Kansas Department of Revenue
www.ksrevenue.org

KANSAS

Partnership *or* S Corporation Tax Booklet

Forms and Instructions

2005

NEW! **File electronically!**

See page 2 for
more information or visit our
Electronic Services website at
www.webtax.org

What's New…

The following changes are effective for the 2005 tax year.

- **COMBINED FORMS AND INSTRUCTIONS.** The Kansas Department of Revenue (KDOR) has combined the Partnership return (K-65) with the Small Business Corporate return (K-120S) into one return entitled "2005 Kansas Partnership or S Corporation Income Tax Return." Both partnerships and S corporations will use the revised Form K-120S and will indicate by check box on the return whether they are filing for a partnership or a S corporation.
- **IRS e-FILE.** Form K-120S can now be filed electronically for S corporation filers (IRS e-File will be available for partnership filers next year). With IRS e-File the return is electronically submitted to the IRS and KDOR using an authorized IRS e-File provider. Form K-120S can also be electronically filed by using KDOR approved commercial tax filing websites or software products. Visit our website at **www.webtax.org** for a list of authorized IRS e-File providers and software products.

  Electronic filing is quick and easy and confirmation that KDOR has accepted the return is received within 48 hours of the transmission.

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Tips to Improve the Processing of Your Return

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.

Use only black or dark blue ink and write legibly.

The Department of Revenue (KDOR) uses your 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.

Do not send photocopies of the return, only send the original.

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

Banks and savings and loan associations allowed to file as small business corporations at the federal level are **not** allowed to file as small business corporations at the Kansas level. Those entities are required to file a Privilege Tax return (K-130) to report any income or loss. The federal level shareholders income or loss which is included in their individual federal income tax return is to be subtracted from federal adjusted gross income so as to not allow that income.

A partnership return (Form K-120S) must be completed by any business partnership, syndicate, pool, joint venture or other such joint enterprise to report income from operations. The Kansas partnership return must be completed by every enterprise that has income or loss derived from Kansas sources regardless of the amount of income or loss. Income or loss derived from Kansas sources includes income or loss attributed to:

a. Any ownership interest in real property or tangible personal property located in Kansas and intangible property to the extent it is used in a trade, business, profession or occupation carried on in Kansas; and,
b. A trade, business, profession or occupation carried on in Kansas.

Any partnership, joint venture, syndicate, etc., which is required to file a partnership return of income for federal purposes is required to file a Kansas partnership return if such enterprise receives income or loss from Kansas sources.

When to File

Calendar Year: If your return is based on a calendar year, it must be filed no later than April 15, 2006.

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 federal original due date is not the 15th day of the third month after the close of a taxable year, the corporation or partnership is required to complete item "J" on the front of Form K-120S, 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, then it 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 less.

Where to File

Use the preaddressed envelope in this tax booklet to mail 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: KANSAS PARTNERSHIP OR S CORPORATION TAX, KANSAS DEPARTMENT OF REVENUE, 915 SW HARRISON STREET, TOPEKA, KS 66612-1588.

If You Need Forms

A tax booklet is mailed each year to the address on the previous year's tax return. 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.**

Extension of Time to File

If you are unable to complete your return by the filing deadline, you may request an extension of time to file. If you filed, with the Internal Revenue Service, for an extension of time, enclose a copy of that form with your completed K-120S return to automatically receive a six-month extension to file your Kansas return. Kansas does not have a separate extension request form but will accept an approved Federal Extension of Time form.

If you are entitled to a refund, an extension is not required to file the return after the original due date.

NOTE: An extension of time to file Form K-120S does not extend the time for filing a partner's or shareholder's Kansas Individual Income Tax return (Form K-40).

Copy of Federal Return

Enclose with Form K-120S a copy of the following federal return pages as filed with the Internal Revenue Service:

- Pages 1 through 4 of the federal return.
- Federal schedules to support any Kansas modifications claimed on page 1, Form K-120S.

The Kansas Department of Revenue reserves the right to request additional information as necessary.

Completing Your Return

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

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 13 of the Specific Line Instructions for Form K-120S. 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

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

Business Income Election

For S Corporations with taxable years beginning after December 31, 1995, taxpayers 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 on all members of a unitary group of corporations. To make this election, an entity must file Form K-120EL with the Department within the time limits established by law for its filing situation.

- An entity 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 an entity 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 K-120S 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 Partnership or S Corporation return, you must mark the "Amended Return" checkbox on the front of the K-120S and insert the changes on the return. 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. **NOTE:** If you need to amend a partnership return prior to this tax year, you must obtain a Form K-65 for the year you are amending and mark it "Amended." See *If You Need Forms* above.

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, it is necessary to 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 accuracy and consistency of information reported on federal and Kansas tax returns.

Partnership Adjustments

Kansas income tax law provides that partners receiving income from a partnership or corporation may be required to make certain adjustments to their share of the entity's income included in their individual federal income tax return in order to properly determine their individual Kansas adjusted gross income. This modification can only be made from information available to the partnership, thus it is necessary that each partnership notify each partner of his share of the adjustments. In addition to the adjustments explained above, information regarding income not included in ordinary partnership income must be given to each partner.

NOTE: Each partner or shareholder should be notified of the gross of such income received by the partnership or corporation, each partner's or shareholder's share of such income, the total adjustments applicable and each partner's or shareholder's share of such adjustment.

Capital Gains

Any adjustment, provided by Kansas law, which applies to a capital gain received by the partnership or corporation and reported by the individual partners or shareholders on their individual federal income tax return, is to be made by each partner or shareholder on his Kansas individual income tax return.

If, during the taxable year, the partnership or corporation received a gain from the sale of property or other capital assets for which the tax basis for Kansas is higher than the tax basis for federal, each partner or shareholder must be notified of his share of the difference in basis and whether the gain qualified as a long or short term capital gain.

Any partnership or corporation which has a partner or shareholder who is a nonresident of Kansas must advise such partner of those capital gains and losses incurred from assets located in Kansas because the nonresident partner or shareholder is subject to tax on gains realized from the sale or exchange of property located in Kansas.

If such computations result in a net capital loss to Kansas, the loss is limited to $3,000 ($1,500 for married individuals filing separate returns) on the partner's or shareholder's Kansas individual income tax return.

Capital transactions from Kansas sources to which the above instructions apply include:

a. Capital gains or losses derived from real or personal property having an actual situs within Kansas whether or not connected with the trade or business.
b. Capital gains or losses from stocks, bonds and other intangible property used in or connected with a business, trade or occupation that is carried on within Kansas.
c. Respective portion of the partnership or corporate capital gain or loss from a partnership or corporation of which the partnership or shareholder is a member, partner or shareholder, or an estate or trust of which the partnership or corporation is a beneficiary.

Nonresident Owner Withholding

For all tax years ending after December 31, 2002, partnerships, S corporations and limited liability companies with nonresident owners are required to withhold Kansas income tax at the rate of 6.45% on the Kansas taxable income (whether distributed or undistributed) of their nonresident partners, members or shareholders. Pass-through entities with nonresident owners must complete Form KW-7S and pay the withheld funds on Form KW-7 on or before the due date of the income tax return for the pass-through entity, including extensions. These forms, and additional information about this requirement, are available from our web site at **www.ksrevenue.org**.

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 various parts of a business 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: 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. If two or more corporations file Federal Income Tax returns 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.

Definitions (continued)

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 S Corporation return filed on the combined income approach must include Schedule K-121S, which can be found in this booklet.

Any small business 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 1120S and all other schedules and statements necessary to support the federal ordinary income reported on the Kansas return. Schedule K-121S must be used to determine income of the small business corporation. Schedule K-121S single entity Kansas income is then shown on line 18, Form K-120S. All corporations filing a combined return (single or multiple) must complete lines 1 through 18 of Form K-120S using the total combined income column from Schedule K-121S.

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 the Kansas return reporting the total combined income on that return. Schedule K-121S must be used to determine the Kansas taxable income of each separate corporation. Schedule K-121S combined Kansas income is then entered on line 18 of Form K-120S. All small business corporations filing a combined return (single or multiple) must complete lines 1 through 18 of Form K-120S using the total combined income column from Schedule K-121S.

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.

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 represent fairly 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 18, Form K-120S.

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 shall 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 18, Form K-120S.

SPECIFIC LINE INSTRUCTIONS FOR FORM K-120S, PAGE 1

TAXPAYER INFORMATION

If any taxpayer information changed from the last original return filed by you, please check the change box "K".

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

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

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

Final Return: If a final return is being filed for a corporation that 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 K: Complete all requested information. For item A, indicate whether the return is for a partnership or a S corporation. For item B, refer to page 4. For Item C, enter the NAICS code from Publication KS-1500, available from our web site. For items F and G, use the two-letter state abbreviation.

INCOME

LINE 1—FEDERAL ORDINARY INCOME: Enter the federal ordinary income from federal Schedule K. A copy of certain pages of the federal return must be enclosed in all cases. See instructions on page 3.

LINE 2a—TOTAL OTHER INCOME FROM FEDERAL SCHEDULE K: Enter the total of all other income listed on federal Schedule K. For partners, this is the total of the amounts entered on lines 2, 3c, 4, 5, 6a, 7, 8, 9a, 10, and 11 of federal Schedule K. For S corporations it is the total of amounts entered on lines 2, 3c, 4, 5a, 6, 7 , 8a, 9, and 10 of federal Schedule K. Also include any gain from the sale of assets subject to section 179 that is not reported on Schedule K.

LINE 2b—TOTAL DEDUCTIONS FROM SCHEDULE K: Enter the allowable deductions listed on federal Schedule K. For partnerships, this is the total of lines 12, 13b, 13c(2), and 13d of federal Schedule K. For S corporations, this is the total of lines 11, 12b, 12c(2), and 12d of federal Schedule K.

Contributions from Schedule K (Partnership, line 13a; or S Corporation, line 12a) may be deducted on line 2b unless the partner or shareholder is an individual. If the partner or shareholder is an individual, and if they are itemizing deductions at the federal level, the contribution deductions should already be in their federal itemized deductions and no adjustment is necessary on the Kansas individual return. If the partner or shareholder is included in a composite return for Kansas (Schedule K-40C), they are required to use a standard deduction and not entitled to their share of the partnership or S corporation contribution deduction or their credits.

LINE 3—TOTAL: Add line 1 to line 2a and subtract line 2b. Enter the result on line 3.

LINE 4—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 and Urban Renewal Bonds.

If you are a partner or 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 5—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 ordinary income. IRC Section 59A federal environmental tax must be added back to federal ordinary income to the extent it is used as a deduction in arriving at federal ordinary income.

LINE 6—OTHER ADDITIONS TO FEDERAL INCOME: Enter on line 6 the following additions to your federal ordinary income:

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

A tax credit for the additions below may be claimed on your tax return (schedule required):

- **Community Service Contribution Credit:** The amount of any charitable contribution claimed on your federal return used to compute this credit on Schedule K-60.
- **Disabled Access Credit:** The amount of any depreciation deduction or business expense deduction claimed on your federal return that was used to determine this credit on Schedule K-37.

K-120S
(Rev. 7/05)

DO NOT STAPLE

2005 KANSAS
PARTNERSHIP *or* S CORPORATION INCOME TAX RETURN

155005

For the taxable year beginning 2005 ; ending

TAXPAYER INFORMATION

Name

Number and Street of Principal Office

City State Zip Code

NEW! **A.** This return is being filed for (check one):
☐ 1. PARTNERSHIP ☐ 2. S CORPORATION

B. Method Used to Determine Income of Corporation in Kansas
☐ 1. Activity wholly within Kansas or single entity apportionment method (Part I)
☐ 2. Activity wholly within Kansas - consolidated
☐ 3. Combined income method
☐ 4. Common carrier mileage (Enclose mileage apportionment schedule)
☐ 5. Alternative or separate accounting (Enclose letter of authorization & schedule)
☐ 6. Qualified elective two-factor (Part I) Year qualified:

C. Business Activity Code (NAICS)

D. Date Business Began in KS (mm/dd/yyyy)

E. Date Business Discontinued in KS (mm/dd/yyyy)

F. State and Month/Year of Incorporation (mm/yyyy)

G. State of Commercial Domicile

H. Type of Federal Return Filed
☐ 1. Separate ☐ 2. Consolidated

I. Mark this box if you have submitted a Kansas Form K-120EL ☐

Employer's Identification Numbers (EINs) (Enter both if applicable)

EIN this entity:

EIN Federal Consolidated Parent:

J. Enter your original federal due date if other than the 15th day of the 3rd month after the end of the tax year.

K. Mark this box if any taxpayer information has changed since the last return was filed. ☐

IF THIS IS AN AMENDED RETURN, MARK THIS BOX ☐

1.	Ordinary income from federal Schedule K		1	
2a.	Total of all other income from federal Schedule K (see instructions)		2a	
2b.	Total of allowable deductions from federal Schedule K (see instructions)		2b	
3.	Total federal income (add line 1 to line 2a and subtract line 2b)		3	
4.	Total state and municipal interest (schedule required)	4		
5.	Taxes on or measured by income or fees or payments in lieu of income taxes (schedule required)	5		
6.	Other additions to federal income (schedule required)	6		
7.	Total additions to federal income (add lines 4, 5 & 6)		7	
8.	Interest on U.S. government obligations (schedule required)	8		
9.	IRC Section 78 and 80% of foreign dividends (schedule required)	9		
10.	Other subtractions from federal income (schedule required)	10		
11.	Total subtractions from federal income (add lines 8, 9 & 10)		11	
12.	Net income before apportionment (add line 3 to line 7 and subtract line 11)		12	
13.	Nonbusiness income - Total company (schedule required)		13	
14.	Apportionable business income (subtract line 13 from line 12)		14	
15.	Average percent to Kansas (Part I, lines 1a, 1b, 1c & 3)	A B C	15	
16.	Amount to Kansas (multiply line 14 by line 15)		16	
17.	Nonbusiness income - Kansas (schedule required)		17	
18.	Total Kansas income (add lines 16 & 17)		18	
19.	Estimated tax paid and amount credited forward (separate schedule)	19		
20.	Other tax payments (separate schedule)	20		
21.	Refund (add lines 19 & 20)		21	

☐ 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 and Phone Number Date

Enclose a copy of your federal return, pages 1 through 4 Schedules M-1 & M-2. Also include any federal schedules to support any Kansas modifications. No other forms or schedules are requested at this time. If additional information is necessary, we will request it at a later date.

Mail this return to: Kansas Sub-S Corporate Tax, Kansas Department of Revenue, 915 SW Harrison Street, Topeka, KS 66612-1588

PART I - APPORTIONMENT SCHEDULE

This schedule is to be used only by partnerships and S Corporations that derive income from sources inside and outside of Kansas.

1. Allocation fraction - Enclose Schedule of Computation:		WITHIN KANSAS	TOTAL COMPANY	PERCENT WITHIN KANSAS
a. Average cost of real and tangible personal property owned at beginning and end of year plus 8 times the net annual rent. (Exclude property not connected with the business and construction in progress.) Enter % on line 15, block A, page 1.	1a			%
b. Payroll. Enter % on line 15, block B, page 1.	1b			%
c. Gross sales or revenue. Enter % on line 15, block C, page 1.	1c			%

2. a. Total percent (Add lines 1a, 1b, and 1c if utilizing three factors)	2a	%
b. Total percent (Add lines 1a and 1c if qualified and utilizing the elective two-factor formula)	2b	%
3. Average percent of either 2a or 2b, whichever is applicable (To line 15, page 1)	3	%

PART II - PARTNER'S OR SHAREHOLDER'S DISTRIBUTION OF INCOME

This schedule is to be completed for all partners or shareholders. If you have nonresident partners or shareholders, complete Form KW-7S. If there are more than 14 partners or shareholders, you must complete a schedule similar to the schedule below and submit it with your return. Individual partners or shareholders complete columns 1 through 8. All other partners and shareholders complete columns 1 through 5.

(1) Name and address of partner or shareholder	**Check box if nonresident**	(2) Social Security Number OR Employer Identification Number (EIN)	(3) Partner's or shareholder's percent of ownership	(4) Partner's profit percent or shareholder's applicable percentage
(a)	☐			
(b)	☐			
(c)	☐			
(d)	☐			
(e)	☐			
(f)	☐			
(g)	☐			
(h)	☐			
(i)	☐			
(j)	☐			
(k)	☐			
(l)	☐			
(m)	☐			
(n)	☐			

Continuation of PART II (See instructions for Nonresident Partner's or Shareholder's Computation of Columns 6, 7 and 8.)

(5) Income from Kansas sources. **Kansas resident individuals:** Multiply column 4 by line 12, page 1. **Nonresident individuals:** If income is earned only from Kansas sources multiply column 4 by line 12, page 1. If income is earned from inside and outside of Kansas, multiply column 4 by line 18, page 1. **All other partners or shareholders:** Multiply column 4 by line 18.	(6) Partner's or shareholder's portion of federal ordinary and other income (losses) and deductions. Multiply the percentage in column 4 by line 3, page 1.	(7) Partner's or shareholder's portion of total Kansas income. Multiply the percentage in column 4 by line 12, page 1.	(8) **Partner's or s**hareholder's modification. See instructions. Enter on Part A of Schedule S, Form K-40.
(a)			
(b)			
(c)			
(d)			
(e)			
(f)			
(g)			
(h)			
(i)			
(j)			
(k)			
(l)			
(m)			
(n)			

K-120S
(Rev. 7/05)

DO NOT STAPLE

2005 KANSAS
PARTNERSHIP *or* S CORPORATION INCOME TAX RETURN

155005

For the taxable year beginning 2005 ; ending

TAXPAYER INFORMATION

Name

Number and Street of Principal Office

City State Zip Code

NEW! **A.** This return is being filed for (check one):
☐ 1. PARTNERSHIP ☐ 2. S CORPORATION

B. Method Used to Determine Income of Corporation in Kansas
☐ 1. Activity wholly within Kansas or single entity apportionment method (Part I)
☐ 2. Activity wholly within Kansas - consolidated
☐ 3. Combined income method
☐ 4. Common carrier mileage (Enclose mileage apportionment schedule)
☐ 5. Alternative or separate accounting (Enclose letter of authorization & schedule)
☐ 6. Qualified elective two-factor (Part I) Year qualified:

C. Business Activity Code (NAICS)

D. Date Business Began in KS (mm/dd/yyyy)

E. Date Business Discontinued in KS (mm/dd/yyyy)

F. State and Month/Year of Incorporation (mm/yyyy)

G. State of Commercial Domicile

H. Type of Federal Return Filed
☐ 1. Separate ☐ 2. Consolidated

I. Mark this box if you have submitted a Kansas Form K-120EL ☐

Employer's Identification Numbers (EINs) (Enter both if applicable)

EIN this entity:

EIN Federal Consolidated Parent:

J. Enter your original federal due date if other than the 15th day of the 3rd month after the end of the tax year.

K. Mark this box if any taxpayer information has changed since the last return was filed. ☐

IF THIS IS AN AMENDED RETURN, MARK THIS BOX ☐

1.	Ordinary income from federal Schedule K		1	
2a.	Total of all other income from federal Schedule K (see instructions)		2a	
2b.	Total of allowable deductions from federal Schedule K (see instructions)		2b	
3.	Total federal income (add line 1 to line 2a and subtract line 2b)		3	
4.	Total state and municipal interest (schedule required)	4		
5.	Taxes on or measured by income or fees or payments in lieu of income taxes (schedule required)	5		
6.	Other additions to federal income (schedule required)	6		
7.	Total additions to federal income (add lines 4, 5 & 6)		7	
8.	Interest on U.S. government obligations (schedule required)	8		
9.	IRC Section 78 and 80% of foreign dividends (schedule required)	9		
10.	Other subtractions from federal income (schedule required)	10		
11.	Total subtractions from federal income (add lines 8, 9 & 10)		11	
12.	Net income before apportionment (add line 3 to line 7 and subtract line 11)		12	
13.	Nonbusiness income - Total company (schedule required)		13	
14.	Apportionable business income (subtract line 13 from line 12)		14	
15.	Average percent to Kansas (Part I, lines 1a, 1b, 1c & 3)	A B C	15	
16.	Amount to Kansas (multiply line 14 by line 15)		16	
17.	Nonbusiness income - Kansas (schedule required)		17	
18.	Total Kansas income (add lines 16 & 17)		18	
19.	Estimated tax paid and amount credited forward (separate schedule)	19		
20.	Other tax payments (separate schedule)	20		
21.	Refund (add lines 19 & 20)		21	

☐ 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 and Phone Number Date

Enclose a copy of your federal return, pages 1 through 4 Schedules M-1 & M-2. Also include any federal schedules to support any Kansas modifications. No other forms or schedules are requested at this time. If additional information is necessary, we will request it at a later date.

Mail this return to: Kansas Sub-S Corporate Tax, Kansas Department of Revenue, 915 SW Harrison Street, Topeka, KS 66612-1588

PART I - APPORTIONMENT SCHEDULE

This schedule is to be used only by partnerships and S Corporations that derive income from sources inside and outside of Kansas.

1. Allocation fraction - Enclose Schedule of Computation:		WITHIN KANSAS	TOTAL COMPANY	PERCENT WITHIN KANSAS
a. Average cost of real and tangible personal property owned at beginning and end of year plus 8 times the net annual rent. (Exclude property not connected with the business and construction in progress.) Enter % on line 15, block A, page 1.	1a			%
b. Payroll. Enter % on line 15, block B, page 1.	1b			%
c. Gross sales or revenue. Enter % on line 15, block C, page 1.	1c			%

2. a. Total percent (Add lines 1a, 1b, and 1c if utilizing three factors)	2a	%
b. Total percent (Add lines 1a and 1c if qualified and utilizing the elective two-factor formula)	2b	%
3. Average percent of either 2a or 2b, whichever is applicable (To line 15, page 1)	3	%

PART II - PARTNER'S OR SHAREHOLDER'S DISTRIBUTION OF INCOME

This schedule is to be completed for all partners or shareholders. If you have nonresident partners or shareholders, complete Form KW-7S. If there are more than 14 partners or shareholders, you must complete a schedule similar to the schedule below and submit it with your return. Individual partners or shareholders complete columns 1 through 8. All other partners and shareholders complete columns 1 through 5.

(1) Name and address of partner or shareholder	**Check box if nonresident**	(2) Social Security Number OR Employer Identification Number (EIN)	(3) Partner's or shareholder's percent of ownership	(4) Partner's profit percent or shareholder's applicable percentage
(a)	☐			
(b)	☐			
(c)	☐			
(d)	☐			
(e)	☐			
(f)	☐			
(g)	☐			
(h)	☐			
(i)	☐			
(j)	☐			
(k)	☐			
(l)	☐			
(m)	☐			
(n)	☐			

Continuation of PART II (See instructions for Nonresident Partner's or Shareholder's Computation of Columns 6, 7 and 8.)

(5) Income from Kansas sources. **Kansas resident individuals:** Multiply column 4 by line 12, page 1. **Nonresident individuals:** If income is earned only from Kansas sources multiply column 4 by line 12, page 1. If income is earned from inside and outside of Kansas, multiply column 4 by line 18, page 1. **All other partners or shareholders:** Multiply column 4 by line 18.	(6) Partner's or shareholder's portion of federal ordinary and other income (losses) and deductions. Multiply the percentage in column 4 by line 3, page 1.	(7) Partner's or shareholder's portion of total Kansas income. Multiply the percentage in column 4 by line 12, page 1.	(8) **Partner's or s**hareholder's modification. See instructions. Enter on Part A of Schedule S, Form K-40.
(a)			
(b)			
(c)			
(d)			
(e)			
(f)			
(g)			
(h)			
(i)			
(j)			
(k)			
(l)			
(m)			
(n)			

K-121S

(8/04)

KANSAS

COMBINED INCOME METHOD OF REPORTING

For the taxable year beginning _____ 20____ , ending _____, 20____

Name As Shown on Form K-120S	Employer Identification Number (EIN)

PART I KANSAS COMBINED NET INCOME

Enter separate corporate names and federal identification numbers	Corporation A	Corporation B	Eliminations (Explain Below)	Combined Income
1. Federal ordinary income				
2. Total other income (loss) and deductions from federal Schedule K				
3. Total (Add lines 1 and 2)				
4. Total state and municipal interest				
5. Taxes on or measured by income or fees or payments in lieu of income taxes				
6. Other additions to federal taxable income (Enclose schedule)				
7. Total (Add lines 3 through 6)				
8. Interest on U.S. government obligations				
9. IRC Section 78 and 80% of foreign dividends (Enclose schedule)				
10. Other subtractions from federal taxable income (Enclose schedule)				
11. Total subtractions (Add lines 8, 9, & 10)				
12. Net income before apportionment (Subtract line 11 from line 7)				
13. Nonbusiness income—Total company (Enclose schedule)				
14. Apportionable business income (Subtract line 13 from line 12)				
15. Percent to Kansas (From line 6, Part II)				
16. Amount to Kansas (Line 15, Corp. A & B multiplied by line 14 combined income)				
17. Nonbusiness income—Kansas (Enclose schedule)				
18. Combined report income (Subtract line 17 from line 16, enter on line 18, page 1, Form K-120S)				

EXPLANATION OF ELIMINATIONS:

(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 Kansas combined income on that return.)

PART II APPORTIONMENT FORMULA

(Form K-121S)

	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 Crop. 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 (ToPart I, Line 15, Form K-121S)							6A
Corporation B (ToPart I, Line 15, Form K-121S)	Average percent of line 4 or 5, whichever is applicable						6B

- **Habitat Management Credit:** The amount of any real estate taxes and costs claimed on your federal return used to determine this credit on Schedule K-63.
- **Regional Foundation Contribution Credit:** The amount of any contribution claimed on your federal return used to compute this credit on Schedule K-32.
- **Small Employer Healthcare Credit:** Reduce the amount of expense deduction that is included in federal ordinary income by the dollar amount of the credit claimed on Schedule K-57.
- **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.

LINE 7 — TOTAL ADDITIONS TO FEDERAL INCOME: Add lines 4 through 6 and enter the result on line 7.

LINE 8 — 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/or its possessions that was included in your federal ordinary 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 9–IRC SECTION 78 AND 80% OF FOREIGN DIVIDENDS: Enter the amount included in federal ordinary 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 ordinary income.

LINE 10–OTHER SUBTRACTIONS FROM FEDERAL INCOME: Enter on line 10, a total of the following subtractions from your federal ordinary 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 ordinary 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 ordinary income.
- **Learning Quest Education Savings Program:** Enter the amount of contributions deposited in the Learning Quest Education Savings Program, up to a maximum of $3,000 per student (beneficiary).
- **Sale of Kansas Turnpike Bonds:** Enter the gain from the sale of Kansas Turnpike Bonds that was included in your federal ordinary income.

LINE 11–TOTAL SUBTRACTIONS FROM FEDERAL INCOME: Add lines 8 through 10, and enter the result on line 11.

LINE 12–NET INCOME BEFORE APPORTIONMENT: Add line 3 to line 7 and subtract line 11, and enter the result on line 12.

All entities must complete Part II, page 2, columns 1 through 8.

Entities with nonresident partners or shareholders and with income derived from sources within and without Kansas are to complete lines 13 through 18 or provide a substitute schedule, and if an alternative or separate accounting method is used, a letter of authorization.

APPORTIONMENT AND ALLOCATION

LINE 13–NONBUSINESS INCOME-TOTAL COMPANY: Enter on line 13 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. As used in this paragraph, “expenses related thereto,” 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 partnership or corporation’s trade or business.

LINE 14–APPORTIONABLE BUSINESS INCOME: Subtract line 13 from line 12 and enter the result on line 14.

LINE 15–AVERAGE PERCENT TO KANSAS: Enter the applicable percentages in spaces A, B, and C. If you are qualified and utilizing the elective two-factor formula, do not enter a percentage figure in space B. Enter on line 15 the average percent from Form K-120S, Part I, line 3. **Note:** Round the percentage to the fourth decimal point only. If your business is wholly within Kansas enter 100.0000.

LINE 16–AMOUNT TO KANSAS: Multiply line 14 by line 15 and enter the result on line 16.

LINE 17–NONBUSINESS INCOME-KANSAS: Enter the total amount of nonbusiness net income directly allocated to Kansas. Submit a schedule to support the amount shown.

LINE 18–TOTAL KANSAS INCOME: If you are filing a combined report (Schedule K-121S) or you are authorized to file using the alternative or separate accounting method, enter on line 18 the: 1) Kansas income from line 18 of Schedule K-121S; or, 2) Kansas income from a separate schedule prepared by you (Separate/Alternative Method of Reporting).

LINE 19–ESTIMATED TAX PAID AND AMOUNT CREDITED FORWARD: Enter the total of your 2005 estimated tax payments plus any 2004 overpayment you had credited forward to 2005.

LINE 20–OTHER TAX PAYMENTS: Enter on line 20 any amount of prepaid tax not entered above.

LINE 21–REFUND: Add lines 19 and 20 and enter the result on line 21. Amounts less than $5.00 will not be refunded. Before mailing, mark an "X" in the refund box on the front of the envelope.

SIGNATURE AND VERIFICATION: The return must be signed and sworn to by a member, partner, 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 prepare the return for compensation must also sign the return.

SPECIFIC LINE INSTRUCTIONS FOR FORM K-120S, PAGE 2

PART I – APPORTIONMENT SCHEDULE

Part I is to be used by partnerships or corporations with nonresident partners or shareholders 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 taxpayers 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 are qualified to use this method, you are still required to complete the payroll information in PART I, line 1b for the first year only.

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 through the our Policy Library on our web site at: **www.ksrevenue.org**

LINE 1a, 1b, and 1c—ALLOCATION FRACTION: Compute the property, payroll, and sales to determine the percentage of each in Kansas.

LINE 2a—TOTAL PERCENT: If you are qualified and are utilizing the three-factor formula to apportion income to Kansas, add lines 1a, 1b, and 1c, (percent within Kansas).

LINE 2b—TOTAL PERCENT: If you are qualified and are utilizing the elective two-factor formula to apportion income to Kansas, add lines 1a and 1c, (percent within Kansas).

LINE 3—AVERAGE PERCENT: Divide line 2a or 2b, (whichever is applicable) by the number of factors used in the formula. For example, if you are using the three-factor formula and the corporation does not have payroll anywhere, divide by 2.

PART II – PARTNER'S OR SHAREHOLDER'S DISTRIBUTION OF INCOME

Part II must be completed for all partners or shareholders.

COLUMN 1—Name and address of partner or shareholder. List the name and permanent address of each person who was a partner of the partnership or shareholder of the corporation during the taxable year. Check box on right side of column 1 if the respective partner or shareholder was a nonresident of Kansas during the year.

COLUMN 2—Social Security Number or Employer Identification Number (EIN). Enter in column 2 the Social Security Employer Identification Number of each partner or shareholder listed.

COLUMN 3—Partner's or Shareholder's Percent of Ownership. Enter in column 3 the partner's or shareholder's percent of ownership in the partnership or corporation.

COLUMN 4—Partner's Profit Percent or Shareholder's Applicable Percentage. Enter in column 4 the partner's profit percentage or shareholder's applicable percentage.

COLUMN 5—Income from Kansas sources. *Kansas Resident Individuals:* Multiply column 4 by line 12, page 1. *Nonresidents Individuals:* If income is earned only from Kansas sources multiply column 4 by line 12, page 1. If income is earned from inside and outside of Kansas, multiply column 4 by line 18, page 1. *All Other Partners or Shareholders:* Multiply column 4 by line 18, page 1.

COLUMN 6—Partner's or Shareholder's portion of federal ordinary and other income (losses) and deductions. Multiply the partner's profit percent or applicable shareholder's percentage in column 4 by line 3, page 1.

COLUMN 7—Partner's or Shareholder's portion of total Kansas income. Multiply the partner's or shareholder's percentage in column 4 by line 12, page 1.

COLUMN 8—Partner's or Shareholder's modification. Subtract column 7 from column 6 and enter the result in column 8. This is the Kansas adjustment to be entered on Schedule S of the Kansas Individual Income Tax return, Form K-40, as a partnership or S corporation adjustment. If the amount in column 7 is greater than column 6, the amount in column 8 should be shown as an addition modification and entered on line A5 of Schedule S. If the amount in column 7 is less than column 6, the amount in column 8 should be shown as a subtraction modification and entered on line A15 of Schedule S.

Nonresident Partner's or Shareholders' Computation

Nonresident partners or shareholders must use the following method to determine the amounts that will be entered in Part B of Supplemental Schedule S, Form K-40.

The taxpayer's share of income to be entered on line B10 (Amount from Kansas Sources) is determined by multiplying column 4, Part II, page 2, Form K-120S by line 12, page 1, Form K-120S, if income is derived totally within Kansas; or line 18, if income is derived within and outside of Kansas.

Since modifications for nonresident income are included in line 18, Form K-120S, a modification relative to the S corporation or partnership income is **not** to be entered on line B20, Part B of Schedule S, Form K-40.

NOTE—Any difference in the basis of property sold which has a higher basis for Kansas income tax purposes than for federal income tax purposes and which is reported as a long-term capital gain for Kansas purposes, should be computed and reported to the respective shareholder or partner for adjustment of this item on the individual income tax return. If the basis of property sold has a lower basis for Kansas income tax purposes than for federal income tax purposes, no adjustment is necessary.

State of Kansas
Department of Revenue
Docking State Office Building, 915 SW Harrison St.
Topeka, KS 66612-1588

PRSRT STD
U.S. POSTAGE
PAID
KANSAS DEPT.
OF REVENUE

ATTENTION: If correct, peel off and affix to the return you file.
If label is incorrect, do not use.

Taxpayer Assistance

BY PHONE

If you have a question about completing your Partnership or S Corporation Income Tax return, call 785-368-8222 to speak with a customer representative.

If you prefer, you may fax information to 785-291-3614.

TTY Users
Telecommunications
Device for the Deaf
785-296-6461

IN PERSON

Personal assistance to complete your return is also available at the following location:

Taxpayer Assistance Center
Docking State Office Building - 1st floor
915 SW Harrison Street
Topeka, KS 66612-588

Office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

REQUEST FOR TAX FORMS - 785-296-4937

Tax forms are available at most city and county clerk offices, banks, libraries, and other places of convenience. To obtain forms by mail, contact the Kansas Department of Revenue voice mail system at 785-296-4937. You will be asked to give your name, address, telephone number, and form(s) you desire. Please allow about two weeks for delivery of your form(s). Tax forms can also be found on the Department of Revenue's web site at **www.ksrevenue.org**.