



Part III—Description of Property and Computation of Tax Credit Recapture

Section A—Description of Property Sold or Disposed of Before the End of the Recapture Period

Item	Description of Capital Improvements
A	
B	
C	
D	
E	

Section B—Computation of Tax Credit Recapture

1 Taxable year end date the tax credit was claimed.....	1	/	/	
2 Date the capital improvement was sold or disposed of	2	/	/	
3 Total amount of tax credit associated with the dates referenced above	3			00
4 Cost of capital improvement sold or disposed of	4			00
5 Total cost of all capital improvements associated with the credit reported on line 3	5			00
6 Divide line 4 by the amount on line 5 (see instructions)	6	_ _ _ . _ _ _		%
7 Multiply line 3 by line 6 and enter here.....	7			00
8 Enter the amount of credit claimed against LLET for the taxable year referenced on line 1.....	8			00
9 Enter the amount of credit claimed against income tax for the taxable year referenced on line 1	9			00
10 LLET credit recapture: If the amount on line 8 is greater than line 7, enter the difference	10			00
11 Income tax credit recapture: If the amount on line 9 is greater than line 7, enter the difference.....	11			00

The distilled spirits credit is a nonrefundable and nontransferable credit that may be claimed against income taxes imposed by KRS 141.020 or KRS 141.040 and the limited liability entity tax imposed by KRS 141.0401 by taxpayers that pay Kentucky property tax on distilled spirits per KRS 132.160. If the taxpayer is a pass-through entity, such as a partnership, S-corporation or limited liability company classified as a pass-through entity for Kentucky income tax purposes, the taxpayer may apply the credit against the LLET, and pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.

Purpose of Schedule—This schedule is used to report the capital improvements for which the credit is claimed, up to the amount of distilled spirits ad valorem tax paid during the period the capital improvements were made. The credit must be claimed on the return filed for the year during which the credits were used, which is the year the capital improvements are completed.

This schedule is also used to report any recapture of the distilled spirits tax credit. KRS 141.389(4)(b) provides that the distilled spirits credit allowed must be recaptured if the capital improvement associated with the credit is sold or otherwise disposed of prior to the exhaustion of the useful life of the asset for Kentucky depreciation purposes. If the distilled spirits credit recapture is for multiple taxable years, attach a schedule providing the information on this Schedule for each taxable year.

How to File—Schedule DS must be attached to the tax return.

Maintaining Records—The taxpayer must maintain records reflecting the verification of the capital improvements made that are associated with the credit for a period of five years.

SPECIFIC INSTRUCTIONS

General Information—KRS 141.389(3) provides that the distilled spirits credit may be accumulated for multiple taxable years, and must be claimed on the return of the taxpayer filed for the taxable year during which the credits were used for capital improvements per KRS 141.389(2). If the distilled spirits ad valorem tax is for multiple taxable years, attach a schedule providing the information on Part II of this Schedule for each taxable year.

Part I—Capital Improvements

Lines 1 to 5—Enter the capital improvement amounts at the premises of the distiller licensed per KRS Chapter 243 for each of the categories provided on Lines 1 through 5 that were completed and specifically associated with the ad valorem tax on Part II, Line 4.

Line 6—Enter the total of Lines 1 through 5.

Part II—Computation of the Credit

Line 1—Enter the ad valorem taxable year ending. Enter the 2-digit month and 2-digit year. Begin with the earliest taxable year ending date.

Line 2—Enter the date the ad valorem tax was assessed per KRS 132.160.

Line 3—Enter the date the ad valorem tax was paid per KRS 132.180.

Line 4—Enter the amount of the ad valorem tax that was assessed and paid on the dates entered on Lines 2 and 3, respectively.

Line 5—Enter the applicable percentage for the taxable year as follows:

- For taxable years beginning on or after January 1, 2015, and before December 31, 2015, the credit is equal to twenty percent (20%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2016, and before December 31, 2016, the credit is equal to forty percent (40%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2017, and before December 31, 2017, the credit is equal to sixty percent (60%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2018, and before December 31, 2018, the credit is equal to eighty percent (80%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
- For taxable years beginning on or after January 1, 2019, the credit is equal to one hundred percent (100%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.

Line 6—Enter the amount on Line 4 multiplied by the percentage on Line 5. Enter the total of line 6 in the Total column.

Line 7—Enter the lesser of Part I, line 6 or Part II, line 6; this is the allowable distilled spirits tax credit.

Note: Submit a copy of the local ad valorem tax notice and receipt from your local jurisdiction to substantiate the credit claimed in Part II.

Part III—Description of Property and Computation of Tax Credit Recapture**SPECIFIC INSTRUCTIONS**

A taxpayer required to recapture a distilled spirits tax credit must attach this schedule to the applicable tax return for the taxable year. If the taxpayer is a pass-through entity, the taxpayer must apply the recapture of the distilled spirits tax credit to the limited liability entity tax imposed by KRS 141.0401, and must pass the tax credit recapture to its partners, members, or shareholders. A copy of Schedule DS must be attached to each partner's, member's, or shareholder's Kentucky Schedule K-1. A partner, member, or shareholder must enter its pro rata share of the information from the Schedule DS when completing the partner's, member's, or shareholder's applicable tax return.

Section A – Description of Property Sold or Disposed of Before the End of the Recapture Period

For each item of capital improvements sold, transferred, or disposed of before the end of its useful life, enter a description of each item of capital improvement on Lines A, B, C, D, and E. If the taxpayer disposed of more than five items of capital improvements during the tax year, attach additional schedules as needed.

Section B—Computation of the Tax Credit Recapture

Line 1—Enter the year end of the taxable year that the distilled spirits tax credit was claimed.

Line 2—Enter the date the capital improvement was sold or disposed of.

Line 3—Enter the amount of the distilled spirits tax credit claimed on the tax return for the taxable year entered on Line 1.

Line 4—Enter the cost of the capital improvement sold or disposed of on the date entered on Line 2.

Line 5—Enter the total cost of all capital improvements associated with the distilled spirits tax credit on Line 3.

Line 6—Divide the amount on Line 4 by the amount on Line 5 and convert to a percentage carried out to four decimal places.

Line 7—Multiply the amount on Line 3 by the percentage on Line 6.

Line 8—Enter the amount of the distilled spirits tax credit on Line 3 claimed against LLET for the taxable year referenced on Line 1.

Line 9—Enter the amount of the distilled spirits tax credit on Line 3 claimed against income tax for the taxable year referenced on Line 1.

Line 10—If the amount on Line 8 is greater than Line 7, enter the difference on this line. This is the amount of the LLET credit recapture.

Line 11—If the amount on Line 9 is greater than Line 7, enter the difference on this line. This is the amount of the income tax credit recapture.