

What's New...

The following legislation passed by the Kansas Legislature becomes effective for the 2002 tax year.

- u **Penalty and Interest Rate Change** – Penalty will be assessed at the rate of 1% for each month up to a maximum of 24%. Interest will be assessed at 7% per annum. See page 9 of this booklet for further details.
- u **Small Employer Health Insurance Contribution Credit** – This income tax credit was extended indefinitely. Small employers who have obtained an eligibility certificate from the Kansas Commissioner of Insurance and who offer a health benefit plan to their employees may claim the tax credit on Schedule K-57.
- u **Learning Quest Education Savings Program** – A number of changes were made to this education savings program. Contributions to this program are a subtraction modification to income. For Learning Quest information and registration materials, call 1-800-579-2203 or visit the web site: www.learningquestsavings.com
- u **Historic Preservation Credit** – Privilege taxpayers (banks and other financial institutions) and insurance companies are now eligible to claim this credit. Tax credits allowed and earned under this law may also now be sold, assigned or transferred to others. See Schedule K-35.
- u **Telecommunications Credit** – This is an income tax credit for telecommunications companies equal to the difference between the property tax assessed at a 25% assessment rate versus a 33% assessment rate that was actually and timely paid on property initially acquired and first placed into service in Kansas on and after January 1, 2001. This credit is claimed on Schedule K-36.
- u **Debtor Set-Off Rules Changed** – The Department of Revenue may apply a taxpayer's overpayment on one tax type (including overpayments of estimated tax) against that taxpayer's liability on another tax type.
- u **Single City Port Authority Credit** – This is a refundable income tax credit equal to 100% of payments made to retire the indebtedness authorized by a single city port authority established before January 1, 2002. Credit is claimed on Schedule K-76.
- u **Withholding Required on Distributions** – Effective June 6, 2002, Kansas withholding tax is required on distributions to nonresident partners and shareholders from partnerships, S corporations, or limited liability companies formed in Kansas. For more information see instructions for Line 27 on page 8.

Tips to Improve the Processing of your Return

Your Kansas tax return will be "imaged" on our computers, enabling us to process your tax return faster and with fewer errors. In order for our system to work, it is important that you use care in completing your return. The following "tips" will aid in more efficient processing of your return.

- u Do not staple or otherwise attach pages of the return, payment voucher or check together. You may use a binder clip if that is your preference.
- u Use only black or dark blue ink and write legibly.
- u Use the preaddressed envelope included in your tax booklet to expedite the processing of your return. If you are expecting a refund, mark an "X" in the refund check box on the envelope.
- u If you are sending a payment with your return, please use the Form K-120V, Kansas Corporate Income Tax Payment Voucher that is included in this booklet. To remit your payment through a paperless method, try the new Electronic Funds Transfer (EFT) option. See page 31 for more information.
- u Use the year specific form when filing your original return.
- u The Department of Revenue uses your federal Employer Identification Number (EIN) as part of your tax account number. To ensure that your account information is credited properly, include your EIN on your return.
- u Complete all "Taxpayer Information" and all applicable lines on the return.
- u Do not send photocopies of the return, only send the original. Information for obtaining forms is on the following page.
- u If you use a software package to produce your return, be sure it is approved by the Kansas Department of Revenue. Visit our web site for a list of approved software vendors at: www.ksrevenue.org
- u If you are reproducing your own forms, please call (785) 296-2460 for information on the approval process.
- u When amending your return, you must complete an amended return on Form K-120X or your information will be returned to you which will result in a delay in processing your amended return.
- u Only certain pages of your federal return are required to be enclosed with your Kansas return. See "COPY OF FEDERAL RETURN" on page 4.

GENERAL INFORMATION

If any due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular workday.

Who Must File a Return

A Kansas Corporation Income Tax return must be filed by all corporations doing business within or deriving income from sources within Kansas who are required to file a Federal Income Tax return, whether or not a tax is due.

Unitary Groups (for taxable years after December 31, 1990): If any member of a unitary group has activity in Kansas exceeding that protected by 15 U.S.C. Section 381, all unitary group members having Kansas property, payroll, or sales must file Kansas returns and pay the tax due.

Corporations which elect under subchapter S of the Internal Revenue Code not to be taxed as a corporation must file a Kansas Small Business Corporation return (Form K-120S). All other corporations must file on Form K-120.

Exempt Organizations: Any corporation exempt from federal income tax under the provisions of the Internal Revenue Code is exempt for Kansas income tax purposes in each year in which such corporation satisfies the Internal Revenue Code requirement for exemption. However, a corporation that is subject to the tax on unrelated business income by the Internal Revenue Code is also subject to the tax on unrelated business income for Kansas purposes.

In addition to the corporations exempt from federal income tax, there shall also be exempt for Kansas income tax purposes, insurance companies, banks, trust companies, savings and loan associations, and any other organizations specifically exempt under the laws of the State of Kansas. (National bank associations, banks, trust companies, and savings and loan associations are required to file a Privilege Tax return, Form K-130, and to pay a privilege tax. Insurance companies are subject to a Premium Tax.)

When to File

Calendar Year: If your return is based on a calendar year, it must be filed no later than April 15, 2003.

Fiscal Year: If your return is based on a tax year other than a calendar year, it must be filed no later than the 15th day of the fourth month following the end of your tax year.

Conformity to Federal Due Dates: Kansas returns are due one (1) month after the federal due date. If the original federal due date is not the 15th day of the third month after the close of a taxable year, the corporation is required to complete item "I" in the header and enclose a letter indicating the authorizing federal statute. Do not enter your extended due date.

Amended Returns: In general, amended returns must be filed with the Department of Revenue within three (3) years of when the original return was filed. If the amended return will result in a refund, the amended return must be filed within three (3) years of when the original return was filed, or within two (2) years from the date the tax was paid, whichever is later.

Where to File

Use the preaddressed envelope in this tax booklet to mail your tax return. This envelope is designed for use in our automated mail-opening equipment and will expedite the processing of your return. If you are expecting a refund, place an "X" in the box on the front of the envelope. If your envelope has been misplaced, mail your return to the following address:

KANSAS CORPORATE TAX
KANSAS DEPARTMENT OF REVENUE
915 SW HARRISON ST
TOPEKA, KS 66699-4000

If You Need Forms



A tax booklet is mailed each year to the address on the previous year's tax return, however, **limited state funding due to weak revenues may lead the Kansas Department of Revenue to discontinue printing and mailing a personalized tax booklet to you.** Kansas tax forms are available from our Taxpayer Assistance Center or by calling our voice mail forms request line at (785) 296-4937 and from our web site at: www.ksrevenue.org. **Important:** Due to the sensitivity of the Department's imaging equipment for tax return processing, only an original preprinted form or an approved computer-generated version should be filed.

Extension of Time to File

If you are unable to complete your Corporate Income Tax return by the filing deadline, you may request an extension of time to file. If you filed federal form 7004 with the Internal Revenue Service for an extension of time, enclose a copy of that form with your completed K-120 return *to automatically receive a six-month extension to file your Kansas return.* Kansas does not have a separate extension request form. If you are entitled to a refund, an extension is not required to file the return after the original due date.

Important: An extension of time to file is NOT an extension to pay. If you do not pay the tax amount due (may be estimated) by the original due date, you will owe interest and may also be charged a penalty on any balance due.

To pay the balance due for an extension, use the Kansas Payment Voucher (K-120V) located in this booklet and check the box indicating an extension payment.

Copy of Federal Return

You must enclose with Form K-120 a copy of the following federal return pages as filed with the Internal Revenue Service:

- Pages 1 through 4 of the federal return or consolidated federal return, whichever is applicable, as filed with the Internal Revenue Service. If the return is a consolidated return, you must enclose a company-by-company spreadsheet of income and expense to total the consolidated federal taxable income and a company-by-company spreadsheet of the consolidated balance sheet including Schedules M-1 and M-2.
- Federal schedules to support any Kansas modifications claimed on page 1, Form K-120.
- Federal Forms 851, 1118, and 5471, as applicable.

Do not enclose copies of proforma returns. The Kansas Department of Revenue reserves the right to request additional information as necessary.

Completing Your Return

All applicable lines on Form K-120 and on Form K-120AS must be completed. Be certain to complete all boxes in the Taxpayer Information section of the return.

If you are filing a combined report (Schedule K-121) or you are authorized to file using the alternative or separate accounting method, no entry is to be made on lines 1 through 18. You are to complete lines 19 through 38 of the return, as applicable.

Nonbusiness Income Claimed: 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 or that the income was earned in the course of activities unrelated to the taxpayer's business operations in Kansas. The taxpayer must also submit a schedule as required by line 12 of the *Specific Line Instructions for Form K-120*. If the taxpayer does not demonstrate that the income is nonbusiness and does not submit the required schedules, the income will be considered to be business income by the Department of Revenue and the department will apportion that income as business income.

Accounting Period

The taxpayer's taxable year is the same as the taxable year for federal income tax purposes. If a taxpayer's taxable year is changed, or the method of accounting is changed for federal income tax purposes, then the taxable year and method of accounting shall be similarly changed for Kansas income tax purposes.

Estimated Tax

Every corporation shall pay estimated tax for the taxable year if its Kansas income tax liability can reasonably be expected to exceed \$500. Any corporation which began business in Kansas during this tax year is not required to pay estimated tax and no underpayment of estimated tax penalty will be imposed for this initial year.

See the back cover of this booklet for information on obtaining forms and instructions for Corporate Estimated Tax (Form K-120ES).

Economic Development Incentives

All corporate taxpayers are required by statute to complete the Kansas Economic Development Questionnaire provided in this booklet. The information contained in the questionnaire is necessary to evaluate the utilization and effectiveness of economic development and business tax credits and incentives provided by the state of Kansas.

Business Income Election

For taxable years beginning after December 31, 1995, a taxpayer may elect to have all income derived from the acquisition, management, use, or disposition of tangible and intangible property treated as business income. The election is effective and irrevocable for the taxable year of the election and the following nine taxable years. The election is binding to all members of a unitary group of corporations.

To make this election, a corporation must file Form K-120EL with the department within the time limits established by law.

- A corporation not previously doing business in Kansas that intends to make this election for its initial year of business must file Form K-120EL within 60 days after filing the articles of incorporation or application for authority to engage in business with the Kansas Secretary of State.
- For corporations currently doing business in Kansas, the election must be filed on or before the last day of the tax year immediately preceding the tax year for which the election is made.

Form K-120EL must be sent separately from the Corporate Income Tax return.

Amending Your Return

You must file an amended Kansas return when: 1) an error was made on your Kansas return, 2) there is a change on another state's return (error or adjustment), 3) there is a change on your federal return (error or adjustment).

To amend your Kansas return, a K-120X must be filed reporting the changes. You must also include a copy of the other state's amended return or a copy of the IRS amended return or Revenue Agent's Report or adjustment letter showing and explaining the adjustments. If additional tax is due, complete and enclose Form K-120V, marking an "X" in the *Amended Payment* box.

AMENDED FEDERAL RETURN: If you are filing an amended federal income tax return, for the same taxable year as your Kansas amended return, you must enclose a complete copy of the amended federal return and full explanations of all changes made on your amended Kansas return. If your amended federal return is adjusted or disallowed, you must provide the Kansas Department of Revenue with a copy of the adjustment or denial letter.

If you did not file a Kansas return when you filed your original federal return, and the federal return has since been amended or adjusted, use the information on the amended or adjusted federal return to complete your original Kansas return. A copy of both the original and amended federal returns should be enclosed with the Kansas return along with an explanation of the changes.

FEDERAL AUDIT: Any taxpayer whose income has been adjusted by the Internal Revenue Service must file an amended return with Kansas and include a copy of the Revenue Agent's Report or adjustment letter showing and explaining the adjustments. These adjustments must be submitted within 180 days of the date the federal adjustments are paid, agreed to, or become final, whichever is earlier. Failure to notify the Department within the 180 day period will cause the statute of limitations to remain open (the Department of Revenue can make adjustments for as many years back as necessary and interest and penalty computations will continue to increase).

Confidential Information

Income tax information disclosed to the Kansas Department of Revenue, either on returns or through department investigation, is held in strict confidence by law. The Department of Revenue, Internal Revenue Service and the Multi-state Tax Commission and several other states have an agreement under which some tax information is exchanged. This is to verify the accuracy and consistency of information reported on federal and Kansas tax returns.

Definitions

Unitary Business

A multistate business is unitary when the operations conducted in one state benefit or are benefited by the operations conducted in another state or states. The essential test to be applied is whether or not the operation of the portion of the business within the state is dependent upon or contributory to the operation of the business outside the state. If there is such a relationship, the business is unitary. Stated another way, the test is whether a business' various parts are interdependent and of mutual benefit so as to form one business rather than several business entities and not whether the operating experience of the parts are the same at all places.

Activity Wholly Within Kansas—Single Entity

If a particular trade or business is carried on exclusively within Kansas or if the activities outside of Kansas are such that federal Public Law 86-272 prohibits another state from imposing a tax, then the entire net income is subject to the Kansas income tax.

Activity Wholly Within Kansas—Consolidated

If two or more corporations file a Federal Income Tax return on a consolidated basis, and if each of such corporations derive all of their income and expenses from sources within Kansas, they must file a consolidated return for Kansas income tax purposes.

Single Entity Apportionment Method

Any taxpayer having income from business activity which is taxable both within and without this state, other than activity as a financial organization or the rendering of purely personal services by an individual, shall allocate and apportion net income as provided in the Uniform Division of Income for Tax Purposes Act.

Combined Income Method—Single Corporate Filing

When a group of corporations conduct a unitary business both within and outside of Kansas, the source of income shall be determined by the combined income approach. The combined income approach is the computation by formula apportionment of the business income of a unitary trade or business properly reportable to Kansas by members of a unitary group. The property, payroll, or sales factor for each member of a unitary business shall be determined by dividing the property, payroll, or sales figure for Kansas by the total property, payroll, or sales figure of the entire group. The average is multiplied by the income of the unitary group to determine the income of the company derived from sources in Kansas.

The Kansas Corporate Income Tax return filed on the combined income approach must include Schedule K-121.

Any corporation which files a consolidated return for federal purposes and a combined report for Kansas purposes must submit a copy of the consolidated federal Form 1120 and all other schedules and statements necessary to support the taxable income reported on the Kansas return. Schedule K-121 must be used to determine income of the corporation. Schedule K-121 single entity Kansas taxable income is then shown on line 19, Form K-120. The single entity tax from Schedule K-121 is entered on line 23, Form K-120.

Combined Income Method—Multiple Corporation Filing

This method is the same as 'Combined Income Method—Single Corporation Filing' except that any corporation filing using the combined income method with more than one entity doing business in Kansas may file one Kansas return reporting the total combined income on that return and computing and paying the tax due on that return. Schedule K-121 must be used to determine the Kansas taxable income of each separate corporation. Schedule K-121 combined Kansas taxable income is then entered on line 19, Form K-120. The tax rate is then applied to the Kansas taxable income of each corporation with one surtax exemption allowed for each corporate taxpayer. The total tax due for all corporations is then shown on line 23, Form K-120.

Definitions (continued)

Qualified Elective Two-Factor Method

This method may be used by any taxpayer who qualifies and elects to utilize the two-factor formula of property and sales. A qualified taxpayer is any taxpayer whose payroll factor for a taxable year exceeds 200% of the average of the property factor and the sales factor. An election must be made by including a statement with the original tax return indicating that the taxpayer elects to utilize this apportionment method. The election will be effective and irrevocable for the taxable year of the election and the following nine taxable years. The election will be binding on all members of a unitary group of corporations.

Common Carrier Method

All business income of railroads and interstate motor carriers of persons or property for-hire shall be apportioned to this state on the basis of mileage. For railroads, multiply the 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. For interstate motor carriers, multiply the 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.

Alternative Accounting Method

If the uniform allocation and apportionment provisions do not fairly represent the extent of the taxpayer's business activity in this state, the taxpayer may petition for, or the Secretary of Revenue may require, in respect to all or any part of the taxpayer's business activity, if reasonable: (a) Separate accounting; (b) the exclusion of one or more of the factors; (c) the inclusion of one or more additional factors; or (d) the employment of any other method to effect an equitable allocation and apportionment of the taxpayer's income. A copy of the letter from the Kansas Department of Revenue granting the use of an alternative method must be enclosed with the return when filed. Enter the amount determined on your separate schedule on line 19, Form K-120.

Separate Accounting Method

The separate method of reporting income to Kansas is allowable only in unusual circumstances and with the permission of the Department of Revenue where the use of the three-factor formula does not fairly represent the taxpayer's business activity. Before a taxpayer engaged in a multistate business may use the separate accounting method, the following requirements must be satisfied:

- The books and records are kept by recognized accounting standards to reflect accurately the amount of income of the multistate business which was realized in Kansas during the taxable period;
- The management functions of the business operations within Kansas are separate and distinct so that in conducting the Kansas business operations the management within Kansas did not utilize or incur centralized management services consisting of operational supervision, advertising, accounting, insurance, financing, personnel, physical facilities, technical and research, sales and servicing or purchasing during the taxable period;
- The business operations within Kansas are separate and distinct and do not contribute to or depend upon the overall operations of the company, and there are no interstate, intercompany, or interdivisional purchases, sales or transfers during the taxable period.

If all three requirements are not satisfied, the taxpayer shall determine Kansas taxable income by use of the apportionment formula.

Enter the amount determined on your separate schedule on line 19, Form K-120.

SPECIFIC LINE INSTRUCTIONS FOR FORM K-120, PAGES 1 AND 2

TAXPAYER INFORMATION

If any "Taxpayer Information" has changed from the last original return filed by you, please check the change box "J".

Label: If you have a pre-addressed label (located on the back cover of this booklet) and the name and address information is correct, place it on your Form K-120 in the space provided **after** you have completed your return.

Name and Address: If you do not have a pre-addressed label, or if the information on the label is incorrect, PRINT or TYPE the corporate name and address in the spaces provided.

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

Final Return: If a final return is being filed and the corporation is being liquidated, please enclose a copy of the federal form that states the federal code section the corporation was liquidated under.

Information Requested in Boxes A through J: Complete all requested information. For item A, refer to pages 5 and 6. For item B, refer to page 30. For items E and F, use the two-letter state abbreviation as shown on the bottom of page 30.

INCOME

LINE 1—FEDERAL TAXABLE INCOME: Enter federal taxable income after net operating loss and special deductions. If you are filing a combined report (Schedule K-121) or you are authorized to file using the alternative or separate accounting method, no entry is to be made on lines 1 through 18. You are to complete lines 19 through 38 of the return, as applicable.

A copy of certain pages of the federal return must be enclosed in all cases. See instructions on page 4.

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 and 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 the following additions to your federal taxable income:

- **Learning Quest Education Savings Program:** Enter the amount of any "nonqualified withdrawal" from the Learning Quest Savings Program.

Note: A tax credit for the additions below may be claimed on Part I of Form K-120 (schedule required).

- **Disabled Access Credit Modification:** The amount of any depreciation deduction or business expense deduction claimed on your federal return that was used to determine the Disabled Access Credit on Schedule K-37.
- **Small Employer Health Insurance Contribution 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 Kansas return.
- **Community Service Contribution Credit:** The 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:** The amount of any costs claimed on your federal return and used as the basis for this credit on Schedule K-38.
- **Habitat Management Credit:** The amount of any real estate taxes and costs claimed on your federal return used to determine the credit on Schedule K-63.

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 OBLIGATIONS: 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 showing 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 of 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):

- **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:** The 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:** Enter the gain from the sale of Electrical Generation Revenue Bonds that was included in your federal taxable income.
- **Learning Quest Education Savings Program:** Enter the amount of contributions deposited in the Learning Quest Education Savings Program, up to a maximum of \$2,000 per student (beneficiary).
- **Sale of Kansas Turnpike Bonds:** Enter the gain from the sale of Kansas Turnpike Bonds that was included in your federal taxable income.

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 line 1 to line 6 and subtract line 10 and enter the result on line 11.

APPORTIONMENT AND ALLOCATION

LINE 12—NONBUSINESS INCOME—TOTAL COMPANY: Enter on line 12 the 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. 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 the required schedule(s), the income will be considered to be business income by the Department of Revenue and the Department will apportion that income as business income.

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: (1) the gross income from each class of income being specifically allocated, (2) the amount of each class of related expenses together with an explanation or computations showing how amounts were arrived at, (3) the total amount of the related expense for each income class, and (4) the 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. An explanation must also be enclosed to explain specifically 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 and enter the result on line 13.

LINE 14—AVERAGE PERCENT TO KANSAS: Enter the applicable percentages in spaces A, B & C. If you are qualified and utilizing the elective two-factor formula, do not enter a percentage figure in space B. Enter on line 14 the average percent from Form

K-120AS, Part VI, line E. **Note:** Round percentage to the fourth decimal point only. If your business is wholly within Kansas enter 100.0000.

LINE 15—AMOUNT TO KANSAS: Multiply line 13 by line 14 and enter the result on line 15.

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

NET INCOME

LINE 17—KANSAS NET INCOME BEFORE NOL DEDUCTION: Add lines 15 and 16 and enter the result on line 17.

LINE 18—KANSAS NET OPERATING LOSS DEDUCTION: Enter on line 18 the amount of any Kansas net operating loss carry forward to which you are entitled. Submit a separate schedule to support the amount shown.

LINE 19—COMBINED REPORT OR ALTERNATIVE/SEPARATE ACCOUNTING INCOME: If you are filing a combined report (Schedule K-121) or you are authorized to file using the alternative or separate accounting method, enter on line 19 the:

- Kansas taxable income from line 19 of Schedule K-121; OR,
- Kansas taxable income from a separate schedule prepared by you (Separate/Alternative Method of Reporting).

TAXABLE INCOME

LINE 20—KANSAS TAXABLE INCOME: Subtract line 18 from line 17 or enter line 19, as applicable and enter the result on line 20.

TAX

LINE 21—NORMAL TAX: Multiply the amount shown on line 20 by 4% and enter the result on line 21.

LINE 22—SURTAX: Multiply the amount shown on line 20 in excess of \$50,000 by 3.35% and enter the result on line 22.

LINE 23—TOTAL TAX: Add lines 21 and 22. Enter the result on line 23. If Schedule K-121 was used to determine income, enter the tax computed on Schedule K-121, line 22.

LINE 24—TOTAL NONREFUNDABLE CREDITS: Enter the total nonrefundable credits from line 14, Part I (Schedule of Nonrefundable Credits). This amount cannot exceed the amount on line 23.

LINE 25—BALANCE: Subtract line 24 from line 23 and enter the result on line 25. This amount cannot be less than zero.

LINE 26—ESTIMATED TAX PAID AND AMOUNT CREDITED FORWARD: Enter the total of your 2002 estimated tax payments plus any 2001 overpayment you had credited forward to 2002.

LINE 27—AMOUNT PAID WITH KANSAS EXTENSION: Enter the amount paid with your extension of time to file and amount reported on Form K-19. Enclose Form(s) K-19.

LINE 28—BUSINESS MACHINERY & EQUIPMENT PROPERTY TAX CREDIT: Enter the amount of the Business Machinery and Equipment Property Tax Credit from Form K-64 (page 23) and enclose it with Form K-120.

LINE 29—TOTAL OF ALL OTHER REFUNDABLE CREDITS: Enter the total of all other refundable credits from line 22, Part I, Schedule of Refundable Credits. Do not include the Business Machinery and Equipment Property Tax Credit here.

LINE 30—TOTAL PREPAID CREDITS: Add lines 26 through 29 and enter the result on line 30.

BALANCE DUE

LINE 31—BALANCE DUE: If line 25 is greater than line 30, subtract line 30 from line 25 and enter the result on line 31.

LATE CHARGES

If the amount on line 31 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 32 & 33.

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

LINE 32—INTEREST: Effective January 1, 2003 - if you filed your Kansas return after the original due date, compute interest at the rate of .583% per month on the balance due amount and enter the result on line 32. Interest is to be computed in whole months.

LINE 33—PENALTY: If you filed your Kansas return 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 33.

LINE 34—ESTIMATED TAX PENALTY: If underpayment of estimated tax penalty is due, enter the amount from your Schedule K-220 on line 34 and enclose Schedule K-220 with the return. If you are annualizing to compute the penalty, check the box on line 34. 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 35—TOTAL TAX, INTEREST, AND PENALTY DUE: Add lines 31, 32, 33 and 34 and enter the result on line 35. **Complete Form K-120V, Corporate Payment Voucher, and enclose it with your return and payment.** Form K-120V can be found in this tax booklet. A balance due less than \$5.00 does not need to be paid. Make check or money order payable to "Kansas Corporation Tax" and enclose it with your return and voucher. Do not **attach** your payment to the voucher.

OVERPAYMENT

LINE 36—OVERPAYMENT: If line 30 is greater than the sum of line 25 and line 34, subtract the sum of line 25 and line 34 from line 30 and enter the result on line 36.

LINE 37—REFUND: Enter on line 37 that part of line 36 you wish to be refunded. No refund will be made for amounts less than \$5.00. Before mailing, mark an "X" in the refund box on the front of the envelope.

LINE 38—CREDIT FORWARD: Enter the portion of line 36 you wish to have applied to your 2003 Kansas estimated tax (must be \$1 or more). If the amount on line 36 is less than \$5, you may carry it forward to 2003 as an additional credit even if you don't make estimated tax payments (don't forget to claim it on next year's return). The amount on this line cannot exceed the total of lines 26 and 27.

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, the return should be signed in the name of the firm or corporation. Any person or persons who prepares the return for compensation must sign the return.

SPECIFIC LINE INSTRUCTIONS FOR FORM K-120, PARTS I THROUGH V

PART I—NONREFUNDABLE AND REFUNDABLE CREDITS

Every corporation must complete this section when claiming a Kansas tax credit. The appropriate schedules provide specific instructions for these credits. See the back cover of this booklet for information on obtaining these schedules and instructions.

If you are eligible to claim any of the credits listed below, complete the appropriate schedule and enclose it with your Kansas Income Tax return. **IMPORTANT:** If you are claiming the refundable Business Machinery & Equipment Credit on Schedule K-64, enter the amount of your credit on line 28 of Form K-120 (see the instructions for line 28 on page 8). DO NOT enter any portion of the credit computed on Schedule K-64 in Part I.

Corporate taxpayers using state tax incentives and credits on current year tax returns are required by statute to complete the Economic Development Questionnaire provided in this booklet. The information contained in the questionnaire is necessary to evaluate the utilization and effectiveness of economic development and business tax credits and incentives provided by the state of Kansas.

SCHEDULE OF NONREFUNDABLE CREDITS

Lines 1 through 13: Enter on lines 1 through 13 any nonrefundable tax credits for which you are eligible. You must complete and enclose with your Form K-120 the appropriate schedule to claim any of the following credits:

<u>Credit</u>	<u>Schedule Required</u>
Business and Job Development Credit	K-34
Historic Preservation Credit	K-35
Disabled Access Credit	K-37
Swine Facility Improvement Credit	K-38
Oil and Gas Well Plugging Credit	K-39
Agricultural Loan Interest Reduction Credit	K-51/K-52
Research and Development Credit	K-53
Venture Capital Credit	K-55
Seed Capital Credit	K-55
High Performance Incentive Program Credit	K-59
Community Service Contribution Credit	K-60
Alternative-Fueled Motor Vehicle Property Credit	K-62
Habitat Management Credit	K-63

Line 14 – Total Nonrefundable Credits: Add lines 1 through 13 and enter the total on line 14. Enter this amount on line 24, page 2 of Form K-120. Total nonrefundable credits cannot exceed your total tax on line 23. **Note:** If filing a combined return (Form K-121), the amount of nonrefundable credits for each separate entity cannot exceed that entity's tax liability.

SCHEDULE OF REFUNDABLE CREDITS

Lines 15 through 21: Enter on lines 15 through 21 any refundable tax credits for which you are eligible. You must complete

and enclose with your Form K-120 the appropriate schedule to claim any of the following credits:

Credit	Schedule Required
Telecommunications Credit	K-36
Child Day Care Assistance Credit	K-56
Small Employer Health Insurance Contribution Credit	K-57
Community Service Contribution Credit	K-60
Habitat Management Credit	K-63
Single City Port Authority Credit	K-76
Farm Net Operating Loss	K-139F

Line 22-- Total Refundable Credits: Add lines 15 through 21 and enter the total on line 22. Enter this amount on line 29, page 2 of Form K-120.

PART II—ADDITIONAL INFORMATION

All corporations must answer all questions in Part II.

PART III—AFFILIATED CORPORATIONS DOING BUSINESS IN KANSAS

Every corporation must complete the information required in this section for every affiliated corporation which is doing business in Kansas. If additional space is needed, please enclose a schedule with your return.

PART IV—SCHEDULE OF TAXES

Every corporation must complete this section in order for the Department of Revenue to 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.

SPECIFIC INSTRUCTIONS FOR FORM K-120AS

You must complete and enclose Parts VI, VII, & VIII, of Form K-120AS with your Kansas return 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:

- The majority of 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 for additional information. If you are qualified to use this method, you are still required to complete the payroll information on Form K-120AS, PART VI, line B.
- 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.

For tax year 2002, the tax liability of an investment funds service corporation that has elected to apportion its business income as set out above shall be increased by an amount equal to 50% of the difference of the amount of such tax liability if determined pursuant to K.S.A. 79-3279(b)(1) [three factor formula] less the amount of such tax liability determined via the single factor formula. See 2002 Senate Bill 39, Sections 12 & 13.

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 79-3287. The applicable regulations are contained in K.A.R. 92-12-84 through 92-12-103. You may access these laws and regulations in the Kansas Department of Revenue's Policy Information Library at: www.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 without 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.
- In the case of a taxpayer engaged in the sale or redemption of investment securities, "sales" includes the interest or other income from such transactions. The term "sales" does not include the return of capital or the recovery of principal utilized to make such investments.

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 within 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 enroute to a purchaser in this state, the sales are in this state.
- If a taxpayer whose salesman operates from an office located 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:
 - if the taxpayer is taxable in the state from which the third party ships the property, then the sale is in such state;
 - 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 and K-120AS, 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.

Electronic Payment Options

Paying with EFT

With EFT, your payment is made electronically using the Automated Clearing House (ACH) system. This system is a nationwide network designed to electronically transfer payments and is the preferred transaction method for many financial institutions and corporations. You may either use ACH debit or ACH credit - the difference between the two options is who originates the transfer of funds between bank accounts. The clearing facilities, delivery methods and settlement services operated by the Federal Reserve system are utilized within this network in order to maintain security and increase the efficiency of transactions.

Advantages of EFT

Confirmation of Information

Your concerns about timely receipt of the deposit or payment are eliminated.

System Availability

The ACH debit system is available 24 hours a day, 7 days a week, and it is a toll-free call. The average call takes approximately 2-3 minutes.

Fast and Secure

The ACH system for electronic payment is the preferred transaction method for many financial institutions and corporations.

ACH DEBIT

Under this option, the taxpayer authorizes the State of Kansas to electronically transfer tax payments from the taxpayer's depository into the State's account. Initiation of the transaction occurs through a toll-free telephone call to KDOR's EFT payment system. This call must be made at least one Federal banking day before the tax due date. The amount you owe (and which you have authorized to be paid via your telephone call) can be warehoused up to 60 days. If you choose the next day option it will be automatically debited from your bank account the following day and transferred electronically into the Kansas Treasury account. Before choosing the ACH Debit option, verify with your bank that it can provide a valid ACH end point for ACH Debit transactions. The cost of this transaction is charged to the State.

ACH CREDIT

To initiate an ACH credit, you instruct your bank to transfer funds from your account to the State's account. The ACH credit must be accomplished utilizing the tax payment (TXP) convention within the addendum record of a NACHA CCD+ application. The ACH credit must be originated with your bank (based upon your bank's schedule) to guarantee settlement on the tax due date. Origination is usually one or two days before the due date. Your account will be debited based upon your bank's schedule and transferred electronically into the Kansas Treasury account. Before choosing the ACH Credit option, verify with your bank that it can originate ACH Credit transactions. The cost of this transaction will be paid by you.

How & When to Apply to Use EFT

To apply, simply complete, sign and return by mail or fax the Authorization for Electronic Funds Transfer, Form EF-101. This form is available from our EFT information line below or from our e-commerce web site: www.webtax.org. If selecting ACH debit, please include a voided check with Form EF-101 to verify your banking information.

If you have any questions or would like more information about EFT, please call our toll-free information line at 1-800-525-3901, or in Topeka, dial 296-6993.

Credit Card Payment Options

Taxpayers also have the option to pay by credit card. This service is available on the Internet through Official Payments Corporation (OPC), a third party vendor. OPC accepts VISA, MasterCard, Discover and American Express and charges a service fee. Rules regarding the credit card transactions and how to sign up are available at the vendors web site: www.officialpayments.com.