

K-39

(Rev. 9/09)

KANSAS CREDIT FOR PLUGGING AN ABANDONED OIL OR GAS WELL

For the taxable year beginning, _____, 20____; ending _____, 20____.

Name of taxpayer (as shown on return)	Social Security Number or Employer ID Number (EIN)
If partner, shareholder or member, enter name of partnership, S corporation, LLC or LLP	Employer ID Number (EIN)

PART A ABANDONED OIL OR GAS WELL INFORMATION

1. API Number: _____
- Location of Well: _____
2. Is this well located on land owned by the above taxpayer?
 Yes No (If no, you do not qualify for the credit)
3. Date drilling of this well began: _____ / _____
Month Year
 (If this date is after January 1, 1970, the well does not qualify for the credit.)

PART B – PLUGGING COSTS

4. Enter the KCC plugging fee for this abandoned well. Enclose a copy of the KCC invoice. 4. _____
5. All other costs incurred this tax year to plug qualifying well(s). 5. _____
6. Total plugging costs eligible for the credit. Add lines 4 and 5. 6. _____
7. Credit percentage allowed. 7. 50%
8. Credit. Multiply line 6 by line 7. 8. _____

PART C – COMPUTATION OF THIS YEAR'S CREDIT

9. Amount of carry forward from prior year. Enter the amount from line 14 of the prior year's Schedule K-39. (Not applicable for first year credit is claimed.) 9. _____
10. Enter the amount of any prior year's credit in excess of statutory limitation 10. _____
- 11a. Total credit available this tax year. Add lines 8, 9, and 10 and enter the result: _____.
 Multiply the amount on line 11a by 90% and enter the result on line 11b. 11b. _____
- 12a. Amount of your Kansas tax liability for this tax year to be applied against this credit: _____.
 Multiply the amount on line 12a by 90% and enter result on line 12b. 12b. _____
13. Credit this tax year. Enter the lesser of lines 11b or 12b. 13. _____
 Enter this amount on the appropriate line of Form K-40, Form K-120, or Form K-41.

If line 12a is less than line 11a, complete PART D.

PART D – COMPUTATION OF CREDIT CARRY FORWARD

14. Subtract line 12a from line 11a. This is the amount of credit to carry forward to next year's return. 14. _____
 Enter this amount on line 9 of next year's Schedule K-39.

INSTRUCTIONS FOR SCHEDULE K-39

GENERAL INFORMATION

K.S.A. 79-32,207 provides for an income tax credit for taxpayers who make expenditures during the tax year to plug an abandoned oil or gas well on their land in accordance with the rules and regulations of the Kansas Corporation Commission (KCC). The credit is 50% of the expenditures made during the tax year. If the credit exceeds the income tax liability for the taxable year the expenditures are made, any unused credit may be carried forward until used. The total amount of credits taken by all taxpayers (including any credit carry over) may not exceed \$250,000 in any fiscal year.

An “abandoned oil or gas well” is any well: 1) the Kansas Corporation Commission has the authority to plug, replug, or repair because such well is polluting or is likely to pollute any usable water strata or supply, or causing the loss of usable water; 2) on which drilling began prior to January 1, 1970; and 3) is located on land owned by the taxpayer claiming this credit.

Fiscal Year Credit Limitation. Qualifying taxpayers will receive the credit on “first come, first serve” basis. The credit will be denied after the statutory fiscal year credit limit of \$250,000 has been reached. However, the amount of credit denied for this reason may be entered on line 10 of the subsequent year’s Schedule K-39.

Partnerships and S Corporations: Partners and shareholders should enter on line 5 of Schedule K-39 their proportionate share of the costs incurred this tax year by the partnership or S corporation (enclose computation).

Required Information: Be sure to retain copies of the following documents and information with your records, as the Kansas Department of Revenue reserves the right to request additional information as necessary.

- A copy of KCC Form CP-4.
- An itemized list of expenses with copies of invoices for plugging costs and the KCC invoice indicating that the Commission has verified the plugging. List the expenses of each well separately.
- If applicable, the Kansas Department of Revenue letter of denied credit for line 10.

SPECIFIC LINE INSTRUCTIONS

PART A ABANDONED WELL INFORMATION



If you incurred expenses to plug more than one qualifying abandoned oil or gas well this tax year as certified by the Kansas Corporation Commission, be sure to retain a schedule for your records showing the information in Part A for each well. KDOR reserves the right to request this information if needed.

LINE 1—Enter the API (American Petroleum Institute) number and physical location of the abandoned well.

LINE 2—Check one of the boxes. Only wells located on land owned by the taxpayer claiming the credit qualify for the credit.

LINE 3—Enter the date drilling of this well began. Only wells on which drilling began prior to January 1, 1970, qualify for the credit.

PART B — PLUGGING COSTS

LINE 4—Enter the KCC plugging fee for the abandoned well. Enclose a copy of KCC plugging invoice, even if the fee was waived by KCC.

LINE 5—Enter the total of other expenses incurred this tax year to plug the abandoned well. If you plugged more than one qualifying well, enter the total for all qualifying wells.

LINE 6—Enter the total of lines 4 and 5.

LINE 7—The amount of credit allowed is 50% of the total costs incurred this tax year.

LINE 8—Multiply line 6 by line 7. This is the amount of plugging expenditures available for credit this tax year.

PART C — COMPUTATION OF THIS YEAR’S CREDIT

LINE 9—Enter any carry forward from line 14 of your prior year’s Schedule K-39.

LINE 10—Enter the amount of credit from the prior year’s Schedule K-39 denied because the fiscal year credit limit had been reached.

LINE 11a—Add lines 8, 9, and 10 and enter the result.

LINE 11b—Multiply the amount on line 11a by 90% (.90) and enter the result.

LINE 12a—Enter the amount of your Kansas tax liability for this year. If you are filing more than one (1) credit schedule this year, enter only the amount of tax liability you wish to apply to this credit. The amount entered on line 12a (not line 12b) is the amount of tax liability considered to be “used” when calculating the remaining tax liability to be applied against other credits.

Example: If your tax liability is \$1,000 (before applying the 90% reduction) and the amount entered on line 12a is \$400, then the amount of tax liability available to apply to any other credit schedules would be \$600.

LINE 12b—Multiply the amount on line 12a by 90% (.90) and enter the result.

LINE 13—Enter the lesser of lines 11b or 12b. Enter this amount on the appropriate line of Form K-40, Form K-41, or Form K-120.

PART D — COMPUTATION OF CREDIT CARRY FORWARD

LINE 14—Subtract line 12a from line 11a. This is the amount of credit you will have available to enter on line 9 of your next year’s Schedule K-39.

TAXPAYER ASSISTANCE

For information about plugging an abandoned oil or gas well or your certification, contact the:

Kansas Corporation Commission
Conservation Division
130 S. Market, Room 2078
Wichita, KS 67202-3802
Phone: (316) 337-6200

For assistance in completing this schedule contact:

Taxpayer Assistance Center
Kansas Department of Revenue
915 SW Harrison St., 1st Floor
Topeka, KS 66625-2007
Phone: (785) 368-8222
Hearing Impaired TTY: (785) 296-6461

Additional copies of this schedule are available from the department’s office or web site at: www.ksrevenue.org