

INSTRUCTIONS FOR FILING ENERGY EXEMPTION ANNUAL RETURN

GENERAL INFORMATION

The Kentucky sales and use tax law exempts from tax the sale, use, storage or other consumption of all energy or energy-producing fuels used in the course of manufacturing, processing, mining or refining, to the extent that the cost of the energy or energy-producing fuel exceeds 3 percent of the cost of production (KRS 139.480(3)). The cost of production must be computed on the basis of plant facilities. The term “plant facilities” means all permanent structures affixed to real property at one location.

Regulation 103 KAR 30:140 provides that taxpayers entitled to this exemption are to obtain an energy direct pay authorization from the Department of Revenue.

All energy direct pay authorization holders must file an energy exemption annual return within four months following the end of their calendar or fiscal year.

PART I—COMPUTATION TO DETERMINE ELIGIBILITY FOR ENERGY EXEMPTION

Attach a schedule listing each supplier of energy or energy-producing fuel and the total cost of such energy from each supplier.

Enter on Line 4 the actual cost of production. **Attach a schedule showing the account classification and amount of all costs included in computing cost of production.** Do not include the cost of energy or energy-producing fuels used in production. Include all other costs of production. Such costs consist of direct materials, direct labor and all overhead expenses which relate to production. (Refer to Regulation 103 KAR 30:140 for additional information regarding the computation of the cost of production.)

If the amount on Line 3 exceeds 3 percent of the actual cost of production as computed on Line 5, complete the remaining portions of the return.

If the amount on Line 3 is less than the amount on Line 5, you are not eligible for an energy exemption; the total amount of energy purchased during the year is subject to tax. It is therefore not necessary to compute Parts II and III of the return. Prepare and

attach a separate schedule showing the tax due based on the total amount of energy purchased, without application of tax.

Failure to prove eligibility under Part I automatically withdraws the privilege extended in the letter of energy direct pay authorization issued by the department. Return the energy direct pay authorization with the energy exemption annual return and the required schedules.

PART II—RECONCILIATION OF ESTIMATED TAX AND ACTUAL TAX

Line 6—Enter the amount of estimated tax paid on the monthly sales and use tax returns. Attach a schedule showing a breakdown of the amount of energy reported for taxation on Line 23b of each monthly sales and use tax return filed for this period. (If tax on energy or energy-producing fuel used in production was paid to your supplier prior to the issuance of the energy direct pay authorization and was not refunded to you by the supplier, such tax should also be included on Line 6. Attach a schedule showing the name of each supplier and the amount of tax paid and include copies of the invoices showing tax paid to the supplier.)

Line 7(a)—Compensation is computed at the rate of 1 3/4 percent of the first \$1,000 of tax shown on Part II, Line 7, and 1.5 percent of the tax in excess of \$1,000. Deduct only if return and payment are timely. **(Compensation shall not exceed \$50.)**

PART III—COMPUTATION OF ESTIMATED AMOUNT OF ENERGY OR ENERGY-PRODUCING FUEL SUBJECT TO TAX

The estimated tax to be paid during the current year will be based on the cost of production for the immediately preceding year. (If the operations for the current year are materially changed, an estimated tax based on an estimated cost of production may be approved. If the prior year’s cost of production is not used in determining the estimated tax, submit schedule and explanation of the estimated cost of production.)

Enter taxable amounts reported for the months of the current year prior to the completion of this return on Line 5 and deduct from the estimated amount subject to tax for the current year. Divide remaining balance by the number of months for which monthly returns have not yet been filed in order to determine the amount to be reported for each subsequent month in the current year.

ESTIMATED TAX
 PAID ON MONTHLY RETURNS

SCHEDULE OF ENERGY REPORTED ON
 MONTHLY SALES AND USE TAX RETURNS

<u>MONTH</u>	<u>TOTAL AMOUNT ON LINE 23 OF MONTHLY RETURN</u>	<u>AMOUNT OF ENERGY INCLUDED IN LINE 23</u>
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

- 1. Total amount subject to tax. \$ _____
- 2. Tax on energy or energy producing fuels (6% of Line 1). \$ _____*

*Report this amount plus sales tax paid on energy invoices on Part II, Line 6 of Form 51A129