

**KENTUCKY SINGLE MEMBER LLC  
INDIVIDUALLY OWNED INCOME  
AND LLET RETURN****2021****PURPOSE OF INSTRUCTIONS**

These instructions have been designed for a single member limited liability company (single member LLC) whose single member is an individual, estate, trust, or general partnership. A single member LLC is an entity that affords its member, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity. A single member LLC is required by law to file a Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725).

**KENTUCKY TAX LAW CHANGES**

**Enacted by the 2021 Regular Session of the General Assembly—**

**HB 278—Expenses paid with proceeds from forgiven Paycheck Protection Program (PPP) loans or Economic Injury Disaster Loans (EIDL) grants and advances are authorized to be deducted for Kentucky income tax purposes.** HB 278 updated KRS 141.019 to allow the same treatment afforded by Pub. L. No. 116-260, sec. 276 and sec. 278, related to the tax treatment of forgiven covered loans, deductions attributable to those loans, and tax attributes associated with those loans for taxable years ending on or after March 27, 2020, but before January 1, 2022. Loans forgiven under the CARES Act Paycheck Protection Program and EIDL grants and advances that are excluded from gross income for federal income tax purposes are also excluded for Kentucky income tax purposes.

**HB 84—Income tax exemption provided for disaster response employees and disaster response businesses.** HB 84 provided an exemption for qualified disaster response employees and disaster response businesses from income tax for tax years beginning on or after January 1, 2021 but before January 1, 2025. A disaster response business is exempt from income tax under KRS 141.040 (corporations) and KRS 141.020 (sole proprietorships) if the disaster response business has no presence in Kentucky and conducts no business in the state, except for disaster or emergency-related work during a disaster response period and the disaster or emergency-related work was requested by a registered business or a state and local government. Disaster response employees are exempt from individual income tax if they do not work or reside in Kentucky, except for disaster or emergency-related work during the disaster response period. Disaster or emergency-related work means repairing, renovating, installing, building, or rendering services that are essential to the restoration of critical infrastructure that has been

**HOW TO OBTAIN ADDITIONAL FORMS**

Forms and instructions are available at all Kentucky Taxpayer Service Centers (see page 17). They may also be obtained by writing FORMS, Department of Revenue, 501 High Street, Station 23B, Frankfort, KY 40601, or by calling 502-564-3658. Forms can be downloaded from [www.revenue.ky.gov](http://www.revenue.ky.gov).

damaged, impaired, or destroyed by a declared state disaster or emergency. The work must take place up to 10 days prior and up to 30 days after the declared disaster or emergency (“the disaster response period”). **NOTE: This exemption does not apply to the LLET or to taxes imposed under KRS 141.206 on pass-through entities, such as nonresident withholding.**

**HB 249—Nonresident withholding on corporations by pass-through entities is not required for tax years beginning on or after January 1, 2022.** Effective for tax years beginning on or after January 1, 2022, withholding of income tax on the distributive share of a corporate partner or corporate member that is doing business in Kentucky only through its ownership interest in a pass-through entity is no longer required under KRS 141.206 and 141.207. Corporations doing business in Kentucky are subject to Kentucky corporation income tax under KRS 141.040. Composite return language in KRS 141.206 was also removed. Corporations doing business in Kentucky through their ownership of a pass-through entity are still subject to income tax and LLET. **NOTE: Withholding for nonresident individuals is still required.**

**HB 321—New West End Tax Increment Financing (TIF) Project created.** HB 321 created a new TIF development district in Louisville designated as the West End Opportunity Partnership for both local and state tax revenues. The 20 year TIF program begins once the required initial investment has been made. The Commonwealth is required to pledge 80% of the incremental state tax revenues received from the development area to the West End Opportunity Partnership. The project will use this incremental revenue to reinvest into the project development area. State revenues include state real property ad valorem taxes, individual income taxes required to be withheld by an employer, and sales taxes. State tax revenues do not include revenues that have been pledged to support other TIF and economic development projects within the development area.

**Tax Credit Changes:**

**HB 563—Education Opportunity Account (EOA) program and related tax credit created.** As part of the EOA program created by HB 563, individuals and businesses may make contributions to Account-Granting Organizations (AGO) that fund Education Opportunity Accounts (EOA) for lower-income students to pay qualified education-related expenses. The AGO is required to apply to the Department of Revenue for certification and must maintain compliance with requirements outlined in KRS 141.500 through 141.528. Taxpayers who contribute to AGOs during a taxable year may receive a nonrefundable and nontransferable tax credit against income tax and LLET. The tax credit is calculated based upon contributions made during the taxable year to one or more qualified AGOs in accordance with the EOA program. The credit awarded per taxpayer is 95% of the total contributions to the AGO, not to exceed \$1,000,000 per taxpayer. For taxpayers that pledge and later make contributions for multiple tax years at or above the amount of contribution made in the year it was originally pledged, the credit awarded per taxpayer is 97% of the total contributions to the AGO, not to exceed \$1,000,000 per taxpayer. The multi-year pledge cannot exceed a total of four taxable years. The total annual credit cap that may be awarded is \$25 million and the credits are awarded on a first-come, first-served basis. Taxpayers must receive pre-approval for the tax credit from the Department of Revenue before making the contribution. Pass-through entities pass the credit through to their members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through. Unused credit amounts can be carried forward five years. The tax credit program applies to tax years beginning on or after January 1, 2021, but before January 1, 2026. Parents, including legal guardians, custodians, or other persons with legal authority to act on behalf of eligible students interested in applying for the EOA funds for qualified educational expenses, including tuition, must apply directly to an AGO. The DOR will post on its website a list of approved AGOs to which interested parties may apply for EOA funds. The list will be updated as new AGOs are approved.

**HB 249—Major Recycling Tax Credit applicants allowed an extra year to apply.** HB 249 extended the major recycling tax credit application, Schedule RC, due date to the first day of the seventh month after the close of the tax year following the tax year in which the recycling and composting equipment was purchased or placed into service. For example, a calendar-year taxpayer with a major recycling project that puts recycling and composting equipment into service April 1, 2021 has until July 1, 2023 to apply for the credit. The change applies only to major recycling projects and is effective for tax years beginning on or after January 1, 2020, but before January 1, 2024.

**SB 255—Energy-related tax credits expanded to include commercial cryptocurrency mining operations.** The tax credit program created under the Incentives for Energy Independence Act (IEIA) was revised and renamed to the Incentives for Energy-Related Businesses Act (IEBA) effective July 1, 2021. SB 255 established the

incentive application process through the Kentucky Economic Development Finance Authority. Eligibility for the nonrefundable and nontransferable tax credits available under the program was opened to commercial cryptocurrency mining operations that invest capital of at least one million dollars in a cryptocurrency mining facility in the state. An approved company may be eligible for a credit of up to 100% of the Kentucky income tax imposed under KRS 141.040 or 141.020, and the LLET imposed under KRS 141.0401 (not below the \$175 minimum) that would otherwise be owed by the approved company to the Commonwealth for the approved company's tax year, on the income, Kentucky gross profits, or Kentucky gross receipts of the approved company generated by or arising from the eligible project, with the ordering of credits as provided in KRS 141.0205.

**HB 249—Film tax credit made refundable for qualified applications approved on or after January 1, 2022.** To qualify, HB 249 stipulated that the film production must begin within six months after applying for the credit and production must be completed within two years of the production start date. The credit amount ranges between 30% to 35% of qualifying expenditures (full 35% in enhanced counties) against income tax and LLET. A minimum combined total of qualifying expenditures and qualifying payroll expenditures must be met. The overall film tax credit cap was lowered from \$100 million to \$75 million beginning in calendar year 2022. The credit is to be administered by the Kentucky Economic Development Finance Authority together with the Department of Revenue. The Office of Film and Tourism Development was eliminated.

**HB 249 and 321—Historic Rehabilitation Tax Credit cap raised to \$100 million for applications received on or after April 30, 2022.** HB 249 and HB 321 provided that 25% of the tax credit cap must be allocated to owner-occupied residential property, which will be allowed a credit against income tax and LLET of 30% of qualified expenses. 75% of the tax credit cap must be allocated to other property types, including major certified rehabilitation projects, which will be allowed a credit of 20% of qualified expenses. The Kentucky Heritage Council was also authorized to award one major certified rehabilitation tax credit for the first \$30 million of qualified expenses for a certified historic structure that meets certain specific parameters. The credit is refundable and transferable against income tax and LLET and is available for up to four years with a maximum of 25% of the total approved credit allowed to be claimed each year. See KRS 171.3963.

**HB 321—West End Development Area tax credit created.** In conjunction with the West End TIF Project, HB 321 created a refundable and nontransferable tax credit to be used against individual income tax. The credit is equal to the amount by which the property tax timely paid on the residential property in the development area exceeds the amount of property tax assessed on that residential property on January 1, 2021. The property must be the owner's principal residence, located within the development area, and owned as of January 1, 2021. The tax credit ends in the taxable year when the residential

property is sold by the owner or the period allowed for incremental revenues pledged to the West End TIF Project ends, whichever is earlier.

**Inventory Tax Credit fully phased in.** The inventory tax credit increases to 100% of the ad valorem (tangible personal property) tax described in KRS 132.020(1)(e) or 132.099 timely paid in 2021.

**Kentucky Revised Statutes**—Kentucky Revised Statutes are referred to in these instructions as “KRS” and can be found online at [legislature.ky.gov/Law/Statutes/Pages/default.aspx](http://legislature.ky.gov/Law/Statutes/Pages/default.aspx).

**Kentucky Administrative Regulations**—Kentucky Administrative Regulations are referred to in these instructions as “KAR” and can be found online at [legislature.ky.gov/Law/kar/Pages/default.aspx](http://legislature.ky.gov/Law/kar/Pages/default.aspx)

## CURRENT YEAR INTEREST RATE

Pursuant to KRS 131.183, the 2022 tax interest rate has been set at **three percent (3%)**. The rate charged by the Kentucky Department of Revenue on unpaid taxes is **five percent (5%)** and when interest is due on a refund, the rate is **one percent (1%)**.

## KENTUCKY FORM CHANGES

### New:

**Form 8948 (K-C)**—Request for Waiver of Electronic Filing Requirement. Tax preparers can use Form 8948 (K-C) if they have a valid reason why they are not able to file a Kentucky corporation or pass-through entity income tax return electronically. This form is only applicable for Forms 720, 720U, 725, and PTE and must be submitted to the Department of Revenue for approval before filing on paper. A copy of the approved form must be attached to the paper-filed return.

**Schedule CHEM**—Renewable Chemical Production Tax Credit Certificate and Schedule. Taxpayers must submit this form to the Department of Revenue to obtain certification of the renewable chemical tax credit, to report the amount of credit utilized each year and track any applicable carryforward balance, and to report the number of pounds in molecular weight of renewable chemicals produced in Kentucky and to report the amount of tax credit utilized. Preliminary approval of this tax credit must be obtained through the Department of Agriculture. The tax credit is available for tax years beginning on or after January 1, 2021. The taxpayer must file Schedule CHEM with the Department of Revenue no later than March 1 following the close of the preceding calendar year.

**Form AGO**—Application for Account—Granting Organization (AGO) Initial Certification or Renewal. Entities that have obtained 501(c)(3) status from the IRS use this form to obtain their initial certification as AGOs from the Department of Revenue. The department will certify an AGO or renew an AGO’s certification if the organization meets the requirements established in KRS

141.500 through 141.528. Initial certifications are issued within sixty (60) days of receiving the application and renewal certifications within thirty (30) days of receiving the application.

**EOA Tax Credit Application**—Preliminary Application for Education Opportunity Account Program Tax Credit. Prior to making a contribution to an AGO, the taxpayer or an AGO acting on behalf of the taxpayer shall apply to the department for preapproval of the tax credit using this form. Each application must be submitted separately. The department will review all preliminary applications received and provide notice of the preliminary approval to the taxpayer and the AGO within 10 business days of receipt of the application. If a taxpayer applies or the AGO applies on behalf of the taxpayer for preapproval when no amount of tax credit remains for allocation, but a portion of the total amount of tax credit available is pending verification, the department shall notify the taxpayer and the AGO that the application is being held in abeyance and will be funded on a first come, first-served basis or will be denied if all preapproved contributions are timely made.

**Schedule EOA**—Notice of Education Opportunity Account Program Tax Credit and Certification. This form is used to certify the taxpayer’s final approval from the Department for the EOA program tax credit for contributions made to a certified AGO and to track utilization of the tax credit. The Department certifies the amount of tax credit available after receiving verification that the contribution has been made. A taxpayer must attach a copy of the approved schedule EOA to the tax return each year to claim the tax credit. A partner, member, or shareholder of a pass-through entity must attach a copy of schedule K-1, Form PTE to the partner’s, member’s, or shareholder’s tax return each year to claim the tax credit. A beneficiary of an estate or trust must attach a copy of schedule K-1, Form 741, to the beneficiary’s tax return each year to claim the tax credit.

**Package IEBA**—Incentives for Energy-Related Business Act Tax Credit. This package contains the computation schedules and tracking schedules used in order to claim and utilize the revised credit for energy-related businesses.

### Updated:

**Form 720U**—The Schedule U5 and the Schedule U8 were modified to allow reporting of intercompany eliminations. Additional calculations for “Combined Totals” were added to the Schedule U9. The Schedule U10 was modified to update the calculation of the 80% post-2017 NOL limitation.

**Schedule A**—A new checkbox was added for a company to report a deviation from a prior year’s method of calculating receipts.

**Form 41A800**—Nexus Questionnaire. Additional questions were added to help determine if a company has nexus in the state, as well as clarifications on the limitations of the protections of P.L. 86-272.

### Forms and Schedules Discontinued:

Schedule CC—Coal Conversion Tax Credit

### Electronic Filing FAQs and Helpful Tips

- **Mandatory E-File if Gross Receipts  $\geq$  \$1,000,000**—For tax years beginning on or after January 1, 2019, corporations and pass-through entities are required to e-file if their federal gross receipts are one million dollars (\$1,000,000) or greater. This applies to Forms 720, 720U, PTE, and 725.
- A person, taxpayer, or tax preparer required to electronically file a return, report, or statement may request a waiver **as authorized by KRS 131.250(2). Form 8948 (K-C): Request for Waiver of Electronic Filing Requirement** must be submitted via e-mail to [KRC.WEBResponseCorporationTax@ky.gov](mailto:KRC.WEBResponseCorporationTax@ky.gov) or [DORWEBRESPONSEPASSTHROUGHENTITY@ky.gov](mailto:DORWEBRESPONSEPASSTHROUGHENTITY@ky.gov) for approval **before** filing on paper. A copy of the approved form must be attached to the paper-filed return.
- If your return is rejected for an invalid Kentucky Corporation/LLET Account Number or Federal Employer Identification Number (FEIN), please complete Form 20A100, "Declaration of Representative" and contact our **Registration Section at 502-564-3306** for instructions on how to obtain an account number.
- Direct debit is an option for electronically filed forms; however, direct deposit is not.
- If you e-filed your return and wish to make a payment by check, please use the Form KBR-V provided by your software vendor.
- To determine which forms are supported by your software, please consult with the company that develops your software.

### More Options for Taxpayers Paying Online

The Department of Revenue (DOR) is now able to offer taxpayers additional payment options for Limited Liability Entity Tax (LLET). Taxpayers can make a payment online for an e-filed Kentucky Single Member LLC Income and LLET Return instead of submitting the payment with a Form KBR-V voucher. LLET payments for bills, estimates, and extensions can also be made via the Enterprise Electronic Payment System (EEPS). To use EEPS, go to [www.revenue.ky.gov](http://www.revenue.ky.gov) and click on the Make a Payment or File a Return tile. From the selections of tax types available, click "Limited Liability Entity Tax (LLET)." Then select the Electronic Payment link. To make payments, the FEIN is required along with the Kentucky Corporation/LLET six (6) digit account number.

### Filing Tips and Checkpoints

The following list of filing tips is provided for your convenience to help ensure that returns are processed accurately and promptly. To avoid processing problems, please note the following:

- **Account Closure**—There are different requirements for the Secretary of State and the Department of Revenue when ceasing operations and closing an account. It is advised that you consult with both agencies when closing a business account.
- **Account Number/FEIN**—Always ensure the correct Kentucky Corporation/LLET account number and FEIN is used on the return being filed.
- **Payments**—Place payments on the front of the return so that they are clearly visible. Do not leave check stubs attached to checks. Check stubs will delay the machines that sort incoming mail, which causes longer processing times.
- **Estimated Payments**—Make estimated payments on a timely basis to avoid penalty.
- **EFT Payments**—When making EFT payments online, use the taxable year ending, NOT the due date of the payment.
- **Form KBR-V**—Form KBR-V is a payment voucher for e-filed returns and for payments submitted separately for paper filed returns. It is NOT an extension form. To extend a filing date, use Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.
- **Extensions**—Extensions are for extending the filing date only; late payment penalties and interest apply to payments made after the original due date.
- **Schedule A**—Do not check the box on Schedule A, Apportionment and Allocation, indicating the use of an alternative allocation and apportionment formula if the single member LLC has not received written approval from the Department of Revenue. If written approval has been received, a copy of the letter from the Department of Revenue must be attached to the return when filed.
- **Incorrect Year Forms**—Returns submitted on the wrong year form, on or before the due date, will be accepted as timely filed, but will require the return to be submitted on the correct year form before the return can be processed.
- **Additional errors that delay processing:**
  - Incorrect form submitted
  - Incorrect tax exemption code
  - Incomplete information
  - Missing forms or schedules
  - Incorrect taxable year end
  - Failure to include payment of tax due with the return
  - Omitting Form 720EXT when paying with an extension

**Tax Treatment of an Individually Owned Single Member Limited Liability Company and the Individual Owner**

For taxable years beginning on or after January 1, 2007, a limited liability company that affords its single member, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity is classified as a limited liability pass-through entity per KRS 141.010(22). For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) must be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits per KRS 141.0401(2), unless specifically excluded. See LLET exemption codes on page 8 of these instructions.

A single member LLC whose single member is an individual, estate, trust, or general partnership must file a Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725).

A resident or nonresident individual single member is entitled to a nonrefundable LLET credit against tax imposed by KRS 141.020 (Kentucky individual income tax). The nonrefundable LLET credit allowed a member is the LLET for the current year after the subtraction of any credits identified in KRS 141.0205 and reduced by \$175. The credit allowed a member may be applied to the income tax assessed on income from the single member LLC. Any remaining credit from the single member LLC will be disallowed. **KRS 141.0401(3)**

**GENERAL INFORMATION**

**Internal Revenue Code Reference Date**— Kentucky's Internal Revenue Code (IRC) reference date is December 31, 2018, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2018, that would otherwise terminate, for purposes of computing corporation and individual income tax, except for depreciation differences per KRS 141.0101. **KRS 141.010(21)(b)**

**Kentucky Tax Registration Application**—Prior to doing business in Kentucky, each entity should complete a Kentucky Tax Registration Application, Form 10A100, to register for a Kentucky Corporation/LLET Account Number. This account number will be used for remitting the corporation income tax per KRS 141.040 and LLET per KRS 141.0401.

Register your business online at <http://onestop.ky.gov> using the One Stop Business Services link.

1. Go to **onestop.ky.gov**.
2. Click on the link for **One Stop Business Services**.

***Note:** The One Stop Business Services login page provides information for creating a user account as well as portal security. You will also find overview information for the services the portal currently provides. This information is updated regularly to reflect new services and notify you when additional agencies join the portal.*

3. Welcome to the Kentucky Online Gateway. If you do not already have an account, click on **Create An Account**. Once a user account has been created, an email will be sent to

you with further instructions to activate the account and login. You must use the activation link in the email prior to logging in to your account.

4. Once logged in, launch the Kentucky Business One Stop App.
  - If your business needs to register with both the Secretary of State and the Department of Revenue or only needs to register with the Department of Revenue, use the **Register My Business** option to register for tax accounts and your Commonwealth Business Identifier (CBI).
  - If the business is already registered with the Secretary of State and you do not already have access to the business on your Dashboard, choose the **Link My Business** option. Enter the Commonwealth Business Identifier (CBI), Security Token, and Business Name exactly as it appears on your Kentucky articles of organization/incorporation, your Kentucky Certificate of Authority, or your CBI letter (including all punctuation) and link your business, click **Send Invite** and follow the instructions sent to your email to register for tax accounts.

The Link My Business option will require you to name at least one **"One-Stop Portal Business Administrator"** (for example, the business owner or representative).

***Note:** The administrator can then delegate access to other individuals—for example, an attorney, accountant, or manager. The administrator also determines the appropriate authority level for delegates to make changes—this could range from filing annual reports with the Secretary of State's office, changing the business address, or filing and paying taxes. Only the One Stop business administrator(s) can grant, approve, withdraw, or revoke access to the business.*

5. Once you have linked your business, your business name and CBI number will appear in the My Businesses box on the dashboard, click on the CBI number, once your business loads, click on the **Tax Administration** tab to register for accounts.

The paper application is available by calling the Department of Revenue, Division of Registration at 502-564-3306, or can be downloaded at [www.revenue.ky.gov](http://www.revenue.ky.gov) (click on Find a Form, and search for 10A100). The application may be faxed to 502-227-0772 or e-mailed to [DOR.Registration@ky.gov](mailto:DOR.Registration@ky.gov).

**Who Must File—Kentucky Single Member LLC**

**LLET**—The limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272 do not apply to the limited liability entity tax imposed by KRS 141.0401. A Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725) must be filed by every single member limited liability company (single member LLC) whose single member is an individual, estate, trust, or general partnership: (a) organized under the laws of this state; (b) having its commercial domicile in this state; (c) owning or leasing property in this state; (d) having one or more

individuals performing services in this state; (e) maintaining an interest in a pass-through entity doing business in this state; (f) deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purposes; or (g) directing activities at Kentucky customers for the purpose of selling them goods or services. **KRS 141.010(13), KRS 141.0401, and KRS 141.206**

**Disregarded Entities**—A single member LLC owned by an individual, estate, trust, or general partnership is treated in the same manner as it is treated for federal income tax purposes. Consequently, an individual, estate, trust, or general partnership filing a Kentucky tax return will include the activity of any single member LLC when filing the applicable Kentucky return. However, a single member LLC is classified as a limited liability pass-through entity per KRS 141.010(22) and is subject to the limited liability entity tax per KRS 141.0401(2). A single member LLC whose single member is an individual, estate, trust, or general partnership must file a Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725) to report and pay any LLET that is due. All disregarded entities included in the return should be listed on the Schedule DE and attached to the return. **KRS 141.010(13) and KRS 141.200(10)**

**Pass-through Entity**—A single member LLC owned by an individual, estate, trust, or general partnership that is doing business in Kentucky solely as a partner or member in a pass-through entity will file Form 725 per KRS 141.010, KRS 141.0401, and KRS 141.206. (See Schedule A—Apportionment and Allocation Instructions.)

**Nonresident Withholding and Composite return (Form 740NP-WH)**

**An S corporation or partnership that is a partner, member, or shareholder is a pass-through entity not subject to withholding.**

KRS 141.206(4) provides that for taxable years beginning on or after January 1, 2019, every pass-through entity required to file a return under KRS 141.206(1), except publicly traded partnerships defined in KRS 141.0401(6)(a)18. and (b)14., must withhold Kentucky income tax or file a composite return on the distributive share, whether distributed or undistributed, of each nonresident individual (**including an estate, trust, or general partnership**) partner, member, or shareholder, or each C corporation partner or member that is doing business in Kentucky only through its ownership interest in a pass-through entity. Withholding and composite filing is at the highest rate provided in KRS 141.020 or KRS 141.040.

Withholding will not be required if: (a) the partner, member, or shareholder is exempt from withholding per KRS 141.206(6)(a); (b) the partner or member is exempt from Kentucky income tax per KRS 141.020 or KRS 141.040; (c) the pass-through entity is a qualified investment partnership per KRS 141.206(14), and the partner, member, or shareholder is an individual; or (d) the partner or member is a pass-through entity.

**For taxable years beginning on or after January 1, 2019, a pass-through entity required to withhold or file a composite return on Kentucky income tax per KRS 141.206 must make estimated tax payments if required by KRS 141.206(5). If the pass-through entity is required to make estimated tax payments for taxable years beginning on or after January 1, 2019, use Form 740NP-WH-ES (Kentucky Estimated Tax Voucher).**

The reporting of a nonresident individual's, estate's, trust's, or general partnership's net distributive share income and withholding on Form 740NP-WH at the rate of five percent (5%) will satisfy the filing requirements of KRS 141.180 for a nonresident individual, estate, trust, or general partnership partner, member, or shareholder whose only Kentucky source income is net distributive share income. The partners', members', or shareholders' distributive share of income must include all items of income or deduction used to compute adjusted gross income on the Kentucky return that is passed through to the partner, member, or shareholder by the pass-through entity, including but not limited to interest, dividend, capital gains or losses, guaranteed payments, and rents (KRS 141.206(15)). The nonresident individual, estate, trust, or general partnership partner, member, or shareholder may file a Kentucky Individual Income Tax Return Nonresident or Part-Year Resident (Form 740-NP) or a Kentucky Fiduciary Income Tax Return (Form 741) to take advantage of the credits and deductions.

A pass-through entity must file Form 740NP-WH and complete a Form PTE-WH for each nonresident individual, estate, trust, or general partnership partner, member, or shareholder; or corporate partner or member. Form 740NP-WH with a copy of each Form PTE-WH must be filed and paid with the Kentucky Department of Revenue by the 15th day of the fourth month following the close of the taxable period. Provide two copies of Form PTE-WH to each partner, member, or shareholder.

**Required Forms and Information**—A single member LLC must enter all applicable information on Form 725, enclose a schedule for each line item or line item instruction which states "attach schedule," and include the following Kentucky forms or schedules, if applicable:

#### **Kentucky Forms and Schedules**

1. Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725)
2. Apportionment and Allocation (Schedule A)
3. Limited Liability Entity Tax—Continuation Sheet (Schedule L-C)
4. Tax Credit Summary Schedule (Schedule TCS)
5. Disregarded Entity Schedule, if applicable (Schedule DE)

**Required Federal Form and Schedules**

All single member LLC entities **must** provide a copy of the following federal forms submitted to the Internal Revenue Service. Not every form below applies to every individually owned single member LLC. Only attach the forms and schedules that apply to your company's specific tax situation.

1. Form 1040, 1041, or 1065 (all pages)
2. Schedule C—Profit or Loss from Business
3. Schedule D—Capital Gains and (Losses)
4. Schedule E—Supplemental Income and (Loss)
5. Schedule F—Profit or (Loss) from Farming
6. Form 4562—Depreciation and Amortization (if required to be filed)
7. Form 4797—Sales of Business Property
8. Form 4835—Farm Rental Income and Expenses

**Electronic Funds Transfer (EFT)**—The Department of Revenue accepts electronically filed Corporation Income Tax/Limited Liability Entity Tax estimated tax voucher payments and extension payments for corporation income tax and limited liability entity tax. Before filing by EFT, the single member LLC must have a valid six-digit Kentucky Corporation/LLET Account Number and have registered with the Department of Revenue to file EFT. **Using an incorrect account number, such as an account number for withholding or sales and use tax, may result in the payment being credited to another taxpayer's account.** When making EFT payments online, use the taxable year ending, NOT the due date of the payment.

For more information contact the Department of Revenue at 800-839-4137 or 502-564-6020. The EFT registration form is available at [www.revenue.ky.gov](http://www.revenue.ky.gov).

**Accounting Procedures**—Kentucky income tax law requires a taxpayer to report income on the same calendar or fiscal year and to use the same methods of accounting required for federal income tax purposes. Any federally approved change in accounting periods or methods must be reported to the Department of Revenue. Check the applicable box on page 1, Item D and attach a copy of the federal approval to the return when filed. **KRS 141.140**

**Mailing/Payment**—Only include payment for Corporation Income Tax and/or LLET.

**Mail the return with payment to:**

Kentucky Department of Revenue  
Frankfort, Kentucky 40620-0021

Make the check(s) payable to the **Kentucky State Treasurer**.

**Mail returns with no tax due or refund requests to:**

Kentucky Department of Revenue  
Frankfort, Kentucky 40618-0010

**Filing/Payment Date**—A Kentucky Single Member LLC Individually Owned Income and LLET Return must be filed and payment must be made on or before the 15th day of the fourth month following the close of the taxable year. **KRS 141.160, KRS 141.220, and 103 KAR 15:050**

If the filing/payment date falls on a Saturday, Sunday, or a legal holiday, the filing/payment date is deemed to be on the next business day. **KRS 446.030(1)(a)**

**Kentucky Extensions**—A six-month extension of time to file a Kentucky Single Member LLC Individually Owned Income and LLET Return (Form 725) may be obtained by filing Form 720EXT or the Kentucky individual extension (40A102) by the original due date of the return. Include a copy of Form 40A102 with the return when filed. If a payment is made with an extension, Form 720EXT must be used. For further information, see the instructions for Form 720EXT. **103 KAR 15:050**

**Federal Extension**—A single member LLC granted an extension of time for filing a federal income tax return will be granted the same extension of time for filing a Kentucky income and LLET return for the same taxable year if a copy of the federal Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, is attached to the Kentucky return when it is filed. **A copy of the federal extension submitted after the return is filed does not constitute a valid extension and late filing penalties will be assessed.** A copy of the federal Form 4868 should not be mailed to the Department of Revenue before filing the return.

**NOTE: An extension of time to file a return does not extend the date for payment of tax.**

**LLET Estimated Taxes**

**The Corporation Income/Limited Liability Entity Tax Estimated Tax Voucher, Form 720-ES**, is used to submit estimated tax payments for LLET. See **Electronic Funds Transfer (EFT)**. If the single member LLC is required to make estimated LLET payments and needs Form 720-ES vouchers, contact the Department of Revenue at 502-564-3658.

**Estimated Tax Payments**—A single member LLC (Form 725) must make estimated tax installments if its tax liability under KRS 141.0401 can reasonably be expected to exceed \$5,000. Estimated tax installments are required as follows:

If the estimated tax is reasonably expected to exceed \$5,000, 25% of the estimated tax must be paid by the 15th day of the 4th month, 15th day of the 6th month, 15th day of the 9th month, and the 15th day of the 12th month of the tax year.

**Recalculating Estimated Tax**—If after the single member LLC calculates and pays its estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to recalculate its required installments. If earlier installments were underpaid, the single member LLC may owe a penalty. An immediate payment should be made to reduce the amount of penalty resulting from the underpayment of earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

**Penalty**—Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely will result in an addition to tax that will be considered a penalty under KRS 141.044. The tax interest rate plus 2 percent identified under KRS 131.183 is the underpayment rate used to calculate the penalty. The entity should use Form 2220-K to determine the penalty. **KRS 141.044 and KRS 141.990**

**Amended Return**—To correct Form 725 as originally filed, file an amended Form 725 and check the appropriate box on page 1, Item E.

**Internal Revenue Service Audit Adjustments**—An individual, estate, trust, or general partnership that owns a Kentucky single member LLC which has received final adjustments resulting from an Internal Revenue Service audit must submit copies of the “final determinations of the federal audit” within 180 days of the conclusion of the federal audit. If audit adjustments were made that affect the individually owned single member LLC’s LLET calculation, use Form 725 for reporting the federal audit adjustments, check the Amended Return box, and attach the complete Revenue Agent Report (RAR).

**Mail returns with federal audit adjustments (RAR) to:**

Corporate Governmental Programs Section  
P. O. Box 1074, Station 68  
Frankfort, KY 40602-1074

**Interest**—Interest at the tax interest rate plus two percent is applied to the LLET liability not paid by the date prescribed by law for filing the return (determined without regard to extensions thereof). See page 3 for the current year rate.

**Penalties—Refer below.**

**Failure to file a Kentucky Single Member LLC Individually Owned Income and LLET Return by the filing date including extensions**—2 percent of the tax due for each 30 days or fraction thereof that the return is late (maximum 20 percent). The minimum penalty is \$10. **KRS 131.180(1)**

**Failure to pay at least 75 percent of income tax and/or LLET determined due by the payment due date**—2 percent of the tax due for each 30 days or fraction thereof that the payment is overdue (maximum 20 percent). The minimum penalty is \$10. **KRS 131.180(2)**

**Failure to make estimated installments, pay an estimated installment in full, or pay estimated installments timely**—The addition to tax is considered a penalty under KRS 141.044. The underpayment rate is the tax interest rate plus 2 percent identified under KRS 131.183. **KRS 141.044**

**Failure or refusal to file a Kentucky Single Member LLC Individually Owned Income and LLET Return or furnish information requested in writing**—5 percent of the tax assessed for each 30 days or fraction thereof that the return is not filed or the information is not submitted (maximum 50 percent). The minimum penalty is \$100. **KRS 131.180(3)**

**Negligence**—10 percent of the tax assessed. **KRS 131.180(6)**

**Fraud**—50 percent of the tax assessed. **KRS 131.180(7)**

**Cost of Collection Fees**—25 percent on all taxes which become due and owing for any reporting period, regardless of when due. These collection fees are in addition to all other penalties provided by law. **KRS 131.440(1)(b)**

**Records Retention**—The Department of Revenue deems acceptable virtually any records retention system which results in an essentially unalterable method of records storage and retrieval, provided: (a) authorized Department of Revenue personnel are granted access, including any specialized equipment; (b) taxpayer maintains adequate back-up; and (c) taxpayer maintains documentation to verify the retention system is accurate and complete.

**FORM 725 — SPECIFIC INSTRUCTIONS**

**Period Covered**—File the 2021 return for calendar year 2021 and fiscal years that begin in 2021. For a fiscal year, fill in the taxable period beginning and ending at the top of Form 725.

**NOTE:** For 52/53 week filers, fill in the taxable period beginning and ending dates as specified below:

- Begin on the first day of the calendar month beginning nearest to the first day of the 52/53-week tax year.
- End on the last day of the calendar month ending nearest to the last day of the 52/53-week tax year.

**Item A—LLET Exemption Code**

If the single member LLC is exempt from LLET, enter one of the following two-digit codes in the space provided. **Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

REASON CODE	REASON
12	A property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390.
13	An alcohol production facility as defined in KRS 247.910.
21	A qualified investment partnership as defined in KRS 141.206(14)(a).

**Item B**—Enter the federal identification number (FEIN) if the single member LLC has obtained this number. Otherwise, enter the social security number (SSN) of the single member owner.

**Item C**—Enter the six-digit Kentucky Corporation/LLET Account Number on the applicable line at the top of each form and schedule and **on all checks and correspondence**. This number was included in correspondence received from the Department of Revenue at the time of registration.

**Using an incorrect account number, such as an account number for withholding or sales and use tax, or the Kentucky Secretary**



of State organization number, may result in the payment and/or return being credited to another taxpayer's account.

If the Kentucky Corporation/LLET Account Number is not known, complete Form 20A100, "Declaration of Representative", and contact Registration at 502-564-3306 for instructions on how to obtain an account number.

**Name and Address**—Print or type the name of the single member LLC as set forth in the Articles of Organization. For the address, include the suite, room, or other unit number after the street address. If the U.S. Postal Service does not deliver mail to the street address and the single member LLC has a P.O. box, enter the box number instead of the street address.

**Change of Name**—Check the box if the entity's name has changed since the filing of the prior year Kentucky tax return. Attach a statement to the tax return providing the entity's name reported on the prior year Kentucky tax return.

**Telephone Number**—Enter the business telephone number of the member signing this return.

#### Item D—Provider 3-Factor Apportionment Code

If the entity is a provider as defined in KRS 141.121(1)(e), enter one of the following two-digit codes in the space provided. The apportionment fraction for a provider continues to be calculated using a three (3)- factor formula as provided in KRS 141.901 for tax years beginning on or after January 1, 2018.

**Failure to include a valid code will delay the processing of the tax return and may result in a tax notice for assessment of taxes and penalties.**

REASON CODE	PROVIDER BUSINESS
31	Communications service as defined in KRS 136.602;
32	Cable service as defined in KRS 136.602;
33	Internet service as defined in 47 U.S.C. sec. 151; or
34	Other (attach statement)

**Item E**—Check the applicable boxes.

- **Initial Return**—This is the single member LLC's first time filing a single member LLC return in Kentucky. Complete questions 1 and 2 of Schedule Q, Single Member Limited Liability Company Questionnaire.
- **Change of Accounting Period**—The single member LLC has changed its accounting period since it filed its prior year Kentucky tax return. Attach a statement to the tax return showing the single member's taxable year end before the change and its new taxable year end. If the single member received written approval from the Internal Revenue Service to change its taxable year, attach a copy of the letter.
- **Qualified Investment Partnership**—The single member LLC is a qualified investment partnership per KRS 141.206(14)(a).

- **Final Return**—This is the single member LLC's final Kentucky tax return. Check the applicable box in Part IV—Explanation of Final Return and/or Short-Period Return.
- **Short-Period Return**—This return is for a period of less than one year and is not an initial or final return. Check the applicable box in Part IV—Explanation of Final Return and/or Short-Period Return.
- **Amended Return**—This is an amended tax return. Provide an explanation of all changes in Part V-Explanation of Amended Return Changes.

**State of Organization**—Enter the entity's state of organization.

**Date of Organization**—Enter the entity's date of organization.

**Principal Business Activity in KY**—Enter the entity's principal business activity in Kentucky.

**North American Industrial Classification System (NAICS)**—Enter your six-digit NAICS code. To view a complete listing of NAICS codes, visit the Census Bureau at [www.census.gov/eos/www/naics](http://www.census.gov/eos/www/naics).

**Item F**—Check the applicable box to indicate whether the single member of the LLC is a Kentucky resident or non-resident. If the single member is a non-resident, complete Form 740NP-WH and refer to the instructions on page 6.

#### PART I—KENTUCKY NET DISTRIBUTABLE INCOME

**Line 1**—Enter the ordinary income (loss) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) Schedule(s) K-1. Attach Schedule C (Form 1040), Schedule F (Form 1040), Schedule E (Form 1040), Form 1065, Schedule(s) K-1, or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust, or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

**Line 2**—Enter the net income (loss) from rental real estate adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) Schedule(s) K-1. Attach Schedule E (Form 1040), Form 4835, Form 1065, Schedule(s) K-1, or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust, or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

**Line 3**—Enter the net income (loss) from other rental activities adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) Schedule(s) K-1. Attach Schedule C (Form 1040), Schedule E (Form 1040), Form 1065, Schedule(s) K-1, or other applicable forms or schedules to the return. If any

form or schedule contains activity of both the single member LLC and the individual, estate, trust, or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

**Line 4**—Enter the interest income earned by the single member LLC (attach schedule).

**Line 5**—Enter the dividend income earned by the single member LLC (attach schedule).

**Line 6**—Enter the royalty income (loss) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) Schedule(s) K-1. Attach Schedule C (Form 1040), Schedule E (Form 1040), Form 1065, Schedule(s) K-1, or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust, or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

**Line 7**—Enter the short-term and long-term capital gains (losses) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) Schedule(s) K-1. Attach Schedule D (Form 1040), Schedule D (Form 1041), Schedule D (Form 1065), Schedule(s) K-1, or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust, or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

**Line 8**—Enter the IRC §1231 gain (loss) adjusted to reflect the differences in federal and Kentucky tax laws from the following schedules or forms: (1) Form 1040 for an individual; (2) Form 1041 for an estate or trust; (3) Form 1065 for a general partnership; and (4) Schedule(s) K-1. Attach Schedule 4797, Schedule(s) K-1, or other applicable forms or schedules to the return. If any form or schedule contains activity of both the single member LLC and the individual, estate, trust, or general partnership, prepare a pro forma form or schedule which contains only the activity of the single member LLC.

**Line 9**—Enter the total of any other income (attach schedule).

**Line 10**—Enter the total of deductions not included on Lines 1 through 9 (attach schedule). Enter as a positive amount.

**Line 11**—Enter the total of Lines 1 through 9 less Line 10.

**Line 12**—Enter 100 percent if the single member limited liability company is doing business only in Kentucky or the percentage from Schedule A, Part I, Line 3 if the single member limited liability company is doing business within and without Kentucky. If the single member limited liability company is a provider, enter the percentage from Schedule A, Part I, Line 12. Attach Schedule A to Form 725.

For purposes of determining the income to enter on Line 2 of the Kentucky Limited Liability Entity Tax Credit Worksheet

included in the instructions for Form 740-NP, multiply Line 11 by the percentage on Line 12.

**Note:** If Form 8582-K is required, adjust the amount entered on Line 11 to exclude any income, loss, deduction, or expense related to a passive activity. If the amount on Line 7 (Net short-term and long-term capital loss) is subject to a capital loss limitation, adjust the amount entered on Line 11 to exclude the loss not allowed.

## PART II—LLET COMPUTATION

**Line 1**—Enter the amount from Schedule L, Section E, Line 1.

**Line 2**—Enter the sum of all tax credit recapture amounts from Schedule RC-R, Line 12, Form 8874(K)-B, Line 3, and/or Schedule DS, page 2, Line 10. **Attach Schedule RC-R, Form 8874(K)-B, and/or Schedule DS.**

**Line 3**—Enter the total of Lines 1 and 2.

**Line 4**—Enter the nonrefundable LLET credit from Kentucky Schedule(s) K-1. **Copies of Kentucky Schedule(s) K-1 must be attached to the tax return in order to claim the credit.**

**Line 5**—Enter the total nonrefundable tax credits from Schedule TCS, Part III, Column E, Line 1 (**attach Schedule TCS**).

**Line 6**—Enter the greater of Line 3 less Lines 4 and 5, or \$175 minimum.

**Line 7**—Enter the total estimated LLET payments made for the taxable year. Do not include the amount credited from the prior year.

**Line 8**—Enter the refundable certified rehabilitation or refundable major certified rehabilitation tax credit. **Attach the Kentucky Heritage Council certification(s) or Kentucky Schedule(s) K-1 (Form PTE).**

**Line 9**—Enter the refundable film industry tax credit. **Attach the Kentucky Film Office certification(s) or Kentucky Schedule(s) K-1 (Form PTE).**

**NOTE:** For applications approved prior to April 27, 2018, this credit is refundable and should be entered here. For applications approved on or after April 27, 2018, but before January 1, 2022, this credit is nonrefundable and should be entered on Schedule TCS.

**Line 10**—Enter the amount of LLET paid with Form 720EXT, Extension of Time to File Kentucky Corporation/LLET Return.

**Line 11**—Enter the amount credited to 2021 from Form 725, Part II, Line 18 of the 2020 tax return.

**Line 12**—Enter the LLET paid on the original return. **This line is used only when filing an amended return.**

**Line 13**—Enter the LLET overpayment on the original return. **This line is used only when filing an amended return.**

**Line 14**—Enter the Estimated Tax Penalty and attach Form 2220-K.

**Line 15**—If the total of Lines 6, 13, and 14 is greater than the total of Lines 7 through 12, enter the difference on this line and pay the amount due by the prescribed due date.

**Note:** For entities with tax due on project income carried from Schedules KREDA-SP, KIDA-SP, KIRA-SP, KJDA-SP, KRA-SP, KJRA-SP, IEIA-SP, IEBA-SP, KBI-SP, and FON-SP, add the tax due from specified credit schedule(s) to the tax due line.

**Line 16**—If the total of Lines 6, 13, and 14 is less than the total of Lines 7 through 12, enter the difference on this line as a positive number.

**Line 17**—If Line 16 reflects an overpayment, enter the portion of Line 16 to be credited to 2021 LLET interest.

**Line 18**—If Line 16 reflects an overpayment, enter the portion of Line 16 to be credited to 2021 LLET penalty.

**Line 19**—If Line 16 reflects an overpayment, enter the portion of Line 16 to be credited to 2022 LLET.

**Line 20**—If Line 16 reflects an overpayment, enter the portion of Line 16 to be refunded (Line 16 less Lines 17 through 19).

### PART III—LLET CREDIT FOR MEMBER

**Line 1**—Enter the LLET paid from Part II, the total of Lines 4 and 6.

**Line 2**—Minimum tax \$175.

**Line 3**—Enter Line 1 less Line 2.

### PART IV—EXPLANATION OF FINAL RETURN AND/OR SHORT-PERIOD RETURN

If a final return and/or short-period return is being filed, check the box next to the reason why the return was filed. If the box for Other is checked, please provide details in the space provided.

### PART V—EXPLANATION OF AMENDED RETURN CHANGES

If an amended return is being filed, please provide a detailed explanation for any return changes in the space provided. If additional space is needed, attach a supporting statement.

**SCHEDULE Q**—Answer all applicable questions on Schedule Q.

### SCHEDULE L—LIMITED LIABILITY ENTITY TAX COMPUTATION

**Purpose of Schedule**—Schedule L, Limited Liability Entity Tax Computation, is used to compute the limited liability entity tax (LLET) per KRS 141.0401(2). Kentucky gross receipts, Kentucky gross profits, total gross receipts from all sources, and total gross profits from all sources must be completed per KRS 141.0401(1). See the line-by-line instructions below.

**Short-Period Computation of LLET**—For short-period returns, annualizing gross receipts or gross profits is not permitted. A minimum of \$175 is due per taxable year. *Taxable year* is defined as the period for which the return is made. **KRS 141.010(36)**

### SPECIFIC LINE INSTRUCTIONS

**Check box**—If the entity is required to attach Schedule L-C, check the box.

#### Section A—Computation of Kentucky Gross Receipts and Gross Profits

If the single member LLC filing the tax return is a partner or member of a limited liability pass-through entity or general partnership doing business in Kentucky, complete Schedule L-C and enter the total amounts from Schedule L-C, Section A, Lines 2 and 5 on Schedule L, Section A, Lines 2 and 5; and the total amounts from Schedule L-C, Section B, Lines 1 and 3 on Schedule L, Section B, Lines 1 and 3, and continue to Schedule L, Sections C, D, and E. If the amount in Section B, Line 1 or 3 is \$3,000,000 or less, STOP and enter \$175 in Section E, Line 1.

**Line 1(a)**—Enter Kentucky gross receipts less returns and allowances. Gross receipts includes, but is not limited to, sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

**Line 1(b)**—Enter Kentucky gross receipts allocable to a “qualified exempt organization” as defined in KRS 141.0401(7).

**Line 3(a)**—Enter the Kentucky cost of goods sold from Schedule COGS, Column A, line 8. For any activity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs can be claimed. **KRS 141.0401(1)(d)**

**Line 3(b)**—Enter the Kentucky cost of goods sold associated with the gross receipts allocable to a “qualified exempt organization” as defined in KRS 141.0401(7).

#### Section B—Computation of TOTAL Gross Receipts and Gross Profits

**Line 1**—Enter adjusted gross receipts. Gross receipts includes, but is not limited to, sales, rent, proceeds from the sale of real and tangible personal property, interest, and dividends.

**Line 2**—Enter the total cost of goods sold from Schedule COGS, Column B, Line 8.

#### Section C—Computation of Gross Receipts LLET

**Line 1**—If gross receipts from all sources (Section B, Line 1) are greater than \$3,000,000, but less than \$6,000,000, enter the following: (Section A, Line 2 x 0.00095) – (\$2,850 x ((\$6,000,000 – Section A, Line 2) / \$3,000,000)), but in no case shall the result be less than zero.

**Line 2**—If gross receipts from all sources (Section B, Line 1) are \$6,000,000 or greater, enter the following: Section A, Line 2 x 0.00095.

**Line 3**—Enter the amount from Line 1 or Line 2.

**Section D—Computation of Gross Profits LLET**

**Line 1**—If gross profits from all sources (Section B, Line 3) are greater than \$3,000,000, but less than \$6,000,000, enter the following:  $(\text{Section A, Line 5} \times 0.0075) - (\$22,500 \times ((\$6,000,000 - \text{Section A, Line 5}) / \$3,000,000))$ , but in no case shall the result be less than zero.

**Line 2**—If gross profits from all sources (Section B, Line 3) are \$6,000,000 or greater, enter the following:  $\text{Section A, Line 5} \times 0.0075$ .

**Line 3**—Enter the amount from Line 1 or Line 2.

**Section E—Computation of LLET**

**Line 1**—Enter the lesser of Section C, Line 3 or Section D, Line 3 here and on Page 2, Part II, line 1. If less than \$175, enter the minimum of \$175 here and on page 2, Part II, Line 1.



**Signature**—Form 725 must be signed by an owner (member). Failure by an owner (member) to sign the return, to complete all applicable lines on any required Kentucky form, to attach all applicable schedules, including copies of federal forms, or to complete all information on the questionnaire will delay the processing of tax returns.

Schedule TCS is used by single member LLCs to apply tax credits for entities subject to the limited liability entity tax (LLET) imposed by KRS 141.0401. *Taxpayer* as used in this section refers to the single member LLC.

**Economic Development Tax Credits**—This section is completed only if a limited liability pass-through entity has been approved for one or more of the credits authorized by the: (1) Metropolitan College Consortium (MCC – KRS 141.381); (2) Kentucky Small Business Tax Credit Program (KSBTC – KRS 141.384); (3) Kentucky Selling Farmers Tax Credit (KSFTC – KRS 141.3841); or (4) Skills Training Investment Credit Act (STICA – KRS 154.12).

A limited liability pass-through entity must not enter income or LLET tax credits on Schedule TCS from:

- **Kentucky Rural Economic Development Act** (KREDA – KRS 154.22)
- **Kentucky Industrial Development Act** (KIDA – KRS 154.28)
- **Kentucky Jobs Retention Agreement** (KJRA – KRS 154.25)
- **Kentucky Industrial Revitalization Act** (KIRA – KRS 154.26)
- **Kentucky Jobs Development Act** (KJDA – KRS 154.24)
- **Kentucky Business Investment Program** (KBI – KRS 154.32)
- **Kentucky Reinvestment Act** (KRA – KRS 154.34)
- **Incentives for Energy Independence Act** (IEIA – KRS 154.27)
- **Incentives for Energy-related Business Act** (IEBA – KRS 154.27)
- **Farming Operation Networking Project** (FON – KRS 141.412)

A limited liability pass-through entity must file Schedules KREDA-SP, KIDA-SP, KJRA-SP, KIRA-SP, KJDA-SP, KBI-SP, KRA-SP, IEIA-SP, IEBA-SP, or FON-SP to compute the tax credits for these programs.

To claim the STICA or MCC credit, a copy of the tax credit certification(s) received from Bluegrass State Skills Corporation reflecting the amount of credit awarded must be attached to the tax return. The credit for either the STICA or MCC must be claimed on the tax return filed for the taxable year during which the final authorizing resolution is adopted by Bluegrass State Skills Corporation. The STICA credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward three successive years; the MCC credit not used during the year in which the final authorizing resolution is adopted by Bluegrass State Skills Corporation may be carried forward to tax years ending before April 15, 2027. If a STICA or MCC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year, and the balance of the credit.

To claim the KSBTC and KSFTC credit, a copy of the tax credit notification received from Kentucky Economic Development Finance Authority (KEDFA) reflecting the amount of credit awarded must be attached to the tax return. The credit for the KSBTC and KSFTC must be claimed on the tax return for the taxable year during which the credit was approved by KEDFA. The tax credit not used during the year of approval by KEDFA may be carried forward up to five years. If a KSBTC or KSFTC credit is being carried forward from a prior year, attach a schedule reflecting the original credit available, the amount of the credit used each year, and the balance of the credit.

Economic development tax credits are allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department for Financial Incentives (telephone: 502-564-4554)

or Bluegrass State Skills Corporation (telephone: 502-564-2021)

**Farming Operation Networking Tax Credit**—A qualified farming operation which has a farm operation networking project approved by the Cabinet for Economic Development per KRS 141.410 to KRS 141.414 is allowed a credit against the taxes imposed by KRS 141.040 or KRS 141.020 and KRS 141.0401 attributable to the project per KRS 141.412. The annual tax credit is available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit is equal to the approved costs incurred by the qualified farming operation during the tax year and must not exceed the income, Kentucky gross profits, or Kentucky gross receipts of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project. Schedule FON must be attached to the tax return claiming the credit. **KRS 141.412**

**Certified Rehabilitation Tax Credit**—This credit is allowed only if the taxpayer has been approved for the credit by the Kentucky Heritage Council. Credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 or KRS 136.505 for qualified rehabilitation expenses on certified historic structures. Certification copies must be attached to the return claiming the credit. **KRS 171.3961 and KRS 171.397**

**Major Certified Rehabilitation Tax Credit**—Prior to December 31, 2021, the Kentucky Heritage Council may award one application for preliminary approval of a major certified rehabilitation for a certified historic structure. Credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for qualified rehabilitation expenses on certified historic structures. Certification copies must be attached to the return claiming the credit. **KRS 171.3963**

**Unemployment Tax Credit**—If a taxpayer hired a Kentucky resident classified as unemployed for at least 60 days and the resident remains in the employ of the taxpayer for 180 consecutive days during the tax year (a qualified person), the taxpayer may be entitled to the unemployment tax credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. For each qualified person, a one-time nonrefundable credit of \$100 may be claimed. The period of unemployment must be certified by the Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training, Frankfort, KY, and a copy of the certification must be maintained by the taxpayer. For certification questions, call 502-564-7456. Schedule UTC must be attached to the return claiming this credit. **KRS 141.065**

**Recycling/Composting Tax Credit**—A taxpayer that purchases recycling and/or composting equipment to be used exclusively in Kentucky for recycling or composting post-consumer waste materials may be entitled to a nonrefundable credit against the taxes imposed by KRS 141.020, KRS 141.040, and KRS 141.0401 in an amount equal to 50 percent of the installed cost of the equipment. Application for this credit must be made on Schedule RC and a copy of the schedule reflecting the amount of credit approved by the Department of Revenue must be attached to the tax return on which the credit is claimed. The amount of this credit claimed for the tax year may not exceed 25 percent of the total tax liability and cannot exceed 10 percent of the credit approved in the first year of eligibility.

For taxable years beginning after December 31, 2019, a taxpayer that purchases recycling and/or composting equipment to be used exclusively in Kentucky for recycling or composting post-consumer waste material that qualifies as a Major Recycling Project is entitled to a nonrefundable credit against the taxes imposed by KRS 141.020, KRS 141.040, and KRS 141.0401. The credit is an amount equal to 25 percent of the installed cost of the recycling or composting equipment. The amount of credit claimed in a taxable year subsequent to the taxable year during which the recycling equipment is purchased shall not exceed seventy-five percent (75%) of the total of each tax liability, which would be otherwise due for that taxable year. To qualify, the taxpayer must: (1) invest more than \$10,000,000; (2) have at least 400 full-time employees with an average hourly wage of more than 300% of the federal minimum wage; and (3) have plant and equipment costing at least \$500,000,000.

A taxpayer is entitled to claim the recycling credits in KRS 141.390(2)(a) and (b), but cannot claim both for the same recycling and/or composting equipment. **KRS 141.390**

**Kentucky Investment Fund Tax Credit**—A taxpayer which makes a cash contribution to an investment fund approved by KEDFA per KRS 154.20–250 to KRS 154.20–284 is entitled to a nonrefundable credit equal to 40 percent of the investor's proportional ownership share of all qualified investments made by the investment fund and verified by the authority. The credit may be applied against the taxes imposed by KRS 141.020 or 141.040, 141.0401, 136.320, 136.300, 136.310, 136.505, and 304.3–270. **A copy of the notification from KEDFA reflecting the amount of credit granted and the year in which the credit may first be claimed must be attached to the tax return claiming this credit.**

The tax credit amount that may be claimed by an investor in any tax year must not exceed 50 percent of the initial aggregate credit amount approved by the authority for the investment fund which is proportionally available to the investor. **Example:** *An investor with a 10 percent investment in a fund which has been approved for a total credit to all investors of \$400,000 is limited to \$20,000 maximum credit in any given year (\$400,000 x 10% x 50%).*

If the amount of credit that may be claimed in any tax year exceeds the tax liabilities, the excess credit may be carried forward, but the carryforward of any excess tax credit will not increase the limitation that may be claimed in any tax year. Any credit not used in 15 years, including the year in which the credit may first be claimed, will be lost.

Information regarding the approval process for these credits may be obtained from the Cabinet for Economic Development, Department of Financial Incentives at 502–564–4554. **KRS 141.068**

**Qualified Research Facility Tax Credit**—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 of 5 percent of the qualified costs of constructing, remodeling, expanding, and equipping facilities in Kentucky for “qualified research.” Any unused credit may be carried forward 10 years. Schedule QR, Qualified Research Facility Tax Credit, must be attached to the tax return on which this credit is claimed. Federal Form 6765, Credit for Increasing Research Activities, must also be attached if applicable. See instructions for Schedule QR for more information regarding this credit. **KRS 141.395**

**GED Incentive Tax Credit**—A taxpayer is entitled to a credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The credit reflected on this line must equal the

sum of the credits reflected on the attached GED–Incentive Program Final Reports. This credit may be claimed only in the year during which the learning contract was completed and unused portions of the credit may not be carried forward or back. For information regarding the program, contact the Education and Workforce Development Cabinet, Kentucky Adult Education, Council on Postsecondary Education at 502–573–5114. The GED–Incentive Program Final Report (DAEL–31) for each employee that completed a learning contract during the tax year must be attached to the tax return claiming the credit. **KRS 151B.402**

**Voluntary Environmental Remediation Tax Credit**—The taxpayer must have an agreed order and be approved by the Energy and Environment Cabinet per KRS 224.1–514. Maximum tax credit allowed to be claimed per taxable year is 25 percent of the approved credit. This credit may be claimed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. For more information regarding credit for voluntary environmental remediation property, contact the Energy and Environment Cabinet at 502–564–6716. Schedule VERB must be attached to the tax return claiming this credit. **KRS 141.418**

**Biodiesel Tax 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 or KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for biodiesel 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 will issue a credit certification (Schedule BIO) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.423 and 103 KAR 15:140**

**Clean Coal Incentive Tax Credit**—Effective for tax years ending on or after December 31, 2006, a nonrefundable, nontransferable credit against taxes imposed by KRS 136.120, KRS 141.020, or KRS 141.040 and KRS 141.0401 will be allowed for a clean coal facility. Per 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 Energy and Environment 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 is \$2 per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit will be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent, or subsidiary. **KRS 141.428**

**Ethanol Tax Credit**—Producers of ethanol are entitled to a tax credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for ethanol credit with the Department of Revenue by January 15 each year for ethanol produced in the previous calendar year. The department will issue a credit certification (Schedule ETH) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.4242 and 103 KAR 15:110**

**Cellulosic Ethanol Tax Credit**—Producers of cellulosic ethanol are entitled to a tax credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for ethanol credit with the Department of Revenue by January 15 each year for cellulosic ethanol produced in the previous calendar year. The department will issue a credit certification (Schedule CELL) to the taxpayer by April 15. The credit certification must be attached to the tax return claiming this credit. **KRS 141.4244 and 103 KAR 15:120**

**Railroad Maintenance and Improvement Tax Credit**—For tax years beginning on or after January 1, 2010, an owner of any Class II railroad or Class III railroad located in Kentucky or any person who transports property using the rail facilities of a Class II railroad or Class III railroad located in Kentucky or furnishes railroad-related property or services to a Class II railroad or Class III railroad located in Kentucky, but only with respect to miles of railroad track assigned to the person by a Class II railroad or Class III railroad, is entitled to a nonrefundable credit against taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 in an amount equal to fifty percent of the qualified expenditures paid or incurred to maintain or improve railroads located in Kentucky, including roadbeds, bridges, and related structures, that are owned or leased as of January 1, 2008, by a Class II or Class III railroad.

The credit allowed must not exceed the product of \$3,500 multiplied by the sum of: (1) The number of miles of railroad track in Kentucky owned or leased by the eligible taxpayer as of the close of the taxable year; and (2) The number of miles of railroad track in Kentucky assigned to the eligible taxpayer by a Class II railroad or Class III railroad which owns or leases the railroad track as of the close of the taxable year. Attach Schedule RR-I to the return when claiming this credit. **KRS 141.385**

**Railroad Expansion Tax Credit**—For tax years beginning on or after January 1, 2010: (a) a corporation that owns fossil energy resources subject to tax under KRS 143.020 or KRS 143A.020 or biomass resources and transports these resources using rail facilities; or (b) a railway company subject to tax under KRS 136.120 that serves a corporation that owns fossil energy resources subject to tax under KRS 143.020 or KRS 143A.020 or biomass resources is entitled to a nonrefundable tax credit against taxes imposed under KRS 141.040 and KRS 141.0401 equal to twenty-five percent of the expenditures paid or incurred by the corporation or railway company to expand or upgrade railroad track, including roadbeds, bridges, and related track structures, to accommodate the transport of fossil energy resources or biomass resources.

The credit amount approved for a calendar year for all taxpayers under KRS 141.386 is limited to \$1 million. If the total amount of approved credit exceeds \$1 million, the department will determine the amount of credit each corporation and railroad company receives by multiplying \$1 million by a fraction, the numerator of which is the amount of approved credit for a corporation or railway company and the denominator of which is the total approved credit for all corporations and railway companies.

Each corporation or railway company eligible for the credit must file Schedule RR-E by the fifteenth day of the first month following the close of the preceding calendar year. The department will determine the amount of the approved credit and issue a credit certificate to the corporation or railway company by the fifteenth day of the third month following the close of the calendar year. **KRS 141.386**

**ENDOW Kentucky Tax Credit**—A taxpayer making an endowment gift to a permanent endowment fund of a qualified community foundation, county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, is entitled to a tax credit equal to twenty percent (20%) of the endowment gift, not to exceed \$10,000. The nonrefundable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 and if not used in the year the tax credit is awarded, may be carried forward for a period not to exceed five years. The department will issue a credit certification (Schedule ENDOW) to a taxpayer

upon receiving proof that the endowment gift was made to the approved community foundation per KRS 141.438(7). Schedule ENDOW must be attached to the taxpayer's tax return each year to claim the credit. A partner, member, or shareholder of a pass-through entity must attach a copy of Schedule K-1, Form PTE to the partner's, member's, or shareholder's tax return each year to claim the tax credit. **NOTE:** This credit may limit charitable contribution deductions allowed under Section 170 of the IRC. See the IRC and federal regulations for additional information on any limitations. **KRS 141.438 and 103 KAR 15:195**

**New Markets Development Program Tax Credit**—A taxpayer that makes a qualified equity investment per KRS 141.432(7) in a qualified community development entity defined by KRS 141.432(6) is entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 137.370, 136.390, or 304.3-270. The total amount of tax credits that may be awarded by the department is limited to \$10 million. "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business made after June 4, 2010. With respect to any one qualified active low-income community business, the maximum amount of qualified active low-income community investments that may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under KRS 141.433 is \$10 million, whether made by one or several qualified community development entities.

The amount of the credit will be equal to 39% of the purchase price of the qualified equity investment made by the taxpayer. A taxpayer is allowed to claim zero percent (0%) for each of the first two credit allowance dates, seven percent (7%) for the third allowance date, and eight percent (8%) for the next four allowance dates. "Credit allowance date" means with respect to any qualified equity investment: (a) the date on which the investment is initially made; and (b) each of the six anniversary dates of that date thereafter. **KRS 141.432 to KRS 141.434**

**Food Donation Tax Credit**—For taxable years beginning on or after January 1, 2018, the tax credit was repealed. Any unused credit may be carried forward for up to four (4) years after the credit was claimed. 2021 is the last year to claim any unused credit carry forward. See Schedule TCS, Part II, line 18 to claim this credit. **KRS 141.392**

**Distilled Spirits Tax Credit**—For taxable years beginning on or after January 1, 2015, a nonrefundable and nontransferable credit against the tax imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available to taxpayers who pay Kentucky property tax on distilled spirits.

The distilled spirits credit is equal to 100 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2019.

The amount of the credit is contingent on the costs associated with the following capital improvements at the premises of the distiller: construction, replacement, or remodeling of warehouses or facilities; purchases of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses; acquisition, construction, or installation of equipment for the use in the manufacture, bottling, or shipment of distilled spirits; addition or replacement of access roads or parking facilities; and construction, replacement, or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center. Attach Schedule DS to the return claiming the credit. **KRS 141.389**

**Film Industry Tax Credit**—For applications approved on or after April 27, 2018, but before January 1, 2022, a nonrefundable and nontransferable credit against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers who have received notification from the film office that the approved company has satisfied all requirements of KRS 148.542 to KRS 148.546. Attach film office certification to the return claiming the credit. **KRS 141.383**

**Inventory Tax Credit**—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable tax credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. Attach Schedule INV to the return claiming the credit. **KRS 141.408**

**Renewable Chemical Production Tax Credit**—For taxable years beginning on or after January 1, 2021, and ending on or before December 31, 2024, a nonrefundable and nontransferable credit allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers that produce renewable chemicals.

Preliminary approval is obtained through the Department of Agriculture. Schedule CHEM is due to the Department of Revenue by March 1 each year. The Department of Revenue will issue the credit certificate (Schedule CHEM) by April 15 each year. The annual biodiesel, renewable diesel, and renewable chemical production tax credit cap is \$10,000,000 annually. There is a carryforward of three (3) years for any

unused credit. The credit certificate must be attached to the tax return claiming the credit. **KRS 141.4231, KRS 246.700(8), and 103 KAR 15:140**

**Education Opportunity Account Program**—For taxable years beginning on or after January 1, 2021, but before January 1, 2026, a nonrefundable and nontransferable credit is allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 for contributions made during a taxable year to one or more Account-Granting Organizations in accordance with the Education Opportunity Account Program. The credit amount awarded per taxpayer per taxable year shall be no more than the lesser of: ninety-five percent (95%) of the total contributions made to an AGO, except for multi-year pledges described below; or one million dollars (\$1,000,000). If a multi-year pledge is made by the taxpayer and the amount of the contributions for each of the multiple taxable years is equal to or more than the amount of contributions made to the AGO in the taxable year within which the pledge is made, the amount of allowable credit shall be increased to ninety-seven percent (97%) in the taxable year within which the pledge is made and for each pledged year. If the taxpayer does not remit the pledged amount of contributions during any taxable year for which a multi-year pledge is made, the taxpayer shall repay the portion of the credit resulting from this increase. The multi-year pledge cannot exceed a total of four taxable years. This credit may be carried forward up to five succeeding taxable years. Schedule EOA must be attached to the taxpayer's tax return each year to claim the credit. A partner, member, or shareholder of a pass-through entity must attach a copy of Schedule K-1, Form PTE to the partner's, member's, or shareholder's tax return each year to claim the credit. **KRS 141.500 through KRS 141.528**



**TANGIBLE PERSONAL PROPERTY TAXES**—The listing period for tangible personal property is January 1 through May 15 of each year. Each taxpayer is responsible for reporting their tangible personal property subject to ad valorem taxation. The Tangible Personal Property Tax Return, Revenue Form 62A500, and instructions can be obtained from your local county property valuation administrator’s office or the Office of Property Valuation. You may also go to [www.revenue.ky.gov](http://www.revenue.ky.gov) to download these forms. A separate form must be filed for each location in Kentucky where you have tangible personal property. Do not attach a copy of Form 62A500 to Form 725.

**Kentucky State Treasury—Unclaimed Property**

**Individuals**

The Kentucky State Treasury may be holding unclaimed property for you or your family. The Treasury holds hundreds of millions of dollars from bank accounts, payroll checks, life insurance, utility deposits, and other types of property that have been unclaimed by the owners. Please visit [www.treasury.ky.gov](http://www.treasury.ky.gov) or [www.missingmoney.com](http://www.missingmoney.com) for more information on how to locate and claim any funds that may belong to you.

**Businesses**

Kentucky businesses are required to comply with the Kentucky Revised Uniform Unclaimed Property Act, codified as KRS Chapter 393A. If you have uncashed vendor checks, payroll checks, unclaimed customer deposits or refunds, or other types of property belonging to third-parties, you may be required to turn the property over to the Kentucky State Treasury. Please review KRS Chapter 393A, or visit [www.treasury.ky.gov](http://www.treasury.ky.gov) for more information.

**Kentucky Department of Revenue  
Mission Statement**

*As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens.*

\* \* \* \* \*

*The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information, or ancestry in employment or the provision of services.*

**TAXPAYER ASSISTANCE**

*Forms:*

Operations and Support Services Branches  
501 High Street, Station 23B  
Frankfort, KY 40601  
502-564-3658  
Website: [www.revenue.ky.gov](http://www.revenue.ky.gov)  
Email: [Financerevenueformsandenvelopes@ky.gov](mailto:Financerevenueformsandenvelopes@ky.gov)

*Information:*

Pass-Through Entity Branch  
Department of Revenue  
501 High Street, Station 52  
Frankfort, KY 40601-2103  
502-564-8139

*Mailing/Payment:*

Mail the return **with payment** to:

Kentucky Department of Revenue, Frankfort, Kentucky  
40620-0021. Make the check(s) payable to the **Kentucky State Treasurer**.

Mail returns **with no tax due or refund** requests to:

Kentucky Department of Revenue, Frankfort, Kentucky  
40618-0010.

**KENTUCKY TAXPAYER SERVICE CENTERS**

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities.

**Ashland**, 1539 Greenup Avenue, 41101-7695  
606-920-2037

**Bowling Green**, 201 West Professional Park Court, 42104-3278  
270-746-7470

**Corbin**, 15100 North US 25E, Suite 2, 40701-6188  
606-528-3322

**Frankfort**, 501 High Street, 40601-2103  
502-564-5930

**Hopkinsville**, 181 Hammond Drive, 42240-7926  
270-889-6521

**Louisville**, 600 West Cedar Street  
2<sup>nd</sup> Floor West, 40202-2310  
502-595-4512

**Northern Kentucky**, Turfway Ridge Office Park  
7310 Turfway Road, Suite 190  
Florence, 41042-4871  
859-371-9049

**Owensboro**, Corporate Center  
401 Frederica Street, Building C, Suite 201, 42301-6295  
270-687-7301

**Paducah**, Clark Business Complex, Suite G  
2928 Park Avenue, 42001-4024  
270-575-7148

**Pikeville**, Uniplex Center, Suite 203  
126 Trivette Drive, 41501-1275  
606-433-7675

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AUGUST 2021

# YOUR RIGHTS AS A KENTUCKY TAXPAYER

As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue (DOR) is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens.

As a Kentucky taxpayer, you have the right to expect the DOR to honor its mission and uphold your rights every time you contact or are contacted by the DOR.

Some Kentucky taxpayer rights are very specific, such as when and how to protest a Notice of Tax Due or the denial of a refund. Others are more general.

The following is a summary of your rights and the DOR's responsibilities to you as a Kentucky taxpayer.

## RIGHTS OF TAXPAYER

### **Privacy**

You have the right to privacy with regard to information you provide pertaining to returns, reports, or the affairs of your business.

### **Assistance**

You have the right to advice and assistance from the DOR in complying with state tax laws.

### **Explanation**

You have the right to a clear and concise explanation of:

- ✓ basis of assessment of additional taxes, interest and penalties, or the denial or reduction of any refund or credit claim;
- ✓ procedure for protest and appeal of a Notice of Tax Due, a reduction or denial of a refund, or a denial of a request for additional time to file a supporting statement; and
- ✓ tax laws and changes in tax laws so that you can comply with the law.

### **Protest and Appeal**

You have the right to file a protest with the DOR if you disagree with a Notice of Tax Due, a reduction or denial of a refund, or a denial of a request for additional time to file a supporting statement. If you file a timely protest, you have a right to a conference to discuss the matter. If you are not satisfied with the Department's final ruling following your protest, you may appeal the final ruling to the Kentucky Board of Tax Appeals, pursuant to KRS 131.110(5) and KRS 49.220 et. seq. (See reverse for procedure to file a protest.)

### **Representation**

You have the right to representation by your authorized agent (attorney, accountant, or other person) in any hearing or conference with the DOR. You have the right to be informed of this right prior to the conference or hearing. If you intend for your representative to attend the conference or hearing in your place, you will be required to give your representative a power of attorney before the DOR can discuss tax matters with your authorized agent. See Form 20A100.

### **Recordings**

You have the right to make an audio recording of any meeting, conference, or hearing with the DOR. The DOR has the right to make an audio recording, if you are notified in writing in advance or if you make a recording. You have the right to receive a copy of the recording.

### **Consideration**

You have the right to consideration of:

- ✓ waiver of penalties or collection fees if "reasonable cause" for reduction or waiver is given ("reasonable cause" is defined in KRS 131.010(9) as: "an event, happening, or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of monies due the department pursuant to law or administrative regulation");
- ✓ installment payments of delinquent taxes, interest, and penalties;
- ✓ waiver of interest and penalties, but not taxes, resulting from incorrect written advice from the DOR if all facts were given and the law did not change or the courts did not issue a ruling to the contrary;
- ✓ extension of time for filing reports or returns; and
- ✓ payment of charges incurred resulting from an erroneous filing of a lien or levy by the DOR.

### **Guarantee**

You have the right to a guarantee that DOR employees are not paid, evaluated, or promoted based on taxes assessed or collected, or a tax assessment or collection quota or goal imposed or suggested.

### **Damages**

You have the right to file a claim for actual and direct monetary damages with the Kentucky Board of Tax Appeals if a DOR employee willfully, recklessly, and intentionally disregards your rights as a Kentucky taxpayer.

### **Interest**

You may have the right to receive interest on an overpayment of tax.

## DEPARTMENT OF REVENUE RESPONSIBILITIES

The DOR has the responsibility to:

- ✓ perform audits and conduct conferences and hearings with you at reasonable times and places;
- ✓ authorize, require, or conduct an investigation or surveillance of you only if it relates to a tax matter;
- ✓ make a written request for payment of delinquent taxes which are due and payable at least 30 days prior to seizure and sale of your assets;
- ✓ conduct educational and informational programs to help you understand and comply with the laws;
- ✓ publish clear and simple statements to explain tax procedures, remedies, your rights and obligations, and the rights and obligations of the DOR;
- ✓ notify you in writing when an erroneous lien or levy is released and, if requested, notify major credit reporting companies in counties where lien was filed;

- ✓ advise you of procedures, remedies, and your rights and obligations with an original notice of audit or when an original Notice of Tax Due is issued, a refund or credit is denied or reduced, or whenever a license or permit is denied, revoked, or canceled;
- ✓ notify you in writing prior to termination or modification of a payment agreement;
- ✓ furnish copies of the agent's audit workpapers and a written narrative explaining the reason(s) for the assessment;
- ✓ resolve tax controversies on a fair and equitable basis at the administrative level whenever possible;
- ✓ notify you in writing at your last known address at least 60 days prior to publishing your name on a list of delinquent taxpayers for which a tax or judgment lien has been filed; and
- ✓ notify you by certified mail 20 days prior to submitting your name to the relevant agency for the revocation or denial of professional license, driver's license, or motor vehicle registration.

**PROTEST AND APPEAL PROCEDURE**

**Protest**

If you receive a Notice of Tax Due, or if the DOR notifies you that a tax refund has been reduced or denied, or the DOR denies your request for additional time to file a supporting statement, you have the right to protest. To do so:

- ✓ submit a written protest within 60 days from the original notice date (or 45 days if the original notice date is prior to 07/01/2018); notice of refund reduction or denial, or denial of a request for additional time to file a supporting statement;
- ✓ identify the type of tax involved and give the account number, Social Security number, or other identification number and attach a copy of the DOR Notice of Tax Due or refund denial to support that your protest is timely;
- ✓ explain why you disagree;
- ✓ attach any proof or documentation available to support your protest or request additional time to support your protest;
- ✓ sign your statement, include your daytime telephone number and mailing address; and
- ✓ mail to the Kentucky Department of Revenue, Frankfort, Kentucky 40620.

**Conference**

You have the right to request a conference to discuss the issue.

**Final Ruling**

If you do not want to have a conference or if the conference did not resolve your protest, you have the right to request a final ruling of the DOR so that you can appeal your case further.

**Appeal**

If you do not agree with the DOR's final ruling, you can file a written appeal with the Kentucky Board of Tax Appeals. If you do not agree with the decision of the Kentucky Board of Tax Appeals, you have the right to appeal their ruling to the Kentucky courts (first to the circuit court in your home county or in Franklin County, then to the Kentucky Court of Appeals, and finally to the Kentucky Supreme Court).

**NOTE:** The above protest and appeal procedures do not apply for real property which is valued by the local property valuation administrator (PVA). Contact the local PVA for information about how to appeal the valuation of real property.

**TAXPAYER OMBUDSMAN**

The DOR has a Taxpayer Ombudsman whose job is to serve as an advocate for taxpayers' rights. One of the main functions of the Ombudsman is to ensure that your rights as a Kentucky taxpayer are protected.

Also, an important function of the Taxpayer Ombudsman is to confer with DOR employees when you have a problem or conflict that you have been unable to resolve. However, it is not the role of the Ombudsman to intercede in an audit,

handle a protest, waive taxes, penalty or interest, or answer technical tax questions. To file a protest, see PROTEST AND APPEAL PROCEDURE. Please do not mail your protest to the Ombudsman.

The Taxpayer Ombudsman is your advocate and is there to make sure your rights are protected. If you think you are not being treated fairly or if you have a problem or complaint, please contact the Ombudsman for assistance.

The Taxpayer Ombudsman may be contacted by telephone at 502-564-7822 (between 8:00 a.m. and 5:00 p.m. weekdays). The mailing address is: Department of Revenue, Taxpayer Ombudsman, 501 High Street, Station 1, Frankfort, Kentucky 40601.

**WHERE TO GET ASSISTANCE**

The DOR has offices in Frankfort and taxpayer service centers in nine cities and towns throughout Kentucky. DOR employees in the service centers answer tax questions and provide assistance. You may obtain assistance by contacting any of the following:

**Ashland Taxpayer Service Center**  
1539 Greenup Avenue, 41101-7695  
606-920-2037

**Bowling Green Taxpayer Service Center**  
201 West Professional Park Court, 42104-3278  
270-746-7470

**Corbin Taxpayer Service Center**  
15100 North US25E, Suite 2, 40701-6188  
606-528-3322

**Frankfort Taxpayer Service Center**  
501 High Street, 40601-2103  
502-564-5930

**Hopkinsville Taxpayer Service Center**  
181 Hammond Drive, 42240-7926  
270-889-6521

**Louisville Taxpayer Service Center**  
600 West Cedar Street, 2nd Floor West, 40202-2310  
502-595-4512

**Northern Kentucky Taxpayer Service Center**  
Turfway Ridge Office Park  
7310 Turfway Road, Suite 190  
Florence 41042-4871  
859-371-9049

**Owensboro Taxpayer Service Center**  
401 Frederica Street, Building C, Suite 201, 42301-6295  
270-687-7301

**Paducah Taxpayer Service Center**  
Clark Business Complex, Suite G  
2928 Park Avenue, 42001-4024  
270-575-7148

**Pikeville Taxpayer Service Center**  
Uniplex Center, 126 Trivette Drive, Suite 203, 41501-1275  
606-433-7675

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The DOR has an online taxpayer service center where you can download forms, publications, and obtain general information about the department. The address is [www.revenue.ky.gov](http://www.revenue.ky.gov).

The information in this brochure merely summarizes your rights as a Kentucky taxpayer and the responsibilities of the Department of Revenue. The Kentucky Taxpayers' Bill of Rights may be found in the Kentucky Revised Statutes (KRS) at Chapter 131.041-131.083. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.1817, 131.183, 131.190, 131.500, 131.654, 133.120, 133.130, 134.580, and 134.590.

*The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, veteran status, genetic information or ancestry in employment or the provision of services.*

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