



- See instructions.
- Attach to Form 720.

Name of Corporation	Federal Identification Number _____ - _____	Kentucky Corporation/LLET Account Number _____
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PART I—ADDITIONS TO FEDERAL TAXABLE INCOME (FORM 720, PART III, LINE 8)

1 Kentucky capital gain from Kentucky Schedule D, line 18.....	1		00
2 Loss from Form 4797 found on federal Form 1120, line 9	2		00
3 Gain from Kentucky Form 4797, line 17	3		00
4 Federal allowable depletion from Form 1120, line 21	4		00
5 Federal contribution deductions from Form 1120, line 19	5		00
6 Terminal Railroad Corporation adjustments.....	6		00
7 Federal allowable passive activity loss	7		00
8 Federal taxable loss of all exempt corporations	8		00
9 Adjustments for qualified construction allowance(s) for short-term lease(s).....	9		00
10 Enter additions to federal taxable income from Kentucky Schedule(s) K-1	10		00
11 Internal Revenue Code adjustments (see instructions)	11		00
12 Other additions (attach explanation)	12		00
13 Total of lines 1 through 12 (enter on Form 720, Part III, line 8).....	13		00

PART II—SUBTRACTIONS FROM FEDERAL TAXABLE INCOME (FORM 720, PART III, LINE 15)

1 Capital gain from Form 1120, line 8	1		00
2 Gain from Form 4797 found on federal Form 1120, line 9	2		00
3 Loss from Kentucky Form 4797, line 17	3		00
4 50% of the gross royalty income derived from any disposal of coal with a retained economic interest defined by IRC §631(c) and all IRC §272 expenses if the corporation elects not to use percentage depletion.....	4		00
5 Terminal Railroad Corporation adjustments.....	5		00
6 Kentucky allowable passive activity loss	6		00
7 Kentucky allowable depletion	7		00
8 Kentucky contribution deductions.....	8		00
9 Adjustments for qualified construction allowance(s) for short-term lease(s).....	9		00
10 Federal taxable income of all exempt corporations.....	10		00
11 Enter subtractions from federal taxable income from Kentucky Schedule(s) K-1	11		00
12 Internal Revenue Code adjustments (see instructions)	12		00
13 Other subtractions (attach explanation)	13		00
14 Total of lines 1 through 13 (enter on Form 720, Part III, line 15).....	14		00

DRAFT
7/26/18

Purpose of Schedule— Schedule O-720 is used by a corporation filing Kentucky Form 720 to show other additions to and other subtractions from federal taxable income.

PART I—ADDITIONS TO FEDERAL TAXABLE INCOME

Line 1—Enter the Kentucky capital gain from Kentucky Schedule D, Line 18. If the capital gain from federal Schedule D, Line 18 is the same for both federal and Kentucky, do not make an entry on this line.

Line 2—Enter the federal loss from federal **Form 1120, Line 9**. If the loss from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 3—Enter the Kentucky gain from Kentucky Form 4797, Line 17. If the gain from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 4—Enter federal allowable depletion from federal **Form 1120, Line 21**. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations per the Internal Revenue Code (IRC) must be applied using Kentucky taxable income and deductions.**

Line 5—Enter the federal contribution deductions from federal **Form 1120, Line 19**. If the contribution deduction is the same for both federal and Kentucky, do not make an entry on this line. **To determine the contribution deduction for Kentucky purposes, the percentage limitations per the IRC must be applied using Kentucky taxable net income.**

Line 6—Enter the terminal railroad corporation adjustments equal to the excess of Kentucky income over federal income of a “terminal railroad corporation” by ignoring the provisions of IRC §281 for Kentucky purposes. **Attach a schedule. See KRS 141.039(1)(g)**

Line 7—Enter the federal allowable passive activity loss. The limitations of IRC §469 as they apply to personal service corporations and closely held C corporations are applicable for Kentucky income tax purposes. **Attach federal Form 8810 and applicable worksheets.**

Line 8—Enter the federal taxable loss of all exempt corporations per KRS 141.040(1)(a) to (h).

Line 9—Enter the qualified lessee construction allowance adjustments equal to the excess of Kentucky income over federal income from “qualified lessee construction allowances for short-term leases” by ignoring the

provisions of IRC §110 for Kentucky purposes. **Attach a schedule. See KRS 141.039(1)(e)**

Line 10—Enter the difference of the Kentucky distributive share income amounts from Kentucky Schedule(s) K-1 in excess of federal distributive share amounts from federal Schedule(s) K-1.

Line 11—Kentucky’s Internal Revenue Code (IRC) reference date is December 31, 2017, including the provisions contained in Pub. L. No. 115-97, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2017, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

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

Line 12—Enter any other additions to federal income not reported on Lines 1 through 11, and attach an explanation.

Line 13—Enter the total of Lines 1 through 12 (enter on Form 720, Part III, Line 8).

PART II—SUBTRACTIONS FROM FEDERAL TAXABLE INCOME

Line 1—Enter the federal capital gain from federal **Form 1120, Line 8**. If the capital gain is the same for both federal and Kentucky, do not make an entry on this line.

Line 2—Enter the federal gain from federal **Form 1120, Line 9**. If the gain from Form 4797, Line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 3—Enter the Kentucky loss from Kentucky Form 4797, Line 17. If the loss from Form 4797, line 17 is the same for both federal and Kentucky, do not make an entry on this line.

Line 4—Enter fifty percent (50%) of gross income derived from any disposal of coal covered by IRC §631(c) if the corporation does not claim any deduction for percentage depletion or for expenditures attributable to the making and administering of the contract under which such disposition occurs or to the preservation of the economic interests retained under such contract. **See KRS 141.039(1)(d)**

Line 5—Enter the terminal railroad corporation adjustments equal to the excess of federal income over Kentucky income of a “terminal railroad corporation” by ignoring the provisions of IRC §281 for Kentucky purposes. **Attach a schedule. See KRS 141.039(1)(g)**

Line 6—Enter the Kentucky allowable passive activity loss. The limitations of IRC §469 as they apply to personal service corporations and closely held C corporations are applicable for Kentucky income tax purposes. Attach Kentucky Form 8810 and applicable worksheets.

Line 7—Enter the Kentucky allowable depletion. If the depletion is the same for both federal and Kentucky, do not make an entry on this line. **To determine the allowable depletion deduction for Kentucky purposes, the percentage limitations per the IRC must be applied using Kentucky taxable income and deductions.**

Line 8—Enter the Kentucky contribution deduction. If the contribution deduction is the same for both federal and Kentucky, do not make an entry on this line. **To determine the contribution deduction for Kentucky purposes, the percentage limitations per the IRC must be applied using Kentucky taxable net income.**

Line 9—Enter the qualified lessee construction allowance adjustments equal to the excess of federal income over Kentucky income from “qualified lessee construction allowances for short-term leases” by ignoring the provisions of IRC §110 for Kentucky purposes. **Attach a schedule. See KRS 141.039(1)(e)**

Line 10—Enter the federal taxable income of all exempt corporations as per KRS 141.040(1)(a) to (h).

Line 11—Enter the difference of the federal distributive share income amounts from federal Schedule(s) K-1 in excess of Kentucky distributive share amounts from Kentucky Schedule(s) K-1.

Line 12—Kentucky’s IRC reference date is December 31, 2017, including the provisions contained in Pub. L. No. 115-97, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2017, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101.

Enter the subtraction from federal taxable income equal to the excess of federal taxable income over Kentucky taxable income resulting from amendments to the IRC (excluding amendments affecting depreciation and the IRC §179 deduction) subsequent to the applicable IRC date.

Attach a schedule to the tax return showing the detail of the subtraction, including the related IRC section(s).

Line 13—Enter any other subtractions from federal income not reported on Lines 1 through 12, and attach an explanation to the tax return.

Line 14—Enter the total of Lines 1 through 13 (enter on Form 720, Part III, Line 15).