

**DRAFT**  
7/30/18

➤ See instructions.

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
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**NOTE: The corporation or pass-through entity should NOT attach this form to their tax return. The Department of Revenue will calculate any penalty and/or interest owed and bill the corporation or pass-through entity for any remaining penalty and/or interest due.**

**PART I—EXCEPTION**

The exception will apply if the entity’s prior year combined tax liability was equal to or less than \$25,000 **and** the current year estimated tax payments, including prior year credit, equal or exceed the prior year combined tax liability per KRS 141.990. **If the exception does not apply, go to Part II.**

The current year estimated tax payments, including prior year credit, equal or exceed the prior year combined tax liability **and** the prior year combined tax liability was equal to or less than \$25,000. Check this box and complete lines 1 and 2 of this part.

1 Enter the combined tax liability from the 2017 tax return: Form 720, Part I, line 6 and Part II, line 8; Form 720S, Part I, line 6 and Part II, line 4; or Form 725 or 765, Part II, line 6 .....	1	
2 Enter the total estimated tax payments made during the 2018 tax year .....	2	

**PART II—FIGURING THE UNDERPAYMENT AND PENALTY**

1 Enter the LLET liability from the 2018 tax return: Form 720 or 720S, Part I, line 6; or Form 725 or 765, Part II, line 6 .....	1	
2 Enter the income tax liability from the 2018 tax return: Form 720, Part II, line 8; or Form 720S, Part II, line 4 .....	2	
3 Total combined tax liability (line 1 plus line 2).....	3	
4 Enter 70% (0.70) of line 3 .....	4	
5 Statutory exemption .....	5	\$5,000
6 Enter the total estimated tax payments made during the 2018 tax year, including prior year credit .....	6	
7 Underpayment (line 4 less lines 5 and 6) .....	7	
8 Penalty percentage is 10% (.10).....	8	x .10
9 Multiply line 7 by line 8 and enter the greater of this amount or \$25 .....	9	
10 LLET penalty (multiply the amount on line 9 by a percentage, the numerator of which is the amount on Part II, line 1 and the denominator of which is the amount on line 3), and enter the amount on this line and on the LLET Payment Summary of the applicable return .....	10	
11 Income tax penalty (multiply the amount on line 9 by a percentage, the numerator of which is the amount on Part II, line 2 and the denominator of which is the amount on line 3), and enter the amount on this line and on the Income Tax Payment Summary of the applicable return .....	11	

**Purpose of Form**—This form is used by a corporation or limited liability pass-through entity required by KRS 141.042 and KRS 141.044 to file a declaration of estimated tax to: (i) compute the underpayment penalty per KRS 131.180(3) and KRS 141.990 and (ii) compute the interest on any late payment or underpayment of an estimated tax installment per KRS 141.985.

**PART I—EXCEPTION**

KRS 141.990(3) provides that a corporation or limited liability pass-through entity required by KRS 141.042 to file a declaration of estimated tax and required to pay the declaration of estimated tax by the installment method per KRS 141.044(1) will not be subject to the penalty per KRS 131.180 if the current year estimated tax payments made under KRS 141.044(1), including prior year credit, are equal to the combined tax liability due per KRS 141.040 and KRS 141.0401 for the previous taxable year, and the combined tax liability due per KRS 141.040 and KRS 141.0401 for the previous tax year was equal to or less than \$25,000. If the corporation or limited liability pass-through entity meets this exception, check the box and complete Lines 1 and 2 showing the combined tax liability for the previous taxable year and the estimated tax payments for the current taxable year.

**PART II—FIGURING THE UNDERPAYMENT PENALTY**

KRS 141.990(3) provides that unless a corporation or limited liability pass-through entity meets the exception in Part I of this form, a corporation or limited liability pass-through entity required by KRS 141.042 to file a declaration of estimated tax and required to pay the declaration of estimated tax by the installment method per KRS 141.044(1) will be subject to a penalty per KRS 131.180 if the corporation or limited liability pass-through entity has a declaration underpayment. Declaration underpayment is determined by subtracting \$5,000 and the declaration payments actually made during the current tax year, including prior year credit, from 70% of the combined tax liability due per KRS 141.040 and KRS 141.0401 as computed by the taxpayer on the tax return filed for the taxable year. If the corporation or limited liability pass through entity has a declaration underpayment, complete Lines 1 through 11.

<b>PART III—LATE PAYMENT INTEREST (see instructions)</b>							
1	Enter the total combined tax liability .....	1					
2	Statutory exemption .....	2	\$5,000 00				
3	Enter Line 1 less Line 2 .....	3					
<b>PAYMENT DUE DATES (see instructions)</b>		<b>A</b>		<b>B</b>		<b>C</b>	
		15 <sup>th</sup> day of 6 <sup>th</sup> month		15 <sup>th</sup> day of 9 <sup>th</sup> month		15 <sup>th</sup> day of 12 <sup>th</sup> month	
4	Required corporate installments: If 3 installments are due, enter 50% of Line 3 in Column A and 25% of Line 3 in Columns B and C	4					
5	Accrued interest calculated for each installment: Enter calculated amounts in applicable columns...	5					
6	Total accrued installment interest: Total calculated amounts from Line 5, Columns A, B, and C .....	6					

**PART III—LATE PAYMENT INTEREST**

KRS 141.042(1) provides that every corporation and limited liability pass-through entity will make a declaration of estimated tax if the tax imposed by KRS 141 040 (corporation income tax) and KRS 141.0401 (limited liability entity tax) can reasonably be expected to exceed \$5,000. KRS 141.042(3)(b) provides that the estimated tax in excess of \$5,000 will be the estimated tax due per KRS 141.042 and 141.044.

KRS 141.044 provides the due date and the percentage amounts for each estimated tax payment. KRS 141.985 provides that interest will accrue at the tax interest rate per KRS 131.010(6) if a corporation or limited liability pass-through entity fails to pay the tax due on or before the due date prescribed. If the corporation or limited liability pass-through entity underpaid an estimated tax payment or paid an estimated tax payment late, complete lines 1 through 6 to determine the interest due. Pursuant to KRS 131.183, the 2019 tax interest rate has been set at **four percent (4%)**. The rate charged by the Kentucky Department of Revenue on unpaid taxes is **six percent (6%)** and when interest is due on a refund, the rate is **two percent (2%)**.

**Line by Line Instructions:**

**Line 1**—Enter the total combined tax liability. Enter the sum of LLET liability from the 2018 tax return (720 or 720S, Part I, line 6; or Form 725 or 765, Part II, line 6) and the sum of income tax liability from the 2018 tax return (Form 720, Part II, line 8; or Form 720S, Part II, line 4).

**Line 2**—The Statutory exemption is \$5,000.

**Line 3**—Enter line 1 less line 2.

**Payment Dates for Calendar Year Filers**—If the entity’s estimated tax exceeds \$5,000 before June 2, the following payment dates are applicable:

First Installment	June 15	50% of Estimated Tax Due
Second Installment	September 15	25% of Estimated Tax Due
Third Installment	December 15	25% of Estimated Tax Due

**If Income or LLET Changes**—If an entity’s estimated tax exceeds \$5,000 after June 1, or if changes in estimated tax affect the amount of the installments, the following payment dates are applicable:

When Estimated Tax Exceeds \$5,000 or Amendment Required	Estimated Tax Due	
	September 15	December 15
June 2–September 1	75%	25%
September 2–December 1	N/A	100%

**Payment Dates for Fiscal Year Filers**—For entities filing on a fiscal year basis, the following is substituted for the payment dates in the two charts above:

Calendar Year Date	Fiscal Year Date (following fiscal year end)
June 15	15th day of sixth month
September 15	15th day of ninth month
December 15	15th day of 12th month
June 2–September 1	After the first day of the sixth month and before the second day of the ninth month
September 2–December 1	After the first day of the ninth month and before the second day of the 12th month

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

**Line 4**—If three installments are due, enter 50% of the amount on line 3 in Column A and 25% of the amount on line 3 in Columns B and C. Otherwise, refer above for applicable percentages.

**Line 5**—Enter calculated installment interest in each applicable column. Refer to additional instructions below.

**NOTE:** Prior year credits being used as current year installment payments are received prior to the due date of the installments due in the current year. Therefore, reduce the interest base by any prior year credits.

**Proceed with following steps:**

- Step 1:** Take the installment amount remaining due as of the due date of the specified installment.
- Step 2:** Accrue interest on that amount from the due date of the installment through the date the payment is made or until the due date of the return. See page 2 for the current interest rate.
- Step 3:** When a payment is made, reduce interest base by payment made.
- Step 4:** If an amount remains due, calculate the interest on the new base from the date this payment is made until an additional payment is made, the installment is paid in full, or until the due date of the return. If there is an overpayment, apply it to the next installment due.  
**NOTE:** Even if there is an overpayment, interest may need to accrue from the due date of the next installment until the payment that created the overpayment was made.
- Step 5:** Repeat steps 3 and 4 above until the specified installment is paid in full or the due date of the return.

**Line 6**—Enter the total amounts from line 5, Columns A, B, and C.

**LATE INSTALLMENT INTEREST EXAMPLE**

PART III – LATE PAYMENT INTEREST									
1	Enter the total combined tax liability .....	1	\$105,000		00				
2	Statutory exemption .....	2	\$5,000		00				
3	Enter Line 1 less Line 2 .....	3	\$100,000		00				
PAYMENT DUE DATES		A		B		C			
		6/15/2017		9/15/2017		12/15/2017			
4	Required corporate installments: If 3 installments are due, enter 50% of Line 3 in Column A and 25% of Line 3 in Columns B and C	4	\$50,000	00	\$25,000	00	\$25,000	00	
5	Accrued interest calculated for each installment: Enter calculated amounts in applicable columns...	5	\$20	55	\$165	76	\$313	70	
6	Total accrued installment interest: Total calculated amounts from Line 5, Columns A, B, and C .....	6					\$500.01		

There is a prior year credit of \$40,000.00  
 Payments were received as follows: \$15,000.00 on 06/30/2017  
 \$15,000.00 on 10/30/2017  
 \$15,000.00 on 12/31/2017

**Formulas Needed:**

Daily Interest Rate = Annual Interest Rate ÷ No. of Days in the Year (Rounded to eight decimal places)  
 (This will be either 365 or 366, depending on whether it is a leap year or not)

No. of Days for Interest Accrual = Newest Date – Oldest Date + One Day

**Installment A:**

- Step 1:** \$50,000.00 - \$40,000.00 Prior Year Credit = \$10,000.00 Interest Base due as of 06/15/2017.
- Step 2:** Accrue interest on \$10,000.00 until 06/30/2017 payment is received.

<u>Interest Base</u>	X	<u>2017 Daily Interest Rate</u>	X	<u># of Days for Interest Accrual</u>	
\$10,000.00	X	.05 365	X	(06/30/2017 – 06/16/2017 + 1 day)	
\$10,000.00	X	0.00013699	X	15	= \$20.55

- Step 3:** \$10,000.00 - \$15,000.00 = (\$5,000.00) overpayment remains
- Step 4:** Apply \$5,000.00 overpayment to the next Installment as of 06/30/2017.

Total accrued interest for Installment A is \$20.55.

**Installment B:**

**Step 1:** \$25,000.00 - \$5,000 = \$20,000 is due as of 09/15/2017. Overpayment was available prior to the due date of the installment.

**Step 2:** Accrue interest on \$20,000.00 until 10/30/2017 payment is received.

<u>Interest Base</u>	X	<u>2017 Daily Interest Rate</u>	X	<u># of Days for Interest Accrual</u>		
				(10/30/2017 - 09/16/2017 + 1 day)		
\$20,000.00	X	0.00013699	X	45	=	\$123.29

**Step 3:** \$20,000.00 - \$15,000.00 = \$5,000.00

**Step 4:** Accrue interest on \$5,000.00 from 10/31/2017 until 12/31/2017 payment is received.

<u>Interest Base</u>	X	<u>2017 Daily Interest Rate</u>	X	<u># of Days for Interest Accrual</u>		
				(12/31/2017 - 10/31/2017 + 1 day)		
\$5,000.00	X	0.00013699	X	62	=	\$42.47

**Step 5:** Repeat Steps 3 and 4 until specified installment is paid in full or the due date of the return.

**Step 3:** \$5,000.00 - \$15,000.00 payment received 12/31/2017 = (\$10,000.00) overpayment

**Step 4:** Apply \$10,000.00 overpayment to the next Installment as of 12/31/2017.

Total accrued interest for Installment B is \$165.76 (\$123.29 + \$42.47).

**Installment C:**

**Step 1:** \$25,000.00 is due as of 12/15/2017. Overpayment is not available until 12/31/2017.

**Step 2:** Accrue interest on \$25,000.00 from 12/16/2017 until 12/31/2017 payment is received.

<u>Interest Base</u>	X	<u>2017 Daily Interest Rate</u>	X	<u># of Days for Interest Accrual</u>		
				(12/31/2017 - 12/15/2017 + 1 day)		
\$25,000.00	X	0.00013699	X	16	=	\$54.80

**Step 3:** \$25,000.00 - \$10,000.00 overpayment = \$15,000.00 remains due.

**Step 4:** Accrue interest on \$15,000.00 from 01/01/2018 until 04/15/2018, the due date of the return.

<u>Interest Base</u>	X	<u>2018 Daily Interest Rate</u>	X	<u># of Days for Interest Accrual</u>		
				(04/15/2018 - 01/01/2018 + 1 day)		
\$15,000.00	X	<u>.06</u> 365	X			
\$15,000.00	X	0.00016438	X	105	=	\$258.90

Total accrued interest for Installment C is \$313.70 (\$54.80 + \$258.90).

**Total accrued Installment Interest for all the installments is \$500.01 (\$20.55 + \$165.76 + \$313.70).**