KRS 154.28-010 to 140

DRAFT
6-29-18

KIDA

- ♦ **Only use this package if you have received approval for the KIDA credit per KRS 154.28-010 to 140 by the Cabinet for Economic Development.**
- ♦ **See instructions.**
- ♦ **Attach to form 720, 720S, 765, 765–GP, or 725.**

Purpose of Package – Use this package to report KIDA tax incentives for which your business entity has been approved per KRS 154.28–010 to 140. You must have received preliminary or final approval in accordance with KRS 154.28 on or before June 26, 2009 to determine the credit allowed. Schedule KIDA-T is used by the company which has entered into a financing agreement or tax incentive agreement for a Kentucky Industrial Development Act (KIDA) project to maintain a record of the debt service payments or approved costs, whichever is applicable, and tax credits.

General Instructions – Only include one incentive project per Package KIDA. If your business entity files a form 720 with the state of Kentucky, you must complete Schedule KIDA (Page 3) and Schedule KIDA-T (Page 7). If your business entity files form 720S, 765, 765–GP, or 725, you must complete Schedule KIDA-SP (Page 5) and Schedule KIDA-T (Page 7).

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

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

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

SCHEDULE **KIDA**

Commonwealth of Kentucky
Department of Revenue

TAX CREDIT COMPUTATION SCHEDULE (FOR A KIDA PROJECT OF A CORPORATION)

2018

Taxable Year Ending

__ __ / __ __
Mo. Yr.

Name of Corporation	Federal Identification Number	Kentucky Corporation/LLET Account Number
	__ __ __ – __ __ __ __ __ __ __ __ __ __	__ __ __ __ __ __
Location of Project City County	Activation Date of KIDA Incentive Agreement __ __ / __ __ / __ __ Mo. Day Yr.	Economic Development Project Number

PART I—Computation of LLET Excluding KIDA Project

1	LLET from Form 720, Part I, line 1	1		00
2	LLET on KIDA project (see instructions)	2		00
3	LLET excluding LLET on KIDA project (line 1 less line 2)	3		00

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

Section A–Computation of Corporation Tax

1	Enter income tax from Form 720, Part II, line 1	1		00
2	LLET of corporation (Part I, line 1)	2		00
3	LLET credit allowed (line 2 less $175, but not more than line 1)	3		00
4	Total corporation tax (lines 1 and 2 less line 3)	4		00

Section B–Computation of Tax Excluding KIDA Project

1	Enter taxable net income from Form 720, Part III, line 22	1		00
2	Enter net income from KIDA project; if loss, enter -0-	2		00
3	Taxable net income excluding net income from KIDA project (line 1 less line 2). If line 2 is greater than line 1, enter -0-	3		00
4	Income tax liability excluding KIDA project (line 3 multiplied by the tax rate of 5%)	4		00
5	LLET excluding LLET on KIDA project (Part I, line 3)	5		00
6	Enter LLET from line 5 less $175, but not more than line 4	6		00
7	Total tax excluding KIDA project (lines 4 and 5 less line 6)	7		00
8	Total tax attributable to KIDA project (Section A, line 4 less Section B, line 7) Continue to Part III and enter this amount on Part III, line 1	8		00

PART III—Limitation

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

➤ *Economic development project* means a project authorized under the Kentucky Rural Economic Development Act (KREDA), Metropolitan College Consortium Tax Credit (MCC), Kentucky Small Business Tax Credit Program (KSBTC), Kentucky Industrial Development Act (KIDA), Kentucky Jobs Retention Agreement (KJRA), Kentucky Industrial Revitalization Act (KIRA), Kentucky Jobs Development Act (KJDA), Kentucky Business Investment Program (KBI), Kentucky Reinvestment Act (KRA), Skills Training Investment Credit Act (STICA), and Incentives for Energy Independence Act (IEIA).

The KIDA tax credit is applied against the corporation income tax imposed by KRS 141.040 and/or the limited liability entity tax (LLET) imposed by KRS 141.0401. The amount of tax credit against each tax can be different; however, for tracking purposes, the maximum amount of credit used against either tax is the amount that is used for the tax year.

PURPOSE OF SCHEDULE—This schedule is used by a corporation to determine the credit allowed against the Kentucky corporation income tax and LLET attributable to the project per KRS 141.400.

GENERAL INSTRUCTIONS

Part I—Computation of LLET Excluding KIDA Project

Line 2—Use Schedule L, Line 1(b) of Form 720 to compute the LLET of the KIDA project using only the Kentucky gross receipts and Kentucky gross profits of the project. If approved for multiple projects, attach a breakdown of each project's LLET computation. In the first and last years of each project, only calculate Kentucky gross receipts and gross profits received during the term of the incentive agreement.

If the corporation has operations other than the KIDA project, it must attach schedules reflecting the computation of Kentucky gross profits and Kentucky gross receipts from the KIDA project per KRS 141.400(6)(b)** or KRS 141.400(7)(b).****

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

Section B

Line 2—Enter net income for KIDA project. If the corporation's only operation in Kentucky is the KIDA project, the amount entered on Line 1 must also be entered on Line 2. If the corporation has operations other than the KIDA project, it must attach schedules reflecting the computation of the net income from the KIDA project per KRS 141.400(6)(a)* or KRS 141.400(7)(a).*** In the first and last years of each project, only calculate Kentucky net income received during the term of the incentive agreement.

See form for computation.

Part III—Limitation

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

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

Alternative Methods—Per KRS 141.400(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income, Kentucky gross receipts, or Kentucky gross profits from the facility where the project is located, the approved company must determine net income, Kentucky gross receipts, or Kentucky gross profits attributable to the project using an alternative method approved by the Department of Revenue. Thus, if any method other than separate accounting is used, **a copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

* Per KRS 141.400(6)(a), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.

** Per KRS 141.400(6)(b), if the project is a totally separate facility, Kentucky gross receipts or Kentucky gross profits attributable to the project shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

*** Per KRS 141.400(7)(a), if the KIDA project is an expansion to a previously existing facility, net income attributable to the entire facility shall be determined under the separate accounting method and the net income attributable to the KIDA project shall be determined by apportioning the separate accounting net income of the entire facility to the KIDA project income using a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**

**** Per KRS 141.400(7)(b), if the KIDA project is an expansion to a previously existing facility, Kentucky gross receipts or Kentucky gross profits attributable to the entire facility shall be determined under the separate accounting method and the Kentucky gross receipts or Kentucky gross profits attributable to the KIDA project shall be determined by apportioning the separate accounting Kentucky gross receipts or Kentucky gross profits of the entire facility to the KIDA project Kentucky gross receipts or Kentucky gross profits. **A copy of the letter from the Department of Revenue approving the percentage must be attached to this schedule.**

SCHEDULE **KIDA-SP**

Commonwealth of Kentucky
Department of Revenue

TAX COMPUTATION SCHEDULE (FOR A KIDA PROJECT OF A PASS-THROUGH ENTITY)

2018

Taxable Year Ending

__ __ / __ __
Mo. Yr.

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

PART I—Computation of KIDA Tax Credit and Tax Due

1	Kentucky taxable income on KIDA project (see instructions)	1		00
2	Net operating loss deduction on KIDA project	2	( )	00
3	Kentucky taxable income on KIDA project after net operating loss deduction (line 1 less line 2)	3		00
4	Income tax liability of KIDA project (line 3 multiplied by the tax rate of 5%)	4		00
5	LLET on KIDA project (see instructions). **Not applicable for Form 765-GP**	5		00
6	LLET credit allowed (line 5 less $175, but not more than line 4). **Not applicable for Form 765-GP**	6		00
7	Total tax on KIDA project (lines 4 and 5 less line 6)	7		00
8	Limitation (Column D from Schedule KIDA-T)	8		00
9	Enter the lesser of line 7 or line 8 as either:			
	(a) KIDA tax credit	9(a)		00
	or			
	(b) Estimated tax payment and complete election in Part II	9(b)		00
10	If line 7 is larger than line 9(a) or 9(b), enter difference here as a **liability** of the pass-through entity. (Any pass-through entity reflecting a tax liability, complete Tax Payment Summary below and remit payment.)	10		00

PART II—Estimated Tax Election

In accordance with KRS 141.400(4)(b), ______________________________
Name of Pass-through Entity

elects for the taxable year ended ____________________ , in lieu of the KIDA tax credit, to have an amount equal to the lesser of line 7 or line 8 above applied as an estimated tax payment.

➤ ______________________________
Signature of Shareholder, Partner, or Member Date

TAX PAYMENT SUMMARY (Make check payable to Kentucky State Treasurer.)

Tax ____________ Interest ____________ Penalty ____________ **TOTAL** ____________

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity to determine the credit allowed against the Kentucky income tax and LLET attributable to the project per KRS 141.400.

Pass-through entities should first complete Form 720S, 765, or 765-GP to determine net income (loss), deductions, etc., from the entire operations of the pass-through entity. The pass-through entity should then complete Schedule KIDA-SP to determine the KIDA tax credit and the tax due, if any, from the KIDA project. A pass-through entity is subject to tax per KRS 141.020 and KRS 141.0401 on the net income and the Kentucky gross receipts or Kentucky gross profits from the KIDA project and the KIDA credit is applied against the tax of the KIDA project. Consequently, the pass-through entity must use Form 720S(K), Form 765(K), or Form 765-GP(K) to exclude the net income from the KIDA project from the partners', members', or shareholders' distributive share income, and Schedule L, Line 1(b) of Form 720S, Form 765, or Form 725 to exclude Kentucky gross receipts or Kentucky gross profits of the KIDA project from LLET at the entity level.

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

Line 1—If the pass-through entity's only operation is the KIDA project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765, or 765-GP. If the pass-through entity has operations other than the KIDA project, a schedule must be attached reflecting the computation of the net income (loss) from the KIDA project in accordance with the following instructions, and such amount entered on Line 1. In the first and last years of each project, only calculate Kentucky taxable income received during the term of the incentive agreement.

Separate Facility—Per KRS 141.400(6), if the project is a totally separate facility, net income, Kentucky gross receipts, and Kentucky gross profits attributable to the project must be determined by a separate accounting method.

Expansion of Existing Facility—Per KRS 141.400(7), if the KIDA project is an expansion to a previously existing facility, the net income, Kentucky gross receipts, and Kentucky gross profits must be determined under a separate accounting method reflecting the entire facility, and the net income, Kentucky gross receipts, and Kentucky gross profits must be determined by apportioning the net income, Kentucky gross receipts, and Kentucky gross profits of the entire facility to the economic development project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to the schedule.**

Alternative Methods—Per KRS 141.400(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts, and Kentucky gross profits from the facility where the economic development project is located, the approved company must use an alternative method approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

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

If the economic development project is an expansion to a previously existing facility, net income of the entire facility must reflect only the gross income, deductions, expenses, gains, and losses allowed under this chapter directly attributable to the facility and overhead expenses apportioned to the facility; and Kentucky gross receipts and Kentucky gross profits must reflect only Kentucky gross receipts and Kentucky gross profits directly attributable to the facility. Net income, Kentucky gross receipts, and Kentucky gross profits of the entire facility attributable to the economic development project must be determined by apportioning the net income, Kentucky gross receipts, and Kentucky gross profits by a formula approved by the Department of Revenue.

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

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

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

Line 5—Use Schedule L, Line 1(b) of Form 720S, Form 765, or Form 725 to compute the LLET of the KIDA project using only the Kentucky gross receipts and Kentucky gross profits of the project. If approved for multiple projects, attach a breakdown of each project's LLET computation. In the first and last years of each project, only calculate Kentucky LLET received during the term of the incentive agreement.

Line 9—In lieu of the tax credit, the approved company may elect, on an annual basis, to apply as an estimated tax payment an amount equal to the allowable tax credit. Any estimated tax payment must be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity, and must be paid on behalf of the partners, members, or shareholders. Enter an amount on either (a) or (b), but in no case should there be an entry on both (a) and (b). Per KRS 141.400(5), this estimated tax payment is excluded in determining each partner's, member's, or shareholder's distributive share income or credit from a pass-through entity. Accordingly, the partners, members, or shareholders are not entitled to claim any portion of this estimated tax payment against their Kentucky income tax liability.

SCHEDULE **KIDA-T**

Commonwealth of Kentucky
Department of Revenue

TRACKING SCHEDULE FOR A KIDA PROJECT

2018

Name of Entity

Entity Type
☐ Corporation
☐ Limited Liability Pass-through Entity
☐ General Partnership
☐ Other ______________________

Federal Identification Number ___________

Kentucky Corporation/LLET Account Number ___________

Location of Project

City County

Activation Date of KIDA Incentive Agreement __/__/__ (Mo. Day Yr.)

Economic Development Project Number

A Taxable Year Ended	B Excess Debt Service Payment/Approved Costs (Col. D – Col. E for Prior Year)	C* Debt Service Payment or Approved Costs	D KIDA Tax Credit Limitation	E KIDA Tax Credit Claimed
		=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	
	+	=	–	

* *Debt Service Payment* refers to KIDA projects subject to the provisions of KRS 154.28-010 to 154.28-130 in effect prior to July 15, 2002. *Approved Costs* refers to KIDA projects subject to the provisions of KRS 154.28-010 to 154.28-140 in effect after July 14, 2002.

PURPOSE OF SCHEDULE—This schedule is used to maintain a record of the debt service payments or approved costs, whichever is applicable, and tax credits (income tax and LLET) for the duration of the agreement. This information is necessary for the company to determine the limitation of the tax credit for each year of the agreement and to allow the Kentucky Department of Revenue to verify that the credit has been properly computed.

GENERAL INSTRUCTIONS

The 2002 General Assembly amended KRS 154.28-010 to 154.28-130, effective on July 15, 2002. Projects that received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 2002, and have entered into a financing agreement no later than June 30, 2003, shall be subject to KRS 154.28-010 to 154.28-130 as in effect prior to July 15, 2002.

A single Schedule KIDA-T, Tracking Schedule for a KIDA Project, must be maintained for the duration of each KIDA project. Beginning with the first taxable year of the KIDA financing agreement or tax incentive agreement, complete Columns A through E using a separate line for each year of the agreement. The company must attach a copy of this schedule updated with current year information to the Schedule KIDA or Schedule KIDA-SP which is filed with the Kentucky tax return.

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

Activation Date of KIDA Incentive Agreement—For projects which received preliminary approval from the Kentucky Economic Development Finance Authority (KEDFA) prior to July 15, 1996, enter the date the financing agreement was executed. For projects which received preliminary approval from KEDFA on or after July 15, 1996, enter the date established by the approved company as the activation date for implementation of the inducements authorized by the financing agreement.

SPECIFIC INSTRUCTIONS

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

Column B—This column will be blank for the first taxable year of the agreement. For each year thereafter, if the amount entered in Column D for the prior year exceeds the amount entered in Column E for the prior year, enter the difference. If the amount entered in Column E for the prior year equals the amount entered in Column D for the prior year, enter zero (-0-).

Column C—Enter the total amount of debt service payment or approved costs, whichever is applicable per the agreement, for the taxable year. Debt service payment includes both principal and interest paid per the financing agreement.

Column D—Enter the result of adding the amounts entered in Columns B and C. Also, enter this amount on Schedule KIDA, Part III, Line 2 or Schedule KIDA-SP, Part I, Line 8, whichever is applicable.

Column E—The tax credit calculated for each tax can be different; however, for tracking purposes, the maximum amount used against either tax is recorded as the amount claimed. Enter the greater of Column E or Column F from Schedule TCS for this project.