

41A720-S45 KJRA (PKG) (10-24)

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF REVENUE
FRANKFORT

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07/24

2024



KJRA

KENTUCKY JOBS RETENTION ACT

- ◆ Only use this package if you have received approval for the KJRA incentive per KRS 154.25-010 to 050.
- ◆ See instructions.
- ◆ Attach to form 720, 720U, PTE, or 725.

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Purpose of Package – Use this package to report KJRA tax incentives for which your business entity has been approved per KRS 154.25–010 to 050. You must have received preliminary or final approval in accordance with KRS 154.25 to determine the credit allowed. Schedule KJRA-T is used by the company which has entered into a tax incentive agreement for a Kentucky Jobs Retention Act (KJRA) project to maintain a record of the approved costs and tax credits, including local wage assessment credit claimed.

General Instructions – Only include one incentive project per Package KJRA. If your business entity files a form 720 or 720U with the state of Kentucky, you must complete Schedule KJRA (Page 3) and Schedule KJRA-T (Page 7). If your business entity files form PTE or 725, you must complete Schedule KJRA-SP (Page 5) and Schedule KJRA-T (Page 7).

First and Last Year Prorations—Tax incentives are only available to be claimed during the term of the incentive agreement. Tax incentives claimed during the first and last years of an incentive agreement must be prorated accordingly. Separate period accounting is recommended, but a proration factor may be used if separate period accounting is not available.

To determine the proration factor in the first year of the incentive agreement, divide the number of days from the activation date until the end of your taxable year by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.

To determine the proration factor in the last year of the incentive agreement, divide the number of days from the first day of your taxable year through the end of the incentive agreement term by the total number of days in your taxable year. Multiply the total income by the proration factor to determine the project income when separate period accounting is not available.



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Taxable Year Ending
____/____/____
Mo. Yr.

| | | |
|-------------------------|---|--|
| Name of Corporation | Federal Identification Number | Kentucky Corporation/LLET Account Number |
| Location of Project | Activation Date of KJRA Incentive Agreement | Economic Development Project Number |
| City _____ County _____ | ____/____/____ Mo. Day Yr. | |

PART I—Computation of LLET Excluding KJRA Project

| | | |
|--|---|----|
| 1 LLET from Form 720, Part II, line 1 or Form 720U, Schedule U8, Section E, line 1 | 1 | 00 |
| 2 LLET on KJRA project from Schedule L—ECON (see instructions) | 2 | 00 |
| 3 LLET excluding LLET on KJRA project (line 1 less line 2) | 3 | 00 |

PART II—Computation of Taxable Net Income Excluding Net Income from KJRA Project and KJRA Tax Credit

Section A—Computation of Corporation Tax

| | | |
|---|---|----|
| 1 Enter income tax from Form 720, Part III, line 1 or Form 720U, Schedule U5, Section D, line 8..... | 1 | 00 |
| 2 LLET of corporation (Part I, line 1) | 2 | 00 |
| 3 Nonrefundable LLET credit allowed per KRS 141.0401(3) (line 2 less \$175, but not more than line 1) | 3 | 00 |
| 4 Total corporation tax (lines 1 and 2 less line 3) | 4 | 00 |

Section B—Computation of Tax Excluding KJRA Project

| | | |
|---|---|----|
| 1 Enter taxable net income from Form 720, Part I, line 43 or Form 720U, Schedule U5, Section D, line 7 | 1 | 00 |
| 2 Enter net income from KJRA project; if loss, enter -0- | 2 | 00 |
| 3 Taxable net income excluding net income from KJRA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-..... | 3 | 00 |
| 4 Income tax liability excluding KJRA project (line 3 multiplied by the tax rate of 5%)..... | 4 | 00 |
| 5 LLET excluding LLET on KJRA project (Part I, line 3)..... | 5 | 00 |
| 6 Enter LLET from line 5 less \$175, but not more than line 4 | 6 | 00 |
| 7 Total tax excluding KJRA project (lines 4 and 5 less line 6) | 7 | 00 |
| 8 Total tax attributable to KJRA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1 | 8 | 00 |

PART III—Limitation

| | | |
|--|---|----|
| 1 Enter tax liability attributable to KJRA project from Part II, Section B, line 8..... | 1 | 00 |
| 2 Enter limitation from Schedule KJRA-T, Column G..... | 2 | 00 |
| 3 Allowable KJRA tax credit (lesser of line 1 or line 2)..... Enter allowable credit on Schedule TCS, Part I, Column E and Column F | 3 | 00 |

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The KJRA tax credit is applied against 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; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and/or LLET attributable to the project per KRS 141.402.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KJRA Project

Line 2—Use Schedule L—ECON to compute a separate LLET of the KJRA project using only the Kentucky gross receipts and Kentucky gross profits of the project and attach it to the return when filed. If approved for multiple projects, attach a separate Schedule L—ECON for each project's LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

Part II—Computation of Taxable Net Income Excluding Net Income from KJRA Project and KJRA Tax Credit

Section B

Line 2—Enter net income for KJRA project. If the corporation's only operation in Kentucky is the KJRA project, the amount entered on Line 1 must also be entered on Line 2. In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

Calculate KJRA tax credit based on the corporation's tax liability, tax liability attributable to KJRA project, and credit limitation from Schedule KJRA-T. Enter credit on Schedule TCS, Part I, Column E and Column F.

A corporation with more than one economic development project must separately compute the tax credit derived from each project. Complete the applicable tax computation schedules (KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEBA) for each project. A corporation approved for the Skills Training Investment Credit Act (STICA) or Metropolitan College Consortium Tax Credit (MCC) must attach a copy of the certification(s) from the Bluegrass State Skills Corporation. A corporation approved for the Kentucky Small Business Tax Credit Program (KSBTC) or Kentucky Selling Farmer Tax Credit (KSFTC) must attach a copy of the certification from the Kentucky Economic Development Finance Authority.

Alternative Methods—Per KRS 141.402(7), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**



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Taxable Year Ending

____/____/____
Mo. Yr.

| | | |
|-----------------------------|---|--|
| Name of Pass-through Entity | Federal Identification Number _____ | Kentucky Corporation/LLET Account Number _____ |
| Location of Project | Activation Date of KJRA Incentive Agreement ____/____/____ Mo. Day Yr. | Economic Development Project Number _____ |
| City _____ County _____ | | |

PART I—Computation of KJRA Tax Credit and Tax Due

| | | | | |
|----|--|------|-----|----|
| 1 | Kentucky taxable income on KJRA project (see instructions) | 1 | | 00 |
| 2 | Net operating loss deduction on KJRA project..... | 2 | () | 00 |
| 3 | Kentucky taxable income on KJRA project after net operating loss deduction (line 1 less line 2) | 3 | | 00 |
| 4 | Income tax liability of KJRA project (line 3 multiplied by the tax rate of 5%) | 4 | | 00 |
| 5 | LLET on KJRA project from Schedule L—ECON (see instructions). Not applicable for general partnerships | 5 | | 00 |
| 6 | Nonrefundable LLET credit allowed per KRS 141.0401(3) (line 5 less \$175, but not more than line 4). Not applicable for general partnerships | 6 | | 00 |
| 7 | Total tax on KJRA project (lines 4 and 5 less line 6) | 7 | | 00 |
| 8 | Limitation (Column G from Schedule KJRA-T)..... | 8 | | 00 |
| 9 | Enter the lesser of line 7 or line 8 as either: | | | |
| | (a) KJRA tax credit..... | 9(a) | | 00 |
| | or | | | |
| | (b) Estimated tax payment and complete election in Part II | 9(b) | | 00 |
| 10 | Tax Due on the Project —If line 7 is larger than line 9(a) or 9(b), enter the difference here as a liability of the pass-through entity and add to the tax due on Form PTE, Part II, line 16 or Form 725, Part II, line 15 | 10 | | 00 |

PART II—Estimated Tax Election

In accordance with KRS 141.402(4)(b), _____
Name of Pass-through Entity
elects for the taxable year ended _____, in lieu of the KJRA tax credit, to have an amount equal
to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤
Signature of Shareholder, Partner, or Member _____ Print Name _____ Date _____

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PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and/or LLET attributable to the project per KRS 141.402.

NOTE: These credits do not pass through to members, partners, or shareholders of pass-through entities.

Pass-through entities should first complete Form PTE to determine net income (loss), deductions, etc., from the entire operations of the pass-through entity. The pass-through entity should then complete Schedule KJRA-SP to determine the KJRA tax credit and the tax due, if any, from the KJRA project. A pass-through entity is subject to tax per KRS 141.020 and KRS 141.0401 on the net income and the Kentucky gross receipts or Kentucky gross profits from the KJRA project and the KJRA credit is applied against the tax of the KJRA project. Consequently, the pass-through entity must use Form PTE(K) to exclude the net income from the KJRA project from the partners', members', or shareholders' distributive share income.

Multiple Projects—A pass-through entity with multiple economic development projects must complete the applicable schedules (KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, or IEBA-SP) to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the KJRA project, the amount entered on Line 1 is the net income (loss) from Form PTE. If the pass-through entity has operations other than the KJRA project, a schedule must be attached reflecting the computation of the net income (loss) from the KJRA project in accordance with the following instructions and enter on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.402(6), if the project is a totally separate facility, net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Alternative Methods—Per KRS 141.402(7), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the economic development project is located, the approved

company must use an alternative method approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Accounting—If the economic development project is a totally separate facility, net income must reflect only the gross income, deductions, expenses, gains, and losses allowed under this chapter directly attributable to the facility and overhead expenses apportioned to the facility; and Kentucky gross receipts or Kentucky gross profits must reflect only Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

Line 2—Enter the net operating loss from the KJRA project, if any, being carried forward from previous years.

Note: Just as the income from a KJRA project does not flow through to partners, members, or shareholders, neither do the losses. The project's net operating loss from prior years must be subtracted from the project income before calculating the KJRA credit.

General Partnership—Lines 5 and 6 of this schedule should not be completed by a general partnership as a general partnership is not subject to LLET.

Line 5—Use Schedule L-ECON to compute a separate LLET of the KJRA project using only the Kentucky gross receipts and Kentucky gross profits of the project and attach it to the return when filed. If approved for multiple projects, attach a separate Schedule L-ECON for each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.402(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.



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Name of Entity

| | | |
|---|--|--|
| Entity Type <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Other _____ | Federal Identification Number _____ | Kentucky Corporation/LLET Account Number _____ |
|---|--|--|

| | | |
|--|--|---|
| Location of Project City _____ County _____ | Activation Date of KJRA Incentive Agreement ___/___/___ Mo. Day Yr. | Economic Development Project Number _____ |
|--|--|---|

| A | B | C | D | E | F | G | H |
|--------------------------|--|----------------------------|------------------------|--|---|----------------------------------|--|
| Taxable Year Ended | Carry Forward Balance (Col. G – Col. H from Prior Year) | Annual Approved Cost | Transferred Credits | State Wage Assessment Credit Claimed | Local Wage Assessment Credit Claimed | KJRA Tax Credit Limitation | KJRA Tax Credit Claimed on Return |
| | | | + | -(| + |) = | - |
| | | + | + | -(| + |) = | - |
| | | + | + | -(| + |) = | - |
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PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the approved costs and tax credits (income tax and the LLET) for the duration of the agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

GENERAL INSTRUCTIONS

A separate Schedule KJRA-T, Tracking Schedule for a KJRA Project, must be maintained for the duration of each KJRA project. Beginning with the first taxable year of the KJRA agreement, complete Columns A through H using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KJRA or Schedule KJRA-SP which is filed with the Kentucky tax return and attach a copy to the Wage Assessment Report and Annual Reconciliation.

All tax credits are entered on Schedule TCS, Tax Credit Summary Schedule. The total tax credits calculated may exceed the amount that can be used. Credits must be claimed in the order prescribed by KRS 141.0205. Total credits claimed cannot reduce the LLET below the \$175 minimum nor the income tax liability below zero.

SPECIFIC INSTRUCTIONS

Column A—Enter on each line the ending date (month, day, and year) of the taxable year for which the information in Columns B through H is entered.

Column B—This column will be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column G for the prior year exceeds the amount

entered in Column H for the prior year, enter the difference. If the amount entered in Column H for the prior year equals the amount entered in Column G for the prior year, enter zero (-0-). If the amount entered in Column H for the prior year is greater than the amount claimed in Column G, you have exceeded the amount of credits eligible to claim.

Column C—Enter the portion of the eligible costs approved by the authority that an approved company may recover through inducements. The negotiated percentage cannot exceed 50 percent of the approved costs for the initial project; however, the Kentucky Economic Development Finance Authority (KEDFA) may negotiate an increase in the percentage such that both the initial project and the supplemental project are eligible for 75 percent of approved costs upon approval of a supplemental project.

Column D—Enter the balance of unused approved costs from a previously existing KIDA or KJDA project to be transferred to the KJRA project.

Column E—Enter the total amount of state wage assessment credit claimed.

Column F—Enter the total amount of local wage assessment credit claimed, if eligible.

Column G—Enter the KJRA limitation. This is the total of Columns B through D less Columns E and F.

Column H—The tax credit calculated for each tax can be different; however, for tracking purposes, the greater of the credit claimed against LLET or income tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project, if applicable. Otherwise, enter zero (-0-).