



Enter name(s) as shown on tax return.

Your Social Security Number

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PART I ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME

- 1 Enter interest income from bonds issued by other states and their political subdivisions.....
- 2 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1.....
- 3 Enter federal depreciation from Form 4562.....
- 4 Enter federal Net Operating Loss.....
- 5 Other additions (list and enter total):
 - a _____
 - b _____
 - c _____
- 6 Total Additions. Enter here and on Form 740, page 1, line 6.....

A. Spouse
(Use if Filing Status 2 is checked.)

B. Yourself
(or Joint)

1		00	1		00
2		00	2		00
3		00	3		00
4		00	4		00
5		00	5		00
6		00	6		00

PART II SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME

- 7 Enter state income tax refund or credit reported as income on federal Form 1040.....
- 8 Enter interest income from U.S. government bonds and securities.....
- 9 Enter excludable amount of retirement income (enclose Schedule P if more than \$31,110 per taxpayer).....
- 10 Enter taxable amount of Social Security and Railroad Retirement Board benefits from federal Form 1040 or 1040-SR, line 6(b).....
- 11 Enter resident adjustment from partnerships, fiduciaries and S corporations, Schedule K-1.....
- 12 Enter Kentucky depreciation from revised Form 4562.....
- 13 Enter Active Duty Military Pay.....
- 14 Other subtractions (list and enter total):
 - a _____
 - b _____
 - c _____
- 15 **Total.** Add line 7 through 14.....
- 16 Enter Kentucky Net Operating Loss Deduction from Schedule KNOL, Part II, Section A, line 8 (enclose Schedule KNOL).....
- 17 **Total Subtractions.** Add lines 15 and 16. Enter here and on Form 740, page 1, line 8.....

7		00	7		00
8		00	8		00
9		00	9		00
10		00	10		00
11		00	11		00
12		00	12		00
13		00	13		00
14		00	14		00
15		00	15		00
16		00	16		00
17		00	17		00

Additions to Federal Adjusted Gross Income

Line 1—Interest on securities issued by other states and their political subdivisions is taxed by Kentucky and must be reported. Also report dividends received from regulated investment companies (mutual funds) that are taxable for Kentucky income tax purposes. **Note:** *Interest from securities of Kentucky and its political subdivisions is exempt.*

Line 2—Enter resident adjustment from Kentucky Schedule K-1. Partners, beneficiaries of estates and trusts and S corporation shareholders, see Kentucky Schedule K-1 instructions.

Line 3—Enter total depreciation from federal Form 4562 if you have elected to take the 30 percent or 50 percent special depreciation allowance or the increased Section 179 deduction for property placed in service after September 10, 2001. See line 12 for additional instructions.

Line 4—Enter federal net operating loss reported on Schedule 1, line 8 of 2025 federal Form 1040 or 1040–SR.

Line 5—Enter other additions to federal adjusted gross income not listed above (enclose detailed schedule).

Include:

- Reservists and National Guard expenses reported on federal Form 1040 or 1040–SR, Schedule 1, line 12;
- the portion of a lump-sum distribution on which you have elected the 20 percent capital gains rate for federal income tax purposes (Schedule P and Form 4972-K required);
- the passive activity loss adjustment (see Form 8582-K and instructions);
- differences in pension (3-year recovery rule) and IRA bases;
- differences in gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993;
- differences in gains (losses) from the sale of depreciable property placed in service after September 10, 2001;
- moving expenses for members of the Armed Forces on federal Form 1040 or 1040–SR, Schedule 1, line 14; and
- Kentucky excess business loss limitation (enclose Form 461-K).

Note: Before entering the difference on line 5 you must take into account any addition or subtraction affecting the at-risk limitations. See instructions for line 14.

Excess Business Loss Limitation—Complete Form 461-K if your net losses from your trades or businesses are more than \$313,000 (\$626,000 for married taxpayer filing jointly or married filing separately on a combined return). Enter amount from Form 461-K, line 16. See form and instructions for additional instructions. Please note this addition as “excess business loss.”

The Kentucky excess business loss will be added to your net operating loss (NOL) carryforward.

Line 6, Total Additions—Add lines 1 through 5. Enter on line 6 and on Form 740, page 1, line 6.

Subtractions from Federal Adjusted Gross Income

Line 7—Enter the amount of taxable state income tax refund or credit **reported on your federal return** and included as income on Form 740, page 1, line 5.

Line 8—Enter interest income from U.S. government bonds and securities. Do not include taxable interest from securities, such as FNMA (Fannie Mae), GNMA (Ginnie Mae) and FHLMC (Freddie Mac), which are merely guaranteed by the U.S. government.

Line 9, Pension Income Exclusion—The 2025 exclusion amount is 100 percent of taxable retirement benefits or \$31,110, whichever is less. All pension and retirement income paid under a written retirement plan (qualified or unqualified) is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, income received from converting a regular IRA to a Roth IRA, death benefits, disability retirement benefits and other similar accounts or plans.

This exclusion is for each taxpayer and must be computed independently of your spouse who may be filing on the same return. A taxpayer and spouse must complete and claim their own exclusion, regardless of filing status. *Joint filers*—Combine the separately computed pension exclusion amounts and enter on Schedule M, Line 9, Column B.

Pension Income Exclusion Worksheet

Step 1.	Column A Spouse	Column B Yourself
(a) Enter taxable pension income reported on your federal Form 1040 or 1040–SR, line 4(b) or 5(b)..... (a)		
(b) Enter disability retirement benefits on Form 1040 or 1040–SR, line 1 (b)		
(c) Enter deferred compensation reported on Form 1040 or 1040–SR, line 1 (c)		
(d) Add lines (a), (b) and (c)..... (d)		
Step 2. Line (d) is \$31,110 or less. Enter the amount from line (d) on Schedule M, line 9.		
Step 3. Line (d) is more than \$31,110. Do you have retirement income from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or supplemental U.S. Railroad Retirement Board benefits?.....	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
If you answered no, enter \$31,110 on Schedule M, line 9.		
If you answered yes, you must complete Schedule P to determine your pension exclusion.		

Line 10—Enter Social Security and Social Security equivalent U.S. Railroad Retirement Board benefits included on Form 740, page 1, line 5. These amounts are reported on federal Form 1040 or 1040–SR, line 6(b).

Line 11—Enter resident adjustment from Kentucky Schedule K-1. Partners, beneficiaries of estates and trusts and S corporation shareholders, see Kentucky Schedule K-1 instructions. Subtract the distributive share of net income from an S corporation subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

Line 12—Depreciation, Section 179 Deduction and Gains/Losses From Disposition of Assets—*Important: Use Schedule M, lines 3 and 12 only if you have elected for federal income tax purposes to take the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction for property placed in service after September 10, 2001. A copy of the federal Form 4562 if filed for federal income tax purposes must be submitted with Form 740 to verify that no adjustments are required.*

Reporting Depreciation and Section 179 Deduction Differences for Property Placed in Service After September 10, 2001

Create a Kentucky Form 4562 by entering **Kentucky** at the top center of a federal Form 4562 above Depreciation and Amortization. **For property placed into service from September 10, 2001 through December 31, 2019:** In Part I, line 1 enter the Kentucky limit of \$25,000 and in Part I, line 3 enter the Kentucky phaseout amount of \$200,000. **For property placed into service on or after January 1, 2020:** in Part I, line 1, enter the Kentucky limit of \$100,000 and the phaseout threshold does not apply for purposes of determining Kentucky depreciation. For property placed into service between September 10, 2001 and December 31, 2019, the maximum allowable IRC §179 deduction for Kentucky purposes is reduced dollar-for-dollar by the amount by which the cost of qualifying IRC §179 property placed in service during the year exceeds the threshold. In determining the IRC §179 deduction for Kentucky for property placed into service between September 10, 2001 and December 31, 2019, the income limitation on Line 11 should be determined by using Kentucky net income before the IRC §179 deduction instead of federal taxable income.

In Part II, strikethrough and ignore line 14, Special depreciation allowance for qualified property placed in service during the tax year.

Use the created Kentucky Form 4562 to compute Kentucky depreciation and Section 179 deduction in accordance with the IRC in effect on December 31, 2001, for property placed into service from September 10, 2001 through December 31, 2019, or the IRC in effect on December 31, 2003 for property placed into service on or after January 1, 2020. Note: In determining the

Section 179 deduction for Kentucky the income limitation on line 11 is Kentucky net income before the Section 179 deduction instead of federal taxable income. **Enclose the created Kentucky Form 4562** to Form 740 and enter the amount of Kentucky depreciation from line 22 on line 12.

Line 13, Enter Active Duty Military Pay—Enter active duty military pay included on Form 740, page 1, line 5. All military pay received by members of the Armed Forces while on active duty can be excluded. Active duty is defined in KRS 141.175.

Line 14—Enter other subtractions from federal adjusted gross income not listed above (enclose detailed schedule). Include:

- income of precinct workers for election training or working at election booths;
- capital gains on property taken by eminent domain;
- passive activity loss adjustment (see Form 8582-K and instructions);
- income of a child reported on the parent's return;
- artistic charitable contributions (if you do not itemize deductions);
- at-risk limitations (see instructions below);
- qualified farm networking project differences per KRS 141.0101(15);
- differences in the gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993;
- differences in gains (losses) from assets purchased after September 10, 2001; and
- income of military personnel killed in the line of duty.

Determining and Reporting Differences in Gain or Loss From Disposition of Assets—If during the year you dispose of assets placed in service after September 10, 2001, on which the 30 percent or the 50 percent special depreciation allowance or the increased Section 179 deduction was taken for federal income tax purposes, you will need to determine and report the difference in the amount of gain or loss on the assets as follows:

Create a Kentucky form by entering **Kentucky** at the top center of a federal Schedule D, federal Form 4797 and other applicable federal forms. Compute Kentucky gain or loss from the disposed assets using the Kentucky basis. Enter the difference in federal gain or loss and the Kentucky gain or loss on the appropriate line. **Enclose the created Kentucky Schedule D, Kentucky Form 4797 and other forms or schedules to support the deduction.**

At-Risk Limitations—Federal/Kentucky income (loss) differences may create different allowable losses due to at-risk limitations. If you have amounts invested in an activity for which you are not at risk and used federal Form 6198, At-Risk Limitations, complete federal Form 6198 using Kentucky amounts to determine if the Kentucky allowable loss differs from the federal allowable loss. For a passive activity, use the Kentucky allowable loss to complete Form 8582-K. For all other activities (nonpassive), enter the difference as an “other addition” or “other subtraction” on line 5 or line 14.

Line 16, Kentucky Net Operating Loss—Enter Kentucky net operating loss deduction from Schedule KNOL, Part II, Section A, Line 8.

Net operating losses generated on or after January 1, 2018, are limited to 80% of the Kentucky taxable income without regard to the net operating loss, but any unused amounts are available for carryforward indefinitely. Schedule KNOL must be completed if you are claiming a Kentucky net operating loss deduction on Kentucky Schedule M. See Schedule KNOL instructions.

Note: If your net operating loss occurred in 2025, complete Part I of Kentucky Schedule KNOL to determine the amount of loss to be carried forward in any future years. Retain a copy for your records and enclose a copy with your return.

Line 17, Total Subtractions—Add lines 15 and 16. Enter on line 17 and on Form 740, page 1, line 8.