods sold.

This example illustrates the computation of LLE tax when a corporation is a partner, member or shareholder of a limited liability pass-through entity.

Example #1

720
41A720
Kentucky
Department of Revenue

1000010200

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

➤ *See Instructions.*
Taxable period beginning _____, 2010, and ending _____, 20 __ __.

KENTUCKY CORPORATION INCOME TAX AND LLET RETURN **2010**

B *Check applicable box(es):*
LLET Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum
Nonfiling Status Code
Enter Code ____ ____

C Income Tax Return
☐ Elected Consolidated *Attach Form 722*
☐ Mandatory NEXUS
Nonfiling Status Code
Enter Code ____ ____

D Federal Identification Number 22-2222222

Taxable Year Ending 12/10 (Mo. Yr.)

Name of Corporation or Affiliated Group *(Print or type)*
Holy Matrimony, Inc.

DRAFT 9/07/10

State and Date of Incorporation

Number and Street

Principal Business Activity in KY

City | State | ZIP Code | Telephone Number

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

E Name of Common Parent

Kentucky Corporation/LLET Account Number ___ ___ ___ ___ ___ ___

F *Check if applicable:* ☐ Initial return ☐ Final return *(attach explanation)*
☐ Short-period return *(attach explanation)* ☐ Change of name ☐ Change of address ☐ Change of accounting period

G *Check if applicable:* ☐ Amended return ☐ Amended return–RAR
Provide explanation of changes in Part IV—Explanation of Changes to Original Return.

PART I—LLET COMPUTATION

1. **Schedule LLET**, Section D, line 1	1	2,850	00
2. Recycling/composting equipment tax credit recapture	2		00
3. **Total** (add lines 1 and 2)	3	2,850	00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. **LLET liability** (greater of line 3 less lines 4 and 5 or $175 minimum)	6	2,850	00
7. Withholding tax (Form PTE-WH)	7		00
8. Estimated tax payments	8		00
9. Certified rehabilitation tax credit	9		00
10. Film industry tax credit	10		00
11. Extension payment	11		00
12. Prior year's tax credit	12		00
13. Income tax overpayment from Part II, line 15	13		00
14. **LLET due** (line 6 less lines 7 through 13)	14	2,850	00
15. **LLET overpayment** (lines 7 through 13 less line 6)	15		00
16. Credited to 2010 income tax	16		00
17. Credited to 2011 LLET	17		00
18. **Amount to be refunded**	18		00

PART II—INCOME TAX COMPUTATION

1. **Income tax** (see instructions)	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Tax installment on LIFO recapture	3		00
4. **Total** (add lines 1 through 3)	4		00
5. Nonrefundable LLET credit from the Limited Liability Pass-through Entity LLET Credit Worksheet(s) (see instructions)	5		00
6. Nonrefundable LLET credit (Part I, line 6 less $175)	6		00
7. Nonrefundable tax credits (Schedule TCS)	7		00
8. **Net income tax liability** (line 4 less lines 5 through 7, but not less than zero)	8		00
9. Estimated tax payments ☐ Check if Form 2220-K attached	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. LLET overpayment from Part I, line 16	12		00
13. **Income tax due** (line 8 less lines 9 through 12)	13		00
14. **Income tax overpayment** (lines 9 through 12 less line 8)	14		00
15. Credited to 2010 LLET	15		00
16. Credited to 2011 corporation income tax	16		00
17. **Amount to be refunded**	17		00

TAX PAYMENT SUMMARY (Round to nearest dollar)

LLET		INCOME	
1. LLET due (Part I, Line 14)	$ 2,850.00	*1. Income tax due (Part II, Line 13)*	$
2. Penalty	$	*2. Penalty*	$
3. Interest	$	*3. Interest*	$
4. Subtotal	$ 2,850.00	*4. Subtotal*	$

TOTAL PAYMENT (Add Subtotals) ➤ $ 2,850.00

➤ **Federal Form 1120, all pages, and any supporting schedules must be attached.**

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

Example #1

SCHEDULE LLET

41A720LLET (10-10)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ *See instructions.*

➤ **Attach to Form 720, Form 720S, Form 725 or Form 765.**

1000010279

DRAFT 6/29/10

LIMITED LIABILITY ENTITY TAX
KRS 141.0401

Taxable Year Ending 12 / 10 (Mo. Yr.)

☐ **Member of a Combined Group**

_____ **Reason Code**

Name of Corporation/Limited Liability Entity	Kentucky Corporation/LLET Account Number
Holy Matrimony, Inc	222222

☐ **If the corporation or limited liability pass-through entity is a partner, member or shareholder of: (i) a limited liability pass-through entity; or (ii) a general partnership organized or formed as a general partnership after January 1, 2006, check this box and complete Schedule LLET-C and enter the total amounts from Schedule LLET-C in Section A of this form.**

Section A—Computation of Gross Receipts and Gross Profits

		Column A Kentucky		Column B Total	
1. Gross receipts	1		00		00
2. Returns and allowances	2		00		00
3. Gross receipts after returns and allowances (line 1 less line 2 or amount from Schedule LLET-C)	3	3,000,000	00	6,000,000	00
4. Cost of goods sold	4		00		00
5. Gross profits (line 3 less line 4 or amount from Schedule LLET-C)	5	3,000,000	00	6,000,000	00

Section B—Computation of Gross Receipts LLET

1. If gross receipts from all sources (Column B, line 3) are $3,000,000 or less, **STOP** and enter $175 on Section D, line 1	1		
2. If gross receipts from all sources (Column B, line 3) are greater than $3,000,000 but less than $6,000,000, enter the following: (Column A, line 3 x 0.00095) – [$2,850 x ($6,000,000 – Column A, line 3) / $3,000,000] but in no case shall the result be less than zero	2		00
3. If gross receipts from all sources (Column B, line 3) are $6,000,000 or greater, enter the following: Column A, line 3 x 0.00095	3	2,850	00
4. Enter the amount from line 2 or line 3	4	2,850	00

Section C—Computation of Gross Profits LLET

1. If gross profits from all sources (Column B, line 5) are $3,000,000 or less, **STOP** and enter $175 on Section D, line 1	1		
2. 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	2		00
3. 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	3	22,500	00
4. Enter the amount from line 2 or line 3	4	22,500	00

Section D—Computation of LLET

1. Enter the lesser of Section B, line 4 or Section C, line 4, or a minimum of $175 on this line and on Form 720, Part I, line 1; for Form 720S, Form 725, or Form 765, enter on Part II, line 1	1	2,850	00

STOP **Mark the applicable Receipts Method box on Form 720, Form 720S, Form 725, or Form 765, page 1, Item B.**

Example #1

1000010280

SCHEDULE LLET-C

41A720LLET-C (10-10)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ *See instructions.*

➤ **Attach to Form 720, Form 720S, Form 725 or Form 765.**

LIMITED LIABILITY ENTITY TAX—Continuation Sheet

(For a corporation or limited liability pass-through entity subject to the limited liability entity tax that is also 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)

KRS 141.0401

Taxable Year Ending
12 / 10
Mo. Yr.

Name of Corporation or Limited Liability Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
DRAFT 6/29/10	22 - 2222222	222222

Section A — Total from Kentucky Sources		Corporation or Limited Liability Pass-through Entity Filing Return		Name: Divorce Recovery, LLC; FEIN 33-3333333; KY Corp./LLET Acct. No. 333333		Name; FEIN; KY Corp./LLET Acct. No.		Name; FEIN; KY Corp./LLET Acct. No.		Total	
1. Kentucky gross receipts	1	2,000,000	00								
2. Kentucky returns and allowances	2		00								
3. Kentucky gross receipts after returns and allowances (line 1 less line 2). **Enter the total on Schedule LLET, Section A, Column A, Line 3**	3	2,000,000	00	1,000,000	00		00		00	3,000,000	00
4. Kentucky cost of goods sold	4		00								
5. Kentucky gross profits (line 3 less line 4). **Enter the total on Schedule LLET, Section A, Column A, Line 5**	5	2,000,000	00	1,000,000	00		00		00	3,000,000	00
Section B — Total from All Sources											
1. Gross receipts	1	5,000,000	00								
2. Returns and allowances	2		00								
3. Gross receipts after returns and allowances (line 1 less line 2). **Enter the total on Schedule LLET, Section A, Column B, Line 3.**	3	5,000,000	00	1,000,000	00		00		00	6,000,000	00
4. Cost of goods sold	4		00								
5. Gross profits (line 3 less line 4). **Enter the total on Schedule LLET, Section A, Column B, Line 5.**	5	5,000,000	00	1,000,000	00		00		00	6,000,000	00

Example #1

(FORM 765)
KENTUCKY SCHEDULE K-1
41A765 (K-1)
DEPARTMENT OF REVENUE

1000010267

2010

➤ *See instructions.*

For calendar year 2010 or fiscal year beginning _____, 2010, and ending _____, 20 __ __.

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

Partner's identifying number ➤	Partnership's FEIN ➤	Kentucky Corporation/LLET Account Number ➤
22-2222222		

Partner's name, address and ZIP code	Partnership's name, address and ZIP code *Check if applicable:* ☐ Qualified investment pass-through entity
Holy Matrimony, Inc.	Divorce Recovery, LLC

A This partner is a ☐ general partner ☐ limited partner
☑ limited liability company member.

B Partner's share of liabilities:
Nonrecourse ..... $ _____
Qualified nonrecourse financing..... $ _____
Other..... $ _____

F Enter partner's percentage of:

	(i) Before change or termination	(ii) End of year
Profit sharing	50 %	50 %
Loss sharing	50 %	50 %
Ownership of capital	50 %	50 %

C What type of entity is this partner?
☐ Individual ☐ Estate ☐ Corporation ☐ S Corporation
☐ General Partnership ☐ Trust ☐ Other Pass-through Entity

DRAFT 8/17/10

D Partner's taxable percentage of partnership's distributive share items below (see instructions)
(1) Resident partner 100%
(2) Nonresident partner (see Schedule A, Section I, line 12)..... ➤ 100 %

E Check box if nonresident partner's income is reported on:
☐ Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)

☐ Final K-1
☐ Amended K-1

(a) Distributive Share Items		(b) Amount	
Income (Loss)			
1. Ordinary income (loss) from trade or business activities	1	1,000	00
2. Net income (loss) from rental real estate activities	2		00
3. Net income (loss) from other rental activities	3		00
4. Portfolio income (loss):			
(a) Interest	4(a)		00
(b) Dividends	(b)		00
(c) Royalties	(c)		00
(d) Net short-term capital gain (loss)	(d)		00
(e) Net long-term capital gain (loss)	(e)		00
(f) Other portfolio income (loss) (attach schedule)	(f)		00
5. Guaranteed payments to partners	5		00
6. Section 1231 net gain (loss)(other than due to casualty or theft)	6		00
7. Other income (loss) (attach schedule)	7		00
Deductions			
8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	8		00
9. IRC Section 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) above	(b)(1)		00
(2) Investment expenses included on line 10 above	(2)		00

Example #1

Form 765 (2010)
KENTUCKY SCHEDULE K-1
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010285

DRAFT 8/10/10

Page 2

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

(a) Distributive Share Items—continued		(b) Amount	
Tax Credits			
13. Skills Training Investment Tax Credit	13		00
14. Certified Rehabilitation Tax Credit	14		00
15. Kentucky Unemployment Tax Credit	15		00
16. Recycling/Composting Equipment Tax Credit	16		00
17. Kentucky Investment Fund Tax Credit	17		00
18. Coal Incentive Tax Credit	18		00
19. Qualified Research Facility Tax Credit	19		00
20. GED Incentive Tax Credit	20		00
21. Voluntary Environmental Remediation Tax Credit	21		00
22. Biodiesel Tax Credit	22		00
23. Environmental Stewardship Tax Credit	23		00
24. Clean Coal Incentive Tax Credit	24		00
25. Ethanol Tax Credit	25		00
26. Cellulosic Ethanol Tax Credit	26		00
Form 5695-K Pass-through Amounts			
27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)	27		00
28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)	28		00
29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)	29		00
30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)	30		00
31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)	31		00
32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)	32		00
33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)	33		00
34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)	34		00
35. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)	35		00
36. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit	36		00
37. Railroad Maintenance and Improvement Tax Credit	37		00
38. Railroad Expansion Tax Credit	38		00
Other Items			
39. (a) Type of Section 59(e)(2) expenditures ➤	39(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
40. Tax-exempt interest income	40		00
41. Other tax-exempt income	41		00
42. Nondeductible expenses	42		00
43. Property distributions (including cash)	43		00
44. Supplemental information required to be reported to each partner (attach schedules)	44		
LLET Pass-through Items			
45. Partner's share of partnership's Kentucky sales from Schedule K, Section II, line 1	45	1,000,000	00
46. Partner's share of partnership's total sales from Schedule K, Section II, line 2	46	1,000,000	00
47. Partner's share of partnership's Kentucky property from Schedule K, Section II, line 3	47		00
48. Partner's share of partnership's total property from Schedule K, Section II, line 4	48		00
49. Partner's share of partnership's Kentucky payroll from Schedule K, Section II, line 5	49		00
50. Partner's share of partnership's total payroll from Schedule K, Section II, line 6	50		00
51. Partner's share of Kentucky gross profits from Schedule K, Section II, line 7	51	1,000,000	00
52. Partner's share of total gross profits from all sources from Schedule K, Section II, line 8	52	1,000,000	00
53. Partner's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9	53		00
Resident Partner Adjustment			
54. Combination of Kentucky Schedule K-1, lines 1 through 6, 9 and portions of lines 7 and 11. Add income amounts and subtract (loss) and deduction amounts (see instructions)	54		00
55. Combination of federal Schedule K-1, lines 1 through 10, 12 and portions of lines 11 and 13. Add income amounts and subtract (loss) and deduction amounts (see instructions)	55		00
56. Enter difference of lines 54 and 55 here and on appropriate line on Schedule M (see instructions)	56		00

EXAMPLE # 2

Santa's Workshop, Inc. has a net income of $1,000,000 before apportionment, including $200,000 of net distributive share income from ELF Assembly, LLC. Santa's Workshop, Inc. has gross sales of $10,000,000 and Kentucky gross sales of $5,000,000, excluding the net distributive income from ELF Assembly, LLC. Santa Workshop, Inc. has average total property of $2,000,000 and average Kentucky property of $1,000,000. Total payroll of $500,000 and the Kentucky portion is $100,000.

In addition, Santa's Workshop, Inc. is a 50 percent member of ELF Assembly, LLC, which has $400,000 of net income; gross sales of $2,000,000 which is all assigned to Kentucky; average total property of $2,000,000 which is all assigned to Kentucky; and total payroll of $200,000 which is all assigned to Kentucky.

This example illustrates the computation of LLE tax and credit when a corporation is subject to income tax and LLE tax and is a member or shareholder of a limited liability pass-through entity that has a pass-through credit. Also, the issues of apportionment and allocation of net income for corporations that are taxable in Kentucky and another state are a factor.

Example #2

720
41A720
Department of Revenue

1000010200

A 7 7 7 7 7 7
Kentucky Corporation/LLET Account Number

➤ See Instructions.
Taxable period beginning _____, 2010, and ending _____, 20 __ __.

KENTUCKY CORPORATION INCOME TAX AND LLET RETURN **2010**

B Check applicable box(es):
LLET Receipts Method
☑ Gross Receipts
☐ Gross Profits
☐ $175 minimum
Nonfiling Status Code
Enter Code ____ ____

C Income Tax Return
☐ Elected Consolidated Attach Form 722
☐ Mandatory NEXUS
Nonfiling Status Code
Enter Code ____ ____

D Federal Identification Number 7 7-7 7 7 7 7 7 7

Taxable Year Ending 1 2 / 1 0 (Mo. Yr.)

Name of Corporation or Affiliated Group (Print or type): Santa's Workshop, Inc.

DRAFT 9/07/10

State and Date of Incorporation

Number and Street

Principal Business Activity in KY

City | State | ZIP Code | Telephone Number

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

E Name of Common Parent

Kentucky Corporation/LLET Account Number

F Check if applicable: ☐ Initial return ☐ Final return (attach explanation) ☐ Short-period return (attach explanation) ☐ Change of name ☐ Change of address ☐ Change of accounting period

G Check if applicable: ☐ Amended return ☐ Amended return–RAR
Provide explanation of changes in Part IV—Explanation of Changes to Original Return.

PART I—LLET COMPUTATION

1. **Schedule LLET**, Section D, line 1	1	5,700	00
2. Recycling/composting equipment tax credit recapture	2		00
3. **Total** (add lines 1 and 2)	3	5,700	00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4	863	00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. **LLET liability** (greater of line 3 less lines 4 and 5 or $175 minimum)	6	4,873	00
7. Withholding tax (Form PTE-WH)	7		00
8. Estimated tax payments	8		00
9. Certified rehabilitation tax credit	9		00
10. Film industry tax credit	10		00
11. Extension payment	11		00
12. Prior year's tax credit	12	4,873	00
13. Income tax overpayment from Part II, line 15	13		00
14. **LLET due** (line 6 less lines 7 through 13)	14		00
15. **LLET overpayment** (lines 7 through 13 less line 6)	15		00
16. Credited to 2010 income tax	16		00
17. Credited to 2011 LLET	17		00
18. **Amount to be refunded**	18		00

PART II—INCOME TAX COMPUTATION

1. **Income tax** (see instructions)	1	30,000	00
2. Recycling/composting equipment tax credit recapture	2		00
3. Tax installment on LIFO recapture	3		00
4. **Total** (add lines 1 through 3)	4	30,000	00
5. Nonrefundable LLET credit from the Limited Liability Pass-through Entity LLET Credit Worksheet(s) (see instructions)	5	863	00
6. Nonrefundable LLET credit (Part I, line 6 less $175)	6	4,662	00
7. Nonrefundable tax credits (Schedule TCS)	7		00
8. **Net income tax liability** (line 4 less lines 5 through 7, but not less than zero)	8	24,475	00
9. Estimated tax payments ☐ Check if Form 2220-K attached	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. LLET overpayment from Part I, line 16	12		00
13. **Income tax due** (line 8 less lines 9 through 12)	13	24,475	00
14. **Income tax overpayment** (lines 9 through 12 less line 8)	14		00
15. Credited to 2010 LLET	15		00
16. Credited to 2011 corporation income tax	16		00
17. **Amount to be refunded**	17		00

TAX PAYMENT SUMMARY (Round to nearest dollar)

LLET		INCOME	
1. LLET due (Part I, Line 14)	$ 4,837.00	1. Income tax due (Part II, Line 13)	$ 24,475.00
2. Penalty	$	2. Penalty	$
3. Interest	$	3. Interest	$
4. Subtotal	$ 4,837.00	4. Subtotal	$ 24,475.00

TOTAL PAYMENT (Add Subtotals) ➤ $ 29,312.00

➤ **Federal Form 1120, all pages, and any supporting schedules must be attached.**

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

Example #2

Form 720 (2010)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010201

DRAFT 9/07/10

Page 2

PART III—TAXABLE INCOME COMPUTATION

1. Federal taxable income (Form 1120, line 28)	1	1,000,000	00	14. Federal work opportunity credit	14		00
ADDITIONS:				15. Depreciation adjustment	15		00
2. Interest income (state and local obligations)	2		00	16. Other (attach Schedule O-720)	16		00
3. State taxes based on net/gross income	3		00	17. Revenue Agent Report (RAR)	17		00
4. Depreciation adjustment	4		00	18. **Net income** (line 11 less lines 12 through 17)	18		00
5. Deductions attributable to nontaxable income	5		00	19. Current net operating loss adjustment (mandatory nexus only)	19		00
6. Related party expenses	6		00	20. **Kentucky net income** (add lines 18 and 19)	20		00
7. Dividend paid deduction (REIT)	7		00	21. **Taxable net income** (attach Schedule A if applicable)	21		00
8. Domestic production activities deduction	8		00	22. Net operating loss deduction (NOLD)	22		00
9. Other (attach Schedule O-720)	9		00	23. **Taxable net income** after NOLD (line 21 less line 22)	23		00
10. Revenue Agent Report (RAR)	10		00	24. Kentucky domestic production activities deduction (KDPAD)	24		00
11. **Total** (add lines 1 through 10)	11	1,000,000	00	25. **Taxable net income after KDPAD** (line 23 less line 24)	25		00
SUBTRACTIONS:							
12. Interest income (U.S. obligations)	12		00				
13. Dividend income	13		00				

PART IV—EXPLANATION OF CHANGES TO ORIGINAL RETURN

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Has the officer information entered below changed from the last return filed? ☐ Yes ☐ No

President's Name: _____ Treasurer's Name: _____

President's Home Address: _____ Treasurer's Home Address: _____

President's Social Security Number: _____ Treasurer's Social Security Number: _____

Date Became President __ __ / __ __ / __ __ __ __

Vice President's Name: _____ Secretary's Name: _____

Vice President's Home Address: _____ Secretary's Home Address: _____

Vice President's Social Security Number: _____ Secretary's Social Security Number: _____

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of principal officer or chief accounting officer _____ Date _____

Name of person or firm preparing return _____ SSN, PTIN or FEIN __ __ __ __ __ __ __ __ __ Date _____

May the DOR discuss this return with the preparer? ☐ Yes ☐ No

E-mail Address:

Telephone No.:

www.revenue.ky.gov

Example #2

SCHEDULE LLET

41A720LLET (10-10)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ *See instructions.*

➤ **Attach to Form 720, Form 720S, Form 725 or Form 765.**

LIMITED LIABILITY ENTITY TAX
KRS 141.0401

DRAFT 6/29/10

Taxable Year Ending 1 2 / 1 0 (Mo. Yr.)

☐ **Member of a Combined Group**

_____ **Reason Code**

Name of Corporation/Limited Liability Entity	Kentucky Corporation/LLET Account Number
Santa's Workshop, Inc	777777

☐ **If the corporation or limited liability pass-through entity is a partner, member or shareholder of: (i) a limited liability pass-through entity; or (ii) a general partnership organized or formed as a general partnership after January 1, 2006, check this box and complete Schedule LLET-C and enter the total amounts from Schedule LLET-C in Section A of this form.**

Section A—Computation of Gross Receipts and Gross Profits

		Column A Kentucky		Column B Total	
1. Gross receipts	1		00		00
2. Returns and allowances	2	6,000,000	00	11,000,000	00
3. Gross receipts after returns and allowances (line 1 less line 2 or amount from Schedule LLET-C)	3		00		00
4. Cost of goods sold	4		00		00
5. Gross profits (line 3 less line 4 or amount from Schedule LLET-C)	5	6,000,000	00	11,000,000	00

Section B—Computation of Gross Receipts LLET

1. If gross receipts from all sources (Column B, line 3) are $3,000,000 or less, **STOP** and enter $175 on Section D, line 1	1		
2. If gross receipts from all sources (Column B, line 3) are greater than $3,000,000 but less than $6,000,000, enter the following: (Column A, line 3 x 0.00095) – [$2,850 x ($6,000,000 – Column A, line 3) / $3,000,000] but in no case shall the result be less than zero	2		00
3. If gross receipts from all sources (Column B, line 3) are $6,000,000 or greater, enter the following: Column A, line 3 x 0.00095	3	5,700	00
4. Enter the amount from line 2 or line 3	4	5,700	00

Section C—Computation of Gross Profits LLET

1. If gross profits from all sources (Column B, line 5) are $3,000,000 or less, **STOP** and enter $175 on Section D, line 1	1		
2. 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	2		00
3. 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	3	82,500	00
4. Enter the amount from line 2 or line 3	4	82,500	00

Section D—Computation of LLET

1. Enter the lesser of Section B, line 4 or Section C, line 4, or a minimum of $175 on this line and on Form 720, Part I, line 1; for Form 720S, Form 725, or Form 765, enter on Part II, line 1	1	5,700	00

STOP **Mark the applicable Receipts Method box on Form 720, Form 720S, Form 725, or Form 765, page 1, Item B.**

Example #2

1000010280

SCHEDULE LLET-C

41A720LLET-C (10-10)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ *See instructions.*

➤ **Attach to Form 720, Form 720S, Form 725 or Form 765.**

LIMITED LIABILITY ENTITY TAX—Continuation Sheet

(For a corporation or limited liability pass-through entity subject to the limited liability entity tax that is also 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)

KRS 141.0401

Taxable Year Ending
12 / 10
Mo. Yr.

Name of Corporation or Limited Liability Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
Santa's Workshop, Inc	77 - 7777777	777777

DRAFT 6/29/10

Section A — Total from Kentucky Sources		Corporation or Limited Liability Pass-through Entity Filing Return		Name: Elf Assembly, LLC; FEIN 66-6666666; KY Corp./LLET Acct. No. 666666		Name; FEIN; KY Corp./LLET Acct. No.		Name; FEIN; KY Corp./LLET Acct. No.		Total	
1. Kentucky gross receipts	1	5,000,000	00								
2. Kentucky returns and allowances	2		00								
3. Kentucky gross receipts after returns and allowances (line 1 less line 2). **Enter the total on Schedule LLET, Section A, Column A, Line 3**	3	5,000,000	00	1,000,000	00		00		00	6,000,000	00
4. Kentucky cost of goods sold	4		00								
5. Kentucky gross profits (line 3 less line 4). **Enter the total on Schedule LLET, Section A, Column A, Line 5**	5	5,000,000	00	1,000,000	00		00		00	6,000,000	00
Section B — Total from All Sources											
1. Gross receipts	1	10,000,000	00								
2. Returns and allowances	2		00								
3. Gross receipts after returns and allowances (line 1 less line 2). **Enter the total on Schedule LLET, Section A, Column B, Line 3.**	3	10,000,000	00	1,000,000	00		00		00	11,000,000	00
4. Cost of goods sold	4		00								
5. Gross profits (line 3 less line 4). **Enter the total on Schedule LLET, Section A, Column B, Line 5.**	5	10,000,000	00	1,000,000	00		00		00	11,000,000	00

Example #2

SCHEDULE A

41A720A (10-10)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Taxable Year Ending
__ __ / __ __
Mo. Yr.

➤ *See instructions.*

➤ **Attach to Form 720, Form 720S, Form 725, Form 765 or Form 765-GP.**

DRAFT 5/19/10

APPORTIONMENT AND ALLOCATION
(For corporations and pass-through entities taxable both within and without Kentucky.)
Regulations 103 KAR 16:090, 103 KAR 16:270, 103 KAR 16:290

Name of Corporation or Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
Santa's Workshop, Inc.	7 7 – 7 7 7 7 7 7 7	7 7 7 7 7 7

☑ If the corporation filing this 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; or the pass-through entity filing this return is a partner or member of a pass-through entity, check this box and complete Schedule A-C, Apportionment and Allocation-Continuation Sheet.

If apportionment method other than statutory formula is used:

☐ Check the box if permission has been granted by the Kentucky Department of Revenue to use an alternative method or statement making election in accordance with KRS 141.120(9)(b)(1) or (2); and

- Attach a copy of the letter from the Kentucky Department of Revenue requiring or granting permission to use an alternative method.

SECTION I. COMPUTATION OF APPORTIONMENT FRACTION

Convert lines 3, 4, 7, 10, 11 and 12 to a percentage carried to four decimal places.

1. Kentucky sales	1	6,000,000	00	
2. Total sales	2	11,000,000	00	
3. Sales factor (line 1 divided by line 2)	3	54.55	%	
4. Double-weighted Sales factor (line 3 multiplied by 2)			4	110 %
5. Average value of Kentucky real/tangible property (Section III)	5	2,000,000	00	
6. Average value of total real/tangible property (Section IV)	6	3,000,000	00	
7. Property factor (line 5 divided by line 6)			7	66.67 %
8. Kentucky payrolls	8	200,000	00	
9. Total payrolls	9	600,000	00	
10. Payroll factor (line 8 divided by line 9)			10	33.33 %
11. Total (add lines 4, 7 and 10)			11	210 %
12. Apportionment fraction—line 11 divided by 4 or number of factors present (sales representing 2 factors)			12	52.50 %

SECTION II. APPORTIONMENT AND ALLOCATION OF INCOME

1. Net income (from Form 720, Part II, line 18)			1	1,000,000 00
2. Deduct nonbusiness income (if applicable):				
(a) Interest	2(a)		00	
(b) Rents	2(b)		00	
(c) Royalties	2(c)		00	
(d) Net gain or loss on sale or exchange of capital assets	2(d)		00	
(e) Total (lines (a) through (d))	2(e)		00	
(f) Less related expenses (attach schedule)	2(f)	(	00)	
3. Net nonbusiness income			3	00
4. Business income (line 1 less line 3)			4	1,000,000 00
5. Business income apportioned to Kentucky (line 4 multiplied by line 12, Section I)			5	525,000 00
6. Add Kentucky nonbusiness income (if applicable):				
(a) Interest	6(a)		00	
(b) Rents	6(b)		00	
(c) Royalties	6(c)		00	
(d) Net gain or loss on sale or exchange of capital assets	6(d)		00	
(e) Total (lines (a) through (d))	6(e)		00	
(f) Less Kentucky related expenses (attach schedule)	6(f)	(	00)	
7. Kentucky net nonbusiness income			7	00
8. Taxable net income (line 5 plus line 7) (enter here and on Form 720, Part II, line 19)			8	525,000 00

SECTION III. KENTUCKY REAL/TANGIBLE PROPERTY

PROPERTY		A. Beginning of Year	B. End of Year
1. Inventories	1		
2. Buildings	2		
3. Machinery and equipment	3		
4. Land	4		
5. Other tangible assets	5		
6. Total (lines 1 through 5)	6		
7. Average value of real/tangible property owned in Kentucky, total of line 6, columns A and B divided by 2	7		
8. Leased property (Eight times the annual rental rate less subrentals)	8		
9. Total (lines 7 and 8) (enter on line 5, Section I)	9		

SECTION IV. TOTAL REAL/TANGIBLE PROPERTY

PROPERTY		A. Beginning of Year	B. End of Year
1. Inventories	1		
2. Buildings	2		
3. Machinery and equipment	3		
4. Land	4		
5. Other tangible assets	5		
6. Total (lines 1 through 5)	6		
7. Average value of real/tangible property owned everywhere, total of line 6, columns A and B divided by 2	7		
8. Leased property (Eight times the annual rental rate less subrentals)	8		
9. Total (lines 7 and 8) (enter on line 6, Section I)	9		

SCHEDULE A-C

41A720A-C (10-10)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

APPORTIONMENT AND ALLOCATION - Continuation Sheet

(For a corporation or pass-through entity taxable both within and without Kentucky that is also a partner or member of a limited liability pass-through entity or general partnership)

KRS 141.206(7)(b), KRS 141.206(8), 103 KAR 16:090, 103 KAR 16:270 and 103 KAR 16:290

➤ *See instructions.*

Attach to Form 720, Form 720S, Form 725, Form 765 or Form 765-GP.

Taxable Year Ending
12 / 10
Mo. Yr.

Name of Corporation or Pass-through Entity: Santa's Workshop, Inc.

Federal Identification Number: 77 - 7777777

Kentucky Corporation/LLET Account Number: 777777

Example #2

DRAFT 6/15/10

		Total	Corporation or Pass-through Entity filing the return	Name ELF Assembly, LLC. FEIN 66-6666666 KY Corp/LLET Acct. No. 666666	Name FEIN KY Corp/LLET Acct. No.	Name FEIN KY Corp/LLET Acct. No.	Name FEIN KY Corp/LLET Acct. No.
1. Kentucky sales	1	6,000,000 00	5,000,000 00	1,000,000 00	00	00	00
2. Total sales	2	11,000,000 00	10,000,000 00	1,000,000 00	00	00	00
3. Sales factor (line 1 divided by line 2)		These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A.					
4. Double-weighted Sales factor (line 3 multiplied by 2)							
5. Average value of Kentucky real/tangible property	5	2,000,000 00	1,000,000 00	1,000,000 00	00	00	00
6. Average value of total real/tangible property	6	3,000,000 00	2,000,000 00	1,000,000 00	00	00	00
7. Property factor (line 5 divided by line 6)		This line is shown for purposes of matching the line on Schedule A; no entries are required for this line. Computations are made on Schedule A.					
8. Kentucky payrolls	8	200,000 00	100,000 00	100,000 00	00	00	00
9. Total payrolls	9	600,000 00	500,000 00	100,000 00	00	00	00
10. Payroll factor (line 8 divided by line 9)		These lines are shown for purposes of matching the lines on Schedule A; no entries are required for these lines. Computations are made on Schedule A.					
11. Total (add lines 4, 7 and 10)							
12. Apportionment fraction—line 11 divided by 4 or number of factors present (sales representing 2 factors)							

Example #2

(FORM 765)
KENTUCKY SCHEDULE K-1
41A765 (K-1)
DEPARTMENT OF REVENUE

1000010267

2010

➤ *See instructions.*

For calendar year 2010 or fiscal year beginning _____, 2010, and ending _____, 20 __ __.

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

Partner's identifying number ➤	Partnership's FEIN ➤	Kentucky Corporation/LLET Account Number ➤
77-7777777	66-6666666	777777

Partner's name, address and ZIP code

Santa's Workshop, Inc.

Partnership's name, address and ZIP code

Check if applicable: ☐ Qualified investment pass-through entity

ELF Assembly, LLC

A This partner is a ☐ general partner ☐ limited partner
☑ limited liability company member.

B Partner's share of liabilities:
Nonrecourse ..... $ _____
Qualified nonrecourse financing ..... $ _____
Other ..... $ _____

F Enter partner's percentage of:

	(i) Before change or termination	(ii) End of year
Profit sharing	50 %	50 %
Loss sharing	50 %	50 %
Ownership of capital	50 %	50 %

C What type of entity is this partner?
☐ Individual ☐ Estate ☐ Corporation ☐ S Corporation
☐ General Partnership ☐ Trust ☐ Other Pass-through Entity

DRAFT 8/17/10

D Partner's taxable percentage of partnership's distributive share items below (see instructions)
(1) Resident partner 100%
(2) Nonresident partner (see Schedule A, Section I, line 12) ..... ➤ %

E Check box if nonresident partner's income is reported on:
☐ Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)

☐ Final K-1
☐ Amended K-1

(a) Distributive Share Items		(b) Amount	
Income (Loss)			
1. Ordinary income (loss) from trade or business activities	1	200,000	00
2. Net income (loss) from rental real estate activities	2		00
3. Net income (loss) from other rental activities	3		00
4. Portfolio income (loss):			
(a) Interest	4(a)		00
(b) Dividends	(b)		00
(c) Royalties	(c)		00
(d) Net short-term capital gain (loss)	(d)		00
(e) Net long-term capital gain (loss)	(e)		00
(f) Other portfolio income (loss) (attach schedule)	(f)		00
5. Guaranteed payments to partners	5		00
6. Section 1231 net gain (loss)(other than due to casualty or theft)	6		00
7. Other income (loss) (attach schedule)	7		00
Deductions			
8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	8		00
9. IRC Section 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) above	(b)(1)		00
(2) Investment expenses included on line 10 above	(2)		00

Form 765 (2010)
KENTUCKY SCHEDULE K-1
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Example #2

1000010285

DRAFT 8/10/10

Page 2

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

(a) Distributive Share Items—continued		(b) Amount	
Tax Credits			
13. Skills Training Investment Tax Credit	13		00
14. Certified Rehabilitation Tax Credit	14		00
15. Kentucky Unemployment Tax Credit	15		00
16. Recycling/Composting Equipment Tax Credit	16		00
17. Kentucky Investment Fund Tax Credit	17		00
18. Coal Incentive Tax Credit	18		00
19. Qualified Research Facility Tax Credit	19		00
20. GED Incentive Tax Credit	20		00
21. Voluntary Environmental Remediation Tax Credit	21		00
22. Biodiesel Tax Credit	22		00
23. Environmental Stewardship Tax Credit	23		00
24. Clean Coal Incentive Tax Credit	24		00
25. Ethanol Tax Credit	25		00
26. Cellulosic Ethanol Tax Credit	26		00
Form 5695-K Pass-through Amounts			
27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)	27		00
28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)	28		00
29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)	29		00
30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)	30		00
31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)	31		00
32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)	32		00
33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)	33		00
34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)	34		00
35. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)	35		00
36. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit	36		00
37. Railroad Maintenance and Improvement Tax Credit	37		00
38. Railroad Expansion Tax Credit	38		00
Other Items			
39. (a) Type of Section 59(e)(2) expenditures ➤	39(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
40. Tax-exempt interest income	40		00
41. Other tax-exempt income	41		00
42. Nondeductible expenses	42		00
43. Property distributions (including cash)	43		00
44. Supplemental information required to be reported to each partner (attach schedules)	44		
LLET Pass-through Items			
45. Partner's share of partnership's Kentucky sales from Schedule K, Section II, line 1	45	1,000,000	00
46. Partner's share of partnership's total sales from Schedule K, Section II, line 2	46	1,000,000	00
47. Partner's share of partnership's Kentucky property from Schedule K, Section II, line 3	47	1,000,000	00
48. Partner's share of partnership's total property from Schedule K, Section II, line 4	48	1,000,000	00
49. Partner's share of partnership's Kentucky payroll from Schedule K, Section II, line 5	49	100,000	00
50. Partner's share of partnership's total payroll from Schedule K, Section II, line 6	50	100,000	00
51. Partner's share of Kentucky gross profits from Schedule K, Section II, line 7	51	1,000,000	00
52. Partner's share of total gross profits from all sources from Schedule K, Section II, line 8	52	1,000,000	00
53. Partner's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9	53	863	00
Resident Partner Adjustment			
54. Combination of Kentucky Schedule K-1, lines 1 through 6, 9 and portions of lines 7 and 11. Add income amounts and subtract (loss) and deduction amounts (see instructions)	54		00
55. Combination of federal Schedule K-1, lines 1 through 10, 12 and portions of lines 11 and 13. Add income amounts and subtract (loss) and deduction amounts (see instructions)	55		00
56. Enter difference of lines 54 and 55 here and on appropriate line on Schedule M (see instructions)	56		00

Example #2

Form 765 (2010)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010266

DRAFT 8/10/10

Page 4

SCHEDULE K— PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I— continued	(a) Distributive Share Items		(b) Total Amount
Form 5695-K Pass-through Amounts (attach Form 5695-K)			
27. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	27		00
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	28		00
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	29		00
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	30		00
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	31		00
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	32		00
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	33		00
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	34		00
35. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	35		00
36. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit (attach Form 8908-K)	36		00
37. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	37		00
38. Railroad Expansion Tax Credit (attach Schedule RR-E)	38		00
Other Items			
39. (a) Type of Section 59(e)(2) expenditures ➤	39(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
40. Tax-exempt interest income	40		00
41. Other tax-exempt income	41		00
42. Nondeductible expenses	42		00
43. Total property distributions (including cash)	43		00
44. Other items and amounts required to be reported separately to partners (attach schedule)	44		

SECTION II— Pass-through Items

1. Partnership's Kentucky sales from Schedule A, Section I, line 1	1	2,000,000	00
2. Partnership's total sales from Schedule A, Section I, line 2	2	2,000,000	00
3. Partnership's Kentucky property from Schedule A, Section I, line 5	3	2,000,000	00
4. Partnership's total property from Schedule A, Section I, line 6	4	2,000,000	00
5. Partnership's Kentucky payroll from Schedule A, Section I, line 8	5	200,000	00
6. Partnership's total payroll from Schedule A, Section I, line 9	6	200,000	00
7. Partnership's Kentucky gross profits from Schedule LLET, Section A, Column A, line 5	7	2,000,000	00
8. Partnership's total gross profits from all sources from Schedule LLET, Section A, Column B, line 5	8	2,000,000	00
9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less $175	9	1,901	00

Example #2

Kentucky Limited Liability Entity Tax Credit Worksheet

Complete a separate worksheet for each LLE. Retain for your records.

Name ELF Assembly, LLC

Address

FEIN 66-6666666

Percentage of Ownership:	%
1. Enter Kentucky Taxable income from Form 740, Line 11:	525,000
2. Enter LLE income **as shown on Kentucky Schedule K-1 or Form 725:**	105,000
3. Subtract Line 2 from Line 1 and enter total here:	420,000
4. Enter Kentucky tax on income amount on Line 1:	30,000
5. Enter Kentucky tax on income amount on Line 3:	23,700
6. Subtract Line 5 from Line 4. If Line 5 is larger than Line 4, enter zero. This is your tax savings if income is ignored:	6,300
7. Enter nonrefundable limited liability entity tax credit **(from Kentucky Schedule K-1 or Form 725):**	863
8. Enter the lesser of Line 6 or Line 7. This is your credit. Enter here and on Form 740, Section A, Line 1:	863

EXAMPLE # 3

Ricky and Lucy Ricardo, residents of New Albany, Indiana are full year nonresidents of Kentucky with Kentucky income from a K-1 issued by Vitavegamin, LLC. They use the standard deduction and have one dependent, a son.

This example illustrates the flow of the LLET credit from the K-1 and the use of the Kentucky LLET Credit Worksheet to determine the allowable LLET credit available for the Ricardo's Kentucky Individual Income Tax return.

Example #3

740-NP 42A740-NP Department of Revenue

Check if return is: ☐ *Amended (Attach copy of original return.)*

KENTUCKY INDIVIDUAL INCOME TAX RETURN
Nonresident or Part-Year Resident

Kentucky **2010**

For calendar year or other taxable year beginning _____, 2010, and ending _____, 20____.

A. Spouse's Social Security Number	B. Your Social Security Number
111 11 111	222 22 222

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LABEL

Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.): Ricardo, Ricky & Lucy

Mailing Address (Number and Street or P.O. Box): 1400 Estate Drive — Apartment Number:

City, Town or Post Office: New Albany — State: IN — ZIP Code: 47150

FILING STATUS (see instructions)

1 ☐ Single
2 ☑ *Married*, filing joint return.
3 ☐ *Married*, filing separate returns. Enter spouse's Social Security number above and full name here. _____

POLITICAL PARTY FUND
Designating $2 will not change your refund or tax due.

	A. Spouse	B. Yourself
Democratic	(1) ☐	(4) ☐
Republican	(2) ☐	(5) ☐
No Designation	(3) ☐	(6) ☐

RESIDENCY STATUS *(check one box)*

4 ☑ Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2010 _____.
5 ☐ Part-year resident. Complete appropriate line(s) below.
Moved into Kentucky ___/___/ 10___. State moved from _____.
Moved out of Kentucky ___/___/ 10___. State moved to _____.
6 ☐ Full-year resident of a **reciprocal state** with Kentucky income of wages and salaries only. Circle the state of residence. ➤ IL IN MI OH VA WV WI

➲ ***COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 30.***

OFFICIAL USE ONLY 1 2 3 4 5

INCOME/TAX

7	Enter percentage from page 4, line 36 ➤ 7	28.9 %			
8	Enter amount from page 4, line 35, Column A. This is your **Federal Adjusted Gross Income** • 8			1,704,553	00
9	Enter amount from page 4, line 35, Column B. This is your **Kentucky Adjusted Gross Income** • 9			492,839	00
10	**Nonitemizers:** Enter $2,210 (do not prorate). Skip lines 11 and 12 10			2,100	00
11	**Itemizers:** Enter itemized deductions from Kentucky Schedule A, Form 740-NP • 11		00		
12	Multiply line 11 by the percentage on line 7 12		00		
13	Subtract line 10 or 12 from line 9. This is your **Taxable Income** 13			490,739	00
14	Enter tax from Tax Table 14			29,110	00
15	Enter amount from page 2, Section A, line 19 15			1,080	00
16	Subtract line 15 from line 14 16			28,030	00
17	**Enter personal tax credit amounts from page 3, Section B, line 4** • 17	60	00		
18	Multiply line 17 by the percentage on line 7 18	17	00		
19	Subtract line 18 from line 16 19			28,013	00
20	Check the box that represents your total family size (**see instructions** for lines 20 and 21) • 20			1 ☐ 2 ☐ 3 ☐ 4 ☐	
21	Multiply line 19 by the **Family Size Tax Credit** decimal amount __.___ (___ %) and enter here • 21				00
22	Subtract line 21 from line 19 22			28,013	00
23	Enter the **Education Tuition Tax Credit** from Form 8863-K • 23				00
24	Subtract line 23 from line 22 24			28,013	00
25	Enter **Child and Dependent Care Credit** from worksheet in the instructions • 25				00
26	Subtract line 25 from line 24 26			28,013	00
27	Enter the **New Home Tax Credit (see instructions)** • 27				00
28	**Income Tax Liability.** Subtract line 27 from line 26. If line 27 is larger than line 26, enter zero 28			28,013	00
29	Enter **KENTUCKY USE TAX** from worksheet in the instructions • 29				00
30	Add lines 28 and 29. Enter here and on page 2, line 31 30			28,013	00

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only

Example #3

FORM 740-NP (2010)

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Page 2 of 4

REFUND/TAX PAYMENT SUMMARY

31	Enter amount from page 1, line 30. This is your **Total Tax Liability**	• 31		28,013	00
32	(a) Enter **Kentucky income tax withheld** as shown on **attached** 2010 Form W-2(s) and other supporting statements	• 32(a)	31,000 00		
	(b) Enter 2010 Kentucky estimated tax payments	• 32(b)	6,510 00		
	(c) Enter 2010 refundable certified rehabilitation credit (KRS 141.382(1)(b))	• 32(c)	00		
	(d) Enter 2010 film industry tax credit (KRS 141.383)	• 32(d)	00		
	(e) Enter **Nonresident Withholding** from Form PTE-WH, line 9 (KRS 141.206(4)(b)(1))	• 32(e)	00		
33	Add lines 32(a) through 32(e)	• 33		37,510	00
34	If line 33 is larger than line 31, enter **AMOUNT OVERPAID** (see instructions)	34		9,497	00
	Fund Contributions; See instructions.	➤ *(Enter amount(s) checked)*			
35	**Nature and Wildlife Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other	• 35	00		
36	**Child Victims' Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other	• 36	00		
37	**Veterans' Program Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other	• 37	00		
38	**Breast Cancer Research/Education Trust Fund** ☐ $10 ☐ $25 ☐ $50 ☐ Other	• 38	00		
39	Add lines 35 through 38	39			00
40	Amount of line 34 to be **CREDITED TO YOUR 2011 ESTIMATED TAX**	• 40		3,000	00
41	Subtract lines 39 and 40 from line 34. Amount to be **REFUNDED TO YOU** **REFUND**	• 41		6,497	00
42	If line 31 is larger than line 33, enter **ADDITIONAL TAX DUE**	• 42			00
43	(a) Estimated tax penalty and/or interest. ☐ ***Check if Form 2210-K attached***	• 43(a)	00		
	(b) Interest	• 43(b)	00		
	(c) Late payment penalty	• 43(c)	00		
	(d) Late filing penalty	• 43(d)	00		
44	Add lines 43(a) through 43(d). Enter here	• 44			00
45	Add lines 42 and 44 and enter here. This is the **AMOUNT YOU OWE** **OWE**	45			00

- Make check payable to **Kentucky State Treasurer** or visit **www.revenue.ky.gov** for more options.
- Write your Social Security number and "KY Income Tax—2010" on the check.

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SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

1	Enter nonrefundable limited liability entity credit (KRS 141.0401(2)) **(attach Kentucky Schedule(s) K-1 or Form(s) 725)**	1	1,080	00
2	Enter skills training investment credit (attach copy(ies) of certification)	2		00
3	Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a))	3		00
4	Enter credit for tax paid to another state **(attach copy of other state's return(s))**	4		00
5	Enter unemployment credit (attach Schedule UTC)	5		00
6	Enter recycling and/or composting equipment credit (attach Schedule RC)	6		00
7	Enter Kentucky Investment Fund credit (attach copy(ies) of certification)	7		00
8	Enter coal incentive credit	8		00
9	Enter qualified research facility credit (attach Schedule QR)	9		00
10	Enter GED incentive credit (attach Form DAEL-31)	10		00
11	Enter voluntary environmental remediation credit (attach Schedule VERB)	11		00
12	Enter biodiesel and renewable diesel credit	12		00
13	Enter environmental stewardship credit	13		00
14	Enter clean coal incentive credit	14		00
15	Enter ethanol credit (attach Schedule ETH)	15		00
16	Enter cellulosic ethanol credit (attach Schedule CELL)	16		00
17	Enter energy efficiency products credit (attach Form 5695-K)	17		00
18	Enter railroad maintenance and improvement credit (attach Schedule RR-I)	18		00
19	Add lines 1 through 18, Columns A and B. **Enter here and on page 1, line 15**	19	1,080	00

Example #3

FORM 740-NP (2010)

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Page 3 of 4

SECTION B—PERSONAL TAX CREDITS

	Check Regular	Check both if 65 or over	Check both if blind
1 (a) Credits for yourself:	☑	☐ ☐	☐ ☐
(b) Credits for spouse:	☑	☐ ☐	☐ ☐

1 Enter number of boxes checked on line 1 2

2 **Dependents:**

First name	Last name	Dependent's Social Security number	Dependent's relationship to you	Check if qualifying child for family size tax credit
Ricky	Ricardo, Jr.	333 33 3333	Son	☑
				☐
				☐
				☐

2 Enter number of dependents who:

- lived with you 1
- did not live with you (see instructions) .....
- other dependents .....

3 Add lines 1 and 2 and enter here ..... •3 3 x $20

4 Multiply credits on line 3 by $20. Enter here and **on page 1, line 17** 4 60

SECTION C—FAMILY SIZE TAX CREDIT (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

First name	Last name	Social Security number	First name	Last name	Social Security number

A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be attached to Kentucky Form 740-NP.

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint return, both must sign.) Spouse's Signature Date Signed ( ) Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer I.D. Number of Preparer Date

Firm Name EIN Date

Mail to: **REFUNDS** **Kentucky Department of Revenue, Frankfort, KY 40618-0006.**

PAYMENTS **Kentucky Department of Revenue, Frankfort, KY 40619-0008.**

Official Use Only				
EST	CF	NT	P B F R	

Example #3

FORM 740-NP (2010)

Page 4 of 4

SECTION D INCOME		A. Total from *Attached* Federal Return		B. Kentucky	
1 Enter all wages, salaries, tips, etc. ***(attach wage and tax statements)*** Do not include moving expense reimbursements	1	208,067	00		00
2 Moving expense reimbursement *(attach Schedule ME)*	2		00		00
3 Interest	3	22,315	00	5,974	00
4 Dividends	4	75,118	00		00
5 Taxable refunds, credits or offsets of state and local income taxes	5	31,663	00		00
6 Alimony received	6		00		00
7 Business income or loss *(attach federal Schedule C or C-EZ)*	7	415	00		00
8 Capital gain or loss *(attach federal Schedule D)*	8	1,368,969	00	420,327	00
9 Other gains or losses *(attach federal Form 4797)*	9		00		00
10 (a) Federally taxable IRA distributions, pensions and annuities	10(a)		00		00
(b) Pension income exclusion *(attach Schedule P if more than $41,110)*	10(b)			(	00)
11 Rents, royalties, partnerships, estates, trusts, etc. *(attach federal Schedule E)*	11	(1,345)	00	68,309	00
12 Farm income or loss *(attach federal Schedule F)*	12		00		00
13 Unemployment compensation (see instructions)	13		00		00
14 Taxable Social Security benefits	14		00		
15 Gambling winnings	15		00		00
16 Other income (list type and amount)	16		00		00
17 Combine lines 1 through 16. This is your **Total Income**	17	1,705,202	00	494,610	00
ADJUSTMENTS TO INCOME					
18 RESERVED	18		00		00
19 Certain business expenses of reservists, performing artists and fee-basis government officials *(attach federal Form 2106 or 2106-EZ)*	19		00		00
20 Health savings account deduction *(attach federal Form 8889)*	20		00		00
21 Moving expenses *(attach Schedule ME)*	21		00		00
22 Deduction for one-half of self-employment tax	22	46	00		00
23 Self-employed SEP, SIMPLE, and qualified plans deduction	23		00		00
24 Self-employed health insurance deduction	24	603	00		
25 Penalty on early withdrawal of savings	25		00		00
26 Alimony paid (enter recipient's name and Social Security number)	26		00		00
27 IRA deduction	27		00		00
28 Student loan interest deduction	28		00		00
29 RESERVED	29		00		00
30 Domestic production activities deduction	30		00		00
31 Long-term care insurance premiums (see instructions)	31				00
32 Health insurance premiums (see instructions)	32			1,771	00
33 Other deductions (list type and amount)	33		00		00
34 Add lines 18 through 33. **Total Adjustments to Income**	34	649	00	1,771	00
35 Subtract line 34 from line 17. This is your **Adjusted Gross Income**	35	1,704,553	00	492,839	00
36 Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your **Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income**	36	28.9 %			

Example #3

(Form 720S)
KENTUCKY
SCHEDULE K-1
41A720S(K-1)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010260

2010

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

➤ *See instructions.*

For calendar year 2010 or fiscal year beginning _____, 2010, and ending _____, 20 ___ ___.

Shareholder's identifying number ➤	S corporation's FEIN ➤	Kentucky Corporation/LLET Account Number ➤

Shareholder's name, address and ZIP code	S corporation's name, address and ZIP code *Check if applicable:* ☐ Qualified investment pass-through entity
Ricky Ricardo 1400 Estate Drive New Albany, IN 47150	Vitavegamin, Inc. 1200 Industrial Park Louisville, KY 40298

DRAFT 8/17/10

A. Shareholder's percentage of stock ownership for tax year ➤ 15.500 %
B. (1) Resident shareholder's taxable percentage of pro rata share items ➤ 100%
(2) Nonresident shareholder's taxable percentage of pro rata share items (see Schedule A, Section I, line 12) ➤ 31.5480 %
C. What type of entity is this shareholder? ☑ Individual ☐ Estate ☐ Trust ☐ Single Member LLC
D. Check the box if nonresident shareholder's income is reported on:
☑ Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)
E. Check if applicable: (1) ☐ Final K-1 (2) ☐ Amended K-1

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

(a) Pro Rata Share Items		(b) Amount
Income (Loss)		
1. Ordinary income (loss) from trade or business activities	1	(27,100)
2. Net income (loss) from rental real estate activities	2	
3. Net income (loss) from other rental activities	3	
4. Portfolio income (loss):		
(a) Interest	4(a)	18,935
(b) Dividends	(b)	
(c) Royalties	(c)	
(d) Net short-term capital gain (loss)	(d)	
(e) Net long-term capital gain (loss)	(e)	1,332,341
(f) Other portfolio income (loss) (attach schedule)	(f)	
5. Section 1231 net gain (loss) (other than due to casualty or theft)	5	
6. Other income (loss) (attach schedule)	6	
Deductions		
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	7	
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	8	
9. Deductions related to portfolio income (loss) (attach schedule)	9	
10. Other deductions (attach schedule)	10	
Investment Interest		
11. (a) Interest expense on investment debts	11(a)	
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)	18,935
(2) Investment expenses included on line 9 above	(2)	
Tax Credits		
12. Skills Training Investment Tax Credit	12	
13. Certified Rehabilitation Tax Credit	13	
14. Kentucky Unemployment Tax Credit	14	
15. Recycling/Composting Equipment Tax Credit	15	
16. Kentucky Investment Fund Tax Credit	16	
17. Coal Incentive Tax Credit	17	

Example #3

Form 720S (2010)
KENTUCKY SCHEDULE K-1
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010282

DRAFT 8/24/10

Page 2

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

(a) Pro Rata Share Items (continued)		(b) Amount
Tax Credits—continued		
18. Qualified Research Facility Tax Credit	18	
19. GED Incentive Tax Credit	19	
20. Voluntary Environmental Remediation Tax Credit	20	
21. Biodiesel Tax Credit	21	
22. Environmental Stewardship Tax Credit	22	
23. Clean Coal Incentive Tax Credit	23	
24. Ethanol Tax Credit	24	
25. Cellulosic Ethanol Tax Credit	25	
Form 5695-K Pass-through Amounts		
26. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)	26	
27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)	27	
28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)	28	
29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)	29	
30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)	30	
31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)	31	
32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)	32	
33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)	33	
34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)	34	
35. Railroad Maintenance and Improvement Tax Credit	35	
Other Items		
36. (a) Type of Section 59(e)(2) expenditures ➤	36(a)	
(b) Amount of Section 59(e)(2) expenditures	(b)	
37. Tax-exempt interest income	37	
38. Other tax-exempt income	38	
39. Nondeductible expenses	39	3,647,578
40. Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	40	
41. Supplemental information required to be reported to each shareholder (attach schedules)	41	
42. Total dividend distributions paid from accumulated earnings and profits	42	
LLET Pass-through Items		
43. Shareholder's share of S corporation's Kentucky sales from Schedule K, Section II, line 1	43	1,166,011
44. Shareholder's share of S corporation's total sales from Schedule K, Section II, line 2	44	3,695,988
45. Shareholder's share of S corporation's Kentucky property from Schedule K, Section II, line 3	45	
46. Shareholder's share of S corporation's total property from Schedule K, Section II, line 4	46	
47. Shareholder's share of S corporation's Kentucky payroll from Schedule K, Section II, line 5	47	
48. Shareholder's share of S corporation's total payroll from Schedule K, Section II, line 6	48	
49. Shareholder's share of Kentucky gross profits from Schedule K, Section II, line 7	49	1,166,011
50. Shareholder's share of total gross profits from all sources from Schedule K, Section II, line 8	50	3,695,988
51. Shareholder's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9	51	1,080
Resident Shareholder Adjustment		
52. Combination of Kentucky Schedule K-1, lines 1 through 5, 8 and portions of lines 6 and 10. Add income amounts and subtract (loss) and deduction amounts (see instructions)	52	
53. Combination of federal Schedule K-1, lines 1 through 9, 11 and portions of lines 10 and 12. Add income amounts and subtract (loss) and deduction amounts (see instructions)	53	
54. Enter the difference of lines 52 and 53 here and on appropriate line on Schedule M (see instructions)	54	

Example #3

Kentucky Limited Liability Entity Tax Credit Worksheet

Complete a separate worksheet for each LLE. Retain for your records.

Name Ricky Ricardo

Address

FEIN

Percentage of Ownership:	15.5 %
1. Enter Kentucky Taxable income from Form 740, Line 11:	490,739
2. Enter LLE income **as shown on Kentucky Schedule K-1 or Form 725:**	367,853
3. Subtract Line 2 from Line 1 and enter total here:	122,886
4. Enter Kentucky tax on income amount on Line 1:	29,110
5. Enter Kentucky tax on income amount on Line 3:	7,040
6. Subtract Line 5 from Line 4. If Line 5 is larger than Line 4, enter zero. This is your tax savings if income is ignored:	22,070
7. Enter nonrefundable limited liability entity tax credit **(from Kentucky Schedule K-1 or Form 725):**	1,080
8. Enter the lesser of Line 6 or Line 7. This is your credit. Enter here and on Form 740, Section A, Line 1:	1,080

FORM 725 – KENTUCKY SINGLE MEMBER LLC INDIVIDUALLY OWNED

Tax Treatment

For taxable years beginning on or after January 1, 2007, a limited liability company that affords its single member, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity is classified as a limited liability pass-through entity as provided by **KRS 141.010(28)**. Also, for taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) shall 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 as provided by **KRS 141.0401(2)**, unless specifically excluded.

A single member LLC whose single member is an individual shall file a Kentucky Single Member LLC Individually Owned LLET Return (Form 725). A single member LLC and any lower-tier single member LLC shall be treated as one entity in determining the limited liability tax. An individual who owns more than one single member LLC can file Schedule CP, Kentucky Single Member LLC Individually Owned Composite Return Schedule rather than filing multiple forms (Form 725).

A resident or nonresident individual single member shall be entitled to a nonrefundable LLET credit against income tax imposed by **KRS141.020** (Kentucky individual income tax). The nonrefundable LLET credit allowed a member shall be the LLET for the current year after the subtraction of any credits identified in **KRS 141.0205**and reduced by $175. The credit allowed a member shall be applied to the income tax assessed on income from the single member LLC. Any remaining credit from the single member LLC shall be disallowed. **KRS 141.0401(3)**

Disregarded Entities

A single member LLC owned by an individual, estate, trust or general partnership is treated in the same manner as it is treated for federal income tax purposes. Consequently, an individual, estate, trust or general partnership filing a Kentucky tax return will include any single member LLC when filing the applicable Kentucky return. However, a single member LLC is classified as a limited liability pass-through entity as provided by **KRS 141.010(28)** and is subject to the limited liability entity tax as provided by **KRS 141.0401(2)**. A single member LLC whose single member is an individual, estate, trust or general partnership must file a Kentucky Single Member LLC Individually Owned LLET Return (Form 725) to report and pay any LLE tax that is due.

Pass-through Entity

A single member LLC individually owned that is doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 725 pursuant to the provisions of **KRS 141.010, 141.0401** and **141.206.** If necessary, use Schedule A, Apportionment and Allocations Instructions and Schedule A-C, Apportionment and Allocation Continuation Sheet available on the DOR Web site (*www.revenue.ky.gov*.)

Required Forms

Each single member LLC must enter all applicable information on Form 725, attach a schedule for each line item or line item instruction which states "attach schedule," and use the following forms or schedules, if applicable:

1. Kentucky Single Member LLC Individually Owned LLET Return (Form 725);

2. Kentucky Single Member LLC Individually Owned Composite Return Schedule (Schedule CP);

3. Apportionment and Allocation (Schedule A);

4. Apportionment and Allocation–Continuation Sheet (Schedule A–C);

5. Limited Liability Entity Tax (Schedule LLET);

6. Limited Liability Entity Tax–Continuation Sheet (Schedule LLET–C).

725
41A725

Kentucky

Department of Revenue

1000010270

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

KENTUCKY SINGLE MEMBER LLC
INDIVIDUALLY OWNED
LLET RETURN

2010

➤ ***See instructions.***
Taxable period beginning _____, 2010, and ending _____, 20__ __.

B *Check applicable box(es):*

LLET

Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum

Nonfiling Status Code

Enter Code

____ ____

C Federal Identification Number ___ ___ – ___ ___ ___ ___ ___ ___ ___

Social Security Number ___ ___ ___ – ___ ___ – ___ ___ ___ ___

Taxable Year Ending ___ ___ / ___ ___
Mo. Yr.

Name of LLC

Name of Owner

Number and Street

City | State | ZIP Code | Telephone Number

State and Date of Organization

Principal Business Activity in KY

NAICS Code Number
(Relating to Kentucky Activity)
(See www.census.gov)

DRAFT 8/31/10

D *Check if applicable:* ☐ Qualified investment pass-through entity ☐ Initial return ☐ Final return *(attach explanation)* ☐ Amended return ☐ Short-period return *(attach explanation)* ☐ Change of name ☐ Change of address ☐ Change of accounting period

E *Check applicable box:* ☐ Composite return ☐ Single return

PART I—KENTUCKY NET DISTRIBUTABLE INCOME

1. Ordinary income (loss)	1		00
2. Net income (loss) from rental real estate activities	2		00
3. Net income (loss) from other rental activities	3		00
4. Interest income	4		00
5. Dividend income	5		00
6. Royalty income	6		00
7. Net short-term and long-term capital gain (loss). If net (loss), do not include more than ($3,000)	7		00
8. Section 1231 net gain or (loss)	8		00
9. Other income (attach schedule)	9		00
10. Other deductions (attach schedule)	10		00
11. **Total net distributable income** (lines 1 through 9, less line 10)	11		00
12. Enter 100% or the apportionment fraction from Schedule A, Section I, line 12 (attach schedule)	12		%

PART II—LLET COMPUTATION

1. Schedule LLET, Section D, line 1	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Total (add lines 1 and 2)	3		00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. LLET liability (greater of line 3 less lines 4 and 5 or $175 minimum)	6		00
7. Estimated tax payments	7		00
8. Certified rehabilitation tax credit	8		00
9. Film industry tax credit	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. **LLET due** (line 6 less lines 7 through 11)	12		00
13. **LLET overpayment** (lines 7 through 11 less line 6)	13		
14. Credited to 2011 LLET	14		00
15. **Amount to be refunded**	15		00

➤ **Federal Schedules C, E and F, and any other supporting federal forms and schedules must be attached.**

PART III—LLET CREDIT FOR MEMBER

1. LLET liability (Part II, the total of lines 4 and 6)	1		00
2. Minimum tax	2	175	00
3. Member's LLET credit (line 1 less line 2)	3		00

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

TAX PAYMENT SUMMARY
(Round to nearest dollar)

LLET

1. *LLET due (Part II, line 12)* $_____
2. *Penalty* $_____
3. *Interest* $_____
4. ***Total Payment*** $_____

Form 725 (2010)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010271

Page 2

SCHEDULE Q—SINGLE MEMBER LIMITED LIABILITY COMPANY QUESTIONNAIRE

IMPORTANT: Questions 1—9 must be completed by the limited liability company.

1. Single member's (owner) name, address and Social Security number or federal I.D. number _____

2. List the following ***Kentucky*** account numbers. Enter N/A for any number not applicable.

   Employer Withholding _____
   Sales and Use Tax Permit _____
   Consumer Use Tax _____
   Unemployment Insurance _____
   Coal Severance and/or Processing Tax _____

3. If a foreign limited liability company, enter the date qualified to do business in Kentucky. __ __ / __ __ / __ __

4. The limited liability company's books are in care of: (name and address)

5. Are disregarded entities included in this return?
   ☐ Yes ☐ No

   If yes, list name, address and federal I.D. number of the entity(ies).

6. Was the limited liability company a partner in a pass-through entity doing business in Kentucky for the tax year being reported? ☐ Yes ☐ No

   If yes, list name and federal I.D. of the pass-through entity(ies).

   Was the limited liability company doing business in Kentucky, other than through its interest held in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No

7. Was this return prepared on: (a) ☐ cash basis, (b) ☐ accrual basis, (c) ☐ other _____

8. Did the limited liability company file a Kentucky tangible personal property tax return for January 1, 2011? ☐ Yes ☐ No

9. Is the single member limited liability company currently under audit by the Internal Revenue Service? ☐ Yes ☐ No

   If yes, enter years under audit

   If the Internal Revenue Service has made final and unappealable adjustments to the limited liability company's taxable income which have not been reported to this department, check here ☐ and file Form 740X for tax years 2005 through 2010 or Form 740-XP for 2004 and prior tax years, whichever is applicable, and file an amended Form 725 for each year adjusted. Attach a copy of the final determination to each amended return.

DRAFT 8/31/10

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of member (owner)	SSN or FEIN	Date
Name of person or firm preparing return	SSN, PTIN or FEIN	Date

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

E-mail Address:

Telephone No.:

www.revenue.ky.gov

COMPLETING FORM 725

PART I—KENTUCKY NET DISTRIBUTABLE INCOME

Line 1—Enter the ordinary income from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule C (Form 1040), Schedule F (Form 1040), Schedule E (Form 1040), Form 1065 or other applicable forms to return. If Schedule C, Schedule F, Schedule E, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only the activity of the single member LLC.

Line 2—Enter the net income (loss) from rental real estate activities from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule E (Form 1040), Form 4835, Form 1065 or other applicable forms to return. If Schedule E, Form 4835, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 3—Enter the net income (loss) from other rental activities from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule C (Form 1040), Form 1065 or other applicable forms to return. If Schedule C, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 4—Enter the interest income earned by the single member LLC (attach schedule).

Line 5—Enter the dividend income earned by the single member LLC (attach schedule).

Line 6—Enter the royalty income from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws, such as depreciation. Attach Schedule E (Form 1040), Form 1065 or other applicable forms to return. If Schedule E, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 7—Enter the short-term and long-term capital gain (loss) from Form 1040, Form 1041 or Form 1065, adjusted to reflect differences in federal and Kentucky tax laws. If a net (loss), do not include more than $3,000. Attach Schedule D (Form 1040), Schedule D (Form 1041), Schedule D (Form 1065) or other applicable forms to return. If Schedule D or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 8—Enter the Section 1231 gain or (loss) from Form 4797 or Form 1065 adjusted to reflect differences in federal and Kentucky tax laws. Attach Form 4797, Form 1065 or other applicable forms to return. If Form 4797, Form 1065 or other applicable forms contain activity of both the individual and single member LLC, prepare a pro forma schedule which contains only activity of the single member LLC.

Line 9—Enter the total of any other income (attach schedule).

Line 10—Enter the total of deductions not included on Lines 1 through 9, if any (attach schedule).

Line 11—Enter the total of Lines 1 through 9 less Line 10.

Line 12—Enter 100 percent if the single member limited liability company is doing business only in Kentucky or the percentage from Schedule A (Form 41A720A), Section I, Line 12 if the single member limited liability company is doing business within and without Kentucky.

If Form 8582-K is required, adjust the amount entered on Line 11 to exclude any income, loss, deduction or expense related to a passive activity. If the amount on Line 7 (Net short-term and long-term capital loss) is subject to a capital loss limitation, adjust the amount entered on Line 11 to exclude the loss not allowed.

Note: For purposes of determining the income to enter on Line 2 of the Kentucky Limited Liability Entity Tax Credit Worksheet included in the instructions for Forms 740, 740-NP or 741, Multiply Line 11 by the percentage on Line 12.

PART II—LLET COMPUTATION

Line 1—Enter the amount from Schedule LLET, Section D, Line 1. A single member LLC must use Schedule LLET(K), Limited Liability Entity Tax for Pass-through Entities with Economic Development Project(s), if the single member LLC has one or more projects under the Kentucky Rural Economic Development Act (KREDA), Kentucky Industrial Development Act (KIDA), Kentucky Jobs Development Act (KJDA), Kentucky Economic Opportunity Zone (KEOZ) or Kentucky Industrial Revitalization Act (KIRA).

Line 2—Enter the recycling/composting equipment recapture amount from Schedule RC-R, Line 10. There is no recapture of the recycling/composting equipment credit for LLET purposes if the credit was not taken against LLET in a prior year. Attach Schedule RC-R, Kentucky Disposition of Recycling or Composting Equipment Schedule.

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

Line 4—Enter nonrefundable LLET credit from Schedule(s) Kentucky 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 6—Enter the greater of Line 3 less Lines 4 and 5, or $175.

Line 7—Enter the total LLET estimated tax payments made for the taxable year. Do not include the amount credited from prior year.

Line 8—Enter amount of approved refundable certified rehabilitation credit.

Line 9—Enter amount of approved film industry credit.

Line 10—Enter the amount of LLET paid with Form 41A720SL, Application for Six-Month Extension of Time to File Kentucky Corporation Income Tax Return.

Line 11—Enter the amount credited to 2010 from Part II, Line 12 of the 2009 tax return.

Line 12—If Line 6 is greater than the total of Lines 7 through 11, enter the difference on this line and enter the amount in Tax Payment Summary.

Line 13—If Line 6 is less than the total of Lines 7 through 11, enter the difference on this line.

Line 14—Enter the portion of Line 11 to be credited to 2010 LLET.

Line 15—Enter the portion of Line 11 to be refunded (Line 11 less Line 12).

PART III—LLET CREDIT for MEMBER

Line 1—Enter the LLET paid from Part II, the total of Lines 4 and 6.

Line 2—Minimum tax $175.

Line 3—Enter Line 1 less Line 2.

Tax Payment Summary – Payments submitted with Form 725 must be itemized. Enter the amount of tax payment from Part II, Line 12, on the LLET due line, the amount of penalty payment on the Penalty line, the amount of interest payment on the Interest line, and the total payment on the Total Payment line.

LLET CREDIT COMPUTATION for the INDIVIDUAL INCOME TAX RETURN

An individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a LLET credit against the income tax imposed by **KRS 141.020** within limitations. To determine the allowable credit, the Kentucky Limited Liability Entity Tax Credit Worksheet much be completed for **each** Limited Liability Entity.

Any remaining LLET credit shall be disallowed and not be carried forward to the next year. A copy of the worksheet, which is included in the instructions for Forms 740 and 740-NP, follows.

Kentucky Limited Liability Entity Tax Credit Worksheet

Complete a separate worksheet for each LLE. Retain for your records.

Name _____

Address _____

FEIN _____

Percentage of Ownership: _____ %

1. Enter Kentucky Taxable income from Form 740, Line 11: _____

2. Enter LLE income **as shown on Kentucky Schedule K-1 or Form 725:** _____

3. Subtract Line 2 from Line 1 and enter total here: _____

4. Enter Kentucky tax on income amount on Line 1: _____

5. Enter Kentucky tax on income amount on Line 3: _____

6. Subtract Line 5 from Line 4. If Line 5 is larger than Line 4, enter zero. This is your tax savings if income is ignored: _____

7. Enter nonrefundable limited liability entity tax credit **(from Kentucky Schedule K-1 or Form 725):** _____

8. Enter the lesser of Line 6 or Line 7. This is your credit. Enter here and on Form 740, Section A, Line 1: _____

LETTERS of GOOD STANDING

Requirements for Re-instatement with the Secretary of State

Effective July 1, 2008 and pursuant to **KRS 271B.14-220(1)(e)**, a letter of good standing from the Kentucky Division of Unemployment Insurance must be submitted to the Secretary of State to complete the reinstatement process. This brings the total documents needed to complete the reinstatement process to four:

(1) A letter of good standing from the Department of Revenue stating that the business entity has filed all Kentucky tax returns presently due and that any outstanding due and owing tax liabilities have been paid;

(2) A letter of good standing from the Kentucky Division of Unemployment Insurance;

(3) The Application for Reinstatement. This application can be obtained from the Secretary of State Web site by clicking on the link to access the Online Business Database and then the reinstatement packet button at the top of the page; and

(4) The Reinstatement Annual Report. The reinstatement annual report is created the same way as the application for reinstatement, by using the Online Business Database. A personalized annual report will be created for you upon entering your organization ID or company name in the space provided on the business database search.

A letter of good standing may be obtained from the Department of Revenue by faxing or mailing the request to:

Department of Revenue
Division of Corporation Income Tax
501 High Street
PO Box 181, Station 52
Frankfort, Ky. 40602-0181

The request must be signed by a responsible party of the business entity seeking the letter of good standing and state that the purpose of the request is for reinstatement with the Secretary of State. Include the business name of the entity as well as the federal identification number and the Kentucky Corporation or Limited Liability Entity Tax number, if applicable, with the request. Also include a return address or fax number, depending upon how the completed letter is to be returned to the business entity, in the request.

Requests for letters of good standing are given a high priority when received by the Division of Corporation Income Tax and are normally completed within five working days of receipt. The letter of good standing is valid for only 30 days; therefore it is very important that all documentation required by the Secretary of State be submitted before that expiration date. The additional requirement of a letter of good standing from the Kentucky Division of Unemployment Insurance will be stated within any letters of good standing issued by the Department of Revenue after July 1, 2008. This reminder is being added in order to alert the business entity of the new requirement and to eliminate the need for

additional letters of good standing due to the 30-day expiration being surpassed. To avoid the need for these letters of good standing, file the Annual Report and pay the filing fees due the Secretary of State by June 20th of each year.

CORPORATE FORMS

NEW for 2010

The following corporate forms are new for tax year 2010:

- **KBI** Tax Credit Computation Schedule (For a KBI Project of a Corporation)
- **KBI-SP** Tax Computation Schedule (For a KBI Project of a Pass-through Entity)
- **KBI-T** Tracking Schedule for a KBI Project
- **KBI** Annual Report
- **Schedule KRA-SP** Tax Computation Schedule (For a KRA Project of a Pass-Though Entity)
- **RR-E** Application and Credit Certificate of Income Tax/LLET Credit Railroad Expansion
- **RR-I** Railroad Maintenance and Improvement Tax Credit
- **8874 (K)** Application for Certification of Qualified Equity Investments Eligible for Kentucky New Markets Development Program Tax Credit
- **8874(K) – A** Notice of New Markets Development Program Tax Credit and Certification
- **8874 (K) – B** Notice of Kentucky New Markets Development Program Tax Credit Recapture

FORM UPDATES for 2010

Several changes have been made to the Corporate Income Tax forms and instructions for tax year 2010. Some changes, such as updating tax years, are minor and some forms have major changes. Forms that have significant changes for 2010 are included in this manual. If you need to view a copy of any form are not included in this manual, please visit the DOR Web site:

www.revenue.ky.gov

Selected forms with significant changes include the following:

- **720** Kentucky Corporation Income Tax and LLET Return
- **720S** Kentucky S-Corporation Income Tax and LLET Return
    - **Kentucky Schedule K-1** Shareholder's Share of Income, Credits, Deductions, ETC.
- **765** Kentucky Partnership Income and LLET Return
- **765-GP** Kentucky General Partnership Income Return
- **Schedule RC-R** Recycling or Composting Equipment Tax Credit Recapture
- **Schedule TCS** Tax Credit Summary Schedule
- **Schedule UTC** Unemployment Tax Credit

A draft copy of each of the above forms follows in this manual.

720
41A720
Department of Revenue

Kentucky

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

➤ *See Instructions.*
Taxable period beginning _____, 2010, and ending _____, 20 ___ ___.

KENTUCKY CORPORATION INCOME TAX AND LLET RETURN **2010**

B *Check applicable box(es):*
LLET
Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum
Nonfiling Status Code
Enter Code ____ ____

C Income Tax Return
☐ Elected Consolidated *Attach Form 722*
☐ Mandatory NEXUS
Nonfiling Status Code
Enter Code ____ ____

D Federal Identification Number ___ ___ – ___ ___ ___ ___ ___ ___ ___

Taxable Year Ending ___ ___ / ___ ___ (Mo. Yr.)

Name of Corporation or Affiliated Group *(Print or type)*

State and Date of Incorporation

Number and Street

Principal Business Activity in KY

City | State | ZIP Code | Telephone Number

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

DRAFT 9/15/10

E Name of Common Parent

Kentucky Corporation/LLET Account Number ___ ___ ___ ___ ___ ___

F *Check if applicable:* ☐ Initial return ☐ Final return *(Complete Part IV)*
☐ Short-period return *(Complete Part IV)* ☐ Change of name ☐ Change of address ☐ Change of accounting period

G *Check if applicable:* ☐ Amended return ☐ Amended return–RAR
Provide explanation of changes in Part V—Explanation of Amended Return Changes.

PART I—LLET COMPUTATION

1. **Schedule LLET**, Section D, line 1	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. **Total** (add lines 1 and 2)	3		00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. **LLET liability** (greater of line 3 less lines 4 and 5 or $175 minimum)	6		00
7. Withholding tax (Form PTE-WH)	7		00
8. Estimated tax payments	8		00
9. Certified rehabilitation tax credit	9		00
10. Film industry tax credit	10		00
11. Extension payment	11		00
12. Prior year's tax credit	12		00
13. Income tax overpayment from Part II, line 17	13		00
14. LLET paid on original return	14		00
15. LLET overpayment on original return refunded	15		00
16. **LLET due** (lines 6 and 15 less lines 7 through 14)	16		00
17. **LLET overpayment** (lines 7 through 14 less lines 6 and 15)	17		00
18. Credited to 2010 income tax	18		00
19. Credited to 2011 LLET	19		00
20. **Amount to be refunded**	20		00

PART II—INCOME TAX COMPUTATION

1. **Income tax** (see instructions)	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Tax installment on LIFO recapture	3		00
4. **Total** (add lines 1 through 3)	4		00
5. Nonrefundable LLET credit from the Limited Liability Pass-through Entity LLET Credit Worksheet(s) (see instructions)	5		00
6. Nonrefundable LLET credit (Part I, line 6 less $175)	6		00
7. Nonrefundable tax credits (Schedule TCS)	7		00
8. **Net income tax liability** (line 4 less lines 5 through 7, but not less than zero)	8		00
9. Estimated tax payments ☐ Check if Form 2220-K attached	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. LLET overpayment from Part I, line 18	12		00
13. Corporation income tax paid on original return	13		00
14. Corporation income tax overpayment on original return refunded	14		00
15. **Income tax due** (lines 8 and 14 less lines 9 through 13)	15		00
16. **Income tax overpayment** (lines 9 through 13 less lines 8 and 14)	16		00
17. Credited to 2010 LLET	17		00
18. Credited to 2011 corporation income tax	18		00
19. **Amount to be refunded**	19		00

TAX PAYMENT SUMMARY (Round to nearest dollar)

LLET
1. LLET due (Part I, Line 16) $_____
2. Penalty $_____
3. Interest $_____
4. Subtotal $_____

INCOME
1. Income tax due (Part II, Line 15) $_____
2. Penalty $_____
3. Interest $_____
4. Subtotal $_____

TOTAL PAYMENT (Add Subtotals) ➤ $ _____

➤ **Federal Form 1120, all pages, and any supporting schedules must be attached.**

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

Form 720 (2010)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT #2 9/21/10

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PART III—TAXABLE INCOME COMPUTATION

1. Federal taxable income (Form 1120, line 28)	1		00	14. Federal work opportunity credit	14		00
ADDITIONS:				15. Depreciation adjustment	15		00
2. Interest income (state and local obligations)	2		00	16. Other (attach Schedule O-720)	16		00
3. State taxes based on net/gross income	3		00	17. Revenue Agent Report (RAR)	17		00
4. Depreciation adjustment	4		00	18. **Net income** (line 11 less lines 12 through 17)	18		00
5. Deductions attributable to nontaxable income	5		00	19. Current net operating loss adjustment (mandatory nexus only)	19		00
6. Related party expenses	6		00	20. **Kentucky net income** (add lines 18 and 19)	20		00
7. Dividend paid deduction (REIT)	7		00	21. **Taxable net income** (attach Schedule A if applicable)	21		00
8. Domestic production activities deduction	8		00	22. Net operating loss deduction (NOLD)	22		00
9. Other (attach Schedule O-720)	9		00	23. **Taxable net income** after NOLD (line 21 less line 22)	23		00
10. Revenue Agent Report (RAR)	10		00	24. Kentucky domestic production activities deduction (KDPAD)	24		00
11. **Total** (add lines 1 through 10)	11		00	25. **Taxable net income after KDPAD** (line 23 less line 24)	25		00
SUBTRACTIONS:							
12. Interest income (U.S. obligations)	12		00				
13. Dividend income	13		00				

PART IV—EXPLANATION OF FINAL RETURN AND/OR SHORT–PERIOD RETURN

PART V—EXPLANATION OF AMENDED RETURN CHANGES

Form 720 (2010)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

DRAFT 9/08/10

SCHEDULE Q—KENTUCKY CORPORATION/LLET QUESTIONNAIRE

IMPORTANT: Questions 4—13 must be completed by all corporations. If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. **Failure to do so may result in a request for a delinquent return.**

1. Indicate whether: (a) ☐ new business; (b) ☐ successor to previously existing business which was organized as: (1) ☐ corporation; (2) ☐ partnership; (3) ☐ sole proprietorship; or (4) ☐ other _____

   If successor to previously existing business, give name, address and federal I.D. number of the previous business organization. _____

2. List the following ***Kentucky*** account numbers. Enter N/A for any number not applicable.
   Employer Withholding _____
   Sales and Use Tax Permit _____
   Consumer Use Tax _____
   Unemployment Insurance _____
   Coal Severance and/or Processing Tax _____

3. If a foreign corporation, enter the date qualified to do business in Kentucky. __ __ / __ __ / __ __

4. If change of accounting period, Item F on page 1, is checked, complete the following information:
   Year End before the change:
   Month _____ and Day _____
   a. ☐ Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)
   b. ☐ Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
      New Year End:
      Month _____ and Day _____
   c. ☐ Change from a Fiscal Year to a Calendar Year (52/53 week filer):
      New Year End: December and day of week _____
   d. ☐ Change from a Calendar Year to a Fiscal Year (52/53 week filer):
      New Year End:
      Month _____ and day of week _____
      If a 52/53 week filer: (Choose one of the options below.)
      i. ☐ Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.
      ii. ☐ Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.

5. The corporation's books are in care of: (name and address)
   _____
   _____
   _____

6. Are disregarded entities included in this return?
   ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity. _____
   _____

7. Was the corporation a partner or member in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No. If yes, attach schedule listing name and federal I.D. number of the pass-through entity(ies). _____

   Was the corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No

8. Are related party costs made to related members as defined in KRS 141.205(1)(l) included in this return? ☐ Yes ☐ No. If yes, attach schedule listing name, federal I.D. and/or Kentucky Corporation/LLET account number of the individual(s) or entity(ies).

9. Did the corporation at any time during the taxable year do business in Kentucky and own 80 percent or more of the voting stock of another corporation doing business in Kentucky? ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity. _____
   _____
   _____

10. Was 80 percent or more of the corporation's voting stock owned by any corporation doing business in Kentucky at any time of the year? ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity. _____
    _____
    _____

11. Was this return prepared on: (a) ☐ cash basis, (b) ☐ accrual basis, (c) ☐ other _____

12. Did the corporation file a Kentucky tangible personal property tax return for January 1, 2011? ☐ Yes ☐ No

13. Is the corporation currently under audit by the Internal Revenue Service? ☐ Yes ☐ No

    If yes, enter years under audit _____

    If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to the department, check here ☐ and file an amended return. See 2010 Kentucky Corporation Income Tax and LLET Return instructions for information regarding amended returns. Attach a copy of the final determination to each amended return.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Attach a schedule listing the name, home address and Social Security number of the vice president, secretary and treasurer.

Has the attached officer information changed from the last return filed? ☐ Yes ☐ No

President's Name _____ President's Home Address _____

President's Social Security Number _____ _____

Date Became President __ __ / __ __ / __ __ __ __ _____

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

✍ _____ _____
Signature of principal officer or chief accounting officer — Date

_____ __ __ __ __ __ __ __ __ __
Name of person or firm preparing return — SSN, PTIN or FEIN

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

E-mail Address:

Telephone Number:

www.revenue.ky.gov

720S
41A720S
Kentucky
Department of Revenue
➤ *See instructions.*

1000010256

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

KENTUCKY S CORPORATION INCOME TAX AND LLET RETURN 2010

Taxable period beginning _____, 2010, and ending _____, 20 __ __.

B *Check applicable box(es):*
LLET
Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum

Nonfiling Status Code
Enter Code ____ ____

C Income Tax Return
Nonfiling Status Code
Enter Code ____ ____

D Federal Identification Number ___ ___ – ___ ___ ___ ___ ___ ___ ___

Taxable Year Ending ___ ___ / ___ ___ (Mo. Yr.)

Name of S Corporation *(Print or type)*

State and Date of Incorporation

Number and Street

Principal Business Activity in KY

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

City | State | ZIP Code | Telephone Number

DRAFT 8/10/10

E *Check if applicable:* ☐ Qualified investment pass-through entity ☐ LLC ☐ Initial return ☐ Final return *(attach explanation)* ☐ Short-period return *(attach explanation)* ☐ Amended return ☐ Change of name ☐ Change of address ☐ Change of accounting period

F *Number of Shareholders (Attach K-1s)* ➤ _____
Number of QSSSs Included In This Return (Attach Schedule) ➤ _____

PART I—ORDINARY INCOME (LOSS) COMPUTATION

1. Federal ordinary income (loss) (see instructions)	1		00
ADDITIONS			
2. State taxes based on net/gross income	2		00
3. Federal depreciation (do not include Section 179 expense deduction)	3		00
4. Related party expenses	4		00
5. Other (attach Schedule O-PTE)	5		00
6. Total (add lines 1 through 5)	6		00
SUBTRACTIONS			
7. Federal work opportunity credit	7		00
8. Kentucky depreciation (do not include Section 179 expense deduction)	8		00
9. Other (attach Schedule O-PTE)	9		00
10. **Kentucky ordinary income (loss)** (line 6 less lines 7 through 9)	10		00

PART II—LLET COMPUTATION

1. Schedule LLET, Section D, line 1	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Total (add lines 1 and 2)	3		00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. LLET liability (greater of line 3 less lines 4 and 5 or $175 minimum)	6		00
7. Estimated tax payments	7		00
8. Certified rehabilitation tax credit	8		00
9. Film industry tax credit	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. Income tax overpayment from Part III, line 11	12		00
13. **LLET due** (line 6 less lines 7 through 12)	13		00
14. **LLET overpayment** (lines 7 through 12 less line 6)	14		00
15. Credited to 2010 income tax	15		00
16. Credited to 2011 LLET	16		00
17. **Amount to be refunded**	17		00

PART III—INCOME TAX COMPUTATION

1. Excess net passive income tax	1		00
2. Built-in gains tax	2		00
3. Tax installment on LIFO recapture	3		00
4. **Total** (add lines 1 through 3)	4		00
5. Estimated tax payments ☐ Check if Form 2220-K attached	5		00
6. Extension payment	6		00
7. Prior year's tax credit	7		00
8. LLET overpayment from Part II, line 15	8		00
9. **Income tax due** (line 4 less lines 5 through 8)	9		00
10. **Income tax overpayment** (lines 5 through 8 less line 4)	10		00
11. Credited to 2010 LLET	11		00
12. Credited to 2011 corporation income tax	12		00
13. **Amount to be refunded**	13		00

TAX PAYMENT SUMMARY (Round to nearest dollar)

LLET		INCOME	
1. LLET due (Part II, Line 13)	$_____	*1. Income tax due (Part III, Line 9)*	$_____
2. Penalty	$_____	*2. Penalty*	$_____
3. Interest	$_____	*3. Interest*	$_____
4. Subtotal	$_____	*4. Subtotal*	$_____

TOTAL PAYMENT (Add Subtotals) ➤ $ _____

➤ Federal Form 1120S, all pages and any supporting schedules must be attached.

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

Form 720S (2010)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010257

DRAFT 8/17/10

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SCHEDULE Q — KENTUCKY S CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4—10 must be completed by all S corporations. If this is the S corporation's initial return or if the S corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. **Failure to do so may result in a request for a delinquent return.**

1. Indicate whether: (a) ☐ new business; (b) ☐ successor to previously existing business which was organized as:
   (1) ☐ corporation; (2) ☐ partnership; (3) ☐ sole proprietorship; or (4) ☐ other _____
   If successor to previously existing business, give name, address and federal I.D. number of the previous business organization.
   _____
2. List the following ***Kentucky*** account numbers. Enter N/A for any number not applicable.
   Employer Withholding _____
   Sales and Use Tax Permit _____
   Consumer Use Tax _____
   Unemployment Insurance _____
   Coal Severance and/or Processing Tax _____
3. If a foreign S corporation, enter the date qualified to do business in Kentucky. __ __ / __ __ / __ __
4. If change of accounting period, Item E on page 1, is checked, complete the following information:
   Year End before the change:
   Month _____ and Day _____
   a. ☐ Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)
   b. ☐ Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
      New Year End:
      Month _____ and Day _____
   c. ☐ Change from a Fiscal Year to a Calendar Year (52/53 week filer):
      New Year End: December and day of week _____
   d. ☐ Change from a Calendar Year to a Fiscal Year (52/53 week filer):
      New Year End:
      Month _____ and day of week _____
      If a 52/53 week filer: (Choose one of the options below.)
      i. ☐ Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.
      ii. ☐ Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.
5. The S corporation's books are in care of: (name and address)
   _____
6. Are disregarded entities included in this return? ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity.
   _____
7. Is the S corporation a partner or member in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No. If yes, list name and federal I.D. number of each pass-through entity(ies).
   _____
   Was the S corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No
8. Was this return prepared on: (a) ☐ cash basis, (b) ☐ accrual basis, (c) ☐ other _____
9. Did the S corporation file a Kentucky tangible personal property tax return for January 1, 2011? ☐ Yes ☐ No
10. Is the S corporation currently under audit by the Internal Revenue Service? ☐ Yes ☐ No
    If yes, enter years under audit _____
    If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to the department, check here ☐ and file an amended Form 720S for each year adjusted. Attach a copy of the final determination to each amended return.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Has the officer information entered below changed from the last return filed? ☐ Yes ☐ No

President's Name: _____
President's Home Address: _____
President's Social Security Number: _____
Date Became President __ __ / __ __ / __ __ __ __
Vice President's Name: _____
Vice President's Home Address: _____
Vice President's Social Security Number: _____

Treasurer's Name: _____
Treasurer's Home Address: _____
Treasurer's Social Security Number: _____
Secretary's Name: _____
Secretary's Home Address: _____
Secretary's Social Security Number: _____

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

_____ Signature of principal officer or chief accounting officer
_____ Date

_____ Name of person or firm preparing return
__ __ __ __ __ __ __ __ __ SSN, PTIN or FEIN
_____ Date

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

E-mail Address:

Telephone No.:

www.revenue.ky.gov

Form 720S (2010)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010258

Page 3

SCHEDULE K—SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	(a) Pro Rata Share Items				(b) Total Amount
Income (Loss) and Deductions					
1. Kentucky ordinary income (loss) from trade or business activities (page 1, Part I, line 10)				1	00
2. Net income (loss) from rental real estate activities (attach federal Form 8825)				2	00
3. (a) Gross income from other rental activities	3(a)		00		
(b) Less expenses from other rental activities (attach schedule)	(b)		00		
(c) Net income (loss) from other rental activities (line 3a less line 3b)				3(c)	00
4. Portfolio income (loss):					
(a) Interest income				4(a)	00
(b) Dividend income				(b)	00
(c) Royalty income				(c)	00
(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)				(d)	00
(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)				(e)	00
(f) Other portfolio income (loss) (attach schedule)				(f)	00
5. Section 1231 net gain (loss) (other than due to casualty or theft) (attach federal and Kentucky Forms 4797)				5	00
6. Other income (loss) (attach schedule)				6	00
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)				7	00
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)				8	00
9. Deductions related to portfolio income (loss) (attach schedule)				9	00
10. Other deductions (attach schedule)				10	00
Investment Interest					
11. (a) Interest expense on investment debts				11(a)	00
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above				(b)(1)	00
(2) Investment expenses included on line 9 above				(2)	00
Tax Credits					
12. Skills Training Investment Tax Credit (attach copy of certification(s))				12	00
13. Certified Rehabilitation Tax Credit (attach copy of certification(s))				13	00
14. Kentucky Unemployment Tax Credit (attach Schedule UTC)				14	00
15. Recycling/Composting Equipment Tax Credit (attach Schedule RC)				15	00
16. Kentucky Investment Fund Tax Credit (attach KEDFA notification)				16	00
17. Coal Incentive Tax Credit (attach Schedule CI)				17	00
18. Qualified Research Facility Tax Credit (attach Schedule QR)				18	00
19. GED Incentive Tax Credit (attach Form DAEL-31)				19	00
20. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)				20	00
21. Biodiesel Tax Credit (attach Schedule BIO)				21	00
22. Environmental Stewardship Tax Credit (attach Schedule KESA)				22	00

DRAFT 8/10/10

Form 720S (2010)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010259

Page 4

SCHEDULE K— SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I— continued	(a) Pro Rata Share Items		(b) Total Amount
Tax Credits—continued			
23. Clean Coal Incentive Tax Credit (attach Schedule CCI)	23		00
24. Ethanol Tax Credit (attach Schedule ETH)	24		00
25. Cellulosic Ethanol Tax Credit (attach Schedule CELL)	25		00
Form 5695-K Pass-through Amounts (attach Form 5695-K)			
26. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	26		00
27. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	27		00
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	28		00
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	29		00
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 3[illegible]	30		00
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	31		00
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	32		00
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	33		00
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	34		00
35. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	35		00
Other Items			
36. (a) Type of Section 59(e)(2) expenditures ➤ _____	36(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
37. Tax-exempt interest income	37		00
38. Other tax-exempt income	38		00
39. Nondeductible expenses	39		00
40. Total property distributions (including cash) other than dividends reported on line 42 below	40		00
41. Other items and amounts required to be reported separately to shareholders (attach schedule)	41		
42. Total dividend distributions paid from accumulated earnings and profits	42		00

DRAFT 8/17/10

SECTION II—Pass-through Items

1. S corporation's Kentucky sales from Schedule A, Section I, line 1	1		00
2. S corporation's total sales from Schedule A, Section I, line 2	2		00
3. S corporation's Kentucky property from Schedule A, Section I, line 5	3		00
4. S corporation's total property from Schedule A, Section I, line 6	4		00
5. S corporation's Kentucky payroll from Schedule A, Section I, line 8	5		00
6. S corporation's total payroll from Schedule A, Section I, line 9	6		00
7. S corporation's Kentucky gross profits from Schedule LLET, Section A, Column A, line 5	7		00
8. S corporation's total gross profits from all sources from Schedule LLET, Section A, Column B, line 5	8		00
9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less $175	9		00

(Form 720S)
KENTUCKY
SCHEDULE K-1
41A720S(K-1)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010260

2010

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

➤ *See instructions.*

For calendar year 2010 or fiscal year beginning _____, 2010, and ending _____, 20 ___ ___.

Shareholder's identifying number ➤	**S corporation's FEIN ➤**	**Kentucky Corporation/LLET Account Number ➤**

Shareholder's name, address and ZIP code	S corporation's name, address and ZIP code *Check if applicable:* ☐ Qualified investment pass-through entity

DRAFT 8/17/10

A. Shareholder's percentage of stock ownership for tax year ➤ %
B. (1) Resident shareholder's taxable percentage of pro rata share items ➤ 100%
(2) Nonresident shareholder's taxable percentage of pro rata share items (see Schedule A, Section I, line 12) ➤ %
C. What type of entity is this shareholder? ☐ Individual ☐ Estate ☐ Trust ☐ Single Member LLC
D. Check the box if nonresident shareholder's income is reported on:
☐ Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)
E. Check if applicable: (1) ☐ Final K-1 (2) ☐ Amended K-1

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

	(a) Pro Rata Share Items		**(b) Amount**
Income (Loss)			
1.	Ordinary income (loss) from trade or business activities	1	
2.	Net income (loss) from rental real estate activities	2	
3.	Net income (loss) from other rental activities	3	
4.	Portfolio income (loss):		
	(a) Interest	4(a)	
	(b) Dividends	(b)	
	(c) Royalties	(c)	
	(d) Net short-term capital gain (loss)	(d)	
	(e) Net long-term capital gain (loss)	(e)	
	(f) Other portfolio income (loss) (attach schedule)	(f)	
5.	Section 1231 net gain (loss) (other than due to casualty or theft)	5	
6.	Other income (loss) (attach schedule)	6	
Deductions			
7.	Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	7	
8.	IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	8	
9.	Deductions related to portfolio income (loss) (attach schedule)	9	
10.	Other deductions (attach schedule)	10	
Investment Interest			
11.	(a) Interest expense on investment debts	11(a)	
	(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)	
	(2) Investment expenses included on line 9 above	(2)	
Tax Credits			
12.	Skills Training Investment Tax Credit	12	
13.	Certified Rehabilitation Tax Credit	13	
14.	Kentucky Unemployment Tax Credit	14	
15.	Recycling/Composting Equipment Tax Credit	15	
16.	Kentucky Investment Fund Tax Credit	16	
17.	Coal Incentive Tax Credit	17	

Form 720S (2010)
KENTUCKY SCHEDULE K-1
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010282

DRAFT 8/24/10

Page 2

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

(a) Pro Rata Share Items (continued)		(b) Amount
Tax Credits—continued		
18. Qualified Research Facility Tax Credit	18	
19. GED Incentive Tax Credit	19	
20. Voluntary Environmental Remediation Tax Credit	20	
21. Biodiesel Tax Credit	21	
22. Environmental Stewardship Tax Credit	22	
23. Clean Coal Incentive Tax Credit	23	
24. Ethanol Tax Credit	24	
25. Cellulosic Ethanol Tax Credit	25	
Form 5695-K Pass-through Amounts		
26. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)	26	
27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)	27	
28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)	28	
29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)	29	
30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)	30	
31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)	31	
32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)	32	
33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)	33	
34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)	34	
35. Railroad Maintenance and Improvement Tax Credit	35	
Other Items		
36. (a) Type of Section 59(e)(2) expenditures ➤	36(a)	
(b) Amount of Section 59(e)(2) expenditures	(b)	
37. Tax-exempt interest income	37	
38. Other tax-exempt income	38	
39. Nondeductible expenses	39	
40. Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	40	
41. Supplemental information required to be reported to each shareholder (attach schedules)	41	
42. Total dividend distributions paid from accumulated earnings and profits	42	
LLET Pass-through Items		
43. Shareholder's share of S corporation's Kentucky sales from Schedule K, Section II, line 1	43	
44. Shareholder's share of S corporation's total sales from Schedule K, Section II, line 2	44	
45. Shareholder's share of S corporation's Kentucky property from Schedule K, Section II, line 3	45	
46. Shareholder's share of S corporation's total property from Schedule K, Section II, line 4	46	
47. Shareholder's share of S corporation's Kentucky payroll from Schedule K, Section II, line 5	47	
48. Shareholder's share of S corporation's total payroll from Schedule K, Section II, line 6	48	
49. Shareholder's share of Kentucky gross profits from Schedule K, Section II, line 7	49	
50. Shareholder's share of total gross profits from all sources from Schedule K, Section II, line 8	50	
51. Shareholder's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9	51	
Resident Shareholder Adjustment		
52. Combination of Kentucky Schedule K-1, lines 1 through 5, 8 and portions of lines 6 and 10. Add income amounts and subtract (loss) and deduction amounts (see instructions)	52	
53. Combination of federal Schedule K-1, lines 1 through 9, 11 and portions of lines 10 and 12. Add income amounts and subtract (loss) and deduction amounts (see instructions)	53	
54. Enter the difference of lines 52 and 53 here and on appropriate line on Schedule M (see instructions)	54	

765 Kentucky
41A765
Department of Revenue

1000010263

A ___ ___ ___ ___ ___ ___
Kentucky Corporation/LLET Account Number

2010

➤ ***See instructions.***
Taxable period
beginning _____, 2010, and ending _____, 20 ___ ___.

DRAFT 8/10/10

KENTUCKY PARTNERSHIP INCOME AND LLET RETURN

B *Check applicable box(es):*
LLET
Receipts Method
☐ Gross Receipts
☐ Gross Profits
☐ $175 minimum

Nonfiling Status Code
Enter Code ____ ____

D Federal Identification Number ___ ___ – ___ ___ ___ ___ ___ ___ ___

Taxable Year Ending ___ ___ / ___ ___ (Mo. Yr.)

Name of Partnership *(Print or type)*

State and Date of Organization

Number and Street

Principal Business Activity in KY

NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)

City | State | ZIP Code | Telephone Number

C
Income Return
Nonfiling Status Code
Enter Code ____ ____

E *Check if applicable:*
☐ LLC ☐ LP ☐ LLP ☐ Qualified investment pass-through entity ☐ Amended return
☐ Initial return ☐ Final return (attach explanation) ☐ Change of Address
☐ Short-period return (attach explanation) ☐ Change of Name ☐ Change of Accounting Period

F
Number of Partners (Attach K-1s) ➤ _____

PART I—ORDINARY INCOME (LOSS) COMPUTATION

1. Federal ordinary income (loss) (see instructions)	1		00
ADDITIONS			
2. State taxes based on net/gross income	2		00
3. Federal depreciation (do not include Section 179 expense deduction)	3		00
4. Related party expenses	4		00
5. Other (attach Schedule O-PTE)	5		00
6. Total (add lines 1 through 5)	6		00
SUBTRACTIONS			
7. Federal work opportunity credit	7		00
8. Kentucky depreciation (do not include Section 179 expense deduction)	8		00
9. Other (attach Schedule O-PTE)	9		00
10. **Kentucky ordinary income (loss)** (line 6 less lines 7 through 9)	10		00

➤ **Federal Form 1065, all pages, and any supporting schedules must be attached.**

PART II—LLET COMPUTATION

1. Schedule LLET, Section D, line 1	1		00
2. Recycling/composting equipment tax credit recapture	2		00
3. Total (add lines 1 and 2)	3		00
4. Nonrefundable LLET credit from Kentucky Schedule(s) K-1	4		00
5. Nonrefundable tax credits (Schedule TCS)	5		00
6. LLET liability (greater of line 3 less lines 4 and 5 or $175 minimum)	6		00
7. Estimated tax payments	7		00
8. Certified rehabilitation tax credit	8		00
9. Film industry tax credit	9		00
10. Extension payment	10		00
11. Prior year's tax credit	11		00
12. **LLET due** (line 6 less lines 7 through 11)	12		00
13. **LLET overpayment** (lines 7 through 11 less line 6)	13		00
14. Credited to 2011 LLET	14		00
15. **Amount to be refunded**	15		00

TAX PAYMENT SUMMARY
(Round to nearest dollar)

LLET
1. *LLET due (Part II, line 12)* $_____
2. *Penalty* $_____
3. *Interest* $_____
4. ***Total Payment*** $_____

Make check payable to:
Kentucky State Treasurer

Mail return with payment to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

Form 765 (2010)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010264

DRAFT 8/17/10

Page 2

SCHEDULE Q—KENTUCKY PARTNERSHIP QUESTIONNAIRE

IMPORTANT: Questions 4—10 must be completed by all partnerships. If this is the partnership's initial return or if the partnership did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. **Failure to do so may result in a request for a delinquent return.**

1. Indicate whether: (a) ☐ new business; (b) ☐ successor to previously existing business which was organized as: (1) ☐ corporation; (2) ☐ partnership; (3) ☐ sole proprietorship; or (4) ☐ other _____

   If successor to previously existing business, give name, address and federal I.D. number of the previous business organization. _____

2. List the following ***Kentucky*** account numbers. Enter N/A for any number not applicable.

   Employer Withholding _____
   Sales and Use Tax Permit _____
   Consumer Use Tax _____
   Unemployment Insurance _____
   Coal Severance and/or Processing Tax _____

3. If a foreign partnership, enter the date qualified to do business in Kentucky. __ __ / __ __ / __ __

4. If change of accounting period, Item E on page 1, is checked, complete the following information:

   Year End before the change:
   Month _____ and Day _____

   a. ☐ Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)
   b. ☐ Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
      New Year End:
      Month _____ and Day _____
   c. ☐ Change from a Fiscal Year to a Calendar Year (52/53 week filer):
      New Year End: December and day of week _____
   d. ☐ Change from a Calendar Year to a Fiscal Year (52/53 week filer):
      New Year End:
      Month _____ and day of week _____
      If a 52/53 week filer: (Choose one of the options below.)
      i. ☐ Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.
      ii. ☐ Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.

5. The partnership's books are in care of: (name and address)

   _____

6. Are disregarded entities included in this return?
   ☐ Yes ☐ No. If yes, list name, address and federal I.D. number of each entity. _____

7. For the taxable period being reported, was the partnership a partner in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No
   If yes, list name and federal I.D. number of the pass-through entity(ies). _____

   For the taxable period being reported, was the partnership doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? ☐ Yes ☐ No

8. Was this return prepared on: (a) ☐ cash basis, (b) ☐ accrual basis, (c) ☐ other _____

9. Did the partnership file a Kentucky tangible personal property tax return for January 1, 2011? ☐ Yes ☐ No

10. Is the partnership currently under audit by the Internal Revenue Service? ☐ Yes ☐ No
    If yes, enter years under audit _____

    If the Internal Revenue Service has made final and unappealable adjustments to the partnership's taxable income which have not been reported to the department, check here ☐ and file an amended Form 765 for each year adjusted. Attach a copy of the final determination to each amended return.

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of partner or member	SSN or FEIN	Date
Name of person or firm preparing return	SSN, PTIN or FEIN	Date

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

E-mail Address:

Telephone No.:

www.revenue.ky.gov

Form 765 (2010)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010265

DRAFT 8/10/10

Page 3

SCHEDULE K— PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	(a) Distributive Share Items			(b) Total Amount
Income (Loss) and Deductions				
1. Kentucky ordinary income (loss) from trade or business activities (page 1, Part I, line 10)		1		00
2. Net income (loss) from rental real estate activities (attach federal Form 8825)		2		00
3. (a) Gross income from other rental activities	3(a)	00		
(b) Less expenses from other rental activities (attach schedule)	(b)	00		
(c) Net income (loss) from other rental activities (line 3a less line 3b)		3(c)		00
4. Portfolio income (loss):				
(a) Interest income		4(a)		00
(b) Dividend income		(b)		00
(c) Royalty income		(c)		00
(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)		(d)		00
(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)		(e)		00
(f) Other portfolio income (loss) (attach schedule)		(f)		00
5. Guaranteed payments to partners		5		00
6. Section 1231 net gain (loss) (other than due to casualty or theft)(attach federal and Kentucky Forms 4797)		6		00
7. Other income (loss) (attach schedule)		7		00
8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)		8		00
9. IRC Section 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) above		(b)(1)		00
(2) Investment expenses included on line 10 above		(2)		00
Tax Credits				
13. Skills Training Investment Tax Credit (attach copy of certification(s))		13		00
14. Certified Rehabilitation Tax Credit (attach copy of certification(s))		14		00
15. Kentucky Unemployment Tax Credit (attach Schedule UTC)		15		00
16. Recycling/Composting Equipment Tax Credit (attach Schedule RC)		16		00
17. Kentucky Investment Fund Tax Credit (attach KEDFA notification)		17		00
18. Coal Incentive Tax Credit (attach Schedule CI)		18		00
19. Qualified Research Facility Tax Credit (attach Schedule QR)		19		00
20. GED Incentive Tax Credit (attach Form DAEL-31)		20		00
21. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)		21		00
22. Biodiesel Tax Credit (attach Schedule BIO)		22		00
23. Environmental Stewardship Tax Credit (attach Schedule KESA)		23		00
24. Clean Coal Incentive Tax Credit (attach Schedule CCI)		24		00
25. Ethanol Tax Credit (attach Schedule ETH)		25		00
26. Cellulosic Ethanol Tax Credit (attach Schedule CELL)		26		00

Form 765 (2010)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010266

DRAFT 8/10/10

Page 4

SCHEDULE K— PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I— continued	(a) Distributive Share Items		(b) Total Amount
Form 5695-K Pass-through Amounts (attach Form 5695-K)			
27. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	27		00
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	28		00
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	29		00
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	30		00
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	31		00
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	32		00
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	33		00
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	34		00
35. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	35		00
36. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit (attach Form 8908-K)	36		00
37. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	37		00
38. Railroad Expansion Tax Credit (attach Schedule RR-E)	38		00
Other Items			
39. (a) Type of Section 59(e)(2) expenditures ➤	39(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
40. Tax-exempt interest income	40		00
41. Other tax-exempt income	41		00
42. Nondeductible expenses	42		00
43. Total property distributions (including cash)	43		00
44. Other items and amounts required to be reported separately to partners (attach schedule)	44		

SECTION II— Pass-through Items

1. Partnership's Kentucky sales from Schedule A, Section I, line 1	1		00
2. Partnership's total sales from Schedule A, Section I, line 2	2		00
3. Partnership's Kentucky property from Schedule A, Section I, line 5	3		00
4. Partnership's total property from Schedule A, Section I, line 6	4		00
5. Partnership's Kentucky payroll from Schedule A, Section I, line 8	5		00
6. Partnership's total payroll from Schedule A, Section I, line 9	6		00
7. Partnership's Kentucky gross profits from Schedule LLET, Section A, Column A, line 5	7		00
8. Partnership's total gross profits from all sources from Schedule LLET, Section A, Column B, line 5	8		00
9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less $175	9		00

765-GP
42A765-GP
Department of Revenue

1000010034

Kentucky

➤ *See instructions.*

KENTUCKY
GENERAL PARTNERSHIP INCOME RETURN

A. Date business commenced or qualified	For calendar year 2010 or fiscal year beginning _____, 2010, and ending _____, 20 __ __	**2010**
B. Number of partners (attach K-1s)	Name	E. Federal Employer Identification Number
C. NAICS business code number (Relating to Kentucky activity) (See www.census.gov)	Number and Street	F. Kentucky Withholding Account Number
D. Partnership telephone number	City County State ZIP code	G. Sales and Use Tax Permit Number

DRAFT 8/10/10

H. Check applicable boxes:
☐ Initial return ☐ Final return ☐ Amended return ☐ Short-period return
☐ Change of name ☐ Change of address ☐ Qualified investment pass-through entity

1. Federal ordinary income (loss) (Form 1065, line 22)	1		00
ADDITIONS:			
2. State taxes based on net/gross income	2		00
3. Federal depreciation (do not include Section 179 expense deduction)	3		00
4. Related party expenses	4		00
5. Other (attach Schedule O-PTE)	5		00
6. **Total** (add lines 1 through 5)	6		00
SUBTRACTIONS:			
7. Federal work opportunity credit	7		00
8. Kentucky depreciation (do not include Section 179 expense deduction)	8		00
9. Other (attach Schedule O-PTE)	9		00
10. **Total** (add lines 7, 8 and 9)	10		00
11. **Ordinary income (loss)** (line 6 less line 10)	11		00

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of partner _____ SSN or FEIN __ __ __ __ __ __ __ __ __ Date _____

Name of person or firm preparing return _____ SSN, PTIN or FEIN __ __ __ __ __ __ __ __ __ Date _____

➤ **Federal Form 1065, all pages, and any supporting schedules must be attached.**

Mail return to:
Kentucky Department of Revenue
Frankfort, Kentucky 40620

www.revenue.ky.gov

May the DOR discuss this return with the preparer?
☐ Yes ☐ No

E-mail Address:

Telephone No.:

Form 765-GP (2010)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010035

Page 2

Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	(a) Distributive Share Items			(b) Total Amount
Income (Loss) and Deductions				
1. Kentucky ordinary income (loss) from trade or business activities (page 1, line 11)		1		00
2. Net income (loss) from rental real estate activities (attach federal Form 8825)		2		00
3. (a) Gross income from other rental activities	3(a)	00		
(b) Less expenses from other rental activities (attach schedule)	3(b)	00		
(c) Net income (loss) from other rental activities (line 3a less line 3b)		3(c)		00
4. Portfolio income (loss):				
(a) Interest income		4(a)		00
(b) Dividend income		(b)		00
(c) Royalty income		(c)		00
(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)		(d)		00
(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)		(e)		00
(f) Other portfolio income (loss) (attach schedule)		(f)		00
5. Guaranteed payments to partners		5		00
6. Section 1231 net gain (loss) (other than due to casualty or theft)(attach federal and Kentucky Forms 4797)		6		00
7. Other income (loss) (attach schedule)		7		00
8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)		8		00
9. IRC Section 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) above		(b)(1)		00
(2) Investment expenses included on line 10 above		(2)		00
Tax Credits—Nonrefundable				
13. Skills Training Investment Tax Credit (attach copy of certification(s))		13		00
14. Certified Rehabilitation Tax Credit (attach copy of certification(s))		14		00
15. Kentucky Unemployment Tax Credit (attach Schedule UTC)		15		00
16. Recycling/Composting Equipment Tax Credit (attach Schedule RC)		16		00
17. Kentucky Investment Fund Tax Credit (attach KEDFA notification)		17		00
18. Coal Incentive Tax Credit (attach Schedule CI)		18		00
19. Qualified Research Facility Tax Credit (attach Schedule QR)		19		00
20. GED Incentive Tax Credit (attach Form DAEL-31)		20		00
21. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)		21		00
22. Biodiesel Tax Credit (attach Schedule BIO)		22		00
23. Environmental Stewardship Tax Credit (attach Schedule KESA)		23		00
24. Clean Coal Incentive Tax Credit (attach Schedule CCI)		24		00
25. Ethanol Tax Credit (attach Schedule ETH)		25		00
26. Cellulosic Ethanol Tax Credit (attach Schedule CELL)		26		00

DRAFT 8/10/10

Form 765-GP (2010)
Schedule K
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1000010042

DRAFT 8/17/10

Page 3

Schedule K— PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I— continued	(a) Distributive Share Items		(b) Total Amount
Tax Credits — Nonrefundable — continued			
Form 5695-K Pass-through Amounts (attach Form 5695-K)			
27. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	27		00
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	28		00
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	29		00
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	30		00
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	31		00
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	32		00
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	33		00
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	34		00
35. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	35		00
36. ENERGY STAR Home or ENERGY STAR Manufactured Home Tax Credit (attach Form 8908-K)	36		00
37. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	37		00
38. Railroad Expansion Tax Credit (attach Schedule RR-E)	38		00
Tax Credits — Refundable			
39. Certified Rehabilitation Tax Credit (attach Kentucky Heritage Council certification(s))	39		00
40. Film Industry Tax Credit (attach Kentucky Film Office certification(s))	40		00
Other Items			
41. (a) Type of Section 59(e)(2) expenditures ➤ _____	41(a)		
(b) Amount of Section 59(e)(2) expenditures	(b)		00
42. Tax-exempt interest income	42		00
43. Other tax-exempt income	43		00
44. Nondeductible expenses	44		00
45. Total property distributions (including cash)	45		00
46. Other items and amounts required to be reported separately to partners (attach schedule)	46		

SECTION II— General Partnership Pass-through Items

1. Partnership's Kentucky sales from Schedule A, Section I, line 1	1		00
2. Partnership's total sales from Schedule A, Section I, line 2	2		00
3. Partnership's Kentucky property from Schedule A, Section I, line 5	3		00
4. Partnership's total property from Schedule A, Section I, line 6	4		00
5. Partnership's Kentucky payroll from Schedule A, Section I, line 8	5		00
6. Partnership's total payroll from Schedule A, Section I, line 9	6		00
7. Partnership's Kentucky gross profits	7		00
8. Partnership's total gross profits from all sources	8		00

SECTION III— Limited Liability Entity Tax (LLET) Pass-through Items

1. Partners' shares of net distributive income from limited liability pass-through entities	1		00
2. Partners' shares of limited liability entity tax (LLET) nonrefundable credit	2		00

SCHEDULE RC-R
41A720RC-R (10-10)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Taxable Year Ending
___ ___ / ___ ___
Mo. Yr.

➤ **See instructions.**

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

RECYCLING OR COMPOSTING EQUIPMENT TAX CREDIT RECAPTURE

Name of Taxpayer	Identification Number	Kentucky Corporation/LLET Account Number
	___ ___ ___ ___ ___ ___ ___ ___ ___ ___	___ ___ ___ ___ ___ ___

Section A — Recycling or Composting Equipment Disposed of Before the End of the Recapture Period

Item	Type of Equipment	Useful Life Per Section 168 of the Internal Revenue Code (Years)
A		☐ Less Than 5 ☐ 5 or More
B		☐ Less Than 5 ☐ 5 or More
C		☐ Less Than 5 ☐ 5 or More

DRAFT 7/27/10

Section B — Computation of Tax Credit Balance or Tax Credit Recapture

		Equipment A		Equipment B		Equipment C		Total	
1. Date equipment was purchased	1	/ /		/ /		/ /			
2. Date equipment was disposed	2	/ /		/ /		/ /			
3. Number of full years the equipment was held	3								
4. Taxable year the Department of Revenue approved the tax credit	4	___ ___/___ ___ MO. YR.		___ ___/___ ___ MO. YR.		___ ___/___ ___ MO. YR.			
5. Allowable tax credit percentage from Table	5								
6. Amount of tax credit originally approved on Schedule RC, Column G	6		00		00		00		00
7. Multiply Line 6 by the percentage on Line 5	7		00		00		00		00
8. Recycling tax credit used in prior years against LLET	8		00		00		00		00
9. Recycling tax credit used in prior years against income tax	9		00		00		00		00
10. **LLET credit balance:** if Line 7 of the Total column is greater than Line 8 of the Total column, enter the difference	10								00
11. **Income tax credit balance:** if Line 7 of the Total column is greater than Line 9 of the Total column, enter the difference	11								00
12. **LLET credit recapture:** if Line 8 of the Total column is greater than Line 7 of the Total column, enter the difference	12								00
13. **Income tax credit recapture:** if Line 9 of the Total column is greater than Line 7 of the Total column, enter the difference	13								00
14. **Tax credit reduction:** enter Line 6 of the Total column less Line 7 of the Total column	14								00

Table — Allowable Tax Credit Percentage

Property	Less Than 5 Years	5 Years or More
1 Year or Less	0%	0%
Between 1 and 2 Years	33%	20%
Between 2 and 3 Years	67%	40%
Between 3 and 4 Years	N/A	60%
Between 4 and 5 Years	N/A	80%

SCHEDULE TCS
41A720TCS (10-10)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

For taxable year ended
__ __ / __ __
Mo. Yr.

TAX CREDIT SUMMARY SCHEDULE

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

Name of Corporation	Federal Identification Number	Kentucky Corporation/LLET Account Number
	__ __ – __ __ __ __ __ __ __	__ __ __ __ __ __

PART I—Economic Development Tax Credit Summary ***(Only for Projects Approved by the Kentucky Economic Development Finance Authority or Bluegrass State Skills Corporation)***

	A Type of Project (KREDA, KIDA, KEOZ, KJRA, KIRA, KJDA, KRA, IEIA, KBI, STICA, MCC)	B Location of Project	C Project Number	D Allowable Credit from Each Schedule	E LLET Credit Claimed	F Corporation Credit Claimed
1				00	00	00
2				00	00	00
3				00	00	00
4				00	00	00
5				00	00	00
6	Total of Economic Development Tax Credits (add lines 1 through 5)				00	00

DRAFT 9/14/10

PART II—Other Tax Credits

1. Certified rehabilitation tax credit (attach copy of certification(s))	1		00	00
2. Unemployment tax credit (attach Schedule UTC)	2		00	00
3. Recycling/composting equipment tax credit (attach Schedule RC)	3		00	00
4. Coal conversion tax credit (attach Schedule CC)	4		00	00
5. Enterprise zone tax credit (attach Schedule EZC)	5		00	00
6. Kentucky investment fund tax credit (attach KEDFA notification)	6		00	00
7. Coal incentive tax credit (attach Schedule CI)	7		00	00
8. Qualified research facility tax credit (attach Schedule QR)	8		00	00
9. GED incentive tax credit (attach Form DAEL-31)	9		00	00
10. Voluntary environmental remediation tax credit (attach Schedule VERB)	10		00	00
11. Biodiesel tax credit (attach Schedule BIO)	11		00	00
12. Environmental stewardship tax credit (attach Schedule KESA)	12		00	00
13. Clean coal incentive tax credit (attach Schedule CCI)	13		00	00
14. Ethanol tax credit (attach Schedule ETH)	14		00	00
15. Cellulosic ethanol tax credit (attach Schedule CELL)	15		00	00
16. Energy efficiency products tax credit (attach Form 5695-K)	16		00	00
17. ENERGY STAR home or ENERGY STAR manufactured home tax credit (attach Form 8908-K)	17		00	00
18. Railroad Maintenance and Improvement tax credit (attach Schedule RR-I)	18		00	00
19. Railroad expansion tax credit (attach Schedule RR-E)	19		00	00
20. Total of Other Tax Credits (add lines 1 through 19)	20		00	00

PART III—Total Tax Credits

1. Total LLET credits claimed (Total of Column E, Part I, line 6 and Part II, line 20). **Enter this amount on Form 720, Part I, line 5; Form 720S, Form 725, or Form 765, Part II, line 5**	1		00	
2. Total corporation tax credits claimed (Total of Column F, Part I, line 6 and Part II, line 20). **Enter this amount on Form 720, Part II, line 7**	2			00

SCHEDULE UTC

Form 740

42A740-UTC (10-10)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

➤ *Attach to your tax return.*

➤ *See instructions.*

Taxable Year Ended

___ ___ / ___ ___

UNEMPLOYMENT TAX CREDIT
KRS 141.065

For tax year beginning _____ , _____ , and ending _____ , _____

Name of Taxpayer			Social Security Number
Street Address		Apt. Number	Federal Employer ID Number
City	State	ZIP Code	Kentucky Corporation/LLET Account Number

PERSONS EMPLOYED

Enter below the name(s), Social Security number(s) and Office of Employment and Training Certificate number(s) of employee(s) for whom you are claiming a credit. Also enter the date employed and the last date employee was on your payroll during the tax year.

	Employee's Name	Social Security Number	Office of Employment and Training Certificate Number	Employment Dates					
				Date Employed			Date Employed Through		
				Mo.	Day	Yr.	Mo.	Day	Yr.
1.									
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									
10.									
11.									
12.									
13.									
14.									
15.									
16.									
17.									
18.									
19.									
20.									
21.									
22.									
23.									

24. Enter total number of employees listed above 24

DRAFT 8/31/10

42A740-UTC (10-10)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

PERSONS EMPLOYED—continued

25. Enter total number of employees listed on line 24	25	
26. Unemployment tax credit (multiply line 25 by $100)	26	
27. Form 720—Enter on Schedule TCS, Part II, Columns E and F	27	
28. Form 720S—Enter on Schedule TCS, Part II, Column E and on Form 720S, Schedule K	28	
29. Form 725—Enter on Schedule TCS, Part II, Column E	29	
30. Form 740—Enter on Form 740, Section A	30	
31. Form 740-NP—Enter on Form 740-NP, Section A	31	
32. Form 741—Enter on Form 741, Line 18	32	
33. Form 765—Enter on Schedule TCS, Part II, Column E and on Form 765, Schedule K	33	
34. Form 765-GP—Enter on Form 765-GP, Schedule K	34	

DRAFT 8/31/10

INSTRUCTIONS FOR SCHEDULE UTC

KRS 141.065(2) provides a tax credit for a taxpayer against the tax imposed by KRS 141.020 or 141.040 and 141.0401 for any taxable year, with the ordering of the credits as provided by KRS 141.0205, in an amount equal to one hundred dollars ($100) for each person hired by the taxpayer, if that person has been classified as unemployed by the Office of Employment Training of the Department of Workforce Investment in the Education and Workforce Development Cabinet and has been so classified for at least sixty (60) days prior to his employment by the taxpayer, and if that person has remained in the employ of the taxpayer for at least one hundred eighty (180) consecutive days during the taxable year in which the taxpayer claims the credit.

KRS 141.065(3) provides that no credit shall be allowed to any taxpayer for any person hired under any of the following circumstances: (a) A person for whom the taxpayer receives federally funded payments for on-the-job training; (b) For any person who bears any of the relationships to the taxpayer described in paragraphs (1) through (8) of Section 152(a) of the Internal Revenue Code, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than fifty percent (50%) in value of the outstanding stock of the corporation as determined with the application of Section 267(c) of the Internal Revenue Code; (c) If the taxpayer is an estate or trust, to any person who is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in paragraphs (1) through (8) of Section 152(a) of the Internal Revenue Code to a grantor, beneficiary, or fiduciary of the estate or trust; or (d) To any person who is a dependent of the taxpayer as described in Section 152(a)(9) of the Internal Revenue Code, or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.

KRS 141.065(4) and (5) provide that related corporations or unincorporated trades and business shall be treated as a single employer for purposes of the tax credit, and in no instance shall the credit for any qualified employee be claimed more than once for any tax year. Also, KRS 141.065(6) provides that no tax credit shall be allowed to any organization which is exempt from income tax as provide by KRS Chapter 141.

KRS 141.065(7) provides that the tax credit for a pass-through entity shall be applied at the entity level against the limited liability entity tax imposed by KRS 141.0401 and also shall be distributed to each partner, member or shareholder based on the partner's, member's or shareholder's pro rate share.

KRS 141.065(8) provides that the tax credit for an estate or trust shall be apportioned between the estate or trust and the beneficiaries on the basis of income of the estate or trust allocable to each.

WITHHOLDING on DISTRIBUTIVE SHARE INCOME KRS 141.206

Withholding on distributive share income, otherwise known as pass-through entity (PTE) withholding, is reported on Form 740NP-WH with Forms PTE-WH attached. Copies of the PTE-WH forms must also be sent to each nonresident individual partner, member or shareholder, or foreign corporation partner or member whose only source of Kentucky income is from the pass-through entity. A foreign corporation in this case is any corporation that was formed outside of Kentucky.

The PTE withholding is the amount required to be withheld from each nonresident individual partner, member or shareholder (including estates and trusts) or C corporation partner or member on the distributable income apportioned to Kentucky. The withholding is only on each nonresident individual partner, member or shareholder, or corporate partner or member that is doing business in Kentucky only through its ownership interest in a pass-through entity.

A Partnership or S corporation partner, member or shareholder is not subject to withholding. A partnership or S corporation is classified as a pass-through entity as provided by **KRS 101.010(26)** and not a corporation or an individual.

The withholding rate is 6 percent of the distributable income. Estimated tax payments are not required. However, the full amount of withholding is due on the 15th day of the fourth month after the entity's year end. For calendar year filers, the due date is April 15th.

The reporting of a nonresident individual's net distributive share income and withholding on Form 740NP-WH at the maximum rate of six (6) percent shall satisfy the filing requirements of **KRS 141.180** for a nonresident individual partner, member or shareholder who's only Kentucky source income is net distributive share income. The nonresident individual partner, member or shareholder may elect to file a Kentucky Individual Income Tax Return Nonresident or Part-Year Resident (Form 740-NP) to take advantage of the graduated tax rates, credits and deductions.

COMPOSITE RETURNS

(For taxable years beginning on or after January 1, 2007). A composite return may be filed for nonresident individuals (including estates and trusts) who **are exempt** from the withholding requirement. A nonresident individual may be exempt from PTE withholding if the entity provides evidence that the individual has filed an appropriate Kentucky income tax return in the prior year.

The individual must also elect to be included in the composite return. A

schedule should be attached reporting each of the electing nonresident individual partner's, member's or shareholder's name, address, Social Security number, net distributive share income and tax due. Income tax is calculated on the distributable income of the electing partners, members or shareholders at the rate of 6 percent. The composite return is filed on Form 740NP-WH. A pass-through entity filing a composite return shall make estimated payments if required by the provisions of **KRS 141.300** on Form 740 NP-WH.

At the time of filing the actual 740NP-WH return, a schedule PTE-WH shall be attached for each electing nonresident individual partner, member or shareholder reporting their name, address, Social Security number, net distributive share income and tax due. The balance of tax due for all electing partners, members or shareholders shall be remitted with the composite return.

KEY POINTS

No withholding is required for:

- Members, partners or share-holders that are pass-through entities, (including partnerships and S corporations)

No withholding is required if:

- The pass-through entity demonstrates to the department that a partner, member or shareholder has filed an appropriate tax return for the prior year with the department, by attaching to the Kentucky Form 40A201, "740NP-WH, Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report", a statement that the partner, member or shareholder is exempt from withholding as provided by **KRS 141.206(4)(b)2** and including the information as listed above
- The nonresident partner or member is exempt from Kentucky income tax as provided by **KRS 141.040(1)**
- The partner, member or shareholder is a nonresident individual and the pass-through entity is a qualified investment pass-through entity as provided by **KRS 141.206(12)(a)**
- The partners or member is a pass-through entity (including partnerships and S corporations) as provided by **KRS 141.010(26)**.

Include all items listed on the Schedule K in distributable income including, but not limited to interest income, dividend income, capital gains, guaranteed payments and rents.

EXTENSIONS

The department will recognize the extension to file the income/LLET return as an extension to file the 740NP-WH return.

Note: The extension to file the return does not extend the time to pay the withholding by the original due date. Both the 740NP-WH and the PTE-WH are available at *www.revenue.gov* under *Forms*. These schedules are also included in the forms for your entity type.

Mail
Forms 740NP-WH and PTE-WH
SEPARATELY
from tax returns.

MISCELLANEOUS TAXES

Contents:

Inheritance and Estate Taxes 220

Sales and Use Tax 230

2010 Legislative Updates 233

2009 Legislative Updates 233

INHERITANCE and ESTATE TAXES

Inheritance Tax – The Kentucky inheritance tax is a tax on a beneficiary's right to receive property from a deceased person. The amount of the inheritance tax depends on the relationship of the beneficiary to the deceased person and the value of the property. The closer the relationship is the greater the exemption is, the smaller the tax rate will be. All property belonging to a resident of Kentucky is subject to the tax except for real estate located in another state. Also, real estate and personal property located in Kentucky and owned by a nonresident is subject to being taxed. If the inheritance tax is paid within nine months of date of decedent's death, a five percent discount is allowed. The tax due should be paid when the return is filed. However, if the beneficiary's net inheritance tax liability exceeds $5,000, an election can be made to pay the tax in ten equal annual installments. The first installment is due at the time the return is filed. The portion of the tax deferred is charged with interest at the rate established by law beginning 18 months after the date of death.

There are three classes of beneficiaries: Class A, Class B, and Class C.

CLASS A beneficiaries include: spouse, parent, child, grandchild, brother, and sister. If the date of death is after June 30, 1998, all Class A beneficiaries are exempt from paying Kentucky inheritance tax.

CLASS B beneficiaries include: niece by blood, nephew by blood, daughter-in-law, son-in-law, aunt, uncle, great grandchild. Class B beneficiaries receive a $1,000 exemption and the tax rate is four percent to sixteen percent.

CLASS C beneficiaries include all persons not included in Classes A or B and all educational, religious, or other institutions, societies or associations, or public institutions not exempted by **KRS 140.060**. Cousins are considered Class C beneficiaries. Class C beneficiaries receive a $500 exemption and the tax rate is six percent to sixteen percent.

If a Federal Estate and Gift Tax Return, Form 706, is required to be filed and Kentucky's portion of the credit for state death taxes exceeds the inheritance tax, the difference between the credit and the inheritance tax must be paid to the Commonwealth of Kentucky as an estate tax.

Year	Amount of Exclusion
2001	$675,000
2002	$1,000,000
2003	$1,000,000
2004	$1,500,000
2005	$1,500,000
2006	$2,000,000
2007	$2,000,000
2008	$2,000,000
2009	$3,500,000
2010	100%

Estate Tax – Under the Economic Growth and Tax Reconciliation Act of 2001 the credit for state death (estate) taxes was reduced by 25 percent each year starting in 2002 and was eliminated completely by 2005. Beginning in 2005 there is no Kentucky estate tax. The state death tax credit was replaced by a deduction for state death taxes paid on the Federal Estate and Gift Tax Return until the repeal of the federal estate tax in 2010. For answers to questions pertaining to the filing of a Federal Estate and Gift Tax Return, you can call (800) 829-1040. Be advised there could still be Kentucky inheritance tax due.

Affidavit of Exemption – On June 18, 1999, the Kentucky Revenue Cabinet sent a memorandum to the District Judges in the Commonwealth of Kentucky requesting that an Affidavit of Exemption be accepted in place of an Inheritance and Estate Tax Acceptance Letter for final settlement and closing of the administration of an estate. The affidavit should be used only when the entire estate passes to nontaxable beneficiaries and a United States Estate and Gift Tax Return is not required to be filed under federal law and applicable regulations. Using this form will eliminate expending time and money for the preparation and review of Inheritance and Estate Tax Returns. The Affidavit of Exemption should ease the administration of estates that do not owe any Kentucky death tax and are not required to file a Federal Estate and Gift Tax Return. If you have questions, contact the Financial Tax Section at (502) 564-4810. If an Affidavit of Exemption is submitted to the Court, do not send a copy of the affidavit to the Kentucky Department of Revenue.

Filing and Payment Information Effective July 1, 1998 – A tax return must only be filed by the personal representative when any assets of the estate pass to taxable beneficiaries or taxable organizations or a Federal Estate and Gift Tax Return is required to be filed. If no Inheritance taxes are due, the entire estate passes to tax exempt beneficiaries and a Federal Estate and Gift Tax Return is not required, an Affidavit of Exemption will be accepted by the court for final settlement and closing of the administration of an estate. It is not necessary to file a No Tax Due Inheritance and Estate Tax Return with the Kentucky Department of Revenue. If an Affidavit of Exemption is submitted to the court, do not send a copy of the affidavit to the Kentucky Department of Revenue. A copy of the Affidavit of Exemption and tax returns can be obtained from the Financial Tax Section, Kentucky Department of Revenue, Frankfort, KY 40620, by calling (502) 564-4810, from the taxpayer service center in your area or via our Web site (*www.revenue.ky.gov).*

Question: If taxes are due, when should the forms be filed?

Answer: If taxes are due, the return must be filed within 18 months from the date of the decedent's death. If the tax due is not paid within 18 months of death, interest and perhaps penalties are due. Filing the tax return should not be postponed due to the delay in receiving the federal estate tax audit or closing letter or because the real estate is being sold.

Inheritance Tax Table for Estates of Decedents who were Residents of Kentucky (Applicable for Dates of Death on or after July 1, 1998) – Classification of Beneficiary Instructions for Using Inheritance Tax Table (See page 5)

A. Compute each beneficiary's tax separately.

B. Do not deduct the beneficiary's exemption from the distributive share. The tax shown in the table for each distributive share bracket automatically applies the allowable exemption.

C. Determine the proper classification of the beneficiary at the left side of the table.

D. Nephews and nieces by marriage and great nephews and great nieces are Class C beneficiaries.

E. Follow the tax table across to distributive share bracket at the top of the table that includes the distributive share of that beneficiary.

F. The tax applicable to that beneficiary's distributive share is the amount shown plus the designated percentage of the amount by which the distributive share exceeds the base of the distributive share bracket. An estate tax is levied when the credit for state death taxes allowable on the federal estate tax return exceeds the Kentucky inheritance tax.

Affidavit of Exemption

Affiant _____ being first duly sworn, states that he is the fiduciary or beneficiary of the estate of_____, who died on the _____day of _____, _____, a resident of _____ County, Kentucky.

Affiant states that all assets of the estate pass to exempt beneficiaries pursuant to KRS 140.080 or exempt organizations pursuant to KRS 140.060 either by virtue of the decedent's will, the intestate laws of this state, or by contract (survivorship, payable on death, trust, etc).

Affiant also states that a Kentucky Inheritance and Estate Tax Return will not be filed since no death tax is due the state and a Federal Estate and Gift Tax Return (Form 706) will not be filed because the gross estate is less than the required amount set out in Section 2010(c) of the Internal Revenue Code. This affidavit is being submitted to the court to satisfy the requirements of KRS 395.605.

_____
Signature

Witness my hand this _____day of _____, _____. Sworn and subscribed before Me by_____, this _____day of _____, _____.

_____
Notary Public
My commission expires: _____

INHERITANCE TAX TABLE
FOR ESTATES OF DECEDENTS WHO WERE RESIDENTS OF KENTUCKY
(APPLICABLE FOR DATES OF DEATH ON OR AFTER JULY 1, 1998)

CLASS A—The following list of beneficiaries are exempt from paying inheritance tax.

(1) Surviving spouse, parent
(2) Child (adult or infant)
child by blood, stepchild, child adopted during infancy, or a child adopted during adulthood who was reared by decedent during infancy
(3) Grandchild
issue of child by blood, stepchild, child adopted during infancy, or of a child adopted during adulthood who was reared by decedent during infancy
(4) Brother, sister (whole or half)

DISTRIBUTIVE SHARE BRACKETS

CLASSIFICATION OF BENEFICIARY	$500 or less	$500-$1,000	$1,000-$10,000	$10,000-$20,000	$20,000-$30,000	$30,000-$45,000	$45,000-$60,000	$60,000-$100,000	$100,000-$200,000	$200,000- and over
CLASS B *Nephew, niece, half-nephew or half-niece, daughter-in-law, son-in-law, aunt, uncle, or great-grandchild who is grandchild of child by blood, stepchild or child adopted during infancy.	0	0	4% of Amt. over $1,000	$360 + 5% of Amt. over $10,000	$860 + 6% of Amt. over $20,000	$1,460 + 8% of Amt. over $30,000	$2,660 + 10% of Amt. over $45,000	$4,160 + 12% of Amt. over $60,000	$8,960 + 14% of Amt. over $100,000	$22,960 + 16% of Amt. over $200,000
	Exemption $1,000									
CLASS C All persons not included in Classes A or B and educational, religious, or other institutions, societies or associations, or public institutions not exempted by KRS 140.060	0	6% of Amt. over $500	$30 + 6% of Amt. over $1,000	$570 + 8% of Amt. over $10,000	$1,370 + 10% of Amt. over $20,000	$2,370 + 12% of Amt. over $30,000	$4,170 + 14% of Amt. over $45,000	$6,270 + 16% of Amt. over $60,000	$12,670 + 16% of Amt. over $100,000	$28,670 + 16% of Amt. over $200,000
	Exemption $500									

* Nephews and nieces by marriage and great nephews and nieces are Class C beneficiaries.

INSTRUCTIONS FOR USING INHERITANCE TAX TABLE ABOVE

A. Compute each beneficiary's tax separately.
B. **Do not deduct the beneficiary's exemption from the distributive share. The tax shown in the table for each distributive share bracket automatically applies the allowable exemption.**
C. Determine the proper classification of the beneficiary at the left of the table.
D. Follow the tax table across to distributive share bracket at the top of the table that includes the distributive share of that beneficiary.
E. The tax applicable to that beneficiary's distributive share is the amount shown ***plus*** the designated percentage of the amount by which the distributive share exceeds the base of the distributive share bracket.

An estate tax is levied when the credit for state death taxes allowable on the federal estate tax return exceeds the Kentucky inheritance tax.

ISSUES and ANSWERS

Question: If tax is due, what must be included on the return?

Answer: In general, all real and personal property in which the decedent owned or has an interest must be included on the tax return. Example of taxable property:

- Real estate
- Cash
- Bank accounts even if located outside of Kentucky
- Certificates of deposit
- Money
- Stock, bonds
- Life insurance payable to the insured or to the estate
- Unpaid balance of mortgages, notes
- Debts due the decedent
- Household goods
- Livestock
- Growing crops
- Farm machinery
- Automobiles
- Income tax refunds
- Boats, travel trailers
- Royalties
- Jewelry
- Antiques

Question: How must property included on the tax return be valued?

Answer: Most of the time all real and personal property must be reported at its fair cash value on the date of decedent's death. Under certain conditions when real estate passes to a son-in-law or a daughter-in-law the real estate can be valued at its agricultural or horticultural value. Since special rules apply, for more information please contact the Financial Tax Section, Kentucky Department of Revenue, Frankfort, KY 40620, or call (502) 564-4810.

Question: Are gifts made before death taxable?

Answer: Any gift made within three years of death is subject to being taxed unless the gift was made for a living reason and not in contemplation of death.

Question: If a tax return has to be filed, what deductions are allowed in the Kentucky Inheritance and Estate Tax Return?

Answer:
- Funeral expenses up to $5,000
- Attorney's fees
- Personal representative commissions
- Debts and taxes owed by the decedent
- Real property taxes
- Mortgages

Question: If the decedent was a resident of Kentucky, is property located outside of the state taxable?

Answer: If the decedent was a resident of Kentucky, all intangible property located outside of Kentucky is taxable. Under certain conditions partnership property located in another state is taxable. Real estate is taxable in the state where it is located. So, if a Kentucky resident owned real estate in another state, that real estate is not taxable for Kentucky inheritance and

estate tax purposes. If a Kentucky nonresident owned real estate in Kentucky, then that property is subject to Kentucky inheritance and estate taxes.

Question: How are assets distributed?

Answer: When a person dies, real and personal property may pass by title, under the terms of the will, or by the laws of Kentucky. Survivorship property and property payable on death passes to the surviving co-owner shown on the deed or instrument, unless a disclaimer was filed, and not by the terms of the will or by the laws of intestate succession. When a person dies with a will, distribution of the estate is made according to the will, unless the will is renounced by the surviving spouse or a disclaimer is filed. If the will is renounced, the surviving spouse receives one-third of the real property and one-half of surplus personal property. The law provides that when a person dies without a will, one half of the estate, after funeral expenses, debts, and cost of administration are paid, goes to the surviving spouse and one-half descends as follows (if there is no surviving spouse, the whole estate descends):

1. to his children and their descendants (descendants take the share of their deceased parents); if there are none,

2. to his father and mother; if one is deceased, to the survivor; if there is no father or mother,

3. to his brothers and sisters and their descendants; (half-sisters and half-brothers and their descendants inherit only one-half as much as those of the whole blood); if none,

4. to the husband or wife of the intestate; if none,

5. one share shall pass to the paternal and the other to the maternal kindred in the following order:

(a) the grandfather and grandmother equally, if one is deceased, it shall go to the survivor; if both are deceased,
(b) to the uncles and aunts and their descendants; if there are none,
(c) to the great-grandfathers and great-grandmothers; if none,
(d) to the brothers and sisters of the grandfathers and grandmothers; and,

6. if there is no kindred to one of the parents as described in (5), the whole descends to the kindred of the other. If there are neither paternal nor maternal kindred, the whole descends to the kindred of the spouse.

Question: What are the exemptions, if the decedent was a nonresident of Kentucky?

Answer: The exemption for a beneficiary of a nonresident decedent's estate is prorated based on the exemption of a resident decedent and is in proportion to the net value of the property subject to tax in Kentucky before federal estate taxes to the total property transferred by the decedent.

COMMON MISTAKES on INHERITANCE and ESTATE TAX RETURNS

Failure to include a copy of the will and/or trust. For No Tax Due returns, the will and/or trust are necessary to verify there is no tax due.

Failure to include a copy of the U.S. Estate and Generation Skipping Transfer Tax Return when required. NOTE: A copy of the Federal Closing Letter must be sent to DOR.

Failure to include a Real Estate Information Sheet for real estate.

Failure to include the date items were placed in joint names.

Failure to include relationship of heirs to the decedent.

Incorrect classification of heirs. For example, nephews and nieces by marriage and great nephews and great nieces are class C beneficiaries not class B beneficiaries.

Incorrect tax computation. The exemption is already built into the tax table.

Incorrect distribution (i.e. survivorship property, payable on death accounts and gifts). These are distributed first, before distribution of the residue.

For additional information, please visit the Department's Web site at: *www.revenue.ky.gov*.

Or contact the Financial Tax Section by phone at (502) 564-4810.

FREQUENTLY ASKED QUESTIONS

How long does it take to get the acceptance letter?
If there are no problems with an estate, it takes approximately three to four months for the taxpayer to get the acceptance letter. However, if there are problems or questions on an estate or if a United States Estate (and Generation-Skipping Transfer) Tax Return is filed, it will take longer to certify the estate. If a federal estate tax return is filed, the Kentucky return cannot be certified until a copy of the federal closing letter is received.

Why haven't I received a packet of forms for filing a return?
The Department of Revenue no longer mails out tax packets to taxpayers. If you need a tax packet, please visit the Department of Revenue Web site at *www.revenue.ky.gov* or contact the Financial Tax Section at (502) 564-4810.

Do I need to file a return if no tax is due?
If no inheritance tax is due, the entire estate passes to tax exempt beneficiaries and a federal Form 706 is not required to be filed, an Affidavit of Exemption should be filed with probate court. This will be accepted in lieu of our acceptance letter for final settlement and closing of the administration of an estate. Do not file a copy of the affidavit with DOR. The affidavit in the DOR packet is just a "sample". If the estate has different circumstances, but still no tax is due, change the wording on the affidavit to fit the situation (Example: The estate passes to exempt beneficiaries except for a specific bequest passing to a taxable beneficiary, but is under their exemption amount).

If all assets were held in a trust, do I need to file a return since they pass outside probate?
Even though the assets pass outside probate, they are still taxable assets of the estate. However, if the assets in the trust pass to tax exempt beneficiaries and no federal return is required, then you do not have to file a Kentucky Inheritance and Estate Tax Return.

In order to receive the five percent discount what is considered a timely filed tax return?
The return must be postmarked by the final day of the discount period (nine months from date of death). If the ninth month date falls on a weekend or holiday, the next business day is considered timely.

How are Individual Retirement Accounts (IRA) and annuities taxed?
An IRA is ONLY exempt from taxation if the beneficiary elects to receive payments in equal installments over a minimum 36-month period. If the beneficiary receives the payment in a lump sum or if the beneficiary elects to roll it over, the IRA is fully taxable. Tax on an annuity is based on whether the IRA is a qualified or nonqualified plan under **KRS 140.063**. If the IRA is a qualified plan, Kentucky calculates the tax on value of the decedent's contribution to the plan at the date of death. If the IRA is a nonqualified plan, tax is calculated on the total value of the annuity.

Is there Kentucky Estate Tax?
No. Effective January 1, 2005 Kentucky Estate Tax no longer exists due to changes in the federal law. The credit for state death taxes is a deduction on the federal estate tax return. However, the federal estate tax will return on January 1, 2011, unless Congress acts to extend this tax break.

Do I need to obtain a tax waiver or lien release for an asset that is in the estate?
No. Effective July 1, 1998, the Department of Revenue (DOR) no longer requires a person to obtain prior written consent (i.e. lien release) from the DOR for the transfer of specific property owned by a resident or nonresident decedent. Examples include: real estate, stocks, bonds, cash accounts, trust funds, life insurance, employee retirement accounts and trusts of all types, safety deposit box contents, etc.

SALES and USE TAX

Filing Tips for Paper Returns – To ensure efficient processing of the sales and use tax returns and to reduce erroneous billings, please consider the following filing tips:

- Please use the return mailed by the DOR or a pre-approved form. If you employ a forms provider, ensure that the provider has been approved by the DOR to replicate the DOR sales and use tax return.
- Please use a blue or black pen, or dark pencil, to enter numbers on the return. The numbers should be legible and fully contained within each appropriate box.
- Please do not use slashes through 7s or 0s. Also please fill in the cents boxes on lines you have entered figures on, do not leave them blank or use a slash.
- When submitting payment by check, **do not** include the stub with the check. Also, do not paper clip a check to the return.
- When paying by check, always include the SU Account number and filing period on the memo portion of the check.
- To file a No Activity return, write zero (0) on lines 1, 20, and 23(a) and sign the signature block.

Filing Tips for Online Returns – You may choose to file your sales and use tax return electronically. The electronic option via KY E-Tax is free, fast, accurate, convenient, and reduces postage expenses. You may go to the KY E-Tax logo on the DOR Web site at *www.revenue.ky.gov* to learn more about the electronic filing of sales and use tax returns. The following tips pertain specifically to electronic filers:

- Line one begins with Total Receipts, but does not include sales tax collected.
- Passwords are case sensitive and must be 9-12 characters, containing at least one upper case letter, one lower case letter, one number, and one special character.
- Amended returns may not be filed electronically but can be submitted via fax to (502) 564-2041.
- Please designate a preparer once an administrator of the account is named. Please change the administrator when the administrator leaves the employment of the company by contacting the Division of Sales and Use tax at (502) 564-5170.
- When paying by check for an electronically filed return, include in the memo portion of the check the following information: filed by E-Tax, SU Account Number, and filing period.

Closing a Sales and Use Tax Account – When canceling a sales tax account number or requesting a change to your mailing address, a written request confirming this action is required. The account maintenance form, 51A205, is mailed with every sales and use tax return and may be used for this purpose. You may also write a letter including the sales tax account number and the requested changes.

Please mail the completed account maintenance form or correspondence to the Kentucky Department of Revenue, Division of Sales and Use Tax, 501 High Street, P.O. Box 181, Frankfort, KY 40620-0181, or, you may fax to (502) 564-2041.

Use Tax on Out-of-State Purchases – KRS 139.310 imposes a six percent use tax on purchases from out-of-state retailers of property for use, storage, or other consumption in Kentucky. Examples of items on which use tax must be paid include purchases of clothing, sporting goods, seeds, garden supplies, computer hardware, prewritten computer software, digital products defined in KRS 139.010(8), film processing and photographic equipment, books, CD's, DVD's, electronics, magazine subscriptions, furniture, and artwork.

Purchases subject to Kentucky use tax include items purchased from catalogs, the Internet, television advertisements, home shopping networks, and from any other out-of-state retailer that sells into Kentucky. Use tax also applies to retail purchases made outside Kentucky when the products are then brought immediately into Kentucky for regular use. According to **KRS 139.330**, the purchaser is directly liable for payment of the six percent use tax on the purchase price of these transactions if the tax is not collected by the retailer at the time of purchase.

However, if another state's sales tax is legally due and collected by the retailer at the time of purchase, then the purchaser may claim a credit against the Kentucky six percent use tax liability. This credit does not apply in the case of local option sales tax paid to out-of-state retailers or to the extent that another state sales tax rate exceeds six percent. For example, if another jurisdiction's state tax rate is seven percent and this amount of tax was paid to the retailer, the purchaser may claim credit up to the six percent Kentucky use tax on this purchase to satisfy the liability.

Anyone involved in retail transactions subject to Kentucky use tax should carefully check sales receipts. If sales or use tax has not been paid on these purchases, Kentucky use tax is due and payable.

Taxpayers may report and pay use tax annually on their Kentucky individual income tax return. Compute the Kentucky use tax due by using the worksheet located in the instructions for Forms 740, 740-EZ, and 740-NP. The worksheet contains sections for a description of the property, date of purchase, and purchase price. Use tax may also be reported and paid by individuals on a monthly basis by using Form 51A113 (O), Consumer's Use Tax Return.

Anyone who fails to report and pay applicable use tax is liable for the tax plus interest and penalties. For additional information, contact the Division of Sales and Use Tax Section, (502) 564-5170. The Department of Revenue anticipates an increase in use tax reporting by individuals due to an increase in U.S. retail e-commerce spending by an estimated $66.9 billion in the first half of 2010, up 9.3% from $61.2 billion for the same period one year ago.

Drop Shipment – Drop shipment, otherwise known as a *third party sale*, is a shipment of tangible personal property from a seller directly to the purchaser's customer, at the direction of the purchaser. Generally, a retailer accepts an order from its customer, places a request to fill an order with a third party, usually a manufacturer or wholesale distributor, and directs the third party to ship the goods directly to the end consumer. Drop shipments are treated as two transactions (1) the sale from the seller (manufacturer/wholesaler) to the purchaser (retailer), and (2) the sale from the purchaser (retailer) to the end customer. When all parties are located in Kentucky, the retailer furnishes a resale certificate to the seller (manufacturer/wholesaler). The retailer collects sales tax on the final sale to the end consumer. In cases where the purchaser (retailer) is not located or registered with Kentucky, the nonresident retailer should issue a Kentucky resale certificate, but make a notation on the form that it is a nonresident purchaser not required to register in Kentucky. When a Kentucky customer purchases tangible personal property through a nonresident retailer that does not collect Kentucky tax, the customer is then subject to the use tax in accordance with **KRS 139.310** and **KRS 139.330.**

Streamlined Sales and Use Tax Update – The Streamlined Sales and Use Tax Agreement (SSUTA) is a nationwide effort by 43 states, various local governments, and members of the business community to develop measures to design, test and implement a system that radically simplifies sales and use tax collection and administration by retailers and states. The agreement became effective on Oct. 1, 2005, and currently consists of 24 conforming states and over 1100 registered participating businesses.

Kentucky Retailers that make sales in other states are encouraged to review more information on registering with the SSUTA at *http://www.streamlinedsalestax.org/* to take advantage of the simplified registration, collection and filing system established by the project for retailers involved in cross-border sales. Registration for sales and use tax collection through the national SSUTA site will automatically register a vendor for tax collection in all member states.

Taxpayers who voluntarily register through the Streamlined Sales and Use Tax Web site to remit sales and use tax in Kentucky and other member states are able to electronically file their simplified electronic returns. There is no registration process other than the original registration with the Streamlined Sales and Use Tax site. Also, for more information on Streamlined Sales Tax, please see the article in Legislative Updates in regard to HB 347.

2010 LEGISLATIVE UPDATES

New Vehicle Trade-In Allowance for Motor Vehicle Usage Tax (Effective retroactively to June 26, 2009) – The 2010 Special Session extended the close date for the new vehicle trade-in credit. The trade-in allowance may be utilized September 1, 2009 through June 30, 2011, or until an accumulated total of usage tax credit reaches a $25 million cap. The trade-in allowance is available on a first-come, first-serve basis (HB 2). On Monday, August 16, 2010, the $25 million credit cap was reached and the trade-in credit allowance for new motor vehicles is no longer available.

2009 LEGISLATIVE UPDATES

All Terrain Vehicles (ATVs) (Effective July 1, 2010) – ATVs purchased for use in Kentucky, must be titled at the county clerk's office. The county clerk will collect use tax on all ATVs purchased out of state without payment of Kentucky tax and brought to Kentucky for use prior to the issuance of title (HB 53).

Sales Tax Rebate at Governmental Facility (Effective July 1, 2010) – HB 3 established **KRS 139.533** to allow a government entity that operates a public facility that seats between 500 and 8,000 persons located in a county with a population of less than 100,000 people, to receive up to 100 percent rebate of sales tax generated by the sale of admissions and the sale of tangible personal property at the public facility. The rebate may not exceed $250,000 in any calendar year. Forms have been developed specifically for these targeted rebates.

Streamlined Sales and Use Tax Conforming Legislation (Effective July 1, 2009) – Digital Products and Digital Equivalents Digital product definitions were adopted to preserve the treatment of digital equivalents previously treated as electronically delivered tangible personal property. Kentucky has taxed digital equivalents under the category of tangible personal property since July 1, 2004.

Section 333 of the Streamlined Sales and Use Tax Agreement (SSUTA) prohibits member states from taxing digital equivalents under the tangible personal property definition as of January 1, 2010.

Categories of digital property include digital audio works, digital books, finished artwork, digital photographs, periodicals, newspapers, magazines, video greeting cards, audio greeting cards, video games, electronic games, and digital code related to this property.

As of July 1, 2009 the retail sale of digital property accessed or obtained (transferred electronically) by the purchaser is subject to the six percent sales and use tax (HB 347).

Durable Medical Equipment (DME) – Creates an exemption for durable medical equipment (DME) for which a prescription is issued including hospital beds purchased by private individuals with a prescription. The SSUTA requires the taxation or exemption of all items within a defined product category unless otherwise allowed within the Agreement (Section 327) (HB 347).

Charitable Auction – Confirms and re-applies the legislative changes in HB 704 from the 2008 session**.** It also amends the definition of retailer in **KRS 139.010** to exclude a person making sales at a charitable auction (HB 216).

Vendor's Compensation Cap – Amends **KRS 139.570** with a retroactive clause to affirm and ensure that the $1,500 cap for sales tax vendor compensation applies retroactively to past periods (7/1/03 - 6/30/04 and 7/1/05 - 6/30/08) previously covered under budget bill provisions.

Preserves the vendor compensation cap that began July 1, 2003 and was codified by HB 538 during the 2008 session (HB 429).

Sales Tax Applied to Packaged Liquor Sales (Effective April 1, 2009) – Removed the sales and use tax exemption per **KRS 139.470(23)** for the sale of packaged liquor not consumed on the premises licensed for the sale of these products (HB 144).

Kentucky Enterprise Initiative Act – An amendment to the Kentucky Enterprise Initiative Act, **KRS 154.31**, provides for the inclusion of expenditures for electronic processing equipment under the existing $5 million research and development cap. To claim the electronic processing equipment incentive, at least $50,000 of the approved economic development project must be electronic processing equipment. The amendment also increases the project term for up to 7 years, per **KRS 154.31–010(12).**

Sales Tax Incentive for Communications or Computer Systems Purchases – KRS 139.534 was created to provide for 100 percent refund of sales tax paid on qualifying purchases. To qualify, a company must spend $100,000,000 or more, must install the system at a single location within 18 months of the purchase, must use equipment for the purpose listed, and must use the equipment for the full period of depreciation. Forms will be developed for this specifically targeted refund. The statute became effective June 26, 2009.

CIGARETTES

Excise Tax Rate Increase for Cigarettes, OTP and Snuff (Effective date April 1, 2009) – Increased tax rates to $0.60 a pack for cigarettes, 15 percent of wholesale gross receipts on OTP, and $0.19 on each unit of snuff.

Established an inventory floor stock tax to properly address affected products held for sale at the time of the rate increases. Forms were distributed to those entities that are required to file and pay the floor stocks tax on cigarettes, OTP and snuff. The floor stock return due dates were as follows: April 10, 2009, May 10, 2009, and June 10, 2009 (HB 144).

Confirms and re-applies the legislative changes in HB 704 from the 2008 session – Amends 138.195(10) to clarify requirements for monthly cigarette manufacturer reports (HB 216).

MSA Retail Compliance (Effective July 1, 2009) – Requires the confiscation of non-approved, Non-Participating Manufacturers (NPM) cigarette brands at

retail 60 days after being removed from the approved directory list.

Requires stamping agents and distributors to notify retail customers of removal notices within seven days of receipt.

Requires stamping agents and distributors to provide DOR with the list of retail customers to whom the removal notices were sent.

Prohibits stamping agents and distributors from buying cigarettes from a NPM the day after the Attorney General posts a notice in the directory of intent to remove (SB 48).

MISCELLANEOUS

Internet Protocol Television (IPT) (Effective July 1, 2009) – Amends the definition of *multichannel video programming service* to include IPT and exclude IPT from the definition of *communications services*.

Amends **KRS 136.602** to specifically include IPT as multichannel video programming service subject to the Telecommunications Tax. Amends **KRS 160.614** to specifically impose the Utility Gross Receipts License Tax (UGRLT) on IPT if the school district imposes tax on cable services and direct satellite broadcast and wireless cable service.

Preserves the base of the UGRLT and Telecommunications Tax when this technology moves into the Commonwealth (HB 236).

Confirms and re-applies the legislative changes in HB 704 from the 2008 session - Maintains the interest provisions in **KRS 131.183** on assessments and refunds in place since May 1, 2008.

Clarifies the refund and penalty provisions in **KRS 160.6156** and **KRS 160.6157** for Utility Gross Receipts and License Tax (UGRLT).

Amends **KRS 136.392** to confirm in statute the allowance of state insurance premium surcharge exemptions previously provided on the basis of court rulings (HB 216).

MOTOR FUELS TAX

Average Wholesale Price – Set in statute a new minimum average wholesale price (AWP) of $1.786 per gallon in the calculation of the Motor Fuels Tax rates for the quarter beginning April 1, 2009 forward.

This measure prevented an estimated $30 million road fund loss in FY09 and additional losses exceeding $100 million in FY10.

The Motor Fuels Tax Section implemented the provisions of the bill upon the Governor's signature with a quarterly notification of the AWP to all licensed motor fuels dealers in March (HB 374).

MOTOR VEHICLE USAGE TAX

Titling of ATVs – Requires titling of ATVs effective July 1, 2010 (HB 53).

Low Speed Electric Vehicles Motor Vehicle Usage Tax (Effective June 25, 2009) – Defines low-speed vehicles as electric powered with four wheels and a top speed of 25 miles per hour and an alternative-speed motorcycle as electric powered with three wheels, a door of entry, and top speed of 40 miles per hour.

Requires that low-speed electric vehicles that are used on the public highways be registered and licensed.

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2011 PROPERTY VALUATION CALENDAR

DUE DATE	REVENUE FORM #	FORM
01/31/2011	62A600 62A601 62A601-S2	Savings & Loan Tax Return (Includes savings banks, agricultural credit associations, bank for cooperatives, and foreign savings & loans) Schedule B Computation of Exempt Securities
01/31/2011	61A508	Distilled Spirits in Bonded Warehouses Tax Return
03/01/2011	62A850	Bank Deposit Tax Return
03/15/2011	73A801	State Bank Franchise Tax Return
03/15/2011	73A802	Application for 90 Day Extension of Time to File Bank Franchise Tax Return
04/01/2011	62A329	Domestic Life Insurance Companies
04/15/2011	62A200	Unmined Coal Property Tax Information Return
04/15/2011	62A384-O	Oil Property Tax Return Lease Report
04/15/2011	62A384-C	Clay Property Tax Return
04/15/2011	62A384-G	Natural Gas Property Tax Return
04/15/2011	62A384-L	Limestone, Sand and Gravel Property Tax Return
04/30/2011	61A200	Public Service Company Tax Return (Extensions available until 5/30 upon written request)
04/30/2011	61A200	Electric Plant Board Tax Return
04/30/2011	61A202	Railroad CarLine Tax Return

DUE DATE	REVENUE FORM #	FORM
05/01/2011	61A206	Commercial Air Passenger & Air Freight Carriers
05/16/2011	61A207	Commercial Watercraft Property Tax Return
05/16/2011	61A500	Personal Property Tax Return for Communications Service Providers and Multi-Channel Video Programming Service Providers
05/16/2011	62A500	Tangible Personal Property Tax Return
05/16/2011	62A500-A	Tangible Personal Property Tax Return (Noncommercial Aircraft Owners)
05/16/2011	62A500-C	Consignee Tangible Personal Property Tax Return
05/16/2011	62A500-L	Lessee Tangible Personal Property Tax Return
05/16/2011	62A500-W	Tangible Personal Property Tax Return (Non-Ky Registered Watercraft Owners)
08/15/2011	62A863	Financial Institutions Local Deposits Summary Report for Local Franchise Tax
08/15/2011	62A863-A	Summary of Net Deposits

WHERE to FILE RETURNS

Revenue Form 62A500, **Revenue Form 62A500A, Revenue Form 62A500C, Revenue Form 62A500L, and Revenue Form 62A500W** are filed with the Property Valuation Administrator in the county of situs or with the Office of Property Valuation, State Valuation Branch, 501 High Street, Station 32, Frankfort, KY 40620. PVA addresses are listed in the instructions for the tangible return.

Revenue Forms 62A024, 62A200, 62A384, 62A384C, 62A384G, & 62A384L are filed with the Office of Property Valuation, Minerals Taxation & GIS Services Branch, Station # 33, 501 High Street, Fourth Floor, Frankfort, KY 40620. Telephone (502) 564-8334, Fax (502) 564-5977.

Revenue Forms 73A801 and 73A802 are filed with the Department of Revenue, Miscellaneous Tax Branch, P.O. Box 1303, Frankfort, KY 40602. Overnight mail should be addressed to Department of Revenue, 1266 Louisville Road, Frankfort, KY 40601. Telephone (502) 564-2198, Fax (502) 564-3393.

All others are filed with the Department of Property Valuation, State Valuation Branch, Station # 32, 501 High Street, Frankfort, KY 40620. Telephone (502) 564-5807, Fax (502) 564-8192.

FORMS AVAILABILITY

Tangible personal property forms and instructions are available from the Department of Revenue, Taxpayer Service Centers, Property Valuation Administrator (PVA) offices, and via the Internet at *www.revenue.ky.gov*.

The Tangible Personal Property Tax Return packet contains the telephone number and address of each PVA office. Questions regarding the situs of property should be directed to PVA's. General questions regarding personal or public utility property tax returns should be directed to the following telephone numbers:

IMPORTANT NUMBERS

Local Franchise Tax on Deposits.....502-564-7099
Tangible Property.....502-564-2557
Public Service (Telecom, Cable, & Satellite TV Providers).....502-564-8175
Motor Vehicles and Boats.....502-564-8180
State Bank Franchise Tax.....502-564-2198

LEGISLATIVE UPDATE – PROPERTY TAXES

Sale of Delinquent Real Property Tax Bills (HB 262 effective January 1, 2010, HB 298 effective April 7, 2010) – Per 103 KAR 5:180 and 103 KAR 5:190. The sale of delinquent real property tax bills has been transferred from the sheriff's office to the county clerk's office. County attorneys must send out notices informing delinquent taxpayers of their liability and that their bill is subject to being purchased by a third party. Specific procedures have been established to ensure fairness for all participating third party purchasers that the county clerks will follow when advertising and conducting the tax sale. New requirements have been mandated for third party purchasers with regard to registering with both the Department of Revenue and each county clerk's office. Third party purchasers must also provide more detailed information in the notices sent to the delinquent taxpayers.

TANGIBLE PERSONAL PROPERTY TAX COMMON FILING MISTAKES

Some of the most common mistakes and omissions made by taxpayers when filing the tangible property tax return are:

1. Property is mistakenly placed on **Schedule B** when such property should have been listed on **Schedule A. Schedule A** property are fixed assets that are used in a trade or business that are not directly utilized in the manufacturing process.

   In addition to the obvious **Schedule A** items such as office furniture and fixtures, all assets used for storage, maintenance or shipping & receiving should also be listed on **Schedule A.**

2. Failure to capitalize all costs into the original cost for personal property reporting. For example: Freight, Installation costs and sales and use taxes.

3. Property is listed in the wrong economic life classification on **Schedule A** or **B.** (See suggested classifications contained in the property tax return.

4. Inventory is often misclassified for tangible property tax purposes. For example: Inventory in transit leaving the state within 6 months receives special treatment.

5. Taxpayers sometimes inadvertently fail to carry numbers from supporting schedules to the front page of the return.

6. Reductions in the basis of assets which are taken due to **Internal Revenue Code Section 179** deduction and Investment Tax Credits are not included in the reported original cost.

7. Failure to capitalize major repair costs and rebuilds.

8. Failure to list purchases of used assets as being Age 1 on the assessment date following the year of purchase.

9. Failure to list fully depreciated assets which are still in service.

10. Assets expensed through the cost of goods sold are not reported on the tangible return.

11. Recording assets as real estate when such assets are personal property.

12. Failure to include property location, including street, city and county.

13. Failure to list materials, supplies, and spare parts on **Schedule C.**

14. Recycling Machinery and Equipment property is listed in error on Schedule A or B. These items should be recapped on the sample worksheet and reported on line 90.

EXPENSED ASSETS

Properties included in this group are materials and supplies, reference materials, precious metals (gold, silver, and platinum), coin, stamp and art collections, many tools, reusable containers (coops, barrels, drums, cylinders, bottles, etc.). They are subject to taxation at the full state rate of 45¢ per $100 of assessed value and full local rates. These properties are to be listed on Schedule C.

All expensed assets which are actually on hand on the assessment date are to be assessed at fair market value. The Office of Property Valuation will furnish the January 1 market value of precious metals measured in ounces and kilograms upon request.

MATERIALS and SUPPLIES

A common type of property which is often misclassified and generally unreported by taxpayers is materials and supplies. The term materials and supplies covers a number of items that are not subject to resale by the taxpayer, but which render service to and are necessary in the normal operation of a business. Materials and supplies are not embodied in or delivered with the final product. They include office and professional supplies, replacement parts, clothing, lubricating oils, mail and shipping supplies, selling and advertising supplies, janitorial and cleaning supplies, fuel and other consumable items.

REVENUE FORM 62A500(L)

Revenue Form 62A500(L) is to be completed by all taxpayers that lease (i.e. the lessee) tangible personal property not reported by that taxpayer on the **Tangible Personal Property Tax Return (Revenue Form 62A500).** Many entities are not required to file a Tangible Personal Tax Return since they are exempt from property taxation; however, such entities have the responsibility of reporting any leased property to the Property Valuation Administrator in the county of situs or Department of Revenue.

INDIVIDUAL INCOME TAX QUICK REFERENCE GUIDE

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KENTUCKY TAXPAYER SERVICE CENTERS

The Kentucky Department of Revenue has ten (10) taxpayer service centers conveniently located throughout Kentucky. The service centers can assist taxpayers with Individual Income issues, return preparation and electronic filing. In addition, taxpayers may also pick up forms, receive assistance with business registrations and help with other tax types, such as sales, corporation, withholding, etc. All of the service center locations, with addresses, phone and fax numbers are listed below:

Ashland
134 Sixteenth Street
Ashland, KY 41101-7670
Phone: (606) 920-2037
Fax: (606) 920-2039

Bowling Green
201 West Professional Park Court
Bowling Green, KY 42104-3278
Phone: (270) 746-7470
Fax: (270) 746-7847

Central Kentucky
501 High Street
Frankfort, KY 40620
Phone: (502) 564-4581
Fax: (502) 564-8946

Corbin
15100 North US 25E, Suite 2
Corbin, KY 40701-6188
Phone: (606) 528-3322
Fax: (606) 523-1972

Hopkinsville
181 Hammond Drive
Hopkinsville, KY 42240-7926
Phone: (270) 889-6521
Fax: (270) 889-6563

Louisville
600 West Cedar Street
Second Floor W
Louisville, KY 40202-2446
Phone: (502) 595-4512
Fax: (502) 595-4205

Northern Kentucky
Turfway Ridge Office Park
7310 Turfway Road, Suite 190
Florence, KY 41042-4871
Phone: (859) 371-9049
Fax: (859) 371-9154

Owensboro
401 Frederica St.
Building C, Suite 201
Owensboro, KY 42301
Phone: (270) 687-7301
Fax: (270) 687-7244

Paducah
Clark Business Complex, Suite G
2928 Park Avenue
Paducah, KY 42001-0734
Phone: (270) 575-7148
Fax: (270) 575-7027

Pikeville
Uniplex Center, Suite 203
126 Trivette Drive
Pikeville, KY 41501-1275
Phone: (606) 433-7675
Fax: (606) 433-7679

Useful Phone Numbers

ARTIS Refund Line	502-564-1600
Individual Income Tax	502-564-4581
Forms	502-564-3658
Sales and Use Tax	502-564-5170
Collections	502-564-4921
Corporation Income Tax	502-564-8139
Inheritance Tax	502-564-4810
Motor Fuels	502-564-3853
Miscellaneous Tax	502-564-6823
Withholding Tax	502-564-7287
Property Tax	502-564-8338
Registering a Business	502-564-3306
Special Investigations	502-564-4470

Kentucky IRS Office Locations

City	Street Address	Days/Hours of Service	Telephone*
Bowling Green	200 West Professional Park Court Bowling Green, KY 42104	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 11:30 a.m.-12:30 p.m.)	(270) 782-7667
Hopkinsville	121 W. Tenth Street Hopkinsville, KY 42240	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 11:30 a.m.-12:30 p.m.)	(270) 886-6625
Lexington	1500 Leestown Rd. Lexington, KY 40511	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch Noon-1:00 p.m.)	(859) 244-2400
Louisville	600 Dr. Martin Luther King, Jr. Place Louisville, KY 40202	MON-FRI 8:30 a.m.-4:30 p.m.	(502) 582-6700
Owensboro	401 Frederica Street Owensboro, KY 42301	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 11:30 a.m.-12:30 p.m.)	(270) 852-8490
Paducah	2765 Wayne Sullivan Dr. Paducah, KY 42003	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 11:30 a.m.-12:30 p.m.)	(270) 443-1977
Prestonsburg	311 N. Arnold Ave. Prestonsburg, KY 41653	MON-FRI 8:30 a.m.-4:30 p.m. (Closed for lunch 12:00 p.m.-1:00 p.m.)	(606) 886-3539

For Northern Kentucky Preparers

City	Street Address	Days/Hours of Service	Telephone*
Cincinnati, Ohio	550 Main Street Cincinnati, OH 45202	MON-FRI 8:30 a.m. – 4:30 p.m.	(513) 263-3333

INTERNAL REVENUE CODE REFERENCE DATES

Kentucky Taxable Year	*Internal Revenue Code in Effect*
Prior to 1/1/1986	12/31/1981
Beginning After 12/31/1985	12/31/1985
Beginning After 12/31/1989	12/31/1989
Beginning After 12/31/1991	12/31/1991
Beginning After 12/31/1993	12/31/1993
Beginning After 12/31/1995	12/31/1995
Beginning After12/31/1996	12/31/1997
Beginning After 12/31/1999	12/31/1999
Beginning On or After 1/1/2002	12/31/2001
Beginning On or After 1/1/2005	12/31/2004
Beginning On or After 1/1/2007	12/31/2006

2010 W-2 Quick Reference Instructions & Codes

The following is a quick reference listing of instructions and box codes for the 2010 W-2 form. For more detailed information, refer to the IRS Web site at www.IRS.gov.

2010 W-2 Box Descriptions	
Box 1	Wages, Tips, Other Compensation
Box 2	Federal Income Tax Withheld
Box 3	Social Security Wages
Box 4	Social Security Tax Withheld
Box 5	Medicare Wages and Tips
Box 6	Medicare Tax Withheld
Box 7	Social Security Tips
Box 8	Allocated Tips
Box 9	Advance EIC Payment
Box 10	Dependent Care Benefits
Box 11	Nonqualified Plans
Box 12	Codes (see chart below)
Box 13	Checkboxes
Box 14	Other
Boxes 15 - 20	State and Local Income Tax Information

Form W-2 Reference Guide for Box 12 Codes					
A	Uncollected social security or RRTA tax on tips	J	Nontaxable sick pay	S	Employee salary reduction contributions under a section 408(p) SIMPLE
B	Uncollected Medicare Tax on tips	K	20% excise tax on excess golden parachute payments	T	Adoption benefits
C	Taxable cost of group-term life insurance over $50,000	L	Substantiated employee business expense reimbursements (federal rate)	V	Income from exercise of nonstatutory stock option(s)
D	Elective deferrals under a section 401(k) cash or deferred arrangement (including a SIMPLE 401(k) arrangement)	M	Uncollected social security or RRTA tax on taxable cost of group-term life (for former employees)	W	Employer contributions (including employee contributions through a cafeteria plan) to an employee's Health Savings Account (HSA)
E	Elective deferrals under a section 403(b) salary reduction agreement	N	Uncollected Medicare tax on taxable cost of group-term life insurance over $50,000 (for former employees)	Y	Deferrals under a section 409A nonqualified deferred compensation plan
F	Elective deferrals under a section 408(k)(6) salary reduction SEP	P	Excludable moving expense reimbursements paid directly to employee	Z	Income under section 409A on a nonqualified deferred compensation plan
G	Elective deferrals and employer contributions (including nonelective deferrals) under a section 457(b) deferred	Q	Nontaxable combat pay	AA	Designated Roth contributions under a section 401(k) plan
H	Elective deferrals under a section 501(c)(18)(D) tax-exempt organization plan	R	Employer contributions to an Archer MSA	BB	Designated Roth contributions under a section 403(b) plan

Standard Mileage Rates

Applicable Period	Rates in Cents Per Mile		
	Business	Charitable Contribution	Medical & Moving
2010	50	14	16.5
2009	55	14	24
July 1 - December 31, 2008	58.5	14	27
January 1 - June 30, 2008	50.5	14	19
2007	48.5	14	20
2006	44.5	General: 14 Hurricane Katrina deduction: 32 Hurricane Katrina reimbursement: 44.5	18
September 1 - December 31, 2005	48.5	General: 14 Hurricane Katrina deduction: 34 Hurricane Katrina reimbursement: 48.5	22
August 25 - 31, 2005	40.5	General: 14 Hurricane Katrina deduction: 29 Hurricane Katrina reimbursement: 40.5	15
January 1 - August 24, 2005	40.5	14	15
2004	37.5	14	14
2003	36	14	12
2002	36.5	14	13

State Taxing Agencies

Alabama Dept. of Revenue
www.ador.state.al.us
(334)242-1170

Alaska Dept. of Revenue
www.revenue.state.ak.us
(907)465-2344

Arizona Dept. of Revenue
www.azdor.gov
(602)255-3381

Arkansas Dept. of F & A
www.arkansas.gov/dfa
(501)682-1100

California Franchise Tax Board
www.ftb.ca.gov
(800)852-5711 or (916)845-6500

California State Board of Equalization
www.boe.ca.gov
(800)400-7115

Colorado Dept. of Revenue
www.revenue.state.co.us
(303)238-SERV

Connecticut Dept. of Revenue Services
www.ct.gov/drs
(860)297-5962

Delaware Division of Revenue
www.state.de.us/revenue/
(302)577-8205

Illinois Dept. of Revenue
www.revenue.state.il.us
(800)732-8866 or (217)782-3336

Indiana Dept. of Revenue
www.in.gov/dor
(317)232-2240

Iowa Dept. of Revenue
www.state.ia.us/tax
(512)281-3114 or (800)367-3388

Kansas Dept. of Revenue
www.ksrevenue.org
(785)368-8222

Kentucky Dept. of Revenue
www.revenue.ky.gov
(502)564-4581

Louisiana Dept. of Revenue
www.rev.state.la.us
(255)219-0102

Maine Revenue Services
www.state.me.us/revenue/
(207)287-2076

Maryland Taxpayer Registration Assistance Center
www.comp.state.md.us/
(410)767-1300 or (800)492-1751

Massachusetts D. O. R.
www.magnet.state.ma.us/dor/
(617)887-6770

Nebraska Dept. of Revenue
www.revenue.ne.gov
(800)742-7474 or (402)471-5729

Nevada Dept. of Taxation
www.tax.state.nv.us
(775)684-2000

New Hampshire D.O.R. Admins.
www.state.nh.us/revenue/
(603)271-2191

New Jersey Division of Taxation
www.state.nj.us/treasury/taxation/
(609)292-5185

New Mexico Taxation & Revenue
www.tax.state.nm.us
(505)827-0822

N.Y. State Dept. Taxation & Finance
www.tax.state.ny.us/
(800)225-5829

N. Carolina Dept. of Revenue
www.dor.state.nc.us
(877)252-4052

N. Dakota Office of St. Tax Commissioner
www.nd.gov/tax
(701)328-3450 or (701)328-2770

Ohio Dept. of Taxation
www.tax.ohio.gov
(800)282-1780

State Taxing Agencies, *continued*

D.C. Office of Tax & Revenue www.otr.cfo.dc.gov/otr (202)727-4TAX	**Michigan Department of Treasury** www.michigan.gov/taxes (800)827-4000	**Oklahoma Tax Commission** www.tax.ok.gov (405)521-3160
Florida Dept. of Revenue www.myflorida.com/dor/ (800)352-3671	**Minnesota Dept. of Revenue** www.taxes.state.mn.us (651)296-3781	**Oregon Dept. of Revenue** www.oregon.gov/dor (503)378-4988
Georgia Dept. of Revenue www.etax.dor.ga.gov (404)417-4477 or (877)602-8477	**Mississippi State Tax Commission** www.mstc.state.ms.us (601)923-7089	**Pennsylvania Dept. of Revenue** www.revenue.state.pa.us/ (717)787-1064 or (888)PA-TAXES
Hawaii Dept. of Taxation www.state.hi.us/tax (808)587-4242 or (800)222-3229	**Missouri Dept. of Revenue** www.dor.mo.gov (573)751-3505	**Rhode Island Division of Taxation** www.tax.state.ri.us (401)222-1040
Idaho State Tax Commission www.tax.idaho.gov (208)334-7660 or (800)972-7660	**Montana Dept. of Revenue** www.mt.gov/revenue (406)444-6900	**S. Carolina Dept. of Revenue** www.sctax.org (843)898-5709
S. Dakota D. O. R. & Regulation www.state.sd.us/drr2/ (800)TAX-9188	**Vermont Dept. of Taxes** www.state.vt.us/tax/ (802)828-2551	**Wisconsin Dept. of Revenue** www.revenue.wi.gov (608)266-2486
Tennessee Dept. of Revenue www.tennessee.gov/revenue (615)253-0600	**Virginia Dept. of Taxation** www.tax.virginia.gov (804)367-8031	**Wyoming Dept. of Revenue** http://revenue.state.wy.us/PortalVBVS/ (307)777-7961
Texas Comptroller of Public Accounts www.cpa.state.tx.us/ (877)662-8375	**Washington State Dept. of Revenue** www.dor.wa.gov (800)647-7706	**Puerto Rico Dept. of Revenue** www.hacienda.gobierno.pr (787)723-7085
Utah State Tax Commission www.tax.utah.gov (801)297-6358 or (800)662-4335	**West Virginia Dept. of Revenue** www.wvrevenue.gov (304)558-0211	

KENTUCKY DEPARTMENT of REVENUE WEB SITE

http://www.revenue.ky.gov

The Department of Revenue Web site is updated on a regular basis. Some of the vital information that can be found includes:

- **Tax Forms (for current tax year and also prior years)**
- **Information on Various Tax Types including:**
  - **Individual Income Tax**
  - **Withholding Tax**
  - **Corporate Income Tax**
  - **Pass-Through Entity Tax**
  - **Sales Tax**
  - **Property Tax**
- **Electronic Filing Options**
- **Electronic Payment Options**
- **Current Interest Rates**
- **Business Registration**
- **Hot Topics Information**
- **Live Chat Help**
- **Answers to Frequently Asked Questions**
- **Kentucky Tax Laws and Regulations**

**** For more information on recent announcements, updates and changes in legislation from both the IRS and the Kentucky Department of Revenue, please visit the Hot Topics page on our Web site. ****

When responding via Web site:

For confidentiality reasons, please do not include your Social Security Number in a Live Chat or Web response.

REQUESTING COPIES of RETURNS

Requests for copies of returns must be in writing. Please mail or fax the request to:

Taxpayer Assistance
P. O. Box 181, Station #56
Frankfort, KY 40602
(502)564-4581
Fax: (502)564-3392

Please also ensure the following are included with the request:

- ✓ Tax year(s) requested *(Please note that returns are generally kept on file for five years. Older returns may be available in summary format.)*
- ✓ Name and Social Security Number
- ✓ Current mailing address
- ✓ Copy of Photo ID (if return was electronically filed)
- ✓ Signature (if return was filed on paper)
- ✓ Daytime phone #

Copies may be faxed to you; however, please notate on the request to have the copies faxed to you and that the Department of Revenue has your permission to fax them.
Copies may be faxed to others at the taxpayers request (i.e., CPA, Attorney), just include the Power of Attorney form or the Attorney's or C.P.A. company letterhead and ensure the request is signed by the taxpayer and the approved representative.

Processing Time for Requests:

Paper returns: 7 – 10 business days
Electronic Filed returns: 2 – 5 business days

INJURED SPOUSE

Kentucky does not recognize the federal injured spouse form. Kentucky law requires the offset of the entire refund if a joint return is filed. If spouses want to keep their tax liabilities and/or refunds separate, each must file a separate tax form. Doing so will prevent the individual refund from being offset to the spouses liabilities. If one chooses to file separately on a combined return {for agencies other than Revenue}, the refund will be apportioned between the spouses based on each spouse's income. The portion of the refund attributed to the spouse who has the liability, will be offset to that liability. The remainder of the refund will be mailed to the other spouse.

As the tax preparer, please note that you are not required to file a joint Kentucky Return if the Federal Return is filed jointly. Filing your clients return using Filing Status #4: (Married filing separate), results in a faster refund for your client.

Note: Kentucky recognizes Injured Spouse relief for Child Support claims **ONLY**.

INNOCENT SPOUSE

When filing jointly on a return both taxpayers are jointly and individually responsible for the tax and any interest or penalty due on the joint return even if they later divorce. Innocent Spouse relief from this liability is considered through our Department of Collections. They can be reached at:

Division of Collections
501 High Street
Frankfort, KY 40602
(502)564-4921

HOMESTEAD EXEMPTION

Individual Income Taxpayer Assistance fielded many questions regarding the Homestead Exemption this past tax season. A brief explanation of the exemption is listed below, however, for further clarification or additional information; please contact our Property Tax Division at (502)564-5807, or your local PVA Office.

The Homestead Exemption (based on age or disability status) allows taxpayers who are at least 65 years of age or who are totally disabled to receive an exemption. The following requirements must be met in order to claim the homestead exemption:

- The taxpayer must both own and maintain the property as his or her personal residence
- as of January 1st;
- The taxpayer must have been classified as totally disabled under a program authorized
- or administered by an agency of the United States Government, or any retirement
- system either within or outside the state of Kentucky on January 1st for the year in
- which the application is made and maintain the disability classification through
- December 31st;
- The taxpayer must be receiving disability payments pursuant to that disability
- Classification

An application for the disability exemption must be made on an annual basis.

KENTUCKY EDUCATIONAL EXCELLENCE SCHOLARSHIP (KEES)

During the months of June & July, Kentucky Higher Education sends out letters advising students of the amount of KEES money they have to use toward tuition.

In the letter they state that the taxpayer may be eligible for a tax credit and list Taxpayer Assistance's phone number – 564-4581.

The taxpayer will not get any type of credit for the KEES money, but may be able to take a credit for the balance of tuition, fees, etc. that they pay out of pocket.

When the taxpayer files next year's tax return, they will need to complete the Kentucky form 8863-K in order to determine if they qualify for a Kentucky education tuition tax credit.

REPAYMENTS

Return of Income

A taxpayer may have to return income that he or she was not entitled to (such as Social Security payments or unemployment compensation). If the mistake is found in the same year and the taxpayer repays it in the same year, the amount repaid is simply not entered on any form.

Federal Treatment

(Please see Publication 525 for more information.)

Under Code Section 1341, if the money is repaid in a later year, and it is **$3,000 or less**, the taxpayer has to deduct the repayment amount as a Job Expense and Most Other Miscellaneous Deductions on Schedule A. There is no way to recover the tax benefit on amounts of $3000 or less if the taxpayer does not itemize.

If the amount repaid in a later year is **greater than $3,000**, and the taxpayer can establish a claim of right (i.e., he or she appeared to have a right to the money), the taxpayer has a choice:

1) Claim the money repaid as Other Miscellaneous Deductions, not subject to the 2% limitation; **or**
2) Claim a tax credit for the difference caused by the added income in the previous year's taxes.

Kentucky Treatment

If the money repaid in a later year is **$3,000 or less**, same as federal.

If the amount repaid in a later year is **greater than $3,000**, it may be claimed as follows on the Kentucky return:

1) Compute the tax on the current year return with a subtraction of income that was repaid, listing the amount repaid as Other Subtraction on Schedule M, if not already subtracted in the Federal AGI; **or**
2) Recalculate the tax for the prior year without including the income you repaid in the current year and claim a credit for the difference. If this option is chosen, the taxpayer would list the credit on the estimated tax payment line, write Section 1341 credit or "Claim of Right" beside the entry and attach a schedule to the return showing how the credit was computed.

TAX INTEREST RATES

Year	Rate
2011	???
2010	5%
2009	7%
2008	8%
2007	8%
2006	7%
2005	5%
2004	4%
2003	5%
2002	6%
2001	10%
2000	8%
1999	8%
1998	9%
1997	8%
1996	9%
1995	8%

2010 Tax Interest Rate

The Commissioner of the Department of Revenue is required by law to set the tax interest rate by Nov. 15 for the following calendar year.

All taxes payable to the commonwealth that have not been paid at the time prescribed by statute shall accrue interest at the base rate plus two percent; when interest is paid on a refund, it shall be paid at the base rate minus two percent.

Pursuant to **KRS 131.183**, the 2010 tax interest rate has been set at 3 percent .The rate charged by the Kentucky Department of Revenue on unpaid taxes is 5 percent. When interest is due on a refund, the rate shall be 1 percent.

This rate, effective Jan. 1, 2010, is based on the prime interest rate charged by Kentucky banks during the month of October 2009. A recent survey of Kentucky banks revealed that the average prime interest rate in October was 3.2 percent. Pursuant to **KRS 131.183(1)(c)**, the average prime rate is rounded to the nearest whole percent which is 3 percent.

*(**Note**: The interest rate for 2011 was not yet determined prior to our deadline for publication of this material.)*

FAMILY SIZE TAX CREDIT

Family Size	One		Two		Three		Four or More		Credit Percentage is
If MGI . . .	is over	is not over	is over	is not over	is over	is not over	is over	is not over	
2010	$ ---	$ 10,830	$ ---	$14,570	$ ---	$18,310	$ ---	$22,050	100
	10,830	11,263	14,570	15,153	18,310	19,042	22,050	22,932	90
	11,263	11,696	15,153	15,736	19,042	19,775	22,932	23,814	80
	11,696	12,130	15,736	16,318	19,775	20,507	23,814	24,696	70
	12,130	12,563	16,318	16,901	20,507	21,240	24,696	25,578	60
	12,563	12,996	16,901	17,484	21,240	21,972	25,578	26,460	50
	12,996	13,429	17,484	18,067	21,972	22,704	26,460	27,342	40
	13,429	13,754	18,067	18,504	22,704	23,254	27,342	28,004	30
	13,754	14,079	18,504	18,941	23,254	23,803	28,004	28,665	20
	14,079	14,404	18,941	19,378	23,803	24,352	28,665	29,327	10
	14,404	---	19,378	---	24,352	---	29,327	---	0

1099–MISC ISSUED by the COMMONWEALTH of KENTUCKY

The 1099–Miscellaneous form issued by the Commonwealth of Kentucky Division of Accounting Services is not generated by the Department of Revenue. You may contact them directly with any questions at:

The Division of Accounting Services
702 Capitol Avenue
Room 484
Frankfort, KY 40601
(502) 564-7750

DRAFT 7/06/10

TAX TABLE—2010 KENTUCKY INDIVIDUAL INCOME TAX

Read down the taxable income columns below until you find the bracket for the Taxable Income entered on Form 740-EZ, Line 3; Form 740, Line 11; or Form 740-NP, Line 13. Enter the tax on Form 740-EZ, Line 4; Form 740, Line 12, Column A and/or B; or Form 740-NP, Line 14.

If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax
$ 0	$ 100	$ 1	$ 6,500	$ 6,600	$208	$13,000	$13,100	$573	$19,500	$19,600	$ 950
100	200	3	6,600	6,700	213	13,100	13,200	579	19,600	19,700	956
200	300	5	6,700	6,800	218	13,200	13,300	585	19,700	19,800	962
300	400	7	6,800	6,900	223	13,300	13,400	590	19,800	19,900	967
400	500	9	6,900	7,000	228	13,400	13,500	596	19,900	20,000	973
500	600	11	7,000	7,100	233	13,500	13,600	602	20,000	20,100	979
600	700	13	7,100	7,200	238	13,600	13,700	608	20,100	20,200	985
700	800	15	7,200	7,300	243	13,700	13,800	614	20,200	20,300	991
800	900	17	7,300	7,400	248	13,800	13,900	619	20,300	20,400	996
900	1,000	19	7,400	7,500	253	13,900	14,000	625	20,400	20,500	1,002
1,000	1,100	21	7,500	7,600	258	14,000	14,100	631	20,500	20,600	1,008
1,100	1,200	23	7,600	7,700	263	14,100	14,200	637	20,600	20,700	1,014
1,200	1,300	25	7,700	7,800	268	14,200	14,300	643	20,700	20,800	1,020
1,300	1,400	27	7,800	7,900	273	14,300	14,400	648	20,800	20,900	1,025
1,400	1,500	29	7,900	8,000	278	14,400	14,500	654	20,900	21,000	1,031
1,500	1,600	31	8,000	8,100	283	14,500	14,600	660	21,000	21,100	1,037
1,600	1,700	33	8,100	8,200	289	14,600	14,700	666	21,100	21,200	1,043
1,700	1,800	35	8,200	8,300	295	14,700	14,800	672	21,200	21,300	1,049
1,800	1,900	37	8,300	8,400	300	14,800	14,900	677	21,300	21,400	1,054
1,900	2,000	39	8,400	8,500	306	14,900	15,000	683	21,400	21,500	1,060
2,000	2,100	41	8,500	8,600	312	15,000	15,100	689	21,500	21,600	1,066
2,100	2,200	43	8,600	8,700	318	15,100	15,200	695	21,600	21,700	1,072
2,200	2,300	45	8,700	8,800	324	15,200	15,300	701	21,700	21,800	1,078
2,300	2,400	47	8,800	8,900	329	15,300	15,400	706	21,800	21,900	1,083
2,400	2,500	49	8,900	9,000	335	15,400	15,500	712	21,900	22,000	1,089
2,500	2,600	51	9,000	9,100	341	15,500	15,600	718	22,000	22,100	1,095
2,600	2,700	53	9,100	9,200	347	15,600	15,700	724	22,100	22,200	1,101
2,700	2,800	55	9,200	9,300	353	15,700	15,800	730	22,200	22,300	1,107
2,800	2,900	57	9,300	9,400	358	15,800	15,900	735	22,300	22,400	1,112
2,900	3,000	59	9,400	9,500	364	15,900	16,000	741	22,400	22,500	1,118
3,000	3,100	62	9,500	9,600	370	16,000	16,100	747	22,500	22,600	1,124
3,100	3,200	65	9,600	9,700	376	16,100	16,200	753	22,600	22,700	1,130
3,200	3,300	68	9,700	9,800	382	16,200	16,300	759	22,700	22,800	1,136
3,300	3,400	71	9,800	9,900	387	16,300	16,400	764	22,800	22,900	1,141
3,400	3,500	74	9,900	10,000	393	16,400	16,500	770	22,900	23,000	1,147
3,500	3,600	77	10,000	10,100	399	16,500	16,600	776	23,000	23,100	1,153
3,600	3,700	80	10,100	10,200	405	16,600	16,700	782	23,100	23,200	1,159
3,700	3,800	83	10,200	10,300	411	16,700	16,800	788	23,200	23,300	1,165
3,800	3,900	86	10,300	10,400	416	16,800	16,900	793	23,300	23,400	1,170
3,900	4,000	89	10,400	10,500	422	16,900	17,000	799	23,400	23,500	1,176
4,000	4,100	92	10,500	10,600	428	17,000	17,100	805	23,500	23,600	1,182
4,100	4,200	96	10,600	10,700	434	17,100	17,200	811	23,600	23,700	1,188
4,200	4,300	100	10,700	10,800	440	17,200	17,300	817	23,700	23,800	1,194
4,300	4,400	104	10,800	10,900	445	17,300	17,400	822	23,800	23,900	1,199
4,400	4,500	108	10,900	11,000	451	17,400	17,500	828	23,900	24,000	1,205
4,500	4,600	112	11,000	11,100	457	17,500	17,600	834	24,000	24,100	1,211
4,600	4,700	116	11,100	11,200	463	17,600	17,700	840	24,100	24,200	1,217
4,700	4,800	120	11,200	11,300	469	17,700	17,800	846	24,200	24,300	1,223
4,800	4,900	124	11,300	11,400	474	17,800	17,900	851	24,300	24,400	1,228
4,900	5,000	128	11,400	11,500	480	17,900	18,000	857	24,400	24,500	1,234
5,000	5,100	133	11,500	11,600	486	18,000	18,100	863	24,500	24,600	1,240
5,100	5,200	138	11,600	11,700	492	18,100	18,200	869	24,600	24,700	1,246
5,200	5,300	143	11,700	11,800	498	18,200	18,300	875	24,700	24,800	1,252
5,300	5,400	148	11,800	11,900	503	18,300	18,400	880	24,800	24,900	1,257
5,400	5,500	153	11,900	12,000	509	18,400	18,500	886	24,900	25,000	1,263
5,500	5,600	158	12,000	12,100	515	18,500	18,600	892	25,000	25,100	1,269
5,600	5,700	163	12,100	12,200	521	18,600	18,700	898	25,100	25,200	1,275
5,700	5,800	168	12,200	12,300	527	18,700	18,800	904	25,200	25,300	1,281
5,800	5,900	173	12,300	12,400	532	18,800	18,900	909	25,300	25,400	1,286
5,900	6,000	178	12,400	12,500	538	18,900	19,000	915	25,400	25,500	1,292
6,000	6,100	183	12,500	12,600	544	19,000	19,100	921	25,500	25,600	1,298
6,100	6,200	188	12,600	12,700	550	19,100	19,200	927	25,600	25,700	1,304
6,200	6,300	193	12,700	12,800	556	19,200	19,300	933	25,700	25,800	1,310
6,300	6,400	198	12,800	12,900	561	19,300	19,400	938	25,800	25,900	1,315
6,400	6,500	203	12,900	13,000	567	19,400	19,500	944	25,900	26,000	1,321

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TAX TABLE—2010 KENTUCKY INDIVIDUAL INCOME TAX

Read down the taxable income columns below until you find the bracket for the Taxable Income entered on Form 740-EZ, Line 3; Form 740, Line 11; or Form 740-NP, Line 13. Enter the tax on Form 740-EZ, Line 4; Form 740, Line 12, Column A and/or B; or Form 740-NP, Line 14.

If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax
$26,000	$26,100	$1,327	$32,500	$32,600	$1,704	$39,000	$39,100	$2,081	$45,500	$45,600	$2,458
26,100	26,200	1,333	32,600	32,700	1,710	39,100	39,200	2,087	45,600	45,700	2,464
26,200	26,300	1,339	32,700	32,800	1,716	39,200	39,300	2,093	45,700	45,800	2,470
26,300	26,400	1,344	32,800	32,900	1,721	39,300	39,400	2,098	45,800	45,900	2,475
26,400	26,500	1,350	32,900	33,000	1,727	39,400	39,500	2,104	45,900	46,000	2,481
26,500	26,600	1,356	33,000	33,100	1,733	39,500	39,600	2,110	46,000	46,100	2,487
26,600	26,700	1,362	33,100	33,200	1,739	39,600	39,700	2,116	46,100	46,200	2,493
26,700	26,800	1,368	33,200	33,300	1,745	39,700	39,800	2,122	46,200	46,300	2,499
26,800	26,900	1,373	33,300	33,400	1,750	39,800	39,900	2,127	46,300	46,400	2,504
26,900	27,000	1,379	33,400	33,500	1,756	39,900	40,000	2,133	46,400	46,500	2,510
27,000	27,100	1,385	33,500	33,600	1,762	40,000	40,100	2,139	46,500	46,600	2,516
27,100	27,200	1,391	33,600	33,700	1,768	40,100	40,200	2,145	46,600	46,700	2,522
27,200	27,300	1,397	33,700	33,800	1,774	40,200	40,300	2,151	46,700	46,800	2,528
27,300	27,400	1,402	33,800	33,900	1,779	40,300	40,400	2,156	46,800	46,900	2,533
27,400	27,500	1,408	33,900	34,000	1,785	40,400	40,500	2,162	46,900	47,000	2,539
27,500	27,600	1,414	34,000	34,100	1,791	40,500	40,600	2,168	47,000	47,100	2,545
27,600	27,700	1,420	34,100	34,200	1,797	40,600	40,700	2,174	47,100	47,200	2,551
27,700	27,800	1,426	34,200	34,300	1,803	40,700	40,800	2,180	47,200	47,300	2,557
27,800	27,900	1,431	34,300	34,400	1,808	40,800	40,900	2,185	47,300	47,400	2,562
27,900	28,000	1,437	34,400	34,500	1,814	40,900	41,000	2,191	47,400	47,500	2,568
28,000	28,100	1,443	34,500	34,600	1,820	41,000	41,100	2,197	47,500	47,600	2,574
28,100	28,200	1,449	34,600	34,700	1,826	41,100	41,200	2,203	47,600	47,700	2,580
28,200	28,300	1,455	34,700	34,800	1,832	41,200	41,300	2,209	47,700	47,800	2,586
28,300	28,400	1,460	34,800	34,900	1,837	41,300	41,400	2,214	47,800	47,900	2,591
28,400	28,500	1,466	34,900	35,000	1,843	41,400	41,500	2,220	47,900	48,000	2,597
28,500	28,600	1,472	35,000	35,100	1,849	41,500	41,600	2,226	48,000	48,100	2,603
28,600	28,700	1,478	35,100	35,200	1,855	41,600	41,700	2,232	48,100	48,200	2,609
28,700	28,800	1,484	35,200	35,300	1,861	41,700	41,800	2,238	48,200	48,300	2,615
28,800	28,900	1,489	35,300	35,400	1,866	41,800	41,900	2,243	48,300	48,400	2,620
28,900	29,000	1,495	35,400	35,500	1,872	41,900	42,000	2,249	48,400	48,500	2,626
29,000	29,100	1,501	35,500	35,600	1,878	42,000	42,100	2,255	48,500	48,600	2,632
29,100	29,200	1,507	35,600	35,700	1,884	42,100	42,200	2,261	48,600	48,700	2,638
29,200	29,300	1,513	35,700	35,800	1,890	42,200	42,300	2,267	48,700	48,800	2,644
29,300	29,400	1,518	35,800	35,900	1,895	42,300	42,400	2,272	48,800	48,900	2,649
29,400	29,500	1,524	35,900	36,000	1,901	42,400	42,500	2,278	48,900	49,000	2,655
29,500	29,600	1,530	36,000	36,100	1,907	42,500	42,600	2,284	49,000	49,100	2,661
29,600	29,700	1,536	36,100	36,200	1,913	42,600	42,700	2,290	49,100	49,200	2,667
29,700	29,800	1,542	36,200	36,300	1,919	42,700	42,800	2,296	49,200	49,300	2,673
29,800	29,900	1,547	36,300	36,400	1,924	42,800	42,900	2,301	49,300	49,400	2,678
29,900	30,000	1,553	36,400	36,500	1,930	42,900	43,000	2,307	49,400	49,500	2,684
30,000	30,100	1,559	36,500	36,600	1,936	43,000	43,100	2,313	49,500	49,600	2,690
30,100	30,200	1,565	36,600	36,700	1,942	43,100	43,200	2,319	49,600	49,700	2,696
30,200	30,300	1,571	36,700	36,800	1,948	43,200	43,300	2,325	49,700	49,800	2,702
30,300	30,400	1,576	36,800	36,900	1,953	43,300	43,400	2,330	49,800	49,900	2,707
30,400	30,500	1,582	36,900	37,000	1,959	43,400	43,500	2,336	49,900	50,000	2,713
30,500	30,600	1,588	37,000	37,100	1,965	43,500	43,600	2,342	50,000	50,100	2,719
30,600	30,700	1,594	37,100	37,200	1,971	43,600	43,700	2,348	50,100	50,200	2,725
30,700	30,800	1,600	37,200	37,300	1,977	43,700	43,800	2,354	50,200	50,300	2,731
30,800	30,900	1,605	37,300	37,400	1,982	43,800	43,900	2,359	50,300	50,400	2,736
30,900	31,000	1,611	37,400	37,500	1,988	43,900	44,000	2,365	50,400	50,500	2,742
31,000	31,100	1,617	37,500	37,600	1,994	44,000	44,100	2,371	50,500	50,600	2,748
31,100	31,200	1,623	37,600	37,700	2,000	44,100	44,200	2,377	50,600	50,700	2,754
31,200	31,300	1,629	37,700	37,800	2,006	44,200	44,300	2,383	50,700	50,800	2,760
31,300	31,400	1,634	37,800	37,900	2,011	44,300	44,400	2,388	50,800	50,900	2,765
31,400	31,500	1,640	37,900	38,000	2,017	44,400	44,500	2,394	50,900	51,000	2,771
31,500	31,600	1,646	38,000	38,100	2,023	44,500	44,600	2,400	51,000	51,100	2,777
31,600	31,700	1,652	38,100	38,200	2,029	44,600	44,700	2,406	51,100	51,200	2,783
31,700	31,800	1,658	38,200	38,300	2,035	44,700	44,800	2,412	51,200	51,300	2,789
31,800	31,900	1,663	38,300	38,400	2,040	44,800	44,900	2,417	51,300	51,400	2,794
31,900	32,000	1,669	38,400	38,500	2,046	44,900	45,000	2,423	51,400	51,500	2,800
32,000	32,100	1,675	38,500	38,600	2,052	45,000	45,100	2,429	51,500	51,600	2,806
32,100	32,200	1,681	38,600	38,700	2,058	45,100	45,200	2,435	51,600	51,700	2,812
32,200	32,300	1,687	38,700	38,800	2,064	45,200	45,300	2,441	51,700	51,800	2,818
32,300	32,400	1,692	38,800	38,900	2,069	45,300	45,400	2,446	51,800	51,900	2,823
32,400	32,500	1,698	38,900	39,000	2,075	45,400	45,500	2,452	51,900	52,000	2,829

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TAX TABLE—2010 KENTUCKY INDIVIDUAL INCOME TAX

Read down the taxable income columns below until you find the bracket for the Taxable Income entered on Form 740-EZ, Line 3; Form 740, Line 11; or Form 740-NP, Line 13. Enter the tax on Form 740-EZ, Line 4; Form 740, Line 12, Column A and/or B; or Form 740-NP, Line 14.

If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax
$52,000	$52,100	$2,835	$58,500	$58,600	$3,212	$65,000	$65,100	$3,589	$71,500	$71,600	$3,966
52,100	52,200	2,841	58,600	58,700	3,218	65,100	65,200	3,595	71,600	71,700	3,972
52,200	52,300	2,847	58,700	58,800	3,224	65,200	65,300	3,601	71,700	71,800	3,978
52,300	52,400	2,852	58,800	58,900	3,229	65,300	65,400	3,606	71,800	71,900	3,983
52,400	52,500	2,858	58,900	59,000	3,235	65,400	65,500	3,612	71,900	72,000	3,989
52,500	52,600	2,864	59,000	59,100	3,241	65,500	65,600	3,618	72,000	72,100	3,995
52,600	52,700	2,870	59,100	59,200	3,247	65,600	65,700	3,624	72,100	72,200	4,001
52,700	52,800	2,876	59,200	59,300	3,253	65,700	65,800	3,630	72,200	72,300	4,007
52,800	52,900	2,881	59,300	59,400	3,258	65,800	65,900	3,635	72,300	72,400	4,012
52,900	53,000	2,887	59,400	59,500	3,264	65,900	66,000	3,641	72,400	72,500	4,018
53,000	53,100	2,893	59,500	59,600	3,270	66,000	66,100	3,647	72,500	72,600	4,024
53,100	53,200	2,899	59,600	59,700	3,276	66,100	66,200	3,653	72,600	72,700	4,030
53,200	53,300	2,905	59,700	59,800	3,282	66,200	66,300	3,659	72,700	72,800	4,036
53,300	53,400	2,910	59,800	59,900	3,287	66,300	66,400	3,664	72,800	72,900	4,041
53,400	53,500	2,916	59,900	60,000	3,293	66,400	66,500	3,670	72,900	73,000	4,047
53,500	53,600	2,922	60,000	60,100	3,299	66,500	66,600	3,676	73,000	73,100	4,053
53,600	53,700	2,928	60,100	60,200	3,305	66,600	66,700	3,682	73,100	73,200	4,059
53,700	53,800	2,934	60,200	60,300	3,311	66,700	66,800	3,688	73,200	73,300	4,065
53,800	53,900	2,939	60,300	60,400	3,316	66,800	66,900	3,693	73,300	73,400	4,070
53,900	54,000	2,945	60,400	60,500	3,322	66,900	67,000	3,699	73,400	73,500	4,076
54,000	54,100	2,951	60,500	60,600	3,328	67,000	67,100	3,705	73,500	73,600	4,082
54,100	54,200	2,957	60,600	60,700	3,334	67,100	67,200	3,711	73,600	73,700	4,088
54,200	54,300	2,963	60,700	60,800	3,340	67,200	67,300	3,717	73,700	73,800	4,094
54,300	54,400	2,968	60,800	60,900	3,345	67,300	67,400	3,722	73,800	73,900	4,099
54,400	54,500	2,974	60,900	61,000	3,351	67,400	67,500	3,728	73,900	74,000	4,105
54,500	54,600	2,980	61,000	61,100	3,357	67,500	67,600	3,734	74,000	74,100	4,111
54,600	54,700	2,986	61,100	61,200	3,363	67,600	67,700	3,740	74,100	74,200	4,117
54,700	54,800	2,992	61,200	61,300	3,369	67,700	67,800	3,746	74,200	74,300	4,123
54,800	54,900	2,997	61,300	61,400	3,374	67,800	67,900	3,751	74,300	74,400	4,128
54,900	55,000	3,003	61,400	61,500	3,380	67,900	68,000	3,757	74,400	74,500	4,134
55,000	55,100	3,009	61,500	61,600	3,386	68,000	68,100	3,763	74,500	74,600	4,140
55,100	55,200	3,015	61,600	61,700	3,392	68,100	68,200	3,769	74,600	74,700	4,146
55,200	55,300	3,021	61,700	61,800	3,398	68,200	68,300	3,775	74,700	74,800	4,152
55,300	55,400	3,026	61,800	61,900	3,403	68,300	68,400	3,780	74,800	74,900	4,157
55,400	55,500	3,032	61,900	62,000	3,409	68,400	68,500	3,786	74,900	75,000	4,163
55,500	55,600	3,038	62,000	62,100	3,415	68,500	68,600	3,792	75,000	75,100	4,169
55,600	55,700	3,044	62,100	62,200	3,421	68,600	68,700	3,798	75,100	75,200	4,175
55,700	55,800	3,050	62,200	62,300	3,427	68,700	68,800	3,804	75,200	75,300	4,181
55,800	55,900	3,055	62,300	62,400	3,432	68,800	68,900	3,809	75,300	75,400	4,187
55,900	56,000	3,061	62,400	62,500	3,438	68,900	69,000	3,815	75,400	75,500	4,193
56,000	56,100	3,067	62,500	62,600	3,444	69,000	69,100	3,821	75,500	75,600	4,199
56,100	56,200	3,073	62,600	62,700	3,450	69,100	69,200	3,827	75,600	75,700	4,205
56,200	56,300	3,079	62,700	62,800	3,456	69,200	69,300	3,833	75,700	75,800	4,211
56,300	56,400	3,084	62,800	62,900	3,461	69,300	69,400	3,838	75,800	75,900	4,217
56,400	56,500	3,090	62,900	63,000	3,467	69,400	69,500	3,844	75,900	76,000	4,223
56,500	56,600	3,096	63,000	63,100	3,473	69,500	69,600	3,850	76,000	76,100	4,229
56,600	56,700	3,102	63,100	63,200	3,479	69,600	69,700	3,856	76,100	76,200	4,235
56,700	56,800	3,108	63,200	63,300	3,485	69,700	69,800	3,862	76,200	76,300	4,241
56,800	56,900	3,113	63,300	63,400	3,490	69,800	69,900	3,867	76,300	76,400	4,247
56,900	57,000	3,119	63,400	63,500	3,496	69,900	70,000	3,873	76,400	76,500	4,253
57,000	57,100	3,125	63,500	63,600	3,502	70,000	70,100	3,879	76,500	76,600	4,259
57,100	57,200	3,131	63,600	63,700	3,508	70,100	70,200	3,885	76,600	76,700	4,265
57,200	57,300	3,137	63,700	63,800	3,514	70,200	70,300	3,891	76,700	76,800	4,271
57,300	57,400	3,142	63,800	63,900	3,519	70,300	70,400	3,896	76,800	76,900	4,277
57,400	57,500	3,148	63,900	64,000	3,525	70,400	70,500	3,902	76,900	77,000	4,283
57,500	57,600	3,154	64,000	64,100	3,531	70,500	70,600	3,908	77,000	77,100	4,289
57,600	57,700	3,160	64,100	64,200	3,537	70,600	70,700	3,914	77,100	77,200	4,295
57,700	57,800	3,166	64,200	64,300	3,543	70,700	70,800	3,920	77,200	77,300	4,301
57,800	57,900	3,171	64,300	64,400	3,548	70,800	70,900	3,925	77,300	77,400	4,307
57,900	58,000	3,177	64,400	64,500	3,554	70,900	71,000	3,931	77,400	77,500	4,313
58,000	58,100	3,183	64,500	64,600	3,560	71,000	71,100	3,937	77,500	77,600	4,319
58,100	58,200	3,189	64,600	64,700	3,566	71,100	71,200	3,943	77,600	77,700	4,325
58,200	58,300	3,195	64,700	64,800	3,572	71,200	71,300	3,949	77,700	77,800	4,331
58,300	58,400	3,200	64,800	64,900	3,577	71,300	71,400	3,954	77,800	77,900	4,337
58,400	58,500	3,206	64,900	65,000	3,583	71,400	71,500	3,960	77,900	78,000	4,343

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TAX TABLE—2010 KENTUCKY INDIVIDUAL INCOME TAX

Read down the taxable income columns below until you find the bracket for the Taxable Income entered on Form 740-EZ, Line 3; Form 740, Line 11; or Form 740-NP, Line 13. Enter the tax on Form 740-EZ, Line 4; Form 740, Line 12, Column A and/or B; or Form 740-NP, Line 14.

If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax	If Taxable Income Is Over	But Not Over	Tax
$78,000	$78,100	$4,349	$84,500	$84,600	$4,739	$91,000	$91,100	$5,129	$97,500	$ 97,600	$5,519
78,100	78,200	4,355	84,600	84,700	4,745	91,100	91,200	5,135	97,600	97,700	5,525
78,200	78,300	4,361	84,700	84,800	4,751	91,200	91,300	5,141	97,700	97,800	5,531
78,300	78,400	4,367	84,800	84,900	4,757	91,300	91,400	5,147	97,800	97,900	5,537
78,400	78,500	4,373	84,900	85,000	4,763	91,400	91,500	5,153	97,900	98,000	5,543
78,500	78,600	4,379	85,000	85,100	4,769	91,500	91,600	5,159	98,000	98,100	5,549
78,600	78,700	4,385	85,100	85,200	4,775	91,600	91,700	5,165	98,100	98,200	5,555
78,700	78,800	4,391	85,200	85,300	4,781	91,700	91,800	5,171	98,200	98,300	5,561
78,800	78,900	4,397	85,300	85,400	4,787	91,800	91,900	5,177	98,300	98,400	5,567
78,900	79,000	4,403	85,400	85,500	4,793	91,900	92,000	5,183	98,400	98,500	5,573
79,000	79,100	4,409	85,500	85,600	4,799	92,000	92,100	5,189	98,500	98,600	5,579
79,100	79,200	4,415	85,600	85,700	4,805	92,100	92,200	5,195	98,600	98,700	5,585
79,200	79,300	4,421	85,700	85,800	4,811	92,200	92,300	5,201	98,700	98,800	5,591
79,300	79,400	4,427	85,800	85,900	4,817	92,300	92,400	5,207	98,800	98,900	5,597
79,400	79,500	4,433	85,900	86,000	4,823	92,400	92,500	5,213	98,900	99,000	5,603
79,500	79,600	4,439	86,000	86,100	4,829	92,500	92,600	5,219	99,000	99,100	5,609
79,600	79,700	4,445	86,100	86,200	4,835	92,600	92,700	5,225	99,100	99,200	5,615
79,700	79,800	4,451	86,200	86,300	4,841	92,700	92,800	5,231	99,200	99,300	5,621
79,800	79,900	4,457	86,300	86,400	4,847	92,800	92,900	5,237	99,300	99,400	5,627
79,900	80,000	4,463	86,400	86,500	4,853	92,900	93,000	5,243	99,400	99,500	5,633
80,000	80,100	4,469	86,500	86,600	4,859	93,000	93,100	5,249	99,500	99,600	5,639
80,100	80,200	4,475	86,600	86,700	4,865	93,100	93,200	5,255	99,600	99,700	5,645
80,200	80,300	4,481	86,700	86,800	4,871	93,200	93,300	5,261	99,700	99,800	5,651
80,300	80,400	4,487	86,800	86,900	4,877	93,300	93,400	5,267	99,800	99,900	5,657
80,400	80,500	4,493	86,900	87,000	4,883	93,400	93,500	5,273	99,900	100,000	5,663
80,500	80,600	4,499	87,000	87,100	4,889	93,500	93,600	5,279			
80,600	80,700	4,505	87,100	87,200	4,895	93,600	93,700	5,285	Over	100,000	5,666
80,700	80,800	4,511	87,200	87,300	4,901	93,700	93,800	5,291	***Plus*** 6% of all over 100,000		
80,800	80,900	4,517	87,300	87,400	4,907	93,800	93,900	5,297			
80,900	81,000	4,523	87,400	87,500	4,913	93,900	94,000	5,303			
81,000	81,100	4,529	87,500	87,600	4,919	94,000	94,100	5,309			
81,100	81,200	4,535	87,600	87,700	4,925	94,100	94,200	5,315			
81,200	81,300	4,541	87,700	87,800	4,931	94,200	94,300	5,321			
81,300	81,400	4,547	87,800	87,900	4,937	94,300	94,400	5,327			
81,400	81,500	4,553	87,900	88,000	4,943	94,400	94,500	5,333			
81,500	81,600	4,559	88,000	88,100	4,949	94,500	94,600	5,339			
81,600	81,700	4,565	88,100	88,200	4,955	94,600	94,700	5,345			
81,700	81,800	4,571	88,200	88,300	4,961	94,700	94,800	5,351			
81,800	81,900	4,577	88,300	88,400	4,967	94,800	94,900	5,357			
81,900	82,000	4,583	88,400	88,500	4,973	94,900	95,000	5,363			
82,000	82,100	4,589	88,500	88,600	4,979	95,000	95,100	5,369			
82,100	82,200	4,595	88,600	88,700	4,985	95,100	95,200	5,375			
82,200	82,300	4,601	88,700	88,800	4,991	95,200	95,300	5,381			
82,300	82,400	4,607	88,800	88,900	4,997	95,300	95,400	5,387			
82,400	82,500	4,613	88,900	89,000	5,003	95,400	95,500	5,393			
82,500	82,600	4,619	89,000	89,100	5,009	95,500	95,600	5,399			
82,600	82,700	4,625	89,100	89,200	5,015	95,600	95,700	5,405			
82,700	82,800	4,631	89,200	89,300	5,021	95,700	95,800	5,411			
82,800	82,900	4,637	89,300	89,400	5,027	95,800	95,900	5,417			
82,900	83,000	4,643	89,400	89,500	5,033	95,900	96,000	5,423			
83,000	83,100	4,649	89,500	89,600	5,039	96,000	96,100	5,429			
83,100	83,200	4,655	89,600	89,700	5,045	96,100	96,200	5,435			
83,200	83,300	4,661	89,700	89,800	5,051	96,200	96,300	5,441			
83,300	83,400	4,667	89,800	89,900	5,057	96,300	96,400	5,447			
83,400	83,500	4,673	89,900	90,000	5,063	96,400	96,500	5,453			
83,500	83,600	4,679	90,000	90,100	5,069	96,500	96,600	5,459			
83,600	83,700	4,685	90,100	90,200	5,075	96,600	96,700	5,465			
83,700	83,800	4,691	90,200	90,300	5,081	96,700	96,800	5,471			
83,800	83,900	4,697	90,300	90,400	5,087	96,800	96,900	5,477			
83,900	84,000	4,703	90,400	90,500	5,093	96,900	97,000	5,483			
84,000	84,100	4,709	90,500	90,600	5,099	97,000	97,100	5,489			
84,100	84,200	4,715	90,600	90,700	5,105	97,100	97,200	5,495			
84,200	84,300	4,721	90,700	90,800	5,111	97,200	97,300	5,501			
84,300	84,400	4,727	90,800	90,900	5,117	97,300	97,400	5,507			
84,400	84,500	4,733	90,900	91,000	5,123	97,400	97,500	5,513			

2009 Kentucky Communities Imposing an Occupational Tax

Community Name	Tax Rate	Tax on Wages? Profits?	Return Filed Quarterly? Annually?	Who to Contact				
Adairville	1.50	Both	Both	City Clerk/Treasurer 270/539-6731	PO Box 185 Fax: 270/539-5503	Adairville	KY	42202
Alexandria	1.50	Wages	Both	Compliance Mgr Occupational License	PO Box 72958 859/292-3884 Fax: 859/292-3827	Newport	KY	41072-0958 leads@campbellcountyky.org
Allen County	1.00	Both	Both	Occupational Tax Adm. 270/237-3626	PO Box 115 Fax: 270/237-9155	Scottsville	KY	42164 sandra@allencountykentucky.com
Ashland	1.50	Both	Both	Finance Director, Tony Grubb	PO Box 1839 606/327-2013 Fax: 606/324-1610	Ashland	KY	41105 ashlandolf@windstream.net
Auburn	1.50	Both	Both	City Clerk/Treasurer 270/542-4149	PO Box 465 Fax: 270/542-4143	Auburn	KY	42206 auburnky@logantele.com
Augusta	1.00	Net Profits	Both	City Clerk/Treasurer 606/756-2183	PO Box 85 Fax: 606/756-2185	Augusta	KY	41002 gengland@augustaky.com
Ballard County	1.00	Wages	Quarterly	Treasurer 270/335-5176	PO Box 276 Fax: 270/335-3010	Wickliffe	KY	42087
Bardstown	.50	Both ($15000-75000)	Both	Mike Abell, CFO 502/348-5947	220 N. 5th Street Fax: 502/348-2433	Bardstown	KY	40004 mabell@bardstowncable.net
Bath County	1.5	Wages	Quarterly	Bath County Treasurer 606/674-3129	PO Box 39 Fax:	Owingsville	KY	40360 dcopher@windstream.net
Beattyville	1.00	Wages	Quarterly	Wilma Kelly, City Clerk 606/464-5007	PO Box 307 Fax: 606/464-2123	Beattyville	KY	41311 wkelley@beattyville.org
Bellevue	2.50	Wages	Both	City Clerk/Treasurer 859/431-8888	616 Poplar St. Fax: 859/261-8387	Bellevue	KY	41073 mary.scott@bellevueky.org
Benton	.50	Wages	Quarterly	Treasurer 270/527-8677	1009 Main St. Fax: 270/527/2251	Benton	KY	42025 bcooper@cityofbenton.org
Berea	2.00	Wages	Both	Carol Richmond, Treasurer	212 Chestnut St. 859/986-7218 Fax: 859/986-7616	Berea	KY	40403 cob_carol_richmond@hotmail.com
Boone County	.50	Both	Both	Boone Cty Occ Tax Adm	PO Box 960 859/334-2144 Fax: 859/334-3914	Burlington	KY	41005 occlicense@boonecountyky.org
Boone County	.80	Both	Both	Boone Cty Occ Tax Adm	PO Box 960 859/334-2144 Fax: 859/334-3914	Burlington	KY	41005 occlicense@boonecountyky.org
Boone County (mental health tax)	.15	Both	Both	Boone Cty Treasurer 859/334-2144	PO Box 960 Fax: 859/334-3914	Burlington	KY	41005 occlicense@boonecountyky.org
Bourbon County	.75	Both	Both	Treasurer 859/987-2139	Courthouse Room 210 Fax: 859/987-2136	Paris	KY	40361
Bowling Green	1.85	Both	Both	Occ. License Mgr 270/393-3639	PO Box 430 Fax: 270/393-3636	Bowling Green	KY	42102 David.Lyne@bgky.org
Boyd County	1.00	Both	Both	Tax Administrator, Missy Shumate	PO Box 423 606/739-4134 Fax: 606/739-0164	Catlettsburg	KY	41129 mamaschu03@aol.com
Boyle County	.75	Both	Both	Boyle County Tax Adm. 859/238-1115	321 W. Main St, Rm 117 Fax: 859/238-1108	Danville	KY	40422 mpierce@boyleky.com
Breathitt County	1.00	Both	Both	Tax Administrator, Kay Barnett	PO Box 2 606/666-8807 Fax: 606-666-3813	Jackson	KY	41339 kayab_2000@yahoo.com

2009 Kentucky Communities Imposing an Occupational Tax

Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Bromley	.075	Gross Profits	Quarterly	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41011 melissa.maschinot@kentoncounty.org
Bromley	1.00	Wages	Quarterly	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41011 melissa.maschinot@kentoncounty.org
Brooksville	1.75	Both	Quarterly	Clerk/Treasurer 606/735-2501	PO Box 216 Fax:	Brooksville	KY	41004
Brownsville	1.00	Both	Both	City Clerk/Treasurer 270/597-3814	PO Box 238 Fax: 270/597-3274	Brownsville	KY	42210
Burkesville	1.00	Quarterly	Both	City Clerk/Treasurer/Tax	PO Box 250 270/864-5391 Fax: 270/864-1795	Burkesville	KY	42717 cityofburkesville@yahoo.com
Butler County	1.00	Both	Both	Occ. Tax Adm. 270/526-2659	PO Box 608 Fax: 270/526-2658	Morgantown	KY	42261
Cadiz	1.50	Wages	Quarterly	City Clerk 270/522-8244	PO Box 1465 Fax: 270/522-0025	Cadiz	KY	42211 lrogers@cityofcadiz.com
Caldwell County	1.00	Both	Both	Caldwell Cty Tax Adm. 270/365-9776	100 E. Market #22 Fax: 270/365-9776	Princeton	KY	42445 jkirk@caldwellcourthouse.com
Calvert City	.50	Both	Both	Gail Bivens 270/395-7138	PO Box 36 Fax: 270/395-5554	Calvert City	KY	42029 gbivens@newwavecomm.net
Campbell County	1.05	Both	Both	L.L. Eads,Tax Mgr 859/292-3884	PO Box 72958 Fax: 859/292-3827	Newport	KY	41071 leads@campbellcountyky.org
Caneyville	$1/wk pt $2/wk ft	Wages	Quarterly	City Clerk Brenda Brown	PO Box 69 270/879-9701 Fax: 270/879-3333	Caneyville	KY	42721-0069
Carlisle	1.00	Both	Both	Clerk/Treasurer 859/289-3700	107 E. Chestnut St Fax: 859/289-7704	Carlisle	KY	40311 carlislewater@altiusbb.com
Carmargo	1.00	Both	Both	Carmargo City Clerk 859/498-9075	4460B Camargo Road Fax: 859/498-9075	Mt Sterling	KY	40353
Carroll County ($5000+)	1.00	Both	Both	Carroll Cty Tax Administrator	440 Main Street, 2nd Flr 502/732-7003 Fax: 502-732-7023	Carrollton	KY	41008 cctax@bellsouth.net
Catlettsburg	1.50	Both	Both	Ms Hunt, City Clerk/Treasurer	PO Box 533 606/739-4533 Fax: 606/739-5754	Catlettsburg	KY	41129
Cave City	2.00	Both	Both	City Clerk/Treasurer 270/773-2188	PO Box 567 Fax: 270/773-4522	Cave City	KY	42127-0567 cityhall@caveland.net
Clark County	1.50	Both	Both	Director of Finance 859/745-0200	34 S. Main St., #103 Fax: 859/737-5678	Winchester	KY	40391
Clarkson	2.00 wk	Wages	Quarterly	City Clerk/Treasurer 270/242-6997	PO Box 10 Fax: 270/242-2841	Clarkson	KY	42726 clarksoncity@usdol.net
Clay City	1.00	Both	Quarterly	City Clerk 606/663-2224	PO Box 548 Fax: 606/663-0672	Clay City	KY	40312 claycity04@yahoo.com
Clay County	1.00	Both	Both	County Tax Adm. 606/598-0009	305 Main St Fax: 606/598-1483	Manchester	KY	40962 clayoctax@mikrotec.com

2009 Kentucky Communities Imposing an Occupational Tax

Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Clinton	.50	Wages	Quarterly	Occ Tax Adm. 270/653-6419	PO Box 303 Fax: 270/653-6422	Clinton	KY	42031 clincity@bellsouth.net
Clinton County	.75	Both	Both	Occ Tax Administrator 606/387-6409	100 S. Cross St Fax: 606/387-7651	Albany	KY	42602 occtax@alltel.net
Cold Spring	1.00	Wages	Quarterly	LL Eads, Tax Mgr 859/292-3884	PO Box 72958 Fax: 859/292-3827	Newport	KY	41071 leads@campbellcountyky.org
Cold Spring	Scale	Gross Receipts	Both	LL Eads, Tax Mgr 859/292-3884	PO Box 72958 Fax: 859/292-3827	Newport	KY	41071 leads@campbellcountyky.org
Covington	2.50	Both	Both	Finance Director 859/292-2176	638 Madison Avenue Fax: 859/292-2131	Covington	KY	41011 bobdue@covingtonky.gov
Crescent Springs	1.00	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Crescent Springs	.075	Gross Receipts	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Crestview Hills	.75	Net Profits	Annually	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Crestview Hills	1.00	Wages	Quarterly	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Cumberland County	.75	Both	Both	Cum. Cty Fiscal Court, Stacey Thrasher	PO Box 826 270/864-3444 Fax: 270/864-1757	Burkesville	KY	42717 staceytreasurer@alltel.net
Cumberland County	.50	Both	Both	Deborah Carter, Tax Collector	PO Box 420 270/864-3377 Fax: 270/864-5803	Burkesville	KY	42717 School tax
Cynthiana	1.50	Wages	Both	City Clerk 859/234-7150	PO Box 67 Fax: 859/234-0035	Cynthiana	KY	41031 cmcilvain@bellsouth.ne
Danville	1.25	Wages	Both	Boyle Cty Tax Adm 859/238-1115	321 W Main St, Rm 117 Fax: 859/238-1108	Danville	KY	40422 mpierce@boyleky.com
Danville	1.00	Net Profits	Both	Boyle Cty Tax Adm 859/238-1115	321 W Main St, Rm 117 Fax: 859/238-1108	Danville	KY	40422 mpierce@boyleky.com
Daviess County	.35	Both	Both	Occupational Tax Administrator	PO Box 10008 270/685-8424 Fax:	Owensboro	KY	42303 jhendrix@daviessky.org
Dawson Springs	1.50	Both	Both	City Clerk/Treasurer 270/797-2781	PO Box 345 Fax: 270/797-2221	Dawson Springs	KY	42408 dawsonsprings@ccol.net
Dayton	2.00	Wages	Quarterly	City Clerk 859/491-1600	514 6th Avenue Fax: 859/491-3538	Dayton	KY	41074
Dry Ridge	.50	Wages	Quarterly	City of Dry Ridge 859/824-3335	PO Box 145 Fax: 859/824-3598	Dry Ridge	KY	41035 dryridge@fuse.net
Eddyville	1.50	Both	Both	Clerk/Treasurer 270/388-2226	PO Box 744 Fax: 270/388-5683	Eddyville	KY	42038 eddyville@vci.net
Edgewood	1.00	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org

2009 Kentucky Communities Imposing an Occupational Tax

Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Edgewood	.75	Net Profits	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Edmonton	1.50	Both	Both	City Clerk 270/432-2811	PO Box 374 Fax: 270/432-3949	Edmonton libby@edmonton.cityof.org	KY	42129
Elizabethtown	1.35	Both	Both	Tara Cooper, Auditor 270/765-6121	PO Box 550 Fax: 270/735-5362	Elizabethtown tara.cooper@elizabethtownky.gov	KY	42702-0550
Elkhorn City	1.00	Wages	Quarterly	Tax Administrator 606/433-1545	PO Box 393 Fax: 606/432-0793	Elkhorn City	KY	41522
Elkton	1.50	Wages	Both	City Clerk 270/265-9877	Box 578 Fax: 270/265-5816	Elkton city_clerk@elktonky.com	KY	42220
Elkton (see schedule)	.10	Gross Receipts	Annual	City Clerk 270/265-9877	Box 578 Fax: 270/265-5816	Elkton city_clerk@elktonky.com	KY	42220
Elsmere	1.00	Both	Both	City Clerk 859/342-7911	318 Garvey Ave. Fax: 859/342-7910	Elsmere cityofelsmere.com	KY	41018
Eminence	.75	Both	Both	Asst City Clerk 502/845-4159	PO Box 163 Fax: 502/845-8066	Eminence robinm@insightbb.com	KY	40019
Erlanger	.075	Gross Receipts	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Erlanger	1.00	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Estill County	1.25	Both	Both	Laura Rogers, Treasurer 606/723-4822	130 Main Street, #107 Fax: 606/723-5471	Irvine	KY	40336
Fayette County (School tax)	.50	Both	Both	Jennifer Koutoulas 859/381-4159	701 E. Main, Rm 219 Fax: 859/381-4706	Lexington jennifer.koutoulas@fayette.kyschools.us	KY	40502
Flemingsburg	1.00	Both	Both	City Clerk 606/845-5951	Box 406 Fax: 606/845-0712	Flemingsburg	KY	41041
Florence	2.00	Wages	Quarterly	Finance Director 859/647-5413	8100 Ewing Blvd. Fax: 859/647-5447	Florence	KY	41042
Fort Mitchell	.075	Gross Receipts	Annually	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Fort Mitchell	1.00	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Fort Thomas	1.25	Both	Both	L.L. Eads, Tax Mgr 859/292-3884	PO Box 72958 Fax: 859/292-3827	Newport leads@campbellcountyky.org	KY	41071
Fort Wright	.075	Gross Receipts	Annually	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Fort Wright	1.00	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012

2009 Kentucky Communities Imposing an Occupational Tax

Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Frankfort	1.75	Both	Both	License Fee Administrator	PO Box 697 502/352-2081 Fax: 502/875-8502	Frankfort	KY	40602 tbrown@frankfort-ky.gov
Franklin	1.00	Wages	Both	Ms. Cassady, License & Fees	PO Box 2805 270/586-4497 Fax: 270/586-9419	Franklin	KY	42135 mandy.cassady@franklinky.org
Franklin	1.00	Gross Receipts	Both	Ms. Cassady, License & Fees	PO Box 2805 270/586-4497 Fax: 270/586-9419	Franklin	KY	42135 mandy.cassady@franklinky.org
Franklin County	1.00	Both	Both	Occ. Tax Administrator 502/875-8709	PO Box 594 Fax: 502/875-8755	Frankfort	KY	40602 d.anderson@dcr.net
Fulton	2.00	Gross Receipts	Annual	Helen Lee, City Clerk 270/472-1320	PO Box 1350 Fax: 270/472-6526	Fulton	KY	42041 hlee@newwavecomm.net
Fulton	2.00	Wages	Annual	Helen Lee, City Clerk 270/472-1320	PO Box 1350 Fax: 270/472-6526	Fulton	KY	42041 hlee@newwavecomm.net
Gallatin County	1.00	Wages (5000+)	Quarterly	Occ. Tax Administrator 859/567-5691	PO Box 144 Fax: 859/567-4764	Warsaw	KY	41095 kfrench@fuse.net
Gamaliel	1.00	Both	Both	City Clerk 270/457-2901	PO Box 126 Fax: 270/457-2902	Gamaliel	KY	42140 gamalielgov@scrtc.com
Garrard County	1.00	Both	Both	Tax Administrator 859/792-3531	PO Box 595 Fax: 859/792-2010	Lancaster	KY	40444
Georgetown	1.00	Both	Both	Georgetown/Scott Cty Rev. Commission	PO Box 800 502/863-9805 Fax: 502/863-9808	Georgetown	KY	40324 info@gscrevenue.com
Glasgow	1.50	Both	Both	Brandon Kerney, License Fee Mgr	PO Box 278 270/651-5131 Fax: 270/651-2511	Glasgow	KY	42142 bkerney@glasgow-ky.com
Graves County	1.00	Wages	Quarterly	Graves County Treasurer 270/247-3626	101 E. South St. Fax: 270/247-1274	Mayfield	KY	42066
Grayson	1.00	Wages	Both	Occ Tax Department 606/474-6651	302 E. Main St. Fax: 606/474-6653	Grayson	KY	41143 cityclerk@graysonkentucky.com
Grayson County	.50	Both	Both	Tax Administrator Larry Holeman	PO Box 4160 270/259-0354 Fax: 270/259-0404	Leitchfield	KY	42755 gcdcor@bgtelco.com
Greensburg	1.00	Both	Both	Tax Clerk 270/932-4298	110 West Court Street Fax: 270-932-7778	Greensburg	KY	42743 k.henderson@greensburgonline.com
Guthrie	1.00	Wages	Annual	City of Guthrie 270/483-2511	PO Box 125 Fax: 270/483-9062	Guthrie	KY	42234 guthriecityclk@yahoo.com
Hancock County	1.25	Both	Both	Tax Administrator 270/927-8788	PO Box 416 Fax: 270/927-0999	Hawesville	KY	42348
Harrison County	1.50	Both	Quarterly	Tax Administrator 859/234-7136	PO Box 708 Fax: 859/234-6647	Cynthiana	KY	41031 hctax@roadrunner.com
Harrodsburg	1.00	Both	Both	Occ. License Fee Adm. Rebecca McKinney	208 S Main St 859/734-2225 Fax:859/734-6231	Harrodsburg	KY	40330 bmckinney@harrodsburgcity.org

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Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Hart County	.008	Both	Both	Occ. Tax Administrator 270/524-3507	PO Box 247 Fax: 270/524/9732	Munfordville	KY	42765-0247
Hazard	.50 over 60,000	Both	Both	Tax Administrator 606/436-3171	PO Box 420 Fax: 606/436-3252	Hazard	KY	41702
Hazard	1.25 under	Both	Both	Tax Administrator 606/436-3171	PO Box 420 Fax: 606/436-3252	Hazard	KY	41702
Henderson	1.00	Both	Both	Assistant Finance Director	PO Box 716 270/831-1290 Fax: 270/827-6054	Henderson paul.titzer@cityofhendersonky.org	KY	42419
Hickman	1.50	Both	Both	City Clerk 270/236-2535	1812 S. 7th St Fax: 270/236-2537	Hickman cohk@galaxycable.net	KY	42050
Highland Heights	1.00	Wages	Both	L.L. Eads, Tax Mgr 859/292-3884	PO Box 72958 Fax: 859/292-3827	Newport leads@campbellcountyky.org	KY	41071
Highland Heights	1.00	Gross Receipts	Both	L.L. Eads, Tax Mgr 859/292-3884	PO Box 72958 Fax: 859/292-3827	Newport leads@campbellcountyky.org	KY	41071
Hillview	1.50	Both	Both	City Clerk 502/957-5280	298 Prairie Drive Fax: 502/955-5673	Louisville hillviewbettyb@hillviewkycityhall.com	KY	40229
Hodgenville	.75	Both	Quarterly	City Clerk/Treasurer 270/890-0221	PO Box 189 Fax: 270/890-0277	Hodgenville kosteen@hopkinsvilleky.us	KY	42240
Hopkinsville	2.00	Wages	Both	Kim Osteen 270/890-0221	101 N. Main Street Fax: 270/890-0277	Hopkinsville kosteen@hokinsvilleky.us	KY	42240
Hopkinsville	1.50	Net Profits ($250 min)	Annually	Kim Osteen 270/890-0239	101 N. Main Street Fax: 270/889-0236	Hopkinsville tax-info@hopkinsvilleky.us	KY	42241
Horse Cave	.50	Wages	Both	Brenda Crain 270/786-2680	PO Box 326 Fax: 270/786-2688	Horse Cave bkcrain@scrtc.com	KY	42749
Independence	1.25	Wages	Quarterly	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Independence	.075	Gross Receipts	Annually	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Jackson	1.00	Both	Both	Tax Administrator 606/666-7069	333 Broadway Fax: 606/666-7046	Jackson angiecombs@setel.com	KY	41339
Jackson County	1.00	Both	Both	Theresa Truett, Occ. Tax Administrator	PO Box 514 606/287-8375 Fax: 606/287-4501	McKee taxadmin@prtcnet.org	KY	40447
Jamestown	1.00	Wages	Quarterly	City Clerk/Treasurer 270/343-4594	PO Box 587 Fax: 270/343-4929	Jamestown kimw@j-town.org or dconner@j-town.org	KY	42629
Jeffersontown	1.00	Wages	Both	Tax Administrator 502/267-8333	10416 Watterson Trail Fax: 502/267-0547	Jeffersontown btinsley@jeffersontownky.com	KY	40299
Jeffersonville	1.00	Both	Both	Jeffersonville Clerk 859/498-5808	PO Box 127 Fax: 859/497-6267	Jeffersonville	KY	40337
Jessamine County	1.00	Both	Both	Cindy Tudor, Tax Adm 859/885-3206	105 Court Row Fax: 859/887-0900	Nicholasville cindy.ta@jessamineco.com	KY	40356

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Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Johnson County	.50	Both	Both	Adm of Tax 606/789-2550	PO Box 868 Fax: 606/789-2555	Paintsville	KY	41240 edabussey@bellsouth.net
Junction City	1.00	Wages	Both	Clerk/Treasurer 859/854.3900	PO Box 326 Fax: Same	Junction City	KY	40440 policedepartment@bellsouth.net
Kenton County	1.097	Net Profits over 37,500	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Kenton County	1.097	Wages over 25,000	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Kenton County	.7097	Wages under 25,000	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Kenton County	.7097	Net Profits under 37,500	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Knox County	1.00	Both	Both	Occ Tax Administrator 606/546-8915	PO Box 177 Fax: 606/546-6196	Barbourville	KY	40906 kfctax@barbourville.com
Lakeside Park	.75	Gross Receipts	Annually	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Lakeside Park	1.00	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Laurel County	1.00	Both	Both	Tax Administrator 606/878-9766	PO Box 650 Fax: 606/878-9803	London	KY	40743 laurelocctax@alltel.net
Lebanon	1.00	Both	Both	Lori Hamilton, Susan Crady	PO Box 840 270/692-6272 Fax: 270/692-4638	Lebanon	KY	40033 lhamilton@lebanonky.org
Lebanon Junction	0.80	Both	Both	City Clerk 502/833-4611	PO Box 69 Fax: 502/833-4388	Lebanon Junction	KY	40150
Leitchfield	1.20	Both	Both	City Clerk/Treasurer 270/259-4034	PO Box 398 Fax: 270/259-5858	Leitchfield	KY	42755-0398 kerry.white@leitchfield.org
Lewisburg	1.50	Both	Both	City Clerk/Treasurer 270/755-4828	PO Box 239 Fax: 270/755-4829	Lewisburg	KY	42256 lewisky@logantele.com
Lexington Fayette Urban County	2.25	Both	Both	Director of Revenue 859/258-3355	200 E. Main St. Fax: 859/258-3352	Lexington	KY	40507 Billo@lfucg.com
Lincoln County	1.00	Both	Both	Tax Adm, Pat Young 606/365-4520	201 E. Main St, Ste. 5 Fax: 606/365-4520	Stanford	KY	40484 lcolf@bellsouth.net
Livingston County	1.00	Both	Both	Tracy Mitchell 270/928-3361	PO Box 48 Fax: 270/928-3262	Smithland	KY	42081 kcurry@livingstonco.ky.gov
Logan County	.75	Both	Both	Logan Cty Occ Tax Dir 270/726-4667	PO Box 236 Fax: 270/726-3117	Russellville	KY	42276 logantaxes@bellsouth.net
Louisville Metro	.75	School Tax		Secretary/Treasurer 502/574-4860	617 W. Jefferson St. Fax: 502/574-4818	Louisville	KY	40202 switchboard@metrorevenue.org

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Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Louisville Metro	1.45	Both	Both	Secretary/Treasurer 502/574-4860	617 W. Jefferson St. Fax: 502/574-4818	Louisville switchboard@metrorevenue.org	KY	40202
Ludlow	1.50	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington melissa.maschinot@kentoncounty.org	KY	41012
Madison County	1.00	Both	Both	Occ Tax Admin 859/624-4742	PO Box 547 Fax: 859/624-4027	Richmond angel.powell@madisoncountyky.us	KY	40476
Madisonville	1.50	Both	Both	Finance Director 270/824-2107	PO Box 1270 Fax: 270/821-0271	Madisonville calexander@madisonvillegov.com	KY	42431
Magoffin County	1.00	Wages	Both	County Judge 606/349-2313	PO Box 430 Fax: 606/349-2109	Salyersville magtreasurer@foothills.net	KY	41465
Marion	.75	Both	Both	Melinda Gipson 270/965-4177	217 S. Main St Fax: 270/965-5235	Marion mgipson@marionky.gov	KY	42064
Marion County	1.00	Both	Quarterly	County Treasurer 270/692-3451	223 N Spalding Ave #201 Fax: 270/692-9487	Lebanon kevinrcochran@windstream.com	KY	40033
Marshall County	1.00	Both	Both	Tax Administrator, Angie Murphy	PO Box 114 270/527-4725 Fax: 270/527-4795	Benton angie.murphy@ky.gov	KY	42025
Marshall County (school tax)	.50	Both	Both	Marshall Cty Finance Officer	86 High School Road 270/527-6759 Fax: 270/527-0804	Benton karen.frizzell@kyschools.us	KY	42025
Martin	1.3	Wages	Both	City Clerk 606/285-9335	PO Box 749 Fax: 606/285-3309	Martin	KY	41649
Martin County	1.00	Wages	Quarterly	Tax Administrator: Jeanetta Green	PO Box 309 606/298-2085 Fax: 606/298-2120	Inez	KY	41224
Mayfield (different rate over 50000)	2.00	Both	Both	City Clerk/Treasurer 270/251-6212	211 E. Broadway Fax: 270/247-7151	Mayfield tjohnson@cityofmayfield.org	KY	42066
Maysville	1.95	Both	Both	Asst. City Comptroller 606/564-9419	216 Bridge St Fax: 606/564-9416	Maysville	KY	41056
McCracken County	1.00	Both	Both	County Tax Administrator	PO Box 2658 270/444-4722 Fax: 270/444-4737	Paducah abrown@co.mccracken.ky.us	KY	42002
McCreary County	1.00	Both	Both	Stephanie Tucker, Tax Adm.	PO Box 327 606/376-1322 Fax: 606/376-4319	Whitley City mc.co.occtax@highland.net	KY	42653
McKee	1.00	Both	Both	Marla Fields, City Clerk 606/287-8305	PO Box 455 Fax: 606/287-7179	McKee citymckee@prtcnet.org	KY	40447
McLean County	1.00	Both	Both	Darron L. Brawner, Adm. 270/273-9170	PO Box 670 Fax:	Calhoun	KY	42327
Menifee County	1.25	Both	Both	Jennifer Rogers 606/768-9029	PO Box 294 Fax: Same #	Frenchburg taxadm@mrtc.com	KY	40322
Mercer County 859/734-6300	0.45	Both	Both	Tax Administrator Fax:	PO Box 265 859/734-6345	Harrodsburg ssanders@mercerky.com	KY	40330

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Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Metcalfe County	1.00	Both	Both	Tax Administrator 270/432-3181	PO Box 149 Fax: 270/432-3726	Edmonton	KY	42129 metcoje@scrtc.com
Middlesboro	2.00	Both	Quarterly	Code Enforcement Officer	PO Box 756 606/248-5670 Fax: 606/248-1202	Middlesboro	KY	40965
Midway	2.00	Both	Both	City Clerk/Treasurer 859/846-4413	PO Box 4275 Fax: 859/846-4411	Midway	KY	40347 phyllis1@mikrotec.com
Millersburg	1.00	Both	Both	Carolyn Sears 859/484-3901	5th St., PO Box 265 Fax: 859/484-3901	Millersburg	KY	40348
Monroe County	.50	Both	Both	Occ. Tax Administrator 270/487-6392	200 N. Main St, Suite G Fax: 270/487-0591	Tompkinsville	KY	42167
Montgomery County	1.00	Both	Both	Mary Blevins 859/498-5389	44 W. Main St Fax: 859/498-1040	Mt. Sterling	KY	40353 mary.blevins@ky.gov
Morehead	1.50	Both	Both	Finance Director 606/784-6628	PO Box 490 Fax: 606/784-6629	Morehead	KY	40351
Morgan County	.50	Both	Both	Linda Bradley, Adm Assistant	450 Prestonsburg St 606/743-3897 Fax: 606/743-3895	West Liberty	KY	41472 mcfc.lb@gmail.com
Morgantown	2.00	Both	Both	City Clerk/Treasurer 270/526-3557	PO Box 397 Fax: 270/526-6295	Morgantown	KY	42261 morg6874@bellsouth.net
Mount Vernon	1.00	Both	Both	Tax Adm., Josh Bray 606/256-3437	PO Box 1465 Fax: 606/256-3443	Mount Vernon	KY	40456 jrobinson@mtvernonky.org
Mt. Olivet	1.00	Wages	Both	City of Mt. Olivet 606/724-5816	PO Box 166 Fax: 606/724-5816	Mt Olivet	KY	41064
Mt. Washington	1.00	Wages	Quarterly	City Clerk 502/538-4216	PO Box 285 Fax: 502/538-4064	Mt. Washington	KY	40047 dawn.fick@cityofmtwashington.org
Muldraugh	.25	Gross Profits	Both	City Clerk/Treasurer 502/942-2824	PO Box 395 Fax: 502/942-2892	Muldraugh	KY	40155 cithofmuldraugh@aol.com
Muldraugh	1.00	Wages	Both	City Clerk/Treasurer 502/942-2824	PO Box 395 Fax: 502/942-2892	Muldraugh	KY	40155 cityofmuldraugh@aol.com
Munfordville	.75	Wages	Quarterly	Tax Administrator 270/524-5701	PO Box 85 Fax: 270/524-3021	Munfordville	KY	42765 citymfvl@scrtc.com
Nelson County	.50	Both ($0-15000)	Both	Occupational License Adm.	PO Box 578 502/348-1802 Fax: 502/348-1873	Bardstown	KY	40004 nelsonolf@bardstown.com
Newport	2.50	Wages	Quarterly	License Inspector 859/292-3660	PO Box 1090 Fax: 859/292-3663	Newport	KY	41071 mwhitehead@newportky.gov
Newport	.35	Gross Receipts	Annual	License Inspector 859/292-3660	PO Box 1090 Fax: 859/292-3663	Newport	KY	41071 mwhitehead@newportky.gov
Nicholas County	1.00	Both	Both	Tax Administrator 859/289-3725	PO Box 167 Fax: 859/289-3705	Carlisle	KY	40311

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Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Nicholasville	1.50	Both	Both	Tax Adm., Leanne Holland	PO Box 590 859/885-7618 Fax: 859/881-0750	Nicholasville	KY	40356 leanne_holland@nicholasville.org
Oak Grove	1.50	Both	Both	City Clerk 270/439-4646	PO Box 250 Fax: 270/439-1201	Oak Grove	KY	42262 ogcc@oakgroveky.org
Ohio County	1.00	Both	Both	Tax Adm., Lugenia Sapp	PO Box 185 270/298-4410 Fax: 270/298-4409	Hartford	KY	42347 lugenias@bellsouth.ne
Owensboro	1.33	Both	Both	Deputy Finance Director	PO Box 10008 270/687-8534 Fax: 270/687-8526	Owensboro	KY	42302 hamricam@owensboro.org
Owenton	1.00	Both	Quarterly	Clerk/Treasurer 502/484-2322	220 S. Main St Fax: 502/484-5156	Owenton	KY	40359 charlotte_cobb@bellsouth.net
Paducah	2.00	Wages/Gross Receipts	Both	Revenue Manager 270/444-8513	PO Box 2427 Fax: 270/443-6653	Paducah	KY	42002 acopeland@ci.paducah.ky.us
Paintsville	1.00	Both	Both	City Clerk 606/789-2600	PO Box 1588 Fax: 606/789-2602	Paintsville	KY	41240 clerkcastle@cityofpaintsville.net
Paris	1.50	Both	Both	Occ. License Adm. 859/987-2110	525 High St. Fax: 859/987-4640	Paris	KY	40361
Park City	1.00	Both	Quarterly	Pauline Toms 270/749-5695	PO Box 304 Fax: 270/749-2425	Park City	KY	42160
Park Hills	.35	Gross Receipts	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Park Hills	1.00	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Pendleton County	.50	Wages	Both	Tax Adm.(apply before forms available)	233 Main St, Rm 4 859/654-1808 Fax: 859/654-5047	Falmouth	KY	41040 pcpayrolltaxadm@fuse.net
Pikeville	2.00	Both	Both	Occ. Tax Administrator 606/437-5105	118 College Street Fax: 606/444-5292	Pikeville	KY	41501 gratliff@pikevillecity.com
Pineville	1.50	Both	Both	City Clerk/Treasurer 606/337-2958	PO Box 688 Fax: 606/337-7111	Pineville	KY	40977 ctyclerk@bellsouth.net
Pioneer Village	1.00	Wages	Quarterly	City of Pioneer Village 502/957-3800	4700 Summitt Dr. Fax: 502/957-4580	Louisville	KY	40229 little3110@aol.com
Powell County	1.25	Both	Quarterly	Patricia Holland, Finance Officer	PO Box 506 606/663-2834 Fax: 606/663-2905	Stanton	KY	40380 judge099@yahoo.com
Prestonsburg	1.50	Both	Both	City Comptroller 606/886-2335	200 North Lake Dr. Fax: 606/886-0563	Prestonsburg	KY	41653 yvette.stephens@prestonsburg.net
Princeton	1.50	Both	Both	Finance Director 270/365-9575	206 E. Market St.. Fax: 270/365-4661	Princeton	KY	42445
Pulaski County	1.25	Both	Both	Tax Administrator 606/679-2393	PO Box 658 Fax: 606/451-8763	Somerset	KY	42502 cmcqueen@pcgovt.com
Radcliff	2.00	Both	Both	City CFO 270/351-4714	PO Box 519 Fax: 270/351-7329	Radcliff	KY	40159 cfox@radcliff.org

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Richmond	2.00	Both	Both	Michael Broyles, Dir. of Finance	PO Box 1268 859/623-1000 Fax: 859/624-2753	Richmond	KY	40476-1268 mbroyles@email.richmond.ky.us
Robertson County	1.5	Both	Both	Payroll Occ Tax Adm. 606/724-5615	PO Box 76 Fax: 606/724-5022	Mt Olivet	KY	41064 jeanneellis11@hotmail.com
Rockcastle County	1.5	Both	Both	Occ. Tax. Adm. 606/256-1293	PO Box 1810 Fax: 606/256-8104	Mt Vernon	KY	40456 jclontzcpa@windstream.net
Rowan County	1.00	Both	Both	County Finance Director	PO Box 607 606/784-6628 Fax: 606/784-6629	Morehead	KY	40351
Russell	.75	Both	Both	Reva Sturgill, Occupational License	PO Box 473 606/833-9555 Fax: 606/324-4739	Russell	KY	41169
Russell County	.25	Both	Both	Tax Administrator 270/343-1404	PO Box 7 Fax: 270/343-2134	Jamestown	KY	42629 rctaxad@duo-county.com
Russell Springs	1.00	Wages	Quarterly	City Clerk 270/866-3981	PO Box 247 Fax: 270/866-3860	Russell Springs	KY	42642 wburton@duo.county.com
Russellville	2.00	Both	Both	Julie Daech 270/726-5002	PO Box 434 Fax: 270/726-5064	Russellville	KY	42276 jdaech@russellvilleky.org
Salyersville	1,00	Wages	Quarterly	Clerk 606/349-2409	PO Box 640 Fax: 606/349-2449	Salyersville	KY	41465 svillech@foothills.net
Scott County	1.00	Both	Both	Georgetown/Scott Cty Rev Commission	PO Box 800 502/863-9805 Fax: 502/863-9808	Georgetown	KY	40324 info@gscrevenue.com
Scott County	.50	Both	Annual	Georgetown/Scott Cty Rev Commission	PO Box 800 502/863-9805 Fax: 502/863-9808	Georgetown	KY	40324 info@gscrevenue.com
Scottsville	1.50	Both	Quarterly	City Treasurer 270/237-4472	201 W. Main St., Ste 8 Fax: 270/237-4922	Scottsville	KY	42164 Eanderson@Scottsville.cityof.org
Shelby County	1.00	Both	Both	Tax Administrator 502/633-7685 Fax:	215 Washington St. 502/633-6514	Shelbyville	KY	40065 jamesray.wiley@shelbycountykentucky.com
Shelbyville	1.50	Both	Quarterly	Deputy City Clerk 502/633-8000	PO Box 1289 Fax: 502/633-4292	Shelbyville	KY	40066 wendy@shelbyvillekentucky.com
Shepherdsville	1.00	Wages	Quarterly	City Clerk/Treasurer 502/543-2923	PO Box 400 Fax: 502/543-6201	Shepherdsville	KY	40165
Shively	1.50	Both	Both	Becky Roberson, Occ. Tax Adm.	3920 Dixie Hwy 502/449-5000 Fax: 502/449-5004	Shively	KY	40216 broberson@insightbb.com
Silver Grove	1.50	Wages	Both	City Clerk, Kay Wright 859/441-6390	PO Box 428 Fax: 859/441-4363	Silver Grove	KY	41085 sgpolice@insightbb.com
Simpson County	.75	Wages	Quarterly	Simpson County Tax Adm.	PO Box 242 270/586-7184 Fax: 270/598-8914	Franklin	KY	42135 nlaw@simpsoncounty.us
Southgate	2.50	Gross Receipts	Both	Compliance Mgr Occupational License	PO Box 72958 859/292-3884 Fax: 859/292-3827	Newport	KY	41071 leads@campbellcountyky.org
Southgate	2.50	Wages	Both	Compliance Mgr Occupational License	PO Box 72958 859/292-3884 Fax: 859/292-3827	Newport	KY	41071-0958 leads@campbellcountyky.org

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Community Name	Tax Rate	Tax on Wages? Profits?	Return Filed Quarterly? Annually?	Who to Contact				
Spencer County	1.00	Both	Both	Occ License Adm. 502/477-2997	PO Box 397 Fax: 502/477-2998	Taylorsville	KY	40071 stephanniesmith@spencercountyky.gov
Springfield	1.00	Both	Both	City Treasurer 859/336-5440	127 W. Main St. Fax: 859/336-5455	Springfield	KY	40069 springcityhall@hotmail.com
St Matthews	.75	Wages	Quarterly	Tax Administrator 502/895-9444	3940 Grandview Ave Fax: 502/895-0510	St Matthews	KY	40207
Stanford	.65	Both	Both	Sandy Gooch 606/365-4500	305 E. Main St. Fax: 606/365-4500	Stanford	KY	40484
Stanton	1.00	Both	Quarterly	V. Slemp, Treasa Koontz	PO Box 370 606/663-6474 Fax: 606/663-4433	Stanton	KY	40380 (additional 3% school tax)
Taylor County	1.00	Both	Both	Occ. Tax Clerk 270/465-9760	PO Box 529 Fax: 270/465-0380	Campbellsville	KY	42719 tcocctax@alltell.net
Taylor Mill	2.00	Both	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Taylorsville	.75	Wages	Both	S. Hardin, Adm Clerk 502/477-	PO Box 279 Fax: 502/477-1310	Taylorsville	KY	40071 shardin@taylorsvillewater.org
Todd County	1.00	Both	Quarterly	Todd County Treasurer 270/265-9966	PO Box 310 Fax: 270/265-9966	Elkton	KY	42220 tctreasurer@mchsi.com
Tompkinsville	1.00	Wages	Quarterly	City Clerk 270/487-6776	206 N Magnolia St Fax: 270/487-6940	Tompkinsville	KY	42167 cityoftompkinsville@mchsi.com
Union County	.50	Both	Both	County Tax Admn 270/389-3438	PO Box 60 Fax: 270/389-4232	Morganfield	KY	42437 uctreasurer@bellsouth.net
Vanceburg	1.00	Both	Both	Deana Billman 606/796-3044	189 Second Street Suite A Fax: 606/796-6096	Vanceburg	KY	41179
Versailles	1.00	Both	Both	Allison B. White 859/873-5436	PO Box 625 Fax: 859/873-5969	Versailles	KY	40383 awhite@cityhall.versaillesky.com
Villa Hills	1.00	Wages	Both	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	Ky	41012 melissa.maschinot@kentoncounty.org
Villa Hills	.075	Gross Receipts	Annually	License Inspector 859/392-1440	PO Box 792 Fax: 859/392-1459	Covington	KY	41012 melissa.maschinot@kentoncounty.org
Warren County	1.00	Both	Both	Warren Cty Treasurer 270/842-5805	429 East 10th St. Fax: 270/781-2777	Bowling Green	KY	42101 jerry.pearson@ky.gov
Warren County (school tax)	.50	Both	Both	Shaunna Cornwell, CPA 270/842-7168	PO Box 51530 Fax: 270/842-3411	Bowling Green	KY	42102 Shaunna.cornwell@warren.kyschools.us
Warsaw	1.00	Both	Quarterly	Clerk/Treasurer 859/567-5900	PO Box 785 Fax: 859/567-5931	Warsaw	KY	41095 carolyn@cityofwarsawky.org

2009 Kentucky Communities Imposing an Occupational Tax

Community Name	*Tax Rate*	*Tax on Wages? Profits?*	*Return Filed Quarterly? Annually?*	*Who to Contact*				
Washington County	.75	Both	Both	Carla Hardin, Occ. Tax Administrator	PO Box 228 859/336-5430 Fax: 859/336-5407	Springfield	KY	40069 carlah@kyol.net
Wayne County	.90	Wages	Quarterly	Barbara Hagen, Wayne Cty Tax Adm	PO Box 439 606/348-4241 Fax: 606/348-6647	Monticello	KY	42633 wcocctax@alltel.net
West Buechel	1.00	Both	Both	City Clerk/Treasurer - Norma Robinson	3705 Bashford Ave. 502/459-4400 Fax: 502/456-6928	Louisville	KY	40218 williams.billie@gmail.com
West Liberty	.50	Wages	Both	Sally Barker, City Clerk 606/743-3330	565 Main Street Fax: 606/743-2202	West Liberty	KY	41472 wliberty@mrtc.com
West Point	2.00	Both	Both	Clerk/Treasurer 502/922-4260	509 Elm Street Fax: 502/922-4262	West Point	KY	40177 westpointgov@insightbb.com
Whitley County	1.00	Both	Quarterly	Phil Brewnenstuhl 606/539-0477	PO Box 268 Fax: 606/539-0478	Williamsburg	KY	40769 Philb@2geton.net
Wilder	2.25	Wages/ Gross Receipts	Both	City Clerk/Treasurer 859/581-8884	520 Licking Pike Fax: 859/581-0823	Wilder	KY	41071 mmeyers@isoc.net
Wilmore	2.00	Both	Both	Tax Administrator 859/858-4411	335 E. Main St. Fax: 859/858-3595	Wilmore	KY	40390 cbrandenburg@wilmore.org
Winchester	1.50	Wages	Quarterly	Debra Bailey, Treasurer 859/744-1660	PO Box 4135 Fax: 859/744-7450	Winchester	KY	40392 dbailey@winchesterky.com
Wolfe County	1.25	Wages	Quarterly	Barbara Phillips 606/668-3040	PO Box 429 Fax: 606/668-3367	Campton	KY	41301
Woodford County	1.50	Both	Both	Treasurer/Tax Adm. 859/873-5701	103 S. Main St. #201 Fax: 859/873-0196	Versailles	KY	40383 bwilson@woodfordcountyky.org

This document is based on information received by the Kentucky Society of Certified Public Accountants as of December 9, 2008. The data contained is the latest information provided by the individual local authorities and should be used for informational purposes **only**. It is important to remember that authorities can change their regulations and rates at any time. Please note that many of the communities will be changing their forms to comply with new regulations.

For complete details and forms we suggest that you contact the taxing authority. If you note any error(s) on this listing or know of additional communities imposing an occupational tax, please contact Carolyn Bowen, CMP, Director of Continuing Professional Education, Kentucky Society of CPAs, 1735 Alliant Avenue, Louisville, KY 40299 502.266.5272 or 800.292.1754 (in KY) or by email at cbowen@kycpa.org. This document is for the exclusive use of the KyCPA members and their individual business clients. The reproduction of this listing by software vendors or others for the distribution of a product sold for a fee is prohibited.

STATUTES & REGULATIONS REFERENCES	
STATUTES	**REFERENCE**
KRS 131.010	Definitions for Chapter
KRS 131.071	Office of Taxpayer Ombudsman
KRS 131.081	Administration Rules
KRS 131.110	Protest of Assessment
KRS 131.150	Jeopardy Assessments
KRS 131.650	Delinquent Taxpayer Published
KRS 131.170	Filing Extension
KRS 131.18	Uniform Civil Penalty Act
KRS 131.183	Tax Interest Rate/Refund
KRS 131.185	Preservation of Tax Records
KRS 131.190	Confidentiality
KRS 131.56	Priority of Claims for Withholding Tax Refund
KRS 131.575	Apportionment of Refund on Separate Return between Spouses
KRS 131.99	Penalties
KRS 141.01	Definitions for Chapter
KRS 141.0101	Depreciation Methods & Transitional Rules
KRS 141.011	Casualty/NOL Losses
KRS 141.016	Allocation of Income & Business Deductions among Spouses
KRS 141.02	Levy of Income Tax/Resident/NonResident/Reciprocal
KRS 141.0201	Artistic Charitable Contributions
KRS 141.0205	Priority of Application & Use of Credits
KRS 141.021	Federal & Local government Annuities
KRS 141.03	Liability of Fiduciaries
KRS 141.05	Federal Interpretations
KRS 141.066	Low Income Credit
KRS 141.067	Household & Dependent Care Credit
KRS 141.068	Determination of Tax Credits
KRS 141.069	Tuition/Education Credit
KRS 141.07	Other States Tax Credit
KRS 141.071	Political Party Definitions/Contributions to Politic Party
KRS 141.081	Standard Deduction
KRS 141.12	Interstate Business – Division of Income

STATUTES	REFERENCE
KRS 141.13	Tax Liability on Discontinuation of Business
KRS 141.14	Accounting Period for Computation of Income
KRS 141.15	Reports of Income Payments to Others
KRS 141.16	Due Date for Income Tax
KRS 141.17	Extensions
KRS 141.175	Extensions/National Guard/Reservists in Combat Zones
KRS 141.21	Audit of Return/Assessment of Additional Tax/Federal Audit
KRS 141.22	Payment of Tax – When Due
KRS 141.235	Limitation on Refund of Taxes
KRS 141.3	Estimated Tax
KRS 141.305	Installment Payments for Estimated Tax
KRS 141.388	New Home Tax Credit
KRS 141.435	Energy Efficiency Products Tax Credit Definitions
KRS 141.436	Energy Efficiency Products Tax Credit
KRS 141.137	Energy Efficiency Products Tax Credit – Energy Star Certified Home
KRS 141.985	Interest on Tax Due
KRS 141.99	Penalties
REGULATIONS	**REFERENCE**
KAR 1:010	Protests & Appeals
KAR 15:040	Statute of Limitations
KAR 15:050	Filing Date & Extensions
KAR 15:060	Estimated Tax
KAR 17:010	Residence
KAR 17:020	Combined Individual Returns
KAR 17:041	Tax Deferral for Combat Zone
KAR 17:060	Income Subject to Taxation
KAR 17:100	Division of Income Between Married Filing Separate Spouses
KAR 17:120	Estimated Tax Penalty
KAR 17:130	Individual Income Tax Military Person – Nonresident
KAR 17:140	Individual Income Tax Reciprocal - Nonresident
KAR 17:150E	New Home Tax Credit
KAR 17:150	New Home Tax Credit

INDIVIDUAL INCOME and WITHHOLDING TAX CALENDAR 2011

Note: If a return due date falls on a scheduled holiday or weekend, returns will be due the next working day.

January	**18 Quarterly Estimated Tax Returns/Individuals (1/4 Payment)**
February	**1** Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Annual Reconciliation
	1 Monthly Income Tax Withholding Returns (December Payment and K-2s)
	1 Quarterly Income Tax Withholding Returns (Quarterly Payment and K-2s)
	1 Annual Income Tax Withholding Returns (Annual Payment and K-2s)
	1 Wage & Tax Statements
	15 Monthly Income Tax Withholding Returns (January Payment)
	25 Twice-Monthly Income Tax Withholding Returns (February 1 - February 15
March	**10** Twice-Monthly Income Tax Withholding Returns (February 16 - February 28 Payment/EFT Payment)
	15 Monthly Income Tax Withholding Returns (February Payment)
April	**11** Twice-Monthly Income Tax Withholding Returns (March 16 - March 31 Payment/EFT Payment)
	18 Monthly Income Tax Withholding Returns (March Payment)
	18 Quarterly Estimated Tax Returns/Individuals (1/4 Payment)
	18 Annual Individual Income Tax Returns
	26 Twice-Monthly Income Tax Withholding Returns (April 1 - April 15 Payment/EFT Payment)
May	**5** Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/First Quarter Reconciliation
	5 Quarterly Income Tax Withholding Returns
	10 Twice-Monthly Income Tax Withholding Returns (April 16 - April 30 Payment/EFT Payment)
	16 Monthly Income Tax Withholding Returns (April Payment)
	25 Twice-Monthly Income Tax Withholding Returns (May 1 - May 15 Payment/EFT Payment)
June	**10** Twice-Monthly Income Tax Withholding Returns (May 16 - May 31 Payment/EFT Payment)
	15 Monthly Income Tax Withholding Returns (May Payment)
	15 Quarterly Estimated Tax Returns/Individuals (1/4 Payment)
	27 Twice-Monthly Income Tax Withholding Returns (June 1 - June 15 Payment/EFT Payment)
July	**15** Twice-Monthly Income Tax Withholding Returns (June 16 - June 30 Payment/EFT Payment)
	15 Monthly Income Tax Withholding Returns (June Payment)
	25 Twice-Monthly Income Tax Withholding Returns (July 1 - July 15 Payment/EFT Payment)
	30 Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Second Quarter Reconciliation
	30 Quarterly Income Tax Withholding Returns
August	**10** Twice-Monthly Income Tax Withholding Returns (July 16 - July 31 Payment/EFT Payment)
	15 Monthly Income Tax Withholding Returns (July Payment)
	25 Twice-Monthly Income Tax Withholding Returns (August 1 - August 15 Payment/EFT Payment)
September	**12** Twice-Monthly Income Tax Withholding Returns (August 16 - August 31 Payment/EFT Payment)
	15 Monthly Income Tax Withholding Returns (August Payment)
	15 Quarterly Estimated Tax Returns/Individuals (1/4 Payment)
	26 Twice-Monthly Income Tax Withholding Returns (September 1 - September 15 Payment/EFT Payment)

October	**10** Twice-Monthly Income Tax Withholding Returns (September 16 - September 30 Payment/EFT Payment)
	17 Monthly Income Tax Withholding Returns (September Payment)
	26 Twice-Monthly Income Tax Withholding Returns (September 16 - September 30 Payment/EFT Payment)
November	**1** Income Tax Withholding Returns/Electronic Funds Transfer (EFT) Filers/Third Quarter Reconciliation
	1 Quarterly Income Tax Withholding Returns
	10 Twice-Monthly Income Tax Withholding Returns (October 16 - October 31 Payment/EFT Payment)
	15 Monthly Income Tax Withholding Returns (October Payment)
	25 Twice-Monthly Income Tax Withholding Returns (November 1 - November 15 Payment/EFT Payment)
December	**12** Twice-Monthly Income Tax Withholding Returns (November 15 - November 30 Payment/EFT Payment)
	15 Monthly Income Tax Withholding Returns (November Payment)
	26 Twice-Monthly Income Tax Withholding Returns (December 1 - December 15 Payment/EFT Payment)

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