

42A740-PTET(I) (10-23)

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF REVENUE
FRANKFORT

2023



Instructions for Kentucky Pass-through Entity Tax

- ◆ Form 740-PTET
- ◆ Form 740-PTET-ELECT
- ◆ Form PTET-CR
- ◆ Form KPTET-V
- ◆ Form PTET-ES
- ◆ Form 740 PTET-EXT

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Purpose of Form—The Kentucky General Assembly passed HB 5 during the 2023 Regular Session that established a new Section of KRS Chapter 141 allowing an authorized person to make an annual election on behalf of the pass-through entity to file and pay income tax at the entity level. The Department of Revenue (DOR) is implementing a new Form 740-PTET, for taxpayers to use to make the election, file the return, and pay the income tax due. For tax year 2022, the election may be made after March 31, 2023, but must be made before August 31, 2024, using Form 740-PTET. The new Form PTET-CR is used to report the tax paid on each partner's, member's, or shareholder's behalf to each partner, member, or shareholder and to the Department. **KRS 141.209**

MAKING THE ELECTION

For taxable years beginning on or after January 1, 2023, an authorized person must file Form 740-PTET-ELECT or check the box when filing the return on Form 740-PTET to make the election. The election may be made at any time during the taxable year or after the end of the taxable year. If the election is made after the end of the taxable year, it must be made by:

- The 15th day of the fourth month after the close of the taxable year, or
- The extended due date if an extension is filed.

Once the election has been made for a taxable year, it is irrevocable and binding upon all entity owners.

Under the election, the income tax will be calculated at the pass-through entity level. This election imposes the tax under KRS 141.020 upon the electing entity and is based upon the ordinary income and separately stated items of income calculated under KRS 141.206. The Pass-Through Entity Tax shall be due on the same date as the entity's annual return for the taxable year, without regard to extensions.

MAIL YOUR Form 740-PTET-ELECT ELECTION FORM TO: Kentucky Department of Revenue Frankfort, Kentucky 40619-0006

SPECIFIC INSTRUCTIONS FOR FORM 740-PTET

Item A—Enter the pass-through entity's Federal Employer Identification Number.

Item B—Enter the pass-through entity's Limited Liability Entity Tax Account Number (if available).

Item C—Enter the pass-through entity's name, address, ZIP Code, and telephone number. Check the box to indicate a change of name.

Item D—Check the applicable boxes:

- (a) **Change of Accounting Period**—The pass-through entity has changed its accounting period since it filed its prior year Kentucky tax return. If the entity received written approval from the Internal Revenue Service to change its taxable year, attach a copy of the letter.
- (b) **Final Return**—This is the entity's final Kentucky tax return.
- (c) **Amended** – Please check this box if the entity filed a prior return for this period.
- (d) **Election to Pay Income Tax at the entity level** – Please check this box to make the election for the pass-through entity to pay tax at the entity level.

Line 1—Enter the number of partners, members, or shareholders included in the return. Do not include C-Corporations.

Line 2—Enter the net distributive share income before apportionment.

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

Line 3—Enter the apportionment fraction from the pass-through entity's Schedule A or 100% (see Schedule A instructions).

Line 4—Enter the amount of Line 2 multiplied by Line 3.

Line 5—Enter the amount of Line 4 multiplied by 4.5% (.045).

Line 6—Enter the partners', members', or shareholders' nonrefundable tax credits from Schedules K-1.

Line 7—Enter the amount of Line 5 less Line 6. Note: The total income tax paid must equal the sum of Form PTET-CR, Line 9 for all attached PTET-CR's.

Line 8—Enter the tax credit received on a 740-PTET-CR issued to the pass-through entity.

Line 9—Enter the total estimated tax payments (Form PTET-ES Vouchers) made for the taxable year. Do not include the amount credited from the prior year. **NOTE:** Estimated payments are not required for tax years beginning on or after January 1, 2023 and before January 1, 2024.

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Line 10—Enter extension payment made for PTET.

Line 11—Enter prior year's tax credit.

Line 12—Enter the amount of tax paid on the original return. **This line is only used when filing an amended return.**

Line 13—Enter the total payments listed on Lines 8 through 12.

Line 14—Enter the tax overpayment on the original return. **This line is used only when filing an amended return.**

Line 15—Enter the amount of Line 7 and 14 less Line 13.

Line 16—Enter the Estimated Tax Penalty.

Line 17—Enter the income tax and estimated tax penalty due (Line 15 plus Line 16).

Line 18—If Line 13, less Lines 7, 14, and 16 is positive, enter the difference on this line. This is your overpayment.

Line 19—If Line 18 reflects an overpayment, enter the portion of Line 18 to be credited to current year Interest.

Line 20—If Line 18 reflects an overpayment, enter the portion of Line 18 to be credited to current year Penalty.

Line 21—If Line 18 reflects an overpayment, enter the portion of Line 18 to be credited to 2024 PTET.

Line 22—If Line 18 reflects an overpayment, enter the portion of Line 18 to be refunded (Line 18 less Lines 19 through 21).

SPECIFIC INSTRUCTIONS FOR FORM PTET-CR

Check the box if an amended return and enter the taxable year ending.

Line 1—Enter the pass-through entity's Federal Employer Identification Number (FEIN).

Line 2—Enter the pass-through entity's Kentucky Limited Liability Entity Tax Account Number (if available).

Line 3—Enter the pass-through entity's name, address, and ZIP Code.

Line 4—Enter the partner's, member's, or shareholder's Social Security Number or FEIN.

Line 5—Enter the partner's, member's, or shareholder's name, address, and ZIP Code.

Line 6—Enter the Kentucky partner's, member's, or shareholder's distributive share income.

Line 7—Enter the amount on Line 6 multiplied by 4.5% (.045).

Line 8—Enter the partner's, member's or shareholder's allowable nonrefundable tax credits from Schedule K-1.

Line 9—Enter the amount on Line 7 less Line 8.

Refundable Credit

Individual owners filing Kentucky individual income tax returns reporting the tax imposed by KRS 141.020 are allowed the refundable pass-through entity tax credit passed through on Form PTET-CR. The credit may be claimed on Kentucky Form 740 or Form 740NP, line 31(g), Refundable Pass-Through Entity Tax Credit.

A pass-through entity that is a partner, member, or shareholder of another pass-through entity (lower-tier pass-through entity) shall also complete Form PTET-CR to reflect each of the lower tier pass-through entity's partner's, member's, or shareholder's pro rata share of the lower-tier pass-through entity's income. The electing upper-tier pass-through entity must also file a Form 740-PTET and report the proportionate share of the tax paid attributable to the lower-tier pass-through entity's proportionate share. The lower-tier pass-through entity will claim the PTET-CR from the upper-tier pass-through entity on Form 740-PTET, line 8.

Making the Pass-Through Entity Tax Payments

Electronic Payments—For tax years beginning on or after October 1, 2021, corporations and pass-through entities are required to submit payments electronically.

Visit www.revenue.ky.gov for details on how to electronically pay your tax.

Payment by Check—If an electronic payment is not possible, a Form KPTET-V is required when submitting a paper check for payment of the Pass-Through Entity Tax due on electronically filed returns. Mail the voucher with payment to:

Kentucky Department of Revenue
Frankfort, Kentucky 40619-0006

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Estimated Payments

For taxable years beginning on or after January 1, 2024, an electing entity must make estimated income tax payments if the provisions of KRS 141.305 are met. DOR will assess the estimated tax penalty under KRS 141.985 if the estimated income tax payments are not remitted.

If a pass-through entity's estimated tax for the taxable year can reasonably be expected to exceed \$500 for an individual partner, member, or shareholder, the following payment dates are applicable:

First installment	April 15	25% of Estimated Tax due
Second installment	June 15	25% of Estimated Tax due
Third installment	September 15	25% of Estimated Tax due
Fourth installment	January 15	25% of Estimated Tax due

Fiscal Year Filers—For pass-through entities filing on a fiscal year basis, the payment dates are the 15th day of the fourth month, 15th day of the sixth month, 15th day of the ninth month, and 15th day of the first month after the close of the fiscal year.

NOTE: If a payment date falls on a holiday or weekend, the applicable payment date is the next working day.

Extension

Visit www.revenue.ky.gov for details on how to electronically pay your extension. If an electronic extension is not possible a six-month extension of time to file a 740 PTET, may be obtained by:

1. Request an extension using the current year Form 740 PTET-EXT (Extension of Time to File Kentucky Form 740 PTET) before the date prescribed in KRS 141.160 for filing the return; OR,
2. Submit a copy of the applicable Kentucky Extension, either Corporation/LLET Extension (720 EXT) or Extension of Time to File Individual, General Partnership and Fiduciary Income Tax Return (40A102), with the 740 PTET return when filed by the extended due date;
3. Submit a copy of the federal Form 7004 (Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns) with the 740 PTET return by the extended due date.

FILING THE 740-PTET

Electronic filing is available through third party vendors that support the Kentucky Form 740-PTET and Form PTET-CR.

MAILING THE RETURN WITH PAYMENT

If you are not able to e-file your return, paper file your completed Form 740-PTET with your payment. A Form KPTET-V is not required when mailing your payment and return together to:

Kentucky Department of Revenue
Frankfort, Kentucky 40619-0006

TAXPAYER ASSISTANCE

Pass-Through Entity Branch, Department of Revenue, 501 High Street, Station 52, Frankfort, Kentucky 40601-2103

Phone: 502-564-8139

DORWEBRESPONSEPASSTHROUGHENTITY@ky.gov

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