

(Form 720S)
**KENTUCKY
SCHEDULE K-1**
41A720S(K-1)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



2012

**SHAREHOLDER'S SHARE OF
INCOME, CREDITS, DEDUCTIONS, ETC.**

► **See instructions.**

For calendar year 2012 or fiscal year beginning _____, 2012, and ending _____, 201 ____.

Shareholder's identifying number ►	S corporation's FEIN ►	Kentucky Corporation/LLET Account Number ►
Shareholder's name, address and ZIP code		S corporation's name, address and ZIP code <i>Check if applicable:</i> <input type="checkbox"/> Qualified investment pass-through entity

A. Shareholder's percentage of stock ownership for tax year► %

B. (1) Resident shareholder's taxable percentage of pro rata share items► 100%

(2) Nonresident shareholder's taxable percentage of pro rata share items (see Schedule A, Section I, line 12)► %

C. What type of entity is this shareholder? ☐ Individual ☐ Estate ☐ Trust ☐ Single Member LLC

D. Check the box if nonresident shareholder's income is reported on:
☐ Kentucky Nonresident Income Tax Withholding on Distributive Share Income Transmittal Report
and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)

E. Check if applicable: (1) ☐ Final K-1 (2) ☐ Amended K-1

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

(a) Pro Rata Share Items		(b) Amount
Income (Loss)		
1. Ordinary income (loss) from trade or business activities.....	1	
2. Net income (loss) from rental real estate activities.....	2	
3. Net income (loss) from other rental activities	3	
4. Portfolio income (loss):		
(a) Interest	4(a)	
(b) Dividends	(b)	
(c) Royalties	(c)	
(d) Net short-term capital gain (loss)	(d)	
(e) Net long-term capital gain (loss)	(e)	
(f) Other portfolio income (loss) (attach schedule)	(f)	
5. Section 1231 net gain (loss) (other than due to casualty or theft)	5	
6. Other income (loss) (attach schedule).....	6	
Deductions		
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	7	
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562).....	8	
9. Deductions related to portfolio income (loss) (attach schedule)	9	
10. Other deductions (attach schedule).....	10	
Investment Interest		
11. (a) Interest expense on investment debts	11(a)	
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)	
(2) Investment expenses included on line 9 above	(2)	
Tax Credits		
12. Kentucky Small Business Investment Tax Credit	12	
13. Skills Training Investment Tax Credit.....	13	
14. Certified Rehabilitation Tax Credit.....	14	
15. Kentucky Unemployment Tax Credit.....	15	
16. Recycling/Composting Equipment Tax Credit.....	16	
17. Kentucky Investment Fund Tax Credit.....	17	



SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

(a) Pro Rata Share Items (continued)		(b) Amount
Tax Credits—continued		
18. Coal Incentive Tax Credit.....	18	
19. Qualified Research Facility Tax Credit.....	19	
20. GED Incentive Tax Credit.....	20	
21. Voluntary Environmental Remediation Tax Credit.....	21	
22. Biodiesel Tax Credit	22	
23. Environmental Stewardship Tax Credit	23	
24. Clean Coal Incentive Tax Credit	24	
25. Ethanol Tax Credit.....	25	
26. Cellulosic Ethanol Tax Credit	26	
Form 5695-K Pass-through Amounts		
27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3).....	27	
28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9).....	28	
29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15).....	29	
30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29).....	30	
31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32).....	31	
32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44).....	32	
33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47).....	33	
34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54).....	34	
35. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60).....	35	
36. Railroad Maintenance and Improvement Tax Credit	36	
37. Endow Kentucky Tax Credit	37	
38. New Markets Development Program Tax Credit.....	38	
Other Items		
39. (a) Type of Section 59(e)(2) expenditures ➤	39(a)	
(b) Amount of Section 59(e)(2) expenditures	(b)	
40. Tax-exempt interest income.....	40	
41. Other tax-exempt income.....	41	
42. Nondeductible expenses	42	
43. Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV ...	43	
44. Supplemental information required to be reported to each shareholder (attach schedules)	44	
45. Total dividend distributions paid from accumulated earnings and profits.....	45	
LLET Pass-through Items		
46. Shareholder's share of S corporation's Kentucky sales from Schedule K, Section II, line 1	46	
47. Shareholder's share of S corporation's total sales from Schedule K, Section II, line 2	47	
48. Shareholder's share of S corporation's Kentucky property from Schedule K, Section II, line 3	48	
49. Shareholder's share of S corporation's total property from Schedule K, Section II, line 4	49	
50. Shareholder's share of S corporation's Kentucky payroll from Schedule K, Section II, line 5	50	
51. Shareholder's share of S corporation's total payroll from Schedule K, Section II, line 6	51	
52. Shareholder's share of Kentucky gross profits from Schedule K, Section II, line 7	52	
53. Shareholder's share of total gross profits from all sources from Schedule K, Section II, line 8	53	
54. Shareholder's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9	54	
Resident Shareholder Adjustment		
55. Combination of Kentucky Schedule K-1, lines 1 through 5, 8 and portions of lines 6 and 10. Add income amounts and subtract (loss) and deduction amounts (see instructions).....	55	
56. Combination of federal Schedule K-1, lines 1 through 9, 11 and portions of lines 10 and 12. Add income amounts and subtract (loss) and deduction amounts (see instructions).....	56	
57. Enter the difference of lines 55 and 56 here and on appropriate line on Schedule M (see instructions)	57	

SHAREHOLDER'S INSTRUCTIONS FOR SCHEDULE K-1 (FORM 720S)

PURPOSE—Schedule K-1 (Form 41A720S (K-1)) is used to report to each shareholder the shareholder's pro rata share of income, credits, deductions, etc. A shareholder is liable for Kentucky individual income tax as provided by KRS 141.020 on the shareholder's pro rata share of the S corporation's income, whether distributed or undistributed.

GENERAL INSTRUCTIONS—Schedule K-1 (Form 720S) will help when preparing your Kentucky income tax return. Where "(attach schedule)" appears next to a line on Schedule K-1, it means the S corporation will have attached a statement to Schedule K-1 to show information for the line item, if applicable. If you believe the S corporation has made an error on your Schedule K-1 (Form 720S), notify the S corporation and ask for a corrected schedule. Do not change any item on your copy.

Schedule K-1 (Form 720S) does not show the amount of actual dividend distributions the S corporation paid to you. The S corporation must report such amounts to you on Form 1099-DIV. You report actual dividend distributions on federal Schedule B (Form 1040). Refer to the shareholder instructions you received for federal Schedule K-1 (Form 1120S) for information concerning your basis in corporate stock, elections to be made by you separately on your income tax return and not by the S corporation, etc.

Every individual, including estates and trusts, who is a resident of Kentucky and is a shareholder in an S corporation is required to report 100 percent of his or her share of income (loss), credits, deductions, etc. for Kentucky individual income tax purposes. **A nonresident shareholder must report the portion of his or her share of income attributable to the S corporation's business in Kentucky.** A **resident** is an individual domiciled within Kentucky or an individual who is not domiciled in Kentucky but maintains a place of abode in Kentucky and spends in the aggregate more than 183 days of the taxable year in Kentucky. A **nonresident** is any individual not a resident of Kentucky.

At-Risk Limitations—Generally, if you have a loss from any activity carried on as a trade or business or for the production of income by the S corporation and you, the shareholder, have amounts invested in that activity for which you are not at risk, you will be required to complete federal Form 6198, At-Risk Limitations, to figure the allowable loss to report on your Kentucky income tax return. Your deductible loss from each activity for the tax year generally is limited to the amount you are at risk or could actually lose in the activity, whichever is less. To help you complete Form 6198, if required, the S corporation has provided a schedule showing your share of income, expenses, etc., for each at-risk activity.

Passive Activity Limitations—The passive activity limitations in IRC Section 469 are figured at the shareholder level and may apply to any loss reported on Lines 1, 2 or 3 and any other related items of income, loss and deductions reported on Schedule K-1 (Form 720S). Refer to the federal Shareholder's Instructions for Schedule K-1 (Form 1120S) to determine if the passive activity limitations apply to your share of loss(es) reported on Schedule K-1 (Form 720S) and if you must file Form 8582-K, Kentucky Passive Activity Loss Limitations. When applicable, the passive activity limitations on losses are applied after the limitations on losses for a shareholder's at-risk amount.

SPECIFIC INSTRUCTIONS—Kentucky Resident Shareholders (Form 740 Filers)—You, as the shareholder, will need to determine

the net difference between your federal Schedule K-1 amounts and your Kentucky Schedule K-1 amounts. This will adjust the items of income, loss and deductions used to compute your federal adjusted gross income to the Kentucky amounts shown in Column (b), Schedule K-1. To determine this difference, complete Lines 55 through 57.

Line 55—Include on this line the Kentucky Schedule K-1 amounts from Lines 1 through 5 and 8. Also include the amounts from Lines 6 and 10 that do not pass through to Schedule A as itemized deductions.

Line 56—Include on this line the federal Schedule K-1 amounts from Lines 1 through 9 and 11. Also include the amounts from Lines 10 and 12 that do not pass through to Schedule A as itemized deductions.

NOTE: If Form 8582-K is required, adjust the amounts entered on Lines 55, 56 and 57 to exclude any income, loss, deduction or expense related to a passive activity. Complete the passive activities adjustment worksheet (Form 8582-K, page 2) to determine additions to or subtractions from federal adjusted gross income. **See Form 740 instructions for Schedule M, Line 7 and/or Line 19.**

If amounts on Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include on Lines 55 and 56. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 57—Enter difference of Lines 55 and 56. If Line 55 is greater than Line 56, enter the difference as an addition to federal adjusted gross income on Schedule M, Line 3. If Line 56 is greater than Line 55, enter the difference as a subtraction on Schedule M, Line 15.

Caution: If the amount on Line 55 is a (loss) and Line 56 is a (loss), the smaller dollar amount of (loss) is the greater amount, and to determine the difference, subtract the smaller dollar amount from the larger dollar amount. If the amount on Line 55 is a (loss) and Line 56 is an income amount, or the amount on Line 55 is an income amount and Line 56 is a (loss), the income amount is the greater amount; therefore, add the two amounts to determine the difference.

Nonresident Shareholders (Form 740-NP Filers)—A nonresident individual who is required to file Form 740-NP, Kentucky Individual Income Tax Return Nonresident or Part-Year Resident, or who elects to file Form 740-NP to take advantage of capital loss and net operating loss carryovers shall enter the amounts from Schedule K-1, Column (b) as follows:

If the percentage in Item B(2) is "100%," the amounts on Lines 1 through 5 and 8, portions of Lines 6 and 10 and the portion of Line 39(b) actually deducted for the current year must be entered on the appropriate lines of Form 740-NP and related schedules.

If the percentage in Item B(2) is less than 100 percent, the amounts on Lines 1 through 5 and 8, portions of Lines 6 and 10 and the portion of line 39(b) actually deducted for the current year must be multiplied by this percentage and entered on the appropriate lines of Form 740-NP and related schedules. Amounts on Line 11(a) and the portions of Lines 6 and 10 which pass through to Schedule A (Form 740-NP) should not be multiplied by the

percentage in Item B(2) since these amounts will be multiplied by the percentage on Form 740-NP, Section D, Line 36 (Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income).

Refer to specific instructions below and federal Shareholder's Instructions for Schedule K-1 (Form 1120S).

Lines 1 through 3—Enter on federal Schedule E using Kentucky amounts or on Form 8582-K, if applicable.

Line 4(a)—Enter on Form 740-NP, Section D, Line 3.

Line 4(b)—Enter on Form 740-NP, Section D, Line 4.

Line 4(c)—Enter on federal Schedule E using Kentucky amounts.

Lines 4(d) and (e)—Enter on federal Schedule D using Kentucky amounts or Form 8582-K, if applicable.

Line 4(f)—Enter on applicable lines of your return (see federal Shareholder's Instructions for Schedule K-1 (Form 1120S)).

Line 5—Enter on federal Form 4797.

Line 6—Enter on applicable lines of your return (see federal Shareholder's Instructions for Schedule K-1 (Form 1120S)).

Line 7—Enter on Schedule A, Form 740-NP.

Line 8—Enter on federal Schedule E using Kentucky amounts.

Line 9—Enter on Schedule A, Form 740-NP.

Line 10—Enter on Schedule A, Form 740-NP.

For All Shareholders

Lines 11 and 39 through 45—See federal Shareholder's Instructions for Lines 12, 16 and 17, Schedule K-1 (Form 1120S).

Individual Partners—Enter the net distributive share income from Kentucky Schedule K-1 (Form 720S), Lines 1 through 5, 8 and portions of Lines 6 and 10 (multiplied by the percentage in Item B(2) for **nonresident** individual partners) on Line 2 of the Kentucky Limited Liability Tax Credit Worksheet (located in Form 740, Form 740-NP or Form 741 instructions under Business Incentives and Other Tax Credits). If net distributive share income includes losses subject to passive activity or capital loss limitations, net distributive share income must be adjusted to include only amounts allowed to be deducted on the applicable Kentucky tax return.

Enter the amount from Line 54 on Line 7 of the Kentucky Limited Liability Tax Credit Worksheet.

Estates and Trusts (Form 741 Filers)—Estates or trusts report the amounts shown in Column (b) on Form 741, Kentucky Fiduciary Income Tax Return, and related schedules. See federal Shareholder's Instructions for Schedule K-1 (Form 1120S).