

**KENTUCKY CORPORATION INCOME  
TAX AND LLET RETURN****2019****PURPOSE OF INSTRUCTIONS**

These instructions have been designed for corporations, other than S corporations, which are required by law to file a Kentucky Corporation Income Tax and LLET Return. Any corporation electing S corporation treatment in accordance with §§1361(a) and 1362(a) of the Internal Revenue Code must use Form 720S and related schedules. Form 720 is complementary to the Federal form 1120 Series.

**KENTUCKY TAX LAW CHANGES**

**Enacted by the 2019 Regular Session of the General Assembly**—Kentucky clarified and modified several of the tax changes passed in 2018. The Department of Revenue (“Department”) has guidance at <https://revenue.ky.gov/TaxProfessionals/Pages/default.aspx>.

**Internal Revenue Code (IRC) Update**—House Bill (HB) 354 updated the Internal Revenue Code (IRC) reference date to December 31, 2018 for taxable years beginning on or after January 1, 2019.

**Estimated Tax Payment Requirements**—2019 estimated tax rules and penalties changed to generally follow federal for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

**Seven-month Extensions for C Corporations**—C corporations requesting an extension of time to file (on Form 720EXT) on or after June 27, 2019 will now be granted seven (7) months (from the previous six months) to file their tax return.

**Unitary Combined Filing Required**—Corporations doing business in Kentucky that are part of a unitary business must begin filing combined returns for tax years beginning on or after January 1, 2019, unless they elect to file a same-as-federal affiliated group consolidated return. Unitary combined filers should use the new Form 720U and accompanying schedules.

**HOW TO OBTAIN FORMS AND INSTRUCTIONS**

Forms and instructions are available at all Kentucky Taxpayer Service Centers (page 19). They may also be obtained by writing FORMS, Department of Revenue, P. O. Box 518, Frankfort, KY 40602-0518, or by calling 502-564-3658. Forms can be downloaded from [www.revenue.ky.gov](http://www.revenue.ky.gov).

- **Net Operating Losses (NOL)**—HB 458 allows NOLs to be shared among taxpayer members of a combined group, subject to certain limitations.
- **“Common control” defined**—Corporations within a combined group must be more than 50% owned by another corporation within the group.
- **Intercompany eliminations**—Intercompany transactions should be eliminated in the calculation of combined income and gross receipts.
- **Includible entities**—HB 354 and HB 458 clarified the definitions of “water’s edge”, “tax haven”, and other provisions affecting which companies are included in the combined group. **KRS 141.202**
- **Regulatory guidance**—The department proposed a regulation, 103 KAR 16:400, to provide taxpayers additional guidance on unitary combined filing.

**Elective Consolidated Returns**—The election period was shortened to 48 months (from the previous 96 months). To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

**Tax Credit Changes:**

**Inventory Tax Credit**—The inventory tax credit increases to 50% of the ad valorem (tangible personal property) tax timely paid in 2019. Rental heavy equipment is now subject to ad valorem tax and thus is eligible for the credit.

**Kentucky Revised Statutes**—Kentucky Revised Statutes are referred to in these instructions as “KRS” and can be found online at [www.lrc.ky.gov/statutes](http://www.lrc.ky.gov/statutes).

**Kentucky Administrative Regulations**—Kentucky Administrative Regulations are referred to in these instructions as “KAR” and can be found online at [www.lrc.ky.gov/kar/titles.htm](http://www.lrc.ky.gov/kar/titles.htm).

## CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2020 tax interest rate has been set at five percent (5%). The rate charged by the Kentucky Department of Revenue on unpaid taxes is seven percent (7%) and when interest is due on a refund, the rate is three percent (3%).

## KENTUCKY FORM CHANGES

### New:

**Form 720U**—Unitary combined filers should use the new Form 720U and accompanying schedules included in the 720U packet to file their returns.

**Form 722**—Use Form 722 to elect to file a consolidated return including all members of the federal affiliated group. To make the election, the common parent of the affiliated group must attach the Kentucky Form 722 to the return on or before the due date of the return, including extensions, for the first tax year the election is made. A copy of the initial election must be attached to the return for each year in which the election is effective.

### Updated:

**Form 2220-K**—Updated to include estimated tax rules and penalty changes to follow federal rules for corporations and pass-through entities. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes. The declaration penalty has been replaced with an addition to tax penalty that mirrors the federal penalty for late or underpaid estimated tax payments.

**Form 720ES**—Updated to include estimated tax changes to generally follow federal dates for corporations and pass-through entities. Estimated payments are broken into four equal payments of 25% of the estimated tax. These payments are due April 15, June 15, September 15, and December 15 each year. Estimated payments are due for fiscal year filers on the 15th day of the 4th, 6th, 9th, and 12th months each year. Annualization and adjusted seasonal installment methods are now allowed for Kentucky estimated tax payment purposes.

**KIRA-SP, KJDA-SP, KJRA-SP, and KBI-SP**—Updated to request the amount of credit claimed for local wage assessments.

**Forms 725, 725-EZ, and 765**—Updated to include income tax payment summary.

**Schedule INV**—Updated to include Section A to report the Timely Inventory Tax Paid per local bills.

### Electronic Filing FAQs and Helpful Tips

- If your return 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.
- Direct debit is an option for electronically filed forms; however, direct deposit is not.
- If your e-filed return has been **REJECTED, DO NOT** submit a 720V voucher at that time. You will get a **NEW** 720V voucher once you have successfully filed an accepted Kentucky return. (Note: The Submission ID number will change each time your return is sent to the Kentucky Department of Revenue.)
- To determine which forms are supported by your software, please check with the company that develops your software.

### More Options for Taxpayers Paying Online

The Department of Revenue (DOR) is now able to offer taxpayers additional payment options for Corporation Income Tax and Limited Liability Entity Tax (LLET). Taxpayers can make a payment online for an e-filed Corporation Income Tax and/or LLET return that would normally be sent with a Form 720-V voucher. Corporation Income Tax and LLET payments for bills, estimates, and extensions can also be made using the Enterprise Electronic Payment System (EEPS). To use EEPS, go to [www.revenue.ky.gov](http://www.revenue.ky.gov) and click on the E-File & Payments tile. From the selections of tax types available, click "Corporation Income Tax" or "Limited Liability Entity Tax (LLET)" and select the Electronic Payment link. To make payments, the FEIN is required along with the Kentucky Corporation/LLET 6-digit account number.

### 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**—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 720V**—Form 720V is a payment voucher for e-filed returns, **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) on or after June 27, 2019 will now be granted seven (7) months (from the previous six 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 revised 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
  - Tax Payment Summary Section of return blank or incorrect
  - Failure to include payment of tax due with the return
  - Omitting Form 720EXT when paying with an extension

**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.

For 2019 returns, 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 720 to substantiate that no adjustment is required.**

**Determining and Reporting Depreciation and IRC §179 Deduction Differences—federal/Kentucky depreciation or IRC §179 deduction differences must be reported as follows:**

1. The depreciation from federal Form 1120, Line 20 and depreciation claimed on federal Form 1125-A or elsewhere on Form 1120 must be included on Form 720, Part III, Line 4. **If federal Form 4562 is required to be filed for federal income tax purposes, a copy must be attached to Form 720.**
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 between September 10, 2001 and December 31, 2019, 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 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 threshold cost of IRC §179 property on Line 3 is \$400,000. 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.

3. The corporation **must attach the Kentucky Form 4562** to Form 720, and the amount from Kentucky Form 4562, Line 22 must be included on Form 720, Part III, Line 14. 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 federal Form 1120, Line 8, enter this amount on Schedule O-720, Part II, Line 1. 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. Enter the capital gain from Kentucky Schedule D, Line 18 on Schedule O-720, Part I, Line 1. **Federal Schedule D (Form 1120) filed with the federal return and the Kentucky Schedule D must be attached to Form 720.**
2. If the amount reported on federal Form 1120, Line 9 (from Form 4797, Line 17) is a gain, enter this amount on Schedule O-720, Part II, Line 2. If the amount reported on federal Form 1120, Line 9 (from Form 4797, Line 17) is a loss, enter this amount on Schedule O-720, Part I, Line 2. 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. If the amount on Kentucky Form 4797, Line 17 is a gain, enter this amount on Schedule O-720, Part I, Line 3. If the amount on Kentucky Form 4797, Line 17 is a loss, enter this amount on Schedule O-720, Part II, Line 3. **Federal Form 4797 filed with the federal return and the Kentucky Form 4797 must be attached to Form 720.**

## GENERAL INFORMATION

**Internal Revenue Code Reference Date**—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

**Kentucky Tax Registration Application**—Prior to doing business in Kentucky, each corporation should complete a Kentucky Tax Registration Application, Form 10A100, to register for a Kentucky Corporation/LLET Account Number. This account number will be used for 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](http://onestop.ky.gov).
2. Click on the link for **One Stop Business Services**.

***Note:** The One Stop Business Services login page provides information for creating a user account as well as portal security. You will also find overview information for the services the portal currently provides. This information is updated regularly to reflect new services and notify you when additional agencies join the portal.*

3. Welcome to the Kentucky Online Gateway. Select that you are a citizen or business partner. If you do not already have an account, click on **Create Account**. Complete your Kentucky Online Gateway user 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), SecurityToken, 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, 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 and Data Integrity at 502-564-3306, or can be downloaded at [www.revenue.ky.gov](http://www.revenue.ky.gov) (click on Form Search, and search for 10A100). The application may be faxed to 502-227-0772 or e-mailed to [DOR.Registration@ky.gov](mailto: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 Corporation Income Tax and LLET Return (Form 720) 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(7)**

**Corporation Income Tax**—Except for the limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272, a Kentucky Corporation Income Tax and LLET return must be filed by every corporation meeting the provisions listed above. **KRS 141.040 and KRS 141.010(7)**

**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.

**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). **KRS 141.010(7) and KRS 141.200(10)**

**Pass-through Entities**—Corporations doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 720 pursuant to the provisions of KRS 141.010, KRS 141.120, and KRS 141.206. (See Schedule A—Apportionment and Allocation instructions.)

**Other Entities**—Foreign Sales Corporations (FSCs) and interest-deferred or interest-charged Domestic International Sales

Corporations (DISCs) are subject to Kentucky income tax to the same extent as other corporations.

Additionally, 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.

**Corporations Not Required to File**—Corporations which are exempt by law from Kentucky income tax and LLET include financial institutions as defined in KRS 136.500, insurance companies, savings and loan associations, 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 720, enclose schedule for each line item or line item instruction which states "attach schedule," and include Kentucky forms or schedules, if applicable.

#### Kentucky Forms and Schedules

1. Corporation Income Tax Return (Form 720)
2. Apportionment and Allocation (Schedule A)
3. Cost of Goods Sold (Schedule COGS)
4. Application for Filing Extension (Form 720EXT)
5. Tax Credit Summary Schedule (Schedule TCS)
6. Related Party Costs Disclosure Statement (Schedule RPC)
7. Other Additions And Subtractions To/From Federal Ordinary Income (Schedule O-720)
8. Election to file Consolidated Kentucky Corporation Income and Limited Liability Entity Tax Return (Form 722), if applicable.

#### Required Federal Forms and Schedules

All corporations **must** provide a copy of the following federal forms submitted to the Internal Revenue Service:

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. Form 5884—Work Opportunity Credit

9. 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 filing by EFT, the corporation must have a valid six-digit Kentucky Corporation/LLET account number and have registered with the Department of Revenue to file 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](http://www.revenue.ky.gov).

**Accounting Procedures**—Kentucky income tax law requires a corporation to report income on the same calendar or fiscal year and to use the same methods of accounting required for federal income tax purposes. Any federally approved change in accounting periods or methods must be reported to the Department of Revenue. Check the applicable box on page 1, Item G and attach a copy of the federal approval to the return when filed. **KRS 141.140**

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

#### Mail the return to:

Kentucky Department of Revenue  
P. O. Box 856910  
Louisville, KY 40285-6910

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

**Filing/Payment Date**—A Kentucky 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(1)(a)**

**Extensions**—A seven-month extension of time to file a Kentucky Corporation Income Tax and LLET Return may be obtained by filing Form 720EXT or attaching a copy of the federal extension to the return when 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.** 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 income and LLET return for the same taxable year if a copy of the federal Form 7004 is attached to the Kentucky return when it is filed. **A copy of the federal Form 7004 should not be mailed to the Department of Revenue before filing the return.**

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

**Consolidated and Unitary Combined Returns**—An extension of time for filing a consolidated or unitary combined Kentucky 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 before the 15th day of the 4th month, 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 each 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.

**Overpayment of Estimated Tax**—A corporation or pass-through entity that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected tax liability and at least \$500. To apply, file Form 40A100, Application for Refund of Income Taxes and LLET.

**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 identified under KRS 131.183 is the underpayment rate used to calculate the penalty. Generally, the entity is not required to calculate the penalty because the department will determine the penalty owed and bill the entity. However, the entity may choose to use Form 2220-K to determine the penalty. **KRS 141.044 and KRS 141.990**

**Amended Return**—Amended Kentucky forms must be used to make any corrections to Form 720 (see table for required amended form), including net operating loss carrybacks (for years prior to 2005), capital loss carrybacks and Internal Revenue Service audit adjustments. 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.

Tax Year	Amended Form
2004 & prior .....	720X
2005 & 2006 .....	720–Amended
2007 & 2008 .....	720–Amended (2007–2008)
2009 - 2019 .....	720 (check Amended return box or Amended return–RAR box)

**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” within 180 days of the conclusion of the federal audit. Use the required amended form from the table for reporting federal audit adjustments and computing additional tax due or refunds and attach the complete Revenue Agent Report (RAR). Failure to submit the required amended form will result in delays in processing refunds requested. Any refund claim resulting from a federal audit adjustment must be filed within four years of the date the tax was paid or within six months of the conclusion of the federal audit, whichever is later. **KRS 141.210(2)(d) and KRS 141.235(2)(b)**

### Mail return with federal audit adjustments (RAR) to:

Corporate Governmental Program 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 1 for the current year rate.

**Penalties**—Refer below.

**Failure to file the Kentucky 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 income tax and/or LLET by the payment 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 penalty**—The addition to tax is considered a penalty under KRS 141.044. The underpayment rate is the tax interest rate identified under KRS 131.183. **KRS 141.044**

**Failure or refusal to file a Kentucky 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**—25 percent 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)(b)**

**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.

## FORM 720—SPECIFIC INSTRUCTIONS

### LLET and Income Tax Filing Status

**Note:** Form 720 should only be used by separate entity filers and an elective consolidated (affiliated group) return filers. A unitary combined group should file a Kentucky Form 720U and associated schedules.

### Item A—LLET Exemption Code

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 taxes and penalties.**

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.



**Item B—Income Tax Exemption Code**

If the corporation is exempt from Kentucky corporation income tax, enter the following two-digit code 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 taxes and penalties.**

REASON CODE	REASON
22	This return contains only the LLET as the corporation is exempt from income tax as provided by Public Law 86-272.

Check the box to indicate when filing an elective consolidated return and attach Form 722.

**Separate Return**—A corporation must file a separate return if the corporation is not a member of a unitary group or included in an elective consolidated (affiliated) group return.

KRS 141.201(3) provides that every corporation doing business in this state, except those exempt from taxation under KRS 141.040, shall for each taxable year:

- File a combined report, if the corporation is a member of a unitary business group as provided by KRS 141.202;
- Make an election to file a consolidated return with all members of the affiliated group as provided in KRS 141.201; or
- File a separate return if the corporation is not a member of a unitary group or included in an elective consolidated (affiliated) group return.

**Elective Consolidated Return**— KRS 141.201(4)(a) provides that an affiliated group, whether or not filing a federal consolidated return, may elect to file a consolidated return which includes all members of an affiliated group. An affiliated group is treated as a single corporation. All transactions between corporations included in the consolidated return are required to be eliminated in computing net income and determining the apportionment factor.

**Item C—Check the applicable box:**

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

**Item D**—Enter the corporation's Federal Identification Number. See federal Publication 583 if the corporation has not obtained this number.

**Item E**—Enter the 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 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.

**Change of Name**—Check the applicable box if the 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.

**Period Covered**—File the 2019 return for calendar year 2019 and fiscal years that begin in 2019. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 720.

**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.

**All corporations must enter the Taxable Year Ending at the top right of Form 720** and supporting forms and schedules to indicate the ending month and year for which the return is filed.

- A calendar year is a period from January 1 through December 31 each year. This would be entered as:

$$\frac{12}{MM} / \frac{19}{YY}$$

- A fiscal year is 12 consecutive months ending on the last day of any month except December. A fiscal year ending January 31, 2020, would be entered as:

$$\frac{01}{MM} / \frac{20}{YY}$$

- A 52/53-week year is a fiscal year that varies between 52 and 53 weeks. Example: A 52/53-week year ending the first week of the month would be entered as the month and year of the prior month. If it ends the first week of January 2020, the taxable year ending would be entered as:

$$\frac{12}{MM} / \frac{19}{YY}$$

Failure to properly reflect the **Taxable Year Ending** may result in delinquency notices or billings for failure to file.

**State and Date of Incorporation**—Enter the state and date of incorporation.

**Principal Business Activity in Kentucky**—Enter the entity's principal business activity in Kentucky.

**North American Industrial Classification System (NAICS)**—Enter your six-digit NAICS code. To view a complete listing of NAICS codes, visit the Census Bureau at [www.census.gov/eos/www/naics](http://www.census.gov/eos/www/naics).

**Item F**—Enter the name and Kentucky Corporation/LLET Account Number of the common parent, if different than the corporation listed in Section E.

**Item G**—Check the applicable boxes:

- Initial Return*—This is the corporation's first Kentucky tax return filed. Complete questions 1 and 2 on Schedule Q—Kentucky Corporation/LLET Questionnaire.
- Change of Accounting Period*—The 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 letter.
- 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 Part IV—Explanation of Final Return and/or Short-Period Return.
- Final Return*—This is the corporation's final Kentucky tax return. Check the appropriate box in Part IV—Explanation of Final Return and/or Short-Period Return.

**Item H—Provider 3-Factor Apportionment Code**

If the entity is a provider as defined in KRS 141.121(1)(e), enter one of the following two-digit codes in the space provided. The apportionment fraction for a provider continues to be calculated using a three (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 taxes and penalties.**

REASON CODE	PROVIDER BUSINESS
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)

**PART I—LLET COMPUTATION**

**Line 1**—Enter the amount from Schedule L, Section D, Line 1.

**Line 2**—Enter the sum of all tax credit recapture amounts from Schedule RC–R, Line 12, Form 8874(K)-B, Line 3 and/or Schedule DS, page 2, Line 10. **Attach Schedule RC–R, Form 8874(K)-B and/or Schedule DS.**

**Line 3**—Enter the total of Lines 1 and 2.

**Line 4**—Enter the 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 the 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.

**Line 7**—Enter the amount of tax withheld on Form PTE–WH, Line 9. **Form PTE-WH must be attached to the tax return.**

**Line 8**—Enter the total LLET estimated tax payments made for the taxable year. Do not include the amount credited from the prior year.

**Line 9**—Enter the refundable certified rehabilitation tax credit. **Attach the Kentucky Heritage Council certification(s).**

**Line 10**—Enter the refundable film industry tax credit. **Attach the Kentucky Film Office certification(s).**

**NOTE: For applications approved prior to April 27, 2018, this credit is refundable and should be entered here. For applications approved on or after April 27, 2018, this credit is nonrefundable and should be entered on Schedule TCS.**

**Line 11**—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

**Line 12**—Enter the amount credited to the 2019 LLET from Form 720, Part I, Line 21 of the 2018 return.

**Line 13**—Enter the income tax overpayment from Part II, Line 17 credited to the 2019 LLET. **If filing an amended return, enter the amount from the original return.**

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

**Line 15**—Enter the LLET overpayment on the original return. **This line is used only when filing an amended return.**

**Line 16**—If the total of Lines 6 and 15 is greater than the total of Lines 7 through 14, enter the LLET due on this line and on Line 1 of the LLET Payment Summary.

**Line 17**—If the total of Lines 6 and 15 is less than the total of Lines 7 through 14, enter the LLET overpayment on this line.

**Line 18**—Enter the portion of Line 17 to be credited to the 2019 income tax liability on Part II, Line 12. **If filing an amended return, do not enter an amount on this line.**

**Line 19**—Enter the portion of Line 17 to be credited to 2019 LLET interest.

**Line 20**—Enter the portion of Line 17 to be credited to 2019 LLET penalty.

**Line 21**—Enter the portion of Line 17 to be credited to 2020 LLET. **If filing an amended return, do not enter an amount on this line.**

**Line 22**—Enter the portion of Line 17 to be refunded (Line 17 less Lines 18 through 21).

**PART II—INCOME TAX COMPUTATION**

**Line 1**—To compute the income tax liability, apply the tax rate of five percent (5%) of taxable net income.

**Line 2**—Enter the sum of all tax credit recapture amounts from Schedule RC-R, Line 13, Form 8874(K)-B, Line 3 and/or Schedule DS, Page 2, Line 11. **Attach Schedule RC-R, Form 8874(K)-B or Schedule DS.**

**Line 3**—Enter the amount of the Tax Installment 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.

1. Kentucky taxable net income after NOLD from Form 720, Part III, Line 20..... \_\_\_\_\_
2. LIFO recapture amount..... \_\_\_\_\_
3. Add Lines 1 and 2..... \_\_\_\_\_
4. Income tax on the amount on Line 3 above..... \_\_\_\_\_
5. Income tax from Form 720, Part II, Line 1..... \_\_\_\_\_
6. Line 4 less Line 5..... \_\_\_\_\_
7. Tax installment on LIFO Recapture (Line 6 multiplied by 25%) (enter on Line 3)..... \_\_\_\_\_

**Line 4**—Add the totals for Lines 1 through 3.

**Line 5**—Enter the total amount from Line 8 of the Corporation LLET Credit worksheet(s). KRS 141.0401(3)(a) 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 the 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 the corporation's apportionment fraction on Schedule A (see instructions).

**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 Form 720, Part III, Line 20..... \_\_\_\_\_
2. Kentucky net distributive share income from Kentucky Schedule K-1 (see instructions above)..... \_\_\_\_\_
3. Line 1 less Line 2..... \_\_\_\_\_
4. Income tax from Form 720, Part II, Line 1..... \_\_\_\_\_
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 765 or Form 765-GP)..... \_\_\_\_\_
8. Lesser of Line 6 or Line 7, enter here and on Form 720, Part II, Line 5..... \_\_\_\_\_

**Line 6**—Enter the amount from Part I, Line 6 less \$175.

**Line 7**—Enter 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.

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

**Line 10**—Enter the total of income tax paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

**Line 11**—Enter the amount credited to the 2019 income tax from Form 720, Part II, Line 20 of the 2018 return.

**Line 12**—Enter the LLET overpayment from Part I, Line 18 credited to the 2019 income tax. **If filing an amended return, enter the amount from the original return.**

**Line 13**—Enter the corporation income tax paid on the original return. **This line is used only when filing an amended return.**

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

**Line 15**—If the total of Lines 8 and 14 is greater than the total of Lines 9 through 13, enter the difference on this line and on Line 1 of the Income Tax Payment Summary.

**Line 16**—If the total of Lines 8 and 14 is less than the total of Lines 9 through 13, enter the difference on this line.

**Line 17**—Enter the portion of Line 16 to be credited to the 2019 LLET on Part I, Line 13. **If filing an amended return, do not enter an amount on this line.**

**Line 18**—Enter the portion of Line 16 to be credited to 2019 corporation income tax interest.

**Line 19**—Enter the portion of Line 16 to be credited to 2019 corporation income tax penalty.

**Line 20**—Enter the portion of Line 16 to be credited to 2020 corporation income tax. **If filing an amended return, do not enter an amount on this line.**

**Line 21**—Enter the portion of Line 16 to be refunded (Line 16 less Lines 17 through 20).

### PART III—TAXABLE INCOME COMPUTATION

**Line 1**—Enter the amount of federal taxable income in accordance with the following instructions:

- (a) **Separate Entity Kentucky Return/Separate Entity Federal Return**—If this is a separate entity income tax return and the corporation filed a separate entity federal income tax return for the taxable year, enter the amount from Line 28 of Form 1120. **Attach a copy of Form 1120, all pages.**
- (b) **Separate Entity Kentucky Return/Consolidated Federal Return**—If this is a separate entity income tax return and the corporation filed a consolidated federal income tax return for the taxable year, enter the amount from Line 28 of the pro forma Form 1120 prepared on a separate entity basis. **Attach a copy of the pro forma Form 1120, all pages.**
- (c) **Elective Consolidated Return**—Attach a pro forma federal Form 1120 and supporting Schedule CR showing the federal income and deductions of each member of the consolidated group and the consolidated totals. Enter the amounts from Schedule CR, Line 27 on Schedule KCR,

Line 1. Enter the statutory additions and subtractions from federal taxable income of each member of the consolidated group and the consolidated totals. Enter the consolidated totals from Schedule KCR Lines 1 through 17 on Form 720, Part III, Lines 1 through 17.

**Special Returns**—If the corporation is an organization which filed a special return for federal purposes (e.g., 1120H, 1120POL), enter the amount from the line on the special return which is comparable to Line 28 (Form 1120), federal taxable income. **Attach all pages of form comparable to all the pages of Form 1120.**

**REIT Returns**—Enter the amount from Line 22, Form 1120-REIT adjusted to add back any net operating loss deduction reflected on Line 21a, Form 1120-REIT.

**Additions to Federal Taxable Income**—Lines 2 through 9 specify items of additional taxable income or unallowable deductions which are differences between federal taxable income and Kentucky taxable net income.

**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 Form 1120. **KRS 141.039(2)(c)**

**Line 4**—See instructions on page 4 regarding depreciation and IRC §179 deduction differences, and if applicable, include the total of depreciation amounts from Line 20 on Form 1120, Form 1125A, 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 schedule. An entry is REQUIRED on this line if amounts appear on lines 11 or 12 below. **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. **KRS 141.039(2)(c)7**

**Line 8**—Enter the amount from Schedule O-720, Part I, Line 13.

**Line 9**—Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income increase(s). **Use this line only if amending Form 720 as a result of an RAR adjustment (attach a copy of Form 4549 to the amended Form 720).**

**Line 10**—Enter the total of Lines 1 through 9.

**Subtractions from Federal Taxable Income**—Lines 11 through 16 specify items of income which are excluded or additional deductions allowed which are differences between federal taxable income and Kentucky taxable net income.

**Line 11**—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 12**—Enter the amount of dividend income from Form 1120.  
**KRS 141.039(1)(b)**

**Line 13**—Enter the amount of the work opportunity credit reflected on federal Form 5884. For Kentucky purposes, the corporation may deduct the total amount of salaries and wages paid or incurred for the taxable year. This adjustment does not apply for other federal tax credits.

**Line 14**—See instructions on page 4 regarding depreciation and §179 deduction differences, and if applicable, include the amount from Line 22 of the Kentucky Form 4562. **Kentucky Form 4562 must be attached.**

**Line 15**—Enter the amount from Schedule O–720, Part II, Line 14.

**Line 16**—Enter Revenue Agent Report (RAR) (Form 4549) federal taxable income decrease(s). **Use this line only if amending Form 720 as a result of an RAR adjustment (attach a copy of Form 4549 to the amended Form 720).**

**Line 17—Net Income**—Subtract Lines 11 through 16 from Line 10.

**Line 18**—Enter the amount from Line 17 or the amount on Schedule A, Part II, Line 8, if applicable. A corporation that is taxable in this state and taxable in another state must allocate and apportion income to Kentucky on Schedule A (Form 720), Apportionment and Allocation. See Schedule A instructions for information on the apportionment fraction. **KRS 141.010(28) and KRS 141.120**

**Line 19—Net operating loss deduction**—For Kentucky purposes, the same carryforward provisions allowed by IRC §172 are applicable for losses incurred in taxable years beginning after December 31, 1979, except that no loss may be carried to a taxable year beginning before January 1, 1980. The amount to be carried forward is the amount of loss determined by KRS Chapter 141 and, in the case of a multistate corporation, it is the amount determined after apportionment and allocation. Attach a schedule showing the computation of the net operating loss deduction but do not enter more than the corporation's taxable income. For additional details on carryover rules, see federal Publication 536, Net Operating Losses. Attach Schedule NOL. **KRS 141.050**

**Line 20**—Subtract Line 19 from Line 18.

## Tax Payment Summary

The payment submitted with Form 720 must be itemized. Enter the amount of LLET payment from Part I, Line 16 and/or corporation income tax payment from Part II, Line 15 on the applicable tax payment lines in addition to the respective amount of interest and penalties. Subtotal each and enter the total payment on the Total Payment line.

**SCHEDULE Q**—Answer all applicable questions on Schedule Q. The Kentucky Secretary of State Organization number can be found online at [www.sos.ky.gov](http://www.sos.ky.gov). This is not the same number as the Corporation/LLET Account Number reported in Item E on page 1.

## SCHEDULE L—LIMITED LIABILITY ENTITY TAX COMPUTATION

**Purpose of Schedule**—Schedule L, Limited Liability Entity Tax Computation, is used to compute the limited liability entity tax (LLET) per KRS 141.0401(2). If the corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L–C, Limited Liability Entity Tax—Continuation Sheet.

**Short-Period Computation of LLET**—For short-period returns, annualizing gross receipts or gross profits is not permitted. A minimum of \$175 is due per taxable year. *Taxable year* is defined as the period for which the return is made. **KRS 141.010(29)**

**Section A** of this schedule must be completed by the corporation, except a corporation exempt from LLET per KRS 141.0401(6). If the corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L–C, Limited Liability Entity Tax—Continuation Sheet. Kentucky gross receipts, Kentucky gross profits, total gross receipts from all sources, and total gross profits from all sources must be completed per KRS 141.0401(1). See the line-by-line instructions below.

**Section B** of this form must be completed to compute the LLET on Kentucky gross receipts.

**Section C** of this form must be completed to compute the LLET on Kentucky gross profits.

**Section D** of this form must be completed to show the LLET liability before the application of any tax credits.

## SPECIFIC LINE INSTRUCTIONS

**Check Box**—If the entity is required to attach Schedule L–C, check the box.

### Section A—Computation of Gross Receipts and Gross Profits

If the corporation filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L–C and enter the total amounts from Schedule L–C, Section A, Lines 2 and 5 on Schedule L, Section A, Column A, Lines 2 and 5; and the

total amounts from Schedule L–C, Section B, Lines 2 and 5 on Schedule L, Section A, Column B, Lines 2 and 5, and continue to Schedule L, Sections B, C, and D. If the amount on Schedule L, Section A, Column B, Line 2 is \$3,000,000 or less, STOP, and enter \$175 in Section D, Line 1.

**Line 1(a)**—Enter Kentucky gross receipts less returns and allowances in Column A and Total gross receipts less returns and allowances in Column B. Gross receipts includes, but is not limited to sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

**Line 1(b)**—Not applicable to corporations. **Pass-through entities only:** Enter Kentucky gross receipts allocable to a "qualified exempt organization" as defined in KRS 141.0401(7).

**Line 3(a)**—Enter the Kentucky cost of goods sold and total cost of goods sold from Schedule COGS, Columns A and B, Line 8. For an entity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs can be claimed. **KRS 141.0401(1)(d)**

**Line 3(b)**—Not applicable to corporations. **Pass-through entities only:** Enter Kentucky gross receipts allocable to a "qualified exempt organization" as defined in KRS 141.0401(7).

#### Section B—Computation of Gross Receipts LLET

**Line 1**—If gross receipts from all sources (Column B, Line 2) are greater than \$3,000,000, but less than \$6,000,000, enter the following:  $(\text{Column A, Line 2} \times 0.00095) - (\$2,850 \times ((\$6,000,000 - \text{Column A, Line 2}) / \$3,000,000))$ , but in no case shall the result be less than zero.

**Line 2**—If gross receipts from all sources (Column B, Line 2) are \$6,000,000 or greater, enter the following:  $\text{Column A, Line 2} \times 0.00095$ .

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

#### Section C—Computation of Gross Profits LLET

**Line 1**—If gross profits from all sources (Column B, Line 5) are greater than \$3,000,000, but less than \$6,000,000, enter the following:  $(\text{Column A, Line 5} \times 0.0075) - (\$22,500 \times ((\$6,000,000 - \text{Column A, Line 5}) / \$3,000,000))$ , but in no case shall the result be less than zero.

**Line 2**—If gross profits from all sources (Column B, Line 5) are \$6,000,000 or greater, enter the following:  $\text{Column A, Line 5} \times 0.0075$ .

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

#### Section D—Computation of LLET

**Line 1**—Enter the lesser of Section B, Line 3 or Section C, Line 3. If less than \$175, enter the minimum of \$175 here and on page 1, Part I, Line 1.



**Signature**—Form 720 must be signed by an authorized corporate officer. Failure by corporate officers to sign the return, to complete all applicable lines on any required Kentucky form, to attach all applicable schedules, including copies of federal forms, or to complete all information on the questionnaire will delay the processing of tax returns.

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 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 154.32);
- **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)

To qualify for the KREDA, KIDA, KJRA, KIRA, KJDA, KBI, KRA, or IEIA 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 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 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 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).

**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**

**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**

**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, which 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, 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 tax liability and cannot exceed 10 percent of the credit approved in the first year of eligibility.

For taxable years beginning after December 31, 2004, a taxpayer which 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, KRS 141.040, and KRS 141.0401. The credit is an amount equal to 50 percent of the installed cost of the recycling or composting equipment limited to: 50 percent of the excess of the total of each tax liability over the baseline tax liability of the taxpayer or \$2,500,000. To qualify, the taxpayer must: (1) invest more than \$10,000,000 in recycling or composting equipment to be used exclusively in this state;

(2) have more than 750 full-time employees with an average hourly wage of more than 300 percent of the federal minimum wage; and (3) have plant and equipment with a total cost of more than \$500,000,000. 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 credit is limited to a period of 10 years commencing with the approval of the recycling credit application.

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**

**Coal Conversion Tax Credit**—A corporation which converts boilers from other fuels to Kentucky coal or which substitutes Kentucky coal for other fuels in a boiler capable of burning coal and other fuels to produce energy for specific purposes may be entitled to a credit against the taxes imposed by KRS 141.040 and KRS 141.0401 equal to 4.5 percent of expenditures for Kentucky coal (less transportation costs). Unused portions of this credit may not be carried forward or back. Schedule CC must be attached to the tax return claiming this credit. **KRS 141.041**

**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, 136.505, 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 construction, 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 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 720S, 765, or 765-GP 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**

**Food Donation Tax Credit**—For taxable years beginning on or after January 1, 2018, the tax credit was repealed. Any unused credit may be carried forward for up to four (4) succeeding years after the credit was claimed. See Schedule TCS, Part II, line 18 to claim this credit. **KRS 141.392**

**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**

**Film Industry Tax Credit**—For applications approved on or after April 27, 2018, 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**

**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 his 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](http://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 720.

**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](http://www.treasury.ky.gov) or [www.missingmoney.com](http://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](http://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:*

Operations and Support Services Branches  
P. O. Box 518  
Frankfort, KY 40602-0518  
502-564-3658

Website: [www.revenue.ky.gov](http://www.revenue.ky.gov)  
Email: [Financerevenueformsandenvelopes@ky.gov](mailto: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 to:*

*Kentucky Department of Revenue, P. O. Box 856910,  
Louisville, KY 40285-6910. 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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JULY 2018

# 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 Claims Commission, 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 Claims Commission 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 Claims Commission. If you do not agree with the decision of the Kentucky Claims Commission, 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, P. O. Box 930, Frankfort, Kentucky 40602-0930.

**WHERE TO GET ASSISTANCE**

The DOR has offices in Frankfort and taxpayer service centers in nine cities and towns throughout Kentucky. DOR employees in the service centers answer tax questions and provide assistance. 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  
502-564-4581 (*Taxpayer Assistance*)

**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](http://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.

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Printing costs paid from state funds.