

# K-45

(Rev. 11/09)

# KANSAS

## APPLICATION FOR CARRY BACK OF NET OPERATING LOSS REFUND

First Name(s) and Initial(s)	Last Name	Social Security Number
Home Address (Number and Street or Rural Route)		Spouse's Social Security Number
City, Town or Post Office	State	Zip Code
		Employer Identification Number

**FILE THIS APPLICATION SEPARATELY FROM YOUR INCOME TAX RETURN  
YOU MUST ENCLOSE A COPY OF YOUR FEDERAL FORM 1045 WITH THIS CLAIM**

Taxable year of net operating loss:

(a) Calendar year January 1-December 31, \_\_\_\_\_ or

(c) Other taxable year beginning \_\_\_\_\_, \_\_\_\_\_ and ending \_\_\_\_\_, \_\_\_\_\_

Did you experience a change in marital status or file any of the carry back years with a different filing status than the loss year?  No  Yes, if yes you need to complete Schedule IV (see instructions).

Schedules I, II and IV have been provided to assist you in completing Schedule III. If further information is needed concerning the computation of your net operating loss, you may contact the Kansas Income Tax, 915 SW Harrison St., Topeka, KS 66699-1000, telephone (785) 368-8222.

	SCHEDULE I KANSAS COMPUTATION SCHEDULE (See Instructions)		SCHEDULE II KANSAS DISTRIBUTION SCHEDULE (See Instructions)		
	LOSS YEAR		CARRY BACK YEARS		
	(A)	(B)	(C)	(D)	
1. Taxable income per Kansas return					
2. Net operating loss from prior year.					
3. Net capital loss.....					
4. Nontaxable capital gain.....					
5. Exemptions					
6. Excess nonbusiness deductions...					
7. Other adjustments:					
a. Charitable contributions.....					
b. Standard deductions.....					
c. _____.....					
8. Net operating loss.....					
9. Modified taxable income					
10. Net operating loss carry back:					
a. Net operating loss absorbed in 3 <sup>rd</sup> preceding year.....					
b. Net operating loss absorbed in 2 <sup>nd</sup> preceding year.....					
c. Net operating loss absorbed in 1 <sup>st</sup> preceding year.....					
11. Remaining unused net operating loss.....					

**NONRESIDENTS:** A nonresident must determine the NOL as though he/she were a Kansas resident. The information shown on the nonresident allocation percentage schedule is **NOT** used to determine a Kansas NOL. Please read the general instructions and the instructions for completing the Form K-45 before completing your nonresident Kansas return.

# SCHEDULE III KANSAS APPLICATION SCHEDULE

(See instructions)

**Caution: If you are carrying a separate filing status loss to a joint filing status return, you must use Schedule IV (see instructions).**

	Third preceding taxable year ended _____, _____		Second preceding taxable year ended _____, _____		First preceding taxable year ended _____, _____	
	Return as filed or liability as last determined (E)	Liability after application of carry back (F)	Return as filed or liability as last determined (G)	Liability after application of carry back (H)	Return as filed or liability as last determined (I)	Liability after application of carry back (J)
12. Kansas adjusted gross						
13. Net operating loss deduction resulting from carry back						
14. Subtract line 13 from line 12						
15. Total of itemized or standard deduction						
16. Federal income tax deduction						
17. Personal exemptions						
18. Total (Add lines 15, 16 & 17)						
19. Taxable income (Subtract line 18 from line 14)						
20. Kansas tax liability						
21. Nonresident allocation percentage (Nonresidents only, from Nonresident Allocation Percentage Schedule)	%	%	%	%	%	%
22. Nonresident tax (Nonresidents only, multiply line 20 by line 21)						
23. Kansas tax on lump sum distributions						
24. Total (Residents: Add lines 20 & 23; Nonresidents: Add lines 22 & 23)						
25. Credit for taxes paid to other states						
26. Other credits						
27. Total credits (Add lines 25 & 26)						
28. Balance (Subtract line 27 from line 24)						
29. Enter amounts from line 28, Columns F, H, & J						
30. Decrease in tax (Subtract line 29 from line 28)						
31. Allowable %						
32. Refund Amount						

NOTE: K.S.A. 79-32,117, provides that refunds of any federal income tax which results in a tax benefit during a prior year must be added to the taxpayer's Kansas return in the year such a refund was received. Therefore, it is necessary to report the federal refund, which is derived from net operating loss carry back, investment credit carry back, etc. as income on the Kansas return in the year the federal refund was received.

\_\_\_\_\_  
(Applicant's signature and date)

\_\_\_\_\_  
(Signature of preparer and date)

\_\_\_\_\_  
(Signature of spouse and date)

## SCHEDULE IV 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 (K)	Taxpayer Income (L)	Spouses Income (M)
33. Wages, salaries, tips, etc			
34. Interest taxable to Kansas			
35. Dividends less exclusion			
36. Business income			
37. Taxable capital gains and losses			
38. Rents, royalties and partnerships			
39. Farm income			
40. Other income (include any net operating losses from prior years)			
41. Total income (add lines 32 through 39)			
42. Less standard or itemized deductions			
43. Less federal tax			
44. Less exemptions			
45. Taxable income (line 41 minus lines 42, 43 & 44. Enter this amount in the appropriate year's column on line 1, Schedule I or II. Do not complete lines 46 through 54 unless you are on step 3, see instructions.)			
46. Tax on joint filing status			
47. Tax on married filing separate status			
48. Total of taxpayer's and former spouse's tax (add amounts on line 47, Columns L & M)			
49. Subtract net operating loss from taxpayer's taxable income) line 45, Column L, minus line 8, Schedule I. Cannot be less than zero.)			
50. Enter the total of lines 49 and 45, Column M			
51. Determine tax on income shown on line 50 using married filing joint rates			
52. Divide line 47, Column L, by line 48			
53. Taxpayer's recomputed share of joint liability (multiply line 51 by line 52)			
54. Amount of tax actually paid by each spouse (withholdings, estimate payments, remittances, etc.)			
55. Taxpayer's portion of decrease in tax (subtract line 53 from line 54)			

**SCHEDULE IV:** This schedule is used when there is a change in marital status between year of the loss and any of the years to which the loss is to be carried. The NOL of one spouse normally 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. There are two situations, which are exceptions to the rule.

**Situation 1** — The taxpayer was married in the loss year, one spouse had NOL but the other spouse did not, and the prior years were filed on a single or married filing separate basis. In this situation, the spouse who had no NOL may file jointly with the spouse who had a NOL, but the loss can **only** be carried back to the income of the spouse who sustained the loss. In this situation, you should complete lines 33 through 45 to verify that both spouses do have a loss.

**Situation 2** — A joint return is filed with the same spouse on both the loss year and all the years to which the loss is carried. In this situation **do not** complete Schedule IV.

# INSTRUCTIONS FOR FORM K-45

## GENERAL INSTRUCTIONS

This form is to be used by individual income taxpayers only after a net operating loss (NOL) has been carried forward 10 years using Kansas Form CRF. If after 10 years there is unused NOL, you may amend your Kansas K-40s and claim a loss on the three (3) preceding years before the loss year. 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 instructions for Schedule IV.

## LINE-BY-LINE INSTRUCTIONS

There are generally three basic steps involved in a NOL carry back: STEP 1 is computing the amount of the loss allowable for carry back; STEP 2 is determining how much of the allowable loss will be absorbed in each carry back year; and, STEP 3 is applying the correct amount of loss to each year to determine the resulting refund. Each step corresponds to a schedule on this form.

### SCHEDULE I:

#### Column A

**Line 1-**Enter the Kansas **taxable income** from the loss year. This amount will be a negative figure.

**Line 2-**If you have any prior year NOL included in the adjusted gross income; enter this amount on line 2. Since you are reducing the allowable loss shown on line 1 by the amounts shown on succeeding lines, the amount entered will be a positive figure.

**Line 3-** Enter the same capital loss that was computed on your federal NOL claim as a positive figure.

**Line 4-**Enter the portion of the federal long-term capital gains excluded from income (60% of gains in most years).

**Line 5-**Enter the personal exemption claimed on the Kansas return.

**Line 6-**Enter the amount of the Kansas non-business deductions in excess of Kansas non-business income. Note that although the same method is used to compute this as is used to compute federal NOL, income (i.e. municipal and federal bonds, etc.) and deductions (i.e. itemized deductions or standard deductions, etc.) are not the same on the federal return as on the Kansas return, therefore, the Kansas NOL in some cases will be a different amount.

**Line 8-** Reduce the loss on line 1 by the total of lines 2 through 6. If the answer is a negative, this will be your Kansas NOL. Carry the NOL from line 8 to line 10a, Column B, Schedule II and also, to line 13, Column F, Schedule III.

**SCHEDULE II:** The NOL must be carried to the 3<sup>rd</sup> year preceding the year of the loss (Column B). If any loss remains, it is carried to the 2<sup>nd</sup> year preceding the year of the loss (Column C) and then to the year prior to the loss year (Column D). The computations for Schedule II are essentially the same as those for Schedule I, with a few exceptions. The excess non-business deductions are not added back.

**Line 7a-**If the allowable portion of the charitable contributions shown on the federal itemized deductions has been increased; show the same adjustment as shown on the federal NOL claim on line 7a.

**Line 7b-**Add amounts shown on lines 2, 3 and 4 to your Kansas adjusted gross income from the carry back year and recalculate the standard deduction based on the increased Kansas adjusted gross income. Subtract the recomputed standard deduction from the standard deduction shown on the return; any additional standard deduction will be shown as a negative figure on line 7b.

**Line 9-**Add lines 1 through 7 to determine the modified taxable income and enter the total on line 9 (cannot be less than zero).

**Line 10-** This is the unused portion of the NOL. **Column B:** If the loss exceeds modified taxable income, show the difference on line 10b. **Column C:** If the loss exceeds modified taxable income, show the difference on 10c.

**Line 11-**If the loss in **Column D** exceeds the modified income, the remainder is shown on line 11 and must be carried forward (the carry forward is limited to 7 years).

**SCHEDULE III:** Columns E, G and I are brought directly to Schedule III from the carry back year returns UNLESS there has been a prior amendment or adjustment, in which case the amounts entered should be those on the last amendment or adjustment. Columns F, H and J are designed to show how these items would change after the loss is applied. The amounts on lines 10(a), 10(b) and 10(c) will be the amounts used for the corresponding year on line 13, Columns F, H and J.

**Line 31-** If an individual cannot utilize the entire amount of the loss by carrying it forward to the 10<sup>th</sup> year on the Form CRF, the individual is entitled to carry the unutilized loss back to offset income earned in the three years immediately preceding the year of the loss. This typically results in a refund of the taxes paid on income in those three years. That refund is then multiplied by a fraction as provided by K.S.A. 79-32,143(d).

The numerator of the fraction is the unutilized portion of the loss in the final year. The denominator is the amount of the original NOL – unless it is greater than the total of the aggregate income earned during the three years immediately preceding the year in which the NOL was incurred. In no event can the fraction exceed one.

**Example 1:** After ten years of carrying forward and utilizing an NOL for tax year 2000, there is still \$5,000.00 worth of NOL remaining. The original NOL was \$7,000.00. Over ten years the taxpayer utilized \$2,000.00 of the NOL. Total income from 3 years preceding loss year is \$15,000. The percentage of refund would be as follows:

Tax Year	1997	1998	1999	Total
Income	\$5,000	\$5,000	\$5,000	\$15,000
Taxes Paid	\$50	\$100	\$50	
Carry-Back NOL Used	\$5,000	\$0.00	\$0.00	
Refund (Line 30 K-45)	\$50	\$100	\$50	
Allowable Percentage	71.43%	71.43%	71.43%	
Total Refund	\$36			\$36

$$\frac{\text{Numerator } \$5,000}{\text{Denominator } \$7,000} = 71.42\%$$

71.42% would be the percentage amount to enter on Line 31.

**Example 2:** After ten years of carrying forward and utilizing an NOL for tax year 2000, there is still \$5,000.00 remaining. The original NOL was \$7,000.00. Over ten years the taxpayer utilized \$2,000.00. Total income from 3 years preceding loss year is \$4,000. The percentage of refund would be as follows:

Tax Year	1997	1998	1999	Total
Income	\$1,000	\$2,000	\$1,000	\$4,000
Taxes Paid	\$50	\$100	\$50	
Carry-Back NOL Used	\$1,000	\$2,000	\$1,000	
Refund (Line 30 K-45)	\$50	\$100	\$50	
Allowable Percentage	100%	100%	100%	
Total Refund	\$50	\$100	\$50	\$200

$$\frac{\text{Numerator } \$5,000}{\text{Denominator } \$4,000} = 125\%$$

The percentage can **NOT** be greater than 100%. Therefore the percentage amount would be 100% on Line 31.

**Line 32-** Multiply Line 31 by Line 30, Round to the nearest whole dollar. This is the refund amount.