

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.