

SCHEDULE FON-SP

41A720-S57 (10-15)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____/____
Mo. Yr.

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

KRS 141.410 to 141.414

➤ See instructions.

➤ Attach to Form 720S, 765 or 765-GP.

Name of Pass-through Entity	Federal Identification Number _____	Kentucky Corporation/LLET Account Number _____
Location of Project	Activation Date of FON Incentive Agreement ____/____/____ Mo. Day Yr.	Farming Operation Networking Project Number
City _____ County _____		

PART I—Computation of FON Tax Credit and Tax Due

1. Kentucky taxable income on FON project (see instructions)	1		00
2. Net operating loss deduction on FON project	2	()	00
3. Kentucky taxable income on FON project after net operating loss deduction (line 1 less line 2)	3		00
4. Income tax on amount from line 3:			
Taxable Net Income	Rate	Tax	
(a) First \$3,000	x 2%	_____	00
(b) Next \$1,000	x 3%	_____	00
(c) Next \$1,000	x 4%	_____	00
(d) Next \$3,000	x 5%	_____	00
(e) Over \$8,000 up to \$75,000	x 5.8%	_____	00
(f) Over \$75,000	x 6%	_____	00
(g) Total income tax liability of FON project (add lines 4(a) through 4(f))	4(g)		00
5. LLET on FON project (see instructions). Not applicable for Form 765-GP	5		00
6. LLET credit allowed (line 5 less \$175, but not more than line 4(g)). Not applicable for Form 765-GP	6		00
7. Total tax on FON project (lines 4(g) and 5 less line 6)	7		00
8. Limitation (Column D from Schedule FON-T)	8		00
9. Enter the lesser of line 7 or line 8 as the FON tax credit	9		00
10. If line 7 is larger than line 9, enter difference here as a liability of the pass-through entity. (Any pass-through entity reflecting a tax liability, complete Tax Payment Summary below and remit payment.)	10		00

PART II—Certification

I, the undersigned, declare under the penalties of perjury, that I have examined this schedule, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

➤ _____
Signature of Shareholder, Partner or Member Date

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

Tax _____ Interest _____ Penalty _____ **TOTAL** _____

INSTRUCTIONS – SCHEDULE FON-SP

PURPOSE OF SCHEDULE—This schedule is used by a pass-through entity which has a farm operation networking project (FON) approved by the Cabinet for Economic Development as provided by KRS 141.410 to 141.414, to determine the credit allowed against the Kentucky income tax and LLET attributable to the project in accordance with KRS 141.412. The annual tax credit shall be available for the first five (5) years that the farming operation is involved in the networking project. The annual tax credit shall be equal to the approved costs incurred by the qualified farming operation during the tax year and shall not exceed the income, Kentucky gross profits or Kentucky gross receipts, as the case may be, of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project.

KRS 141.414(3) provides that the net income subject to tax and the tax credit determined under KRS 141.414(2) shall be excluded in determining each partner's, member's, shareholder's or beneficiary's distributive share of net income or credit of the pass-through entity or trust.

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

Multiple Projects—A pass-through entity with multiple farming operation networking projects must complete an applicable Schedule FON-SP to determine the credit and net tax liability, if any, for each project.

Line 1—If the pass-through entity's only operation is the FON project, the amount entered on Line 1 is the net income (loss) from Form 720S, 765 or 765-GP. If the pass-through entity has operations other than the FON project, a schedule must be attached reflecting the computation of the net income (loss) from the FON project in accordance with the following instructions, and such amount entered on Line 1.

Separate Operation—In accordance with KRS 141.414(4), if the project is a separate operation, net income, Kentucky gross receipts, and Kentucky gross profits attributable to the project shall be determined by a separate accounting method.

Expansion of Existing Operation—In accordance with KRS 141.414(5), if the FON project is an expansion to a previously existing operation, the net income, Kentucky gross receipts and Kentucky gross profits shall be determined under a

separate accounting method reflecting the entire operation, and the net income, Kentucky gross receipts and Kentucky gross profits shall be determined by apportioning the net income, Kentucky gross receipts and Kentucky gross profits of the entire operation to the farming operation networking project by a formula approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the percentage must be attached to the schedule.**

Alternative Methods—In accordance with KRS 141.414(6), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use a separate accounting method to determine the net income, Kentucky gross receipts and Kentucky gross profits from the operation at which the economic development project is located, the approved company shall use an alternative method approved by the Department of Revenue. **A copy of the letter from the Department of Revenue approving the alternative method must be attached to this schedule.**

Separate Accounting—If the farming operation networking project is a separate operation, net income shall reflect only the gross income, deductions, expenses, gains and losses allowed under this chapter directly attributable to the operation and overhead expenses apportioned to the operation; and Kentucky gross receipts or Kentucky gross profits shall reflect only Kentucky gross receipts or Kentucky gross profits directly attributable to the operation.

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

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

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

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

Line 5—Using Schedule LLET, create a new Schedule LLET to compute the LLET of the FON project using only the Kentucky gross receipts and Kentucky gross profits of the project. Enter "FON" at the top center of the Schedule LLET and attach it to the tax return.