

# Notice

**Notice Number:** 99-01  
**Tax Type:** Individual Income Tax; Corporate Income Tax  
**Brief Description:** Income tax credit for personal property taxes paid on business machinery and equipment.  
**Keywords:**  
**Approval Date:** 04/20/1999

---

**Body:**

## NOTICE 99-01 Business Machinery and Equipment Tax Credit

For taxable years after December 31, 1997, advice has been requested on the correct manner for working interest owners, shareholders, partners, and members of an enterprise to claim the Kansas income tax credit for personal property taxes paid on business machinery and equipment. This income tax credit is claimed on Kansas Schedule K-64, "Business Machinery and Equipment Credit."

Our advice is based on the direction given in K.S.A. 79-32,206 that established the credit:

"...If the taxpayer is a corporation having an election in effect under sub-chapter S of the federal internal revenue code, a partnership or a limited liability company, *the credit provided by this section shall be claimed* by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company *in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company.*" (Emphasis added.)

### Oil AND GAS Operators and Working Interest Owners

In the oil and gas industry, the credit authorized by K.S.A. 79-32,206 will be claimed by each of the working interest owners on their income tax return. The basis of the credit claimed on Schedule K-64 will be their share of the ad valorem taxes paid on prescribed and itemized equipment. In order to do this, operators will need to provide each working interest owner with:

- a copy of the tax receipt showing payment of the 1998 property tax;
- the amount of tax paid on the prescribed and itemized equipment; and
- the working interest owner's share of those taxes.

As an *alternative* to the above method, an operator may choose instead to file an information return with the Kansas Department of Revenue providing the above information for all wells. This information return, new Form K-64O, is enclosed. The operator must attach to the information return, a copy of the tax receipt showing payment of the 1998 property tax for each well and a schedule showing the following for each well:

- the amount of tax paid on the prescribed and itemized equipment;
- the name and identification number (SSN or federal EIN) of each working interest owner, and
- each working interest owner's share of the qualifying taxes.

The K-64O shall be filed as an information return, and as such, will not be included with the working interest owners income tax return.

Operators who elect to file this information return will then provide each working interest owner with a copy of the joint interest billing indicating the amount of property tax paid on the prescribed and itemized equipment. The working interest owners will complete Schedule K-64 and attach copies of the joint interest billings showing the taxes on which they are claiming the credit.

Working interest owners who are individuals and corporations will claim the credit on their tax returns using Schedule K-64. Working interest owners who are S-corporations, partnerships or limited liability companies will pass the credit through to the individual shareholders, partners or members to be claimed on their individual tax returns as outlined below.

**S-CORPORATIONS, Partnerships, and Limited Liability Companies**

Shareholders, partners and members will claim the credit on their individual tax returns by completing Kansas Schedule K-64. In order to do this, the S-corporation, partnership or limited liability company must provide each shareholder, partner, or member with:

- a copy of the tax receipt showing payment of the 1998 property tax;
- a breakdown of the tax paid on qualified machinery and equipment if total taxes paid and shown on the receipt includes non-qualifying property (necessary in all cases for oil & gas property); and
- the shareholder, partner or member’s proportionate share of the taxes paid.

**TAXPAYER ASSISTANCE**

To obtain Schedule K-64, call the Kansas Department of Revenue’s voice mail forms request line at (785) 296-4937. For more information on this tax credit, contact any of the Kansas Department of Revenue offices listed below or visit our web site: [www.ink.org/public/kdor](http://www.ink.org/public/kdor). Contact your county officials for information or assistance in determining the amount of personal property taxes paid on commercial and industrial machinery and equipment.

<b>Topeka Assistance Center</b>	<b>Metropolitan Assistance Center</b>	<b>Wichita Assistance Center</b>
(785) 296-0222	(913) 677-0158	(316) 337-6140
Docking State Office Building	Cloverleaf Office Park, Bldg. 3	State Office Building
915 SW Harrison, 1st Floor	6405 Metcalf Ave., Suite 120	230 E. William, Room 7150
Topeka, KS 66612-1588	Overland Park, KS 66202-3928	Wichita, KS 67202-4002

Notice 99-01  
 April 14, 1999

**Date Composed: 04/20/1999 Date Modified: 12/19/2001**

[Return to KSA Listing](#)