

**SCHEDULE III
KANSAS ALLOCATION SCHEDULE**

Complete this schedule only if any one of the years involved was filed with a different filing status than any other year. You must complete this schedule for EACH YEAR that an allocation is necessary (see instructions).

Year: _____	Joint Income (L)	Taxpayer's Income (M)	Spouse's Income (N)
17. Wages, salaries, tips, etc.			
18. Interest			
19. Dividends less exclusion			
20. Business income			
21. Taxable capital gains and losses			
22. Rents, royalties and partnerships			
23. Farm income			
24. Other income			
25. Other adjustments: _____			
26. _____			
27. Federal adjusted gross income (Add lines 17 through 26)			
28. Modifications from Part A, Schedule S			
29. Additions: _____			
30. _____			
31. Subtractions: _____			
32. _____			
33. Net Modifications (Add lines 29 and 30, then subtract lines 31 and 32)			
34. Kansas adjusted gross income			
35. Less standard or itemized deductions			
36. Less exemptions			
37. Taxable income (Line 34 minus lines 35 and 36)			

INSTRUCTIONS FOR FORM CRF

GENERAL INFORMATION

To qualify for a Kansas net operating loss carry forward, a taxpayer must have all of the following: 1) a federal net operating loss; 2) a Kansas Individual Income Tax Return, Form K-40, and supporting schedules on file for the loss year; and, 3) income or loss from Kansas sources or was a Kansas resident during the loss year.

Kansas statutes require net operating losses which are incurred after December 31, 1987, be carried forward until fully used or until ten (10) years has elapsed, whichever occurs first. A Kansas net operating loss which is incurred after December 31, 1987 is not carried back prior to carrying the loss forward. For loss years prior to 1988, the loss carryover is limited to seven (7) years.

NONRESIDENTS: A nonresident must determine his net operating loss as though he were a Kansas resident. The loss is determined from information on the front of Form K-40 and is applied to income in the same manner as a resident of Kansas would claim the loss carry forward. The information shown on the Kansas nonresident allocation percentage schedule is **not** used to determine a Kansas net operating loss. Kansas source loss is not applied to Kansas source income when determining a Kansas nonresident net operating loss.

If there was a change in marital status (divorce, marriage, or death of one of the spouses) between the year of the loss and any of the years to which the loss is carried, see the instructions for Schedule III.

There are three basic steps involved in a net operating loss carry forward:

STEP 1: Complete Schedule I to compute the amount of the loss.

STEP 2: Carry the loss to the next succeeding tax year (Schedule S, Part A)

STEP 3: Complete Schedule II to determine if there is any remaining loss to be carried to the next succeeding year.

STEP 4: Complete a separate CRF for each loss year.

LINE BY LINE INSTRUCTIONS

SCHEDULE I - KANSAS COMPUTATION SCHEDULE

COLUMN (A) – Loss Year

Lines 1 through 6: The information to be entered on these lines is taken from the front of the completed Kansas Income Tax Return, Form K-40.

Line 7: Enter the Kansas **taxable income** from the loss year. This amount will be a negative figure.

Line 8: If you have any prior year net operating loss included in the adjusted gross income, enter this amount on line 8. Because you are reducing the allowable loss shown on line 7 by the amounts shown on succeeding lines, the amount entered will be a positive figure.

Line 9: Enter the same capital loss that was computed on your federal net operating loss claim as a positive figure.

Line 10: Enter the portion of the federal long term capital gains excluded from income.

Line 11: Enter the personal exemption claimed on the Kansas return.

Line 12: Enclose a schedule showing the computation of the nonbusiness deductions in excess of nonbusiness income for Kansas and enter the result on line 12. The method of computing the nonbusiness deductions in excess of nonbusiness income is the same as that used for federal purposes. However, the total amount may differ because income (from Schedule S, Part A) and Kansas itemized deductions must be taken into consideration for the Kansas computation.

Line 13: Do not make an entry on lines 13a, 13b and 13c in the loss year column.

Line 14: Reduce the loss shown on line 7 by the total of lines 8 through 12. If the result is a negative figure, this will be your Kansas net operating loss. Carry the net operating loss from line 14 to the next succeeding tax year, Schedule S, Part A.

SCHEDULE II - KANSAS DISTRIBUTION SCHEDULE

Schedule II is used to determine the amount of loss that is absorbed and the remainder of the loss to be carried to the next succeeding year. The computations for Schedule II are essentially the same as those for Schedule I with a few exceptions.

COLUMNS (B) through (K) – Carry Forward Years

Lines 1 through 11: Enter the requested information from the Kansas Income Tax Return, Form K-40, for the applicable year. For **line 8**, the net operating loss included in line 3 will need to be subtracted.

Line 12: The excess nonbusiness deductions are not added back. Line 12 is left blank for all years except the loss year.

Line 13a: If the allowable portion of the charitable contributions shown on the federal itemized deductions have increased, show the same adjustment as shown on the federal net operating loss claim on line 13a.

Line 13b: Enter the loss year that is being utilized (in case of multiple loss years), then enter amounts from that loss year.

Line 13c: If you are utilizing more than one loss year, enter the year(s) and amounts from the additional loss year(s).

Line 14: Enter an amount for the loss year only.

Line 15: Add amounts on lines 7 through 13 to determine the modified taxable income and enter the result on line 15 (cannot be less than zero). NOTE: Line 7 may be either a positive or negative amount, while lines 8 through 13 are usually positive amounts.

Line 16: This is the unused portion of the net operating loss.

Column B – If the loss exceeds modified taxable income, show the difference on line 16b. **Column C** – If the loss exceeds modified taxable income, show the difference on line 16c. **Column D** – If the loss exceeds modified taxable income, show the difference on line 16d.

Continue these line instructions for each column until the net operating loss is completely used or until it is carried forward 10 taxable years, whichever occurs first.

SCHEDULE III – KANSAS ALLOCATION SCHEDULE

This schedule is used when there is a change in marital status between the year of the loss and any of the years to which the loss is to be carried. The net operating loss of one spouse cannot be applied to the income of the other spouse; therefore, it is necessary to determine what portion of the jointly filed return applies to the spouse who sustained the loss.

Column L – Joint Income

Lines 17 through 37: Enter the information requested which is obtained from the joint federal and Kansas income tax returns.

Column M – Taxpayer's Income

Lines 17 through 37: Enter the income, adjustments and deductions for the taxpayer who is claiming the loss carry forward.

Column N – Spouse's Income

Lines 17 through 37: Enter the income, adjustments and deductions for the spouse.

If Schedule III is used for the loss year and both spouses sustained a loss, the information in Column M will need to be carried to Schedule I of Form CRF to calculate the loss. However, if only one spouse sustained the loss, while the

other spouse had income, use the information in Column L to calculate the loss on Schedule I.

When Schedule III is used for the year to which a loss is carried, the information shown in Column M will be used to complete Schedule II of Form CRF to determine the income absorbed and the amount of remaining loss. The Kansas loss to be claimed on Schedule S, Part A, Line A11, cannot exceed the net income for the spouse who sustained the loss since the loss of one spouse cannot be applied to the income of the other spouse.

To avoid a delay in processing or denial of the loss, enclose the following with your Form K-40, Kansas Individual Income Tax Return:

- The completed CRF form. **(You must submit a separate CRF for each loss year the net operating loss carry forward is applied.)**
- A copy of Federal Form 1045, Application for Tentative Refund.
- A copy of Federal Schedule A, Itemized Deductions and Interest and Dividend Income.

TAXPAYER ASSISTANCE

For assistance in completing Form CRF, contact the Kansas Department of Revenue:

Taxpayer Assistance Center
Docking State Office Building, 1st Floor
915 SW Harrison St.
Topeka, KS 66625-2007
Phone: (785) 368-8222
Hearing Impaired TTY: (785) 296-6461
Fax: (785) 291-3614

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