INSTRUCTIONS

720U

Commonwealth of Kentucky
Department of Revenue

KENTUCKY UNITARY COMBINED CORPORATION INCOME TAX AND LLET RETURN

2023

PURPOSE OF INSTRUCTIONS

These instructions have been designed for corporations that are part of a unitary business, which are required to file as a combined group for tax years beginning on or after January 1, 2019 per KRS 141.202, unless the group elects to file a same–as–federal affiliated group consolidated return under KRS 141.201. A group that makes an election to file an affiliated group consolidated return must use Form 720.

HOW TO OBTAIN FORMS AND INSTRUCTIONS

Forms and instructions are available at all Kentucky Taxpayer Service Centers (page 33). They may also be obtained by writing FORMS, Department of Revenue, 501 High Street, Station 23B, Frankfort, KY 40601, or by calling 502–564–3658. Forms can be downloaded from ***www.revenue.ky.gov***.

KENTUCKY TAX LAW CHANGES

Enacted by the 2023 Regular Session of the Kentucky General Assembly—

Internal Revenue Code (IRC) Conformity Date—House Bill (HB) 360 updated the Internal Revenue Code reference date to December 31, 2022, for taxable years beginning on or after January 1, 2023.

Treatment of Research and Experimental (R&E) Expenses—The update to the IRC conformity date means that, for taxable years beginning on or after January 1, 2023, Kentucky conforms to the IRC Section 174 changes requiring taxpayers to capitalize and amortize R&E expenses rather than deduct them.

Treatment of Restaurant Revitalization Grants—For tax years beginning on or after January 1, 2020, but before March 11, 2023, HB 360 provides that Kentucky will treat Restaurant Revitalization Grants in the same manner as the IRS. This means that the grants are not included in gross income and expenses paid for by funds from the grants are fully deductible.

Pass–Through Entity Tax and Tax Credit—HB 5 established a new Section of KRS Chapter 141 allowing an authorized person to make an annual election to have the income tax under KRS 141.020 imposed at the entity level. To make the election for a taxable year beginning on or after January 1, 2022, but before January 1, 2023, an authorized person must file Form 740-PTET or Form 740-PTET-ELECT. The election for this taxable year must be made after March 31, 2023, but before August 31, 2024.

For taxable years beginning on or after January 1, 2023, an authorized person must file Form 740-PTET or Form 740-PTET-ELECT to make the election. The election must 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. The tax is based upon the ordinary income and separately stated items of income calculated under KRS 141.206.

Tax Credit Changes:

Pass–Through Entity Tax Credit—HB 5 also established a 100% refundable pass–through entity tax credit. This credit may be claimed on a return filed by an entity owner against the tax imposed under KRS 141.020 and is based on the entity owner's proportionate share of income from the pass-through entity.

Distilled Spirits Tax Credit—HB 5 modified the distilled spirits (DS) tax credit, which provides for a credit against LLET and income tax of up to 100% of the property tax timely paid on distilled spirits inventory. Changes to this tax credit will not impact the 2023 tax year.

Decontamination Tax Credit—HB 360 reduced the amount of anticipated qualifying expenditures per property to $6 million from $10 million and capped the total credit to be awarded at $30 million for fiscal years 2022–2023 and 2023–2024.

Kentucky Entertainment Incentive (KEI) Tax Credit— House Bill 303 made various changes to the KEI tax credit, allocating $25 million for approved continuous production film companies and clarifying that payroll expenditures of loan-out entities can be included in the credit calculation.

Wage Assessments—HB 303 modified the wage assessment language in the tax credit provisions that utilize wage assessments to bring it in line with the reduction in the individual income tax rate.

Kentucky Revised Statutes—Kentucky Revised Statutes are referred to in these instructions as "KRS" and can be found online at *legislature.ky.gov/Law/Statutes/Pages/default.aspx* .

Kentucky Administrative Regulations—Kentucky Administrative Regulations are referred to in these instructions as "KAR" and can be found online at *legislature.ky.gov/Law/kar/Pages/default.aspx* .

CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2024 tax interest rate has been set at 9 percent (9%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is 11 percent (11%) and when interest is due on a refund, the rate is 7 percent (7%).

KENTUCKY FORM CHANGES

New:

Form 740–PTET—Created to allow an electing pass–through entity to report the amount of income and income tax.

Form PTET–CR—Created to allow an electing pass–through entity to report to each of its partners, members, or shareholders their proportionate share of the income tax paid by the entity. The PTET–CR must be filed with the partner's, member's, or shareholder's return to claim the PTET credit.

Form KPTET–V—Payment voucher created for electing pass–through entities that choose to pay the PTE Tax with a paper check.

Form 740 PTET–ES—Created to allow an electing pass-through entity to report estimated PTE tax payments. **NOTE:** Estimated payments are not required for tax years beginning on or after January 1, 2022, but before January 1, 2024.

Form 740 PTET–EXT—Created to allow an electing pass–through entity to request a six–month extension and make a payment.

Form 740 PTET–ELECT—Created to allow for making an election to pay income tax at the entity level.

Helpful Tips for Electronic Filing and Paying

- **Mandatory E-File and E-Pay if Gross Receipts ≥ $1,000,000**—For tax years beginning on or after October 1, 2021, corporations and pass-through entities are required to file and submit payments electronically if their federal gross receipts are one million dollars ($1,000,000) or greater. This applies to Forms 720, 720U, PTE, 725, and 740NP-WH.
- If your return or payment is rejected for an invalid Kentucky Corporation/LLET Account Number or Federal Employer Identification Number (FEIN), please complete Form 20A100, "Declaration of Representative," and contact our **Registration Section at 502-564-3306** for instructions on how to obtain an account number.
- A person, taxpayer, or tax preparer required to electronically file a return, report, or statement may request a waiver **as authorized by KRS 131.250(2). Form 8948 (K-C): Request for Waiver of Electronic Filing Requirement** must be submitted via e-mail to KRC.WEBResponseCorporationTax@ky.gov or DORWEBRESPONSEPASSTHROUGHENTITY@ky.gov for approval ***before*** filing on paper. A copy of the approved form must be attached to the paper-filed return.
- **Online Payment Options—**Visit **www.revenue.ky.gov** for details on how to electronically pay your tax. To make payments, the FEIN is required along with the Kentucky Corporation/LLET six (6)-digit account number.
- **Payment by Check—**If an electronic payment is not possible, a Form KBR–V is required when submitting a paper check for payment of the tax due on electronically filed and paper-filed returns.
- Direct debit is an option for electronically filed forms; however, direct deposit is not.
- To determine which forms are supported by your software, please consult with the company that develops your software.

Filing Tips and Checkpoints

The following list of filing tips is provided for your convenience to help ensure that returns are processed accurately and promptly. To avoid processing problems, please note the following:

- **Account Closure—**There are different requirements for the Secretary of State and the Department of Revenue when ceasing operations and closing an account. It is advised that you consult with both agencies when closing a business tax account.
- **Account Number/FEIN—**Always ensure the correct Kentucky Corporation/LLET account number and FEIN is used on the return being filed.
- **Payments—**If making payment by check, place payments on the front of the return so that they are clearly visible. Do not leave check stubs attached to checks. Check stubs will delay the machines that sort incoming mail, which causes longer processing times.
- **Estimated Payments—**Make estimated payments on a timely basis to avoid penalty.
- **EFT Payments—**When making EFT payments online, use the Taxable Year Ending NOT the due date of the payment.
- **Form KBR-V—**Form KBR-V is a payment voucher for e-filed returns and for payments submitted separately for paper filed returns. It is NOT an extension form. To extend a filing date, use Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions—**Extensions are for extending the filing date only; late payment penalties and interest apply to payments made after the original due date.

  C corporations requesting an extension of time to file (on form 720EXT) will be granted seven (7) months to file their tax return.
- **Schedule A—**Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the corporation has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- **Incorrect Year Forms—**Returns submitted on the wrong year form on or before the due date will be accepted as timely filed, but will require the return to be submitted on the correct year form before the return can be processed.
- **Additional errors that delay processing:**
  - Incorrect form submitted
  - Incorrect tax exemption code
  - Incomplete information
  - Missing forms or schedules
  - Incorrect taxable year end
  - Failure to include payment of tax due with the return
  - Omitting Form 720EXT when paying with an extension

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IMPORTANT

Corporations must create a Kentucky Form 4562, Schedule D and Form 4797 by converting federal forms.

Schedule 4562

Depreciation—For property placed in service after September 10, 2001, Kentucky depreciation (§168) is determined per the Internal Revenue Code (IRC) in effect on December 31, 2001.

Section 179 Deduction—For property placed in service after September 10, 2001, but prior to January 1, 2020, only the expense deduction ($25,000) allowed under §179 of the IRC in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, is allowed.

For property placed in service on or after January 1, 2020, only the expense deduction ($100,000) allowed under §179 of the IRC in effect on December 31, 2003, exclusive of any amendments made subsequent to that date, is allowed, except that the phase-out provisions of §179 of the IRC limiting the qualifying investment in property, shall not apply.

For 2020 returns and forward, any corporation that for federal purposes elects in the current taxable year or has elected in past taxable years any of the following will have a different depreciation and IRC §179 expense deduction for Kentucky:

- MACRS bonus depreciation;
- IRC §179 expense deduction in excess of $25,000 for property placed in service after September 10, 2001, but prior to January 1, 2020; or
- IRC §179 expense deduction in excess of $100,000 for property placed in service on or after January 1, 2020.

If a corporation has taken MACRS bonus depreciation or IRC §179 expense deduction in excess of the amounts outlined above for any year, federal and Kentucky differences will exist and the differences will continue through the life of the assets.

Important: If a corporation has not taken MACRS bonus depreciation or the IRC §179 expense deduction in excess of the amounts outlined above for any taxable year, then no adjustment will be needed for Kentucky income tax purposes. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be submitted with Form 720U to substantiate that no adjustment is required.**

Determining and Reporting Depreciation and IRC §179 Deduction Differences—

1. The depreciation from Schedule U3, Line 20 and depreciation claimed on federal Form 1125-A or elsewhere on Form 1120 must be included on Schedule U4, Line 4. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached to Form 720U.**

2. Convert federal Form 4562 to a Kentucky form by entering **Kentucky** at the top center of the form above Depreciation and Amortization. Compute Kentucky depreciation (§168) per the IRC in effect on December 31, 2001, by ignoring the lines and instructions regarding the special depreciation allowance. **NOTE:** For Kentucky purposes, for property placed into service after September 10, 2001, but prior to January 1, 2020, the maximum IRC §179 deduction amount on Line 1 is $25,000 and the threshold cost of IRC §179 property on Line 3 is $200,000.

   For property placed into service after September 10, 2001, but prior to January 1, 2020, the maximum allowable IRC §179 deduction for Kentucky purposes is reduced dollar–for– dollar by the amount by which the cost of qualifying IRC §179 property placed in service during the year exceeds the threshold. In determining the IRC §179 deduction for Kentucky the income limitation on Line 11 should be determined by using Kentucky net income before the IRC §179 deduction instead of federal taxable income. **For Kentucky purposes, for property placed into service on or after January 1, 2020, the maximum IRC §179 deduction amount on Line 1 is $100,000 and the phase-out threshold does not apply for purposes of determining Kentucky depreciation.**

3. The corporation **must attach the Kentucky Form 4562** for each included company of the unitary business to Form 720U, and the amount from Kentucky Form 4562, Line 22 must be included on Schedule U4, Line 23. A Kentucky Form 4562 must be filed for each year, even though a federal Form 4562 may not be required.

Schedule 4797 and Schedule D

Gains/Losses from Disposition of Assets—Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year the corporation disposes of assets on which it has taken the special depreciation allowance or the additional IRC §179 deduction for federal income tax purposes, the corporation will need to determine and report the difference in the amount of gain or loss on such assets as follows:

1. If a capital gain is reported on Schedule U3, Line 8, enter this amount on Schedule U4, Line 24. Convert **federal Schedule D (Form 1120)** and other applicable federal forms to Kentucky forms by entering **Kentucky** at the top center of the form and compute the Kentucky capital gain or (loss) from the disposal of assets using Kentucky basis. Report the apportionable amounts as part of the Combined Totals on Schedule U7, Section A, Line 1 or Line 2. Report the allocable amounts in the appropriate taxpayer member's column(s) on Schedule U7, Section A, Lines 5(b) or 6(b). **Federal Schedule D (Form 1120) filed with the federal return and the Kentucky Schedule D must be attached to Form 720U.**

2. If the amount reported on Schedule U3, Line 9 is a gain, enter this amount on Schedule U4, Line 25. If the amount reported on Schedule U3, Line 9 is a loss, enter this amount on Schedule U4, Line 8. Convert federal Form 4797 and other applicable federal forms to Kentucky forms by entering **Kentucky** at the top center of the form and compute the Kentucky gain or (loss) from the sale of business property listing Kentucky basis. Report the apportionable amounts as part of the Combined Totals on Schedule U7, Section A, Line 3 or Line 4. Report the allocable amounts in the appropriate taxpayer member's column(s) on Schedule U7, Section A, Lines 7(b) or 8(b). **Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached to Form 720U.**

GENERAL INFORMATION

Internal Revenue Code Reference Date—Kentucky's Internal Revenue Code (IRC) reference date is December 31, 2022, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2022, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101. **KRS 141.010(21)**

Kentucky Tax Registration Application—The designated filer of the combined group is required to have a Kentucky Corporation/LLET Account Number. If applicable, they must complete the Kentucky Tax Registration Application, Form 10A100, to register for a Kentucky Corporation/LLET Account Number. This account number will be used for filing returns and remitting the corporation income tax per KRS 141.040 and the LLET per KRS 141.0401.

Register your business online at ***http://onestop.ky.gov*** using the One Stop Business Services link.

1. Go to ***onestop.ky.gov*** .

2. Click on **Dashboard Login**.

3. Welcome to the Kentucky Online Gateway. If you do not already have an account, click on **Create An Account**. Once a user account has been created, an email will be sent to you with further instructions to activate the account and login. You must use the activation link in the email prior to logging in to your account.

4. Once logged in, launch the Kentucky Business One Stop App.

   - If your business needs to register with both the Secretary of State and the Department of Revenue or only needs to register with the Department of Revenue, use the **Register My Business** option to register for tax accounts and your Commonwealth Business Identifier (CBI).

   - If the business is already registered with the Secretary of State and you do not already have access to the business on your Dashboard, choose the **Link My Business** option. Enter the Commonwealth Business Identifier (CBI), Security Token, and Business Name exactly as it appears on your Kentucky articles of organization/incorporation, your Kentucky Certificate of Authority, or your CBI letter (including all punctuation) and link your business, click **Send Invite** and follow the instructions sent to your email to register for tax accounts.

The Link My Business option will require you to name at least one **"One-Stop Portal Business Administrator"** (for example, the business owner or representative).

> ***Note:*** *The administrator can then delegate access to other individuals—for example, an attorney, accountant, or manager. The administrator also determines the appropriate authority level for delegates to make changes—this could range from filing annual reports with the Secretary of State's office, changing the business address, or filing and paying taxes. Only the One Stop business administrator(s) can grant, approve, withdraw, or revoke access to the business.*

5. Once you have linked your business, your business name and CBI number will appear in the My Businesses box on the dashboard, click on the CBI number and, once your business loads, click on the **Tax Administration** tab to register for tax accounts.

The paper application is available by calling the Department of Revenue, Division of Registration at 502–564–3306, or can be downloaded at ***www.revenue.ky.gov*** (click on **Find a Form**, and search for 10A100). The application may be faxed to 502–227–0772 or e-mailed to ***DOR.Registration@ky.gov*** .

Who Must File—LLET and Corporation Income Tax

LLET—The limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86–272 do not apply to the tax imposed by KRS 141.0401. A Kentucky Unitary Combined Corporation Income Tax and LLET Return (Form 720U) must be filed by every corporation (a) organized under the laws of this state; (b) having its commercial domicile in this state; (c) owning or leasing property in this state; (d) having one or more individuals performing services in this state; (e) maintaining an interest in a pass–through entity doing business in this state; (f) deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purposes; or (g) directing activities at Kentucky customers for the purposes of selling them goods or services. **KRS 141.0401 and KRS 141.010(13)**

Corporation Income Tax—Except for the limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86–272, a Kentucky Unitary Combined Corporation Income Tax and LLET Return (Form 720U) must be filed by every corporation doing business in this state. **KRS 141.040 and KRS 141.010(13)**

Note: For taxable periods beginning on or after January 1, 2019, every corporation doing business in Kentucky that is a member of a unitary business must file a combined report (Form 720U) per KRS 141.202(3), unless they elect to file a consolidated return as part of an affiliated group by submitting Form 722.

Intercompany Eliminations—Intercompany transactions should be eliminated in the calculation of combined income and gross receipts.

Disregarded Entities—A limited liability company (LLC) is treated in the same manner as it is treated for federal income tax purposes. Therefore, a single member LLC that is disregarded for federal income tax purposes must be included in the return filed by its single member (parent entity). All disregarded entities included in the return should be listed on the Schedule DE and attached to the return. **KRS 141.010(13) and KRS 141.200(10)**

Pass-through Entities—Corporations that are a member of a unitary business that are doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 720U per KRS 141.010, KRS 141.120, KRS 141.202 and KRS 141.206. (See Schedule U6, Kentucky Unitary Group with Pass-through Entity Apportionment Schedule).

Other Entities—Certain organizations which must file special returns for federal purposes, e.g., homeowners' associations, political organizations, real estate investment trusts, and regulated investment companies must file Form 720 or 720U (if a member of a unitary business).

Corporations Not Required to File—Corporations which are exempt by law from Kentucky income tax and LLET include insurance companies, corporations exempted by IRC §501, and religious, educational, charitable, and like corporations not conducted for profit. **KRS 141.040 and KRS 141.0401**

Required Forms and Information—Each corporation must enter all applicable information on Form 720U, enclose a schedule for each line item or line item instruction which states "attach schedule," and include the following Kentucky forms or schedules, if applicable.

Kentucky Forms and Schedules

1. Unitary Combined Corporation Income Tax and LLET Return (Form 720U)
2. Unitary Group Corporation/LLET Questionnaire (Schedule U1)
3. Unitary Group Affiliations Schedule (Schedule U2)
4. Pro Forma Federal Return Schedule For the Kentucky Unitary Group (Schedule U3)
5. Unitary Combined Income Modification Schedule (Schedule U4)
6. Unitary Combined Apportionment & Allocation Schedule (Schedule U5)
7. Unitary Group with Pass-through Entity Apportionment Schedule (Schedule U6)
8. Unitary Combined Net Gains and Losses (Schedule U7)
9. Unitary Limited Liability Entity Tax Schedule (Schedule U8)
10 Unitary Combined Taxes and Payments (Schedule U9)
11. Unitary Combined Net Operating Losses (Schedule U10)
12. Cost of Goods Sold (Schedule COGS)
13. Tax Credit Summary Schedule (Schedule TCS)
14. Related Party Costs Disclosure Statement (Schedule RPC)
15. Disregarded Entity Schedule, if applicable (Schedule DE)

Federal Forms and Schedules

All corporations **must** provide a copy of the following federal forms submitted to the Internal Revenue Service. Not every form below applies to every corporation. Only attach the forms and schedules that apply to your company's specific tax situation.

1. Form 1120, all pages—If Form 1120 is not filed, attach copies of the income statement, cost of goods sold schedule, and balance sheet of the federal form filed. If the corporation is not required to submit a balance sheet for federal income tax purposes, attach the balance sheet prepared on a consistent basis from the books and records of the corporation.

2. Form 1125-A—Cost of Goods Sold

3. Form 1125-E—Compensation of Officers

4. Form 851—Affiliations Schedule

5. Form 4797—Sales of Business Property

6. Schedule D—Capital Gains and Losses

7. Form 3800—General Business Credit

8. Schedules for items on Form 1120, Schedule L, which state "attach schedule" (if required by IRS)

Electronic Funds Transfer (EFT)—The Department of Revenue accepts electronically filed Corporation Income Tax/ Limited Liability Entity Tax estimated tax voucher payments and extension payments for corporation income tax and limited liability entity tax. Before paying by EFT, the corporation must have a valid six-digit Kentucky Corporation/LLET account number and have registered with the Department of Revenue to pay using EFT. **Using an incorrect account number, such as an account number for withholding tax or sales and use tax, may result in the payment being credited to another taxpayer's account.** When making EFT payments online, use the taxable year ending, NOT the due date of the payment.

For more information, contact the Department of Revenue at 800-839-4137 or 502-564-6020. The EFT registration form is available at ***www.revenue.ky.gov*** .

Members with Different Accounting Periods—If the tax year of a member differs from the tax year of the combined group, the designated filer must elect to determine the portion of that member's income by either: (1) preparing separate income statement from the books and records for the months included in the combined group's taxable year; or (2) including all of the income for the year that ends during the combined group's taxable year. The same method must be used for each member with a different accounting period. Once an election is made under this section by attaching a statement to the return, it shall be the only method that may be used with respect to members of the combined group unless the designated filer receives approval for a change in method from the department by petition for alternative apportionment as established in 103 KAR 16:330. **103 KAR 16:400**

Mailing/Payment—Only include payment for Corporation income tax and/or LLET.

Mail the return with payment to:

Kentucky Department of Revenue
Frankfort, KY 40620-0021

Make the check(s) payable to the **Kentucky State Treasurer.**

Mail returns with no tax due or refund requests to:

Kentucky Department of Revenue
Frankfort, KY 40618-0010

Filing/Payment Date—A Kentucky Unitary Combined Corporation Income Tax and LLET Return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year. **KRS 141.160, KRS 141.220, and 103 KAR 15:050**

If the filing/payment date falls on a Saturday, Sunday, or a legal holiday, the filing/payment date is deemed to be on the next business day. **KRS 446.030**

Kentucky Extension—A seven-month extension of time to file a Kentucky Unitary Combined Corporation Income Tax and LLET Return (Form 720U) may be obtained by filing Form 720EXT by the original due date of the return. If a payment is made with an extension, Kentucky Form 720EXT must be used. For further information, see the instructions for Form 720EXT. **103 KAR 15:050**

Federal Extension—A corporation or limited liability pass-through entity granted an extension of time for filing a federal income tax return will be granted the same extension of time for filing a Kentucky Unitary Combined Corporation Income Tax and LLET Return (Form 720U) for the same taxable year if a copy of the federal Form 7004 for the designated filer corporation is attached to the Kentucky return when it is filed. **A copy of the federal extension submitted after the return is filed does not constitute a valid extension and late filing penalties will be assessed.** A copy of the federal Form 7004 for the designated filer corporation should not be mailed to the Department of Revenue before filing the return. **103 KAR 15:050**

NOTE: An extension of time to file a return does not extend the due date for payment of tax.

Consolidated and Unitary Combined Returns—An extension of time for filing a consolidated Kentucky Corporation Income Tax and LLET Return or Kentucky Unitary Combined Corporation Income Tax and LLET return by the parent or designated filer corporation also constitutes an extension of time to file for each member of an affiliated group (consolidated) or combined group (unitary combined).

Corporation Estimated Taxes

The Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher, Form 720ES, is used to submit estimated tax payments for corporation income tax and LLET. See **Electronic Funds Transfer (EFT)**. If the corporation is required to make estimated tax payments and needs Form 720ES vouchers, contact the Department of Revenue at 502-564-3658.

Corporation Estimated Tax Payments—A corporation must make estimated tax installments if its combined tax liability per KRS 141.040 and KRS 141.0401 can reasonably be expected to exceed $5,000. Estimated tax installments are required as follows:

If the estimated tax is reasonably expected to exceed $5,000, 25% of the estimated tax must be paid by the 15th day of the 4th month, 15th day of the 6th month, 15th day of the 9th month, and the 15th day of the 12th month of the tax year.

Recalculating Estimated Tax—If after the corporation or pass-through entity calculates and pays its estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to recalculate its required installments. If earlier installments were underpaid, the corporation or pass-through entity may owe a penalty. An immediate payment should be made to reduce the amount of penalty resulting from the underpayment of earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Penalty—Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely will result in an addition to tax that will be considered a penalty under KRS 141.044. The tax interest rate plus 2 percent identified under KRS 131.183 is the underpayment rate used to calculate the penalty. The entity should use Form 2220-K to determine the penalty. **KRS 141.044 and KRS 141.990**

Amended Return—To correct Form 720U as originally filed, file an amended Form 720U and check the appropriate box on page 1, item C. Do not submit federal Form 1139 to apply for a refund of Kentucky corporation income tax resulting from net operating loss carryback or a capital loss carryback. Failure to submit the required Kentucky amended forms will result in delays in processing refunds requested on amended returns.

Net Operating Losses—For tax years beginning on or after January 1, 2005, the net operating loss carryback deduction will not be allowed. Any net operating losses must be carried forward.

Internal Revenue Service Audit Adjustments—A corporation that has received final adjustments resulting from an Internal Revenue Service audit must submit copies of the "final determinations of the federal audit" and pay any tax due within 180 days of the conclusion of the federal audit. Use Form 720U and check the Amended return–RAR box for reporting federal audit adjustments and computing additional tax due or refunds. Attach the complete Revenue Agent Report (RAR). The Department may issue a bill for a timely filed RAR return up to one year after it is filed. If a taxpayer fails to report or underreports RAR adjustments, the Department can issue a bill up to six years after the final determination date. A taxpayer may request a refund based upon an RAR adjustment by the later of four years after the date the tax was paid or up to one year after the RAR adjustments were required to be reported to the Department. **KRS 141.210, KRS 141.211, KRS 134.580, and KRS 141.235**

Mail return with federal audit adjustments (RAR) to:

Corporate Governmental Programs Section
P. O. Box 1074, Station 68
Frankfort, Kentucky 40602-1074

Interest—Interest at the tax interest rate plus two percent is applied to corporation income tax and LLET liabilities not paid by the date prescribed by law for filing the return (determined without regard to extensions thereof). See page 2 for the current year rate.

Penalties—Refer below.

Failure to file the Kentucky Unitary Combined Corporation Income Tax and LLET Return by the filing date including extensions—2 percent of the tax due for each 30 days or fraction thereof that the return is late (maximum 20 percent). The minimum penalty is $10 for each tax. **KRS 131.180(1)**

Failure to pay at least 75 percent of income tax and/or LLET determined due by the payment due date—2 percent of the tax due for each 30 days or fraction thereof that the payment is overdue (maximum 20 percent). The minimum penalty is $10 for each tax. **KRS 131.180(2)**

Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely— The addition to tax is considered a penalty under KRS 141.044. The underpayment rate is the tax interest rate plus 2 percent identified under KRS 131.183. **KRS 141.044**

Failure or refusal to file a Kentucky Unitary Combined Corporation Income Tax and LLET Return or furnish information requested in writing—5 percent of the tax assessed for each 30 days or fraction thereof that the return is not filed or the information is not submitted (maximum 50 percent). The minimum penalty is $100. **KRS 131.180(3)**

Negligence—10 percent of the tax assessed. **KRS 131.180(6)**

Fraud—50 percent of the tax assessed. **KRS 131.180(7)**

Cost of Collection Fees—Fee percentage determined per KRS 131.440(1)(a) on all taxes which become due and owing for any reporting period, regardless of when due. These collection fees are in addition to all other penalties provided by law. **KRS 131.440(1)(a)**

Records Retention—The Department of Revenue deems acceptable virtually any records retention system which results in an essentially unalterable method of records storage and retrieval, provided: (a) authorized Department of Revenue personnel are granted access, including any specialized equipment; (b) taxpayer maintains adequate back–up; and (c) taxpayer maintains documentation to verify the retention system is accurate and complete.

720U Package—SPECIFIC INSTRUCTIONS

Note: The 720U Package should only be used by a combined group. Separate entity filers and elective consolidated (affiliated group) return filers should file a Kentucky Form 720 and supporting schedules.

Period Covered—File the 2023 return for calendar year 2023 and fiscal years that begin in 2023. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 720U.

Note: For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

Item A—Number of Corporations in Waters–Edge Group

A combined group shall include only corporations, the voting stock of which is more than fifty percent (50%) owned, directly or indirectly, by a common owner or owners. The combined report is required to be filed on a waters–edge basis. **KRS 141.202(8) and 103 KAR 16:400**

Item B—Number of Corporations with Kentucky Nexus

Enter the number of corporations in the combined group that are doing business in Kentucky per **KRS 141.010(13)**.

Item C—Check the applicable box:

(a) *Amended Return*—This is an amended tax return. Provide an explanation of all changes on an attached statement.

(b) *Amended Return–RAR*—This is an amended tax return as a result of a Revenue Agent Report (RAR) (Form 4549). Provide an explanation of changes and attach Form 4549, Department of Treasury—Internal Revenue Service Income Tax Examination Changes.

Item D—Enter the designated filer corporation's Federal Identification Number. See federal Publication 583 if the corporation has not obtained this number. The combined group annually designates one taxpayer member of the group to file the group return per **KRS 141.202(9)**. **Note:** The designated filer must have Kentucky Nexus.

Item E—Enter the designated filer's six-digit Kentucky Corporation/LLET Account Number on the applicable line at the top of each form and schedule and on all checks and correspondence. This number was included in correspondence received from the Department of Revenue at the time of registration.

Using an incorrect account number, such as an account number for withholding or sales and use tax, may result in the payment and/or return being credited to another taxpayer's account.

If the Kentucky Corporation/LLET Account Number is not known, complete Form 20A100, Declaration of Representative, and contact Registration at 502–564–3306 for instructions on how to obtain an account number.

Name and Address—Print or type the designated filer corporation's name as set forth in the charter. For the address, include the suite, room, or other unit number after the street address. If the U.S. Postal Service does not deliver mail to the street address and the corporation has a P.O. Box, show the box number instead of the street address. If not in the United States, enter the foreign country.

Change of Name—Check the applicable box if the designated filer corporation's name has changed since the filing of the prior year Kentucky tax return. Attach a statement to the tax return providing the corporation's name reflected on the prior year Kentucky tax return.

Telephone Number—Enter the business telephone number of the principal officer or chief accounting officer signing this return.

State of Incorporation—Enter the state of incorporation of the designated filer.

Date of Incorporation—Enter the date of incorporation of the designated filer.

Principal Business Activity in Kentucky—Enter the designated filer's principal business activity in Kentucky.

North American Industrial Classification System (NAICS)—Enter the primary six–digit NAICS code in Kentucky of the designated filer. To view a complete listing of NAICS codes, visit the Census Bureau at ***www.census.gov/eos/www/naics*** .

Item F—Check the applicable boxes:

- *Initial Return*—This is the designated filer corporation's first Kentucky tax return filed. Complete questions 1 and 2 on Schedule U1— Kentucky Corporation/LLET Questionnaire.
- *Change of Accounting Period*—The designated filer or any member corporation has changed its accounting period since it filed its prior year Kentucky tax return. Attach a statement to the tax return showing the corporation's taxable year end before the change and its new taxable year end. If the corporation received written approval from the

Internal Revenue Service to change its taxable year, attach a copy of the document.

- *Short-period Return*—This return is for a period of less than one year and not an initial return or a final return. Check the appropriate box in Item G—Explanation of Final Return and/or Short–Period Return.

- *Final Return*—This is the designated filer corporation's final Kentucky tax return. Check the appropriate box in Item G—Explanation of Final Return and/or Short–Period Return.

Item G—Check the applicable boxes:

- *Ceased operations in Kentucky*—Check this box if the designated filer corporation ceased business activity in Kentucky during the tax year.

- *Change of ownership*—Check this box if any combined group member had a change of ownership during the tax year and complete Schedule U2.

- *Successor to previous business*—Check this box if any combined group member was a successor to a previous business during the tax year and complete Schedule U2.

- *Change in filing status*—Check this box if the designated filer corporation had a change in filing status for the tax year.

- *Merger*—Check this box if any combined group member was involved in a merger during the tax year and complete Schedule U2.

- *Other*—Check this box and write in an explanation for any other reason for filing a final and/or short-period return for the tax year.

PART I—COMBINED GROUP LLET SUMMARY

Note: This part should be completed last after all other schedules have been completed.

Line 1—Total LLET liability. Enter the combined totals column amount from Schedule U9, Section A, Line 6.

Line 2— Total interest due on LLET. Enter the combined totals column amount from Schedule U9, Section A, Line 20.

Line 3—Total penalty due on LLET. Enter the combined totals column amount from Schedule U9, Section A, Line 21.

Line 4—Total LLET, interest, and penalty due. Enter the combined totals column amount from Schedule U9, Section A, Line 22.

Line 5—Total LLET amount to be refunded. Enter the combined totals column amount from Schedule U9, Section A, Line 27.

PART II—COMBINED GROUP INCOME TAX SUMMARY

Note: This part should be completed last after all other schedules have been completed.

Line 1—Total income tax liability. Enter the combined totals column amount from Schedule U9, Section B, Line 8.

Line 2—Total interest due on income tax. Enter the combined totals column amount from Schedule U9, Section B, Line 18.

Line 3—Total penalty due on income tax. Enter the combined totals column amount from Schedule U9, Section B, Line 19.

Line 4—Total income tax, interest, and penalty due. Enter the combined totals column amount from Schedule U9, Section B, Line 20.

Line 5—Total income tax amount to be refunded. Enter the combined totals column amount from Schedule U9, Section B, Line 25.

INSTRUCTIONS FOR SCHEDULE U1

KENTUCKY UNITARY GROUP CORPORATION/LLET QUESTIONNAIRE

Answer all applicable questions on Schedule U1 for each corporation included in the combined return (attach additional schedules if necessary).

IMPORTANT: If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal identification number for the preceding year, questions 1 and 2 must be answered. **Failure to do so may result in a request for a delinquent return. Questions 3-8 must be completed by all corporations.**

Signature—Form 720U must be signed by an authorized corporate officer of the designated filer corporation. Failure by corporate officers to sign the return, to complete all applicable schedules, including copies of federal forms, or to complete all information on the questionnaire (Schedule U1) will delay the processing of tax returns.

INSTRUCTIONS FOR SCHEDULE U2

KENTUCKY UNITARY GROUP AFFILIATIONS SCHEDULE

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return. If different from above, enter the name and FEIN of the designated filer from the prior year. **Note:** The designated filer must have Kentucky Nexus.

Section A—List All Members

Column A—Enter the name of each member included in the Kentucky combined group return.

Column B—Enter the FEIN of each member.

Column C—Enter the tax year ending (Mo/Yr) of each member.

Column D—Check the box if the listed member is exempt from income tax per P.L. 86-272.

Note: A member that is exempt from income tax via P.L. 86-272 should include their income and apportionment factors in the combined group's calculations and the member should report a 0% Kentucky apportionment fraction.

Column E—Check the box if the listed member is not doing business in Kentucky. A member that does not do business in Kentucky per KRS 141.010(13) would not be subject to LLET per KRS 141.0401(2)(a) but must include its income and receipts in the calculations of group income and apportionment factor.

Column F—Enter the LLET exemption code, if applicable for the listed member of the combined group.

If the corporation is exempt from LLET, enter one of the following two–digit codes in the space provided. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of tax, penalties, and interest.**

REASON CODE	REASON
10	A public service corporation subject to tax under KRS 136.120.
11	An open–end registered investment company organized under the laws of this state and registered under the Investment Company Act of 1940.
12	A property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390.
13	An alcohol production facility as defined in KRS 247.910.
14	A real estate investment trust as defined in Section 856 of the Internal Revenue Code.
15	A captive real estate investment trust as defined in KRS 141.010(2).
16	A regulated investment company as defined in Section 851 of the Internal Revenue Code.
17	A real estate mortgage investment conduit as defined in Section 860D of the Internal Revenue Code.
18	A personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code.
19	A cooperative 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, homeowners 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.

Column G—Check the box if the listed member of the combined group is a new member.

Column H—Enter the percent of voting power of the listed member of the combined group that is owned by another member (or members) of the group. **103 KAR 16:400-2**

Column I—Enter the number(s) of the corporation(s) included as a member of the combined group or the letter designating the excluded member(s) from Section D that owns each corporation.

For example, if member number 2 is owned by parent number 1, enter 1; if member number 2 is owned by corporation numbers 1, 7, and 10, enter 1, 7, 10; or if member number 2 is owned by member 1 of the combined group and excluded member letter A from Section D, enter 1, A.

Section B—List any mergers with members listed in Section A

Column A—Enter the name and FEIN of the entity that was merged with the member listed in Section A.

Column B—Enter the name and FEIN of the group member listed in Section A that merged with the entity in Column A and the date of the merger.

Section C— List all members who left the group during the tax year.

Column A – List the name and FEIN of all members that were sold during the tax year.

Column B – List the name and FEIN of the entity to which the member listed in Column A was sold and enter the date of the sale.

Section D—Provide Information about your excluded members

Note: You must complete Section D if one or more members are excluded from the group.

Line 1—Enter the total number of members excluded.

Column A—Enter the name of the excluded member.

Column B—Enter the FEIN of the excluded member.

Column C—Check the applicable box to identify the reason for exclusion.

KRS 141.202(8)(a): The member is incorporated in the United States or formed under the laws of any state, the District of Columbia, or any territory or possession of the United States, but earns eighty percent (80%) or more of its income from sources outside of the United States, the District of Columbia, or any territory or possession of the United States.

Note: This does not negate a corporation's Kentucky filing obligation if it is doing business in Kentucky in accordance with KRS 141.010(13). Then, if required, a separate return, Form 720, should be filed.

KRS 141.202(8)(b): Members that earn more than 20% of their income from intangible property or service related activities that are deductible against the apportionable income of other members of the combined group must be included in the group to the extent of that income and the apportionment factor related to that income. For more information, see KRS 141.202(8)(b).

KRS 141.040(1)(b): The member is excluded because it is a: 1. Insurance company, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance company, insurer, and reciprocal underwriter; 2. Corporation or other entity exempt under Section 501 of the Internal Revenue Code; 3. Religious, educational, charitable, or like corporation not organized or conducted for pecuniary profit; or 4. Corporation 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: a. The property consists of the final printed product, or copy from which the printed product is produced; and b. The corporation has no individuals receiving compensation in this state as provided in KRS 141.120(8)(b).

Voting Stock: 50% or less of the voting stock is owned, directly or indirectly, by a common owner or owners. **KRS 141.202(2)(a)**

INSTRUCTIONS FOR SCHEDULE U3

PRO FORMA FEDERAL RETURN SCHEDULE FOR THE KENTUCKY UNITARY GROUP

Purpose of Schedule—This schedule must be completed to compute the combined modified federal taxable income of a unitary group filing a combined Kentucky tax return per KRS 141.202. Schedule U3 must be attached to the Form 720U, Kentucky Unitary Combined Corporation Income Tax and LLET Return, when filed with the Kentucky Department of Revenue.

General information—Enter the name, Federal Identification Number, and Kentucky Corporation/LLET account number of the designated filer of the combined return.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the group members reported on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Specific Instructions—Enter the name and federal employer identification number (FEIN) of each member in each column. If there are more than three (3) members in the combined group, use more than one (1) Schedule U3.

Lines 1–10—Enter the items of federal income for the designated filer and each member using the instructions for Form 1120, U.S. Corporation Income Tax Return, Lines 1 through 10. Enter for each line the intercompany elimination in the Elimination Adjustments column and the combined total in the Combined Totals column. The Combined Totals and Elimination Adjustments columns should reflect the totals for the entire group, not just the members listed on a particular page.

***NOTE:** When calculating across the columns to arrive at combined totals, add the amounts for the designated filer and all members of the combined group and subtract all intercompany eliminations. If there are negative intercompany eliminations, combined totals are increased. Otherwise, combined totals are reduced.*

Line 11—Enter the total of Lines 3 through 10 in each column.

Lines 12–26—Enter the federal deductions for the designated filer and each member using the instructions for Form 1120, U.S. Corporation Income Tax Return, Lines 12 through 26. Enter for each line the intercompany elimination in the Elimination Adjustments column and the combined total in the Combined Totals column. The Combined Totals and Elimination Adjustments columns should reflect the totals for the entire group, not just the members listed on a particular page.

***NOTE:** When calculating across the columns to arrive at combined totals, add the amounts for the designated filer and all members of the combined group and subtract all intercompany eliminations. If there are negative intercompany eliminations, combined totals are increased. Otherwise, combined totals are reduced.*

Line 27—Enter the total of Lines 12 through 26 for each column.

Line 28—Enter the amount of Line 11 less Line 27 for each column.

Line 29—Enter the adjustments to recognize deferred income from intercompany transactions for each column. **KRS 141.202(8)(e)**

Line 30—Enter any other adjustments based on federal law and attach a statement for each column.

Line 31—Add Lines 28 through 30, to calculate the modified federal taxable income in each column.

INSTRUCTIONS FOR SCHEDULE U4

KENTUCKY UNITARY COMBINED INCOME MODIFICATION SCHEDULE

Purpose of Schedule—This schedule must be completed to compute the Kentucky combined net income of a combined group filing a unitary combined Kentucky tax return per KRS 141.202. Schedule U4 must be attached to Form 720U, Kentucky Unitary Combined Corporation Income Tax and LLET Return, when filed with the Kentucky Department of Revenue.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the group members reported on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Specific Instructions—Enter the name and FEIN of the designated filer and each member in each column. If there are more than three (3) members in the affiliated group, use more than one (1) Schedule U4.

Line 1—Enter the amounts from Schedule U3, Line 31 of each column in the respective columns of Schedule U4.

Additions to Federal Taxable Income

Lines 2–18—Enter the additions to federal taxable income for the designated filer and each member. Enter for each line the intercompany elimination in the Eliminating Adjustments column and the combined total in the Combined Totals column. The Combined Totals and Elimination Adjustments columns should reflect the totals for the entire group, not just the members listed on a particular page.

NOTE: *When calculating across the columns to arrive at combined totals, add the amounts for the designated filer and all members of the combined group and subtract all intercompany eliminations. If there are negative intercompany eliminations, combined totals are increased. Otherwise, combined totals are reduced.*

Line 2—Enter interest income from obligations of states other than Kentucky and the political subdivisions of states other than Kentucky. **KRS 141.039(1)(c)**

Line 3—Enter state taxes measured in whole or in part by gross or net income. "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any foreign country or political subdivision thereof. Attach a schedule itemizing the total taxes deducted on Schedule U3, Line 17. **KRS 141.039(2)(c)**

Line 4—See instructions on page 5 regarding depreciation and IRC §179 deduction differences, and if applicable, include the total of depreciation amounts from Schedule U3, Line 20 and elsewhere on the return. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached.**

Line 5—Enter deductions attributable to income which is exempt from taxation. Any expense related directly or indirectly to the acquisition, management, or disposition of assets, the income from which is exempt, is not deductible. Attach a supporting statement. An entry is REQUIRED on this line if amounts appear on Schedule U4, Lines 20 or 21. **KRS 141.039(2)(c) and 103 KAR 16:060**

Line 6—Enter related party cost additions from Schedule RPC, Part II, Section B, Line 1.

Line 7—Enter the amount of dividend–paid deduction of a captive real estate investment trust (REIT). **KRS 141.039(2)(c)7**.

Line 8—Enter the federal loss from Schedule U3, Line 9.

Line 9—Enter federal allowable depletion from Schedule U3, Line 21. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations per the Internal Revenue Code (IRC) must be applied using Kentucky taxable income and deductions.

Line 10—Enter the federal contribution deductions from Schedule U3, Line 19. If the contribution deduction is the same for both federal and Kentucky, do not make an entry on this line. To determine the contribution deduction for Kentucky purposes, the percentage limitations per the IRC must be applied using Kentucky taxable net income.

Line 11—Enter the terminal railroad corporation adjustments equal to the excess of Kentucky income over federal income of a “terminal railroad corporation” by ignoring the provisions of IRC §281 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(f)**

Line 12—Enter the federal allowable passive activity loss. The limitations of IRC §469 as they apply to personal service corporations and closely held C corporations are applicable for Kentucky income tax purposes. **Attach federal Form 8810 and applicable worksheets.**

Line 13—Enter the federal taxable loss as a positive amount and the federal taxable income as a negative amount of all exempt corporations. **KRS 141.040(1)(b)**

Line 14—Reserved for future use.

Line 15—Enter as a positive amount the difference of the Kentucky distributive share income amounts from Kentucky Schedule(s) K-1 in excess of federal distributive share amounts from federal Schedule(s) K-1. Enter as a negative amount the difference of the federal distributive share income amounts from federal Schedule(s) K-1 in excess of Kentucky distributive share amounts from Kentucky Schedule(s) K-1.

Line 16—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2022, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2022, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

Enter the addition to federal taxable income equal to the excess of Kentucky taxable income over federal taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. **Attach a schedule to the tax return showing the detail of the addition, including the related IRC section(s).**

Line 17—Enter any other additions to federal income not reported on Lines 1 through 16 and **attach an explanation**.

Line 18—Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income increase(s). Use this line only if amending Form 720U as a result of RAR adjustment(s) and attach a copy of the RAR to the return.

Line 19—Enter the total of Lines 1 through 18 in each column.

Subtractions from Federal Taxable Income

Lines 20—33—Enter the subtractions from federal taxable income for the designated filer and each member. Enter for each line the intercompany elimination in the Elimination Adjustments column and the combined total in the Combined Totals column. The Combined Totals and Elimination Adjustments column should reflect the totals for the entire group, not just the members listed on a particular page.

NOTE: *When calculating across the columns to arrive at combined totals, add the amounts for the designated filer and all members of the combined group and subtract all intercompany eliminations. If there are negative intercompany eliminations, combined totals are increased. Otherwise, combined totals are reduced.*

Line 20—Enter the amount of interest income from U.S. government bonds or from securities issued by a federal agency or other income exempt from state taxation by the Kentucky Constitution, the United States Constitution or the United States Code. Securities which are merely guaranteed by the U.S. government are not tax-exempt. Attach a schedule listing the type of obligation and the amount of tax-exempt interest. **KRS 141.039(1)(a)**

Line 21—Enter the amount of dividend income included on Schedule U3, Line 4. **KRS 141.039(1)(b)**

Line 22—Reserved for future use.

Line 23—See instructions on page 5 regarding depreciation and §179 deduction differences, and if applicable, include the amount from Line 22 of the Kentucky Form 4562. **Kentucky Form 4562 <u>must be attached</u>**.

Line 24—Enter the federal capital gain from Schedule U3, Line 8.

Line 25—Enter the federal gain from Schedule U3, Line 9.

Line 26—Enter fifty percent (50%) of gross income derived from any disposal of coal covered by IRC §631(c) if the corporation does not claim any deduction for percentage depletion or for expenditures attributable to the making and administering of the contract under which such disposition occurs or to the preservation of the economic interests retained under such contract. **KRS 141.039(1)(d)**

Line 27—Enter the terminal railroad corporation adjustments equal to the excess of federal income over Kentucky income of a “terminal railroad corporation” by ignoring the provisions of IRC §281 for Kentucky purposes. **Attach a schedule. KRS 141.039(1)(f)**

Line 28—Enter the Kentucky allowable passive activity loss. The limitations of IRC §469 as they apply to personal service corporations and closely held C corporations are applicable for Kentucky income tax purposes. **Attach Kentucky Form 8810 and applicable worksheets.**

Line 29—Enter the Kentucky allowable depletion. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations per the IRC must be applied using Kentucky taxable income and deductions.**

Line 30—Reserved for future use.

Line 31—Kentucky’s IRC reference date is December 31, 2022, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2022, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

Enter the subtraction from federal taxable income equal to the excess of federal taxable income over Kentucky taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date. **Attach a schedule to the tax return showing the detail of the subtraction, including the related IRC section(s).**

Line 32—Enter any other subtractions from federal income not reported on Lines 20 through 31, and attach an explanation to the tax return.

Line 33—Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income decrease(s). Use this line only if amending Form 720U as a result of RAR adjustment(s) and attach a copy of the RAR to the return.

Line 34— Kentucky Net Income Enter the amount of Line 19 less Lines 20 through 33 for each column. Then enter the Combined Totals amount on Schedule U5, Section A, Line 1.

INSTRUCTIONS FOR SCHEDULE U5

KENTUCKY UNITARY COMBINED APPORTIONMENT & ALLOCATION SCHEDULE

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). A combined group member that is required to use three (3)-factor apportionment per KRS 141.121 must continue to use a three (3)-factor 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 has been provided in 103 KAR 16:270. Visit ***https://legislature.ky.gov/Law/kar/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.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the group members recorded on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Specific Instructions

Enter the name and FEIN for the designated filer and each member of the group included in the unitary combined return. If there are more than three (3) members of the group, use more than one (1) Schedule U5.

Check the box and complete Schedule U6 if the corporation is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky. Per KRS 141.121(6), a corporation: (a) That owns an interest in a limited liability pass-through entity; or (b) That owns an interest in a general partnership shall include the proportionate share of receipts of the limited liability pass-through entity or general partnership when apportioning income. The phrases "an interest in a limited liability pass-through entity" and "an interest in a general partnership" shall extend to each level of multiple-tiered pass-through entities.

Section A

Line 1—Enter the combined totals column amount from Schedule U4, Line 34.

Line 2—Enter any income, less any expense or loss, other than the apportionable income of the combined group.

Line 3—Subtract Line 2 from Line 1 to calculate the combined group's Kentucky apportionable income or loss from the unitary business.

Line 4—If applicable, enter the 3-factor apportionment code for each member that is required to use three-factor apportionment per KRS 141.121 in each column. If the entity is required to use three-factor apportionment per KRS 141.121, enter one of the following two-digit codes in the space provided. The apportionment fraction for these entities continues to be calculated using a 3–factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018. Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of tax, penalties, and interest.

Entities required to use three-factor apportionment should figure their apportionment factor using Schedule A and attach a copy to the Form 720U. The property and payroll factors of all members of the combined group should be included in the denominator of the apportionment calculation of each member required to use three-factor apportionment.

REASON CODE	3-Factor Apportionment Codes
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)

Lines 5(a), 5(c), 6(a) and 6(c)—Receipts—Total receipts include all gross receipts, other than nonapportionable 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 the service 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.

Receipts Factor—For members that are not required to use three-factor apportionment per KRS 141.121, the taxpayer member's apportionment fraction, as determined under KRS 141.120, includes the taxpayer's sales associated with the combined group's unitary business in this state in the sales factor numerator, and the sales of all members of the combined group, including the sales of the taxpayer member, associated with the combined group's unitary business wherever located in the denominator. **KRS 141.202(6)(b)**

Line 5(a)—Enter Kentucky receipts of each member, including members required to use three-factor apportionment per KRS 141.121. Members that are exempt from Kentucky's corporate income tax (through operation of P.L. 86-272 or other exemption) should not include their Kentucky receipts on this line. Members exempt from Kentucky's corporate income tax should report a 0% apportionment factor.

Line 5(b)—Enter member's intercompany eliminations.

Line 5(c)—Enter the member's share of Kentucky receipts of pass-through entities from Schedule U6, Column K (including any member required to use three-factor apportionment). Attach Schedule U6 to the Form 720U.

Line 5(d)—Add Line 5(a) less Line 5(b) plus Line 5(c) to calculate Kentucky receipts.

Line 6(a)—Enter the total receipts of each member, including members required to use three-factor apportionment.

Line 6(b)—Enter member's intercompany eliminations.

Line 6(c)—Enter the member's share of total receipts of pass-through entities from Schedule U6, Column I (including any member required to use three-factor apportionment). Attach Schedule U6 to the Form 720U.

Line 6(d)—Add Line 6(a) less Line 6(b) plus Line 6(c) to calculate total receipts.

Line 7—Divide Line 5(d) of each column by Line 6(d) of the Combined Totals Column, round to the sixth decimal place, and convert to a percentage (rounded to the fourth decimal place) to calculate each member's apportionment fraction. Each 3-factor apportionment member should complete a separate Schedule A and enter the apportionment fraction from Schedule A, Part I, Line 12 here and attach a copy to the 720U.

Section B

Line 1—Enter the amount from Section A, Line 3. This is the combined group's Kentucky apportionable income or loss from the unitary business.

Line 2—Enter the Kentucky charitable contribution deduction of the combined group. To determine the contribution deduction for Kentucky purposes, the percentage limitations per IRC Sec. 170 must be applied using the group's combined Kentucky apportionable income. If the contribution deduction is the same for both federal and Kentucky, do not make an entry on this line. Any contribution amounts remaining after applying the limitation are treated as a nonapportionable expense allocable to the member that incurred the expense, subject to IRC limitations (see Sch U5, Section D, Line 4).

Line 3—Subtract Line 2 from Line 1 to calculate the combined group's apportionable income or loss after the charitable contribution deduction.

Line 4—Multiply Line 3 by the apportionment factor from Section A, Line 7, for each member, to calculate the member's Kentucky taxable share of the combined group's apportionable income or loss.

Section C—Nonapportionable Income and Allocation (if applicable)

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 nonapportionable. For example, gain or loss recognized on the sale of property may be apportionable income or nonapportionable income depending upon its relationship to the corporation's trade or business.

Nonapportionable 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).

NOTE: Members required to use three-factor apportionment must use Schedule U5, Section C to determine their nonapportionable income, not Schedule A.

Nonapportionable Income or Loss

Line 1(a)—Enter the total nonapportionable interest for each member.

Line 1(b)—Enter the total nonapportionable rents for each member.

Line 1(c)—Enter the total nonapportionable royalties for each member.

Line 1(d)—Enter the total net gain or loss on sale or exchange of capital assets for each member.

Line 1(e)—Add Lines 1(a) through 1(d) and enter the total.

Line 1(f)—Enter expenses related directly or indirectly to the acquisition, management, or disposition of assets that contribute to the production of nonapportionable income. Attach a schedule.

Line 2—Subtract Line 1(f) from Line 1(e) to calculate the net nonapportionable income or loss for each member and the combined group's total. The combined totals amount should match the amount reported on Section A, Line 2.

Kentucky Nonapportionable Income or Loss

Line 3(a)—Enter the Kentucky nonapportionable interest for each member.

Line 3(b)—Enter the Kentucky nonapportionable rents for each member.

Line 3(c)—Enter the Kentucky nonapportionable royalties for each member.

Line 3(d)—Enter the Kentucky net gain or loss on the sale or exchange of capital assets for each member.

Line 3(e)—Add Lines 3(a) through 3(d) and enter the total.

Line 3(f)—Enter Kentucky expenses related directly or indirectly to the acquisition, management, or disposition of assets that contribute to the production of Kentucky nonapportionable income. Attach a schedule.

Line 4—Subtract Line 3(f) from Line 3(e) to calculate the Kentucky net nonapportionable income or loss for each member.

Line 5—Enter the income or loss of any distinct business activity conducted wholly by the taxpayer member separately apportioned. Attach statement of explanation to the 720U.

Section D

Line 1—Add Section C, Lines 4 and 5 and Schedule U7, Section A, Line 9 to calculate each member's net nonapportionable and separately apportioned income or loss.

Line 2—Enter the amount from Section B, Line 4. This is the member's Kentucky taxable share of the combined group's apportionable income or loss.

Line 3—Add Lines 1 and Line 2 to calculate each member's net income or loss.

Line 4—Enter the charitable contribution deduction remaining to be allocated to each member. This is calculated by figuring each group member's pro rata share of the combined group's total remaining charitable contribution amount after the deduction on Section B, Line 2. The pro rata share of each member is treated as a nonapportionable expense allocable to the member that incurred the expense, subject to the IRC Sec. 170 income limitations applied to the nonapportionable income of that member. Any disallowed amounts can be carried forward.

Any carryover deduction shall be treated as originally incurred in the subsequent year by the same member. **KRS 141.202(8)(f)**

Line 5—Subtract Line 4 from Line 3 to calculate taxable net income or loss for each member.

Line 6—Enter the net operating loss deduction for each member from Schedule U10, Section D, Line 16. See KRS 141.202(5)(c)1. through 4.

Line 7—Subtract Line 6 from Line 5 to calculate taxable net income or loss after NOLD for each member.

Line 8—Multiply Line 7 by 5% to calculate the income tax due for each member.

Enter the sum of all columns in the Combined Totals column. The Combined Totals column should reflect the totals for the entire group, not just the members listed on a particular page.

INSTRUCTIONS FOR SCHEDULE U6

Purpose of Schedule—This schedule is used to calculate the distributive share of a pass-through entity's income that is to be included in the apportionable income of a member of a combined group, and to calculate the share of the receipts of a pass-through entity to be included in the apportionment calculation of a member of the combined group.

KRS 141.202(6)(b) states that the apportionment factor of a taxpayer member of a combined group includes the apportioned share of the sales of any pass-through entity of which the taxpayer member is a partner, member, or shareholder. KRS 141.202(8)(d) requires a corporation that is a member of a unitary group that receives distributive share income from a pass-through entity to include such income in the group's income to the extent that such income is derived from the unitary business.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

Column A—Enter the name of the pass-through entity that derives income from its participation in the unitary business.

Column B—Enter the FEIN of the pass-through entity.

Column C—Enter the name of the corporate member of the combined group that is a partner, member, or shareholder of the pass-through entity.

Column D—Enter the FEIN of the corporate partner, member, or shareholder.

Column E—Enter the partner, member, or shareholder corporation's distributive share of the pass-through entity's unitary income included in the income of the combined group.

Column F—Enter the total amount of the pass-through entity's unitary income.

Column G—Divide the amount in Column E by the amount in Column F.

Column H—Enter the total receipts of the pass-through entity related to the unitary business.

Column I—Multiply the amount from Column G by the amount in Column H. This is the amount of the pass-through entity's unitary receipts that the corporate partner, member, or shareholder must include in the denominator of its receipts factor calculation on Schedule U5, Section A, Line 6(c).

Column J—Enter the pass-through entity's Kentucky apportionment factor from the Kentucky Schedule K-1.

Column K—Multiply the amount from Column I by the factor in Column J. This is the amount of the pass-through entity's unitary receipts that the corporate partner, member, or shareholder must include in the numerator of its receipts factor calculation on Schedule U5, Section A, Line 5(c).

INSTRUCTIONS FOR SCHEDULE U7

KENTUCKY UNITARY COMBINED NET GAINS AND LOSSES

Purpose of Schedule—This schedule is used to calculate the amounts of apportioned and allocated net gains and losses to be included in the taxable net income of the members of a combined group.

KRS 141.202(8)(g) requires gain or loss from the sale or exchange of capital assets, property described by Section 1231(a)(3) of the IRC, and property subject to an involuntary conversion to be removed from the total separate net income of each member of a combined group and apportioned and allocated separately. Apportionable and allocable amounts within each class of gain/loss should be netted using the rules of Sections 1231 and 1222 of the IRC. **Note:** A member that is exempt from income tax via P.L. 86-272 should multiply the amount on Line 1, Line 2, Line 3, and Line 4 by a 0% Kentucky apportionment fraction.

Apportionable gains and (losses) reported on Line 1 and Line 2 and nonapportionable gains and (losses) reported on Lines 5(b) and 6(b) should be calculated using Kentucky basis and reported on Kentucky Schedule D. Apportionable gains and (losses) reported on Line 3 and Line 4 and non-apportionable gains and (losses) reported on Line 7(b) and 8(b) should be calculated using Kentucky basis and reported on Kentucky Form 4797. Per 141.202(8)(g)(4), capital loss carrybacks are not allowed on a combined return. Capital losses may be carried forward.

NOTE: Do not use federal amounts to complete the Schedule U7. Federal gains and losses were removed from the apportionment calculation on the Schedule U4, Line 8 and Line 24. Kentucky Schedule D and Kentucky Schedule 4797 must be used to complete Schedule U7 and included with the return. See page 5 of these instructions.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the group members recorded on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Specific Instructions—In each column heading, enter the name and FEIN of a taxpayer member of the combined group. A separate Kentucky Schedule D and/or Kentucky Form 4797 must be attached to Form 720U for each member reporting Kentucky gains/losses (see page 5 of these instructions).

Line 1—Enter the combined total of Kentucky net short term capital gains or (losses) of all members of the combined group in the Combined Totals column.

Line 2—Enter the combined total of Kentucky net long term capital gains or (losses) of all members of the combined group in the Combined Totals column.

Line 3—Enter the combined total of Kentucky net IRC Section 1231 gains or (losses) of all members of the combined group in the Combined Totals column.

Line 4—Enter the combined total of Kentucky net gains or (losses) from involuntary conversions of all members of the combined group in the Combined Totals column.

Line 5(a)—Multiply the amount in Line 1 by each taxpayer member's separately calculated apportionment factor from Schedule U5, Section A, Line 7.

Line 5(b)—Enter the nonapportionable amount of short term capital gains or (losses) allocated to Kentucky.

Line 5(c)—If the taxpayer member belongs to another combined group, enter the member's apportioned net short term capital gains or (losses) from Schedule U7, Line 5(a) from the other group's combined return.

Line 5(d)—Add Lines 5(a) through 5(c) to calculate the taxpayer member's total net short term capital gain or (loss).

Line 6(a)—Multiply the amount in Line 2 by each taxpayer member's separately calculated apportionment factor from Schedule U5, Section A, Line 7.

Line 6(b)—Enter the nonapportionable amount of long term capital gains or (losses) allocated to Kentucky.

Line 6(c)—If the taxpayer member belongs to another combined group, enter the member's apportioned net long term capital gains or (losses) from Schedule U7, Line 6(a) from the other group's combined return.

Line 6(d)—Add Lines 6(a) through 6(c) to calculate the taxpayer member's total net long term capital gain or (loss).

Line 7(a)—Multiply the amount in Line 3 by each taxpayer member's separately calculated apportionment factor from Schedule U5, Section A, Line 7.

Line 7(b)—Enter the nonapportionable amount of IRC Section 1231 gains or (losses) allocated to Kentucky.

Line 7(c)—If the taxpayer member belongs to another combined group, enter the member's apportioned net IRC Section 1231 gains or (losses) from Schedule U7, Line 7(a) from the other group's combined return.

Line 7(d)—Add Lines 7(a) through 7(c) to calculate the taxpayer member's total net IRC Section 1231 gain or (loss).

Line 8(a)—Multiply the amount in Line 4 by each taxpayer member's separately calculated apportionment factor from Schedule U5, Section A, Line 7.

Line 8(b)—Enter the nonapportionable amount of gains or (losses) from involuntary conversions allocated to Kentucky.

Line 8(c)—If the taxpayer member belongs to another combined group, enter the member's apportioned net gains or (losses) from involuntary conversions from Schedule U7, Line 8(a) from the other group's combined return.

Line 8(d)—Add Lines 8(a) through 8(c) to calculate the taxpayer member's total net gain or (loss) from involuntary conversions.

Line 9—Add Lines 5(d), 6(d), 7(d), and 8(d) using the rules of IRC Sections 1222 and 1231. The resulting Kentucky-sourced income or loss (if the loss is not subject to the limitations of Section 1211 of the IRC) should be entered on this line and added to the amount reported for net nonapportionable and separately apportioned income on Schedule U5, Section D, Line 1. **Note: A member's Kentucky-sourced loss that is subject to the limitations of Section 1211 of the Internal Revenue Code is a short term capital loss and may be carried forward by the member that incurred the loss.**

INSTRUCTIONS FOR SCHEDULE U8

Purpose of Schedule—This schedule is used to compute the limited liability entity tax (LLET) for members of a combined group. If a member of a combined group is a partner, member, or shareholder of a limited-liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-C, Limited Liability Entity Tax Continuation Sheet before completing this schedule. KRS 141.0401(2) requires every corporation and every limited liability pass-through entity doing business in Kentucky to pay a LLET on all Kentucky gross receipts or Kentucky gross profits, unless the entity is exempt from LLET per KRS 141.0401(6).

Short–Period Computation of LLET—For short-period returns, annualizing gross receipts or gross profits is not permitted. A minimum $175 is due per taxable year. Taxable year is defined as the period for which a return is made. **KRS 141.010(36)**

Note: Public Law 86-272 does not protect companies from LLET liability. If a member of the combined group is excluded from the income tax calculations on the combined return because it is protected by P.L. 86-272, it may still be subject to LLET if it is doing business in Kentucky as defined by KRS 141.010(13).

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

In each column heading, enter the name and FEIN of a member of the combined group doing business in Kentucky.

Section A—Kentucky Receipts

Line 1—Enter the member's Kentucky gross receipts less returns and allowances.

Line 1(a)—Enter member's intercompany eliminations.

Line 2—Enter the member's share of total additional Kentucky gross receipts from Schedule L–C, Section A, Column B, Line 2 from the limited liability pass-through entity(ies) or general partnership(s) doing business in Kentucky of which the member is a partner, member, or shareholder.

Line 3—Line 1 less Line 1(a) plus Line 2. This is Total Kentucky gross receipts net of intercompany eliminations.

Line 4—Enter the member's Kentucky Cost of Goods Sold from Schedule COGS, Column A, Line 8. For an entity engaged in activities other than manufacturing, producing, reselling, retailing, or wholesaling, no cost of goods sold deduction can be claimed. **KRS 141.0401(1)(d)**

Note: The Kentucky COGS listed on this line only correspond to the gross receipts reported on Line 1.

Line 5—Line 1 less Line 1(a), then subtract Line 4.

Note: The Kentucky Gross Profits listed on this line do not include the gross profits from the member's interest in pass-through entity(ies) reported on the Schedule L–C because those are separately stated on Line 6.

Line 6—Enter total additional Kentucky gross profits from Schedule L–C, Section A, Line 5 from the limited liability pass-through entity(ies) or general partnership(s) doing business in Kentucky of which the group member is a partner, member, or shareholder.

Line 7—Add Lines 5 and 6. This is Total Kentucky gross profits.

Section B—Total Receipts

Line 1—Enter the member's total gross receipts less returns and allowances.

Line 1(a)—Enter member's intercompany eliminations.

Line 2—Enter total additional gross receipts from Schedule L–C, Section B, Column B, Line 2 from the limited liability pass–through entity(ies) or general partnership(s) doing business in Kentucky of which the group member is a partner, member, or shareholder.

Line 3—Line 1 less Line 1(a) plus Line 2. If the sum of the total gross receipts is $3,000,000 or less, STOP, and enter $175 on Section E, Line 1.

Line 4—Enter the member's total Cost of Goods Sold from Schedule COGS, Column B, Line 8. For an entity engaged in activities other than manufacturing, producing, reselling, retailing, or wholesaling, no cost of goods sold deduction can be claimed. **KRS 141.0401(1)(d)**

Note: The COGS listed on this line only correspond to the gross receipts reported on Line 1.

Line 5—Line 1 less Line 1(a), then subtract Line 4.

Note: The gross profits listed on this line do not include the gross profits from the member's interest in pass-through entity(ies) reported on the Schedule L–C because those are separately stated on Line 6.

Line 6—Enter the total additional gross profits from Schedule L-C, Section B, Line 5 from the limited liability pass-through entity(ies) or general partnership(s) doing business in Kentucky of which the group member is a partner, member, or shareholder.

Line 7—Add Lines 5 and 6. If the sum of total gross profits is $3,000,000 or less, STOP, and enter $175 on Section E, Line 1.

Section C—Computation of Gross Receipts LLET

Line 1—If the member's gross receipts from all sources (Section B, Line 3) are greater than $3,000,000, but less than $6,000,000, enter the following:

$$(\text{Section A, line 3} \times 0.00095) - \left[\frac{\$2{,}850 \times (\$6{,}000{,}000 - \text{Section A, line 3})}{\$3{,}000{,}000}\right]$$

But in no case shall the result be less than zero.

Line 2—If the member's gross receipts from all sources (Section B, Line 3) are $6,000,000 or greater, multiply the amount in Section A, Line 3 by 0.00095.

Line 3—Enter the amount from Line 1 or Line 2.

Section D—Computation of Gross Profits LLET

Line 1—If the member's gross profits from all sources (Section B, Line 7) are greater than $3,000,000, but less than $6,000,000, enter the following:

$$(\text{Section A, line 7} \times 0.0075) - \left[\frac{\$22{,}500 \times (\$6{,}000{,}000 - \text{Section A, line 7})}{\$3{,}000{,}000}\right]$$

But in no case shall the result be less than zero.

Line 2—If the member's gross profits from all sources (Section B, Line 7) are $6,000,000 or greater, multiply the amount in Section A, Line 7 by 0.0075.

Line 3—Enter the amount from Line 1 or Line 2.

Section E—Computation of LLET Liability

Line 1—Enter the lesser of Section C, Line 3, or Section D, Line 3 for each group member here and on Schedule U9, Section A, Line 1. If less than $175, enter the minimum $175 here and on Schedule U9, Section A, Line 1.

INSTRUCTIONS FOR SCHEDULE U9

Purpose of Schedule—This schedule is used to compute a combined group's net income tax and LLET liability.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return.

In each column heading, enter the name, FEIN, and Kentucky Corporation/LLET account number (if applicable) of a member of the combined group doing business in Kentucky.

NOTE: The Combined Totals column should reflect the total amounts for the entire combined group, not just the members recorded on a single page. If a return contains multiple pages of the schedule, the Combined Totals figures should match on each page.

Section A—LLET

Line 1—For each member, enter the amount from Schedule U8, Section E, Line 1.

Line 2—Enter each member's sum of all tax credit recapture amounts from Schedule RC–R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS, Part III, Section B, Line 10. **Attach Schedule RC–R, Form 8874(K)-B, and/or Schedule DS.**

Line 3—For each member, enter the total of Lines 1 and 2.

Line 4—Enter each member's nonrefundable LLET credit from Kentucky Schedule(s) 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 each member's total nonrefundable tax credits from Schedule TCS, Part III, Column E, Line 1. **Attach Schedule TCS.**

Line 6—Enter the greater of Line 3 less Lines 4 and 5, or $175 minimum for each member as the LLET liability. Enter the total for the combined group in the Combined Totals column and on Form 720U, Part I, Line 1.

Line 7—Reserved for future use.

Line 8—Enter the total LLET estimated tax payments made by or on behalf of each member for the taxable year. **Do not include amounts credited from the prior year.**

Line 9—Enter each member's refundable tax credits. **Attach Schedule TCS.**

Line 10—Reserved for future use.

Line 11—Enter the amount of LLET paid by or on behalf of each member with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 12—Enter the amount credited to each member's 2023 LLET from Form 720U, Schedule U9, Section A, Line 26 of the 2022 return (or as determined by the designated filer).

Line 13—For each member, enter the income tax overpayment from Section B, Line 21 credited to the 2023 LLET. **If filing an amended return, enter the amount from the original return.**

Line 14—For each member, enter the amount credited to LLET from other members (Section A, Line 24 and/or Section B, Line 23 of any member allocating their payment to another member). Enter the total for the combined group in the Combined Totals column.

Line 15—Enter the LLET paid by or on behalf of each member on the original return. **This line is used only when filing an amended return.**

Line 16—For each member, enter the LLET overpayment on the original return. **This line is used only when filing an amended return.**

Line 17—For each member, enter the Estimated Tax Penalty Due and attach Form 2220-K.

Line 18—If the total of Lines 6, 16, and 17 is greater than the total of Lines 7 through 15, enter the LLET and Estimated Tax Penalty Due for each member. Enter the total for the combined group in the Combined Totals column.

Line 19—If the total of Lines 6, 16, and 17 is less than the total of Lines 7 through 15, enter the LLET overpayment as a positive number for each member. Enter the total for the combined group in the Combined Totals column.

Line 20—If Line 18 reflects an amount due, then enter the member's applicable 2023 interest due on LLET. Otherwise, if Line 19 reflects an overpayment, enter the portion of Line 19 to be credited to each member's 2023 interest due on LLET. Enter the total for the combined group in the Combined Totals column and on Form 720U, Part I, Line 2.

Line 21—If Line 18 reflects an amount due, then enter the member's applicable 2023 penalty due on LLET. Otherwise, if Line 19 reflects an overpayment, enter the portion of Line 19 to be credited to each member's 2023 penalty due on LLET. Enter the total for the combined group in the Combined Totals column and on Form 720U, Part I, Line 3.

Line 22—If there is an amount due reflected on Line 18, add Lines 18, 20, and 21 in each column. Then, skip Lines 23-27.

Line 22, Combined Totals column, TOTAL LLET DUE— This line should be completed after following the instructions for Line 27 to allow for the offset of LLET due with other members' overpayments after credits to LLET, interest, penalty, and for credits to 2024 LLET.

Line 23—If Line 19 reflects an overpayment, enter the portion of Line 19 to be credited to the member's 2023 income tax liability in each column. **If filing an amended return, do not enter an amount on this line.**

Line 24—If Line 19 reflects an overpayment, enter the portion of Line 19 to be credited to other member(s)' 2023 LLET due in each column. Enter the total for the combined group in the Combined Totals column.

Line 25—If Line 19 reflects an overpayment, enter the portion of Line 19 to be credited to other member(s)' 2023 income tax due in each column. Enter the total for the combined group in the Combined Totals column.

Line 26—If Line 19 reflects an overpayment, enter the portion of Line 19 to be credited to 2024 LLET for each member. **If filing an amended return, do not enter an amount on this line.** Enter the total for the combined group in the Combined Totals column.

Line 27—Enter the net amount overpaid (Line 19 less Lines 20 and 21 and Lines 23 through 26) for each member. If the sum of all members' amounts on Line 22 (LLET, interest, and penalties due by each member with the return) is greater than the sum of all members' amounts on Line 27, enter the net amount of LLET due on Line 22, Combined Totals column, TOTAL LLET DUE and on Form 720U, Part I, Line 4. If the sum of all members' amounts on Line 27 is greater than the sum of all members' amounts on Line 22 (LLET, interest, and penalties due by each member with the return), enter the amount to be refunded on Line 27, Combined Totals column, REFUND AMOUNT and on Form 720U, Part I, Line 5. If the sum of all members on Line 27 results in a negative value, subtract the negative value from the sum of all members on Line 22. This will result in a positive value to enter on Line 22, Combined Totals column, TOTAL LLET DUE and on Form 720U, Part I, Line 4. If Line 22 and Line 27 are equal, enter zero on Line 22, Combined Totals column, TOTAL LLET DUE and Line 27, Combined Totals column, REFUND AMOUNT.

Section B—Income Tax

Line 1—For each member, enter the amount from Schedule U5, Section D, Line 8.

Line 2—Enter each member's sum of all tax credit recapture amounts from Schedule RC-R, Line 13, Form 8874(K)-B, Line 3 and/or Schedule DS, Part III, Section B, Line 11. **Attach Schedule RC-R, Form 8874(K)-B, and/or Schedule DS.**

Line 3—For each member, enter the amount of the Tax Installments on LIFO Recapture. A corporation may be liable for the additional tax due to LIFO recapture under federal Regulations Section 1.1363–2 if the corporation used the LIFO inventory pricing method for its last tax year as a C corporation prior to becoming an S corporation. To determine the LIFO recapture, complete the worksheet below for each member.

1. Kentucky taxable net income after NOLD from Schedule U5, Section D, Line 7 ... __________
2. LIFO recapture amount .... __________
3. Add Lines 1 and 2 .... __________
4. Income tax on the amount on Line 3 above.. __________
5. Income tax from Schedule U5, Section D, Line 8 .... __________
6. Line 4 less Line 5 .... __________
7. Tax installments on LIFO Recapture (Line 6 multiplied by 25%) (enter on Schedule U9, Section B, Line 3) ..... __________

Line 4—For each member, add the totals for Lines 1 through 3. Enter the total for the combined group in the Combined Totals column.

Line 5—For each member, enter the amount from Line 8 of the Corporation LLET Credit Worksheet(s). KRS 141.0401(3)(b) provides that the LLET credit allowed a member or partner of a limited liability pass–through entity against tax imposed by KRS 141.040 is the member's or partner's proportionate share of the LLET for the current year after the subtraction of the minimum tax of $175 and any credits identified in KRS 141.0205. The LLET credit allowed is applied to income tax assessed on income from the limited liability pass–through entity. Any remaining LLET credit from the limited liability pass–through entity is disallowed.

Enter on Line 2 of the worksheet, the Kentucky net distributive share income from the limited liability pass–through entity that is included in each corporation's Kentucky taxable income on Line 1. If the corporation is taxable only in Kentucky, enter the net distributive share income from the Kentucky Schedule K–1. If the corporation is taxable in Kentucky and taxable in another state, enter the net distributive share income from the Kentucky Schedule K–1 multiplied by each corporation's apportionment factor from Schedule U5, Section A, Line 7. If the net distributive share income includes amounts not related to the unitary business, include only the amount from Schedule U6, Column E on Line 2 for each member.

Corporation LLET Credit Worksheet

Complete a separate worksheet for each limited liability pass– through entity. **Attach each worksheet to the return and retain a copy for your records.**

Name ____________________

Address ____________________

FEIN __________ KY Acct # __________

Percentage of Ownership __________ %

1. Kentucky taxable net income after NOLD Schedule U5, Section D, Line 7............. __________
2. Kentucky net distributive share income from Kentucky Schedule K-1 (see instructions above)......................... __________
3. Line 1 less Line 2.................................. __________
4. Income tax from Schedule U5, Section D, Line 8 .... __________
5. Income tax on the amount on Line 3 above .... __________
6. Line 4 less Line 5. If Line 5 is greater than Line 4, enter -0- .... __________
7. Nonrefundable LLET credit from Kentucky Schedule K-1 (Form PTE)....... __________
8. Lesser of Line 6 or Line 7, enter here and on Schedule U9, Section B, Line 5.. __________

Line 6—Enter the amount from Section A, Line 6, less $175 in each column. Enter the total for the combined group in the Combined Totals column.

Line 7—Enter each member's total credits from Kentucky Schedule TCS, Part III, Column F, Line 2. **Attach Schedule TCS**.

Line 8—Enter the amount of Line 4 less Lines 5 through 7, but not less than zero, for each member as the Net Income Tax Liability. Enter the total for the combined group in the Combined Totals column and on Form 720U, Part II, Line 1.

Line 9—Enter the total of estimated income tax payments made by or on behalf of each member for the taxable year. **Do not include the amount credited from the prior year.**

Line 10—Enter the total of income tax paid by or on behalf of each member with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

Line 11—Enter the amount credited to the 2023 income tax by or on behalf of each member from Form 720U, Schedule U9, Section B, Line 24 of the 2022 return (or as determined by the designated filer).

Line 12—For each member, enter the LLET overpayment from Section A, Line 23 credited to the 2023 income tax. **If filing an amended return, enter the amount from the original return.**

Line 13—For each member, enter the amount credited to income tax from other members (Section A, Line 25 and/or Section B, Line 22 of any member allocating their payment to another member). Enter the total for the combined group in the Combined Totals column.

Line 14—Enter the corporation income tax paid by or on behalf of each member on the original return. **This line is used only when filing an amended return.**

Line 15—For each member, enter the corporation income tax overpayment on the original return. **This line is used only when filing an amended return.**

Line 16—If the total of Lines 8 and 15 is greater than the total of Lines 9 through 14, enter the income tax due for each member. Enter the total for the combined group in the Combined Totals column.

Line 17—If the total of Lines 8 and 15 is less than the total of Lines 9 through 14, enter the income tax overpayment as a positive number for each member. Enter the total for the combined group in the Combined Totals column.

Line 18—If Line 16 reflects an amount due, then enter the member's applicable 2023 interest due. Otherwise, if Line 17 reflects an overpayment, enter the portion of Line 17 to be credited to each member's 2023 interest due. Enter the total for the combined group in the Combined Totals column and on Form 720U, Part II, Line 2.

Line 19—If Line 16 reflects an amount due, then enter the member's applicable 2023 penalty due. Otherwise, if Line 17 reflects an overpayment, enter the portion of Line 17 to be credited to each member's 2023 penalty due. Enter the total for the combined group in the Combined Totals column and on Form 720U, Part II, Line 3.

Line 20—If there is an amount due reflected on Line 16, add Lines 16, 18, and 19 in each column. Then, skip Lines 21-25.

Line 20, Combined Totals column, TOTAL INCOME TAX DUE—This line should be completed after following the instructions for Line 25 to allow for the offset of income tax due with other members' overpayments after credits to income tax, interest, penalty, and for credits to 2024 Corporation Income Tax.

Line 21—If Line 17 reflects an overpayment, enter the portion of Line 17 to be credited to the member's 2023 LLET in each column. **If filing an amended return, do not enter an amount on this line.**

Line 22—If Line 17 reflects an overpayment, enter the portion of Line 17 to be credited to other member(s)' 2023 income tax due in each column. Enter the total for the combined group in the Combined Totals column.

Line 23—If Line 17 reflects an overpayment, enter the portion of Line 17 to be credited to other member(s)' 2023 LLET due in each column. Enter the total for the combined group in the Combined Totals column.

Line 24—If Line 17 reflects an overpayment, enter the portion of Line 17 to be credited to each member's 2024 corporation income tax. **If filing an amended return, do not enter an amount on this line.** Enter the total for the combined group in the Combined Totals column.

Line 25—Enter the net amount overpaid (Line 17 less Lines 18 and 19 and Lines 21 through 24) for each member. If the sum of all members' amounts on Line 20 (Income tax, interest and penalties due by each member with the return) is greater than the sum of all members' amounts on Line 25, enter the net amount of income tax due on Line 20, Combined Totals column, TOTAL TAX DUE and on Form 720U, Part II, Line 4. If the sum of all members' amounts on Line 25 is greater than the sum of all members' amounts on Line 20 (Income tax, interest and penalties due by each member with the return), enter the amount to be refunded on Line 25, Combined Totals Column, REFUND AMOUNT and on Form 720U, Part II, Line 5. If the sum of all members on Line 25 results in a negative value, subtract the negative value from the sum of all members on Line 20. This will result in a positive value to enter on Line 20, Combined Totals column, TOTAL TAX DUE and on Form 720U, Part II, Line 4. If Line 20 and Line 25 are equal, enter zero on Line 20, Combined Totals column, TOTAL TAX DUE and Line 25, Combined Totals Column, REFUND AMOUNT.

INSTRUCTIONS FOR SCHEDULE U10

Purpose of Schedule—This schedule is used to compute the amount of Kentucky net operating loss (NOL) deduction that can be utilized by taxpayer members of a combined group and the NOL amounts that can be carried forward to succeeding tax periods.

KRS 141.202(5)(c) allows taxpayer members of a combined group to utilize Kentucky NOL deductions against the amount of taxable income derived from the unitary business apportioned to this state, provided the group member was doing business in Kentucky in the year the loss was incurred. It also allows other taxpayer members of the combined group to deduct losses incurred by another taxpayer member of the group in certain situations. Under KRS 141.202(5)(c)2., the taxpayer member may share the net operating loss carryover with other taxpayer members of the combined group if the other taxpayer members were members of the combined group in the tax year that the loss was incurred. Furthermore, utilization of one taxpayer member's NOL by another taxpayer member is subject to a 50% limitation if the loss was incurred in a taxable year prior to the first year in which a combined return was required, per KRS 141.202(5)(c)3., or in a taxable year in which the taxpayer member that incurred the loss was not a member of the combined group, per KRS 141.202(5)(c)4.

Net operating losses generated in tax years beginning after December 31, 2017, may only offset up to 80% of taxable income, but any unused amounts are available for carryforward indefinitely per IRC Sec. 172.

NOTE: If any members of the combined group were included in a Kentucky consolidated nexus group in 2018 or earlier with an NOL carryforward amount, the amounts of any unused NOL carryforward must be calculated on a post-apportionment basis and assigned pro rata to the loss corporations in the nexus group in the year the loss was generated. See 103 KAR 16:250 for further instructions and examples.

General information—Enter the name, Federal Identification Number, and the Kentucky Corporation/LLET account number of the designated filer of the combined return. In each column heading, enter the name and FEIN, and the Kentucky Corporation/LLET account number of each taxpayer member.

PART I – Net Operating Loss Deduction

Section A—NOL Generated in tax years beginning before January 1, 2018 (Pre-2018)

Line 1—For each member, enter Kentucky taxable net income from Schedule U5, Section D, Line 5. DO NOT enter a current-year loss here. Enter a current-year loss on Line 6.

Line 2—Enter the member's share of the post-apportioned NOL carryforward from tax years beginning before January 1, 2018. If reporting a current-year loss on Line 6, skip Lines 3 and 4, and enter the amount from Line 2 on Line 5.

Line 3—Enter the lesser of Line 1 or Line 2.

Line 4—Subtract Line 2 from Line 1. If the result is negative, enter zero. This is the taxable net income remaining after subtracting the pre-2018 Kentucky NOL deduction.

Line 5—If Line 2 is greater than Line 1, subtract Line 1 from Line 2. This is the pre-2018 NOL carryforward.

Section B—NOL Generated in tax years beginning after December 31, 2017 (Post-2017) If reporting a current-year loss on Line 6, skip Lines 8-10.

Line 6—Enter the current-year net operating loss (as a positive number) from Schedule U5, Section D, Line 5. Then continue to Lines 7 and 11. Skip Lines 8-10.

Line 7—Enter the member's share of the post-apportioned NOL carryforward from tax years beginning after December 31, 2017.

Line 8—If Line 4 is greater than zero, multiply Line 4 by 80%. Otherwise, enter zero. This is the maximum amount of post-2017 NOL that may be deducted by the corporation this year.

Line 9—Enter the lesser of Line 7 or Line 8. This is the corporation's maximum allowable post-2017 NOL deduction.

Line 10—Subtract Line 9 from Line 4. This is the taxable net income remaining after post-2017 NOL.

Line 11—If Line 7 is greater than Line 9, subtract Line 9 from Line 7. If reporting a current-year loss on Line 6, add Lines 6 and 7 and enter it here. This is the post-2017 NOL carryforward before sharing.

Section C—Sharing of NOLs Between Combined Group Members

Line 12—Enter the amount from Line 10.

Line 13—If Line 12 is greater than zero, multiply Line 1 by 50%. Otherwise, enter zero. This is the maximum amount of shared NOL that the member may deduct this year from members not in the same combined group in the year in which the NOL was generated. No 50% limitation applies for corporations that were in the same combined group in the year which the NOL was generated. However, per IRC Section 172, the utilization of post-2017 NOLs (whether generated by the member that is utilizing the NOL or shared between corporations that were members of the same combined group) is limited to the 80% maximum calculated for each member on Section B, Line 8.

Line 14—Enter the amount of shared NOL utilized by the corporation. **A supporting statement must be attached to reflect which member's (s') NOL was shared and utilized.**

NOTE: Per KRS 141.202(5)(c)2. any amount of NOL carryforward that is deducted by another taxpayer member of the combined group shall reduce the amount of NOL that may be carried forward by the group member that originally incurred the loss.

Line 15—Subtract Line 14 from Line 12. This is the taxable net income remaining after deducting shared NOL.

Section D—Total Net Operating Loss Deduction

Line 16—Enter the sum of Lines 3, 9, and 14 here and on Schedule U5, Section D, Line 6. This is the corporation's NOLD.

PART II

Section A—Net Operating Loss Carryforward for NOL Generated in tax years beginning before January 1, 2018 (Pre-2018)

Line 1—Enter the amount from Part I, Section A, Line 5.

Line 2—NOL shared with other members. A supporting statement must be attached to show which member's (s') NOL was utilized by the group member.

Line 3—Subtract Line 2 from Line 1. This is the member's remaining Pre-2018 NOL carryforward after sharing.

Section B—Net Operating Loss Carryforward for NOL Generated in tax years beginning after December 31, 2017 (Post-2017)

Line 1—Enter the amount from Part I, Section B, Line 11.

Line 2—NOL shared with other members. **A supporting statement must be attached to show which member's(s') NOL was utilized by the group member.**

Line 3—Subtract Line 2 from Line 1. This is the member's remaining Post-2017 NOL carryforward after sharing.

Schedule TCS is used by corporations to apply tax credits for entities subject to the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different. *Taxpayer* as used in this section refers to the corporation.

Economic Development Tax Credits— This section is completed only if a corporation has been approved for one or more of the credits authorized by the:

- **Kentucky Rural Economic Development Act** (KREDA – KRS 154.22)
- **Metropolitan College Consortium** (MCC – KRS 141.381)
- **Kentucky Small Business Tax Credit Program** (KSBTC – KRS 141.384)
- **Kentucky Selling Farmers Tax Credit** (KSFTC – KRS 141.3841)
- **Kentucky Industrial Development Act** (KIDA – KRS 154.28)
- **Kentucky Jobs Retention Agreement** (KJRA – KRS 154.25)
- **Kentucky Industrial Revitalization Act** (KIRA – KRS 154.26);
- **Kentucky Jobs Development Act** (KJDA – KRS 154.24);
- **Kentucky Business Investment Program** (KBI – KRS 154.32)
- **Kentucky Reinvestment Act** (KRA – KRS 154.34)
- **Skills Training Investment Credit Act** (STICA – KRS 154.12)
- **Incentives for Energy Independence Act** (IEIA – KRS 154.27)
- **Incentives for Energy-related Business Act** (IEBA – KRS 154.27)

To qualify for the KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, IEIA or IEBA credits, a corporation must be approved by the Kentucky Economic Development Finance Authority (KEDFA) and must have executed and activated the appropriate agreement with KEDFA. Form(s) and instructions for the computation of the credit(s) will be mailed to the approved taxpayer after activation. To claim any of these credits, the applicable tax credit schedule or schedules must be attached to the tax return.

To claim the STICA or MCC credit, a copy of the tax credit certification(s) received from Bluegrass State Skills Corporation reflecting the amount of credit awarded must be attached to the tax return. The credit for either the STICA or MCC must be claimed on the tax return filed for the taxable year during which the final authorizing resolution is adopted by Bluegrass State Skills Corporation. The STICA credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward three successive years; the MCC credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward to tax years ending before April 15, 2027. If a STICA or MCC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year, and the balance of the credit.

To claim the KSBTC and KSFTC credit, a copy of the tax credit notification received from KEDFA reflecting the amount of credit awarded must be attached to the tax return. The credit for the KSBTC or KSFTC must be claimed on the tax return for the taxable year during which the credit was approved by KEDFA. The tax credit not used during the year of approval by KEDFA may be carried forward up to five years. If a KSBTC or KSFTC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year, and the balance of the credit.

Economic development tax credits are allowed against the taxes imposed by KRS 141.040 and KRS 141.0401.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department for Financial Incentives (telephone: 502-564-4554) or Bluegrass State Skills Corporation (telephone: 502-564-2021).

Nonrefundable Tax Credits

Farming Operation Networking Tax Credit—A qualified farming operation which has a farm operation networking project approved by the Cabinet for Economic Development per KRS 141.410 to KRS 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or KRS 141.020 and KRS 141.0401 attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project. Schedule FON must be attached to the tax return claiming the credit. **KRS 141.412**

Unemployment Tax Credit—If a taxpayer hired a Kentucky resident classified as unemployed for at least 60 days and the resident remains in the employ of the taxpayer for 180 consecutive days during the tax year (a qualified person), the taxpayer may be entitled to the unemployment tax credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. For each qualified person, a one–time nonrefundable credit of $100 may be claimed. The period of unemployment must be certified by the Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training, Frankfort, KY, and a copy of the certification must be maintained by the taxpayer. For certification questions, call 502-564-7456. Schedule UTC must be attached to the return claiming this credit. **KRS 141.065**

Recycling/Composting Tax Credit—A taxpayer that purchases recycling and/or composting equipment to be used exclusively in Kentucky for recycling or composting post–consumer waste materials may be entitled to a nonrefundable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 in an amount equal to 50 percent of the installed cost of the equipment. Application for this credit must be made on Schedule RC and a copy of the schedule reflecting the amount of credit approved by the Department of Revenue must be attached to the tax return on which the credit is claimed. The amount of this credit claimed for the tax year may not exceed 25 percent of the total tax liability and cannot exceed 10 percent of the credit approved in the first year of eligibility.

For taxable years beginning after December 31, 2019, a taxpayer that purchases recycling and/or composting equipment to be used exclusively in Kentucky for recycling or composting post -consumer waste material that qualifies as a Major Recycling Project is entitled to a nonrefundable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The credit is an amount equal to 25 percent of the installed cost of the recycling or composting equipment. The amount of credit claimed in a taxable year subsequent to the taxable year during which the recycling equipment is purchased shall not exceed seventy-five percent (75%) of the total of each tax liability, which would be otherwise due for that taxable year. To qualify, the taxpayer must: (1) invest more than $10,000,000; (2) have at least 400 full-time employees with an average hourly wage of more than 300% of the federal minimum wage; and (3) have plant and equipment costing at least $500,000,000.

A taxpayer is entitled to claim the recycling credits in KRS 141.390(2) (a) and (b), but cannot claim both for the same recycling and/or composting equipment. **KRS 141.390**

Kentucky Investment Fund Tax Credit—A taxpayer which makes a cash contribution to an investment fund approved by KEDFA per KRS 154.20–250 to KRS 154.20–284 is entitled to a nonrefundable credit equal to 40 percent of the investor's proportional ownership share of all qualified investments made by the investment fund and verified by the authority. The credit may be applied against the taxes imposed by KRS 141.020 or 141.040, 141.0401, 136.320, 136.300, 136.310, 136.330, 136.505, and 304.3–270. **A copy of the notification from KEDFA reflecting the amount of credit granted and the year in which the credit may first be claimed must be attached to the tax return claiming this credit.**

The tax credit amount that may be claimed by an investor in any tax year must not exceed 50 percent of the initial aggregate credit amount approved by the authority for the investment fund which is proportionally available to the investor. ***Example:*** *An investor with a 10 percent investment in a fund which has been approved for a total credit to all investors of $400,000 is limited to $20,000 maximum credit in any given year* ($400,000 x 10% x 50%).

If the amount of credit that may be claimed in any tax year exceeds the tax liabilities, the excess credit may be carried forward, but the carryforward of any excess tax credit will not increase the limitation that may be claimed in any tax year. Any credit not used in 15 years, including the year in which the credit may first be claimed, will be lost.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department of Financial Incentives at 502–564–4554. **KRS 141.068**

Qualified Research Facility Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 of 5 percent of the qualified costs of constructing, remodeling, expanding, and equipping facilities in Kentucky for "qualified research." Any unused credit may be carried forward 10 years. Schedule QR, Qualified Research Facility Tax Credit, must be attached to the tax return on which this credit is claimed. Federal Form 6765, Credit for Increasing Research Activities, must also be attached if applicable. See instructions for Schedule QR for more information regarding this credit. **KRS 141.395**

GED Incentive Tax Credit—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The credit reflected on this line must equal the sum of the credits reflected on the attached GED–Incentive Program Final Reports. This credit may be claimed only in the year during which the learning contract was completed and unused portions of the credit may not be carried forward or back. For information regarding the program, contact the Education and Workforce Development Cabinet, Kentucky Adult Education, Council on Postsecondary Education at 502–573–5114. The GED–Incentive Program Final Report (DAEL–31) for each employee that completed a learning contract during the tax year must be attached to the tax return claiming the credit. **KRS 151B.402**

Voluntary Environmental Remediation Tax Credit—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.1–514. Maximum tax credit allowed to be claimed per taxable year is 25 percent of the approved credit. This credit may be claimed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at 502–564–6716. Schedule VERB must be attached to the tax return claiming this credit. **KRS 141.418**

Biodiesel Tax Credit—Producers and blenders of biodiesel and producers of renewable diesel are entitled to a tax credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for biodiesel credit with the Department of Revenue by January 15 each year for biodiesel produced or blended and the renewable diesel produced in the previous calendar year. The department will issue a credit certification (Schedule BIO) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.423 and 103 KAR 15:140**

Clean Coal Incentive Tax Credit—Effective for tax years ending on or after December 31, 2006, a nonrefundable, nontransferable credit against the taxes imposed by KRS 136.120 or KRS 141.020 or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per KRS 141.428, a clean coal facility means an electric generation facility beginning commercial operation on or after January 1, 2005, at a cost greater than $150 million that is located in the Commonwealth of Kentucky and is certified by the Energy and Environment Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies. The amount of the credit is $2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit will be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent, or subsidiary. **KRS 141.428**

Ethanol Tax Credit—Producers of ethanol are entitled to a tax credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for ethanol credit with the Department of Revenue by January 15 each year for ethanol produced in the previous calendar year. The department will issue a credit certification (Schedule ETH) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.4242 and 103 KAR 15:110**

Cellulosic Ethanol Tax Credit—Producers of cellulosic ethanol are entitled to a tax credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for cellulosic ethanol credit with the Department of Revenue by January 15 each year for cellulosic ethanol produced in the previous calendar year. The department will issue a credit certification (Schedule CELL) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.4244 and 103 KAR 15:120**

Railroad Maintenance and Improvement Tax Credit—For tax years beginning on or after January 1, 2010, an owner of any Class II railroad or Class III railroad located in Kentucky or any person who transports property using the rail facilities of a Class II railroad or Class III railroad located in Kentucky or furnishes railroad–related property or services to a Class II railroad or Class III railroad located in Kentucky, but only with respect to miles of railroad track assigned to the person by a Class II railroad or Class III railroad, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 in an amount equal to fifty percent of the qualified expenditures paid or incurred to maintain or improve railroads located in Kentucky, including roadbeds, bridges, and related structures, that are owned or leased as of January 1, 2008, by a Class II or Class III railroad.

The credit allowed must not exceed the product of $3,500 multiplied by the sum of: (1) The number of miles of railroad track in Kentucky owned or leased by the eligible taxpayer as of the close of the taxable year; and (2) The number of miles of railroad track in Kentucky assigned to the eligible taxpayer by a Class II railroad or Class III railroad which owns or leases the railroad track as of the close of the taxable year. Attach Schedule RR-I to the return claiming this credit. **KRS 141.385**

Railroad Expansion Tax Credit—For tax years beginning on or after January 1, 2010: (a) a corporation that owns fossil energy resources subject to tax under KRS 143.020 or KRS 143A.020 or biomass resources and transports these resources using rail facilities; or (b) a railway company subject to tax under KRS 136.120 that serves a corporation that owns fossil energy resources subject to tax under KRS 143.020 or KRS 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and KRS 141.0401 equal to twenty–five percent of the expenditures paid or incurred by the corporation or railway company to expand or upgrade railroad track, including roadbeds, bridges, and related track structures, to accommodate the transport of fossil energy resources or biomass resources.

The credit amount approved for a calendar year for all taxpayers under KRS 141.386 is limited to $1 million. If the total amount of approved credit exceeds $1 million, the department will determine the amount of credit each corporation and railroad company receives by multiplying $1 million by a fraction, the numerator of which is the amount of approved credit for a corporation or railway company and the denominator of which is the total approved credit for all corporations and railway companies.

Each corporation or railway company eligible for the credit must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will determine the amount of the approved credit and issue a credit certificate to the corporation or railway company by the fifteenth day of the third month following the close of the calendar year. **KRS 141.386**

ENDOW Kentucky Tax Credit – A taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, is entitled to a tax credit equal to twenty percent (20%) of the endowment gift, not to exceed $10,000. The nonrefundable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 and if not used in the year the tax credit is awarded, may be carried forward for a period not to exceed five years. The department will issue a credit certification (Schedule ENDOW) to a taxpayer upon receiving proof that the endowment gift was made to the approved community foundation per KRS 141.438(7). Schedule ENDOW must be attached to the taxpayer’s tax return each year to claim the credit. A partner, member, or shareholder of a pass-through entity must attach a copy of Schedule K-1, Form PTE to the partner’s, member’s, or shareholder’s tax return each year to claim the tax credit**. Note:** This credit may limit charitable contribution deductions allowed under Section 170 of the IRC. See the IRC and federal regulations for additional information on any limitations. **KRS 141.438 and 103 KAR 15:195**

New Markets Development Program Tax Credit—A taxpayer that makes a qualified equity investment per KRS 141.432(7) in a qualified community development entity defined by KRS 141.432(6) is entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 137.370, 136.390, or 304.3-270. The total amount of tax credits that may be awarded by the department is limited to $10 million. “Qualified low-income community investment” means any capital or equity investment in, or loan to, any qualified active low-income community business made after June 4, 2010. With respect to any one qualified active low-income community business, the maximum amount of qualified active low-income community investments that may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under KRS 141.433 is $10 million, whether made by one or several qualified community development entities.

The amount of the credit will be equal to 39% of the purchase price of the qualified equity investment made by the taxpayer. A taxpayer is allowed to claim zero percent (0%) for each of the first two credit allowance dates, seven percent (7%) for the third allowance date, and eight percent (8%) for the next four allowance dates. “Credit allowance date” means with respect to any qualified equity investment: (a) the date on which the investment is initially made; and (b) each of the six anniversary dates of that date thereafter. **KRS 141.432 to KRS 141.434**

Distilled Spirits Tax Credit—For taxable years beginning on or after January 1, 2015, a nonrefundable and nontransferable credit against the tax imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available to taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to: 100 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2019.

The amount of the credit is contingent on the costs associated with the following capital improvements at the premises of the distiller: construction, replacement, or remodeling of warehouses or facilities; purchases of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses; acquisition, construction, or installation of equipment for the use in the manufacture, bottling, or shipment of distilled spirits; addition or replacement of access roads or parking facilities; and construction, replacement, or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center. Attach Schedule DS to the return claiming the credit. **KRS 141.389**

Kentucky Entertainment Incentive Tax Credit—For applications approved on or after April 27, 2018, but before January 1, 2022, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to KRS 148.546. Attach film office certification to the return claiming the credit. **KRS 141.383**

Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. Attach Schedule INV to the return claiming the credit. **KRS 141.408**

Renewable Chemical Production Tax Credit—For taxable years beginning on or after January 1, 2021, and ending on or before December 31, 2024, a nonrefundable and nontransferable credit allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers that produce renewable chemicals. Preliminary approval is obtained through the Department of Agriculture.

Schedule CHEM is due to the Department of Revenue by March 1 each year. The Department of Revenue will issue the credit certificate (Schedule CHEM) by April 15 each year. The annual biodiesel, renewable diesel, and renewable chemical production tax credit cap is $10,000,000 annually. There is a carryforward of three (3) years for any unused credit. The credit certificate must be attached to the tax return claiming the credit. **KRS 141.4231,KRS 246.700(8), and 103 KAR 15:140**

Refundable Tax Credits

Certified Rehabilitation Tax Credit—This credit is allowed only if the taxpayer has been approved for the credit by the Kentucky Heritage Council. Credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Certification copies must be attached to the return claiming the credit. **KRS 171.3961 and KRS 171.397**

Major Certified Rehabilitation Tax Credit—Prior to December 31, 2021, the Kentucky Heritage Council may award one application for preliminary approval of a major certified rehabilitation for a certified historic structure. Credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for qualified rehabilitation expenses on certified historic structures. The total approved credit shall be available over a four (4) year period and the maximum credit which may be claimed in a taxable year shall not exceed twenty-five percent (25%) of the total approved credit. Certification copies must be attached to the return claiming the credit. **KRS 171.3963**

Kentucky Entertainment Incentive Tax Credit—For applications approved on or after January 1, 2022, a refundable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the Kentucky Cabinet for Economic Development that the approved company has satisfied all requirements of KRS 154.61-020 and KRS 154.61-030. Attach certification to the return claiming the credit. **KRS 141.383**

Decontamination Tax Credit—The taxpayer must be approved by the Energy and Environment Cabinet per KRS 224.1-420. Maximum tax credit allowed to be claimed per taxable year is 25 percent of the approved credit. This is a refundable credit and may be claimed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for making a qualifying expenditure at a qualifying decontamination property. For more information regarding credit for decontamination, contact the Energy and Environment Cabinet at 502-564-6716. A copy of the approved application must be attached to the tax return claiming this credit. **KRS 141.419**

TANGIBLE PERSONAL PROPERTY TAXES—The listing period for tangible personal property is January 1 through May 15 of each year. Each taxpayer is responsible for reporting their tangible personal property subject to ad valorem taxation. The Tangible Personal Property Tax Return, Revenue Form 62A500, and instructions can be obtained from your local county property valuation administrator's office or the Office of Property Valuation. You may also go to ***www.revenue.ky.gov*** to download these forms. A separate form must be filed for each location in Kentucky where you have tangible personal property. Do not attach a copy of Form 62A500 to Form 720U.

Kentucky State Treasury—Unclaimed Property

Individuals

The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit ***www.treasury.ky.gov*** or ***www.missingmoney.com*** for more information on how to locate and claim any funds that may belong to you.

Businesses

Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit ***www.treasury.ky.gov*** for more information.

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, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information, or ancestry in employment or the provision of services.

TAXPAYER ASSISTANCE

Forms:

Office of Registration and Operations
501 High Street, Station 23B
Frankfort, KY 40601
502-564-3658

Website: ***www.revenue.ky.gov***
Email: Financerevenueformsandenvelopes@ky.gov

Information:

Division of Corporation Tax
Department of Revenue
501 High Street, Station 52
Frankfort, KY 40601–2103
502-564-8139

Mailing/Payment:

Mail the return **with payment** *to:*

Kentucky Department of Revenue, Frankfort, KY 40620-0021. Make the check(s) payable to the **Kentucky State Treasurer.**

Mail returns **with no tax due or refund** *requests to:*

Kentucky Department of Revenue, P. O. Box 856905, Louisville, KY 40285-6905.

KENTUCKY TAXPAYER SERVICE CENTERS

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities.

Ashland, 1539 Greenup Avenue, 41101-7695
606-920-2037

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

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

Frankfort, 501 High Street, 40601–2103
502-564-5930

Hopkinsville, 181 Hammond Drive, 42240-7926
270-889-6521

Louisville, 600 West Cedar Street
2nd Floor West, 40202-2310
502-595-4512

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

Owensboro, Corporate Center
401 Frederica Street,
Building C, Suite 201, 42301-6295
270-687-7301

Paducah, Clark Business Complex, Suite G
2928 Park Avenue, 42001-4024
270-575-7148

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

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2023

YOUR RIGHTS

AS A KENTUCKY TAXPAYER

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.

Some Kentucky taxpayer rights are very specific, such as when and how to protest a Notice of Tax Due or the denial of a refund. Others are more general.

The following is a summary of your rights and the DOR's responsibilities to you as a Kentucky taxpayer.

RIGHTS OF TAXPAYER

Privacy

You have the right to privacy with regard to information you provide pertaining to returns, reports, or the affairs of your business.

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 Notice of Tax Due, a reduction or denial of a refund, or a denial of a request for additional time to file a supporting statement; and
- ✓ tax laws and changes in tax laws so that you can comply with the law.

Protest and Appeal

You have the right to file a protest with the DOR if you disagree with a Notice of Tax Due, a reduction or denial of a refund, or a denial of a request for additional time to file a supporting statement. If you file a timely protest, you have a right to a conference to discuss the matter. If you are not satisfied with the Department's final ruling following your protest, you may appeal the final ruling to the Kentucky Board of Tax Appeals, pursuant to KRS 131.110(5) and KRS 49.220 et. seq. (See reverse for procedure to file a protest.)

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 will be required to give your representative a power of attorney before the DOR can discuss tax matters with your authorized agent. See Form 20A100.

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 Tax Appeals 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 and 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;
- ✓ 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; and
- ✓ notify you by certified mail 20 days prior to submitting your name to the relevant agency for the revocation or denial of professional license, driver's license, or motor vehicle registration.

PROTEST AND APPEAL PROCEDURE

Protest

If you receive a Notice of Tax Due, or if the DOR notifies you that a tax refund has been reduced or denied, or the DOR denies your request for additional time to file a supporting statement, you have the right to protest. To do so:

- ✓ submit a written protest within 60 days from the original notice date (or 45 days if the original notice date is prior to 07/01/2018); notice of refund reduction or denial, or denial of a request for additional time to file a supporting statement;
- ✓ 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 Tax Due or refund denial to support that your 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, Kentucky 40620.

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).

NOTE: The above protest and appeal procedures do not apply for real property which is valued by the local property valuation administrator (PVA). Contact the local PVA for information about how to appeal the valuation of real property.

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, 501 High Street, Station 1, Frankfort, Kentucky 40601.

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. You may obtain assistance by contacting any of the following:

Ashland Taxpayer Service Center
1539 Greenup Avenue, 41101–7695
606–920–2037

Bowling Green Taxpayer Service Center
201 West Professional Park Court, 42104–3278
270–746–7470

Corbin Taxpayer Service Center
15100 North US25E, Suite 2, 40701–6188
606–528–3322

Frankfort Taxpayer Service Center
501 High Street, 40601–2103
502–564–5930

Hopkinsville Taxpayer Service Center
181 Hammond Drive, 42240–7926
270–889–6521

Louisville Taxpayer Service Center
600 West Cedar Street, 2nd Floor West, 40202–2310
502–595–4512

Northern Kentucky Taxpayer Service Center
Turfway Ridge Office Park
7310 Turfway Road, Suite 190
Florence 41042–4871
859–371–9049

Owensboro Taxpayer Service Center
401 Frederica Street, Building C, Suite 201, 42301–6295
270–687–7301

Paducah Taxpayer Service Center
Clark Business Complex, Suite G
2928 Park Avenue, 42001–4024
270–575–7148

Pikeville Taxpayer Service Center
Uniplex Center, 126 Trivette Drive, Suite 203, 41501–1275
606–433–7675

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The DOR has an online taxpayer service center where you can download forms, publications, and obtain general information about the department. The address is *www.revenue.ky.gov*.

The information in this brochure merely 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 131.041-131.083. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.1817, 131.183, 131.190, 131.500, 131.654, 133.120, 133.130, 134.580, and 134.590.

The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.

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Commonwealth of Kentucky
DEPARTMENT OF REVENUE

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