

This is **not** a **current year tax form** and **cannot be used to file a 2009 return**. If you use this form for a tax year other than is intended, it **will not be processed**. Instead, **it will be returned to you** with a request to submit your information on the proper form.

**If you need a current year Kansas tax form**, send your request through email at [forms@kdor.state.ks.us](mailto:forms@kdor.state.ks.us) or call our voice mail forms request line at 785-296-4937. Please allow 2 weeks for delivery.



DO NOT STAPLE

For the taxable year beginning \_\_\_/\_\_\_/2006; ending \_\_\_/\_\_\_/\_\_\_

TAXPAYER INFORMATION

Form section containing taxpayer information fields: Name, Business Activity Code, Employer Identification Numbers, Date Business Began/Discontinued, Method Used to Determine Income, State and Month/Year of Incorporation, State of Commercial Domicile, Type of Federal Return Filed, and original federal due date.

Mark this box if you are filing this as an AMENDED 2007 Kansas return. NOTE: This form cannot be used for tax years prior to 2007.

Reason for amending your 2007 Kansas return: Amended affects Kansas only, Adjustment by the IRS, Amended federal tax return

Table with 18 rows for tax calculations. Columns include line number, description, and numerical values. Lines include Federal taxable income, interest income, deductions, net income before apportionment, nonbusiness income, and final combined report.

19. Kansas taxable income (Subtract line 17 from line 16 or enter line 18, as applicable) . . . . .	19		.
20. Normal tax - Banks & savings and loans (2.25% of line 19) . . . . .	20		.
21a. Surtax - Banks (2.125% of line 19 in excess of \$25,000) . . . . .	21a		.
21b. Surtax - Savings & loans and trust companies (2.25% of line 19 in excess of \$25,000) . . . . .	21b		.
22. Total tax (Add lines 20 & 21a or 21b. If filing combined, use line 22 of K-131.) . . . . .	22		.
23. Total nonrefundable credits (Part III, line 8; cannot exceed amount on line 22). . . . .	23		.
24. Balance (Subtract line 23 from line 22; cannot be less than zero) . . . . .	24		.
25. Estimated tax paid and amount credited forward (Part I, line 4). . . . .	25		.
26. Other tax payments (Enclose separate schedule and any applicable K-19 forms) . . . . .	26		.
27. Business machinery and equipment property tax credit (See instructions)	27		.
28. Child day care assistance credit (Enclose Schedule K-56) . . . . .	28		.
29. Regional foundation contribution credit (Enclose Schedule K-32) . . . . .	29		.
30. Community service contribution credit refund (Enclose Schedule K-60) . . . . .	30		.
31. Payment remitted with original return (See instructions) . . . . .	31		.
32. Overpayment from original return (This figure is a subtraction; see instructions). . . . .	- 32		.
33. Total prepaid credits (Add lines 25 through 31 and subtract line 32) . . . . .	33		.
34. Balance due (If line 24 exceeds line 33). . . . .	34		.
35. Interest. . . . .	35		.
36. Penalty. . . . .	36		.
37. Estimated tax penalty If annualizing to compute penalty, check this box <input type="checkbox"/> . . . . .	37		.
38. Total tax, interest & penalty due (Add lines 34 through 37) . . . . . Complete Form K-130V and enclose it with your payment.	38		.
39. Overpayment (If line 24 plus line 37 is less than line 33). . . . .	39		.
40. Refund. Enter the amount of line 39 you wish to be refunded . . . . .	40		.
41. Credit Forward. Enter the amount of line 39 (original return only) you wish to be applied to 2008 estimated tax. (Line 41 cannot exceed the total of lines 25 & 26) . . . . .	41		.

If this is your ORIGINAL Kansas return, skip lines 31 and 32 and continue to line 33.

If this is your AMENDED Kansas return, complete lines 31 and 32 before continuing to line 33.

I authorize the Director of Taxation or the Director's designee to discuss my return and enclosures with my preparer.

I declare under the penalties of perjury that to the best of my knowledge this is a true, correct, and complete return.

sign here

_____ Signature of officer	_____ Title	_____ Date
_____ Individual or firm signature of preparer	_____ Address and Phone Number	_____ Date

**ENCLOSE ALL REQUIRED FEDERAL FORMS AND SCHEDULES**

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Mail to: Kansas Privilege Tax  
Kansas Department of Revenue  
915 SW Harrison Street  
Topeka, KS 66699-4000

**PART I - ADDITIONAL INFORMATION**

1. Did the corporation file a **Kansas** privilege tax return under the same name for the preceding year?  
 \_\_\_\_\_ Yes \_\_\_\_\_ No. If no, enter previous name and EIN.

2. Enter the address of the corporation's principal location in Kansas.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Telephone \_\_\_\_\_

3. The corporation's books are in care of:  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 Telephone \_\_\_\_\_

4. List **each** estimated tax payment and credit forward amount claimed on this return.

Date	Amount
TOTAL (Enter on line 25, Form K-130) . . . . .	

5. Has your corporation been involved in any reorganization during the period covered by this return?  
 \_\_\_\_\_ Yes \_\_\_\_\_ No. If yes, enclose a detailed explanation.

6. If this is a final return for Kansas, please state the reason. If the corporation was liquidated or dissolved, state the IRC section under which the corporation was liquidated.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

7. If your federal taxable income has been redetermined for any prior years that have not previously been reported to Kansas, check the applicable box(es) below and state the calendar, fiscal, or short period year ending date. You are required to submit, **under separate cover**, the federal Forms 1139, 1120X, or Revenue Agent's Report along with the Kansas amended return (Form K-130 or K-130X, whichever is applicable).

- Revenue Agent's Report     Other State's Adjustment  
 Amended Return  
 Net Operating Loss

Years ended \_\_\_\_\_

8. If you are registered with the Kansas Department of Revenue under any other Kansas tax act, enter all registration or license numbers on the applicable line:

- a. Sales Tax \_\_\_\_\_  
 b. Compensating Use Tax \_\_\_\_\_  
 c. Withholding Tax \_\_\_\_\_  
 d. Other (specify) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**PART II - AFFILIATED FINANCIAL INSTITUTIONS OR CORPORATIONS DOING BUSINESS IN KANSAS**

Name of Corporation or Financial Institution	Employer Identification Number

(Enclose separate sheet for additional corporations)

**PART III - SCHEDULE OF NONREFUNDABLE CREDITS (See Instructions)**

1. Business and job development credit (Enclose Schedule K-34).....	.
2. Historic preservation credit (Enclose Schedule K-35).....	.
3. Disabled access credit (Enclose Schedule K-37) .....	.
4. Agricultural loan interest reduction credit (Enclose Schedule K-51 and K-52) .....	.
5. Venture capital credit (Enclose Schedule K-55).....	.
6. High performance incentive program credit (Enclose Schedule K-59).....	.
7. Community service contribution credit (Enclose Schedule K-60) .....	.
8. Total nonrefundable credits (Enter on line 23, page 2) .....	.

**PART IV - COMPUTATION OF FEDERAL TAXABLE INCOME FOR S CORPORATION**

1. (a) Gross receipts/sales _____ (b) Less: Returns and allowances _____ Balance	1(c)	
2. Less: Cost of goods sold and/or operations . . . . .	2	
3. Gross profit. . . . .	3	
4. Dividends . . . . .	4	
5. Interest. . . . .	5	
6. Gross rents. . . . .	6	
7. Gross royalties . . . . .	7	
8. Capital gain net income . . . . .	8	
9. Net gain or (loss) from Form 4797, Part III . . . . .	9	
10. Other income . . . . .	10	
11. Total income - Add lines 3 through 10 . . . . .	11	

**DEDUCTIONS**

12. Compensation of officers . . . . .	12	
13. (a) Salaries and wages _____ (b) Less empl. credit _____ Balance	13	
14. Repairs and maintenance . . . . .	14	
15. Bad debts . . . . .	15	
16. Rents . . . . .	16	
17. Taxes and licenses . . . . .	17	
18. Interest. . . . .	18	
19. Charitable contributions (not over 10% of taxable income as adjusted). . . . .	19	
20. Depreciation. . . . .	20	
21. Less depreciation claimed elsewhere on return. . . . .	21(a)	21(b)
22. Depletion . . . . .	22	
23. Advertising . . . . .	23	
24. Pension, profit-sharing, etc. plans . . . . .	24	
25. Employee benefit programs . . . . .	25	
26. Other deductions . . . . .	26	
27. Total deductions - Add lines 12 through 26 . . . . .	27	
28. Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11) . . . . .	28	
29. Less: a. Net operating loss deduction . . . . .	29(a)	
b. Special Deductions . . . . .	29(b)	29(c)
30. Taxable income - Subtract line 29c from line 28 . . . . .	30	

# K-130AS

# KANSAS Financial Institution Apportionment Schedule

FOR USE BY FINANCIAL INSTITUTIONS APPORTIONING INCOME  
(Financial Institutions using the combined income method must use Schedule K-131)

For the taxable year beginning \_\_\_\_ / \_\_\_\_ / **2 0 0 6** ; ending \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Name as shown on Form K-130

Employer Identification Number (EIN)

## PART V - APPORTIONMENT FORMULA

A. Property	WITHIN KANSAS		TOTAL COMPANY		PERCENT WITHIN KANSAS
	Beginning of Year	End of Year	Beginning of Year	End of Year	
(1) Value of owned real and tangible personal property used in the business at original cost					
Value of taxpayer's loans and credit card receivables . . .					
Depreciable assets . . . . .					
Land . . . . .					
Other tangible assets (Enclose schedule) . . . . .					
Less: Construction in progress . . . . .					
Total property to be averaged . . . . .					
Average owned property (Beg. + End ÷ 2) . . . . .					
(2) Gross annual rented property. Multiplied by 8 . . . . .					
<b>TOTAL PROPERTY</b> (Enter on line 11, Block A, Page 1)					

B. Payroll	Within Kansas	Total Company	PERCENT WITHIN KANSAS
(1) Compensation of officers . . . . .			
(2) Wages, salaries and commissions . . . . .			
(3) Payroll expense included in cost of goods sold . . . . .			
(4) Payroll expense included in repairs . . . . .			
(5) Other wages and salaries . . . . .			
<b>TOTAL PAYROLL</b> (Enter on line 11, Block B, Page 1) . . . . .			B %

C. Receipts			
(1) Receipts from:			
(a) Lease of real property . . . . .			
(b) Lease of tangible personal property . . . . .			
(c) Credit card receivables . . . . .			
(d) Merchants discount . . . . .			
(e) Services . . . . .			
(f) Investment and trading assets and activities . . . . .			
(g) Other . . . . .			
(2) Interest from loans:			
(a) Secured by real property . . . . .			
(b) Not secured by real property . . . . .			
(3) Net gains from sale of:			
(a) Loans . . . . .			
(b) Credit cards receivable . . . . .			
(4) Fees:			
(a) Loan servicing . . . . .			
(b) Credit card issuers reimbursement . . . . .			
(5) Attribution of certain receipts to commercial domicile . . . . .			
<b>TOTAL RECEIPTS</b> (Enter on line 11, Block C, Page 1) . . . . .			C %

D. Total percent (Sum of lines A, B & C) . . . . .		D %
E. Average percent of D (Enter on line 11, page 1) . . . . .		E %





**2007**

**KANSAS**

**Privilege Tax**

*Forms and Instructions*



**KANSAS**

DEPARTMENT OF REVENUE

[www.ksrevenue.org](http://www.ksrevenue.org)

## TIPS TO IMPROVE THE PROCESSING OF YOUR RETURN

Your Kansas return is **imaged** on our computers, enabling us to process your return faster and with fewer errors. In order for our system to work, it is important that you use care in completing your return. The following tips will aid in more efficient processing of your return.

- Do not **staple** or otherwise **attach** pages of the return, payment voucher, or check together. Enclose them loosely in the envelope.
- Use only black or dark blue ink and write legibly.
- The Kansas Department of Revenue (KDOR) uses your Employer Identification Number (EIN) as part of your tax account number. To ensure that your account information is credited properly, include your EIN on your return.
- Do not send photocopies of the return, send only the original.
- If you use a software package to produce your return, be sure it is approved by KDOR. Visit our web site at [www.ksrevenue.org](http://www.ksrevenue.org) for a list of approved software vendors.
- If you are **reproducing your own forms**, contact KDOR for information on the approval process.

## WHAT'S IN THIS BOOKLET?

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## GENERAL INFORMATION

*If any due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular work day.*

### Who Must File a Return

Every national banking association, bank, trust company, federally chartered savings bank, and savings and loan association subject to taxation under K.S.A. 79-1106 *et seq.* must file a Kansas privilege tax return.

**NOTE:** Any taxpayer who owns, capitalizes or utilizes an affiliate with one of the affiliate's purposes being to make, hold or manage for, or on behalf of, the taxpayer, investments in securities which the taxpayer would be permitted to make for its own account may be required to file consolidated returns or combined reports for purposes of determining the tax liability under article 11 of chapter 79 of the Kansas Statutes Annotated as if such taxpayer and affiliate were one entity.

### When to File

**Calendar year:** If your return is based on a calendar year, it must be filed no later than April 15, 2007.

**Fiscal year:** If your return is based on a tax year other than a calendar year, it must be filed no later than the 15th day of the fourth month following the end of the tax year.

**Conformity to federal due dates:** Kansas returns are due one (1) month after the federal due date. If the original federal due date is not the 15th day of the third month after the close of a taxable year, the financial institution is required to complete box "H" in the header and enclose a letter indicating the authorizing federal statute. Do not enter your extended due date.

**Cessation of doing business:** Kansas Privilege Tax returns are due within six (6) months of the date on which the taxpayer ceases to do business in Kansas.

**Amended Returns:** In general, amended returns must be filed with the Kansas Department of Revenue within three (3) years of when the original return was filed. If the amended return will result in a refund, the amended return must be filed within three (3) years of when the original return was filed, or within two (2) years from the date the tax was paid, whichever is later.

### Where to File

Use the preaddressed envelope in this tax booklet to mail your tax return. This envelope is designed for use in our automated mail-opening equipment and will expedite the processing of your return. If you are expecting a refund, place an "X" in the box on the front of the envelope. If your envelope has been misplaced, mail your return to: **KANSAS PRIVILEGE TAX, KANSAS DEPARTMENT OF REVENUE, 915 SW HARRISON ST., TOPEKA, KS 66699-4000.**

### If You Need Forms

See the back cover of this booklet for tax form information. Due to the sensitivity of the Department's imaging equipment for tax return processing, only an original preprinted form or an approved computer generated version should be filed.

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## Accounting Period

The taxpayer's taxable year is the same as the taxable year for federal income tax purposes. If a taxpayer's taxable year is changed, or the method of accounting is changed for federal income tax purposes, then the taxable year and method of accounting shall be similarly changed for Kansas privilege tax purposes.

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## Extension of Time to File

If you are unable to complete your Privilege Tax return by the filing deadline, you may request an extension of time to file. If you filed federal Form 7004 with the Internal Revenue Service for an extension of time, enclose a copy of that form with your completed K-130 return to automatically give you a six-month extension of time. Kansas does not have a separate extension request form.

If you are entitled to a refund, an extension is not required to file the return after the original due date.

**Important:** An extension of time to file is **NOT** an extension to pay. If you do not pay the tax amount due (may be estimated) by the original due date, you will owe interest and may also be charged a penalty on the balance due. To pay the balance due for an extension, use the Kansas payment voucher, Form K-130V, in this book and check the box indicating an extension payment.

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## Copy of Federal Return

You must enclose with Form K-130 copies of these federal return pages as filed with the IRS:

- Pages 1 through 4 of the federal return or consolidated federal return whichever is applicable, as filed with the Internal Revenue Service. If the return is a consolidated return, you must enclose a company-by-company spreadsheet of income and expense to total the consolidated federal taxable income and a company-by-company spreadsheet of the consolidated balance sheet including Schedules M-1 and M-2.
- **Federal schedules to support any Kansas modifications claimed on page 1, Form K-130.**
- Federal Forms 851, 1118, and 5471, as applicable.

Do not enclose copies of proforma returns. The Kansas Department of Revenue reserves the right to request additional information as necessary.

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## Completing Your Return

All applicable lines on Form K-130 and Form K-130AS must be completed. Complete all boxes in the "Taxpayer Information" section of the return.

All taxpayers filing a combined return (single or multiple), or who are authorized to file using the alternative or separate accounting method, must complete lines 1 through 18 using the total combined income column from Schedule K-131.

**Cessation of Business:** A tax is imposed for the privilege of engaging in transaction or activity incidental or related to the cessation of doing business in Kansas, including cessation due to merger, consolidation, dissolution, liquidation or any other event. The tax will be measured by the net income for the tax year in which the taxpayer ceases to do business and will be computed using the same applicable rates as other privilege taxpayers. The tax will be due and owing within six months of the date on which the taxpayer ceases to do business in Kansas.

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## Estimated Tax

Every national banking association, bank, trust company, and savings and loan association shall pay estimated tax (Form K-130ES) if its Kansas Privilege tax liability can reasonably be expected to exceed \$500.

Any financial institution which began business in Kansas during this tax year is not required to pay estimated tax and no underpayment of estimated tax penalty will be imposed for this initial year.

**ELECTRONIC PAYMENT OPTIONS:** For information on how to pay using Electronic Funds Transfer (EFT), visit our electronic services web site at [www.webtax.org](http://www.webtax.org), or call toll-free 1-800-525-3901 (in Topeka call 296-6993).

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## Amending Your Return

You must file an amended Kansas return when 1) an error was made on your Kansas return, 2) there is a change on another state's return (error or adjustment), 3) there is a change on your federal return (error or adjustment). **Check the AMENDED box in the Taxpayer Information section of the K-130 if you are amending your 2007 Kansas return.** Be sure to enclose any applicable supporting documents, such as a copy of the other state's amended return or a copy of the IRS amended return or Revenue Agent's Report or adjustment letter showing and explaining the adjustments.

**Amended Federal Return:** If you are filing an amended federal income tax return, for the same taxable year as your Kansas amended return, you must enclose a complete copy of the amended federal return and full explanations of all changes made on your amended Kansas return. If your amended federal return is adjusted or disallowed, it is necessary to provide the Kansas Department of Revenue with a copy of the adjustment or denial letter.

If you did not file a Kansas return when you filed your original federal return, and the federal return has since been amended or adjusted, use the information on the amended or adjusted federal return to complete your original Kansas return. A copy of both the original and amended federal returns should be enclosed with the Kansas return along with an explanation of the changes.

**Federal Audit:** Any taxpayer whose income has been adjusted by the Internal Revenue Service must file an amended return with Kansas and include a copy of the Revenue Agent's Report or adjustment letter showing and explaining the adjustments. These adjustments must be submitted within 180 days of the date of the federal adjustments are paid, agreed to, or become final, whichever is earlier. Failure to notify the department within the 180 day period will cause the statute of limitations to remain open (the Department of Revenue can make adjustments for as many years back as necessary and interest and penalty computations will continue to increase).

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## Confidential Information

Income tax information disclosed to the Kansas Department of Revenue, either on returns or through department investigation, is held in strict confidence by law. The Department of Revenue, Internal Revenue Service, the Multi-State Tax Commission and several other states have an agreement under which some tax information is exchanged. This is to verify the accuracy and consistency of information reported on federal and Kansas tax returns.

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## Definitions

**Unitary Business:** A multistate business is unitary when the operations conducted in one state benefit or are benefited by the operations conducted in another state or states. The essential test to be applied is whether or not the operation of the portion of the business within the state is dependent upon or contributory to the operations of the business outside of the state. If there is such a relationship, the business is unitary. Stated in another way, the test is whether a business' various parts are interdependent and of mutual benefit so as to form one business rather than several business entities and not whether the operating experience of the parts are the same at all places.

**Activity Wholly Within Kansas—Single Entity:** If a financial institution's activity is carried on exclusively within Kansas the entire net income is subject to the Kansas Privilege Tax.

**Activity Wholly Within Kansas--Consolidated:** If two or more financial institutions file federal income tax returns on a consolidated basis, and if each of such financial institutions derive all their income and expenses from sources within Kansas, they must file a consolidated return for Kansas Privilege tax purposes.

**Single Entity Apportionment Method:** Any taxpayer having income from business activity which is taxable both within and without this state shall allocate and apportion net income.

**Combined Income Method—Single Corporation Filing:** When a group of financial institutions conduct a unitary business both within and without Kansas, the source of income shall be determined by the combined income of only those financial institutions which have a branch or office in Kansas.

The Kansas combined privilege tax method of reporting shall include the Schedule K-131.

Any financial institution which files a combined report for Kansas purposes must submit a copy of the consolidated Federal Form 1120, and all other schedules and statements necessary to support the taxable income reported on the Kansas return. Schedule K-131 must be used to determine income of the financial institution. All financial institutions filing a combined return (single or multiple), or are authorized to file using the alternative or separate accounting method, must complete lines 1 through 18 using the total combined income column from Schedule K-131.

**Combined Income Method—Multiple Corporation Filing:** This method is the same as Combined Income Method—Single Corporation Filing except that any financial institution using the combined income method with more than one entity doing business in Kansas may file one Kansas return reporting the total combined income on that return and computing and paying the tax due on that return. Schedule K-131 must be used to determine the Kansas taxable income of each separate corporation. Schedule K-131 Combined Kansas taxable income is then entered on line 18, K-130. The tax rate is then applied to the Kansas taxable income of each financial institution with one surtax exemption allowed for each privilege taxpayer. The total tax due for all corporations is then shown on line 22, Schedule K-131. All financial institutions filing a combined return (single or multiple), or are authorized to file using the alternative or separate accounting method, must complete lines 1 through 18 using the total combined income column from Schedule K-131.

**Alternative Accounting Method:** If the uniform allocation and apportionment provisions do not fairly represent the extent of the taxpayer's business activity in this state the taxpayer may petition for or the Secretary of Revenue may require, in respect to all or any part of the taxpayer's business activity, if reasonable: (a) Separate accounting; (b) the exclusion of one or more of the factors; (c) the inclusion of one or more additional factors; or (d) the employment of any other method to effect an equitable allocation and apportionment of the taxpayer's income. A copy of the letter from the Kansas Department of Revenue granting the use of an alternative method must be attached to the return when filed. Enter the amount determined from your separate schedule on line 18, Form K-130. All financial institutions filing a combined return (single or multiple), or are authorized to file using the alternative or separate accounting method, must complete lines 1 through 18 using the total combined income column from Schedule K-131.

**Separate Accounting Method:** The separate method of reporting income to Kansas is allowable only in unusual circumstances and with the permission of the Department of Revenue where the use of the three-factor formula does not fairly represent the taxpayer's business activity.

Before a taxpayer, engaged in a multistate business, may separately account taxable income to Kansas, the following requirements shall be satisfied:

- The books and records are kept by recognized accounting standards to accurately reflect the amount of income of the multistate business which was realized in Kansas during the taxable period;
- The management functions of the business operations within Kansas are separate and distinct so that in conducting Kansas business operations the management within Kansas did not utilize or incur centralized management services consisting of operational supervision, advertising, accounting, insurance, financing, personnel, physical facilities, technical and research, sale and servicing or purchasing during the taxable period.
- The business operations within Kansas are separate and distinct and do not contribute to or depend upon the overall operations of the company, and there are no interstate, intercompany, or interdivisional purchases, sales or transfers during the taxable period.

If all three requirements are not satisfied, the taxpayer shall determine Kansas taxable income by use of the apportionment formula. Enter the amount determined from your separate schedule on line 18, Form K-130. All financial institutions filing a combined return (single or multiple), or are authorized to file using the alternative or separate accounting method, must complete lines 1 through 18 using the total combined income column from Schedule K-131.

# SPECIFIC LINE INSTRUCTIONS FOR FORM K-130, PAGES 1 AND 2

## TAXPAYER INFORMATION

**Information for Items A through I:** Complete all requested information. For Item A, refer to page 4.

If any "Taxpayer Information" has changed from the last original return filed by you, check the change box "I".

**Beginning and Ending Dates:** Enter the beginning and ending dates for the financial institution's tax year even if your tax year is a calendar year.

**Name and Address:** Please PRINT or TYPE your name and address.

**Final Return:** If a final return is being filed and the corporation is being liquidated, enclose a copy of the federal form that states the federal code section the corporation was liquidated under.

## INCOME

**LINE 1—FEDERAL TAXABLE INCOME FOR KANSAS PRIVILEGE TAX PURPOSES:** This line must only include income and expense of national banking associations, federally chartered savings banks or trust companies.

All financial institutions filing a combined return (single or multiple), or are authorized to file using the alternative or separate accounting method, must complete lines 1 through 18 using the total combined income column from Schedule K-131. You are to complete lines 18 through 41 of the return, as applicable. If filing as a S corporation for federal purposes, enter the amount from Part IV, line 30. A copy of certain pages of the federal return must be enclosed in all cases. See instructions on page 3.

**LINE 2—STATE AND MUNICIPAL INTEREST:** Enter the total amount that was claimed as exempt income on the federal income tax return for the taxable year, less any related expenses directly incurred in the purchase of state or political subdivision obligations. If the bank has changed the method of accounting from cash to accrual, include the Section 481 adjustment on municipal interest using the same number of year spread allowed at the federal level.

**LINE 3—FEDERAL NET OPERATING LOSS DEDUCTION:** Enter the federal net operating loss deduction that was claimed on the federal income tax return for the taxable year.

**LINE 4—SAVINGS AND LOAN ASSOCIATION BAD DEBT DEDUCTION:** Enter the amount of bad debts allowable for federal income tax purposes. Use line 17 for the allowable Kansas bad debt deduction.

**LINE 5—OTHER ADDITIONS TO FEDERAL TAXABLE INCOME:** Enter the total of these additions to your federal taxable income (schedule required):

- **Disabled Access Credit Modification:** Enter the amount of any depreciation deduction or business expense deduction claimed on your federal return that was used to determine the Disabled Access Credit on Schedule K-37.

- **Community Service Contribution Credit:** Enter the amount of any charitable contributions claimed on your federal return used to compute the Community Service Contribution Credit on Schedule K-60.
- **Regional Foundation Contribution Credit:** Enter the amount of any charitable contributions claimed on your federal return used to compute the Regional Foundation Contribution Credit on Schedule K-32.

**LINE 6—ADDITIONS TO FEDERAL TAXABLE INCOME:** Add lines 2 through 5 and enter the result on line 6.

**LINE 7—SUBTRACTIONS FROM FEDERAL TAXABLE INCOME:** Enter on line 7 a total of these subtractions from your federal taxable income (schedule required):

- **Jobs and WIN Tax Credit:** The amount of federal targeted jobs and WIN credit.
- **Kansas Venture Capital, Inc. Dividends:** Dividend income received as a result of investing in stock issued by Kansas Venture Capital, Inc.

**LINE 8—NET INCOME BEFORE APPORTIONMENT:** Add line 1 to line 6 and subtract line 7 and enter the result in line 8.

## APPORTIONMENT AND ALLOCATION

**LINE 9—NONBUSINESS INCOME-TOTAL COMPANY:** Enter the total amount of nonbusiness net income everywhere that is to be directly allocated. Business income is defined in privilege tax law as all income to the extent that it may be treated as apportionable business income under the constitution of the United States.

Any taxpayer that claims nonbusiness income on the Kansas return is required to clearly demonstrate that the asset which generated the income is not used in the general operations of the company and is not managed or controlled by the same people who control the operations of the company. The taxpayer must also submit a schedule as required below. If the taxpayer does not demonstrate that the income is nonbusiness and does not submit the required schedule(s), the income will be considered to be business income by the Kansas Department of Revenue and the department will apportion that income as business income.

From the terms of income directly allocated, there shall be deducted the expenses related thereto. The term "Expenses related thereto" as used in this paragraph, mean any allowable deduction or portion thereof directly attributable to such income and a ratable part of any other allowable deductions which cannot definitely be allocated to some item or a class of income.

A schedule must be submitted with the return showing (1) the gross income from each class of income being specifically allocated, (2) the amount of each class of related expenses together with an explanation or computations showing how amounts were computed, (3) the total amount of the related expenses for each income class, and (4) the net income for each income class. The schedules should provide

appropriate columns as set forth above for items specifically assigned to Kansas and also for times specifically assigned outside Kansas. An explanation must also be attached to explain specifically why each item of income does not arise from transactions and activity in the regular course of the financial institution's trade or business.

**LINE 10—APPORTIONABLE BUSINESS INCOME:** Subtract line 9 from line 8 and enter the result on line 10.

**LINE 11—AVERAGE PERCENT TO KANSAS:** Enter the applicable percentages in spaces A, B & C. Enter on line 11 the average percent from Form K-130AS, Part V, line E or Form K-131, Part II, line 5. **Note:** Round percentage to the fourth decimal point only. If your business is wholly within Kansas enter 100.0000.

**LINE 12—AMOUNT TO KANSAS:** Multiply line 10 by line 11 and enter the result on line 12.

**LINE 13—NONBUSINESS INCOME—KANSAS:** Enter on line 13 the total amount of nonbusiness net income directly allocated to Kansas. Submit a schedule to support the amount shown.

#### NET INCOME

**LINE 14—KANSAS NET INCOME BEFORE NOL DEDUCTION:** Add lines 12 and 13 and enter the result on line 14.

**LINE 15—KANSAS NET OPERATING LOSS DEDUCTION:** Enter the amount of your Kansas net operating loss carry forward. This amount cannot exceed the amount on line 14. (Schedule required.)

**LINE 16—KANSAS NET INCOME BEFORE BAD DEBTS:** Subtract line 15 from line 14, enter result in line 16. This amount is to be used by savings and loan associations to compute their Kansas bad debt deduction.

**LINE 17—SAVINGS AND LOAN BAD DEBT DEDUCTION FOR KANSAS:** Savings and loan associations are allowed, as a deduction from net income, a reserve established for the sole purpose of meeting or absorbing losses.

If all of your activity is **wholly within Kansas:**

- Multiply the amount shown on line 16 by 5% and enter the result on line 17; OR,
- Enter on line 17 the actual amount of bad debt; OR,
- Enter on line 17 a reasonable addition to the Kansas reserve based on past experience.

If you use the **single entity apportionment method** (K-130AS) to determine income from Kansas sources:

- Multiply the amount shown on line 16 by 5% and enter the result on line 17; OR,
- Enter on line 17 the actual amount of Kansas bad debt. If you use this method, multiply the apportionment percentage (line 11, Form K-130) times the total corporation actual bad debt and enter the result on line 17, Form K-130; OR,
- Enter on line 17 a reasonable addition to the Kansas reserve based on past experience. If you use this

method you must determine the addition to reserve based upon total company. Then multiply the apportionment percentage (line 11, Form K-130) times the total company amount and enter the result on line 17, Form K-130.

If you use the **combined income method** (K-131) to determine income from Kansas sources:

- Multiply each individual corporation's *Kansas net income before bad debt deduction* (line 17, Schedule K-131) by 5% and enter each corporation's result on line 18, Schedule K-131 (Combined Income Method of Reporting); OR,
- Enter on line 18 the actual amount of Kansas bad debt. If you use this method you must determine the actual bad debt of all entities included in the combined group prior to apportionment. Then multiply the apportionment percentage for each combined entity (line 12, Schedule K-131) times the total bad debt of all entities and enter the result on line 18, Schedule K-131; OR,
- Enter on line 18 a reasonable addition to reserve based on past experience. If you use this method you must determine the addition to reserve of all entities included in the combined group prior to apportionment. Then multiply the apportionment percentage for each combined entity (line 12, Schedule K-131) times the total addition to reserve and enter the result on line 18, Schedule K-131.

Financial institutions are reminded that if they are required to file a combined income method return in Kansas, all financial institutions in the group are required to use the same method to determine Kansas bad debt deductions.

**LINE 18—COMBINED REPORT OR ALTERNATIVE/SEPARATE ACCOUNTING INCOME:** If you are filing a combined report (Schedule K-131) or you are authorized to file using the alternative or separate accounting method, enter on line 18 the:

- Kansas taxable income from line 19 of Schedule K-131; OR,
- Kansas taxable income from a separate schedule prepared by you (Separate/Alternative Method of Reporting).

**LINE 19—KANSAS TAXABLE INCOME:** Subtract line 17 from line 16 or enter line 18, as applicable; enter the result on line 19.

**LINE 20—NORMAL TAX:** Multiply the amount shown on line 19 by 2.25% (.0225) and enter the result on line 20.

**LINE 21—SURTAX: A. Banks—**Multiply the amount shown on line 19 in excess of \$25,000 by 2.125% (.02125). Enter result on line 21A. **B. Savings and loans, trust companies and federally chartered savings banks—**Multiply the amount shown on line 19 in excess of \$25,000 by 2.25% (.0225). Enter the result on line 21B.

**LINE 22—TOTAL TAX:** Add line 20 and line 21A or line 21B and enter the result on line 22. If Schedule K-131 was used to determine income, enter the tax computed on Schedule K-131, line 22.

# KANSAS

## Underpayment of Estimated Privilege Tax

For the taxable year beginning \_\_\_\_\_, 2006; ending \_\_\_\_\_, 20\_\_\_\_.

Name as shown on Form K-130

Employer Identification Number

### CURRENT AND PRIOR YEAR INFORMATION

1. From your current year Form K-130, subtract lines 27, 28, 29 and 30 from line 24 and enter the result here .....
2. Multiply line 1 by 90% .....
3. From last year's Form K-130, subtract lines 27 through 30 from line 24 and enter the result here .....

1	
2	
3	

### PART I – EXCEPTIONS TO AVOID THE PENALTY

4. Enter in Columns (1) through (4) the installment due dates that correspond to the 15th day of the 4th, 6th, 9th and 12th month of the taxable year .....
5. Cumulative timely paid estimated tax payments and credit forward from the beginning of the tax year through each installment due date .....
6. Exception 1 -- Cumulative amount from either line 2 or line 3, whichever is less .....
7. Exception 2 -- Tax on annualized 2007 income

	(1)	(2)	(3)	(4)
4				
5				
6	25% of line 2 or 3	50% of line 2 or 3	75% of line 2 or 3	100% of line 2 or 3
7	22.5% of tax	45% of tax	67.5% of tax	90% of tax

### PART II – FIGURING THE PENALTY

8. Amount of underpayment; Enter the sum of line 6 less line 5; or line 7, less line 5; whichever is applicable .....
9. Due date of each installment .....
10. Number of days from the due date of the installment in one column to the due date of the next installment in the next column or to 12/31/06; whichever is earlier. If paid late, see instructions. ....
11. For calendar years, enter the number of days from 1/1/07 to the due date of the return or the date the tax was paid, whichever was earlier. For fiscal years, see the instructions. If paid late, see instructions ....
12.  $\frac{\text{Line 10}}{365} \times (7\% \times \text{amount on line 8})$ .....
13.  $\frac{\text{Line 11}}{365} \times (9\% \times \text{amount on line 8})$ .....
14. Penalty (Add lines 12 and 13) .....

8	
9	
10	
11	
12	
13	
14	

15. Total penalty. Add amounts on line 14 and enter the total here and on line 37 (Estimated Tax Penalty) of Form K-130 .....

15

# INSTRUCTIONS FOR SCHEDULE K-230

If any due date falls on a Saturday, Sunday or legal holiday, substitute the next regular workday.

Schedule K-230 helps a financial institution determine if it paid the correct amount of estimated tax by the correct due date. If the minimum amount was not paid on time, an underpayment penalty will be imposed for the period of underpayment. This schedule helps determine whether the financial institution is subject to the penalty.

**Estimated Tax** - Every financial institution is required to pay estimated tax for the taxable year if its Kansas privilege tax liability can reasonably be expected to exceed five hundred dollars (\$500). A financial institution is not required to file a declaration in its first year of existence in Kansas.

**Short Taxable Years** - Any estimated tax, payable in installments, which is not paid before the 15th day of the last month of a short taxable year shall be paid on the 15th day of the last month of the short taxable year.

## HOW TO USE THIS SCHEDULE

Generally, you should follow these steps to complete this schedule:

- Step 1 Enter your name and identification number in the space provided.
- Step 2 Complete lines 1 through 3, Current & Prior Year Information, according to the information on your return for this tax year and the prior tax year.
- Step 3 Complete lines 4 through 7, Exceptions to Avoid the Penalty, to determine if you have an underpayment for any of the four payment periods.
- Step 4 Complete lines 8 through 15, Figuring the Penalty, to determine the amount of the penalty. The amount of the underpayment to enter on line 8 is the lesser of:
  - Line 6 less line 5; OR
  - Line 7 less line 5, whichever is applicable.

## CURRENT AND PRIOR YEAR INFORMATION

**Line 1** - From your current year Form K-130, subtract lines 27, 28, 29 and 30 from line 24. Enter the result on line 1 of this form.

**Line 2** - Enter the result of line 1 times 90%.

**Line 3** - From last year's Form K-130, subtract lines 27 through 30 from line 24. Enter the result on line 3 of this form.

## PART I - EXCEPTIONS TO AVOID THE PENALTY

You will NOT be subject to the penalty if your tax payments for the 2007 tax year (line 5, columns 1 through 4) equals or exceeds the amounts for one of the exceptions (lines 6 or 7, columns 1 through 4) for the same payment period.

**Line 4** - Enter the due date of each estimate payment installment (15th day of the 4th, 6th, 9th and 12 months for the tax year).

**Line 5** - Enter the cumulative amount of timely paid estimated tax payments made in each quarter.

**Example:** For a calendar year, column 3 will be the total of your timely paid estimated payments made from January 1 through September 15, 2006.

### Exception 1—Current or Prior Year's Tax

**Line 6** - Enter the amount from line 2 or line 3, whichever is less, times the percentages shown in each column of the schedule. This exception applies if the amount on line 5 of a column equals or exceeds the amount on line 6 for the same column.

### Exception 2—Tax on Annualized 2006 Income

**Line 7** - This exception applies if the amount on line 5 of a column equals or exceeds the amount on line 7 for the same column, if

applicable. A corporation may annualize its income if the corporation made an estimated tax payment of at least 90% of the amount it would owe if its estimated tax were a tax computed on annualized taxable income for the months preceding an installment date. The computation would be as follows:

- (a) for the first 3 months, if the installment was required to be paid in the 4th month;
- (b) for the first 3 months or for the first 5 months, if the installment was required to be paid in the 6th month;
- (c) for the first 6 months or for the first 8 months if the installment was required to be paid in the 9th month; **AND**
- (d) for the first 9 months or for the first 11 months if the installment was required to be paid in the 12th month.

## PART II - FIGURING THE PENALTY

**Line 8** - Enter on line 8 any underpayment as a result of line 6 less line 5, or line 7 less line 5, as applicable.

**Line 9** - Enter the due date of each estimate payment installment (15th day of the 4th, 6th, 9th and 12th months of the tax year).

**Line 10 & 11** - Penalty is computed to 12/31/06 at 7% and from 1/1/07 at 9%. Therefore, the number of days needs to be captured on lines 10 and 11 for the applicable penalty rate.

**Line 10** - Enter in the first column the number of days from the first installment due date to the next installment due date and enter the same for the remaining installment due dates. Do not compute the number of days for this line past 12/31/06. Days past that date are entered on line 11.

**Example:** For the fiscal year 6/30/06 the installment due dates would be 10/15/06, 12/15/06, 3/15/07 and 6/15/07; therefore, the taxpayer would enter on line 10 the following number of days: Column 1 - 10/15/06 to 12/15/06 equals 61 days. Column 2 - 12/15/06 to 12/31/06 equals 16 days. Column 3 and 4 of this line will not be completed since the number of days has been computed to 12/31/06. The computation for this fiscal year will continue on line 11.

**Line 11** - Enter the number of days from 1/1/06 to the due date of the next installment (if one exists). From the last installment date enter the number of days to the date paid or the due date of the return, whichever is earlier. The following example continues the computation example from line 10.

**Example:** Column 1 is blank since there are no days prior to 1/1/06 on this line. Column 2 - 1/1/07 to 3/15/07 equals 74 days. (Note: The 16 days previously entered on line 10 plus the 74 days equals the total number of days from 12/15/06 to 3/15/07. Since the interest rates are different, the 16 days will be computed at 7% and the 74 days will be computed at 9%.) Column 3 - 3/15/07 to 6/15/07 equals 92 days. Column 4 - is to be computed from 6/15/07 to the date the tax was paid or 10/15/07, the due date of the return, whichever is earlier.

**Line 12 & 13** - Penalty is computed to 12/31/06 at 7% and from 1/1/07 to the date the tax was paid or the due date of the return, whichever is earlier, at 9%. For fiscal year filers the 9% rate will be effective until 12/31/07.

**Line 14** - Add lines 12 & 13.

**Line 15** - Add the amounts on line 14 and enter on line 37, Form K-130. If you are annualizing to meet an exception (line 7, K-230) please check the box beside line 37, Form K-130.

**LINE 23—TOTAL NONREFUNDABLE CREDITS:** Enter on line 23 the total nonrefundable credits from Part III, line 8. This amount cannot exceed the amount on line 22.

**LINE 24—BALANCE:** Subtract line 23 from line 22 and enter the result on line 24. This amount cannot be less than zero.

**LINE 25—ESTIMATED TAX PAID AND AMOUNT CREDITED FORWARD:** Enter the total of your 2007 privilege year estimated tax payments plus any 2006 privilege year overpayment you had credited forward to 2007.

You could be liable for penalty due to underpayment of estimated tax. See instructions for Estimated Tax on page 3 of this booklet.

**LINE 26—OTHER TAX PAYMENTS:** Enter the amount paid with your request for an extension of time to file and any withholding amount from Form K-19. Enclose Form(s) K-19.

**LINE 27—BUSINESS MACHINERY & EQUIPMENT PROPERTY TAX CREDIT:** Enter the amount of Business Machinery & Equipment Property Tax Credit from Schedule K-64 and enclose it with Form K-130.

**LINE 28—CHILD DAY CARE ASSISTANCE CREDIT:** Enter the amount of Child Day Care Assistance Credit from Schedule K-56 and enclose it with Form K-130.

**LINE 29—REGIONAL FOUNDATION CONTRIBUTION CREDIT:** Enter the amount of Regional Foundation Community Contribution Credit from Schedule K-32.

**LINE 30—COMMUNITY SERVICE CONTRIBUTION CREDIT REFUND:** Enter the amount of Community Service Contribution Credit from Schedule K-60 that was not used on line 23 and enclose it with Form K-130.

**LINE 31—PAYMENT REMITTED ON ORIGINAL RETURN:** Use this line ONLY if you are filing an amended Income Tax return for the 2007 tax year. Enter the amount of money you remitted to the Department of Revenue with your original 2007 return or any payment remitted with a previously filed 2007 amended, including penalty and interest.

**LINE 32—OVERPAYMENT FROM ORIGINAL RETURN:** Use this line ONLY if you are filing an amended Income Tax return for the 2007 tax year. Enter the amount of overpayment shown on your original return. Since you were refunded this amount or it was credited forward, this amount is a subtraction entry.

**LINE 33—TOTAL PREPAID CREDITS:** Add lines 25 through 31 and subtract line 32. Enter the result on line 33.

#### BALANCE DUE

**LINE 34—BALANCE DUE:** If line 24 is greater than line 33, subtract line 33 from line 24 and enter the result on line 34.

**Late Charges:** If the amount on line 34 is not paid by the due date, or if a balance due return is filed after the due date, penalty and interest are added according to the rules outlined in lines 35 and 36.

**Extension of Time to File Your Return:** Interest is due on any delinquent tax balance, even if you have been granted an extension of time to file the return. If 90% of your tax liability is paid on or before the original due date of your return, an automatic extension is applied and no penalty is assessed.

**LINE 35—INTEREST:** Effective for calendar year 2007, if you filed your Kansas return after the original due date, compute interest at the rate of .75% per month or 9% per annum (or portion thereof) on the balance due and enter the result on line 35. Interest is to be computed in whole months.

**LINE 36—PENALTY:** If you filed your Kansas return after the due date, compute the penalty at 1% for each month (or fraction thereof) the return is late or the tax is unpaid on the balance due, up to a maximum of 24%.

**LINE 37—ESTIMATED TAX PENALTY:** If underpayment of estimated tax penalty is due, enter the amount from your Schedule K-230 on line 37 and enclose Schedule K-230 with the return. If you are annualizing to compute the penalty, and meet an exception, check the box on line 37. Any financial institution which began a business in Kansas during this period is not required to file a declaration, and no underpayment of estimate tax penalty will be imposed.

**LINE 38—TOTAL TAX, INTEREST, AND PENALTY DUE:** Add lines 34, 35, 36, and 37 and enter the result on line 38. Complete Form K-130V, Privilege Tax Payment Voucher, and enclose it with your return and payment. Do not staple the voucher to your payment. Make your check or money order payable to "Kansas Privilege Tax." A balance due less than \$5 does not need to be paid.

#### OVERPAYMENT

**LINE 39—OVERPAYMENT:** If line 33 is greater than the sum of line 24 and line 37, subtract the sum of line 24 and line 37 from line 33 and enter the result on line 39.

**LINE 40—REFUND:** Enter the amount of line 39 you wish to be refunded. No refund will be made for amounts less than \$5.

**LINE 41—CREDIT FORWARD:** Enter the portion of line 39 you wish to have applied to your 2008 Kansas estimated tax (must be \$1 or more). If the amount on line 39 is less than \$5, you may carry it forward to 2008 as an additional credit even if you don't make estimated tax payments. The amount on this line cannot exceed the total of line 25 and 26.

#### SIGNATURE AND VERIFICATION

The return must be signed and sworn to by the president, vice-president, or other principal officer. If the return is prepared by a firm or corporation, the return should be signed in the name of the firm or corporation. Any person or persons who prepares the return for compensation must sign the return.

# SPECIFIC LINE INSTRUCTIONS FOR FORM K-130, PAGES 3 AND 4

## PART I—ADDITIONAL INFORMATION

All corporations must answer all questions in Part I.

## PART II—AFFILIATED CORPORATIONS DOING BUSINESS IN KANSAS

Every corporation must complete the information required in this section for every affiliated corporation which is doing business in Kansas. If additional space is needed, please attach a schedule to your return.

## PART III—SCHEDULE OF NONREFUNDABLE CREDITS

Every corporation must complete this section when claiming a Kansas nonrefundable tax credit. If you are eligible to claim any of the credits listed below, complete the appropriate schedule and enclose it with your Kansas Privilege Tax return. Credit schedules and instructions are available from our office or web site (see back cover).

**IMPORTANT:** If you are claiming the refundable Business Machinery & Equipment Credit on Schedule K-64, enter the total amount of your credit on line 27 of Form K-130. If you are claiming the refundable Child Day Care Assistance Credit, Schedule K-56, enter the total amount of your credit on line 28 of Form K-130. DO NOT enter any portion of the credit(s) computed on Schedules K-64 or K-56 in the nonrefundable credit section. If you are claiming a refundable Community Service Contribution Credit, Schedule

K-60, enter the total amount of your credit on line 30, Form K-130. Taxpayers claiming a Community Service Contribution Credit not eligible for refund (see instructions on Schedule K-60) will enter the credit in Part III, line 7.

**Lines 1 through 7:** Enter on lines 1 through 7 any nonrefundable tax credits for which you are eligible. To claim a tax credit you must complete and enclose with Form K-130 the appropriate credit schedule.

<u>Credit</u>	<u>Schedule Required</u>
Business and Job Development Credit	K-34
Historic Preservation Credit	K-35
Disabled Access Credit	K-37
Agricultural Loan Interest Reduction Credit	K-51 and K-52
Venture Capital Credit	K-55
High Performance Incentive Program Credit	K-59
Community Service Contribution Credit	K-60

**Line 8:** Add lines 1 through 7 and enter the total on line 8. Enter this amount on line 23, page 2 of Form K-130.

## PART IV—COMPUTATION OF FEDERAL TAXABLE INCOME FOR S CORPORATIONS

Complete this computation if you are reporting income as a S corporation for federal purposes. Kansas will begin with federal taxable income rather than ordinary income for computation of privilege tax.

# SPECIFIC LINE INSTRUCTIONS FOR FORM K-130AS

You must complete and enclose Parts V, VI, and VII, of Form K-130AS with your Kansas return if the financial institution is doing business inside and outside of Kansas and utilizing the apportionment formula to determine Kansas income.

## PART V—APPORTIONMENT FORMULA

Part V is to be used by corporations with income derived from sources both within and without Kansas for the purpose of allocating and apportioning income. All business income is multiplied by a fraction, the numerator of which is the property factor plus the payroll factor plus the receipts factor, and the denominator of which is three (3). Descriptions of each of the factors in the three-factor formula follow. The laws applicable to these factors are contained in K.S.A. 79-1130 through 79-1132. You may access these laws in the Kansas Department of Revenue's Policy Library at: [www.ksrevenue.org](http://www.ksrevenue.org).

**Line A—Property Factor:** The property factor shall include all real and tangible personal property owned or rented and used during the income year and the average value of the taxpayer's loan and credit card receivables. Property used in connection with the production of nonbusiness income

shall be excluded from the factor. Property shall be included in the property factor if it is actually used or is available for or capable of being used during the income year for the production of business income. Property used in the production of business income shall remain in the property factor until its permanent withdrawal is established by an identifiable event such as its sale or conversion to the production of nonbusiness income.

The numerator of the property factor shall include the average value of the taxpayer's real and tangible personal property owned and located or used in this state during the income year plus the value of rented real and tangible personal property so used. Property owned by the taxpayer in transit between locations of the taxpayer shall be considered to be at the destination for purposes of the property factor. Property in transit between a buyer and seller which is included by a taxpayer in the denominator of its property factor in accordance with its regular accounting practices shall be included in the numerator according to the state of destination. Transportation property is included in the numerator to the extent the property is used in this state. If the extent of the use of any transportation property within this state cannot be determined, then the property will be deemed to be used

wholly in the state in which the property has its principle base of operations. A motor vehicle will be deemed to be used wholly in the state in which it is registered.

Property owned by the taxpayer shall be valued at its original cost or other basis of such property for federal income tax purposes without regard to depletion, depreciation or amortization. Property rented by the taxpayer is valued at eight times the gross annual rental rate. As a general rule the average value of property owned by the taxpayer shall be determined by averaging the values at the beginning and ending of the income year. However, the Director of Taxation may require or allow averaging by monthly values if such method of averaging is required to properly reflect the average value of the taxpayer's property for the income year.

Loans are valued at their outstanding principal balance, without regard to any reserve for bad debts. If a loan is charged off in whole or in part for federal income tax purposes, the portion of the loan charged off is not outstanding. Loans are considered to be located within this state if it is properly assigned to a regular place of business of the taxpayer within this state at the time the loan was made; or, in the case of a loan which is assigned by the taxpayer to a place without this state which is not a regular place of business, it shall be presumed, subject to rebuttal by the taxpayer on a showing supported by a preponderance of the evidence, that substantive contacts regarding the loan occurred within this state if, at the time the loan was made the taxpayers commercial domicile was within this state.

Credit card receivables are valued at their outstanding principal balance, without regard to any reserve for bad debts. If a credit card receivable is charged off in whole or in part for federal income tax purposes, the portion of the receivable charged off is not outstanding. In determining the location of credit card receivables, credit card receivables are treated as loans and shall be subject to the same rules outlined above.

**Line B—Payroll Factor:** The payroll factor shall include the total amount paid by the taxpayer for compensation during the tax period. The total amount "paid" to the employees is determined upon the basis of the taxpayer's accounting method. If the taxpayer has adopted the accrual method of accounting, all compensation properly accrued shall be deemed to have been paid. Notwithstanding the taxpayer's method of accounting, at the election of the taxpayer, compensation paid to employees may be included in the payroll factor by use of the cash method if the taxpayer is required to report such compensation under such method for unemployment compensation purposes. The term "compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services. Payments made to an independent contractor are excluded. Only amounts paid directly to employees are included in the payroll factor. The compensation of any employee on account of activities which are connected with the production of nonbusiness income shall be excluded from the factor. The denominator of the payroll factor is the total compensation paid everywhere during the income year.

The numerator of the payroll factor is the total amount paid in Kansas during the income year by the taxpayer for

compensation. Compensation is paid in Kansas if any one of the following tests, applied consecutively, are met: (a) The employee's service is performed entirely within Kansas; (b) The employee's service is performed both inside and outside Kansas, but the service performed outside Kansas is "incidental" to the employee's service inside Kansas (the word incidental means any service which is temporary or transitory in nature, or which is rendered in connection with an isolated transaction); (c) If the employee's services are performed both inside and outside Kansas, the employee's compensation will be attributed to Kansas: (i) if the employee's principal base of operations is in Kansas; or (ii) if there is no base of operations in any state in which some part of the service is performed, but the place from which the service is directed or controlled is in Kansas; or (iii) if the base of operations and the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the employee's residence is in Kansas. The term "base of operation" is the place from which the employee starts his work and to which he customarily returns in order to receive instructions from the taxpayer or communications from his customers or other persons, or to replenish stock or other materials, repair equipment, or perform any other functions necessary to the exercise of his trade or profession at some other point or points.

**Line C—Receipts Factor:** The receipts factor is defined as a fraction, the numerator of which is the receipts of the taxpayer in this state during the taxable year and the denominator of which is the receipts of the taxpayer within and without this state during the taxable year. The receipts factor shall include only those receipts which constitute business income and are included in the computation of the apportionable income base for the taxable year. The method of calculating receipts for purposes of the denominator is the same as the method used in determining receipts for purposes of the numerator. The following are rules for determining numerator "receipts" of various activities:

(1) Receipts from the lease of real property—The numerator shall include receipts from the lease or rental of real property owned by the taxpayer if the property is located in Kansas or receipts from the sublease of real property if the property is located in Kansas.

(2) Receipts from the lease of tangible personal property—The numerator shall include receipts from the lease or rental of tangible personal property owned by the taxpayer if the property is located in Kansas when first placed in service by the lessee. Receipts from the lease or rental of transportation property owned by the taxpayer are included in the numerator to the extent that the property is used in this state. If the extent of the use of any transportation property within Kansas cannot be determined, then the property will be deemed to be used wholly in the state in which the property has its principal base of operations. A motor vehicle will be deemed to be used wholly in the state in which it is registered.

(3) Receipts from credit card receivables—The numerator shall include interest and fees or penalties in the nature of interest from credit card receivables and receipts from fees charged to card holders, such as annual fees, if the billing address of the card holder is in Kansas.

(4) Receipts from merchants discount—The numerator includes receipts from the merchants discount if the commercial domicile of the merchant is in Kansas. Such receipts shall be computed net of any card holder charge backs, but shall not be reduced by any interchange transaction fees or by any issuer's reimbursement fees paid to another for charges made by its card holder.

(5) Receipts from services not otherwise apportioned shall be included in the numerator if the service is performed in Kansas. If the service is performed in and out of state, the numerator includes receipts from services not otherwise apportioned under this section, if a greater proportion of the income-producing activity is performed in Kansas based on cost of performance.

(6) Receipts from investment assets and activities and trading assets and activities—The numerator shall include those amounts attributable to Kansas.

(a) Interest, dividends, net gains, but not less than zero, and other income from investment assets and activities and from trading assets and activities shall be included in the receipts factor. Investment assets and activities and trading assets and activities include but are not limited to: Investment securities; trading account assets; federal funds; securities purchased and sold under agreements to resell or repurchase; options; futures contracts; forward contracts; notional principal contracts such as swaps; equities; and foreign currency transactions. With respect to the investment and trading assets and activities described in subparagraphs (A) and (B) of this paragraph, the receipts factor shall include the amounts described in such subparagraphs.

(A) The receipts factor shall include the amount by which interest from federal funds sold and securities purchased under resale agreements exceeds interest expense on federal funds purchased and securities sold under repurchase agreements.

(B) The receipts factor shall include the amount by which interest, dividends, gains and other income from trading assets and activities, including but not limited to assets and activities in the matched book, in the arbitrage book, and foreign currency transactions, exceed amounts paid in lieu of interest, amounts paid in lieu of dividends, and losses from such assets and activities.

(b) The numerator of the receipts factor includes interest, dividends, net gains, but not less than zero, and other income from investment assets and activities and from trading assets and activities described in paragraph (a) of this subsection that are attributable to this state.

(A) The amount of interest, dividends, net gains, but not less than zero, and other income from investment assets and activities in the investment account to be attributed to this state and included in the numerator is determined by multiplying all such income from such assets and activities by a fraction, the numerator of which is the average value of such assets which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the average value of all such assets.

(B) The amount of interest from federal funds sold and purchased and from securities purchased under resale agreements and securities sold under repurchase agreements attributable to this state and included in the numerator is

determined by multiplying the amount described in subparagraph (A) of paragraph (a) of this subsection from such funds and such securities by a fraction, the numerator of which is the average value of federal funds sold and securities purchased under agreements to resell which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the average value of all such funds and such securities.

(C) The amount of interest, dividends, gains and other income from trading assets and activities, including but not limited to assets and activities in the matched book, in the arbitrage book and foreign currency transactions, but excluding amounts described in subparagraphs (A) or (B) of this paragraph, attributable to this state and included in the numerator is determined by multiplying the amount described in subparagraph (B) of paragraph (a) of this subsection by a fraction, the numerator of which is the average value of such trading assets which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the average value of all such assets.

(D) For purposes of this paragraph, average value shall be determined using the rules for determining the average value of tangible personal property.

(c) In lieu of using the method set forth in paragraph (b) of this subsection, the secretary of revenue may permit or require in order to fairly represent the business activity of the taxpayer in this state, the use of the method set forth in this paragraph.

(A) The amount of interest, dividends, net gain, but not less than zero, and other income from investment assets and activities in the investment account to be attributed to this state and included in the numerator is determined by multiplying all such income from such assets and activities by a fraction, the numerator of which is the gross income from such assets and activities which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the gross income from all such assets and activities.

(B) The amount of interest from federal funds sold and purchased and from securities purchased under resale agreements and securities sold under repurchase agreements attributable to this state and included in the numerator is determined by multiplying the amount described in subparagraph (A) of paragraph (a) of this subsection from such funds and such securities by a fraction, the numerator of which is the gross income from such funds and such securities which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the gross income from all such funds and such securities.

(C) The amount of interest, dividends, gains and other income from trading assets and activities, including but not limited to assets and activities in the matched book, in the arbitrage book and foreign currency transactions, but excluding amounts described in subparagraphs (A) or (B) of this paragraph, attributable to this state and included in the numerator is determined by multiplying the amount described in subparagraph (B) of paragraph (a) of this subsection by a fraction, the numerator of which is the gross income from such trading assets and activities which are properly assigned to a regular place of business of the taxpayer within this

state and the denominator of which is the gross income from all such assets and activities.

(d) If the taxpayer elects or is required by the secretary of revenue to use the method set forth in paragraph (c) of this subsection, it shall use this method on all subsequent returns unless the taxpayer receives prior permission from the secretary of revenue to use, or the secretary of revenue requires, a different method.

(e) The taxpayer shall have the burden of proving that an investment asset or activity or trading asset or activity was properly assigned to a regular place of business outside of this state by demonstrating that the day-to-day decisions regarding the asset or activity occurred at a regular place of business outside this state. Where the day-to-day decisions regarding an investment asset or activity or trading asset or activity occur at more than one regular place of business and one such regular place of business is in this state and one such regular place of business is outside this state, such asset or activity shall be considered to be located at the regular place of business of the taxpayer where the investment or trading policies or guidelines with respect to the asset or activity are established. Unless the taxpayer demonstrates to the contrary, such policies and guidelines shall be presumed to be established at the commercial domicile of the taxpayer.

(7) Other Receipts, if applicable—The numerator of the receipts factor includes other receipts pursuant to the rules set forth in K.S.A. 79-3286, 79-3287 and 79-3288, and amendments thereto.

(8) Interest from loans secured by real property—The numerator shall include interest and fees or penalties in the nature of interest from loans secured by real property if the property is located within the state. If the property is located both within this state and one or more states, it shall be included in the numerator if more than 50% of the fair market value of the real property is located within the state. If more than 50% of the fair market value of the real property is not located in any one state, the receipts shall be included in the numerator of the receipts factor if the borrower is located in Kansas.

(9) Interest from loans not secured by real property—The numerator shall include interest and fees or penalties in the nature located in Kansas.

(10) Net gains from the sale of loans—The numerator shall include net gains from the sale of loans. Net gains are determined by a fraction, the numerator includes the interest and fees or penalties in the nature of interest from loans in this state and the denominator is the total amount of interest and fees or penalties in the nature of interest from loans.

(11) Net gains from the sale of credit card receivables—The numerator shall include net gains from the sales of credit card receivables multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor of credit card receivables and the denominator of which is the taxpayers total amount of interest and fees or penalties in the nature of interest from credit card receivables and fees charged to card holders.

(12) Loan servicing fees—The numerator shall include loan servicing fees derived from loans secured by real property multiplied by a fraction, the numerator of which is

the amount included in the numerator of the receipts factor of interest from loans secured by real property, and the denominator is the total amount of interest and fees or penalties in the nature of interest from loans secured by real property; loan servicing fees from loans not secured by real property are also multiplied by a fraction of interest and fees or penalties for loans not secured by real property. If the taxpayer receives loan servicing fees for servicing secured or unsecured loans, the numerator shall include the fees if the borrower is located in Kansas.

(13) Credit card issuer's reimbursement fees—The numerator shall include all credit card issuer's reimbursement fees multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor of credit card receivables and the denominator is the taxpayer's total amount of interest and fees or penalties in the nature of interest from credit card receivables and fees charged to card holders.

(14) All receipts which would be assigned to another state in which the taxpayer is not taxable shall be included in the numerator of the receipts factor, if the taxpayer's commercial domicile is in Kansas.

**Line D—Total Percent:** If you are utilizing the three-factor formula to apportion income to Kansas; add lines A, B, & C.

**Line E—Average Percent:** Divide line D by the number of factors used in the formula. For instance, if the corporation does not have payroll anywhere, divide by 2.

#### CONSISTENCY IN REPORTING

In completing Forms K-130 and K-130AS, if, with respect to prior tax years and to filing other states' tax returns, the taxpayer departs from or modifies the manner in which income has been classified as business income from nonbusiness income, in valuing property or of excluding or including property in the property factor, in the treatment of compensation paid in the payroll factor, or in excluding or including gross receipts in the receipt factor, the taxpayer shall disclose by separate attached schedule the nature and extent of the variance or modification. Only inconsistencies in the denominators of the property, payroll, and receipts factors which materially affect the amount of business income apportioned to Kansas need be disclosed. Inconsistencies in the determination of nonbusiness income and in the denominators of the factors due to a difference in state laws or regulations must be identified by that state's statute or regulation section number and shown on the separate schedule. The amount of each inconsistency by state is to be shown.

#### PART VI—ADDITIONAL INFORMATION

All financial institutions must answer all questions.

#### PART VII—AFFILIATED CORPORATION INFORMATION

All financial institutions must complete this section and indicate which of the affiliated corporations have property or payroll or receipts in either the "total company" factors or the "within Kansas" factors of the apportionment formula on page 1 of Form K-130AS.



State of Kansas  
Department of Revenue  
Docking State Office Building, 915 SW Harrison St.  
Topeka, KS 66612-1588

PRSR STD  
U.S. POSTAGE  
**PAID**  
KANSAS DEPT.  
OF REVENUE



## ***Taxpayer Assistance***

### **BY PHONE**

If you have a question about completing your Kansas Privilege Tax return, call 785-368-8222 to speak with a customer representative.

If you prefer, you may fax information to 785-291-3614.

TTY Users  
Telecommunications  
Device for the Deaf  
785-296-6461



### **IN PERSON**

Personal assistance to complete your return is also available at the following location:

Taxpayer Assistance Center  
Docking State Office Building - 1st floor  
915 SW Harrison Street  
Topeka, KS 66625-2007

Office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

### **REQUEST FOR TAX FORMS - 785-296-4937**

Tax forms are available at most city and county clerk offices, banks, libraries, and other places of convenience. To obtain forms by mail, contact the Kansas Department of Revenue voice mail system at 785-296-4937. You will be asked to give your name, address, telephone number, and form(s) you desire. Please allow about two weeks for delivery of your form(s). Tax forms can also be found on the Department of Revenue's web site at [www.ksrevenue.org](http://www.ksrevenue.org).