



2016

Corporate
Income Tax

*File your business
taxes electronically!*

See back cover for details.

ksrevenue.org

Instructions for Form K-120, Pages 1 and 2

TAXPAYER INFORMATION

Beginning and Ending Dates: Enter the beginning and ending dates of the corporation's tax year, even if it is a calendar year.

Name and Address: PRINT or TYPE the corporate name and address in the spaces provided.

Information Requested in Boxes A through J: Complete all requested information. For item A, see pages 4 and 5. For Item B, enter the NAICS code. For items E and F, use the standard two-letter state abbreviation. If any *taxpayer information* has changed from the last original return you filed, be sure to check the change box "J."

Final Return: If a final return is being filed and the corporation is being liquidated, enter the discontinuation date in box "D" and enclose a copy of the federal form that states the federal code section the corporation was liquidated under.

INCOME

LINE 1—FEDERAL TAXABLE INCOME. Enter federal taxable income after net operating loss and special deductions. All corporations filing a combined return (single or multiple), or are authorized to file using the alternative or separate accounting method, must complete lines 1 through 20. Combined income filers must use the total combined income column from Schedule K-121. A copy of certain pages of the federal return must be enclosed in all cases. See instructions on page 3.

LINE 2—TOTAL STATE AND MUNICIPAL INTEREST. Enter interest income received, credited, or earned by you during the taxable year from any state or municipal obligations such as bonds and mutual funds. Reduce the income amount by any related expenses (such as management or trustee fees) directly incurred in purchasing these state or political subdivision obligations.

DO NOT include interest income or obligations of the state of Kansas or any Kansas political subdivision issued after December 31, 1987, or the following bonds exempted by Kansas law:

- Board of Regents Bonds for Kansas Colleges & Universities
- Electrical Generation Revenue Bonds
- Industrial Revenue Bonds
- Kansas Highway Bonds
- Kansas Turnpike Authority Bonds
- Urban Renewal Bonds

If you are a shareholder in a fund that invests in both Kansas and other states' bonds, only the Kansas bonds are exempt. Use the information provided by your fund administrator to determine the amount of taxable (non-Kansas) bond interest to enter here.

LINE 3—TAXES ON OR MEASURED BY INCOME OR FEES OR PAYMENTS IN LIEU OF INCOME TAXES. Enter the taxes on or measured by income or fees or payments in lieu of income taxes which you deducted on your federal return in arriving at your federal taxable income. Federal environmental tax must be added back to federal taxable income to the extent it is used as a deduction in arriving at federal taxable income. **You must complete Part IV – Schedule of Taxes.**

LINE 4—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 5—OTHER ADDITIONS TO FEDERAL TAXABLE INCOME. Enter on line 5 any of the following which are additions to your federal taxable income and enclose applicable schedules.

- **Learning Quest 529 Education Savings Program.** Amount of any "nonqualified withdrawal" from Learning Quest.

(Tax credits for the additions that follow may be claimed in Part I of Form K-120 – schedules required.)

- **Disabled Access Credit (Business).** Amount of depreciation deduction or business expense deduction claimed on your federal return that was used to determine the disabled access credit on your Schedule K-37.
- **Small Employer Healthcare Credit.** Reduce the amount of expense deduction that is included in federal taxable income by the dollar amount of the credit claimed. Complete Schedule K-57 and enclose it with your return.
- **Community Service Contribution Credit.** Amount of any charitable contribution claimed on your federal return used to compute the Community Service Contribution Credit on Schedule K-60.
- **Swine Facility Improvement Credit.** Amount of any costs claimed on your federal return and used as the basis for this credit on Schedule K-38.
- **Individual Development Account (IDA) Credit.** Amount of the contribution claimed to the extent the same is the basis for claiming the IDA credit on Schedule K-68.
- **Low Income Scholarship Credit.** Amount of any charitable contribution claimed on your federal return used to compute this credit on Schedule K-70.
- **Expenditures—Energy Credits.** Amount of any expenditures claimed to the extent the same is claimed as the basis for any credit allowed on Schedule K-81 or carry forward amount on Schedule K-73, K-77, K-79, K-82, or K-83.
- **Amortization—Energy Credits.** Carry forward amount of any amortization deduction claimed—to the extent the same is claimed on the federal return for deduction—with regard to Schedule K-73, K-77, K-79, K-82 or K-83 and any amount claimed in determining federal adjusted gross income on carbon dioxide recapture, sequestration or utilization machinery and equipment, or waste heat utilization system property.

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

LINE 7—INTEREST ON U.S. GOVERNMENT OBLIGATION. Enter any interest or dividend income received from obligations or securities of any authority, commission or instrumentality of the United States and its possessions that was included in your federal taxable income. This includes U.S. Savings Bonds, U.S. Treasury Bills, and the Federal Land Bank. You must reduce the interest amount by any related expenses (such as management or trustee fees) directly incurred in the purchase of these securities.

If you are a shareholder in a mutual fund that invests in both exempt and taxable federal obligations, only that portion of the distribution attributable to the exempt federal obligations may be subtracted here. Enclose a schedule with the name of each U.S. government obligation interest deduction claimed. Interest from the following are taxable to Kansas and may NOT be entered on this line:

- Federal National Mortgage Association (FNMA)
- Government National Mortgage Association (GNMA)
- Federal Home Loan Mortgage Corporation (FHLMC)

LINE 8—IRC SECTION 78 AND 80% OF FOREIGN DIVIDENDS. Enter the amount included in federal taxable income pursuant to the provisions of Section 78 of the Internal Revenue Code and 80% of dividends from corporations incorporated outside the United States or the District of Columbia which are included in federal taxable income. Enclose a schedule to support the amount shown.

LINE 9—OTHER SUBTRACTIONS FROM FEDERAL TAXABLE INCOME. Enter on line 9, a total of the following subtractions from your federal taxable income (schedule required):



DO NOT STAPLE

For the taxable year beginning 2 0 1 6 ; ending

FILING INFORMATION section containing fields for Name, Business Activity Code, EIN, Date Business Began/Discontinued, State and Month/Year of Incorporation, Method Used to Determine Income, State of Commercial Domicile, Type of Federal Return Filed, and Mark this box if you are filing this as an AMENDED 2016 Kansas return.

Reason for amending your 2016 Kansas return: Amended affects Kansas only, Adjustment by the IRS, Amended federal tax return.

Table with 20 rows for tax calculations. Columns include line number, description, and a box for the amount. Rows include Federal taxable income, Total state and municipal interest, Taxes on or measured by income or fees or payments in lieu of income taxes, Federal net operating loss deduction, Other additions to federal taxable income, Total additions to federal taxable income, Interest on U.S. government obligations, IRC Section 78 and 80% of foreign dividends, Other subtractions from federal taxable income, Total subtractions from federal taxable income, Net income before apportionment, Nonbusiness income -- Total company, Apportionable business income, Average percent to Kansas, Amount to Kansas, Nonbusiness income - Kansas, Kansas expensing recapture, Kansas expensing deduction, Kansas net income before NOL deduction, and Kansas net operating loss deduction.



21. Combined report (Schedule K-121) or alternative/separate accounting income (separate schedule).....	21	
22. Kansas taxable income (subtract line 20 from line 19 or enter line 21, as applicable)	22	
23. Normal tax (4% of line 22)	23	
24. Surtax (3% of line 22 in excess of \$50,000).....	24	
25. Total tax (Add lines 23 and 24. If filing combined, use line 24 of K-121.)	25	
26. Total nonrefundable credits (Part I, line 27; cannot exceed amount on line 25)	26	
27. Balance (subtract line 26 from line 25; cannot be less than zero)	27	
28. Estimated tax paid and amount credited forward (Part II, line 4).....	28	<p>If this is your ORIGINAL Kansas return, skip lines 32 and 33 and continue to line 34.</p> <p>If this is your AMENDED Kansas return, complete lines 32 and 33 before continuing to line 34.</p>
29. Other tax payments (enclose separate schedule)	29	
30. Amount paid with Kansas extension	30	
31. Total of all other refundable credits (Part I, line 34)	31	
32. Payment remitted with original return; see instructions	32	
33. Overpayment from original return (this figure is a subtraction; see instructions	33	
34. Total prepaid credits (add lines 28 through 32 and subtract line 33).....	34	
35. BALANCE DUE (if line 27 exceeds line 34)	35	
36. Interest	36	
37. Penalty	37	
38. Estimated tax penalty. If annualizing to compute penalty, mark this box <input type="checkbox"/>	38	
39. Total tax, interest & penalty due (add lines 35 through 38). Complete Form K-120V and enclose it with your payment.	39	
40. OVERPAYMENT (if line 27 plus line 38 is less than line 34).....	40	
41. REFUND. Enter the amount of line 40 you wish to be refunded.....	41	
42. CREDIT FORWARD. Enter the amount of line 40 (original return only) you wish to be applied to 2017 estimated tax. (Line 42 cannot exceed the total of lines 28, 29 and 30).....	42	

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/Telephone Number	_____ Date

Tax preparer's EIN (Employer Identification Number) or SSN (Social Security Number)

NOTE: You are not required to send a copy of your entire federal return. See instructions for the list of federal forms required to accompany the state return.

KANSAS Corporation Apportionment Schedule

FOR USE BY CORPORATIONS APPORTIONING INCOME
(Corporations using the combined income method must use Schedule K-121)

For the taxable year beginning 2016 ; ending _____

Name as shown on Form K-120	Employer Identification Number (EIN)
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PART VI - 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					
Inventory					
Depreciable assets					
Land					
Other tangible assets (Enclose schedule)					
Less: Construction in progress					
Total property to be averaged					
Average owned property (Beg. + End ÷ 2)					
(2) Net annual rented property. Multiplied by 8					
TOTAL PROPERTY (Enter on line 14A, page 1)					

B. Payroll (Those corporations qualified and utilizing the elective two-factor formula must complete this area only during the first year of qualifying. After the 10th year, the business must re-qualify.)	Within Kansas	Total Company	
(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			
TOTAL PAYROLL (Enter on line 14B, page 1) (If qualified and utilizing the elective two-factor formula, do not carry this percentage to page 1)			B %

C. Sales (Gross receipts, less returns and allowances)			
(1) Sales delivered or shipped to purchasers in Kansas:			
(a) Shipped from outside Kansas			
(b) Shipped from within Kansas			
(2) Sales shipped from Kansas to:			
(a) The United States Government			
(b) Purchasers in a state where the taxpayer would not be taxable (e.g., under federal Public Law 86-272)			
(3) Dividends			
Interest			
Rents			
Royalties			
Gains/losses from intangible asset sales			
Gross proceeds from tangible asset sales			
Other income (Enclose schedule)			
TOTAL SALES (Enter on line 14C, page 1)			C %

D(1). Total percent (Sum of lines A, B & C if qualified and utilizing three-factor formula)	D(1)	%
D(2). Total percent (Sum of lines A & C if qualified and utilizing two-factor formula)	D(2)	%
E. Average percent of either D(1) or D(2), whichever is applicable (Enter on line 14, page 1)	E	%

- **Refunds or Credits.** Any refund or credit for overpayment of taxes on or measured by income or fees or payments in lieu of income taxes imposed by this state, or any taxing jurisdiction, to the extent included in federal taxable income.
- **Jobs and WIN Tax Credit.** 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.
- **Electrical Generation Revenue Bonds.** Gain from the sale of Electrical Generation Revenue Bonds that was included in your federal taxable income.
- **Learning Quest Education Savings Program (LQESP).** Amount of contributions deposited in the LQESP or from a qualified 529 tuition program established by another state, to a maximum of \$3,000 per student (beneficiary).
- **Sale of Kansas Turnpike Bonds.** Gain from the sale of Kansas Turnpike Bonds that was included in your federal taxable income.
- **Amortization—Energy Credits.** Carry forward amount of amortization deduction allowed relating to Schedule K-73, K-77, K-79, K-82 or K-83, and amount of amortization deduction allowed for carbon dioxide capture, sequestration or utilization machinery and equipment, or waste heat utilization system property. (55% of the amortization costs may be subtracted in the first year and 5% may be subtracted for each of the succeeding 9 years.)

LINE 10—TOTAL SUBTRACTIONS FROM FEDERAL TAXABLE INCOME. Add lines 7 through 9 and enter the result on line 10.

LINE 11—NET INCOME BEFORE APPORTIONMENT. Add lines 1 to line 6 and subtract line 10.

APPORTIONMENT AND ALLOCATION

LINE 12—NONBUSINESS INCOME—TOTAL COMPANY. Enter total amount of nonbusiness net income everywhere that is to be directly allocated.

Any taxpayer that claims nonbusiness income on the Kansas return is required to clearly demonstrate that the transaction or activity which gave rise to the income was unusual in nature and infrequent in occurrence and tangible or intangible property or assets were not used in the operations of the taxpayer's regular trade or business. 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 required schedule(s), the income will be considered business income and the Department of Revenue will apportion it accordingly.

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

A schedule must be submitted with the return showing the: 1) gross income from each class of income being specifically allocated, 2) amount of each class of related expenses together with an explanation or computations showing how amounts were arrived at, 3) total amount of the related expense for each income class, and 4) net income for each income class. The schedules should provide appropriate columns as set forth above for items specifically assigned to Kansas and for nonbusiness items specifically assigned outside Kansas. Also enclose documentation that specifically explains why each item of income arose from unusual and infrequent transactions outside of the regular course of the corporation's trade or business.

LINE 13—APPORTIONABLE BUSINESS INCOME. Subtract line 12 from line 11. Enter the result on line 13.

LINE 14—AVERAGE PERCENT TO KANSAS. Enter applicable percentages in spaces A, B & C. (If qualified and utilizing the elective two-factor formula, do not enter a percentage in space B.) Enter on line 14 the average percent from Form K-120AS, Part VI, line E or K-121, Part II, line 6. Round percentage to the fourth decimal point. **If your business is wholly within Kansas enter 100.0000.**

LINE 15—AMOUNT TO KANSAS. Multiply line 13 by line 14. Enter the result on line 15.

LINE 16—NONBUSINESS INCOME—KANSAS. Enter the total amount of nonbusiness net income directly allocated to Kansas. Enclose a schedule to support the amount shown.

LINE 17—KANSAS EXPENSING RECAPTURE (K-120EX). If you have a Kansas expensing recapture amount from Schedule K-120EX, enter the amount on line 17 and enclose a copy of your completed K-120EX and federal Form 4562.

LINE 18—KANSAS EXPENSING DEDUCTION (K-120EX). Enter the amount of your Kansas expensing deduction and enclose a copy of your completed K-120EX and federal Form(s) 4562. Also enclose any schedule necessary to enable the Department of Revenue to reconcile the federal Form 4562 amounts to the expensing claimed on the K-120EX. **Important**—The deduction must qualify under IRC Section 168: Modified accelerated cost recovery system (MACRS).

NET INCOME AND TAXABLE INCOME

LINE 19—KANSAS NET INCOME BEFORE NOL DEDUCTION. Add lines 15, 16, and 17; then subtract line 18 and enter result.

LINE 20—KANSAS NET OPERATING LOSS (NOL) DEDUCTION. Enter amount of any Kansas net operating loss carry forward to which you are entitled. This amount cannot exceed amount on line 19. Submit a separate schedule to support the amount shown and any remaining carry over available.

LINE 21—COMBINED REPORT OR ALTERNATIVE/SEPARATE ACCOUNTING INCOME. If you are filing a combined report (Schedule K-121) or are authorized to file using the alternative or separate accounting method, enter on line 21 the Kansas taxable income from line 21 of Schedule K-121 or a separate schedule prepared by you (Separate/Alternative Method of Reporting).

LINE 22—KANSAS TAXABLE INCOME. Subtract line 20 from line 19 or enter the amount from line 21, whichever is applicable. If the result is a negative figure, enter zero.

TAX

If filing Form K-121, skip lines 23 and 24 and proceed to line 25.

LINE 23—NORMAL TAX. Multiply the amount shown on line 22 by 4% and enter the result.

LINE 24—SURTAX. Multiply the amount shown on line 22 in excess of \$50,000 by 3% and enter the result.

LINE 25—TOTAL TAX. Add lines 23 and 24 and enter result. If Schedule K-121 was used to determine income, enter the tax computed on Schedule K-121, line 24.

LINE 26—TOTAL NONREFUNDABLE CREDITS. Enter total nonrefundable credits from Part I, line 27 (cannot exceed the amount on line 25 of K-120).

LINE 27—BALANCE. Subtract line 26 from line 25 and enter result. This amount cannot be less than zero.

LINE 28—ESTIMATED TAX PAID AND AMOUNT CREDITED FORWARD. Enter total of all your 2016 estimated tax payments plus any 2015 overpayment you had credited forward to 2016.

LINE 29—OTHER TAX PAYMENTS. Enter any other withholding amounts or tax payments on line 29. Enclose separate schedule.

LINE 30—AMOUNT PAID WITH KANSAS EXTENSION. Enter amount paid with your request for an extension of time to file.

LINE 31—TOTAL OF OTHER REFUNDABLE CREDITS. Enter the total of all other refundable credits from Part I, line 34.

LINE 32—PAYMENT REMITTED ON ORIGINAL RETURN. Use this line if you are filing an amended Corporation Income Tax return for the 2016 tax year. Enter amount of money you remitted to the Kansas Department of Revenue with your original 2016 return or any payment remitted with a previously filed 2016 amended return, including penalty and interest.

LINE 33—OVERPAYMENT FROM ORIGINAL RETURN. Use this line ONLY if you are filing an amended income tax return for the 2016 tax year. Enter amount of overpayment shown on your original return. Since you were refunded the overpayment or it was credited forward, the amount is a subtraction entry.

LINE 34—TOTAL PREPAID CREDITS. Add lines 28 through 32 and subtract line 33. Enter the result on line 34.

BALANCE DUE

LINE 35—BALANCE DUE. If line 27 is greater than line 34, subtract line 34 from line 27 and enter the result.

If the amount on line 35 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 36 and 37.

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

LINE 36—INTEREST. If you paid your tax after the original due date, compute interest at the rate of .417% per month (or fraction thereof) on the balance due and enter the result on line 36.

LINE 37—PENALTY. If you paid your tax after the original due date, compute the penalty at 1% for each month (or portion thereof) the return is late or the tax is unpaid on the balance due amount, up to a maximum of 24%. Enter this amount on line 37.

LINE 38—ESTIMATED TAX PENALTY. If underpayment of estimated tax penalty is due, enter the amount from your Schedule K-220 on line 38 and enclose Schedule K-220 with the return. If you are annualizing to compute the penalty, check the box on line 38. Any corporation which began business in Kansas during this period is not required to file a declaration, and no underpayment of estimate tax penalty will be imposed.

LINE 39—TOTAL TAX, INTEREST & PENALTY DUE. Add the amounts on lines 35 through 38 and enter result. If amount due is more than \$5.00 **complete Form K-120V**, Corporate Payment Voucher and enclose it with your return and payment (do not use staples or tape to attach your documents together). Make check or money order payable to Kansas Corporate Tax.

Returned checks: A fee of \$30.00, plus costs for a registered letter, is charged on all returned checks.

OVERPAYMENT

LINE 40—OVERPAYMENT. If line 34 is greater than the sum of line 27 and line 38, subtract the sum of line 27 and line 38 from line 34 and enter the result on line 40.

LINE 41—REFUND. Enter that part of line 40 you wish to be refunded. No refunds issued on amounts less than \$5.00.

LINE 42—CREDIT FORWARD. Enter the portion of line 40 you wish to have applied to your 2017 Kansas estimated tax (must be \$1 or more). If the amount on line 40 is less than \$5.00, you may carry it forward to 2017 as an additional credit even if you don't make estimated tax payments. The amount on this line cannot exceed the total of lines 28, 29, and 30.

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, sign the return in the name of the firm or corporation. Any person or persons who prepares the return for compensation must sign the return and provide their EIN or SSN.

Instructions for Form K-120, Pages 3 and 4

PART I — NONREFUNDABLE and REFUNDABLE CREDITS

Every corporation must complete PART I to claim a Kansas tax credit. First, complete the appropriate tax credit schedule, then enclose them with your Kansas corporate income tax return. Credit [schedules are available on our website](#).

SCHEDULE OF NONREFUNDABLE CREDITS

LINES 1 THROUGH 26. Enter on these lines any non-refundable tax credits for which you are eligible. You must complete and enclose with Form K-120 the applicable credit schedule(s).

LINE 27—TOTAL NONREFUNDABLE CREDITS. Add amounts on lines 1 through 26 and enter the total here and on line 26 of Form K-120. This amount cannot exceed your total tax on line 25 of Form K-120. **Important**—If filing a combined return (K-121), the amount of nonrefundable credits for each separate entity cannot exceed that entity's tax liability.

SCHEDULE OF REFUNDABLE CREDITS

LINES 28 THROUGH 33. Enter on these lines any refundable tax credits for which you are eligible. You must complete and enclose with your K-120 the applicable credit schedule(s).

LINE 34—TOTAL REFUNDABLE CREDITS. Add amounts on lines 28 through 33 and enter total here and line 31 of Form K-120.

PART II — ADDITIONAL INFORMATION

All corporations must answer all of the questions in Part II.

PART III — AFFILIATED CORPORATIONS DOING BUSINESS IN KANSAS

Every corporation must complete the information in this section for every affiliated corporation doing business in Kansas. If additional space is needed, enclose a separate schedule.

PART IV — SCHEDULE OF TAXES

Every corporation must complete this section so the Department of Revenue can verify the amount of taxes to be added back on line 3 of the return. If taxes are included elsewhere in the federal return, you must complete a schedule and enclose it with the Kansas return.

PART V — SCHEDULE OF INTEREST INCOME

Every corporation must complete this section if they are claiming a modification for interest income on United States obligations on line 7, page 1 of Form K-120.

Instructions for Form K-120AS

You must complete and enclose Parts VI, VII, and VIII, of Form K-120AS with your K-120 if the corporation is doing business within and outside of Kansas and utilizing the apportionment formula to determine Kansas income.

PART VI—APPORTIONMENT FORMULA

Part VI is to be used by corporations which derive income from sources both within and without Kansas for the purpose of allocating and apportioning income. All business income is apportionable to Kansas by one of the following methods:

- Most corporations will multiply business income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three.
- Railroads will multiply business income by a fraction, the numerator of which is the freight car miles in this state and the denominator of which is the freight car miles everywhere.
- Interstate motor carriers will multiply business income by a fraction, the numerator of which is the total number of miles operated in this state and the denominator of which is the total number of miles operated everywhere.
- A qualifying taxpayer may elect to multiply business income by a fraction, the numerator of which is the property factor plus the sales factor, and the denominator of which is two. A qualifying taxpayer is any taxpayer whose payroll factor for a taxable year exceeds 200% of the average of the property factor and the sales factor. For additional information relating to this method and to determine if you are qualified, you may review K.S.A. 79-3279. If you qualify to use this method you are required to complete, for the first year, the payroll information on Form K-120AS, Part VI, line B or Form K-121, Part II, Section 2.
- Single Factor Apportionment—all years beginning after 12/31/01, and at the election of the taxpayer made at the time of filing of the original return, the qualifying business income of any investment funds service corporation organized as a corporation or S corporation which maintains its primary headquarters and operations or is a branch facility that employs at least 100 individuals on a full-time equivalent basis in this state and has any investment company fund shareholders resided in this state shall be apportioned to this state as provided in this subsection, as follows:

By multiplying the investment funds service corporation's qualifying business income from administration, distribution and management services provided to each investment company by a fraction, the numerator of which shall be the average of the number of shares owned by the investment company's fund shareholders resided in this state at the beginning of and at the end of the investment company's taxable year that ends with or within the investment funds service corporation's taxable year, and the denominator of which shall be the average of the number of shares owned by the investment company's fund shareholders everywhere at the beginning of and at the end of the investment company's taxable year that ends with or within the investment funds service corporation's taxable year.

Descriptions of each of the factors in the three-factor formula follow. The laws applicable to these factors are contained in K.S.A. 79-3280 through K.S.A. 79-3287. The applicable regulations are contained in K.A.R. 92-12-84 through K.A.R. 92-12-103, and can be found in our Policy Information Library at: 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 to produce business income. 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 used in Kansas during the income year for the production of income, 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. The value of mobile or movable property, such as construction equipment, trucks and/or leased electronic equipment which are located within and without Kansas during the income year, shall be determined for purposes of the numerator of the factor on the basis of total time within Kansas during the income year. Property owned by the taxpayer shall be valued at its original cost. As a general rule, original cost is deemed to be the basis of the property for federal income tax purposes at the time of acquisition by the taxpayer and adjusted by subsequent capital additions or improvements thereto and partial disposition thereof, by reason of sale, exchange, abandonment, etc. Property rented by the taxpayer is valued at eight times the net 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.

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 or any other person not properly classifiable as an employee 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 of Kansas, but the service performed outside this state is "incidental" to the employee's service in 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 of Kansas, the employee's compensation will be attributed to Kansas if: (1) the employee's base of operations is in Kansas; or (2) 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 (3) the base of operations or 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 where employees begin work and to which they customarily return 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 their trade or profession at some other point or points.

LINE C—Sales Factor. For purposes of the sales factor of the apportionment formula, the term "sales" means all gross receipts derived by the taxpayer from transactions and activity in the regular course of such trade or business. The following are rules for determining "sales" in various situations:

- In the case of a taxpayer engaged in manufacturing and selling or purchasing and reselling goods or products, "sales" includes all gross receipts from the sales of such goods or products (or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the income year) held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business. "Gross receipts" for this purpose means gross sales, less returns and allowances, and includes all interest income, service charges, carrying charges, or time-price differential charges incidental to such sales. Federal and state excise taxes (including sales taxes) shall be included as part of such receipts if such taxes are passed on to the buyer or included as part of the selling price of the product.
- In the case of cost plus fixed fee contracts, such as the operation of a government-owned plant for a fee, "sale" includes the entire reimbursed cost, plus the fee.
- In the case of a taxpayer engaged in providing services, such as the operation of an advertising agency, or the performance of equipment service contracts, or research and development contracts, "sales" includes the gross receipts from the performance of such services, including fees, commissions, and similar items.
- In the case of a taxpayer engaged in renting real or tangible property, "sales" includes the gross receipts from the rental, lease, or licensing the use of the property.
- In the case of a taxpayer engaged in the disposition of non-inventory assets and property used or purchased in the regular course of business, "sales" includes the capital gain or ordinary gain realized from such disposition. The term "sales" does not include the return of capital or recovery of basis with respect to non-inventory capital assets.
- For all taxable years beginning after December 31, 2007, in the case of sales of intangible business assets, only the net gains from the sale shall be included in the sales factor.

The numerator of the sales factor shall include gross receipts attributable to Kansas and derived by the taxpayer from transactions and activity in the regular course of its trade or business. All interest income, service charges, carrying charges, or time-priced differential charges incidental to such gross receipts shall be included regardless of the place where the accounting records are maintained or the location of the contract or other evidence of indebtedness.

Sale of Tangible Personal Property in this State.

- Gross receipts from sales of tangible personal property (except sales to the United States Government) are in this state if:
 - the property is delivered or shipped to a purchaser within this state regardless of the f.o.b. point or other conditions of sale.
 - the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and the taxpayer is not taxable in the state of the purchaser.
- Property shall be deemed to be delivered or shipped to a purchaser in this state if the recipient is located in this state, even though the property is ordered from outside this state.
- Property is delivered or shipped to a purchaser within this state if the shipment terminates in this state, even though the property is subsequently transferred by the purchaser to another state.
- The term "purchaser within this state" shall include the ultimate recipient of the property if the taxpayer in this state, at the designation of the purchaser, delivers to or has the property shipped to the ultimate recipient within this state.
- When property being shipped by a seller from the state of origin to a consignee in another state is diverted while en route to a purchaser in this state, the sales are in this state.
- If a taxpayer whose salesman operates from an office in this state makes a sale to a purchaser in another state in which the taxpayer is not taxable and the property is shipped directly by a third party to the purchaser, the following rules apply.
 1. If the taxpayer is taxable in the state from which the third party ships the property, then the sale is in such state;
 2. If the taxpayer is not taxable in the state from which the property is shipped, then the sale is in this state.

Sales to the United States Government. Gross receipts from the sales of tangible personal property to the United States Government are to be included in Kansas if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state. Only sales for which the United States Government makes direct payment to the seller pursuant to the terms of its contract constitute sales to the United States Government. Thus, as a general rule, sales by a subcontractor to the prime contractor, the party to the contract with the United States Government, does not constitute sales to the United States Government.

Sales Other Than Sales of Tangible Personal Property. K.S.A. 79-3287 provides for the inclusion in the numerator of the sales factor of gross receipts from transactions other than sales of tangible personal property (including transactions with the United States Government). Under this section gross receipts are attributed to Kansas if the income-producing activity which gave rise to the receipts is performed within Kansas or if property producing the receipts is located within Kansas.

Gross receipts are attributed to Kansas if, with respect to a single item of income, the income-producing activity is performed within and without Kansas but the greater proportion of the income-producing activity is performed in Kansas, based on costs of performance. In cases where services are performed partly within and partly without Kansas, the services performed in each state will usually constitute a separate income-producing activity; in such case, the gross receipts for the performance of services attributable to Kansas shall be measured by the ratio which the time spent in performing such services in this state bears to the total time spent in performing such services everywhere. Time spent in performing services includes the amount of time expended in the performance of a contract or other obligation which gives rise to such gross receipts. Personal service not directly connected with the performance of the contract or other obligation, such as time expended in negotiating the contract, is excluded from the computation.

LINE D(1)—TOTAL PERCENT. If you are utilizing the three-factor formula to apportion income to Kansas, add lines A, B and C.

LINE D(2)—TOTAL PERCENT. If you are qualified and are utilizing the elective two-factor formula to apportion income to Kansas, add lines A and C.

LINE E—AVERAGE PERCENT. Divide line D(1) or D(2), whichever is applicable, by the number of factors used in the formula. For instance, if you are using the three-factor formula and the corporation does not have payroll anywhere, divide by 2.

Consistency in Reporting. In completing Form K-120, K-120AS and K-121, 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 sales factor, the taxpayer shall disclose by separate enclosed schedule the nature and extent of the variance or modification. Only inconsistencies in the denominators of the property, payroll, and sales factors which materially affect the amount of business income apportioned to

Kansas need to 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.

When a taxpayer makes sales of tangible personal property which are shipped from Kansas and assigned to a state in which the taxpayer does not file a return or report, the taxpayer shall identify the state to which the property is shipped, report the total amount of sales assigned to such state, and furnish the facts upon which the taxpayer relies as establishing jurisdiction to tax by such state.

PART VII — ADDITIONAL INFORMATION

All corporations must answer all questions.

PART VIII — AFFILIATED CORPORATION INFORMATION

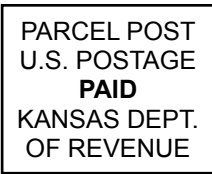
All corporations must complete this section and indicate which of the affiliated corporations have property or payroll or sales in either the "total company" factors or the "within Kansas" factors of the apportionment formula on Part VI of the return.

PART II
(Form K-121)

APPORTIONMENT FORMULA

150718

	Corporation A Within Kansas		Corporation B Within Kansas		Total Company		Percent Within Kansas	
	Beg. of Year	End of Year	Beg. of Year	End of Year	Beg. of Year	End of Year		
1a. Value of owned real and tangible personal property used in the business at original cost.								
Inventory								
Depreciable Assets								
Land								
Other Tangible Assets (enclose schedule)								
Less: Construction in Progress								
Total Property to be Averaged								
Average Owned Property (Beg. + End ÷ 2)								
1b. Net annual rental property. Multiplied by 8								
TOTAL PROPERTY								
Percentage: Corporation A (divide Corp. A by Total Co.)							1A	
Percentage: Corporation B (divide Corp. B by Total Co.)							1B	
2. Wages, salaries, commissions and other compensation of employees related to business income included in return.								
TOTAL PAYROLL								
Percentage: Corporation A (divide Corp. A by Total Co.)							2A	
Percentage: Corporation B (divide Corp. B by Total Co.)							2B	
3. Sales (gross receipts, less returns and allowances)								
a. Sales delivered or shipped to purchasers in Kansas:								
(1) Shipped from outside Kansas								
(2) Shipped from within Kansas								
b. Sales shipped from Kansas to:								
(1) The United States Government								
(2) Purchasers in a state where the taxpayer would not be taxable (e.g., under Public Law 86-272)								
c. Dividends								
Interest								
Rents								
Royalties								
Gains/losses from intangible asset sales								
Gross proceeds from tangible asset sales								
Other income (attach schedule)								
TOTAL SALES								
Percentage: Corporation A (divide Corp. A by Total Co.)							3A	
Percentage: Corporation B (divide Corp. B by Total Co.)							3B	
4. Total Percent:	Corporation A (add lines 1A, 2A, & 3A)						4A	
	Corporation B (add lines 1B, 2B, & 3B)		If utilizing three factor formula				4B	
5. Total Percent:	Corporation A (add lines 1A & 3A)						5A	
	Corporation B (add lines 1B & 3B)		If qualified and utilizing two factor formula				5B	
6. Average Percent:	Corporation A (to Line 14, Part I, Page 1)						6A	
	Corporation B (to Line 14, Part I, Page 1)		Average percent of line 4 or 5, whichever is applicable				6B	



Taxpayer Assistance

ksrevenue.org

Filing. For assistance in completing your Kansas Corporate Income Tax return, contact our Taxpayer Assistance Center.

NOTE: Our office has moved and is no longer located in the Docking State Office Building.

Tax Assistance Center
120 SE 10th Avenue
PO Box 758571
Topeka, KS 66675-758571

Phone: 785-368-8222
Fax: 785-291-3614

Hours: 8 a.m. to 4:45 p.m. (M-F)

Forms. If you choose to file paper, **FILE the ORIGINAL** form, not a copy; or a form from an *approved* software package. Visit our website for a [list of approved software vendors](#). To obtain a Kansas Department of Revenue printed form, call the Taxpayer Assistance Center.

Electronic File & Pay Options

ksrevenue.org

Kansas Customer Service Center is an online business center and a convenient, secure and easy way to manage your business accounts. Businesses can make electronic payments, file sales, use and withholding tax returns, and view online activity. The Customer Service Center simplifies your accounting process by having everything available in one easy-to-access location.

IRS e-File is a **fast, accurate, and safe** way to file a federal and Kansas tax return. Ask your preparer about e-File or visit our website for a [list of authorized e-File providers and software products](#).

Direct Payment can be made through our online business center using Electronic Funds Transfer (EFT) or through IRS e-File software. Direct payments can also be made by telephone. To use the telephone service, go to our website and complete Form **EF-101**, Authorization for Electronic Funds Transfer. After you receive confirmation that the EF-101 has been processed, make your payment by calling the EFT Payment System at 1-877-600-5640.

Credit Card payments for your Kansas tax can be made **online** or **by phone** through third-party vendors. Services and fees vary, but all vendors accept major credit cards. Visit our website for a [list of vendors authorized](#) to accept payments for Kansas.

Scroll down for payment voucher

K-120V
(Rev. 7-16)

FOR OFFICE USE ONLY

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**2016 KANSAS
CORPORATE INCOME
TAX VOUCHER**

For the taxable year beginning _____ ending _____

Corporation Name			
Corporation Address			
City, Town, or Post Office	State	Zip Code	Name or Address change <input type="checkbox"/>
Name of Contact Person			Phone Number

Employer Identification Number

Amended Payment

Extension Payment

PAYMENT AMOUNT \$

Make check or money order payable to: Kansas Corporate Income Tax

DO NOT SUBMIT PHOTOCOPIES OF THIS FORM

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