

FORM **461-K**

Commonwealth of Kentucky
Department of Revenue



2502050003

KENTUCKY
LIMITATION ON BUSINESS LOSSES
➤ **Enclose with Form 740 or 740-NP**

2025

Enter name(s) as shown on Form 740 or 740-NP, page 1.

Your Social Security Number

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Part I—Total Income/Loss Items—Enter income/loss modified for Kentucky/federal differences

1	RESERVED	1	
2	740 Filers enter amount from Schedule 1 (Form 1040), line 3 or 740-NP Filers enter from Form 740-NP, page 4, line 7, Column B	2	
3	740 Filers enter amount from Form 1040 or 1040-SR, line 7 or 740-NP Filers enter from Form 740-NP, page 4, line 8, Column B	3	
4	740 Filers enter amount from Schedule 1 (Form 1040), line 4 or 740-NP Filers enter from Form 740-NP, page 4, line 9, Column B	4	
5	740 Filers enter amount from Schedule 1 (Form 1040), line 5 or 740-NP Filers enter from Form 740-NP, page 4, line 11, Column B	5	
6	740 Filers enter amount from Schedule 1 (Form 1040), line 6 or 740-NP Filers enter from Form 740-NP, page 4, line 12, Column B	6	
7	RESERVED	7	
8	Enter other income, gain, or losses from a trade or business not reported on lines 1 through 7	8	
9	Combine lines 1 through 8	9	

Part II—Adjustments for Amounts Not Attributable to Trade or Business

10	Enter any income or gain reported on lines 1 through 8 that is not attributable to a trade or business	10	
11	Enter any losses or deductions reported on lines 1 through 8 that are not attributable to a trade or business. (See instructions)	11	
12	Subtract line 11 from line 10	12	

Part III—Limitation on Losses

13	If line 12 is a negative number, enter it here as a positive number. If line 12 is a positive number, enter it here as a negative number	13	
14	Add lines 9 and 13	14	
15	Enter \$313,000 (or \$626,000 for married taxpayers filing jointly or married filing separately on a combined return)	15	
16	Add lines 14 and 15. If less than zero, enter the amount from line 16 as a positive number on Form 740, Schedule M, line 5 or Form 740-NP, page 4, line 16, Column B	16	

Purpose of Schedule—Form 461-K is used to calculate excess business loss. Excess business loss is the amount of the total deductions from your trade or business that exceeds your total gross income or gains, plus the threshold amount. The threshold amount for 2025 is \$313,000 (\$626,000 for married taxpayers filing jointly or married filing separately on a combined return). Form 461-K should be used if you are an individual taxpayer and your net losses from your trades or businesses are more than \$313,000 (\$626,000 for married taxpayers filing jointly or married filing separately on a combined return).

PART I—TOTAL INCOME/LOSS ITEMS

Use Part I to report all Kentucky income and losses. For full year Kentucky residents, enter the amount from the federal return modified for Kentucky/federal differences adjusted. For nonresidents or part-year residents, enter the amounts from the applicable lines on the 740-NP.

Line 1—RESERVED

Line 2—740 Filers enter any business income or loss reported on Schedule 1 (Form 1040) line 3, or Form 1041, line 3 modified for any Kentucky/federal differences. **740-NP Filers** enter amount from 740-NP, page 4, line 7, Column B.

Lines 3—740 Filers enter any capital gains or losses reported on Form 1040 or 1040-SR, line 7; Form 1040-NR, line 7; or Form 1041, line 4 modified for any Kentucky/federal differences. **740-NP Filers** enter amount from 740-NP, page 4, line 8, Column B.

Line 4—740 Filers enter any other gains or losses reported on Schedule 1 (Form 1040), line 4, or Form 1041, line 7 modified for any Kentucky/federal differences. **740-NP Filers** enter amount from 740-NP, page 4, line 9, Column B.

Line 5—740 Filers enter any supplemental income or loss reported on Schedule E, such as income from rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc. This is reported on Schedule 1 (Form 1040), line 5, or Form 1041, line 5 modified for any Kentucky/federal differences. **740-NP Filers** enter amount from 740-NP, page 4, line 11, Column B.

Line 6—740 Filers enter any farm income or loss reported on Schedule 1 (Form 1040), line 6, or Form 1041, line 6 modified for any Kentucky/federal differences. **740-NP Filers** enter amount from 740-NP, page 4, line 12, Column B.

Line 7—RESERVED

Line 8—740 Filers enter any other trade or business income, gain or loss not reported on lines 1 through 7 that you reported on your tax return modified for Kentucky/federal differences.

Line 9—Add lines 1 through 8 and enter on line 9. The resulting figure can be a positive or negative number.

PART II—Adjustment for Amounts not Attributable to Trade or Business

Use Part II to report the income, gain, or loss from your tax return that's not from a trade or business.

Line 10—Enter the combined amount of income or gain you reported on lines 1 through 8 above that is not from a trade or business.

Line 11—Enter the combined amount of losses or deductions you reported on lines 1 through 8 above that is not from a trade or business. See the definition for trade or business below. Enter as a positive number.

Trade or business—An activity qualifies as a trade or business if your primary purpose for engaging in the activity is for income or profit and you're involved in the activity with continuity and regularity. The facts and circumstances of each case determine if an activity is a trade or business. The regularity of activities and transactions and the production of income are important elements. You don't need to actually make a profit to be in a trade or business as long as you have a profit motive. However, you do need to make ongoing efforts to further the interests of your business.

Line 12—Subtract line 11 from line 10. The resulting figure is your gain or loss that is not from a trade or business. Use this amount in Part III to figure your excess business loss.

Part III—Limitation on Losses

Use Part III to apply the threshold limitation and figure the excess business loss.

Line 14—Add lines 9 and 13. The resulting figure can be a positive or negative number.

Line 16—If the resulting figure on this line is a negative amount, then it is your excess business loss. Although it is a loss, you will report the excess business loss adjustment as a positive number. 740 Filers will enter this amount on Schedule M, line 5 and 740-NP filers will enter this amount on the 740-NP, page 4, line 16. Enter as excess business loss.

Your excess business loss from each year will be treated as a net operating loss carryover. This amount will be entered on the Schedule KNOL.