



➤ **Enclose with Form 740 or 740-NP**

Enter name(s) as shown on tax return.

Your Social Security Number

SECTION A—BUSINESS INCENTIVES AND OTHER TAX CREDITS

A	B Preapproval Required	C Credit Name	D Required Attachment	E		F
				Spouse	Yourself	
1	No	Nonrefundable Limited Liability Entity	Kentucky Limited Liability Entity Tax Credit Worksheet/Schedule K-1	00	00	00
2	Yes	Kentucky Small Business	Schedule K-1	00	00	00
3	Yes	Skills Training Investment	Schedule K-1	00	00	00
4	Yes	Certified Rehabilitation	Certification Copies	00	00	00
5	No	Tax Paid to Another State	Copy(ies) of Other State(s) return or Worksheet A	00	00	00
6	No	Unemployment	Schedule UTC	00	00	00
7	Yes	Recycling/Composting Equipment	Schedule RC	00	00	00
8	Yes	Kentucky Investment Fund	KEDFA notification	00	00	00
9	No	Qualified Research Facility	Schedule QR	00	00	00
10	No	GED Incentive	Form DAEL-31	00	00	00
11	Yes	Voluntary Environmental Remediation	Schedule VERB	00	00	00
12	Yes	Biodiesel	Schedule BIO	00	00	00
13	Yes	Clean Coal Incentive	Schedule CCI	00	00	00
14	Yes	Ethanol	Schedule ETH	00	00	00
15	Yes	Cellulosic Ethanol	Schedule CELL	00	00	00
16	No	Railroad Maintenance & Improvement	Schedule RR-I	00	00	00
17	Yes	Endow Kentucky	Schedule ENDOW	00	00	00
18	Yes	New Markets Development Program	Form 8874(K)-A	00	00	00
19	No	Food Donation (Carryover only)	Schedule FD	00	00	00
20	No	Distilled Spirits	Schedule DS	00	00	00
21	Yes	Angel Investor	Certification Letter	00	00	00
22	Yes	Film Industry	Film Office Certification	00	00	00
23	No	Inventory	Schedule INV	00	00	00
24	Total of Other Tax Credits (add lines 1 through 23). Enter here and on Form 740, page 1, line 15, Columns A and B, or enter combined totals of Columns E and F on Form 740-NP, page 1, line 15			00	00	00

DRAFT #3
8/1/17

SECTION B—PERSONAL TAX CREDITS—Only use if you or your spouse are 65 or over, blind, or in the Kentucky National Guard.

1 (a) Credits for yourself: 1 Enter number of boxes checked on line 1

(b) Credits for spouse:

2 If married filing separately on a combined return (Filing Status 2), each taxpayer must claim his or her own credits from line 1, and enter the totals in Boxes 2A and 2B. All other filers enter the amount from line 1 in Box 2B

Spouse	Yourself
2A	2B
x \$10	x \$10
3A	3B

3 Multiply credits on line 2A by \$10 and enter on line 3A. Multiply credits on line 2B by \$10 and enter on line 3B. **Enter here and on Form 740, page 1, line 17, Columns A and B (Form 740-NP, page 1, line 17)**



SECTION C—FAMILY SIZE TAX CREDIT

Enter dependents qualifying for family size tax credit. See instructions to determine family size and qualifying dependents.

First and Last Name	Dependent's Social Security number									Dependent's relationship to you	Check if qualifying child for family size tax credit
											<input type="checkbox"/>
											<input type="checkbox"/>
											<input type="checkbox"/>
											<input type="checkbox"/>

Use worksheet to compute Modified Gross Income. Modified Gross Income along with your family size will be used to determine your credit percentage on the Family Size Tax Table below.

WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT

- (a) Enter your federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). **If zero or less, enter zero** (a) _____
- (b) If married filing separate returns and living in the same household, enter your spouse's federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). **If zero or less, enter zero** (b) _____
- (c) Enter tax-exempt interest from municipal bonds (non-Kentucky) (c) _____
- (d) Enter amount of lump-sum distributions not included in federal adjusted gross income (federal Form 4972) (d) _____
- (e) Enter total of lines (a), (b), (c) and (d) (e) _____
- (f) Enter your Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). **If zero or less, enter zero** (f) _____
- (g) If married filing separate returns and living in the same household, enter your spouse's Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). **If zero or less, enter zero** (g) _____
- (h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K)..... (h) _____
- (i) Enter total of lines (f), (g) and (h) (i) _____
- (j) Enter the **greater** of line (e) or (i). This is your **Modified Gross Income**. Use this amount to determine if you qualify for the Family Size Tax Credit..... (j) _____

Use this **Family Size Table** to determine the percentage of credit and enter in the space provided on Form 740 or 740-NP, line 21.

Family Size	One		Two		Three		Four or More		Credit Percentage is
	is over	is not over	is over	is not over	is over	is not over	is over	is not over	
2018	\$ ---	\$ 12,140	\$ ---	\$ 16,460	\$ ---	\$ 20,780	\$ ---	\$ 25,100	100
	12,140	12,626	16,460	17,118	20,780	21,611	25,100	26,104	90
	12,626	13,111	17,118	17,777	21,611	22,442	26,104	27,108	80
	13,111	13,597	17,777	18,435	22,442	23,274	27,108	28,112	70
	13,597	14,082	18,435	19,094	23,274	24,105	28,112	29,116	60
	14,082	14,568	19,094	19,752	24,105	24,936	29,116	30,120	50
	14,568	15,054	19,752	20,410	24,936	25,767	30,120	31,124	40
	15,054	15,418	20,410	20,904	25,767	26,391	31,124	31,877	30
	15,418	15,782	20,904	21,398	26,391	27,014	31,877	32,630	20
	15,782	16,146	21,398	21,892	27,014	27,637	32,630	33,383	10
16,146	---	21,892	---	27,637	---	33,383	---	0	

Multiply tax from Form 740 or 740-NP, line 19, by the applicable percentage and enter on Form 740 or 740-NP, line 21. This is your **Family Size Tax Credit**.

You must file Schedule ITC if you have:

- nonrefundable business incentive credits
- Personal tax credits (65 or over, blind or in Kentucky National Guard)
- qualifying dependent children and are claiming The Family Size tax credit.

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Line 1, Nonrefundable Limited Liability Entity Tax Credit (KRS 141.0401(2))

An individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by KRS 141.020 equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by KRS 141.0401(2), after the LLET is reduced by the minimum tax of \$175 and by other tax credits which the limited liability pass-through entity may be allowed. The credit allowed an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by KRS 141.0401(3)(b). Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

Nonrefundable Kentucky limited liability entity tax credit (KRS 141.0401(2))—The credit amount is shown on Kentucky Schedule(s) K-1 from pass-through entities (PTEs) or Form(s) 725 for single member limited liability companies. **Copies of Kentucky Schedule(s) K-1 or Form(s) 725 must be enclosed with your return.**

Kentucky Limited Liability Entity Tax Credit Worksheet

Complete a separate worksheet for each LLE. Retain for your records.

Name _____

Address _____

FEIN _____

Percentage of Ownership %

1. Enter Kentucky taxable income from Form 740, line 11.....
2. Enter LLE income as shown on Kentucky Schedule K-1 or Form 725
3. Subtract line 2 from line 1 and enter total here
4. Enter Kentucky tax on income amount on line 1.....
5. Enter Kentucky tax on income amount on line 3.....

6. Subtract line 5 from line 4. If line 5 is larger than line 4, enter zero. This is your tax savings if income is ignored
7. Enter nonrefundable limited liability entity tax credit (from Kentucky Schedule K-1 or Form 725)
8. Enter the lesser of line 6 or line 7. This is your credit. Enter here and on Schedule ITC, Section A, line 1

Line 2, Kentucky Small Business Tax Credit—For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after December 31, 2010. The definition of base year for purposes of the credit computation was changed to the first full year of operation that begins on or after January 1, 2009 and before January 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year and the amount of credit for which the small business is approved.

A small business that is a pass-through entity not subject to the tax imposed by KRS 141.040 and that has tax credits approved under Subchapter 60 of KRS Chapter 154 shall apply the credits against the limited liability entity tax imposed by KRS 141.0401, and shall also distribute the amount of the approved tax credits to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of income as determined for the year during which the tax credits are approved.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars (\$3,000,000).

The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars (\$25,000). The credit shall be claimed on the tax return for the year during which the credit was approved. As per KRS 141.0205, individuals entitled to this credit will claim the credit on Schedule ITC, Section A, line 2—Business Incentive and Other Tax Credits.

Unused credits may be carried forward for up to five (5) years.

Line 3, Skills Training Investment Tax Credit—Enter the amount of credit certified by the Bluegrass State Skills Corporation. A copy of the Kentucky Schedule K-1 for the year the credit was approved must be enclosed with the return in the first year the credit is claimed. The excess credit over the income tax liability in the year approved may be carried forward for three successive taxable years. For information regarding the application and approval process for this credit, contact the Cabinet for Economic Development, Bluegrass State Skills Corporation at (502) 564-2021.

Line 4, Nonrefundable Certified Rehabilitation Credit—This credit is available to owner-occupied residential and commercial preservation projects for structures that are listed in the National Register of Historic Places, or in a National Register historic district, up to \$3 million annually. The credit is 30 percent of certified rehabilitation expenses for owner-occupied residential properties, not to exceed \$60,000 per project, and 20 percent for commercial and income-producing properties. To qualify, an owner must spend at least \$20,000 on rehabilitation.

Individuals or businesses can apply the credit against their state income tax liability, carry the credit forward up to seven years or transfer it to a banking institution to leverage financing. For applications submitted on or after **April 30, 2010**, the credit shall be refundable if the taxpayer makes an election under KRS 171.397(2)(b). For more information regarding this credit, visit the Kentucky Heritage Council’s website at www.heritage.ky.gov, or call (502) 564-7005.

Line 5, Credit for Tax Paid to Another State—Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, a credit for income tax paid to another state may be claimed. The credit is **limited** to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of tax paid to the other state, **whichever is less**.

You may not claim credit for tax withheld by another state. You must file a return with the other state and pay tax on income also taxed by Kentucky in order to claim the credit. A copy of the other state’s return including a schedule of income sources must be enclosed to verify this credit. **If you owe tax in more than one state, the credit for each state must be computed separately.**

Reciprocal States—Kentucky has reciprocal agreements with specific states. These agreements provide for taxpayers to be taxed by their state of residence, and not the state where income is earned. Persons who live in Kentucky for more than 183 days during the tax year are considered residents and reciprocity does not apply. The states and types of exemptions are as follows:

- Illinois, West Virginia**—wages and salaries
- Indiana**—wages, salaries and commissions
- Michigan, Wisconsin**—income from personal services (including salaries and wages)
- Ohio**—wages and salaries. **Note:** Wages which an S

corporation pays to a shareholder-employee if the shareholder-employee is a “twenty (20) percent or greater” direct or indirect equity investor in the S corporation shall not be exempt under the reciprocity agreement.

Virginia—commuting daily, salaries and wages

Kentucky does not allow a credit for tax paid to a reciprocal state on the above income. If tax was withheld by a reciprocal state, you must file directly with the other state for a refund of those taxes.

Credit for Taxes Paid to Other State Worksheet

Kentucky residents/part-year residents only. Complete a separate worksheet for each state.

Name of other state.....

1. List Kentucky taxable income from Form 740, line 11
2. List income reported to other state included on Kentucky return
3. Subtract line 2 from line 1 and enter total here
4. Enter Kentucky tax on income amount on line 3 (multiply line 3 by 5%).....
5. Enter Kentucky tax on income amount on line 1 (multiply line 1 by 5%).....
6. Subtract line 4 from line 5. This is the tax savings on return if other state’s income is ignored
7. Enter tax paid to other state on income claimed on Kentucky return .
8. Enter the lesser of line 6 or line 7. This is your credit for tax paid to other state. Carry this total to Schedule ITC, Section A, line 5.....

Line 6, Employer’s Unemployment Tax Credit—If you hired unemployed Kentucky residents to work for you during the last six months of 2017 or during 2018, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of \$100. The period of unemployment must be certified by the Office of Employment and Training, Education Cabinet, 275 East Main Street, 2-WA, Frankfort, KY 40621-0001, and you must maintain a copy of the certification in your files. A copy of Schedule UTC must be enclosed with your return.

Line 7, Recycling and/or Composting Tax Credit—Individuals who purchase recycling or composting equipment to be used exclusively in Kentucky for recycling or composting postconsumer waste materials, are entitled to a credit against the tax equal to 50 percent of the installed cost of the equipment pursuant to KRS 141.390. Application for this credit must be made

on Schedule RC, which may be obtained from the Department of Revenue. A copy of Schedule RC and/or Schedule RC (K-1) reflecting the amount of credit approved by the Department of Revenue must be enclosed with the return.

Line 8, Kentucky Investment Fund Tax Credit—Limits on Kentucky Investment Fund Act (KIFA) Credits—An investor whose cash contribution to an investment fund has been certified by the Kentucky Economic Development Finance Authority (KEDFA) is entitled to a nonrefundable credit against Kentucky income tax equal to 40 percent of the cash contribution. For investments before July 1, 2002, the amount of credit that may be claimed in any given year is limited to 25 percent of the total amount certified by the Kentucky Economic Development Finance Authority (KEDFA). For investments after June 30, 2002, the credit is claimed on the tax return filed for the tax year following the year in which the credit is granted and is limited in any tax year to 50 percent of the initial aggregate credit apportioned to the investor. Enclose a copy of the certification by KEDFA in the first year claimed. Any excess credit may be carried forward. No credit may extend beyond 15 years of the initial certification.

Line 9, Qualified Research Facility Tax Credit—A nonrefundable credit is allowed against individual and corporation income taxes equal to 5 percent of the cost of constructing and equipping new facilities or expanding or remodeling existing facilities in Kentucky for qualified research. “Qualified research” is defined to mean qualified research as defined in Section 41 of the IRC. Any unused credit may be carried forward 10 years. Complete and enclose Schedule QR, Qualified Research Facility Tax Credit.

Line 10, Employer GED Incentive Tax Credit—KRS Chapter 164.0062 provides a nonrefundable income tax credit for employers who assist employees in completing a learning contract in which the employee agrees to obtain his or her high school equivalency diploma. The employer shall complete the lower portion of the GED-Incentive Program Final Report (Form DAEL-31) and enclose a copy to the return to claim this credit. Shareholders and partners should enclose a copy of Schedule K-1 showing the amount of credit distributed. For information regarding the program, contact the Education Cabinet, Kentucky Adult Education, Council on Postsecondary Education.

Line 11, Voluntary Environmental Remediation Credit—This line should be completed only if the taxpayers have an agreed order with the Environmental and Public Protection Cabinet under the provisions of KRS 224.01-518 and have been approved for the credit by the Department of Revenue. Maximum credit allowed to be claimed per taxable year is 25 percent of approved credit. For more information regarding credit for voluntary environmental remediation property, contact the Environmental and Public Protection Cabinet at (502) 564-3350. To claim this credit, Schedule VERB must be enclosed.

Line 12, Biodiesel and Renewable Diesel 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, KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for biodiesel and renewable diesel 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 shall issue a credit certification to the taxpayer by April 15. The credit certification must be enclosed with the tax return claiming this credit.

Line 13, Clean Coal Incentive Tax Credit—A nonrefundable, nontransferable credit against taxes imposed by KRS 136.120, KRS 141.020, KRS 141.040 or KRS 141.0401 shall be allowed for a clean coal facility. As provided by 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 Environmental and Public Protection 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 shall be two dollars (\$2) per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit shall be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent or a subsidiary.

Line 14, Ethanol Tax Credit—An ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per ethanol gallon produced, unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining ethanol credit shall be disallowed and shall not be carried forward to the next year. “Ethanol producer” is defined as an entity that uses corn, soybeans, or wheat to manufacture ethanol at a location in this Commonwealth.

Line 15, Cellulosic Ethanol Tax Credit—A cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers. The credit allowed

shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining cellulosic ethanol credit shall be disallowed and shall not be carried forward to the next year. "Cellulosic ethanol producer" is defined as an entity that uses cellulosic biomass materials to manufacture cellulosic ethanol at a location in this Commonwealth.

Line 16, Railroad Maintenance and Improvement Credit—The railroad maintenance and improvement credit provided by KRS 141.385 is a nonrefundable credit that can be applied against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The tax credit shall be used in the tax year of the qualified expenditures which generated the tax credit and cannot be carried forward to a return for any other period.

An *eligible taxpayer* means the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or III railroad in Kentucky, or any person that furnishes railroad-related property or services to a Class II or Class III railroad located in Kentucky. A copy of Schedule RR-I must be enclosed with your return.

Line 17, Endow Kentucky Credit—Effective for taxable years beginning on or after January 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. KRS 141.438 was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000.

A taxpayer shall enclose a copy of the approved Schedule ENDOW to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401.

A partner, member or shareholder of a pass-through entity shall enclose a copy of Schedule K-1, Form 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP to the partner's, member's or shareholder's tax return each year to claim the tax credit.

Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years.

Line 18, New Markets Development Program Tax Credit— A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the Department of Revenue for approval. The person or entity actually making the loan or making the equity investment will be able to claim a credit, subject to a \$10 million credit cap each fiscal year, by completing Form 8874(K)-A.

Line 19, Food Donation Credit—Enter any unused credit from a prior year.

Line 20, Distilled Spirits Credit—Nonrefundable and

nontransferable distilled spirits ad valorem tax credit may be claimed by income taxpayers who pay Kentucky property tax on distilled spirits. If the taxpayer is a pass-through entity, such as a partnership or limited liability company classified as a partnership 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. For tax year 2017, the distilled spirits 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 on or after January 1, 2017. For more information, see KRS 141.389.

Line 21, Angel Investor Credit—Effective for taxable years beginning on or after January 1, 2015, a nonrefundable personal income tax credit is available under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies.

The maximum amount of credit that may be claimed by a taxpayer in any taxable year shall not exceed fifty percent (50%) of the total amount of credit awarded or transferred to the taxpayer.

Any amount of credit that a taxpayer is unable to utilize during a taxable year may be carried forward for use in a succeeding taxable year for a period not to exceed fifteen (15) years. Any amount of credit not used within fifteen (15) years shall be lost. No amount of credit may be carried back by any taxpayer. For more information, see KRS 141.396.

Line 22, Film Industry Credit—Effective

Line 23, Inventory Credit—Effective

SECTION B—PERSONAL TAX CREDITS

Complete this section if you are 65 or over, blind or in the Kentucky National Guard.

Line 1(a), Yourself—If you are 65 or older check the four boxes labeled 65 or over. If you are blind check the four boxes labeled blind. If you are a member of the Kentucky National Guard on December 31, 2018 also check the last two boxes on line 1(a). Kentucky law specifically restricts this credit to Kentucky National Guard members; military reserve members are not eligible.

Line 1(b), Your spouse—Do not fill in line 1(b) if (1) you are single; or (2) you are married and you and your spouse are filing two separate returns. Complete line 1(b) if your spouse is 65 or older, blind or in the Kentucky National Guard. If your spouse is 65

or over check the four boxes labeled 65 or over. If your spouse is blind check the four boxes labeled blind. If your spouse is a member of the Kentucky National Guard on December 31, 2018 also check the last two boxes on line 1(b).

Lines 3A and 3B, Dividing the Credits—Each taxpayer must claim all of his or her own tax credits for age, blindness and Kentucky National Guard.

Example: A taxpayer who is 65 and a spouse who is 60 are filing separately on a combined return. The taxpayer must claim four credits (four for being 65 or older) and the spouse does not have any.



Remember to carry amounts from Section B, Line 3A and/or 3B, to Form 740 or 740-NP, page 1, line 17.

SECTION C—FAMILY SIZE TAX CREDIT

Complete this section if you are: (1) single and have a family size greater than one; (2) married, filing separately on a combined return or married, filing a joint return and have a family size greater than two; or (3) married filing separate returns and have a family size greater than two.

You must enter each dependents' name, social security number and relationship that qualify to be included in your family size.

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children.

Family Size 1 is an individual either single, or married living apart from his or her spouse for the entire year. You may qualify for the Family Size Tax Credit even if you are claimed as a dependent on your parent's tax return.

Family Size 2 is an individual with one qualifying child or a married couple.

Family Size 3 is an individual with two qualifying children or a married couple with one qualifying child.

Family Size 4 is an individual with three or more qualifying children or a married couple with two or more qualifying children.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

Relationship—Must be the taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.

Residence—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying

child is determined without regard to the exception for children of divorced or separated parents.

Age—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.

Support—Did not provide more than one-half of his/her own support for the year.

STEP TWO—Determine modified gross income.

Use worksheet for computation of Modified Gross Income. Use this amount to determine if you qualify.

Example: A taxpayer is filing single, has one qualifying dependent child and their Modified Gross Income is \$21,350. This taxpayer has a family size of two and would be entitled to a family size tax credit of 20% (.20).