

# KANSAS

## SMALL EMPLOYER HEALTHCARE CREDIT

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)

Date you began participation in this plan: \_\_\_\_/\_\_\_\_/\_\_\_\_.

Those employers who started a small employer health benefit plan on or after January 1, 2005 must answer the following question:

Did this employer contribute to any health insurance premium or health savings account on behalf of an employee who is to be covered by the employer's contribution within the preceding two years of the effective date of the employer's small employer health benefit plan?  No  Yes (If yes, you do not qualify for this credit.)

**PART A – COMPUTATION OF ELIGIBLE EMPLOYEE AMOUNT**

Complete the appropriate schedule. If the employer established this plan **after December 31, 2004, complete Schedule I**. If the employer established this plan **prior to January 1, 2005, complete Schedule II**.

SCHEDULE I				SCHEDULE II	
(a) Number of eligible employees for the month	(b) <b>FIRST 12 MONTHS</b> Multiply amount in (a) by the lesser of \$70 or the actual amount paid per employee.	(c) <b>NEXT 12 MONTHS</b> Multiply amount in (a) by the lesser of \$50 or the actual amount paid per employee.	(d) <b>NEXT 12 MONTHS</b> Multiply amount in (a) by the lesser of \$35 or the actual amount paid per employee.	(e) Number of eligible employees for the month	(f) Maximum allowed. Multiply amount in (e) by \$35.
1. 1st month of tax year .....					
2. 2nd month of tax year ....					
3. 3rd month of tax year ....					
4. 4th month of tax year ....					
5. 5th month of tax year ....					
6. 6th month of tax year ....					
7. 7th month of tax year ....					
8. 8th month of tax year ....					
9. 9th month of tax year ....					
10. 10th month of tax year ..					
11. 11th month of tax year ...					
12. 12th month of tax year ..					
13. Total .....					

**IF YOU COMPLETED SCHEDULE I, PROCEED TO LINE 18. IF YOU COMPLETED SCHEDULE II, PROCEED TO LINE 14.**

- 14. Enter actual expense for the tax period. 14. \_\_\_\_\_
- 15. Maximum credit allowed (multiply line 14 by 50% and enter the result here). 15. \_\_\_\_\_
- 16. Enter the lesser of line 13, column (f) or line 15. 16. \_\_\_\_\_
- 17. Year of participation: 1st & 2nd year  100%    3rd year  75%    4th year  50%    5th year  25%

**PART B – COMPUTATION OF CREDIT**

18. Credit allowable for this tax year. (From SCHEDULE I, enter amount from line 13, columns (b), (c), and/or (d). From SCHEDULE II, multiply line 16 by the appropriate percentage from line 17.) **K-120 Filers: STOP HERE** and enter this amount on Form K-120 (line 5, Other Additions **and** the appropriate line in Part I). Skip lines 19-23. 18. \_\_\_\_\_

**The following lines are for Form K-40 and Form K-41 filers only.**

- 19. Enter your proportionate share percentage (see instructions). 19. \_\_\_\_\_
- 20. Your share of the credit for this year's investment. Multiply line 18 by line 19. 20. \_\_\_\_\_
- 21. Enter your total tax liability for this tax year after all credits other than this credit. 21. \_\_\_\_\_
- 22. Credit this tax year (enter the lesser of line 20 or 21). Also, enter this amount on the appropriate line of Form K-40 or Form K-41. **If line 22 is less than line 20, complete PART C.** 22. \_\_\_\_\_

**PART C – COMPUTATION OF REFUND (FORM K-40 AND K-41 FILERS ONLY)**

23. Refundable portion of tax credit. Subtract line 22 from line 20. Enter this amount on the refundable credit line of Form K-40 or Form K-41. 23. \_\_\_\_\_

# INSTRUCTIONS FOR SCHEDULE K-57

## GENERAL INFORMATION

K.S.A. 40-2246 allows an income tax credit to those employers that make contributions to a health savings account of an eligible covered employee after December 31, 2004. The credit is \$70 per month per eligible covered employee for the first 12 months of participation, \$50 per month per eligible covered employee for the next 12 months of participation and \$35 per month per eligible covered employee for the next 12 months of participation.

Any small employer as defined by K.S.A. 40-2209d that has between 2 and 50 employees may establish a small employer health benefit plan for the purpose of providing a health benefit plan as described under K.S.A. 40-2240 covering such employer's eligible employees and such employees' family members. For those plans established **prior to January 1, 2005**, a certificate issued by the Commissioner of Insurance entitling a "small employer" to claim the tax credit authorized by K.S.A. 40-2246 must have been obtained.

An eligible employee is one who is employed for an average of at least 30 hours per week and elects to participate in one of the benefit plans provided under this act, and includes individuals who are sole proprietors, business partners, and limited partners who own the business. The term "eligible employee" does not include: 1) individuals engaged as independent contractors; 2) individuals whose periods of employment are on an intermittent or irregular basis; or, 3) individuals who have been employed by the employer for fewer than 90 days.

A health savings account means a trust created or organized in the United States as a health savings account exclusively for the purpose of paying the qualified medical expenses of the account beneficiary, but only if the written governing instrument creating the trust meets the requirements specified by the medicare, prescription drug, improvement and modernization act of 2003, Pub. L. No. 108-173, 117 Stat. 2067.

As a condition to participate as a member of any small employer health benefit plan, an employer shall have not contributed within the preceding two years to any health insurance premium or health savings account on behalf of an employee who is to be covered by the employer's contribution other than a contribution by an employer to a health insurance premium or health savings account within the preceding two years solely for the benefit of the employer or the employer's dependents.

If the credit exceeds the current year's tax liability, the unused portion shall be refunded to the taxpayer.

**Addition Modification Required:** The employer must reduce any expense deduction that is included in federal taxable income for the tax year by the dollar amount of the credit.

Please retain your monthly insurance billings with your records as KDOR (Kansas Department of Revenue) reserves the right to request additional information as necessary.

## SPECIFIC LINE INSTRUCTIONS

Complete the information at the top of the schedule.

### PART A – COMPUTATION OF ELIGIBLE EMPLOYEE AMOUNT

Complete the appropriate schedule. If the employer established this plan after 12/31/04, complete Schedule I. If the employer established this plan prior to 1/1/05, complete Schedule II.

#### **LINES 1-12 – Schedule I (Plans after 12/31/04)**

**Column (a):** Enter the number of eligible employees covered by this plan for each month of the employer's tax year.

**Column (b):** If you established or made contributions during this tax year which constitutes the **FIRST 12 MONTHS** of

participation, multiply the number of eligible employees for each month of participation by the lesser of \$70 or the actual amount paid per employee.

**Column (c):** If you established or made contributions during this tax year which constitutes the **NEXT 12 MONTHS** of participation, multiply the number of eligible employees for each month of participation by the lesser of \$50 or the actual amount paid per employee.

**Column (d):** If you established or made contributions during this tax year which constitutes the **NEXT 12 MONTHS** of participation, multiply the number of eligible employees for each month of participation by the lesser of \$35 or the actual amount paid per employee. The total of b, c & d should only be 12 months.

#### **LINES 1-12 – Schedule II (Plans prior to 1/1/05)**

**Column (e):** Enter the number of eligible employees covered by this plan for each month of the employer's tax year.

**Column (f):** Multiply the number of eligible employees for each month by \$35.

**LINE 13** – Add lines 1 through 12. If the plan was established after December 31, 2004 and you have completed Schedule I, proceed to line 18. If the plan was established prior to January 1, 2005 and you have completed Schedule II, proceed to line 14.

**LINE 14** – Enter your total health insurance premium or health savings account contributions for covered employees during the tax period. Review your health insurance billings for this particular tax year to obtain your cost.

**LINE 15** – Multiply line 14 by 50%. This is the maximum credit allowed.

**LINE 16** – Enter the lesser of line 13, column (f) or line 15.

**LINE 17** – Check the appropriate box for the number of tax years you have participated in this credit.

### PART B – COMPUTATION OF CREDIT

**LINE 18** – If the plan was established after December 31, 2004 and you have completed Schedule I, enter the amount from line 13, columns (b), (c), and/or (d). If the plan was established prior to January 1, 2005 and you have completed Schedule II, multiply line 16 by the appropriate percentage from line 17.

Form K-120 filers – skip lines 19-23 of this schedule. The following lines are for Form K-40 and Form K-41 filers only.

**LINE 19** – Partners, shareholders or members must enter their proportionate share percentage in the partnership, S corporation, LLC, etc.

**LINE 20** – Multiply line 18 by line 19. This is your share of the credit for this year.

**LINE 21** – Enter your total tax liability for this tax year after deducting all other credits claimed other than this credit.

**LINE 22** – Enter the lesser of line 20 or line 21. Also, enter this amount on the appropriate line of Form K-40 or Form K-41.

### PART C – COMPUTATION OF REFUND

**LINE 23** – Subtract line 22 from line 20. This is the amount of excess credit to be refunded on this year's return. Enter this amount on the appropriate line of Form K-40 or Form K-41.

## TAXPAYER ASSISTANCE

For assistance and information on establishing a Small Employer Health Benefit Plan, call the Insurance Commissioner's office at (785) 296-7850. For assistance with Schedule K-57, call KDOR at (785) 368-8222.