



2503490003

2025

Enter name(s) as shown on tax return.

Your Social Security Number

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SECTION A—BUSINESS INCENTIVES AND OTHER TAX CREDITS

A	B Preapproval Required	C Credit Name	D Required Attachment	E Spouse		F Yourself	
1	No	Nonrefundable Limited Liability Entity	Kentucky Limited Liability Entity Tax Credit Worksheet C/Schedule K-1		00		00
2	Yes	Kentucky Small Business	Schedule K-1		00		00
3	Yes	Kentucky Selling Farmers	Schedule K-1		00		00
4	Yes	Skills Training Investment	Schedule K-1		00		00
5	Yes	Certified Rehabilitation	Certification Copies		00		00
6	No	Tax Paid to Another State	Copy(ies) of Other State(s) return or Worksheet A		00		00
7	No	Unemployment	Schedule UTC		00		00
8	Yes	Recycling/Composting Equipment	Schedule RC		00		00
9	Yes	Kentucky Investment Fund	KEDFA notification		00		00
10	No	Qualified Research Facility	Schedule QR		00		00
11	No	GED Incentive	Form DAEL-31		00		00
12	Yes	Voluntary Environmental Remediation	Schedule VERB		00		00
13	Yes	Biodiesel	Schedule BIO		00		00
14	Yes	Clean Coal Incentive	Schedule CCI		00		00
15	Yes	Ethanol	Schedule ETH		00		00
16	Yes	Cellulosic Ethanol	Schedule CELL		00		00
17	No	Railroad Maintenance & Improvement	Schedule RR-I		00		00
18	Yes	Endow Kentucky	Schedule ENDOW		00		00
19	Yes	New Markets Development Program	Form 8874(K)-A		00		00
20	No	Distilled Spirits	Schedule DS		00		00
21	Yes	Angel Investor	Certification Letter		00		00
22	No	Inventory	Schedule INV and/or Worksheet INV		00		00
23	Yes	Renewable Chemical Production	Schedule CHEM		00		00
24	Yes	Qualified Broadband Investment	Schedule KQBI		00		00
25	Total of Other Tax Credits (add lines 1 through 24). Enter here and on Form 740, page 1, line 15, Columns A and B, or enter combined totals of Columns E and F on Form 740-NP, page 1, line 15, or Form 741, line 18				00		00



SECTION B—PERSONAL TAX CREDITS

Taxpayer

Spouse

Complete only if filing joint or married,
filing separately on a combined return

Enter your date of birth (MM/DD/YYYY)

Enter your date of birth (MM/DD/YYYY)

1 If you were 65 on or before 12/31/2025, enter 40.....	1	
2 If you were legally blind on 12/31/2025, enter 40	2	
3 If you were a member of the Kentucky National Guard on 12/31/2025, enter 20.....	3	
4 Allowable Taxpayer Credit—Add lines 1 through 3.....	4	

5 If you were 65 on or before 12/31/2025, enter 40.....	5	
6 If you were legally blind on 12/31/2025, enter 40	6	
7 If you were a member of the Kentucky National Guard on 12/31/2025, enter 20.....	7	
8 Allowable Spouse Credit—Add lines 5 through 7	8	

Assignment of Personal Tax Credits

- 9 For filing status **Single or Married, filing separate returns**, enter the amount from line 4 here and in Column B of Form 740, line 17 or Form 740-NP, line 17 (Not to exceed 100)
- 10 For filing status **Married, filing separately on this combined return**, enter the amount from line 4 here and in column B of Form 740, line 17 (Not to exceed 100)
- 11 For filing status **Married, filing separately on this combined return**, enter the amount from line 8 here and in column A of Form 740, line 17. (Not to exceed 100).....
- 12 For filing status **Married, filing jointly**, add line 4 and line 8 and enter here and in Column B of Form 740, line 17 or Form 740-NP, line 17. (Not to exceed 200).....

9	
10	
11	
12	

SECTION C—FAMILY SIZE TAX CREDIT

Enter dependents qualifying for family size credit. See instructions to determine family size and your qualifying dependents. Your family size will be used to determine your family size tax credit percentage.

First and Last Name	Dependent's Social Security number	Dependent's relationship to you	Check if qualifying child for family size tax credit
			<input type="checkbox"/>
			<input type="checkbox"/>
			<input type="checkbox"/>

Use this **Family Size Tax Credit Table** to determine the percentage of family size credit. You will need to know your family size and your modified gross income (a worksheet is located within the instructions). You will enter the percentage for the family size tax credit on Form 740 or 740-NP, line 21.

Family Size	One		Two		Three		Four or More		Credit Percentage is
	is over	is not over	is over	is not over	is over	is not over	is over	is not over	
Tax Year 2025	\$ ---	\$ 15,650	\$ ---	\$21,150	\$ ---	\$26,650	\$ ---	\$32,150	100
	15,650	16,276	21,150	21,996	26,650	27,716	32,150	33,436	90
	16,276	16,902	21,996	22,842	27,716	28,782	33,436	34,722	80
	16,902	17,528	22,842	23,688	28,782	29,848	34,722	36,008	70
	17,528	18,154	23,688	24,534	29,848	30,914	36,008	37,294	60
	18,154	18,780	24,534	25,380	30,914	31,980	37,294	38,580	50
	18,780	19,406	25,380	26,226	31,980	33,046	38,580	39,866	40
	19,406	19,876	26,226	26,861	33,046	33,846	39,866	40,831	30
	19,876	20,345	26,861	27,495	33,846	34,645	40,831	41,795	20
	20,345	20,815	27,495	28,130	34,645	35,445	41,795	42,760	10
	20,815	---	28,130	---	35,445	---	42,760	---	0

Multiply tax from Form 740 or 740-NP, line 19, by the applicable family size tax credit percentage and enter on Form 740 or 740-NP line 21. This is your **Family Size Tax Credit**.

You must file Schedule ITC if you have:

- nonrefundable business incentive credits
- Personal tax credits (65 or over, blind or in Kentucky National Guard)
- qualifying dependent children and are claiming the Family Size tax credit.

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Line 1, Nonrefundable Limited Liability Entity Tax Credit (KRS 141.0401(2))

An individual that is a partner, member, or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by KRS 141.020 equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by KRS 141.0401(2), after the LLET is reduced by the minimum tax of \$175 and by other tax credits which the limited liability pass-through entity may be allowed. The credit allows an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by KRS 141.0401(3)(b). Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

Nonrefundable Kentucky limited liability entity tax credit (KRS 141.0401(2))—The credit amount is shown on Kentucky Schedule(s) K-1 from pass-through entities (PTEs) or Form(s) 725 for single member limited liability companies. **Copies of Kentucky Schedule(s) K-1 or Form(s) 725 must be enclosed with your return.**

Kentucky Limited Liability Entity Tax Credit Worksheet Worksheet C

Complete a separate worksheet for each LLE. Retain for your records.

Name _____

Address _____

FEIN _____

Percentage of Ownership _____ %

1. Enter Kentucky taxable income from Form 740, line 11 or 740-NP, line 13.... _____
2. Enter LLE income **as shown on Kentucky Schedule K-1 or Form 725** _____
3. Subtract line 2 from line 1 and enter total here _____
4. Enter Kentucky tax on income amount on line 1..... _____
5. Enter Kentucky tax on income amount on line 3..... _____

6. Subtract line 5 from line 4. If line 5 is larger than line 4, enter zero.
This is your tax savings if income is ignored..... _____
7. Enter nonrefundable limited liability entity tax credit **(from Kentucky Schedule K-1 or Form 725)** _____
8. Enter the lesser of line 6 or line 7.
This is your credit. Enter here and on Schedule ITC, Section A, line 1 _____

Line 2, Kentucky Small Business Tax Credit—For taxable years beginning after December 31, 2010, a small business may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after December 31, 2010. The definition of base year for purposes of the credit computation was changed to the first full year of operation that begins on or after January 1, 2009 and before January 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year and the amount of credit for which the small business is approved.

A small business that is a pass-through entity not subject to the tax imposed by KRS 141.040 and that has tax credits approved under Subchapter 60 of KRS Chapter 154 shall apply the credits against the limited liability entity tax imposed by KRS 141.0401, and shall also distribute the amount of the approved tax credits to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of income as determined for the year during which the tax credits are approved.

The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority shall be capped at three million dollars (\$3,000,000). The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars (\$25,000). The credit shall be claimed on the tax return for the year during which the credit was approved.

Unused credits may be carried forward for up to five (5) years.

Line 3, Kentucky Selling Farmers Tax Credit—For taxable years beginning January 1, 2020, a selling farmer may be eligible for a nonrefundable credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401.

The small business development credit program authorized by KRS 154.60-020 and KRS 141.384 was amended to allow the credit to apply to taxable years beginning after December 31, 2010. The definition of base year for purposes of the credit computation was changed to the first full year of operation that begins on or after January 1, 2009 and before January 1, 2010.

Small businesses are eligible to apply for credits and receive final approval for these credits one (1) year after the small business:

- Creates and fills one (1) or more eligible positions over the base employment, and that position or positions are created and filled for twelve (12) months; and
- Invests five thousand dollars (\$5,000) or more in qualifying equipment or technology.

The small business shall submit all information necessary to the Kentucky Economic Development Finance Authority to determine credit eligibility for each year and the amount of credit for which the small business is approved.

A selling farmer that is a pass-through entity not subject to the tax imposed by KRS 141.040 and that has tax credits approved under Subchapter 60 of KRS Chapter 154 shall apply the credits against the limited liability entity tax imposed by KRS 141.0401, and shall also distribute the amount of the approved tax credits to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of income as determined for the year during which the tax credits are approved.

The maximum amount of selling farmers credit for each year shall not exceed twenty-five thousand dollars (\$25,000) and cannot exceed \$100,000 over the lifetime of the selling farmers credit. The credit shall be claimed on the tax return for the year during which the credit was approved.

Unused credits may be carried forward for up to five (5) years.

Line 4, Skills Training Investment Tax Credit—Enter the amount of credit certified by the Bluegrass State Skills Corporation. A copy of the Kentucky Schedule K-1 for the year the credit was approved must be enclosed with the return in the first year the credit is claimed. The excess credit over the income tax liability in the year approved may be carried forward for three successive taxable years. For information regarding the application and approval process for this credit, contact the Cabinet for Economic Development, Bluegrass State Skills Corporation at (502) 564-2021.

Line 5, Nonrefundable Certified Rehabilitation Credit—This credit is available to owner-occupied residential and commercial preservation projects for structures that are listed in the National Register of Historic Places, or in a National Register historic district, up to \$3 million annually. The credit is 30 percent of certified rehabilitation expenses for owner-occupied residential

properties, not to exceed \$60,000 per project, and 20 percent for commercial and income-producing properties. To qualify, an owner must spend at least \$20,000 on rehabilitation.

Individuals or businesses can apply the credit against their state income tax liability, carry the credit forward up to seven years or transfer it to a banking institution to leverage financing. For applications submitted on or after **April 30, 2010**, the credit shall be refundable if the taxpayer makes an election under KRS 171.397(2)(b). For more information regarding this credit, visit the Kentucky Heritage Council's website at www.heritage.ky.gov, or call (502) 564-7005.

Line 6, Credit for Tax Paid to Another State—Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, a credit for income tax paid to another state may be claimed. The credit is **limited** to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of tax paid to the other state, **whichever is less**. As per KRS 141.070(3) "state" means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States.

Any resident entity owner of an electing entity, as those terms are defined in KRS 141.209, doing business in another state in which the tax is assessed and paid at the entity level shall be allowed a credit. The credit shall be based on the entity owner's distributive share of the electing entity's items of income, loss, deduction, and credit.

You may not claim credit for tax withheld by another state. You must file a return with the other state and pay tax on income also taxed by Kentucky in order to claim the credit. A copy of the other state's return including a schedule of income sources must be enclosed to verify this credit. **If you owe tax in more than one state, the credit for each state must be computed separately.**

Reciprocal States—Kentucky has reciprocal agreements with specific states. These agreements provide for taxpayers to be taxed by their state of residence, and not the state where income is earned. Persons who live in Kentucky for more than 183 days during the tax year are considered residents and reciprocity does not apply. The states and types of exemptions are as follows:

Illinois, West Virginia—wages and salaries

Indiana—wages, salaries and commissions

Michigan, Wisconsin—income from personal services (including salaries and wages)

Ohio—wages and salaries. **Note:** Wages which an S corporation pays to a shareholder-employee if the shareholder-employee is a "twenty (20) percent or greater" direct or indirect equity investor in the S corporation shall not be exempt under the reciprocity agreement.

Virginia—commuting daily, salaries and wages

Kentucky does not allow a credit for tax paid to a reciprocal state on the above income. If tax was withheld by a reciprocal state, you must file directly with the other state for a refund of those taxes.

Credit for Taxes Paid to Other State Worksheet**Worksheet A**

Kentucky residents/part-year residents only. Complete a separate worksheet for each state.



TIP—Credit for taxes paid to another state may be reduced or eliminated if gambling losses are claimed on Schedule A.

Name of other state.....

1. List Kentucky taxable income from Form 740, line 11 or 740-NP, line 13 _____
2. List any gambling losses from Schedule A..... _____
3. Add lines 1 and 2 and enter total here _____
4. List income reported to other state included on Kentucky return _____
5. Subtract line 4 from line 3 and enter total here _____
6. Adjusted gambling losses. Compute gambling losses allowed on Kentucky return if income from other state is ignored..... _____
7. Subtract line 6 from line 5 and enter total here _____
8. Enter Kentucky tax on income amount on line 7..... _____
9. Enter Kentucky tax on income amount on line 1..... _____
10. Subtract line 8 from line 9. This is the tax savings on return if other state's income is ignored _____
11. Enter tax paid to other state on income claimed on Kentucky return _____
12. Enter the lesser of line 10 or line 11. This is your credit for tax paid to other state. Carry this total to Schedule ITC, Section A, line 6..... _____

Line 7, Employer's Unemployment Tax Credit—If you hired unemployed Kentucky residents to work for you during the last six months of 2024 or during 2025, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of \$100. The period of unemployment must be certified by the Office of Employment and Training, Education Cabinet, 275 East Main Street, 2-WA, Frankfort, KY 40621-0001, and you must maintain a copy of the certification in your files. A copy of Schedule UTC must be enclosed with your return.

Line 8, Recycling and/or Composting Tax Credit—Individuals who purchase recycling or composting equipment to be used exclusively in Kentucky for recycling or composting postconsumer waste materials, are entitled to a credit against the tax equal to 50 percent of the installed cost of the equipment pursuant to KRS 141.390. Application for this credit must be made on Schedule RC, which may be obtained from the Department of Revenue. A copy of Schedule RC and/or Schedule K-1 reflecting the amount of credit approved by the Department of Revenue must be enclosed with the return.

Line 9, Kentucky Investment Fund Tax Credit—Limits on Kentucky Investment Fund Act (KIFA) Credits—An investor whose cash contribution to an investment fund has been certified by the Kentucky Economic Development Finance Authority (KEDFA) is entitled to a nonrefundable credit against Kentucky income tax equal to 40 percent of the cash contribution. For investments before July 1, 2002, the amount of credit that may be claimed in any given year is limited to 25 percent of the total amount certified by the Kentucky Economic Development Finance Authority (KEDFA). For investments after June 30, 2002, the credit is claimed on the tax return filed for the tax year following the year in which the credit is granted and is limited in any tax year to 50 percent of the initial aggregate credit apportioned to the investor. Enclose a copy of the certification by KEDFA in the first year claimed. Any excess credit may be carried forward. No credit may extend beyond 15 years of the initial certification.

Line 10, Qualified Research Facility Tax Credit—A nonrefundable credit is allowed against individual and corporation income taxes equal to 5 percent of the cost of constructing and equipping new facilities or expanding or remodeling existing facilities in Kentucky for qualified research. "Qualified research" is defined to mean qualified research as defined in Section 41 of the IRC. Any unused credit may be carried forward 10 years. Complete and enclose Schedule QR, Qualified Research Facility Tax Credit.

Line 11, Employer GED Incentive Tax Credit—KRS Chapter 164.0062 provides a nonrefundable income tax credit for employers who assist employees in completing a learning contract in which the employee agrees to obtain his or her high school equivalency diploma. The employer shall complete the lower portion of the GED-Incentive Program Final Report (Form DAEL-31) and enclose a copy to the return to claim this credit. Shareholders and partners should enclose a copy of Schedule K-1 showing the amount of credit distributed. For information regarding the program, contact the Education Cabinet, Kentucky Adult Education, Council on Postsecondary Education.

Line 12, Voluntary Environmental Remediation Credit—This line should be completed only if the taxpayers have an agreed order with the Environmental and Public Protection Cabinet under the provisions of KRS 224.1-400 or 405 and have been approved for the credit by the Department of Revenue. Maximum credit allowed to be claimed per taxable year is 25 percent of approved credit. For more information regarding credit for voluntary environmental remediation property, contact the Environmental and Public Protection Cabinet at (502) 564-3350. To claim this credit, Schedule VERB must be enclosed.

Line 13, Biodiesel and Renewable Diesel Credit—Producers and blenders of biodiesel and producers of renewable diesel are entitled to a tax credit against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The taxpayer must file a claim for biodiesel and renewable diesel credit with the Department of Revenue by January 15 each year for biodiesel produced or blended and the renewable diesel produced in the previous calendar year. The department shall issue a credit certification to the taxpayer by April 15. The credit certification must be enclosed with the tax return claiming this credit.

Line 14, Clean Coal Incentive Tax Credit—A nonrefundable, nontransferable credit against taxes imposed by KRS 136.120, KRS 141.020, KRS 141.040 or KRS 141.0401 shall be allowed for a clean coal facility. As provided by KRS 141.428, a clean coal facility means an electric generation facility beginning commercial operation on or after January 1, 2005, at a cost greater than \$150 million that is located in the Commonwealth of Kentucky and is certified by the Environmental and Public Protection Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies. The amount of the credit shall be two dollars (\$2) per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility.

Line 15, Ethanol Tax Credit—An ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per ethanol gallon produced, unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining ethanol credit shall be disallowed and shall not be carried forward to the next year. "Ethanol producer" is defined as an entity that uses corn, soybeans, or wheat to manufacture ethanol at a location in this Commonwealth.

Line 16, Cellulosic Ethanol Tax Credit—A cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department. The credit rate shall be one dollar (\$1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers. The credit allowed shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. Any remaining cellulosic ethanol credit shall be disallowed and shall not be carried forward to the next year. "Cellulosic ethanol producer" is defined as an entity that uses cellulosic biomass materials to manufacture cellulosic ethanol at a location in this Commonwealth.

Line 17, Railroad Maintenance and Improvement Credit—The railroad maintenance and improvement credit provided by KRS

141.385 is a nonrefundable credit that can be applied against the taxes imposed by KRS 141.020, KRS 141.040 and KRS 141.0401. The tax credit shall be used in the tax year of the qualified expenditures which generated the tax credit and cannot be carried forward to a return for any other period.

An *eligible taxpayer* means the owner of a Class II or Class III railroad located in Kentucky, the transporter of property using the rail facilities of a Class II or III railroad in Kentucky, or any person that furnishes railroad-related property or services to a Class II or Class III railroad located in Kentucky. A copy of Schedule RR-I must be enclosed with your return.

Line 18, Endow Kentucky Credit—Effective for taxable years beginning on or after January 1, 2011, the Endow Kentucky Tax Credit was created to encourage donations to community foundations across the Commonwealth. KRS 141.438 was created to allow a nonrefundable income tax and limited liability entity tax credit of 20 percent of the value of the endowment gift, not to exceed \$10,000. You may need to reduce your Schedule A contribution by the amount of the ENDOW credit. See instructions for Schedule A.

A taxpayer shall enclose a copy of the approved Schedule ENDOW to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401.

A partner, member or shareholder of a pass-through entity shall enclose a copy of Schedule K-1, Form PTE to the partner's, member's or shareholder's tax return each year to claim the tax credit.

Unused credit may be carried forward for use in a subsequent taxable year, for a period not to exceed five years.

Line 19, New Markets Development Program Tax Credit—A taxpayer that makes a qualified equity investment in a qualified community development entity may be eligible for a credit that may be taken against the corporation income tax, individual income tax, insurance premiums taxes and limited liability entity tax. The qualified community development entity must first submit an application to the Department of Revenue for approval. The person or entity actually making the loan or making the equity investment will be able to claim a credit, subject to a \$10 million credit cap each fiscal year, by completing Form 8874(K)-A.

Line 20, Distilled Spirits Credit—Nonrefundable and nontransferable distilled spirits ad valorem tax credit may be claimed by income taxpayers who pay Kentucky property tax on distilled spirits. If the taxpayer is a pass-through entity, such as a partnership or limited liability company classified as a partnership for Kentucky income tax purposes, the taxpayer may apply the credit against the LLET and pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through. For taxable years beginning on or after January 1, 2019, the distilled spirits credit is equal to one-hundred percent (100%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis. For more information, see KRS 141.389.

Line 21, Angel Investor Credit—Effective for taxable years beginning on or after January 1, 2015, a nonrefundable personal income tax credit is available under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies.

The maximum amount of credit that may be claimed by a taxpayer in any taxable year shall not exceed fifty percent (50%) of the total amount of credit awarded or transferred to the taxpayer.

Any amount of credit that a taxpayer is unable to utilize during a taxable year may be carried forward for use in a succeeding taxable year for a period not to exceed fifteen (15) years. Any amount of credit not used within fifteen (15) years shall be lost. No amount of credit may be carried back by any taxpayer. For more information, see KRS 141.396.

Line 22, Inventory Tax Credit—For taxable years beginning on or after January 1, 2018, a nonrefundable and nontransferable income tax credit is allowed against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 for ad valorem (property) taxes timely paid on inventory. This credit is phased in as follows: 25% in 2018; 50% in 2019; 75% in 2020; 100% in 2021 and thereafter. KRS 141.408

Complete a separate Kentucky Inventory Tax Credit Worksheet (Worksheet INV) for each entity that is passing through the inventory tax credit via a Schedule K-1. A Worksheet INV is not required when a Schedule INV is attached. NOTE: A Schedule INV and Worksheet INV should not be submitted for the same entity.

Kentucky Inventory Tax Credit Worksheet

Worksheet INV

Complete a separate worksheet for each entity. Retain for your records.

Name of Entity _____

FEIN _____

Percentage of Ownership %

Distributive Share of Allowable Inventory
Tax Credit %

Line 23, Renewable Chemical Production Tax Credit—For taxable years beginning on or after January 1, 2021, and ending on or before December 31, 2024, a nonrefundable and nontransferable credit allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for taxpayers that produce renewable chemicals. Preliminary approval is obtained through the Department of Agriculture. Schedule CHEM is due to the Department of Revenue by March 1 each year. The Department of Revenue will issue the credit certificate (Schedule CHEM) by April 15 each year. The annual biodiesel, renewable diesel, and renewable chemical production tax credit cap is \$10,000,000 annually. There is a carryforward of three (3) years for any unused credit. The credit certificate must be attached to the tax return claiming the credit per KRS 141.4231 and KRS 246.700(8).

Line 24, Qualified Broadband Investment Tax Credit—For taxable years beginning on or after January 1, 2025, but before January 1, 2029, a nonrefundable and nontransferable credit allowed against the taxes imposed by KRS 141.020 or KRS 141.040 and KRS 141.0401 is available for the expansion of broadband services in Kentucky. The credit application must be submitted to the Department of Revenue by December 31 of the current calendar year. The Department will review and approve the allowable credit amount by February 1. The total amount of Qualified Broadband Investment Tax Credit is capped at \$5 million dollars annually.

SECTION B—PERSONAL TAX CREDITS

Complete this section only if you are 65 or over, blind or in the Kentucky National Guard.

SECTION C—FAMILY SIZE TAX CREDIT

Complete this section if you are: (1) single and have a family size greater than one; (2) married, filing separately on a combined return or married, filing a joint return and have a family size greater than two; or (3) married filing separate returns and have a family size greater than two.

You must enter each dependents' name, Social Security number and relationship that qualify to be included in your family size.

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children.

Family Size 1 is an individual either single, or married living apart from his or her spouse for the entire year. You may qualify for the Family Size Tax Credit even if you are claimed as a dependent on your parent's tax return.

Family Size 2 is an individual with one qualifying child or a married couple.

Family Size 3 is an individual with two qualifying children or a married couple with one qualifying child.

Family Size 4 is an individual with three or more qualifying children or a married couple with two or more qualifying children.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

Relationship—Must be the taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.

Residence—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents.

Age—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.

Support—Did not provide more than one-half of his/her own support for the year.

DETERMINE MODIFIED GROSS INCOME

Use worksheet to compute Modified Gross Income. Modified Gross Income along with your family size will be used to determine your credit percentage on the Family Size Tax Table.

WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT

- | | |
|--|-----------|
| (a) Enter your federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8).
If zero or less, enter zero | (a) _____ |
| (b) If married filing separate returns and living in the same household, enter your spouse's
federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). If zero or
less, enter zero | (b) _____ |
| (c) Enter tax-exempt interest from municipal bonds (non-Kentucky) | (c) _____ |
| (d) Enter amount of lump-sum distributions not included in federal adjusted gross income
(federal Form 4972) | (d) _____ |
| (e) Enter total of lines (a), (b), (c) and (d) | (e) _____ |
| (f) Enter your Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1,
line 9). If zero or less, enter zero | (f) _____ |
| (g) If married filing separate returns and living in the same household, enter your spouse's
Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). If zero
or less, enter zero | (g) _____ |
| (h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky
Form 4972-K) | (h) _____ |
| (i) Enter total of lines (f), (g) and (h) | (i) _____ |
| (j) Enter the greater of line (e) or (i). This is your Modified Gross Income .
Use this amount to determine if you qualify for the Family Size Tax Credit | (j) _____ |

FAMILY SIZE TAX CREDIT TABLE

Once you have determined your family size and your Modified Gross Income, you will use the Family Size table located on the Schedule ITC to determine your family size credit percentage.

Example 1: A taxpayer is filing single, has one qualifying dependent child and their Modified Gross Income is \$22,650. This taxpayer has a family size of two and would be entitled to a family size tax credit of 80% (.80).

Example 2: A taxpayer and spouse are filing married, filing a joint return and they have two qualifying dependent children and their modified gross income is \$33,000. They would have a family size of four and would be entitled to a family size tax credit of 90% (.90).