SCHEDULE COGS

Commonwealth of Kentucky
Department of Revenue

2103440001

**LIMITED LIABILITY ENTITY TAX
COST OF GOODS SOLD**

2021

➤ **See instructions.**

➤ **Attach to Form 720, PTE, or 725.**

Name of Entity	Federal Identification Number	Kentucky Corporation/LLET Account Number
	__ __ — __ __ __ __ __ __ __	__ __ __ __ __ __

			Limited Liability Entity Tax	
			Column A Kentucky Cost of Goods Sold	Column B Total Cost of Goods Sold
1	Inventory at beginning of year	1	00	00
2	Purchases	2	00	00
3	Cost of labor	3	00	00
4	Additional section 263A costs	4	00	00
5	Other costs	5	00	00
6	Total (add lines 1 through 5)	6	00	00
7	Inventory at end of year	7	00	00
8	Cost of goods sold (subtract line 7 from line 6)	8	00	00
9	Detail of purchases on line 2:	9		
(a)		(a)	00	00
(b)		(b)	00	00
(c)		(c)	00	00
(d)		(d)	00	00
(e)		(e)	00	00
(f)		(f)	00	00
(g)		(g)	00	00
(h)		(h)	00	00
(i)		(i)	00	00
(j)		(j)	00	00
(k)		(k)	00	00
10	Detail of additional section 263A costs on line 4:	10		
(a)		(a)	00	00
(b)		(b)	00	00
(c)		(c)	00	00
(d)		(d)	00	00
(e)		(e)	00	00
(f)		(f)	00	00
(g)		(g)	00	00
(h)		(h)	00	00
(i)		(i)	00	00
(j)		(j)	00	00
(k)		(k)	00	00
11	Detail of other costs on line 5:	11		
(a)		(a)	00	00
(b)		(b)	00	00
(c)		(c)	00	00
(d)		(d)	00	00
(e)		(e)	00	00
(f)		(f)	00	00
(g)		(g)	00	00
(h)		(h)	00	00
(i)		(i)	00	00
(j)		(j)	00	00
(k)		(k)	00	00

KRS 141.0401(1)(d)3 provides that for any activity other than manufacturing, producing, reselling, retailing, or wholesaling, costs must **not** be included in costs of goods sold. Therefore, taxpayers that provide services or sell intangibles are not allowed to compute cost of goods sold for purposes of computing the limited liability entity tax (LLET).

For taxpayers who are engaged in manufacturing, producing, reselling, retailing, or wholesaling, KRS 141.0401(1)(d)2 provides that amounts allowable as cost of goods sold must be directly incurred in acquiring or producing a tangible product generating the Kentucky gross receipts. Tangible product means both real and tangible personal property.

Purpose of Schedule—This schedule is used by a corporation or a limited liability pass-through entity to compute its Kentucky cost of goods sold and its total cost of goods sold from all sources for purposes of computing the LLET on gross profits.

Lines 1 through 8—

In Columns A and B, enter on Lines 1 through 8 the cost of goods sold amounts per KRS 141.0401(1) attributable to Kentucky gross receipts and to gross receipts from all sources, respectively.

"Purchases" means only direct materials that are incorporated into the tangible product sold or manufactured.

"Cost of labor" means labor that is incorporated into the tangible product sold or is an integral part of the manufacturing process. Indirect labor must not be included per KRS 141.0401(1)(d)(2)(c).

"Additional section 263A costs" means only direct material costs per IRC §263A.

"Other costs" means only direct materials that are incorporated into the tangible product sold or manufactured.

Line 9—Enter on Lines (a) through (k) the detail of purchases included on Line 2 of each column. The total of the amounts on Lines (a) through (k) of each column must equal the amount included on Line 2 of each column. If Lines (a) through (k) are not sufficient to include the detail of all purchases, attach a two column schedule listing the detail of the additional purchases.

Line 10—Enter on Lines (a) through (k) the detail of additional section 263A costs included on Line 4 of each column. The total of the amounts on Lines (a) through (k) of each column must equal the amount included on Line 4 of each column. If Lines (a) through (k) are not sufficient to include the detail of all additional section 263A costs, attach a two column schedule listing the detail of the additional section 263A costs.

Line 11—Enter on Lines (a) through (k) the detail of other costs included on Line 5 of each column. The total of the amounts on Lines (a) through (k) of each column must equal the amount included on Line 5 of each column. If Lines (a) through (k) are not sufficient to include the detail of all other costs, attach a two column schedule listing the detail of the additional other costs.