



DO NOT STAPLE

KANSAS EXPENSING DEDUCTION SCHEDULE

For the taxable year beginning \_\_\_ / \_\_\_ / 2 0 1 2 ; ending \_\_\_ / \_\_\_ / \_\_\_

Name of taxpayer, Social Security Number or Employer's Identification Number (EIN), If partner, shareholder or member, enter name of partnership, S corporation, LLC or LLP, Employer's Identification Number (EIN)

PART A - COMPUTATION OF EXPENSING FOR THIS ENTITY

1. Expensing deduction for this entity (from PART B, line 11) . . . . . 1 .00
2. Recapture amount (from PART C, line 12). . . . . 2 .00
3. Net expensing deduction (subtract line 2 from line 1; if the amount is negative, shade the box). . . . . - 3 .00
4. Ownership Percentage. . . . . 4 | | | | | | | | | |
5. Expensing deduction (multiply line 3 by line 4; if the amount is negative, shade the box). . . . . - 5 .00
6. Kansas net income for this entity (enter the sum of lines 15 and 16 from form K-120 or K-121; cannot be less than zero). . . . . 6 .00
7. Expensing deduction remaining (subtract line 6 from line 5; cannot be less than zero) . . . . . 7 .00
8. Expensing deduction used against Kansas net income of other entities in the combined group. If more space is needed, enclose separate schedule.

Table with 3 columns: (a) ENTITY NAME, (b) ENTITY EIN, (c) AMOUNT USED. Multiple rows for listing other entities.

Amount used by other entities this year. Enter total of amounts in column (c) . . . . . 8 .00
9. Total expensing deduction used this year (add line 8 to the lesser of line 5 or line 6 and enter result on line 17 of form K-120 or K-121) . . . . . 9 .00
10. Expensing deduction to use as a net operating loss of this entity next tax year (subtract line 8 from line 7). . . . . 10 .00





# INSTRUCTIONS FOR SCHEDULE K-120EX

## GENERAL INFORMATION

The expensing deduction and recapture under K.S.A. 79-32,143a is available to income tax filers who elect to take an expensing deduction for taxable years commencing after December 31, 2011. This deduction is not available for privilege tax filers. The deduction must be made by the due date of the original return, including any extension of time to file, and may be made only for the taxable year in which the eligible property is placed in service in Kansas.

The election is made by filing your tax return (by paper or through an electronic means) with Schedule K-120EX (Kansas Expensing Deduction) and claiming the deduction. If you file a paper return, you must enclose federal Form(s) 4562 with each K-120EX and any additional schedule necessary to enable KDOR (Kansas Department of Revenue) to reconcile the federal Form 4562 amounts to the expensing claimed on your K-120EX.

**PROPERTY THAT MAY BE USED TO CLAIM THE EXPENSING DEDUCTION.** For taxable years beginning after December 31, 2011, you may elect to take an expensing deduction from Kansas net income apportioned or allocated to this state for the cost of the following property placed in service in this state during the taxable year:

- 1) Tangible property eligible for depreciation under the modified accelerated cost recover system in section 168 of the IRC (Internal Revenue Code), as amended, but not including residential rental property, nonresidential real property, any railroad grading or tunnel bore or any other property with an applicable recover period in excess of 25 years as defined under section 168(c) or (g) of the IRC, as amended; and,
- 2) Computer software as defined in section 197(e)(3)(B) of the IRC, as amended, and as described in section 197(e)(3)(A)(i) of the IRC, as amended, to which section 167 of the IRC, as amended, applies.

**SITUS OF PROPERTY.** The situs will be the physical location of such property located in Kansas. If the property is mobile, the situs will be the physical location of the business operations from which the property is used or based. Software shall be apportioned to Kansas based on the fraction, the numerator of which is the number of taxpayer's users located in Kansas of licenses for such computer software used in the active conduct of the taxpayer's business operations, and the denominator of which is the total number of the taxpayer's users of the licenses for such computer software used in the active conduct of the taxpayer's business operations everywhere.

**UNITARY OPERATION.** If you are a corporate taxpayer filing a combined return, you may elect to apply the expense deduction against the Kansas income of any member of the corporate combined group. This option is only available for the expense deduction, not for any subsequent net operating loss caused by the expense deduction.

If filing a combined return, each entity within the combined group that made a qualifying investment must complete a Schedule K-120EX and enclose it with the return when filed.

**CREDITS THAT MAY NOT BE USED IF CLAIMING THE EXPENSING DEDUCTION.** If the election is made to claim an expensing deduction on an investment, you may not use that investment in the following tax credits, accelerated depreciation or deductions: K-35 Historic Preservation Credit, K-38 Swine Facility Improvement Credit, K-53 Research and Development Credit, K-59 High Performance Incentive Program Credit, K-62 Alternative-Fuel Tax Credit, K-73 Petroleum Refinery Credit, K-77 Qualifying Pipeline Credit, K-78 Nitrogen Fertilizer Plant Credit, K-79 Cellulosic Alcohol Plant Credit, K-80 Integrated Coal Gasification Power Plant Credit, K-81 Environmental Compliance Credit, K-82 Storage and Blending Equipment Credit and K-83 Electric Cogeneration Facility Credit.

**EXPENSING DEDUCTION THAT EXCEEDS KANSAS NET INCOME.** If the expensing deduction exceeds net income apportioned or allocated to this state, such excess will be treated as a Kansas net operating loss by the entity that made the original investment.

**COMPUTATION OF KANSAS EXPENSING AFTER THE ELECTION IS MADE.** The amount of expensing deduction for such cost shall equal the difference between the depreciable cost of such property for federal income tax purposes and the amount of bonus depreciation being claimed for such property pursuant to section 168(k) of the IRC, as amended, for federal income tax purposes in such tax year, but without regard to any expensing deduction being claimed for such property under section 179 of

the IRC, as amended. That amount will be multiplied by the applicable factor, determined by using the table provided in K.S.A. 79-32,143a(f), based on the method of depreciation selected pursuant to section 168(b)(1), (2), or (3) or (g) of the IRC, as amended, and the applicable recover period for such property as defined under section 168(c) or (g) of the IRC, as amended.



A taxpayer using the 200% declining balance method with a recover period of 5 years and the basis for depreciation is \$10,000. The taxpayer has no bonus depreciation to subtract out so the net basis is \$10,000. Refer to the table on the next page. At the column headed *IRC 168 Recover Period (year)*, go down to 5 years and use .116 under the *200DB* column to multiply by the net basis of \$10,000. The expensing deduction for this item is \$1,160 to use as a subtraction from Kansas income. For corporate purposes this is subtracted from income after apportionment on line 17 of Form K-120 or K-121; and for individual income purposes this would be a subtraction modification on Schedule S, Part A.

**EXPENSING DEDUCTION RECAPTURE.** If the property was sold, disposed of, or moved out of Kansas within the "recover period" (5 years in the above example), the expensing deduction previously determined shall be subject to recapture and treated as Kansas taxable income allocated to Kansas. The amount of recapture is the Kansas expensing deduction previously determined multiplied by a fraction, the numerator of which is the number of years remaining in the recover period for such property as defined under Section 168(c) or (g) of the IRC, after such property is sold or removed from the state including the year of disposition and the denominator is the total number of years in the total recover period.

For instance, in the example above, assume the taxpayer purchased property and claimed the expensing deduction on the 2013 return. In the year ending 2015 return, the taxpayer sold the property. The expensing deduction previously determined was \$1,160. The original recover period was five years. They sold the property in 2015 so there are three years remaining in the recover period. Three years remaining divided by five years total recovery equals 60%. Sixty percent (60%) multiplied by \$1,160 equals \$696 which is to be added back to Kansas on K-120EX, PART A, line 2. If the recover period has expired, there is no recapture.

## SPECIFIC LINE INSTRUCTIONS

Using the following instructions, enter the applicable information at the top of Schedule K-120EX. If you are required to complete PART B and/or PART C of Schedule K-120EX, you must do so before completing PART A.

**Sole Proprietor, C-Corp (regular corporation) and Fiduciary:** If you are an Individual, Fiduciary, or C-Corp filer you must complete the *Name of taxpayer* and *SSN or EIN*, then complete PART B and PART C (if applicable). If you are a Sole-proprietor or Fiduciary filer, you must also complete the lines 1 through 5 of PART A. C-Corp filers must complete PART A, lines 1 through line 10.

**Pass-Through Entity:** A pass-through entity is an entity that is not taxed on their income (partnership/sub-chapter S corporation) but passes their income to another entity that has a tax levied against it. If you are filing a partnership or sub-chapter S corporation return, the pass-through entity must enter the *Name of taxpayer* and their *EIN*; then complete PART B and PART C (if applicable) and lines 1 through 5 of PART A.

Pass-through entity's shareholders or partners will complete both lines of *Name of taxpayer* (shareholder's name on the top line and the pass-through entity's name on the second line). Then complete lines 1 through 5 of PART A for the shareholders' or partners' portion and supply the shareholders or partners with the pass-through entity's K-120EX and the shareholders or partners K-120EX. The shareholders or partners must include a copy of both K-120EX schedules with their tax return when filed.

### PART A - COMPUTATION OF EXPENSING FOR THIS ENTITY

**LINE 1**— Enter the total Kansas expensing from PART B, line 11.

**LINE 2**— Enter the recapture amount from PART C, line 12.

**LINE 3**— Subtract line 2 from line 1. Enter the result on line 3. If line 2 is greater than line 1, shade the minus (-) sign in the box to the left to indicate a negative number.

**LINE 4**— Partners, shareholders or members: Enter the percentage that represents your proportionate share in the partnership, S corporation, LLC or LLP. All other taxpayers: Enter 100%.

**LINE 5** – Multiply line 3 by line 4 and enter the result. If line 3 is a negative figure, shade the minus (-) sign in the box to the left to indicate a negative number.

**K-40 and K-41 filers STOP HERE.** If the amount on line 5 is a positive figure (the expense on line 1 is more than the recapture on line 2), enter it as a subtraction modification on Schedule S, line A18 or Form K-41, line 26d. If the amount on line 5 is a negative figure (the recapture on line 2 is more than the expense on line 1), enter it as an addition modification on Schedule S, line A5 or Form K-41, line 25d.

**K-120 and K-121 filers** with a positive figure on line 5, proceed to line 6. If the amount on line 5 is a negative figure (the recapture on line 2 was more than the expense on line 1) then **STOP HERE** and enter the amount from line 5 as a positive figure on line 17 of Form K-120 or Form K-121.

**LINE 6** – Enter the Kansas net income for this entity from either Form K-120 or Form K-121, as applicable. This amount is determined by adding line 15 and line 16 together on Form K-120 or K-121.

**LINE 7** – Subtract line 6 from line 5 and enter result (cannot be less than zero).

**LINE 8** – If the entity is filing a combined return, they may elect to take an expensing deduction against the income of any member of the combined group. If they make this election, enter the information requested on line 8, columns (a), (b) and (c). *If more space is needed, enclose a separate schedule.* Enter the sum of column (c) on line 8.

**LINE 9** – Add line 8 to the lesser of line 5 or line 6. Enter the result on Form K-120 or K-121, line 17. If filing combined, each entity using the deduction should record their amount used on line 17 of the K-121. The total column of K-121, line 17 should equal the amount on line 9.

**LINE 10** – Subtract line 8 from line 7. This is the amount of net operating loss (NOL) remaining for carry forward to next year's return. The NOL may only be used by the entity that claimed the initial expensing deduction. It may not be used by any of the other entities in a combined group.

**PART B – COMPUTATION OF KANSAS EXPENSING**

Complete PART B for the type of Kansas property you are electing to expense and enclose Federal Form 4562 with this schedule to support your claim. *If more space is needed, enclose a separate schedule.*

**Column (a)** – Using the following table, enter the recover period. This should match the federal recover period claimed on Form 4562.

**Column (b)** – Enter the method (200 DB, 150 DB or S/L).

**Column (c)** – Using the following table, enter the factor for that recover period and method.

**Column (d)** – Enter the basis for depreciation.

**Column (e)** – Enter any bonus depreciation received.

**Column (f)** – Subtract the bonus depreciation in column (e) from the basis for depreciation in column (d) and enter the result.

**Column (g)** – Multiply the factor in column (c) by the net basis in column (f) and enter the result. For instance, for a 3 year recover period that was a 200% DB, enter 0.075 in column (c) and assuming column (f) is 100, the result to enter in column (g) is 7.50.

**LINE 11** – Add all amounts in column (g) and enter the result on line 11 and line 1, PART A of this schedule.

**PART C – RECAPTURE OF EXPENSING DEDUCTIONS PREVIOUSLY CLAIMED**

The following instructions reference the information used in the "example" on the previous page.

If property that was previously expensed was sold or moved out of Kansas within the "recover period," the expensing deduction previously determined is subject to recapture and treated as Kansas taxable income allocated to Kansas. *If more space is needed, enclose a separate schedule.*

**Column (a)** – Enter the recover period. It should be the same recover period that was claimed on the initial expense deduction for this asset(s). In our example 5 years was used.

**Column (b)** – Enter the ending period of the tax year that the asset(s) was claimed as an expense deduction. Example: 2013.

**Column (c)** – Enter the ending period of the current year tax return. Example: 2015

**Column (d)** – Compute the recapture factor by subtracting the year placed in service (b) from the current year (c) and enter the result in (d): Example: 2015 - 2013 = 2.

**Column (e)** – Compute the years remaining by subtracting the recapture factor (d) from the recover period (a) and enter the result in (e). Example: Subtracting the recapture factor of 2 from the recover period of 5 equals 3.

**Column (f)** – Divide the years remaining (e) by the recover factor (a) and enter the resulting percentage in (f). Example: Dividing the years remaining of 3 by the recover period of 5 equals the percent of recapture of 60%.

**Column (g)** – Enter the Kansas expensing previously allowed. In our example this amount was \$1,160.

**Column (h)** – Multiply column (g) by the percent in column (f) and enter the result in column (h). Example: \$1,160 by 60% equals \$696. This is the recapture amount for this asset.

**LINE 12** – Add all amounts in column (h) and enter the result on line 12 and line 2, PART A of this schedule.

Use this table to determine the expense deduction calculated for PART B. NOTE: If Section 179 expense has been made for federal purposes for any asset, the applicable factor to be used is in IRC §168(b)(1).

**FACTORS**

IRC§168 Recover Period (year)	IRC§168(b)(1) Depreciation Method (200% declining balance) (200DB)	IRC§168(b)(2) Depreciation Method (150% declining balance) (150DB)	IRC§168(b)(3) or (g) Depreciation Method (Straight line or alternative) (S/L)	IRC§168 Recover Period (year)	IRC§168(b)(1) Depreciation Method (200% declining balance) (200DB)	IRC§168(b)(2) Depreciation Method (150% declining balance) (150DB)	IRC§168(b)(3) or (g) Depreciation Method (Straight line or alternative) (S/L)
2.5	*	.077	.092	11.5	*	.248	.269
3	.075	.091	.106	12	*	.256	.277
3.5	*	.102	.116	12.5	*	.263	.285
4	*	.114	.129	13	*	.271	.293
5	.116	.135	.150	13.5	*	.278	.300
6	*	.154	.170	14	*	.285	.308
6.5	*	.163	.179	15	*	.299	.323
7	.151	.173	.190	16	*	.313	.337
7.5	*	.181	.199	16.5	*	.319	.344
8	*	.191	.208	17	*	.326	.351
8.5	*	.199	.217	18	*	.339	.365
9	*	.208	.226	19	*	.351	.378
9.5	*	.216	.235	20	*	.363	.391
10	.198	.224	.244	22	*	.386	.415
10.5	*	.232	.252	24	*	.408	.438
11	*	.240	.261	25	*	.419	.449