



DO NOT STAPLE

KANSAS EXPENSING DEDUCTION SCHEDULE

For the taxable year beginning 2 0 1 3 ; 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)
2. Recapture amount (from PART C, line 12).
3. Net expensing deduction/recapture (subtract line 2 from line 1).
4. Ownership Percentage
5. Expensing deduction/recapture (multiply line 3 by line 4).
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).
7. Expensing deduction remaining (subtract line 6 from line 5; cannot be less than zero)
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

Amount used by other entities this year (total the amounts in column (c) and enter result).
9. Total expensing deduction used this year (add line 8 to either line 5 or line 6, whichever is less). Enter result here and on line 18 of Form K-120 or K-121.
10. Expensing deduction to use as a net operating loss of this entity next tax year (subtract line 8 from line 7).



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. 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.

NOTE: Privilege tax filers do not qualify for this deduction and it is not available for fiduciary or individual income tax filers after tax year 2012. However, fiduciary and individual income tax filers may have a previous expensing deduction that is subject to recapture (see instructions for Expensing Deduction Recapture).

The election is made by filing your tax return with Schedule K-120EX. 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; K-38, Swine Facility Improvement; K-53, Research and Development; K-59, High Performance Incentive Program; K-62, Alternative-Fuel Tax; K-73, Petroleum Refinery; K-77, Qualifying Pipeline; K-78, Nitrogen Fertilizer Plant; K-79, Cellulosic Alcohol Plant; K-80, Integrated Coal Gasification Power Plant; K-81, Environmental Compliance; K-82, Storage and Blending Equipment; and K-83, Electric Cogeneration Facility.

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.

EXAMPLE: 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 18 of Form K-120 or K-121.

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 2014 return. In the year ending 2016 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 2016 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

Enter the applicable information (Name of taxpayer and SSN or EIN) at the top of Schedule K-120EX. Pass-through entities with shareholders or partners will complete both lines of *Name of taxpayer* (shareholder's name on the top line and pass-through entity's name on the second line).

C-Corp (regular corporation): Complete PART A after completing PART B and PART C, as applicable. See instructions for line 5.

Pass-Through Entity: This 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, complete PART B for corporate shareholders, PART C (if applicable), and lines 1 through 5 of PART A.

Pass-through entities with shareholders or partners as C-corps will 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. They must include a copy of both K-120EX schedules with their tax return when filed.

If the K-120S was a fiscal year beginning in 2012 and ending in 2013, then those individual shareholders/partners may claim expensing on the 2013 K-120EX form. No other individual shareholders/partners may claim expensing on the 2013 K-120EX form.

EXAMPLE: A K-120S form has a fiscal year beginning July 1, 2012 and ending June 30, 2013. Any expensing claimed by the K-120S may be claimed by the shareholders/partners on their 2013 individual income tax return (Form K-40) based upon their percentage of ownership.

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 and enter the result.

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 1 is greater than line 2, you have an expense to subtract from income. If line 2 is greater than line 1, you have a recapture to add to income.

K-40 and K-41 filers (recapture only) STOP HERE. For this type of taxpayer, the expensing is not allowed after the 2012 tax year unless you are a shareholder/partner of a K-120S with a fiscal year ended in 2013 (see example in Pass-Through Entity of the Specific Line Instructions). You should multiply your ownership percentage times the amount on line 2 and enter it as an addition modification on line A5, Schedule S (supplement to K-40) or line 24d, Form K-41.

K-120S filers STOP HERE. If the expense on line 1 is greater than the recapture on line 2, enter your ownership percentage of the net expense on line 19, Form K-120S. If the recapture on line 2 is greater than the expense on line 1, enter your ownership percentage of the net recapture on line 18, Form K-120S. NOTE: If the partner/shareholder is an individual or fiduciary, you must follow the rules for K-40 and K-41 listed above in this box.

K-120 and K-121 filers with expense greater than recapture, complete lines 1 through 10. If the recapture on line 2 is greater than the expense on line 1, **STOP HERE** and enter the amount from line 5 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 18. If filing combined, each entity using the deduction should record their amount used on line 18 of the K-121. The total column of K-121, line 18 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: 2014.

Column (c) – Enter the ending period of the current year tax return. Example: 2016.

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: 2016 - 2014 = 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