



For calendar year or other taxable year beginning _____, 2017, and ending _____, 20__.

A. Spouse's Social Security Number

B. Your Social Security Number

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Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)

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Mailing Address (Number and Street including Apartment Number or P.O. Box)

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City, Town or Post Office

State

ZIP Code

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FILING STATUS (see instructions)

- 1 Single
- 2 *Married*, filing joint return.
- 3 *Married*, filing separate returns. Enter spouse's Social Security number above and full name here. _____

Check if applicable:

- Amended**
(Enclose copy of 1040X, if applicable.)
- Military Spouse**

POLITICAL PARTY FUND

Designating \$2 will not change your refund or tax due.

	A. Spouse	B. Yourself
Democratic	(1) <input type="checkbox"/>	(4) <input type="checkbox"/>
Republican	(2) <input type="checkbox"/>	(5) <input type="checkbox"/>
No Designation	(3) <input type="checkbox"/>	(6) <input type="checkbox"/>

RESIDENCY STATUS (check one box)

- 4 Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2017 _____.
- 5 Part-year resident. Complete appropriate line(s) below.
Moved into Kentucky ____ / ____ / **17** . State moved from _____.
Moved out of Kentucky ____ / ____ / **17** . State moved to _____.
- 6 You must file a 740-NP-R if you are a full-year resident of a **reciprocal state (IL, IN, MI, OH, VA, WV or WI)** with Kentucky income of wages and salaries only.

➔ COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 28.

INCOME/TAX

7	Enter percentage from page 4, line 36.....➔	7	____.____%		
8	Enter amount from page 4, line 35, Column A. This is your Federal Adjusted Gross Income	8			00
9	Enter amount from page 4, line 35, Column B. This is your Kentucky Adjusted Gross Income	9			00
10	Nonitemizers: Enter \$2,480 (do not prorate). Skip lines 11 and 12	10			00
11	Itemizers: Enter itemized deductions from Kentucky Schedule A, Form 740-NP	11		00	
12	Multiply line 11 by the percentage on line 7.....	12		00	
13	Subtract line 10 or 12 from line 9. This is your Taxable Income	13			00
14	Enter tax from Tax Table.....	14			00
15	Enter amount from page 3, Section A, line 24	15			00
16	Subtract line 15 from line 14.....	16			00
17	Enter personal tax credit amounts from page 3, Section B, line 4 	17		00	
18	Multiply line 17 by the percentage on line 7	18		00	
19	Subtract line 18 from line 16.....	19			00
20	Check the box that represents your total family size (see instructions for lines 20 and 21)	20		1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/>	
21	Multiply line 19 by the Family Size Tax Credit decimal amount ____ . ____ (____ %) and enter here.....	21			00
22	Subtract line 21 from line 19.....	22			00
23	Enter the Education Tuition Tax Credit from Form 8863-K.....	23			00
24	Subtract line 23 from line 22	24			00
25	Enter Child and Dependent Care Credit from worksheet in the instructions	25			00
26	Income Tax Liability. Subtract line 25 from line 24. If line 25 is larger than line 24, enter zero.....	26			00
27	Enter KENTUCKY USE TAX due on Internet, mail order, or other out-of-state purchases (see instructions). ..	27			00
28	Add lines 26 and 27. Enter here and on page 2, line 29.....	28			00



REFUND/TAX PAYMENT SUMMARY

Table with columns for line number, description, amount, and total. Includes sections for Total Tax Liability, Kentucky income tax withheld, and various fund contributions. Total amount owed is 00.

SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

Table with columns for line number, description, amount, and total. Lists various business incentive and other tax credits, all with amounts of 00.



SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS (continued)

Table with 3 columns: Line number, Description, and Amount. Rows include Endow Kentucky credit, New Markets Development Program credit, food donation credit, distilled spirits credit, angel investor credit, and a total line for lines 1-23.

SECTION B—PERSONAL TAX CREDITS

Form for personal tax credits with checkboxes for 'Check Regular', 'Check all four if 65 or over', 'Check all four if blind', and 'Check both for Kentucky National Guard'. Includes a box for 'Enter number of boxes checked on line 1'.

2 Dependents:

Table for dependents with columns: First and Last Name, Social Security number, and relationship to you. Includes a checkbox for 'Check if qualifying child for family size tax credit'.

Form for dependents with a box for 'Enter number of dependents who:' and checkboxes for 'lived with you', 'did not live with you', and 'other dependents'.

Form for calculation of credits with a box for '3' and a multiplier 'x \$10', and a box for '4'.

SECTION C—FAMILY SIZE TAX CREDIT

(List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

Table for family size tax credit with columns: First and Last Name, Social Security number, First and Last Name, and Social Security number.

A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be enclosed with Kentucky Form 740-NP.

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature and information section with fields for 'Your Signature', 'Spouse's Signature', 'Typed or Printed Name of Preparer', 'Firm Name', 'Driver's License/State Issued ID No.', 'I.D. Number of Preparer', 'EIN', 'Date Signed', and 'Telephone Number (daytime)'. Includes a checkbox for 'May the DOR discuss this return with this preparer?'.

REFUNDS MAIL TO: Kentucky Department of Revenue, P. O. Box 856970, Louisville, KY 40285-6970

PAYMENTS MAIL TO: Kentucky Department of Revenue, P. O. Box 856980, Louisville, KY 40285-6980. Includes instructions: Make check payable to Kentucky State Treasurer, Include your Social Security number and "KY Income Tax—2017", Visit www.revenue.ky.gov for electronic payment options.



SECTION D

INCOME

- 1 Enter all wages, salaries, tips, etc. (attach wage and tax statements) Do not include moving expense reimbursements... 1
2 Moving expense reimbursement (attach Schedule ME) ... 2
3 Interest ... 3
4 Dividends... 4
5 Taxable refunds, credits or offsets of state and local income taxes ... 5
6 Alimony received ... 6
7 Business income or loss (attach federal Schedule C or C-EZ) ... 7
8 Capital gain or loss (attach federal Schedule D) ... 8
9 Other gains or losses (attach federal Form 4797) ... 9
10 (a) Federally taxable IRA distributions, pensions and annuities ... 10(a)
(b) Pension income exclusion (attach Schedule P if more than \$41,110 per taxpayer) ... 10(b)
11 Rents, royalties, partnerships, estates, trusts, etc. (attach federal Schedule E)..... 11
12 Farm income or loss (attach federal Schedule F) ... 12
13 Unemployment compensation (see instructions)..... 13
14 Taxable Social Security benefits..... 14
15 Gambling winnings 15
16 Other income (list type and amount) 16
17 Combine lines 1 through 16. This is your Total Income 17

Table with 2 main columns: A. Total from Attached Federal Return, B. Kentucky. Rows correspond to income items 1-17.

ADJUSTMENTS TO INCOME

- 18 Educator expenses..... 18
19 Certain business expenses of reservists, performing artists and fee-basis government officials (attach federal Form 2106 or 2106-EZ) 19
20 Health savings account deduction (attach federal Form 8889) 20
21 Moving expenses (attach Schedule ME) 21
22 Deductible part of self-employment tax..... 22
23 Self-employed SEP, SIMPLE, and qualified plans deduction 23
24 Self-employed health insurance deduction 24
25 Penalty on early withdrawal of savings 25
26 Alimony paid (enter recipient's name and Social Security number) 26
27 IRA deduction..... 27
28 Student loan interest deduction 28
29 Tuition and fees deduction 29
30 Domestic production activities deduction 30
31 Long-term care insurance premiums (see instructions)..... 31
32 Health insurance premiums (see instructions)..... 32
33 Other deductions (list type and amount) 33
34 Add lines 18 through 33. Total Adjustments to Income 34

Table with 2 main columns: A. Total from Attached Federal Return, B. Kentucky. Rows correspond to adjustment items 18-34.

- 35 Subtract line 34 from line 17. This is your Adjusted Gross Income 35
36 Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income 36

Table with 2 main columns: A. Total from Attached Federal Return, B. Kentucky. Row 35 and 36.

Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income ... %



Complete this Schedule KW-2 to determine the total Kentucky income tax withholding to be entered on Kentucky Form 740, 740-NP, 740-EZ or 740-NP-R. This schedule must be fully completed in order to receive proper credit for Kentucky income tax withheld. Include multiple Schedule KW-2(s) as needed to report all Kentucky income tax withholdings. Do not send in your W-2, 1099, or W2-G forms; keep them with your tax records.

NAME(S) AS SHOWN ON THE TAX RETURN

YOUR SOCIAL SECURITY NUMBER

SPOUSE'S SOCIAL SECURITY NUMBER

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Part I-Form W-2 Enter all W-2s with Kentucky income tax withheld. Do not include other state withholding or local income tax.

A	B	C	D	E	F
Employee's Social Security Number	Employer's Identification Number (EIN)	State Code	Employer's State I.D. Number (Box 15 of Form W-2)	KY State Wages (Box 16 of Form W-2)	KY Income Tax Withheld (Box 17 of Form W-2)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11	TOTAL FROM ALL W-2s				

Part II-Form 1099 and W-2G Enter all 1099s and W-2Gs with Kentucky income tax withheld.

A	B	C	D	E	F
Recipient's Social Security Number	Payer's Identification Number (EIN)	State Code	Payer's State I.D. Number	KY Income Amount	KY Income Tax Withheld
12					
13					
14					
15					
16					
17	TOTAL FROM ALL 1099s AND W2-Gs				

Part III-Totals Enter total Kentucky income tax withheld from line 18, Column F on your Kentucky income tax return (Form 740 and 740-NP, line 30(a), 740-EZ, line 11 or 740-NP-R, line 1).

18	Enter combined totals from Column F, lines 11 and 17	F Total Kentucky Income Tax Withheld
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Enclose with your Kentucky tax return.



Complete this Schedule KW-2 to determine the total Kentucky income tax withholding to be entered on Kentucky Form 740, 740-NP, 740-EZ or 740-NP-R. This schedule must be fully completed in order to receive proper credit for Kentucky income tax withheld. Include multiple Schedule KW-2(s) as needed to report all Kentucky income tax withholdings. Do not send in your W-2, 1099, or W2-G forms; keep them with your tax records.

NAME(S) AS SHOWN ON THE TAX RETURN

YOUR SOCIAL SECURITY NUMBER

SPOUSE'S SOCIAL SECURITY NUMBER

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Part I-Form W-2 Enter all W-2s with Kentucky income tax withheld. Do not include other state withholding or local income tax.

A	B	C	D	E	F
Employee's Social Security Number	Employer's Identification Number (EIN)	State Code	Employer's State I.D. Number (Box 15 of Form W-2)	KY State Wages (Box 16 of Form W-2)	KY Income Tax Withheld (Box 17 of Form W-2)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11	TOTAL FROM ALL W-2s				

Part II-Form 1099 and W-2G Enter all 1099s and W-2Gs with Kentucky income tax withheld.

A	B	C	D	E	F
Recipient's Social Security Number	Payer's Identification Number (EIN)	State Code	Payer's State I.D. Number	KY Income Amount	KY Income Tax Withheld
12					
13					
14					
15					
16					
17	TOTAL FROM ALL 1099s AND W2-Gs				

Part III-Totals Enter total Kentucky income tax withheld from line 18, Column F on your Kentucky income tax return (Form 740 and 740-NP, line 30(a), 740-EZ, line 11 or 740-NP-R, line 1).

18	Enter combined totals from Column F, lines 11 and 17		F Total Kentucky Income Tax Withheld
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Enclose with your Kentucky tax return.



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

Medical and Dental Expenses	Do not include expenses reimbursed or paid by others.			
	1	Medical and dental expenses	1	00
	2	Enter amount from Form 740-NP, page 1, line 8.....	2	00
	3	Multiply line 2 by 10% (.10).	3	00
4	Total medical and dental. Subtract line 3 from line 1. If zero or less, enter -0-.....	➤ 4		00
Taxes <i>Note: Sales and use taxes and new motor vehicle taxes are not deductible.</i>	5	Local income taxes (do not include state income tax)	5	00
	6	Real estate taxes	6	00
	7	Personal property taxes.....	7	00
	8	Other taxes (list) _____	8	00
	9	Total taxes. Add the amounts on lines 5 through 8. Enter here.....	➤ 9	
Interest Expense <i>Note: Personal interest is not deductible.</i>	10	Home mortgage interest and points reported to you on federal Form 1098	10	00
	11	Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name and address) _____	11	00
	See instructions for lines 12 and 13.			
	12	Points not reported to you on federal Form 1098	12	00
	13	Qualified mortgage insurance premiums.....	13	00
	14	Investment interest (attach federal Form 4952 if required)	14	00
15	Total interest. Add the amounts on lines 10 through 14. Enter here	➤ 15		00
Contributions <i>Note: For any contribution of \$250 or more, see instructions.</i>	16	Contributions by cash or check.....	16	00
	17	Other than cash or check (attach federal Form 8283 if over \$500).....	17	00
	18	Carryover from prior year	18	00
	19	Total contributions. Add the amounts on lines 16 through 18. Enter here	➤ 19	
Casualty and Theft Losses	20	Enter amount from attached federal Form 4684, Section A, line 16	20	00
	21	Enter amount from Form 740-NP, page 1, line 8.....	21	00
	22	Multiply the amount on line 21 by 10% (.10). Enter result.....	22	00
	23	Total casualty or theft loss(es). Subtract line 22 from line 20. If zero or less, enter -0-.....	➤ 23	
Job Expenses and Most Other Miscellaneous Deductions	24	Unreimbursed employee expenses—job travel, union dues, job education, etc. (attach Form 2106 or 2106-EZ if applicable) list _____	24	00
	25	Tax preparation fees	25	00
	26	Other (investment, safe deposit box, etc.) list _____	26	00
	27	Add the amounts on lines 24, 25 and 26. Enter here	27	00
	28	Enter amount from Form 740-NP, page 1, line 8.....	28	00
	29	Multiply the amount on line 28 by 2% (.02). Enter result	29	00
30	Total. Subtract line 29 from line 27. If zero or less, enter -0-.....	➤ 30		00
Other Miscellaneous Deductions	31	Other (see instructions) _____	➤ 31	00
Total Itemized Deductions	32	Add the amounts on lines 4, 9, 15, 19, 23, 30 and 31. Enter here.....	➤ 32	00
<ul style="list-style-type: none"> • If the amount on Form 740-NP, line 8, exceeds \$186,350 (\$93,175 if married filing separate returns), skip lines 33 through 36 and complete the limitation schedule on the reverse of this form; or • If married filing separate returns, or spouse is not filing a Kentucky return, complete lines 33 through 36 below. If single or married filing jointly, enter total deductions (line 32 above) on Form 740-NP, page 1, line 11. 				
33	Enter your income from Form 740-NP, page 1, line 8	33	00	
34	Enter joint or combined federal Adjusted Gross Income.....	34	00	
35	Divide line 33 by line 34. Enter percentage.....	35		%
36	Multiply line 32 by line 35. This is your portion of total itemized deductions. Enter here and on Form 740-NP, page 1, line 11.....	➤ 36		00



ITEMIZED DEDUCTIONS LIMITATION SCHEDULE—Use this schedule if the federal adjusted gross income on Form 740-NP, line 8, exceeds \$186,350 (\$93,175 if married filing separate returns).

- If married filing separate returns but combining itemized deductions on one Schedule A, enter the percent of your separate income (Form 740-NP, line 8) to joint or combined federal adjusted gross income.

- If single, married filing a joint return or married filing separate Schedules A, enter 100%. _____ %

1	Multiply the amount on Schedule A, line 32, by the percent of income shown above.....	1	.00
2	Add the amounts on Schedule A, lines 4, 14 and 23, plus any gambling losses included on line 31 and multiply by the percent of income shown above	2	.00
Note: Be sure your total gambling losses are clearly identified on line 31.			
3	Subtract the amount on line 2 from the amount on line 1. If the result is zero or less, enter -0-.....	3	.00
4	Multiply the amount on line 3 above by 80% (.80).....	4	.00
5	Enter the amount from Form 740-NP, line 8.....	5	.00
6	Enter \$186,350 (\$93,175 if married filing separate returns).....	6	.00
7	Subtract the amount on line 6 from the amount on line 5. If the result is zero or less, enter -0-.....	7	.00
8	Multiply the amount on line 7 above by 3% (.03).....	8	.00
9	Compare the amounts on lines 4 and 8 above. Enter the smaller of the two amounts here	9	.00
10	Total itemized deductions. Subtract the amount on line 9 from the amount on line 1. Enter the result here and on Form 740-NP, line 11	10	.00



➤ Enclose with Form 740-NP.

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

Social Security Number

Do not include expenses reimbursed or paid by others.				
Medical and Dental Expenses	1 Medical and dental expenses 1		00	
	2 Enter amount from Form 740-NP, page 1, line 8..... 2		00	
	3 Multiply line 2 by 10% (.10). 3		00	
	4 Total medical and dental. Subtract line 3 from line 1. If zero or less, enter -0-..... ➤ 4			00
Taxes <i>Note: Sales and use taxes and new motor vehicle taxes are not deductible.</i>	5 Local income taxes (do not include state income tax) 5		00	
	6 Real estate taxes 6		00	
	7 Personal property taxes..... 7		00	
	8 Other taxes (list) _____ 8		00	
	9 Total taxes. Add the amounts on lines 5 through 8. Enter here..... ➤ 9			00
Interest Expense <i>Note: Personal interest is not deductible.</i>	10 Home mortgage interest and points reported to you on federal Form 1098 10		00	
	11 Home mortgage interest not reported to you on federal Form 1098 (if paid to an individual, show that person's name and address) _____ 11		00	
	See instructions for lines 12 and 13.			
	12 Points not reported to you on federal Form 1098 12		00	
	13 Qualified mortgage insurance premiums 13		00	
	14 Investment interest (attach federal Form 4952 if required) 14		00	
15 Total interest. Add the amounts on lines 10 through 14. Enter here ➤ 15			00	
Contributions <i>Note: For any contribution of \$250 or more, see instructions.</i>	16 Contributions by cash or check..... 16		00	
	17 Other than cash or check (attach federal Form 8283 if over \$500)..... 17		00	
	18 Carryover from prior year 18		00	
	19 Total contributions. Add the amounts on lines 16 through 18. Enter here ➤ 19			00
Casualty and Theft Losses	20 Enter amount from attached federal Form 4684, Section A, line 16 20		00	
	21 Enter amount from Form 740-NP, page 1, line 8..... 21		00	
	22 Multiply the amount on line 21 by 10% (.10). Enter result..... 22		00	
	23 Total casualty or theft loss(es). Subtract line 22 from line 20. If zero or less, enter -0- ➤ 23			00
Job Expenses and Most Other Miscellaneous Deductions	24 Unreimbursed employee expenses—job travel, union dues, job education, etc. (attach Form 2106 or 2106-EZ if applicable) list _____ 24		00	
	25 Tax preparation fees 25		00	
	26 Other (investment, safe deposit box, etc.) list _____ 26		00	
	27 Add the amounts on lines 24, 25 and 26. Enter here 27		00	
	28 Enter amount from Form 740-NP, page 1, line 8..... 28		00	
	29 Multiply the amount on line 28 by 2% (.02). Enter result 29		00	
30 Total. Subtract line 29 from line 27. If zero or less, enter -0- ➤ 30			00	
Other Miscellaneous Deductions	31 Other (see instructions) _____ ➤ 31			00
Total Itemized Deductions	32 Add the amounts on lines 4, 9, 15, 19, 23, 30 and 31. Enter here..... ➤ 32			00
<ul style="list-style-type: none"> • If the amount on Form 740-NP, line 8, exceeds \$186,350 (\$93,175 if married filing separate returns), skip lines 33 through 36 and complete the limitation schedule on the reverse of this form; or • If married filing separate returns, or spouse is not filing a Kentucky return, complete lines 33 through 36 below. If single or married filing jointly, enter total deductions (line 32 above) on Form 740-NP, page 1, line 11. 				
33 Enter your income from Form 740-NP, page 1, line 8 33		00		
34 Enter joint or combined federal Adjusted Gross Income 34		00		
35 Divide line 33 by line 34. Enter percentage 35				%
36 Multiply line 32 by line 35. This is your portion of total itemized deductions. Enter here and on Form 740-NP, page 1, line 11 ➤ 36				00



ITEMIZED DEDUCTIONS LIMITATION SCHEDULE—Use this schedule if the federal adjusted gross income on Form 740-NP, line 8, exceeds \$186,350 (\$93,175 if married filing separate returns).

- If married filing separate returns but combining itemized deductions on one Schedule A, enter the percent of your separate income (Form 740-NP, line 8) to joint or combined federal adjusted gross income.
- If single, married filing a joint return or married filing separate Schedules A, enter 100%. _____ %

1	Multiply the amount on Schedule A, line 32, by the percent of income shown above.....	1	_____	.00
2	Add the amounts on Schedule A, lines 4, 14 and 23, plus any gambling losses included on line 31 and multiply by the percent of income shown above	2	_____	.00
Note: Be sure your total gambling losses are clearly identified on line 31.				
3	Subtract the amount on line 2 from the amount on line 1. If the result is zero or less, enter -0-.....	3	_____	.00
4	Multiply the amount on line 3 above by 80% (.80).....	4	_____	.00
5	Enter the amount from Form 740-NP, line 8.....	5	_____	.00
6	Enter \$186,350 (\$93,175 if married filing separate returns).....	6	_____	.00
7	Subtract the amount on line 6 from the amount on line 5. If the result is zero or less, enter -0-.....	7	_____	.00
8	Multiply the amount on line 7 above by 3% (.03).....	8	_____	.00
9	Compare the amounts on lines 4 and 8 above. Enter the smaller of the two amounts here	9	_____	.00
10	Total itemized deductions. Subtract the amount on line 9 from the amount on line 1. Enter the result here and on Form 740-NP, line 11	10	_____	.00



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

Your Social Security Number

1	Enter total Kentucky earned income (do not include moving expense reimbursement)	1		00
2	Enter total earned income from federal return (do not include moving expense reimbursement)	2		00
3	Divide line 1 by line 2. Enter result. If amount is equal to or greater than 100%, enter 100%	3	__ __ __ . __ %	
4	(a) Enter moving expense reimbursement included in wages	4(a)		00
	(b) Subtract federal Form 3903, line 3, from federal Form 3903, line 4, and enter result. If zero or less, enter -0-	4(b)		00
	(c) Add lines 4(a) and 4(b) and enter result here and on Form 740-NP, page 4, line 2, Column A	4(c)		00
5	Multiply line 4(c) by line 3. Enter result here and on Form 740-NP, page 4, line 2, Column B. This is your moving expense reimbursement for Kentucky	5		00
6	Enter moving expense deduction from federal Form 3903, line 5, here and on Form 740-NP, page 4, line 21, Column A	6		00
7	Multiply line 6 by percentage on line 3. Enter here and on Form 740-NP, page 4, line 21, Column B. This is your allowable Kentucky moving expense	7		00

INSTRUCTIONS—SCHEDULE ME

Full-Year Nonresidents—If you are a full-year nonresident, moving expense reimbursements are not taxable, and moving expenses are not deductible.

Part-Year Residents—If you are a part-year resident, any payments to you or on your behalf by any employer for moving expenses are considered income. These payments will be included in wages (box 1) or will be shown separately on the wage and tax statements.

Persons who were residents of Kentucky for only part of the year are required to report as income only part of the total reimbursement they received. *The amount which must be reported to Kentucky as income is based on the percentage of Kentucky earned income to total earned income.*

For the computation of this percentage, earned income is income you received for services you provided. It includes wages, salaries, tips, etc. It also includes income earned from self-employment (Schedules C, C-EZ and F and partnerships).

Line 1—Enter earned income received from Kentucky sources while a nonresident and from all sources while a resident of Kentucky. Do not include moving expense reimbursement reflected on the wage and tax statements (box 1).

Line 2—Enter total earned income reported on your federal return. Do not include moving expense reimbursement reflected on the wage and tax statements (box 1).

Line 4(a)—Enter moving expense reimbursement included in wages (box 1 of Form W-2).

Line 4(b)—Subtract federal Form 3903, line 3, from federal Form 3903, line 4, and enter result. If zero or less, enter -0-.

Line 4(c)—Add lines 4(a) and 4(b) and enter result here and on Form 740-NP, page 4, line 2, Column A.



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

Your Social Security Number

1	Enter total Kentucky earned income (do not include moving expense reimbursement)	1		00
2	Enter total earned income from federal return (do not include moving expense reimbursement)	2		00
3	Divide line 1 by line 2. Enter result. If amount is equal to or greater than 100%, enter 100%	3	__ __ . __ %	
4	(a) Enter moving expense reimbursement included in wages	4(a)		00
	(b) Subtract federal Form 3903, line 3, from federal Form 3903, line 4, and enter result. If zero or less, enter -0-	4(b)		00
	(c) Add lines 4(a) and 4(b) and enter result here and on Form 740-NP, page 4, line 2, Column A	4(c)		00
5	Multiply line 4(c) by line 3. Enter result here and on Form 740-NP, page 4, line 2, Column B. This is your moving expense reimbursement for Kentucky	5		00
6	Enter moving expense deduction from federal Form 3903, line 5, here and on Form 740-NP, page 4, line 21, Column A	6		00
7	Multiply line 6 by percentage on line 3. Enter here and on Form 740-NP, page 4, line 21, Column B. This is your allowable Kentucky moving expense	7		00

INSTRUCTIONS—SCHEDULE ME

Full-Year Nonresidents—If you are a full-year nonresident, moving expense reimbursements are not taxable, and moving expenses are not deductible.

Part-Year Residents—If you are a part-year resident, any payments to you or on your behalf by any employer for moving expenses are considered income. These payments will be included in wages (box 1) or will be shown separately on the wage and tax statements.

Persons who were residents of Kentucky for only part of the year are required to report as income only part of the total reimbursement they received. *The amount which must be reported to Kentucky as income is based on the percentage of Kentucky earned income to total earned income.*

For the computation of this percentage, earned income is income you received for services you provided. It includes wages, salaries, tips, etc. It also includes income earned from self-employment (Schedules C, C-EZ and F and partnerships).

Line 1—Enter earned income received from Kentucky sources while a nonresident and from all sources while a resident of Kentucky. Do not include moving expense reimbursement reflected on the wage and tax statements (box 1).

Line 2—Enter total earned income reported on your federal return. Do not include moving expense reimbursement reflected on the wage and tax statements (box 1).

Line 4(a)—Enter moving expense reimbursement included in wages (box 1 of Form W-2).

Line 4(b)—Subtract federal Form 3903, line 3, from federal Form 3903, line 4, and enter result. If zero or less, enter -0-.

Line 4(c)—Add lines 4(a) and 4(b) and enter result here and on Form 740-NP, page 4, line 2, Column A.



Enter name(s) as shown on tax return.	Your Social Security Number
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Complete this schedule and file with Form 740, 740-NP, or 741 if:

- 1 taxable pension and retirement income from all sources is **greater than \$41,110** per taxpayer; and
 - (a) you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or
 - (b) you receive supplemental (Tier 2) U.S. Railroad Retirement Board benefits.
- 2 you file Form 4972-K, Tax on Lump-Sum Distributions.

All others, you do not need to complete Schedule P. See instructions for Schedule M, line 11.

PART I—EXEMPT RETIREMENT INCOME (Do Not Include Income From Deferred Compensation Plans)

1 Enter on line (a) or (b) the amount of federal, Kentucky state and Kentucky local government pension income attributable to service credit earned before January 1, 1998, and supplemental (Tier 2) U.S. Railroad Retirement Board benefits included on federal Form 1040, line 16(b) (Form 1040A, line 12(b)). Also include federal or Kentucky disability retirement income attributable to service credit earned before January 1, 1998.

(a) If date of retirement is **before January 1, 1998**, enter here.

Names of Payers	Date of Retirement	A. Spouse		B. Yourself	
		00	00	00	00
			00		00
			00		00
			00		00
Total ▶			00		00

(b) If date of retirement is **after December 31, 1997**, see the instructions.

Names of Payers	Date of Retirement	Taxable Pension	Exempt Percentage	A. Spouse		B. Yourself	
				00	00	00	00
					00		00
					00		00
					00		00
					00		00
Total ▶					00		00

(c) Add lines 1(a) and 1(b) (c) 00 00

PART II—OTHER RETIREMENT INCOME (Amounts Not Included in Line 1(c))

2 Enter the total of taxable retirement income not included in line 1(c) above as reported on federal Form 1040, line 15(b) and 16(b) (Form 1040A, line 11(b) and 12(b)). Also report other disability retirement income or deferred compensation included on federal Form 1040, line 7 (Form 1040A, line 7)	2	00	00	00
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PART III—TOTAL TO BE EXCLUDED THIS YEAR

3 Enter the lesser of line 2 or \$41,110	3	00	00	00
4 Add lines 1(c) and 3. Enter here and on Schedule M, line 11 (Form 740-NP, page 4, line 10(b) or Form 741, line 11)	4	00	00	00

Joint filers—Combine lines 4(a) and 4(b) and enter on appropriate form.

Stop here unless you have a lump-sum distribution reported on Form 4972-K.

Form 4972-K Filers—If line 3 is less than \$41,110, enter the amount on Form 4972-K, Part II, line 2.

Types of Income Subject to Exclusion—All pension and retirement income paid under a written retirement plan is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, death benefits, and other similar accounts or plans. As a general rule, if the income is reported on the federal income tax return, Form 1040, line 15(b) or 16(b); Form 1040A, line 11(b) or 12(b); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 7 or 1040A, line 7, then it qualifies for the exclusion.

Form 740-NP filers report only pension income received while a resident of Kentucky.

LINE-BY-LINE INSTRUCTIONS

Column A, Column B—This exclusion is for each taxpayer. A taxpayer and spouse must compute and claim their own exclusion, regardless of filing status.

PART I—Exempt Retirement Income—Enter the federally taxable portion of pension income paid by the federal government, by the Commonwealth of Kentucky, or by any Kentucky local government. Also include supplemental (Tier 2) U.S. Railroad Retirement Board benefits reported on Form 1040, line 16(b) (Form 1040A, line 12(b)) and federal or Kentucky disability retirement income included on federal Form 1040, line 7 (Form 1040A, line 7). Do not include income from deferred compensation plans in Part I.

Use Line 1(a) if retired before January 1, 1998, to report fully exempt pension benefits.

Use Line 1(b) if retired after December 31, 1997, to compute the amount of pension income attributable to service credits earned before January 1, 1998. Multiply the taxable pension

by the exempt percentage, enter the result (exempt amount) in Column A or Column B. Use the worksheet below to compute the exempt percentage in the year of retirement.

Note: Subtract the exempt amount from the taxable pension amount and include the difference with other retirement income in Part II.

PART II—Other Retirement Income, Line 2—Enter the amount reported on federal Form 1040 or 1040A of non-lump-sum pension and retirement income not reported on line 1(c). Also include amounts from Schedule M, line 7 (Form 740-NP, page 4, line 16) that reflect pension and IRA bases differences.

PART III—Total to Be Excluded This Year, Line 3—Enter the lesser of the amount on line 2 or \$41,110.

Line 4—Enter the total of lines 1(c) and 3. This is your pension income exclusion. Enter on line 4 and as follows: Schedule M, line 11; Form 740-NP, page 4, line 10(b); or Form 741, page 1, line 11.

DEFINITIONS—For use with Schedule P and the worksheet below.

Service Credit—Number of months (years) used by your retirement system to determine retirement benefits.

Purchased Service Credit—Voluntary purchases of service credit as allowed by your retirement system (i.e., military service or prior service with the same or similar system). Note: Purchased time is credited based on the dates of service.

Purchased Service Credit (Air-time)—Certain retirement plans allow for the purchase of up to five years of service credit unrelated to prior work history. These purchases are commonly known as air-time. Air-time is not included in total service earned after December 31, 1997, regardless of when purchased.

Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97



Complete this worksheet only if you retired in 2017 or have not computed your exempt percentage in prior years. Keep this worksheet in your records. The percentage will be used this year and in future years to determine the amount of exempt retirement income.

Complete this worksheet to determine what percentage of your pension income is exempt. This percentage must be calculated for each pension.

If your retirement system has computed the exempt amount (earned before January 1, 1998), enter the amount on page 1, line 1(b), column A or B. If your retirement system has computed the exempt percentage, enter the exempt percentage on page 1, line 1(b) in the exempt percentage column. Use a separate worksheet for each governmental pension. Retain this worksheet with your tax records. Use the percentage on line 4 to compute the exempt portion of your pension in future years.

- 1. Enter total months of service credit including purchased service.....
2. Enter months of service credit earned after 12/31/97. Include sick leave credited at date of retirement, and service credit from purchase of military and other service earned after 12/31/97. Do not include purchased credit unrelated to prior work history (air-time)
3. Subtract line 2 from line 1. Total months of service before January 1, 1998.....
4. Divide line 3 by line 1. Enter here and on page 1, line 1(b), in the exempt percentage column..... Use this percentage to determine the amount of pension attributable to service earned before 1/1/98.



➤ Enclose with Form 740, 740-NP or 741.

Enter name(s) as shown on tax return.

Your Social Security Number

Complete this schedule and file with Form 740, 740-NP, or 741 if:

- 1 taxable pension and retirement income from all sources is **greater than \$41,110** per taxpayer; and
 - (a) you are retired from the federal government, the Commonwealth of Kentucky or a Kentucky local government; or
 - (b) you receive supplemental (Tier 2) U.S. Railroad Retirement Board benefits.
- 2 you file Form 4972-K, Tax on Lump-Sum Distributions.

All others, , you do not need to complete Schedule P. See instructions for Schedule M, line 11.

PART I—EXEMPT RETIREMENT INCOME (Do Not Include Income From Deferred Compensation Plans)

- 1 Enter on line (a) or (b) the amount of federal, Kentucky state and Kentucky local government pension income attributable to service credit earned before January 1, 1998, and supplemental (Tier 2) U.S. Railroad Retirement Board benefits included on federal Form 1040, line 16(b) (Form 1040A, line 12(b)). Also include federal or Kentucky disability retirement income attributable to service credit earned before January 1, 1998.

(a) If date of retirement is **before January 1, 1998**, enter here.

Names of Payers	Date of Retirement	A. Spouse		B. Yourself	
			00		00
			00		00
			00		00
			00		00
			00		00
Total ➤			00		00

(b) If date of retirement is **after December 31, 1997**, see the instructions.

Names of Payers	Date of Retirement	Taxable Pension	Exempt Percentage	A. Spouse		B. Yourself	
					00		00
					00		00
					00		00
					00		00
					00		00
Total ➤					00		00

(c) Add lines 1(a) and 1(b) (c) 00 00

PART II—OTHER RETIREMENT INCOME (Amounts Not Included in Line 1(c))

2	Enter the total of taxable retirement income not included in line 1(c) above as reported on federal Form 1040, line 15(b) and 16(b) (Form 1040A, line 11(b) and 12(b)). Also report other disability retirement income or deferred compensation included on federal Form 1040, line 7 (Form 1040A, line 7)	2		00		00
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PART III—TOTAL TO BE EXCLUDED THIS YEAR

3	Enter the lesser of line 2 or \$41,110	3		00		00
4	Add lines 1(c) and 3. Enter here and on Schedule M, line 11 (Form 740-NP, page 4, line 10(b) or Form 741, line 11)	4		00		00

Joint filers—Combine lines 4(a) and 4(b) and enter on appropriate form.

Stop here unless you have a lump-sum distribution reported on Form 4972-K.

Form 4972-K Filers—If line 3 is less than \$41,110, enter the amount on Form 4972-K, Part II, line 2.

Types of Income Subject to Exclusion—All pension and retirement income paid under a written retirement plan is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, death benefits, and other similar accounts or plans. As a general rule, if the income is reported on the federal income tax return, Form 1040, line 15(b) or 16(b); Form 1040A, line 11(b) or 12(b); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 7 or 1040A, line 7, then it qualifies for the exclusion.

Form 740-NP filers report only pension income received while a resident of Kentucky.

LINE-BY-LINE INSTRUCTIONS

Column A, Column B—This exclusion is for each taxpayer. A taxpayer and spouse must compute and claim their own exclusion, regardless of filing status.

PART I—Exempt Retirement Income—Enter the federally taxable portion of pension income paid by the federal government, by the Commonwealth of Kentucky, or by any Kentucky local government. Also include supplemental (Tier 2) U.S. Railroad Retirement Board benefits reported on Form 1040, line 16(b) (Form 1040A, line 12(b)) and federal or Kentucky disability retirement income included on federal Form 1040, line 7 (Form 1040A, line 7). Do not include income from deferred compensation plans in Part I.

Use Line 1(a) if retired before January 1, 1998, to report fully exempt pension benefits.

Use Line 1(b) if retired after December 31, 1997, to compute the amount of pension income attributable to service credits earned before January 1, 1998. Multiply the taxable pension

by the exempt percentage, enter the result (exempt amount) in Column A or Column B. Use the worksheet below to compute the exempt percentage in the year of retirement.

Note: Subtract the exempt amount from the taxable pension amount and include the difference with other retirement income in Part II.

PART II—Other Retirement Income, Line 2—Enter the amount reported on federal Form 1040 or 1040A of non-lump-sum pension and retirement income not reported on line 1(c). Also include amounts from Schedule M, line 7 (Form 740-NP, page 4, line 16) that reflect pension and IRA bases differences.

PART III—Total to Be Excluded This Year, Line 3—Enter the lesser of the amount on line 2 or \$41,110.

Line 4—Enter the total of lines 1(c) and 3. This is your pension income exclusion. Enter on line 4 and as follows: Schedule M, line 11; Form 740-NP, page 4, line 10(b); or Form 741, page 1, line 11.

DEFINITIONS—For use with Schedule P and the worksheet below.

Service Credit—Number of months (years) used by your retirement system to determine retirement benefits.

Purchased Service Credit—Voluntary purchases of service credit as allowed by your retirement system (i.e., military service or prior service with the same or similar system). Note: Purchased time is credited based on the dates of service.

Purchased Service Credit (Air-time)—Certain retirement plans allow for the purchase of up to five years of service credit unrelated to prior work history. These purchases are commonly known as air-time. Air-time is not included in total service earned after December 31, 1997, regardless of when purchased.

Worksheet for Federal, Kentucky State and Kentucky Local Government Retirees Who Retired After 12/31/97



Complete this worksheet only if you retired in 2017 or have not computed your exempt percentage in prior years. Keep this worksheet in your records. The percentage will be used this year and in future years to determine the amount of exempt retirement income.

Complete this worksheet to determine what percentage of your pension income is exempt. This percentage must be calculated for each pension.

If your retirement system has computed the exempt amount (earned before January 1, 1998), enter the amount on page 1, line 1(b), column A or B. If your retirement system has computed the exempt percentage, enter the exempt percentage on page 1, line 1(b) in the exempt percentage column. Use a separate worksheet for each governmental pension. Retain this worksheet with your tax records. Use the percentage on line 4 to compute the exempt portion of your pension in future years.

- 1. Enter total months of service credit including purchased service.....
2. Enter months of service credit earned after 12/31/97. Include sick leave credited at date of retirement, and service credit from purchase of military and other service earned after 12/31/97. Do not include purchased credit unrelated to prior work history (air-time)
3. Subtract line 2 from line 1. Total months of service before January 1, 1998.....
4. Divide line 3 by line 1. Enter here and on page 1, line 1(b), in the exempt percentage column..... Use this percentage to determine the amount of pension attributable to service earned before 1/1/98.



► Enclose with Form 740 or 740-NP

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

Your Social Security Number

PART I—EXCEPTIONS AND EXCLUSIONS

The penalty shall not apply if one of the following exceptions is met. If one or more of the following applies to you, check the appropriate box(es), complete any necessary blank(s) and:

- Check the "Form 2210-K attached" box located on Form 740 and/or Form 740-NP, Line 32(b) if you have an overpayment; or
- Check the "Form 2210-K attached" box located on Form 740 and/or Form 740-NP, line 38(a) if you have additional tax due.

If none of the exceptions apply, go to Part II.

Check applicable box(es).

- The taxpayer died during the taxable year.
- The declaration was not required until after September 3, 2017, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2018.
- Two-thirds ($\frac{2}{3}$) or more of the gross income was from farming; this return is being filed on or before March 1, 2018; **and** the total tax due is being paid in full. Fiscal year taxpayers must file a return and pay the tax due on or before the first day of the third month following the close of the tax year.

(a) Enter total gross income	00
(b) Multiply by $\frac{2}{3}$ (.67)	00
(c) Enter gross income from farming	00

Line (c) must **equal or exceed** line (b) to qualify for the exception.

- Prepaid tax **equals or exceeds** last year's income tax liability.
 - Enter the liability from the 2016 return, Form 740 or Form 740-NP, page 1, line 26
 - Enter amount from the 2017 Form 740, line 31 (Form 740-NP, page 2, line 31)*

00
00

Line (b) must **equal or exceed** line (a) to claim the exception.

PART II—FIGURING THE UNDERPAYMENT AND PENALTY (Complete Part II only if the **additional** tax due exceeds \$500; otherwise, proceed to page 2, Part III.)

1 (a) Enter 2017 income tax liability from Form 740, line 26 (Form 740-NP, page 1, line 26) ..1(a)	00
(b) Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)..... 1(b)	00
(c) Total (add lines 1a and 1b)..... 1(c)	00
2 Percentage of liability required to be prepaid is 70%	2 x .7
3 Multiply line 1c by line 2..... 3	00
4 (a) Enter the amount from Form 740, line 31 (Form 740-NP, page 2, line 31)*..... 4(a)	00
(b) Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)..... 4(b)	00
(c) Total (add lines 4(a) and 4(b))	4(c) 00
5 Subtract line 4(c) from line 3 (If line 4(c) exceeds line 3, no penalty applies.)..... 5	00
6 Penalty percentage is 10%..... 6	x .1
7 Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated tax (minimum penalty \$25). Enter here and on Form 740 or 740NP, line 38(a), if you have additional tax due	7 00
8 Enter interest amount due from Form 2210-K, page 2, line 22. Enter here and on Form 740 or 740NP, line 38(b), if you have additional tax due..... 8	00
9 For overpayments: add lines 7 and 8. Enter here and on Form 740 or 740-NP, line 32(b).... 9	00

➡ To Avoid Underpayment Penalty in the Future, Obtain and File Form 740-ES.

*Do not include amounts prepaid with extension after the due date of the fourth declaration installment or amounts paid with the original return.



NOTE: Use this page to calculate interest amount due on underpaid or untimely required estimated payments. See instructions for list of exclusions.

PART III—REQUIRED ANNUAL PAYMENT

1	Enter 2017 income tax liability: (Form 740 or Form 740-NP, page 1, line 26).....	1		00
2	Enter 2017 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 30(a), 30(c) and 30(d)).....	2		00
3	Enter 2017 nonresident withholding: (Form 740-NP, page 2, line 30(e)).....	3		00
4	Add lines 2 and 3. Enter total here	4		00
5	Subtract line 4 from line 1. (If the result is \$500 or less, stop here. Do not compute this schedule.).....	5		00
6	Enter 2016 income tax liability: (2016 Form 740 or Form 740-NP, page 1, line 26).....	6		00
7	Required annual payment. Enter the smaller of line 1 or line 6.....	7		00

Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.

PAYMENT DUE DATES

		A 4-15-17	B 6-15-17	C 9-15-17	D 1-15-18
8	Required Installments. Enter 1/4 (.25) of line 7 in each column..... 8	00	00	00	00
9	Estimated tax paid and tax withheld. For column A only, enter the amount from line 9 on line 13. If line 9 is equal to or greater than line 8 for all payment periods (columns A through D), stop here. You do not owe interest. Complete lines 10 through 17 of each column before going to the next column 9	00	00	00	00
10	Enter amount, if any, from line 17 of previous column 10		00	00	00
11	Add lines 9 and 10. Enter here 11		00	00	00
12	Enter the amount from line 16 of previous column. 12		00	00	00
13	Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9..... 13	00	00	00	00
14	If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero..... 14		00	00	00
15	Underpayment. If line 8 is equal to or greater than line 13, subtract line 13 from line 8. Otherwise, go to line 17 15	00	00	00	00
16	Add lines 14 and 15. Enter here. If line 8 is equal to or greater than line 13, then go to line 10 of the next column 16	00	00	00	00
17	Overpayment. If line 13 is more than line 8, subtract line 8 from line 13, then go to line 10 of the next column 17	00	00	00	00

FIGURING THE INTEREST

18	Interest calculation payment date 18	6-15-17	9-15-17	1-15-18	4-15-18
19	Number of days from the payment due date shown at the top of the column above line 8 to the date the amount on line 16 was paid, or the date shown for that column on line 18, whichever is earlier 19				
20	Annual Percentage Rate (APR)..... 20	.05	.05	.05	.06
21	Underpayment Number of from line 16 X $\frac{\text{days from line 19}}{365}$ X APR on line 20 21	00	00	00	00
22	INTEREST DUE: Add amounts on line 21 columns A through D. Enter the total here and on Form 2210-K, page 1, line 8 22				00



► Enclose with Form 740 or 740-NP.

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

Your Social Security Number

PART I—EXCEPTIONS AND EXCLUSIONS

The penalty shall not apply if one of the following exceptions is met. If one or more of the following applies to you, check the appropriate box(es), complete any necessary blank(s) and:

- Check the "Form 2210-K attached" box located on Form 740 and/or Form 740-NP, Line 32(b) if you have an overpayment; or
- Check the "Form 2210-K attached" box located on Form 740 and/or Form 740-NP, line 38(a) if you have additional tax due.

If none of the exceptions apply, go to Part II.

Check applicable box(es).

- The taxpayer died during the taxable year.
- The declaration was not required until after September 3, 2017, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2018.
- Two-thirds ($\frac{2}{3}$) or more of the gross income was from farming; this return is being filed on or before March 1, 2018; **and** the total tax due is being paid in full. Fiscal year taxpayers must file a return and pay the tax due on or before the first day of the third month following the close of the tax year.

(a) Enter total gross income	00
(b) Multiply by $\frac{2}{3}$ (.67)	00
(c) Enter gross income from farming	00

Line (c) must **equal or exceed** line (b) to qualify for the exception.

- Prepaid tax **equals or exceeds** last year's income tax liability.
 - Enter the liability from the 2016 return, Form 740 or Form 740-NP, page 1, line 26
 - Enter amount from the 2017 Form 740, line 31 (Form 740-NP, page 2, line 31)*

00
00

Line (b) must **equal or exceed** line (a) to claim the exception.

PART II—FIGURING THE UNDERPAYMENT AND PENALTY (Complete Part II only if the **additional** tax due exceeds \$500; otherwise, proceed to page 2, Part III.)

1 (a) Enter 2017 income tax liability from Form 740, line 26 (Form 740-NP, page 1, line 26) ..1(a)	00
(b) Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)..... 1(b)	00
(c) Total (add lines 1a and 1b)..... 1(c)	00
2 Percentage of liability required to be prepaid is 70%	2 x .7
3 Multiply line 1c by line 2..... 3	00
4 (a) Enter the amount from Form 740, line 31 (Form 740-NP, page 2, line 31)*..... 4(a)	00
(b) Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5)..... 4(b)	00
(c) Total (add lines 4(a) and 4(b))	4(c) 00
5 Subtract line 4(c) from line 3 (If line 4(c) exceeds line 3, no penalty applies.)..... 5	00
6 Penalty percentage is 10%..... 6	x .1
7 Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated tax (minimum penalty \$25). Enter here and on Form 740 or 740NP, line 38(a), if you have additional tax due	7 00
8 Enter interest amount due from Form 2210-K, page 2, line 22. Enter here and on Form 740 or 740NP, line 38(b), if you have additional tax due..... 8	00
9 For overpayments: add lines 7 and 8. Enter here and on Form 740 or 740-NP, line 32(b).... 9	00

➡ To Avoid Underpayment Penalty in the Future, Obtain and File Form 740-ES.

*Do not include amounts prepaid with extension after the due date of the fourth declaration installment or amounts paid with the original return.



NOTE: Use this page to calculate interest amount due on underpaid or untimely required estimated payments. See instructions for list of exclusions.

PART III—REQUIRED ANNUAL PAYMENT

1	Enter 2017 income tax liability: (Form 740 or Form 740-NP, page 1, line 26).....	1		00
2	Enter 2017 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 30(a), 30(c) and 30(d)).....	2		00
3	Enter 2017 nonresident withholding: (Form 740-NP, page 2, line 30(e)).....	3		00
4	Add lines 2 and 3. Enter total here	4		00
5	Subtract line 4 from line 1. (If the result is \$500 or less, stop here. Do not compute this schedule.).....	5		00
6	Enter 2016 income tax liability: (2016 Form 740 or Form 740-NP, page 1, line 26).....	6		00
7	Required annual payment. Enter the smaller of line 1 or line 6.....	7		00

Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.

PAYMENT DUE DATES

		A 4-15-17	B 6-15-17	C 9-15-17	D 1-15-18
8	Required Installments. Enter 1/4 (.25) of line 7 in each column..... 8	00	00	00	00
9	Estimated tax paid and tax withheld. For column A only, enter the amount from line 9 on line 13. If line 9 is equal to or greater than line 8 for all payment periods (columns A through D), stop here. You do not owe interest. Complete lines 10 through 17 of each column before going to the next column 9	00	00	00	00
10	Enter amount, if any, from line 17 of previous column 10		00	00	00
11	Add lines 9 and 10. Enter here 11		00	00	00
12	Enter the amount from line 16 of previous column. 12		00	00	00
13	Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9..... 13	00	00	00	00
14	If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero..... 14		00	00	00
15	Underpayment. If line 8 is equal to or greater than line 13, subtract line 13 from line 8. Otherwise, go to line 17 15	00	00	00	00
16	Add lines 14 and 15. Enter here. If line 8 is equal to or greater than line 13, then go to line 10 of the next column 16	00	00	00	00
17	Overpayment. If line 13 is more than line 8, subtract line 8 from line 13, then go to line 10 of the next column 17	00	00	00	00

FIGURING THE INTEREST

18	Interest calculation payment date 18	6-15-17	9-15-17	1-15-18	4-15-18
19	Number of days from the payment due date shown at the top of the column above line 8 to the date the amount on line 16 was paid, or the date shown for that column on line 18, whichever is earlier 19				
20	Annual Percentage Rate (APR)..... 20	.05	.05	.05	.06
21	Underpayment Number of from line 16 X $\frac{\text{days from line 19}}{365}$ X APR on line 20 21	00	00	00	00
22	INTEREST DUE: Add amounts on line 21 columns A through D. Enter the total here and on Form 2210-K, page 1, line 8 22				00



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

Your Social Security Number

Caution: You **cannot** take the 2017 Kentucky Education Tuition Tax Credit if you are not eligible for the Federal Education Credits. You must attach the federal Form 8863.

Carryforward Information: If you have an unused credit from prior year(s), complete Page 2, Part V to determine your carry-forward amount. You must have completed Form 8863-K in prior years to claim any allowable unused credit carryforward.

PART I—Qualifications

	Yes	No
• Are all expenses claimed on this form for an eligible educational institution located within the Commonwealth of Kentucky (Kentucky institution)?.....		
• Are all of the expenses claimed on this form for undergraduate studies?.....		
• Is your Kentucky filing status single; married filing separately on a combined return; or married filing a joint return?		

If you answered "No" to any of these questions above, **STOP**, you do not qualify for this credit.
If you answered "Yes" to all questions above, go to Part II.

PART II—American Opportunity Credit (List only expenses for undergraduate studies from Kentucky institutions)

1	(c) Qualified Expenses (see instructions). Do not enter more than \$4,000 for each student.	(d) Subtract \$2,000 from column (c); if zero or less enter -0-	(e) Multiply column (d) by 25% (.25)	(f) If column (d) is zero enter the amount from column (c); otherwise, add \$2,000 to column (e) and enter result
(a) <u>Student Name</u> SSN				
-----	.00	.00	.00	.00
(b) Institution Name and Address				

(a) <u>Student Name</u> SSN				
-----	.00	.00	.00	.00
(b) Institution Name and Address				

2 Add the amounts on line 1, column (f)00
3 Enter the decimal amount from line 6 of the federal Form 8863. If this line is blank, enter -0- and go to line 4; you cannot take any American Opportunity Credit				-----
4 Tentative American Opportunity Credit. Multiply line 2 by line 3 and enter here (Note: The result on line 4 cannot exceed the amount of the federal Form 8863, line 7). If you are taking the Lifetime Learning Credit for another student, complete Part III; otherwise, enter amount from line 4 on line 1100



PART III—Lifetime Learning Credit (List only expenses for undergraduate studies from Kentucky institutions)

5	(a) Student Name	(b) Student SSN	(c) Name and Address of Kentucky Institution	(d) Qualified Expenses (See instructions)
			-----	.00
			-----	.00
6	Add the amounts on line 5, column (d) and enter total here.....			6 .00
7	Enter the smaller of line 6 or \$10,000			7 .00
8	Multiply line 7 by 20% (.20) and enter here.....			8 .00
9	Enter the decimal amount from line 17 of the federal Form 8863. If this line is blank, enter -0- and go to line 10; you cannot take any Lifetime Learning Credit.....			9 .00
10	Tentative Lifetime Learning Credit. Multiply line 8 by line 9 and enter here (Note: The result on line 10 cannot exceed the amount of the federal Form 8863, line 18)			10 .00
11	Total Tentative Kentucky Education Tuition Tax Credits. Add lines 4 and 10.			11 .00

PART IV—Allowable Education Credits

12	Multiply the amount on line 11 by 25% (.25) and enter total here	12	.00
13	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	13	.00
14	Enter amount from Part V, line 34. If Part V, line 34 is blank, enter -0-.....	14	.00
15	Subtract line 14 from line 13.....	15	.00
16	Enter the smaller of line 15 or line 12	16	.00
17	Add lines 14 and 16. Enter here and on Form 740 or Form 740-NP, line 23. This is your allowable 2017 Kentucky Education Tuition Tax Credit	17	.00
18	If line 15 is smaller than line 12, subtract line 15 from line 12. This is the amount of unused credit carryforward from 2017 to 2018 . Enter here and on the 2017 Carryforward Worksheet, Line E, provided below	18	.00

PART V—Credit Carryforward from Prior Years

19	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	19	.00
20	Enter your credit carryforward from 2012	20	.00
21	Enter your credit carryforward from 2013	21	.00
22	Enter your credit carryforward from 2014	22	.00
23	Enter your credit carryforward from 2015	23	.00
24	Enter your credit carryforward from 2016	24	.00
25	Add lines 20 through 24 and enter total here	25	.00
26	Subtract line 20 from line 19. If zero or less, enter -0-.....	26	.00
27	Enter 2013 credit carryforward to 2018. Subtract line 26 from line 21. If zero or less, enter -0-	27	.00
28	Subtract line 21 from line 26. If zero or less, enter -0-.....	28	.00
29	Enter 2014 credit carryforward to 2018. Subtract line 28 from line 22. If zero or less, enter -0-	29	.00
30	Subtract line 22 from line 28. If zero or less, enter -0-.....	30	.00
31	Enter 2015 credit carryforward to 2018. Subtract line 30 from line 23. If zero or less, enter -0-	31	.00
32	Subtract line 23 from line 30. If zero or less, enter -0-.....	32	.00
33	Enter 2016 credit carryforward to 2018. Subtract line 32 from line 24. If zero or less, enter -0-	33	.00
34	Enter the smaller of line 19 or line 25	34	.00

2017 Carryforward Worksheet

A	From Part V, Line 27, 2013 to 2018	.00
B	From Part V, Line 29, 2014 to 2018	.00
C	From Part V, Line 31, 2015 to 2018	.00
D	From Part V, Line 33, 2016 to 2018	.00
E	From Part IV, Line 18, 2017 to 2018	.00

If you have a carryforward of credit, maintain a copy of this worksheet or Form 8863-K for your records. This information will be needed to prepare future returns.



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

Your Social Security Number

Caution: You **cannot** take the 2017 Kentucky Education Tuition Tax Credit if you are not eligible for the Federal Education Credits. You must attach the federal Form 8863.

Carryforward Information: If you have an unused credit from prior year(s), complete Page 2, Part V to determine your carry-forward amount. You must have completed Form 8863-K in prior years to claim any allowable unused credit carryforward.

PART I—Qualifications

	Yes	No
• Are all expenses claimed on this form for an eligible educational institution located within the Commonwealth of Kentucky (Kentucky institution)?.....		
• Are all of the expenses claimed on this form for undergraduate studies?.....		
• Is your Kentucky filing status single; married filing separately on a combined return; or married filing a joint return?		

If you answered "No" to any of these questions above, **STOP**, you do not qualify for this credit.
If you answered "Yes" to all questions above, go to Part II.

PART II—American Opportunity Credit (List only expenses for undergraduate studies from Kentucky institutions)

1	(c) Qualified Expenses (see instructions). Do not enter more than \$4,000 for each student.	(d) Subtract \$2,000 from column (c); if zero or less enter -0-	(e) Multiply column (d) by 25% (.25)	(f) If column (d) is zero enter the amount from column (c); otherwise, add \$2,000 to column (e) and enter result
(a) <u>Student Name</u> SSN				
-----	.00	.00	.00	.00
(b) Institution Name and Address				

(a) <u>Student Name</u> SSN				
-----	.00	.00	.00	.00
(b) Institution Name and Address				

2 Add the amounts on line 1, column (f)00
3 Enter the decimal amount from line 6 of the federal Form 8863. If this line is blank, enter -0- and go to line 4; you cannot take any American Opportunity Credit				-----
4 Tentative American Opportunity Credit. Multiply line 2 by line 3 and enter here (Note: The result on line 4 cannot exceed the amount of the federal Form 8863, line 7). If you are taking the Lifetime Learning Credit for another student, complete Part III; otherwise, enter amount from line 4 on line 1100



PART III—Lifetime Learning Credit (List only expenses for undergraduate studies from Kentucky institutions)

5	(a) Student Name	(b) Student SSN	(c) Name and Address of Kentucky Institution	(d) Qualified Expenses (See instructions)
			-----	.00
			-----	.00
6	Add the amounts on line 5, column (d) and enter total here.....			6 .00
7	Enter the smaller of line 6 or \$10,000			7 .00
8	Multiply line 7 by 20% (.20) and enter here.....			8 .00
9	Enter the decimal amount from line 17 of the federal Form 8863. If this line is blank, enter -0- and go to line 10; you cannot take any Lifetime Learning Credit.....			9 .00
10	Tentative Lifetime Learning Credit. Multiply line 8 by line 9 and enter here (Note: The result on line 10 cannot exceed the amount of the federal Form 8863, line 18)			10 .00
11	Total Tentative Kentucky Education Tuition Tax Credits. Add lines 4 and 10.			11 .00

PART IV—Allowable Education Credits

12	Multiply the amount on line 11 by 25% (.25) and enter total here	12	.00
13	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	13	.00
14	Enter amount from Part V, line 34. If Part V, line 34 is blank, enter -0-.....	14	.00
15	Subtract line 14 from line 13.....	15	.00
16	Enter the smaller of line 15 or line 12	16	.00
17	Add lines 14 and 16. Enter here and on Form 740 or Form 740-NP, line 23. This is your allowable 2017 Kentucky Education Tuition Tax Credit	17	.00
18	If line 15 is smaller than line 12, subtract line 15 from line 12. This is the amount of unused credit carryforward from 2017 to 2018 . Enter here and on the 2017 Carryforward Worksheet, Line E, provided below	18	.00

PART V—Credit Carryforward from Prior Years

19	Enter tentative tax from Form 740 or Form 740-NP, page 1, line 22	19	.00
20	Enter your credit carryforward from 2012	20	.00
21	Enter your credit carryforward from 2013	21	.00
22	Enter your credit carryforward from 2014	22	.00
23	Enter your credit carryforward from 2015	23	.00
24	Enter your credit carryforward from 2016	24	.00
25	Add lines 20 through 24 and enter total here	25	.00
26	Subtract line 20 from line 19. If zero or less, enter -0-.....	26	.00
27	Enter 2013 credit carryforward to 2018. Subtract line 26 from line 21. If zero or less, enter -0-	27	.00
28	Subtract line 21 from line 26. If zero or less, enter -0-.....	28	.00
29	Enter 2014 credit carryforward to 2018. Subtract line 28 from line 22. If zero or less, enter -0-	29	.00
30	Subtract line 22 from line 28. If zero or less, enter -0-.....	30	.00
31	Enter 2015 credit carryforward to 2018. Subtract line 30 from line 23. If zero or less, enter -0-	31	.00
32	Subtract line 23 from line 30. If zero or less, enter -0-.....	32	.00
33	Enter 2016 credit carryforward to 2018. Subtract line 32 from line 24. If zero or less, enter -0-	33	.00
34	Enter the smaller of line 19 or line 25	34	.00

2017 Carryforward Worksheet

A	From Part V, Line 27, 2013 to 2018	<u>.00</u>
B	From Part V, Line 29, 2014 to 2018	<u>.00</u>
C	From Part V, Line 31, 2015 to 2018	<u>.00</u>
D	From Part V, Line 33, 2016 to 2018	<u>.00</u>
E	From Part IV, Line 18, 2017 to 2018	<u>.00</u>

If you have a carryforward of credit, maintain a copy of this worksheet or Form 8863-K for your records. This information will be needed to prepare future returns.

Line 8, Kentucky Investment Fund Tax Credit—Limits on Kentucky Investment Fund Act (KIFA) Credits—KIFA tax credits available to any single investment fund are limited to \$1.3 million for all investors and all taxable years. Total KIFA tax credits available for all investors in all investment funds shall not exceed \$5 million per fiscal year. 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 9, Coal Incentive Tax Credit—A company that owns and operates an alternative fuel facility or a gasification facility as defined in KRS 154.27-010 may be entitled to a coal incentive tax credit. Application for this credit is made on Schedule CI, Application for Coal Incentive Tax Credit, and a copy of the credit certificate issued by the Kentucky Department of Revenue must be enclosed with the return on which the credit is claimed.

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 224.01-518 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, Environmental Stewardship Tax Credit—An approved company may be permitted a credit against the Kentucky income tax imposed by KRS 141.020, KRS 141.040 or KRS 141.0401 on the income of the approved company generated by or arising out of a project as determined under KRS 154.48-020. An “environmental stewardship product” means any new manufactured product or substantially improved existing manufactured product that has a lesser or reduced adverse effect on human health and the environment or provides for improvement to human health and the environment when compared with existing products or competing products that serve the same purpose. A company must have eligible costs of at least \$5 million and within six months after the activation date, the approved company compensates a minimum of 90 percent of its full-time employees whose jobs were created or retained with base hourly wages equal to either: (1) 75 percent of the average hourly wage for the Commonwealth; or (2) 75 percent of the average hourly wage for the county in which the project is to be undertaken. The maximum amount of negotiated inducement that can be claimed by a company for any single tax year may be up to 25 percent of the authorized inducement. The agreement shall expire on the earlier of the date the approved company has received inducements equal to the approved costs of its project, or 10 years from the activation date. For more information, contact the Cabinet for Economic Development, Old Capitol Annex, 300 West Broadway, Frankfort, Kentucky 40601.

KRS 141.430 was amended to provide that for tax years beginning on or after June 4, 2010, the base tax year is reduced by fifty percent (50%). The base tax year is the combined income tax and LLET for the first taxable year after December 31, 2005, that ends immediately prior to the activation date. If the base year is for a taxable year beginning before January 1, 2007, the LLET will not apply.

Caution: An approved company under the Environmental Stewardship Act shall not be entitled to the recycling credit provided under the provisions of KRS 141.390 for equipment used in the production of an environmental stewardship project.

Line 15, 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, except that no credit shall be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, parent or a subsidiary.

Line 16, 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 17, 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 18, 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 19, 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.

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 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP 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 20, New Markets Development 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 21, Food Donation Credit—For taxable years beginning on or after January 1, 2014, but before January 1, 2018, a qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020, or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, in an amount equal to ten percent (10%) of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

A qualified taxpayer means a person responsible for and deriving income from: (i) growing fruits, vegetables, or other edible agriculture products; or (ii) raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. For more information, see KRS 141.392.

Enclose a copy of the Schedule(s) FD. If this credit cannot be taken in full in the year of the donation you may carry the credit forward up to four (4) years.

Line 22, 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 tax year 2017, the distilled spirits credit is equal to sixty percent (60%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis on or after January 1, 2017. For more information, see KRS 141.389.

Line 23, 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.

SECTION B—PERSONAL TAX CREDITS

Line 1(a), Yourself—You are always allowed to claim a tax credit for yourself (even if your parent(s) can claim a credit for you on their return). On Line 1(a), there are eleven boxes under four separate headings. Always check the box under “Check Regular” to claim a tax credit for yourself. *If 65 or older*, also check the next four boxes on the line. *If legally blind*, also check the next four boxes on the line.

If you’re a member of the Kentucky National Guard on December 31, 2017, also check the last two boxes on Line 1(a). Kentucky law specifically restricts this credit to Kentucky National Guard members; military reserve members are not eligible.

Line 1(b), Your Spouse—Do not fill in Line 1(b) if (1) you are single; (2) you are married and you and your spouse are filing two separate returns; or (3) your spouse received more than half of his or her support from another taxpayer.

Fill in Line 1(b) if you are married and (1) you and your spouse are filing a joint return, or (2) if your spouse had no income or is not required to file a return. If you meet these criteria, check the first box on Line 1(b) for your spouse. *If your spouse is 65 or older*, also check the next four boxes. *If your spouse was legally blind at the end of the taxable year*, also check the next four boxes on the line. If your spouse was a member of the Kentucky National Guard on December 31, 2017, also check the last two boxes on the line.

Dependents—You are allowed to claim a tax credit for each person defined as a dependent in the Internal Revenue Code. Generally, dependents who qualify for federal purposes also qualify for Kentucky.

Line 2, Dependents Who Live With You

Use to claim tax credits for your dependent children, including stepchildren and legally adopted children, who lived with you during the taxable year. **If the dependent meets the requirements for a qualifying child under the provisions of IRC 152(c), check the box; this child qualifies to be counted to determine the family size.**

Dependents Who Did Not Live With You

Also use Line 2 to claim tax credits for your dependent children who did not live with you and to claim tax credits for other persons who qualify as dependents. **These dependents do not qualify to be counted to determine the family size.**

Children of Divorced or Separated Parents—Enclose a copy of federal Form 8332 filed with your federal return. Children may only be counted for family size by the custodial parent.

Tax Credits for Individuals Supported by More Than One Taxpayer—Enclose a copy of federal Form 2120 filed with your federal return.

SECTION C—FAMILY SIZE TAX CREDIT

Children may only be counted for family size by the custodial parent. Even if you have signed federal Form 8332 and may not claim the child as a dependent, you may count children who otherwise meet the requirements for the Family Size Tax Credit.

You must include in Section C the names and Social Security numbers of the qualifying children that are not claimed as dependents in Section B in order to count them in your total family size.

SIGN RETURN—Be sure to sign on page 3 after completion of pages 1, 2, 3 and 4 of your return. Each return must be signed by the taxpayer. Joint returns must be signed by both taxpayer and spouse. Returns that are not signed may be returned to you for signature.

Enter Driver's License/State Issued ID number.

Please enter a telephone number where you can be reached during regular working hours. You may be contacted for additional information needed to complete processing of your tax return.

INSTRUCTIONS FOR SCHEDULE A

FORM 740-NP

You may itemize your deductions for Kentucky even if you do not itemize for federal purposes. Amounts entered on Schedule A should be total deductions for the taxable period. These amounts are prorated on Form 740-NP, page 1. If you do not itemize, you may elect to take a standard deduction of \$2,480 and it does not have to be prorated.

Special Rules for Married Couples—If one spouse itemizes deductions, the other must itemize. Married couples filing a joint federal return and who wish to file separate returns for Kentucky may: (a) file separate Schedules A showing the specific deductions claimed by each; (b) file a joint Schedule A, divide the total deductions between them based on the percentage of each spouse's income to total income, and attach a copy to each return; or (c) each spouse may claim the standard deduction of \$2,480.

Limitations on Itemized Deductions for High-Income Taxpayers—If your adjusted gross income from Form 740-NP, Line 8, exceeds \$186,350 (\$93,175 if married filing separate returns), your itemized deductions are reduced by the lesser of:

- (a) 3 percent of the amount by which your adjusted gross income exceeds \$186,350 (\$93,175 if married filing separate returns), or
- (b) 80 percent of your total itemized deductions except medical and dental expenses, casualty and theft losses, gambling losses and investment interest.

Complete the itemized deductions limitation schedule on the reverse of Schedule A (Form 740-NP).

MEDICAL AND DENTAL EXPENSES

Federal rules apply. You may deduct only your medical and dental expenses that exceed 10 percent of Form 740-NP, Line 8. Do not include any expenses deducted on Form 740-NP, page 4, Section D, Column B, Line 31 or Line 32. Married taxpayers filing separate Forms 740-NP who choose to file one Schedule A and prorate the total must combine the Line 8 amounts from both returns.

TAXES

You may not deduct new motor vehicle taxes, sales tax, state or federal income taxes paid or withheld, otherwise federal rules apply.

INTEREST

You may deduct interest that you have paid during the taxable year on a home mortgage. You may not deduct interest paid on credit or charge card accounts, a life insurance loan, an automobile or other consumer loan, delinquent taxes or on a personal note held by a bank or individual.

Interest paid on business debts should be deducted as a business expense on the appropriate business income schedule.

You may not deduct interest on an indebtedness of another person when you are not legally liable for payment of the interest. Nor may you deduct interest paid on a gambling debt or any other nonenforceable obligation. Interest paid on money borrowed to buy tax-exempt securities or single premium life insurance is not deductible.

Line 10—List the interest and points (including "seller-paid points") paid on your home mortgage to financial institutions and reported to you on federal Form 1098.

Line 11—List other interest paid on your home mortgage and not reported to you on federal Form 1098. Show name and address.

Line 12—List points (including "seller-paid points") not reported to you on federal Form 1098. Points (including loan origination fees) charged only for the use of money and paid with funds other than those obtained from the lender are deductible over the life of the mortgage. However, points may be deducted in the year paid if all three of the following apply: (1) the loan was used to **buy, build or improve your main home**, and was secured by that home, (2) the points did not exceed the points usually charged in the area where the loan was made, and were figured as a percentage of the loan amount, and (3) if the loan was used to **buy or build** the home, you must have provided funds (see below) at least equal to the points charged. If the loan was used to **improve** the home, you must have paid the points with funds other than those obtained from the lender.

Funds provided by you include down payments, escrow deposits, earnest money applied at closing, and other amounts actually paid at closing. They do not include amounts you borrowed as part of the overall transaction.

Seller-Paid Points—If you are the buyer, you may be able to deduct points the seller paid in 2017. You can do this if the loan was used to buy your main home and the points meet item 2 above. You must reduce your basis in the home by those points, even if you do not deduct them.

The seller cannot deduct these points as interest. However, they are a selling expense that reduces the amount realized

by the seller. See federal Publication 523 for information on selling your home.

This generally does not apply to points paid to refinance your mortgage. Federal rules apply. See federal Publication 936 for more information.

Line 13, Qualified Mortgage Insurance Premiums—Premiums that you pay or accrue for "qualified mortgage insurance" during 2017 in connection with home acquisition debt on your qualified home are deductible as home mortgage insurance premiums. Qualified mortgage insurance is mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and private mortgage insurance. Mortgage insurance premiums you paid or accrued on any mortgage insurance contract issued before January 1, 2007, are not deductible.

Limit on amount you can deduct. You cannot deduct your mortgage insurance premiums if the amount on Form 740-NP, line 8, is more than \$109,000 (\$54,500 if married filing separate returns). If the amount on Form 740-NP, line 8, is more than \$100,000 (\$50,000 if married filing separate returns), your deduction is limited and you must use the worksheet below to figure your deduction

Qualified Mortgage Insurance Premiums Deduction Worksheet

See the instructions for Line 13 above to see if you must use this worksheet to figure your deduction.

<p>1. Enter the total premiums you paid in 2017 for qualified mortgage insurance for a contract entered into on or after January 1, 2007</p> <p>2. Enter the amount from Form 740-NP, page 1, Line 8.....</p> <p>3. Enter \$100,000 (\$50,000 if married filing separate returns).....</p> <p>4. Is the amount on Line 2 more than the amount on Line 3? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from Line 1 above on Schedule A, Line 13. <input type="checkbox"/> Yes. Subtract Line 3 from Line 2. If the result is not a multiple of \$1,000 (\$500 if married filing separate returns), increase it to the next multiple of \$1,000 (\$500 if married filing separate returns). For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000; or if married filing separate returns, increase \$425 to \$500, increase \$2,025 to \$2,500, etc.</p> <p>5. Divide Line 4 by \$10,000 (\$5,000 if married filing separate returns). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0.....</p> <p>6. Multiply Line 1 by Line 5.....</p> <p>7. Qualified mortgage insurance premiums deduction. Subtract Line 6 from Line 1. Enter the result here and on Schedule A, Line 13.....</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p>
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Line 14, Interest on Investment Property—Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to a passive activity.

Enclose federal Form 4952, Investment Interest Expense Deduction.

Exception. You do not have to file federal Form 4952 if all three of the following apply:

- (a) your investment interest is not more than your investment income from interest and ordinary dividends,
- (b) you have no other deductible investment expenses, and
- (c) you have no disallowed investment interest expense from 2016.

For more details, see federal Publication 550, Investment Income and Expenses.

CONTRIBUTIONS

You may deduct what you actually gave to organizations that are religious, charitable, educational, scientific or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. In general, contributions deductible for federal income tax purposes are also deductible for Kentucky.

You are required to maintain receipts, cancelled checks or other reliable written documentation showing the name of the organization and the date and amount given to support claimed deductions for charitable contributions.

Separate contributions of \$250 or more require written substantiation from the donee organization in addition to your proof of payment. It is your responsibility to secure substantiation. A letter or other documentation from the qualifying charitable organization that acknowledges receipt of the contribution and shows the date and amount constitutes a receipt. This substantiation should be kept in your files. Do not send it with your return.

In addition, enter on Line 17 the value of a leasehold interest property contributed to a charitable organization to provide temporary housing for the homeless. Enclose Schedule HH.

CASUALTY AND THEFT LOSSES

Use Line 20 to report casualty or theft losses of property that is not trade, business, rent or royalty property. Enclose federal Form 4684, Casualties and Thefts, or a similar statement to figure your loss. Enter on Line 20 the amount of loss from federal Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat and other accidents or similar causes. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that:

- (a) the amount of **each** separate casualty or theft loss is more than \$100, and
- (b) the total amount of **all** losses during the year is more than 10 percent of Form 740-NP, page 1, Line 8.

Note: Married taxpayers filing separate Forms 740-NP who choose to file one Schedule A and prorate the total must combine the Line 8 amounts from both returns.

Special rules apply if you had both gains and losses from non-business casualties or thefts. See federal Form 4684 for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects or disease.

Deduct the costs of proving you had a property loss as a miscellaneous deduction on Line 26. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, see federal Publication 547, Nonbusiness Disasters, Casualties, and Thefts. It also gives information about federal disaster area losses.

MISCELLANEOUS DEDUCTIONS

Most miscellaneous deductions cannot be deducted in full. You must subtract 2 percent of your adjusted gross income from the total. Compute the 2 percent limit on Line 29.

Note: Married taxpayers filing separate Forms 740-NP who choose to file one Schedule A and prorate the total must combine the Line 8 amounts from both returns.

Generally, the 2 percent limit applies to job expenses you paid for which you were not reimbursed (Line 24). The limit also applies to certain expenses you paid to produce or collect taxable income (Line 26). See the instructions for Lines 24, 25 and 26 for examples of expenses to claim on these lines.

The 2 percent limit does not apply to certain other miscellaneous expenses that you may deduct. These expenses can be deducted in full on Line 31. The Line 31 instructions describe these expenses. Included are deductible gambling losses (to the extent of winnings) and certain job expenses of disabled employees. See federal Publication 529, Miscellaneous Deductions, for more information.

Expenses Subject to the 2 Percent Limit

Important: The increase in first-year luxury automobile depreciation caps, the 30 percent and **the 50 percent** special depreciation allowance, the additional New York Liberty Zone Section 179 deduction for property placed in service after September 10, 2001, and **the increased Section 179 deduction limits and thresholds for property placed in service after December 31, 2002**, are not allowable for Kentucky tax purposes. For passenger automobiles purchased after September 10, 2001, you must compute Kentucky depreciation in accordance with the IRC in effect on December 31, 2001.

Create a Kentucky Form 2106 by entering **Kentucky** at the top center of a federal Form 2106, Employee Business Expenses. Complete Section D—Depreciation of Vehicles in accordance with the IRC in effect on December 31, 2001. **Enclose a copy of the federal Form 2106 filed for federal income tax purposes if no adjustments are required.**

Line 24—Use this line to report job-related expenses you paid for which you were not reimbursed. In some cases you **MUST** first fill out Form 2106, Employee Business Expenses, or Form 2106-EZ, Unreimbursed Employee Business Expenses. Fill out Form 2106-EZ if you claim any unreimbursed travel, transportation, meal or entertainment expenses for your job. Fill out Form 2106 if your employer paid you for any of your job-related expenses reportable on Line 24.

Enter the amount of unreimbursed employee business expenses from Form 2106 or 2106-EZ on Line 24 of Schedule A.

If you do not have to fill out Form 2106 or 2106-EZ, list the type and amount of your expenses in the space provided. If you need more space, Enclose a statement showing the type and amount of the expense. Enter one total on Line 24.

Line 25—Use this line to report tax return preparation fees paid during the taxable year including fees paid for filing your return electronically.

Line 26—Use this line for amounts you paid to produce or collect taxable income and manage or protect property held for earning income. List the type and amount of each expense in the space provided. If you need more space, enclose a statement showing the type and amount of each expense. Enter one total on Line 26.

LINE 31—OTHER MISCELLANEOUS DEDUCTIONS

Use this line to report miscellaneous deductions that are NOT subject to the 2 percent adjusted gross income limit. Only the expenses listed below can be deducted on Line 31.

Expenses NOT Subject to the 2 Percent Limit

Gambling losses to the extent of Kentucky gambling winnings. Gambling winnings must be included on Form 740-NP, Section D, Line 15. (**Note:** Gambling losses must be verified by supplemental records. These include a diary and unredeemed tickets, payment slips and winning statements.)

Federal estate tax on income in respect of a decedent.

Amortizable bond premium on bonds acquired before October 23, 1986.

Deduction for repayment of amounts under a claim of right if more than \$3,000. See federal Publication 525.

Unrecovered investment in a pension.

Impairment-related work expenses of a disabled person.

Casualty and theft losses of income-producing property.

List the type and amount of each expense. Enter one total on Line 31. For more information on these expenses, see federal Publication 529.

LINE 32—TOTAL ITEMIZED DEDUCTIONS

If the amount on Form 740-NP, Line 9, exceeds \$186,350 (\$93,175 if married filing separate returns), skip Lines 33 through 36 and complete the limitation schedule.

Dividing Deductions Between Spouses—Married taxpayers combining itemized deductions must divide the itemized deductions if filing separate Kentucky returns or if one spouse is not filing a Kentucky return. Complete Lines 33 through 36, Schedule A.

Instructions for Form 2210-K

Purpose of Form—Use this form to determine if you owe an underpayment of estimated tax penalty for failing to prepay 70% of your tax liability and/or interest for failing to make four equal estimated tax installments timely. You may be subject to one or both even if you are due a refund when you file your tax return.

Underpayment of Estimated Tax Penalty—You may be charged an underpayment of estimated tax penalty if you did not prepay 70% of your tax liability and you did not meet one of the exceptions listed in Part I.

Estimated Tax Interest—You may also be charged interest if you failed to make four equal installments timely pursuant to KRS 141.305. These payments are due by April 15, June 15, September 15 of the taxable year, and on January 15 of the succeeding taxable year. Failure to make these equal installments timely may result in interest due pursuant to KRS 141.985. The interest is computed separately for each due date.

Part I—Exceptions and Exclusions—The underpayment of estimated tax penalty may not apply if one of the exceptions listed in Part I is met. If you meet one or more of the exceptions, check the appropriate box(es), complete the lines associated with the exception and check the “Form 2210-K attached” box on Form 740, line 32(b)(Form 740-NP, line 32(b)) if you have an overpayment on Form 740, line 38(a) (Form 740-NP, line 38a) if you have additional tax due.

Part II—Figuring the Underpayment and Penalty—Only complete this section if the additional tax due exceeds \$500 and you do not meet one of the exceptions listed in Part I. Do not include amounts that were prepaid with extension or payments made after the due date of the fourth declaration installment. To avoid this penalty in the future, obtain and file Form 740-ES.

Part III—Required Annual Payment and Interest Calculation—This section is used to calculate your required annual payment. The required annual payment is used to calculate the amount of payment that you should have made each quarter. If you do not pay the required amount in each quarter, you will be subject to interest until that payment is made. You may not be required to pay estimated tax payments if you meet one of the following exceptions:

- Taxpayer died during the taxable year
- Declaration was not required until after September 3, 2017, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2018.
- Two-thirds (2/3) or more of the gross income was from farming; this return is being filed on or before March 1, 2018; and the total tax due is being paid in full.
- Prepaid your last years tax liability with timely payments.

Lines 1–7—Calculates your required annual payment which is the lesser of your current years income tax liability or your previous years tax liability. If you have paid withholding that exceeds the lesser of the two, you do not owe interest and you do not need to complete the rest of the form.

Line 8—Multiply line 7, page 2, by 25 percent (.25) and enter amount in columns A through D. However, if your source(s) of income changed unexpectedly throughout the year or your income was received later in the year, the required number of installments may be fewer.

A taxpayer who is not required to pay estimated tax in four equal installments at the beginning of the year may be required to make installment payments during the remainder of the year. Refer to the payment due dates at the top of columns A – D to determine how many installments you are required to make based on when your income changed or was received.

If you are required to make 3 installments, multiply line 7 by 34 percent (.34) and enter in column B then multiply line 7 by 33 percent (.33) and enter in columns C and D.

If you are required to make 2 installments, multiply line 7 by 50 percent (.50) and enter in columns C and D.

If you are required to only make 1 installment, multiply line 7 by 100 percent (1.00) and enter in column D.

Line 9—Enter the sum of estimated tax payments made and Kentucky withholding for each quarter. If you have Kentucky income tax withheld, multiply the total by 25 percent (.25) and enter in columns A through D. If you had a credit forward from a prior year return, enter the total amount in Column A only.

Note: Complete lines 10 through 17 for Column A before going to Column B, etc.

Line 10—Enter amount from line 17 of the previous column. This amount should be the overpayment if any from the previous column.

Line 12—Enter amount from line 16 of the previous column. This amount should be the underpayment amount from the previous column that will be carried over to each column until the payment is made.

Line 16—This is the underpayment amount for that column and any underpayment from the previous columns. The underpayment will continue to carryover to the next column until the payment is made or the due date, whichever is earlier.

Figuring the Interest—Interest will be calculated on each underpayment in each column from the payment due date written above line 8 to the date on line 18 or the date the payment was made, whichever is earlier. The underpayments will carryover to the next column and be added to that column's underpayment to calculate interest on that balance.

Line 18—Use this date to calculate the number of days that the current interest amount will be based upon, unless the underpayment was paid prior to this date.

Line 19—This is the number of days from the payment due date shown above line 8 to the date the amount on line 16 was paid or the date shown on line 18 for the column in which you are calculating interest.

For example, if your underpayment on line 16 for column A is \$1,000, you would calculate the interest from 4–15–17 to 6–15–17 and enter 61 days on line 19. If this \$1,000 remains unpaid, it will be added to any underpayment in column B and you would calculate interest from 6–15–17 until 9–15–17 which would be 92 days for that period, etc.

Line 20—The annual interest rate is established by the Department of Revenue for each calendar year. The interest rate for calendar years 2017 is 5 percent and 2018 is 6 percent. The interest calculation for the required third installment payment may be calculated using two different interest rates.

Instructions for Form 8863-K

Purpose of Form—Use Form 8863-K to calculate and claim your 2017 education tuition tax credits. The education credits are: the American Opportunity Credit and the Lifetime Learning Credit. These credits are based on qualified undergraduate education expenses paid to an eligible postsecondary educational institution located in Kentucky. If you elected to claim the education credit for federal purposes rather than the tuition and fees deduction, you must make that same election for Kentucky purposes.

Part I, Qualifications—All questions in Part I must be answered “Yes” to be eligible to claim the Kentucky education tuition tax credit.

Qualified Education Expenses—See the federal instructions to determine the qualified expenses for the American Opportunity Credit and the Lifetime Learning Credit. The allowable expenses may be different for each credit.

Eligible Educational Institution located in Kentucky—An eligible educational institution is generally any accredited public, nonprofit, or private college, university, vocational school, or other postsecondary institution. The institution must be eligible to participate in a student aid program administered by the Department of Education. **The institution attended must be physically located in Kentucky to qualify.**

Part II, American Opportunity Credit—You must enter the student’s name and Social Security number, the name and address of the Kentucky institution, and the qualified expenses. Use the federal instructions to determine if each student meets the qualifications. **For Kentucky, the credit is limited to 25% of the allowable federal credit with a maximum amount allowed of \$625 for each qualifying student.**

Part III, Lifetime Learning Credit—You must enter the student’s name and Social Security number, the name and address of the Kentucky institution, and the qualified expenses. Use the federal instructions to determine if each student meets the qualifications. **For Kentucky, the credit is limited to 25% of the allowable federal credit with a maximum allowed of \$500 per return.**

Part IV, Allowable Education Credits—

Line 12—Multiply Line 11 by 25% (.25). This is your tentative Kentucky allowable credit.

Line 13—Enter the tentative tax from Form 740 or Form 740-NP, page 1, Line 22.

Line 14—Enter the amount from page 2, Part V, Line 34. This is the allowable credit carryforward from prior year(s). If there is no carryforward, enter zero.

Line 15—Subtract Line 14 from Line 13.

Line 16—Enter the smaller of Line 15 or Line 12.

Line 17—Add Lines 14 and 16. **Enter here and on Form 740 or Form 740-NP, Line 23.** This is your allowable 2017 education credit.

Line 18—If Line 15 is smaller than Line 12, subtract Line 15 from Line 12. This is the amount of unused credit carryforward from 2017 to 2018. Maintain records for following years.

Part V, Credit Carryforward from Prior Years—The Kentucky education tuition tax credit can be carried forward for up to 5 years if unused during the preceding tax year(s). You must have completed Form 8863-K for any prior year(s) in which you are claiming a credit carryforward.