



► **Attach to Form 720, 720U (for entities using 3-Factor Apportionment), PTE, or 725.**

Name of Corporation or Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
	_____ - _____	_____ - _____

- Check the box and complete page 4, Apportionment and Allocation—Continuation Sheet: (i) if the corporation filing this tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky; or (ii) if the pass-through entity filing this tax return is a partner or member of a pass-through entity doing business in Kentucky, or (iii) if the corporation is filing an elective consolidated tax return per KRS 141.201.
- Check the box: (i) if the Department has granted written approval to use an alternative allocation and apportionment method per KRS 141.120(12)(a), attach a copy of the approval letter to the tax return; or (ii) if the company has made an irrevocable five year election to use an allocation and apportionment method per KRS 141.121(4)(a), attach a copy of the election to the tax return.
- Check the box: (i) if the taxpayer departed from or modified the basis for excluding or including gross receipts in the receipts factor used in returns for prior years per 103 KAR 16:270, disclose the nature and extent of the modification; or (ii) if the returns or reports filed by the taxpayer with all states to which the taxpayer reports are not uniform in the inclusion or exclusion of gross receipts per 103 KAR 16:270, disclose the nature and extent of the variance.

**PART I—COMPUTATION OF APPORTIONMENT FRACTION**

**Factor Computation**

Percentages should be carried to four decimal places.

1 Kentucky receipts	► 1		00
2 Total receipts	► 2		00
3 Receipts factor (line 1 divided by line 2)	► 3	_____ . _____	%
4 Double-weighted receipts factor (line 3 multiplied by 2)	► 4	_____ . _____	%
5 Average value of Kentucky real/tangible property (Part III)	► 5		00
6 Average value of total real/tangible property (Part IV)	► 6		00
7 Property factor (line 5 divided by line 6)	► 7	_____ . _____	%
8 Kentucky payrolls	► 8		00
9 Total payrolls	► 9		00
10 Payroll factor (line 8 divided by line 9)	► 10	_____ . _____	%
11 Total (add lines 4, 7, and 10)	► 11	_____ . _____	%
12 Apportionment fraction—Use the 3 factor apportionment per KRS 141.121 (see instructions).	► 12	_____ . _____	%

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**PART II—APPORTIONMENT AND ALLOCATION OF INCOME (FORM 720 ONLY)**

1	Net income (from Form 720, Part I, line 40) ▶ 1		00
2 Deduct non-apportionable income (if applicable):			
(a) Interest	▶ 2(a)		00
(b) Rents	▶ (b)		00
(c) Royalties	▶ (c)		00
(d) Net gain or (loss) on sale or exchange of capital assets	▶ (d)		00
(e) Total (lines (a) through (d))	▶ (e)		00
(f) <b>Related expenses</b> (attach schedule)	▶ (f)		00
3	Net non-apportionable income (line 2(e) less line 2(f)) ▶ 3		00
4	Apportionable income (line 1 less line 3) ▶ 4		00
5	Apportionable income apportioned to Kentucky (line 4 multiplied by Part I, line 3)(Entities under KRS 141.121, see instructions) ▶ 5		00
6 Add Kentucky non-apportionable income (if applicable):			
(a) Interest	▶ 6(a)		00
(b) Rents	▶ (b)		00
(c) Royalties	▶ (c)		00
(d) Net gain or (loss) on sale or exchange of capital assets	▶ (d)		00
(e) Total (lines (a) through (d))	▶ (e)		00
(f) <b>Kentucky related expenses</b> (attach schedule)	▶ (f)		00
7	Kentucky net non-apportionable income (line 6(e) less line 6(f)) ▶ 7		00
8	Taxable net income (line 5 plus line 7) (enter here and on Form 720, Part I, line 41) ▶ 8		00

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**PART III—TOTAL KENTUCKY REAL/TANGIBLE PROPERTY**

PROPERTY		A. Beginning of Year	B. End of Year
1 Inventories	▶ 1	<input type="text"/> 00	<input type="text"/> 00
2 Buildings	▶ 2	<input type="text"/> 00	<input type="text"/> 00
3 Machinery and equipment	▶ 3	<input type="text"/> 00	<input type="text"/> 00
4 Land	▶ 4	<input type="text"/> 00	<input type="text"/> 00
5 Other tangible assets	▶ 5	<input type="text"/> 00	<input type="text"/> 00
6 Total (lines 1 through 5)	▶ 6	<input type="text"/> 00	<input type="text"/> 00
7 Average value of real/tangible property owned in Kentucky, total of line 6, columns A and B divided by 2	▶ 7	<input type="text"/>	<input type="text"/> 00
8 Leased property (Eight times the annual rental rate less subrentals)	▶ 8	<input type="text"/>	<input type="text"/> 00
9 Total (lines 7 and 8) (enter on Part I, line 5)	▶ 9	<input type="text"/>	<input type="text"/> 00

**PART IV—TOTAL REAL/TANGIBLE PROPERTY**

PROPERTY		A. Beginning of Year	B. End of Year
1 Inventories	▶ 1	<input type="text"/> 00	<input type="text"/> 00
2 Buildings	▶ 2	<input type="text"/> 00	<input type="text"/> 00
3 Machinery and equipment	▶ 3	<input type="text"/> 00	<input type="text"/> 00
4 Land	▶ 4	<input type="text"/> 00	<input type="text"/> 00
5 Other tangible assets	▶ 5	<input type="text"/> 00	<input type="text"/> 00
6 Total (lines 1 through 5)	▶ 6	<input type="text"/> 00	<input type="text"/> 00
7 Average value of real/tangible property owned everywhere, total of line 6, columns A and B divided by 2	▶ 7	<input type="text"/>	<input type="text"/> 00
8 Leased property (Eight times the annual rental rate less subrentals)	▶ 8	<input type="text"/>	<input type="text"/> 00
9 Total (lines 7 and 8) (enter on Part I, line 6)	▶ 9	<input type="text"/>	<input type="text"/> 00



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SCHEDULE A  
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Schedule A—Apportionment and Allocation Continuation Sheet

Page \_\_\_ of \_\_\_

A	B	C	D	E	F	G	H	I
Name	Federal Identification Number	Kentucky Corporation/LLET Account Number	Kentucky Receipts	Total Receipts	Average Value of Kentucky Real/Tangible Property	Average Value of Total Real/Tangible Property	Kentucky Payrolls	Total Payrolls
1 Taxpayer								
<b>ELECTIVE CONSOLIDATED GROUP</b>								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14	Section B Subtotal (add lines 2 through 13 of this page only)							
15	Section B Total (Sum line 14 of all pages)							
16	Section A Subtotal (add lines 2 through 14 of this page only)							
	Section A Total (Sum line 15 of all pages)							
<b>PASS-THROUGH ENTITIES</b>								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14	Section B Subtotal (add lines 2 through 13 of this page only)							
15	Section B Total (Sum line 14 of all pages)							
16	Section A Subtotal (add lines 2 through 14 of this page only)							
	Section A Total (add Line 1, Section A, Line 16, and Section B, Line 15)							

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Line 1 Line 2 Line 5 Line 6 Line 8 Line 9

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**General**—A corporation that is taxable in this state and another state must apportion and allocate net income to Kentucky per KRS 141.120. A pass-through entity doing business within and without the state must compute an apportionment fraction per KRS 141.206(11)(b). Public service companies (defined in KRS 136.120) and financial organizations (defined in KRS 141.120(1)(c)) must apportion and allocate net income per KRS 141.121(5). If the entity is defined in KRS 141.121 and required to use three (3)-factor apportionment, it must enter one of the two-digit codes from page 10 of the Form 720 instructions in the space provided on the front page of the return. These entities continue to use a three (3)-factor apportionment formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018. Regulatory guidance on the sourcing of receipts in accordance with KRS 141.120 is provided in 103 KAR 16.270. Visit <https://legislature.ky.gov/Law/Pages/default.aspx> to view this regulation along with the latest on regulatory proposals.

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 per KRS 141.120(12) or the corporation qualifies for and elects an alternative apportionment per KRS 141.121(4). 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 per KRS 141.121(4) must be attached to the return when filed.

A taxpayer that departs from or modifies the basis for excluding or including gross receipts in the receipts factor used in returns for prior years shall disclose in the return for the current year the nature and extent of the modification. If the returns or reports filed by the taxpayer with all states to which the taxpayer reports are not uniform in the inclusion or exclusion of gross receipts, the taxpayer shall disclose in its Kentucky return the nature and extent of the variance. The denominator of the receipts factor shall include the gross receipts received by the taxpayer from transactions and activity in the regular course of its trade or business, including receipts from the acquisition, management, or disposition of tangible and intangible property if the property is or was related to the operation of the taxpayer's trade or business, except gross receipts excluded under 103 KAR 16:270. The numerator of the receipts factor shall include gross receipts attributable to this state and received by the taxpayer from transactions and activity in the regular course of its trade or business, including receipts from the acquisition, management, or disposition of tangible and intangible property if the property is or was related to the operation of the taxpayer's trade or business, except gross receipts excluded under 103 KAR 16:270.

**Elective Consolidated Returns**—An affiliated group filing an elective consolidated return is treated as a single corporation. All transactions between members of the affiliated group must be eliminated in determining the receipts, property, and payroll factors.

**Use page 4, Section A, Apportionment and Allocation Continuation Sheet, to show the consolidated factors computation.**

**Unitary Combined Returns**—Attach to Form 720U if the entity is using three (3)-factor apportionment and is included in a unitary combined return in accordance with KRS 141.202. All other members will compute their apportionment factors on Form 720U, Schedule U5.

## PART I—COMPUTATION OF APPORTIONMENT FRACTION

Schedule A must be submitted with the applicable tax return (Form 720, 720U (for entities using three (3)-factor apportionment), PTE, or 725). If the corporation or any corporation in an affiliated group filing Schedule A owns an interest in a limited liability pass-through entity or a general partnership doing business in Kentucky, complete page 4, Section B, Apportionment and Allocation Continuation Sheet. If the pass-through entity filing Schedule A owns an interest in a pass-through entity doing business in Kentucky, complete page 4, Section B, Apportionment and Allocation Continuation Sheet.

If page 4 is required, enter the amounts from Section C, Columns D and E on the corresponding lines of Schedule A, page 1. Entities required to use three (3)-factor apportionment, as defined in KRS 141.121, must enter the amounts from Section C, Columns D through I on the corresponding lines of Schedule A, page 1.

A corporation or pass-through entity not required to complete page 4 must compute its apportionment fraction as follows:

### Lines 1 through 10—Factor Computation

**Receipts**—Total receipts include all gross receipts, other than non-apportionable receipts. Receipts of tangible personal property sales are assigned to Kentucky if the property is delivered or shipped to a purchaser in Kentucky, regardless of the f.o.b. point or other conditions of sale. Receipts of tangible personal property sales to the U.S. government are assigned to Kentucky if the property is shipped from Kentucky.

KRS 141.120(11) provides that receipts other than receipts of tangible personal property sales are assigned to Kentucky if the taxpayer's market for the sales is in Kentucky.

The following are general guidelines for assigning receipts to Kentucky, but should not be considered all-inclusive. Receipts are assigned to Kentucky in the following instances:

- A. Real property that is sold, rented, leased, or licensed to the extent the property is located in Kentucky.
- B. Tangible personal property that is rented, leased, or licensed to the extent the property is located in Kentucky.
- C. A service that is provided to the extent it is delivered to a location in Kentucky.

- D. 1. Intangible property that is rented, leased, or licensed if and to the extent the property is used in Kentucky, provided that intangible property utilized in marketing a good or service to a customer is used in Kentucky if that good or service is purchased by a consumer who is in Kentucky; and
2. Intangible property that is sold, if and to the extent the property is used in Kentucky, provided that:
- i. A contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area is used in this state if the geographic area includes all or part of this state;
  - ii. Receipts from intangible property sales that are contingent on the productivity, use, or disposition of the intangible property shall be treated as receipts from the rental, lease, or licensing of the intangible property under KRS 141.120(11)(a)4.a.; and
  - iii. All other receipts from a sale of intangible property shall be excluded from the numerator and denominator of the receipts factor.

**Single-factor Apportionment**—For all companies except entities identified in KRS 141.121 and required to use three (3)–factor apportionment, apportionable income must be multiplied by a fraction, the numerator of which is the total Kentucky receipts and the denominator of which is the total everywhere receipts.

**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 non-apportionable subrentals. Real and tangible personal properties are assigned to Kentucky if owned or rented and used in Kentucky. Exclude (1) construction in progress and (2) property which has been certified by Kentucky as a pollution control facility and is owned or leased by the corporation.

**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: (1) the individual's service is performed entirely within the state; (2) the individual's 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 (3) some of the service is performed in the state and the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the state, or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

**Lines 11 and 12—Three-factor Apportionment**—These lines are to be completed by entities identified in KRS 141.121 and required to use three (3)–factor apportionment with a valid REASON CODE entered in the 3- Factor Apportionment Code box located on Page 1 of the return. See Item C for Form 720, Item F for Form PTE, and Item D for Form 725. Form 720U filers, see Schedule U5, Section A, Line 4. The apportionment fraction for entities identified in KRS 141.121 and required to use three (3)–factor apportionment continues to be calculated using a three (3)–factor formula as provided in KRS 141.901.

**Note:** Entities not defined in KRS 141.121 will use the apportionment percentage from line 3.

**PART II—APPORTIONMENT AND ALLOCATION OF INCOME**

Apportionable 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 is or was related to the operation of the taxpayer's trade or business.

Classifying income by categories (such as interest, rents, royalties, and capital gains) does not determine whether income is apportionable or non-apportionable. For example, gain or (loss) recognized on the sale of property may be apportionable income or non-apportionable income depending upon its relationship to the corporation's trade or business.

Non-apportionable income means all income other than apportionable income less all direct or indirect expenses attributable to the production of this income. Rents and royalties from real or tangible personal property, capital gains, interest, or patent or copyright royalties, to the extent that they constitute nonapportionable income, shall be allocated as provided in KRS 141.120 (5) through (8).

**Line 5—Apportionable Income Apportioned to Kentucky** Except for those entities required to use three (3)–factor apportionment, Line 4 multiplied by Part I, Line 3.

**For entities identified in KRS 141.121 and required to use three (3)–factor apportionment Only**—Line 4 multiplied by Part I, Line 12.

**APPORTIONMENT AND ALLOCATION—CONTINUATION SHEET**

**Line 1**—Enter the parent company FEIN and information on Line 1 and the subsidiaries and pass-through entities on Lines 2 through 13 of the applicable section. If multiple continuation pages are needed, Line 1 should only be filled out on the first page.

**ELECTIVE CONSOLIDATED GROUP**

**Section A, Lines 2 through 14**—Report the apportioned factors for the members of an Elective Consolidated Group, including Kentucky Schedules K-1 received from pass-through entities. Report all member information in the total and enter intercompany transactions as a negative amount on Line 14 per KRS 141.201.

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**Line 15—Section A Subtotal**—Add Lines 2 through 14 of this page only.

**Line 16—Section A Total**—If multiple continuation pages are needed, add the subtotals from Line 15 of each page and reflect the total of all pages on the first continuation page.

**PASS-THROUGH ENTITIES**

**Section B, Lines 2 through 13**—Report the apportioned factors received from pass-through entities on Schedule K-1.

**Note: If a subsidiary receives a Kentucky Schedule K-1, the pass-through items should be reported in Section A only.**

**Line 14—Section B Subtotal**—Add Lines 2 through 13 of this page only.

**Line 15—Section B Total**—If multiple continuation pages are needed, add the subtotals from Line 14 of each page and reflect the total of all pages on the first continuation page.

**GRAND TOTAL**

**Section C**—Add Line 1, Section A, Line 16 and Section B, Line 15, then carry the Grand Total to Schedule A, Part I. Check the appropriate box at the top of Schedule A, Page 1, and enter all apportionment and allocation calculations.