



# KANSAS

## Estate Tax Instructions

*For Deaths Occurring in  
2007, 2008 and 2009*



# KANSAS

DEPARTMENT OF REVENUE

[www.ksrevenue.org](http://www.ksrevenue.org)

K-706 Instr.  
(Rev. 1/07)

# TABLE OF CONTENTS

	Page		Page
<b>GENERAL INSTRUCTIONS .....</b>	<b>3</b>	<b>LINE INSTRUCTIONS FOR PAGE 1 .....</b>	<b>9</b>
Application of These Instructions		<b>TAX RATE TABLES .....</b>	<b>9</b>
Prior Laws		<b>LINE INSTRUCTIONS FOR PAGE 2</b>	
Kansas Estate Tax		<b>(Kansas Recapitulation) .....</b>	<b>10</b>
Filing Requirements		<b>SCHEDULE INSTRUCTIONS—GENERAL .....</b>	<b>10</b>
Filing Threshold		Generally	
Non-Taxable Estates		All Property Must be Listed	
Who Must File the Return		Completing the Schedules	
Which Form to File		Rounding	
When to File		Additional Space	
Extensions of Time to File		Totaling Each Schedule	
Supplemental Documents		Totals to Recapitulation	
Complete Filing Required		<b>SCHEDULE A – Real Estate .....</b>	<b>11</b>
Supporting Materials Required		<b>SCHEDULE B – Stocks and Bonds .....</b>	<b>11</b>
Family Settlement Agreements		<b>SCHEDULE C – Mortgages, Notes and Cash .....</b>	<b>13</b>
Disclaimers		<b>SCHEDULE D – Insurance on Decedent’s Life .....</b>	<b>13</b>
Rounding Off to Whole Dollars		<b>SCHEDULE E – Jointly Owned Property .....</b>	<b>14</b>
Payment of Tax		<b>SCHEDULE F – Other Miscellaneous Property .....</b>	<b>16</b>
Who Must Pay		<b>SCHEDULE G – Transfers During Decedent’s Life ...</b>	<b>17</b>
Where to Pay		<b>SCHEDULE H – Powers of Appointment .....</b>	<b>19</b>
When to Pay		<b>SCHEDULE I – Annuities .....</b>	<b>20</b>
Penalty and Interest		<b>SCHEDULE J – Funeral Expenses and Expenses</b>	
Refunds		<b>Incurred in Administering Property Subject to</b>	
Enforcement		<b>Claims .....</b>	<b>21</b>
After the Return Has Been Filed		<b>SCHEDULE K – Debts of the Decedent and</b>	
Closing Letter		<b>Mortgages and Liens .....</b>	<b>22</b>
IRS Adjustments		<b>SCHEDULE L – Net Losses During Administration</b>	
Amended Returns		<b>and Expenses Incurred in Administering</b>	
Additional Forms		<b>Property Not Subject to Claims .....</b>	<b>23</b>
<b>GENERAL INFORMATION .....</b>	<b>7</b>	<b>SCHEDULE M – Bequests, etc. to Surviving Spouse</b>	<b>24</b>
Common Disaster		<b>SCHEDULE N – Property Which is Exempt By</b>	
Common Law Spouse		<b>Kansas or Federal Law .....</b>	<b>26</b>
Contracts for Sale		<b>SCHEDULE O – Charitable, Public, and Similar</b>	
Credit Life Insurance		<b>Gifts and Bequests .....</b>	<b>27</b>
Debts Forgiven by Will			
Escheat			
Estate / Property			
Expense Deductions			
Hugoton Gas Trust			
Indian Headrights			
Non-Resident Decedent			
Oil and Gas Leases or Royalties			
Partnership Property			
Personal Representative			
Resident Decedent			
Valuation			

If there is a conflict between the law and information found in this publication the law remains the final authority. Under no circumstances should the contents of this publication be used to set or sustain a technical legal position. Additional information is available through our web site at [www.ksrevenue.org](http://www.ksrevenue.org).

## GENERAL INSTRUCTIONS

---

### Application of These Instructions

These instructions are for Form K-706 (Rev. 1/07) and apply to the estates of decedents dying **on or after January 1, 2007**. For information about estates of decedents dying prior to January 1, 2007, see the following *Prior Laws* section. Estates of decedents dying on or after January 1, 2010 are not subject to Kansas estate tax.

---

### Prior Laws

If the decedent died on or after May 22, 2003, and prior to January 1, 2007 the estate is subject to estate tax if the value of the gross estate exceeds \$700,000 for deaths occurring in 2003, \$850,000 for deaths occurring in 2004, \$950,000 for deaths occurring in 2005, and \$1,000,000 for deaths occurring in 2006. Estates of decedents dying during this period should file Form K-706 (Rev. 10/04).

If the decedent died on or after June 6, 2002 and prior to May 22, 2003 and the value of the gross estate is in excess of \$700,000 the estate is subject to estate tax. Estates of decedents dying during this period should file Form K-707.

If the decedent died on or after January 1, 2002 and prior to June 6, 2002, and the value of the gross estate is in excess of \$700,000 the estate is subject to estate tax. Estates of decedents dying during this period should file Form K-706 (Rev. 7/00).

If the decedent died on or after July 1, 1998 and prior to January 1, 2002 and the estate is filing a Federal Form 706 with the Internal Revenue Service the estate is subject to estate tax. Estates of decedents dying during this period should file Form K-706 (Rev. 7/00).

Estates of persons who died before July 1, 1998 are subject to an inheritance tax. The statute of limitations for filing an inheritance tax return will not run until July 1, 2008. Estates of decedents dying prior to July 1, 1998 should file an inheritance tax return on Form IH-80, IH-90 or IH-100.

Contact the Department of Revenue for more information about these taxes, forms and instructions.

---

### Kansas Estate Tax

The Kansas estate tax is based on Kansas law found in K.S.A. 79-15,201 through 79-15,253. Although Kansas law is independent of federal law, it does parallel many aspects of federal estate tax law with regard to the composition and valuation of the estate, and with regard to the types and amount of deductions which are allowed. There are, however, notable exceptions such as the filing threshold, rate of tax, valuation of land devoted to an agricultural use, treatment of taxable gifts, and deductions for property which is exempt.

---

### Filing Requirements

#### FILING THRESHOLD

Estates of decedents dying on or after January 1, 2007 must file an estate tax return if the value of the gross estate exceeds \$1,000,000.

#### NON-TAXABLE ESTATES

If the estate of a decedent dying on or after January 1, 2007 does not exceed the \$1,000,000 filing threshold, the estate is not subject to estate tax; therefore, **does not** need to file an estate tax return.

#### WHO MUST FILE THE RETURN

The personal representative of the estate must file the estate tax return. For purposes of the Kansas estate tax the term "personal representative" means the executor, administrator or deemed executor of the decedent. A "deemed executor" is any person in actual or constructive possession of any property of the decedent. A deemed executor must act if no executor or administrator is appointed, qualified and acting within the United States.

If two or more persons are liable for filing the return, they are required to join together in filing one complete return. However, if they are unable to join in making one complete return, each is required to file a return disclosing all the information the person has regarding the estate, including the name of every person holding an interest in the property and a full description of the property. If the appointed, qualified, and acting executor or administrator is unable to make a complete return, then every deemed executor must make a return regarding their interest.

#### WHICH FORM TO FILE

For the estates of decedents dying on or after January 1, 2007 use Kansas Form K-706 (Rev. 1/07) which is addressed by these instructions. For deaths occurring prior to January 1, 2007, see the *Prior Laws* section of these instructions.

#### WHEN TO FILE

The Kansas Estate Tax Return Form K-706 (Rev. 1/07) must be filed within nine months of the date of the decedent's death unless an extension of time to file has been granted.

A return is deemed filed upon delivery to the Kansas Department of Revenue. When mailed, a return is deemed filed as of the postmark date.

---

**Filing Requirements (continued)****EXTENSIONS OF TIME TO FILE**

An extension of time to file may be granted upon a showing of good cause. No extension will be for more than 6 months, except in the case of litigation directly involving the estate.

A request for an extension of time must be made in writing, and must provide the grounds for the extension. Complete the Decedent's Information section of Form K-706 (Rev. 01/07), sign the return, and submit it along with the request for extension. Check the box for an extension on the return. Attach a copy of any request for a federal extension of time.

An extension of time to file is not an extension of time to pay. To avoid penalties and interest, payment must accompany the request for extension of time to file.

---

**Supplemental Documents****COMPLETE FILING REQUIRED**

A return must disclose all information necessary for the determination of tax liability. This includes filing not only the return, but also any supplemental documents necessary in computing the tax liability.

If tax is paid with a return which does not disclose all information necessary for the determination of tax liability, and subsequent receipt of this information results in a larger tax liability, penalty and interest may accrue upon the increased liability from the due date of the return until the necessary information is provided.

**SUPPORTING MATERIALS REQUIRED**

In addition to the Schedules, any other material that is necessary to explain or support the return must be filed with the return.

If the estate filed a federal Form 706 with the Internal Revenue Service, a copy of the federal return, together with a copy of all materials filed in support of the federal Form 706, must also accompany the Kansas return.

In addition, the following documents must be submitted with the Form K-706 where applicable:

- A copy of the decedent's death certificate.
- A copy of any will and codicils relied on in distributing the estate which have been certified by a court of competent jurisdiction.
- A copy of any family settlement agreement relied on in distributing the estate which has been certified by a court of competent jurisdiction. (See *Family Settlement Agreements*, below.)
- Trust instruments and amendments.
- Ante nuptial or post nuptial agreements.
- Proof of contribution toward the acquisition of property held in joint tenancy between the decedent and the surviving joint tenant where the surviving joint tenant is someone other than the surviving spouse of the decedent.
- A copy of any disclaimer relied on in distributing the estate which has been certified by a court of competent jurisdiction. (See *Disclaimers*, next page.)
- A schedule of the computation and method used when necessary to explain the values listed on any of the Schedules.
- An explanation of any loss incurred during the settlement of the estate arising from fires, storms, shipwrecks or other casualties or from theft not compensated by insurance. Identify the property on which the loss was incurred.
- If the decedent was a nonresident of Kansas owning real property situated in Kansas and/or tangible personal property with a Kansas situs, a copy of any inheritance, estate or succession tax return filed in the state of domicile.
- If the decedent ever possessed a power of appointment, a certified or verified copy of the instrument granting the power, together with a certified or verified copy of any instrument by which the power was exercised or released. These copies must be filed even though it is contended that the power was not a general power of appointment, and that the property was not otherwise includible in the gross estate.
- Any other forms that the Department of Revenue requires to be filed on or before the due date of the return.

**FAMILY SETTLEMENT AGREEMENTS**

To be effective for purposes of estate distribution and estate tax liability determinations, a family settlement agreement must be properly executed and presented to a court of competent jurisdiction for

its approval. The copy of the agreement filed with the Department of Revenue must indicate that it has been so presented.

### **DISCLAIMERS**

In order to be effective for purposes of Kansas estate tax, a disclaimer must meet certain standards. These standards apply whether property passes by intestacy, will, or other written instrument and whether the property is held individually or in joint tenancy. If these standards are not met, the disclaimer will be disallowed and the property will be distributed and taxed as if there had been no disclaimer.

First, a disclaimer must be written in affidavit form and signed by the disclaimant. It must describe the property, interest or power to be disclaimed.

Second, the disclaimer must be filed with the Department of Revenue in final form within nine months after the later of: 1) the date of death; 2) the final vesting both in quantity and quality of any future or contingent interest, or; 3) the date when the taker of an interest attains the age of twenty-one years.

Third, the disclaimer must have been certified by the Court in which it was filed. All disclaimers are required to carry a Court's certification.

Fourth, the disclaimer cannot direct who is to receive the disclaimed property. In other words, the disclaimer must be just that; a disclaimer.

Fifth, the disclaimer must be absolute as to the whole or partial interest sought to be disclaimed. The disclaimed portion of the property will then pass by the laws of intestacy, or some provision in a will or other dispositive instrument, as though the disclaimant had predeceased the decedent.

Sixth, in order to disclaim an interest in jointly-held property, the surviving joint tenant must have no equitable interest in the joint tenancy property they seek to disclaim. They must not have contributed to the purchase of the property and must not have exercised control over the property as if it were their own. They must not have accepted the jointly-held property as a gift, nor may they disclaim their interest in property previously received as an inheritance. The primary example of such a situation in which a disclaimer is allowed is a joint tenancy created for purposes of "convenience only".

Seventh, the disclaimer is irrevocable once filed and must not contain language which attempts to make it revocable.

---

### **Rounding Off to Whole Dollars**

You **must** show amounts on the first page and recapitulation schedule as whole dollar amounts. You **may** show the money items on the accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

---

### **Payment of Tax**

#### **WHO MUST PAY**

The personal representative of the estate must pay the tax. The personal representative is personally liable for the tax to the extent of property in their actual or constructive possession, less any amounts they are required to pay to third parties who have a legally enforceable claim to the property that has priority over the tax claim.

#### **WHERE TO PAY**

All payments should be made by check payable to *Kansas Estate Tax*. Include the name of the estate and the decedent's Social Security number on the check. Returns and payments should be mailed to:

Kansas Department of Revenue  
Customer Relations – Estate Tax  
915 SW Harrison Street  
Topeka KS 66625-2222

#### **WHEN TO PAY**

Tax is due nine months following the decedent's date of death. If not paid when due, penalty and interest may be due.

#### **PENALTY AND INTEREST**

If the tax is not paid by the due date, penalty is imposed at the rate of 1% of the unpaid balance of the tax due for each month or fraction of a month that the return is not filed or tax paid, up to a maximum of 24%. In addition, interest will be charged on the unpaid tax from the due date until the time it is paid. The rate of interest is that prescribed by subsection (a) of K.S.A. 79-2968. For a specific rate, contact the Estate Tax Section or see our web site at: [www.ksrevenue.org](http://www.ksrevenue.org).

---

**Payment of  
Tax  
(continued)**

**REFUNDS**

No refund will be made for an amount of \$100 or less. No refund or credit will be allowed after three (3) years from the date the return was filed or one (1) year after an assessment is made, whichever is the later date, unless a claim is filed by the personal representative before those periods expire.

Interest will be paid on the amount of the refund at the statutory rate from the date of payment to the date the refund is allowed.

**ENFORCEMENT**

Generally, all of the property a decedent owned at the time of death, regardless of the form of investment, is subject to a lien for all tax, penalty and interest. The Department of Revenue considers the lien to be dormant and will enforce the lien only after filing written notice of the lien. Written notice of the lien may be filed against the property if it appears the estate is trying to evade the tax.

The lien is automatically released upon the payment of all tax, penalty and interest. It is also automatically released when the property is sold to pay charges against the estate and expenses of administration that have been allowed by a court. When property is otherwise sold, the lien is transferred from property sold to the proceeds of the sale.

If property must be sold, transferred or disposed of for the payment of taxes against the estate the property is divested of the lien, but only to the extent the Director of Taxation has granted a specific release.

If necessary, liability for the tax, penalty and interest may be enforced by issuance of a tax warrant.

---

**After the  
Return has  
been Filed**

**CLOSING LETTER**

Upon being satisfied that there has been a final determination of all taxes due and that full payment has been received, the Director of Taxation will issue a closing letter to the personal representative. A copy of the closing letter will also be issued to the preparer of the return.

**IRS ADJUSTMENTS**

Any adjustment by the Internal Revenue Service must be reported by the personal representative to the Director of Taxation within ninety (90) days of the date of such adjustment. An amended Kansas estate tax return must be filed to report any changes. Failure to comply will cause the statute of limitations to be tolled.

**AMENDED RETURNS**

An amended estate tax return must be filed when (1) there was an error on the original Kansas return, (2) there is a change on another state's return which affects the Kansas return, (3) there is a change on the federal estate tax return, or (4) either another state's return or the federal return is adjusted on audit.

When filing an amended return be sure to check the box for an amended return on page 1 of the Form K-706. Submit any and all forms, schedules, documents, instruments, audit reports, etc. necessary to support and explain the amendments.

If the full amount of tax and interest due on the amended return is paid at the time the amended return is filed, and the original return is not being examined at the time the amended return is filed, no penalty will be assessed.

To claim a refund on an amended return, simply report the amended tax liability. No refund or credit will be allowed after three (3) years from the date the return was filed or one (1) year after an assessment is made, whichever is the later date, unless a claim is filed by the personal representative before those periods expire.

---

**Additional  
Forms**

To obtain additional estate tax forms or for other state tax assistance contact the office shown below. Forms can also be downloaded from the Department of Revenue's web page at [www.ksrevenue.org](http://www.ksrevenue.org).

Topeka Assistance Center  
Docking State Office Building  
915 SW Harrison St., 1<sup>st</sup> Floor  
Topeka, Kansas 66625-1712

Phone: (785) 368-8222

Fax: (785) 296-4993

Hearing Impaired TTY: (785) 296-6461

## GENERAL INFORMATION

---

<b>Common Disaster</b>	When more than one individual dies as a result of a common disaster and it cannot be determined whether one survived the other(s), any problems as to title to property or the devolution thereof shall be resolved under the provisions of the Kansas Uniform Simultaneous Death Law, K.S.A. 58-701 <i>et seq.</i> The Kansas estate tax shall apply to the property of each decedent as so determined.
<b>Common Law Spouse</b>	Only persons decreed to have been a common law spouse by a court of competent jurisdiction can be given the same status as a spouse by marriage for estate tax purposes.
<b>Contracts for Sale</b>	<p>When a Kansas decedent dies owning an interest in a contract for sale of non-Kansas property or when a nonresident dies owning an interest in a contract for sale of Kansas property, it must be determined whether or not the remaining value of the contract is subject to tax by Kansas. A copy of the contract should be included with the estate tax return.</p> <p>The determination of whether or not a contract for sale is subject to tax by Kansas or subject to tax by the other state involved depends on whether or not a substantial down payment was made, or the payments made for a period of time constitute a substantial down payment.</p> <p>If an amount constituting a substantial down payment has been made on a contract for sale of <b>non-Kansas property</b> of an estate of a <b>Kansas decedent</b>, the remaining value of the contract will be included and subject to tax by Kansas. If a substantial payment has not been made it will not be taxable by Kansas.</p> <p>If an amount constituting a substantial down payment has been made on a contract for sale of <b>Kansas property</b> of an estate of a <b>nonresident decedent</b>, the remaining value of the contract will not be included in the assets subject to tax by Kansas. If substantial payment has not been made, the remaining value will be taxable by Kansas.</p>
<b>Credit Life Insurance</b>	Credit life insurance is considered to be paid to the decedent's estate rather than a named beneficiary and should be included on Kansas Schedule D. The amount of the credit life must be applied to the real estate mortgage or any indebtedness.
<b>Debts Forgiven by Will</b>	The discharge or bequest, in a will, of any debt or demand of a testator against any person shall be construed as a specific bequest of such debt or demand, and the amount shall be included in the inventory of the assets of the decedent.
<b>Escheat</b>	When a decedent dies intestate and there are no heirs at law, the property will pass to the living heirs of the decedent's last spouse dying prior to the death of the decedent. If there are no such heir or heirs, then the estate shall escheat to and become the property of the state.
<b>Estate/Property</b>	"Estate" and/or "property" means the real, personal and mixed property or interest therein of the decedent which shall pass or be transferred to a distributee, and shall include all personal property within or without the state.
<b>Expense Deductions</b>	Expenses which have been, or will be, deducted for income tax purposes cannot be deducted for estate tax purposes. To be deductible for income tax purposes, the right to claim the expenses for estate tax purposes must be waived on the estate tax return.
<b>Hugoton Gas Trust</b>	Hugoton Gas Trust stock which is owned by a non-resident decedent shall be treated as any other intangible owned by a non-resident decedent and therefore will not be subject to Kansas estate tax.
<b>Indian Headrights</b>	Indian headrights have a tax situs outside the state of Kansas, and as such are non-Kansas assets not subject to Kansas tax. See <i>Estate of Shelton v. Oklahoma Tax Commission</i> , OKL 544 P2d 495.
<b>Non-Resident Decedent</b>	A nonresident decedent is any deceased person whose domicile has been established as having been outside the State of Kansas, and who owned real property or tangible personal property situated in Kansas, or intangible property having an actual situs in Kansas not subject to tax by any other state or possession of the United States.

---

**Oil and Gas Leases or Royalties**

Oil and gas leases on lands in this state and all interest created thereby or arising therefrom, shall be considered as tangible personal property having an actual situs in this state.

A generally accepted method of valuing oil and gas leases or royalties where the interest is too small in value to justify expert appraisal is as follows:

1. Oil Leases and Royalties: Average the annual income from production for three years prior to the death of the decedent and multiply that average by three and one-half.
2. Gas Well: Average the annual production for five years and multiply that average by ten. Where no production exists, the valuation may be based on original cost if purchased within a reasonable period prior to decedent's death, and there has been no activity in the area to cause accretion in value.

---

**Partnership Property**

Kansas follows the doctrine of equitable conversion. Regardless of the nature of the assets or physical situs of property in which a decedent held a partnership interest, such interest is deemed an intangible asset taxable at the domicile of the owner.

---

**Personal Representative**

For purposes of the Kansas estate tax the term "personal representative" means the executor, administrator or deemed executor of the decedent. A "deemed executor" is any person in actual or constructive possession of any property of the decedent. A deemed executor must act if no executor or administrator is appointed, qualified and acting within the United States.

---

**Resident Decedent**

A resident decedent is any deceased person who was domiciled in Kansas at the time of death. A person who spent in the aggregate more than six months of the calendar year immediately preceding their death in Kansas is presumed to have been a resident of Kansas, in the absence of proof to the contrary.

---

**Valuation**

All property included in the gross estate must be valued as of the date of the decedent's death. As a general rule, the value of assets included in the gross estate is determined by valuing the property at its fair market value. In determining fair market value, Kansas will generally apply the valuation principles developed under federal law. However, if the decedent was a resident of Kansas, land that is located in Kansas and treated as land devoted to agricultural use for property tax purposes at the time of the decedent's death will be valued at its most recent valuation for property tax purposes.

Interest accrued to the date of the decedent's death on bonds, notes, and other interest-bearing obligations constitutes property of the gross estate on the date of death and is to be included in the gross estate. Rent accrued to the date of the decedent's death on leased realty or personalty constitutes property of the gross estate on the date of death, and is to be included in the gross estate.

Outstanding dividends which were declared to stockholders of record on or before the date of the decedent's death constitute property of the gross estate on the date of death, and are to be included in the gross estate.

# LINE INSTRUCTIONS FOR PAGE 1, Form K-706 (Rev. 1-07)

**DECEDENT'S INFORMATION**

Complete the biographical information for the decedent, personal representative(s) of the estate, attorney for the estate, and preparer of the return.

**LINE 1 – GROSS ESTATE**

Enter the amount of the gross estate shown on the Recapitulation, page 2, line 20.

**LINE 2 – DEDUCTIONS**

Enter the amount of deductions shown on the Recapitulation, page 2, line 30.

**LINE 3 – TAXABLE ESTATE**

Subtract line 2 from line 1 and enter the result on line 3.

**LINE 4 – TENTATIVE ESTATE TAX**

Compute the tentative tax on the amount on line 3, using the tax rate tables below. Be sure to use the correct table, based on the decedent's date of death. Enter the result on line 4.

**LINE 5 – KANSAS PERCENTAGE**

Enter the Kansas percentage shown on the Recapitulation, page 2, line 21.

**LINE 6 – TAX PAYABLE TO KANSAS**

Multiply line 4 by line 5. This is the Kansas estate tax payable to Kansas.

**LINE 7 – INTEREST**

If the tax is not paid by the due date, interest will be charged on the unpaid tax from the due date until the time it is paid. The rate of interest is that prescribed by subsection (a) of

K.S.A. 79-2968. For a specific rate, please contact the Estate Tax Section or see our web site at [www.ksrevenue.org](http://www.ksrevenue.org).

**LINE 8 – PENALTY**

If the tax is not paid by the due date, penalty is imposed at the rate of 1% of the unpaid balance of the tax due for each month or fraction of a month that the return is not filed or tax paid, up to a maximum of 24%.

**LINE 9 – TOTAL TAX, INTEREST AND PENALTY**

Add lines 6, 7 and 8. This is the total amount due to the State of Kansas. Please make your check or money order payable to *Kansas Estate Tax*.

**SIGNATURE AND VERIFICATION**

If there is more than one personal representative, all listed personal representatives are responsible for the return. However, it is sufficient for only one of the co-personal representatives to sign the return. All personal representatives are responsible for the return as filed and are liable for penalties provided for erroneous or false returns.

The personal representative who files the return must, in every case, sign the declaration on page 1 under penalty of perjury. If the return is prepared by someone other than the person who is filing the return, the preparer must also sign at the bottom of page 1. The fact that an individual's name is signed to the return, or to a statement or other document included with the return, is prima facie evidence that for all purposes the return, statement or other document was actually signed by the individual.

## TAX RATE TABLES (For Deaths Occurring In 2007, 2008 and 2009)

The Kansas estate tax is imposed upon the taxable estate of a decedent, based upon the decedent's date of death. The tax rates for deaths occurring in 2007, 2008 and 2009 are set forth below. For deaths occurring prior to 2007, see the *Prior Laws* section of these instructions. Estates of decedents dying after 2009 are not subject to the Kansas estate tax.

**BE SURE TO USE THE PROPER RATE TABLE, BASED ON DATE OF DEATH**

<p style="color: #0070C0;">Use this rate table for the estates of decedents dying in <b>2007</b></p>	<p><b>If the taxable estate is:</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Over</th> <th style="text-align: left; border-bottom: 1px solid black;">But Not Over</th> </tr> </thead> <tbody> <tr> <td>\$ 0 .....</td> <td>\$ 1,000,000 .....</td> </tr> <tr> <td>\$ 1,000,000 .....</td> <td>\$ 2,000,000 .....</td> </tr> <tr> <td>\$ 2,000,000 .....</td> <td>\$ 5,000,000 .....</td> </tr> <tr> <td>\$ 5,000,000 .....</td> <td>\$10,000,000 .....</td> </tr> <tr> <td>\$10,000,000 .....</td> <td></td> </tr> </tbody> </table>	Over	But Not Over	\$ 0 .....	\$ 1,000,000 .....	\$ 1,000,000 .....	\$ 2,000,000 .....	\$ 2,000,000 .....	\$ 5,000,000 .....	\$ 5,000,000 .....	\$10,000,000 .....	\$10,000,000 .....		<p><b>The tax is:</b></p> <p>Zero</p> <p>3.0% of excess over \$1,000,000</p> <p>\$30,000 plus 6.0% of excess over \$2,000,000</p> <p>\$210,000 plus 8.0% of excess over \$5,000,000</p> <p>\$610,000 plus 10.0% of excess over \$10,000,000</p>
Over	But Not Over													
\$ 0 .....	\$ 1,000,000 .....													
\$ 1,000,000 .....	\$ 2,000,000 .....													
\$ 2,000,000 .....	\$ 5,000,000 .....													
\$ 5,000,000 .....	\$10,000,000 .....													
\$10,000,000 .....														
<p style="color: #0070C0;">Use this rate table for the estates of decedents dying in <b>2008</b></p>	<p><b>If the taxable estate is:</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Over</th> <th style="text-align: left; border-bottom: 1px solid black;">But Not Over</th> </tr> </thead> <tbody> <tr> <td>\$ 0 .....</td> <td>\$ 1,000,000 .....</td> </tr> <tr> <td>\$ 1,000,000 .....</td> <td>\$ 2,000,000 .....</td> </tr> <tr> <td>\$ 2,000,000 .....</td> <td>\$ 5,000,000 .....</td> </tr> <tr> <td>\$ 5,000,000 .....</td> <td>\$10,000,000 .....</td> </tr> <tr> <td>\$10,000,000 .....</td> <td></td> </tr> </tbody> </table>	Over	But Not Over	\$ 0 .....	\$ 1,000,000 .....	\$ 1,000,000 .....	\$ 2,000,000 .....	\$ 2,000,000 .....	\$ 5,000,000 .....	\$ 5,000,000 .....	\$10,000,000 .....	\$10,000,000 .....		<p><b>The tax is:</b></p> <p>Zero</p> <p>1.0% of excess over \$1,000,000</p> <p>\$10,000 plus 2.0% of excess over \$2,000,000</p> <p>\$70,000 plus 5.0% of excess over \$5,000,000</p> <p>\$320,000 plus 7.0% of excess over \$10,000,000</p>
Over	But Not Over													
\$ 0 .....	\$ 1,000,000 .....													
\$ 1,000,000 .....	\$ 2,000,000 .....													
\$ 2,000,000 .....	\$ 5,000,000 .....													
\$ 5,000,000 .....	\$10,000,000 .....													
\$10,000,000 .....														
<p style="color: #0070C0;">Use this rate table for the estates of decedents dying in <b>2009</b></p>	<p><b>If the taxable estate is:</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Over</th> <th style="text-align: left; border-bottom: 1px solid black;">But Not Over</th> </tr> </thead> <tbody> <tr> <td>\$ 0 .....</td> <td>\$ 1,000,000 .....</td> </tr> <tr> <td>\$ 1,000,000 .....</td> <td>\$ 2,000,000 .....</td> </tr> <tr> <td>\$ 2,000,000 .....</td> <td>\$ 5,000,000 .....</td> </tr> <tr> <td>\$ 5,000,000 .....</td> <td>\$10,000,000 .....</td> </tr> <tr> <td>\$10,000,000 .....</td> <td></td> </tr> </tbody> </table>	Over	But Not Over	\$ 0 .....	\$ 1,000,000 .....	\$ 1,000,000 .....	\$ 2,000,000 .....	\$ 2,000,000 .....	\$ 5,000,000 .....	\$ 5,000,000 .....	\$10,000,000 .....	\$10,000,000 .....		<p><b>The tax is:</b></p> <p>Zero</p> <p>0.5% of excess over \$1,000,000</p> <p>\$5,000 plus 1.0% of excess over \$2,000,000</p> <p>\$35,000 plus 2.0% of excess over \$5,000,000</p> <p>\$135,000 plus 3.0% of excess over \$10,000,000</p>
Over	But Not Over													
\$ 0 .....	\$ 1,000,000 .....													
\$ 1,000,000 .....	\$ 2,000,000 .....													
\$ 2,000,000 .....	\$ 5,000,000 .....													
\$ 5,000,000 .....	\$10,000,000 .....													
\$10,000,000 .....														

## LINE INSTRUCTIONS FOR PAGE 2 (Kansas Recapitulation)

---

### GENERALLY

The Recapitulation is a summary of the value of all the assets included in the estate and the amount of all the deductions claimed by the estate. Assets from Schedules A through I will be listed on lines 10 through 18. Deductions from Schedules J through O will be listed on lines 22 through 29.

The total or totals for each schedule should be entered here. For Schedules A through I, enter the total value of Kansas property in the "Value of Kansas Property" column, and the total value of all property in the "Value of All Property" column. The ratio of these two values will determine the Kansas percentage which is used in computing the amount of estate tax due to Kansas.

If the gross estate does not contain any assets of the type specified for a given Schedule, enter a zero. Entering zero for any line 10 through 18 is a statement by the personal representative, made under penalties of perjury, that the gross estate does not contain any includible assets covered by that schedule.

You **must** show amounts on the Recapitulation schedule as whole dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Regardless of the value of assets or amount of deduction shown on any line, even if that amount is zero, you may still be required to complete a particular schedule. See the separate instructions for each schedule to determine whether a particular schedule must be filed.

### SPECIFIC LINE INSTRUCTIONS

#### LINES 10 THROUGH 18 – SCHEDULE AMOUNTS

Enter the totals from Schedules A through I on the appropriate lines and columns. See the separate instructions for each schedule.

#### LINE 19 – VALUE OF KANSAS PROPERTY

Add the amounts in the "Value of Kansas Property" column on lines 10 through 18. Enter the result here.

#### LINE 20 – GROSS ESTATE

Add amounts in the "Value of All Property" columns, lines 10 through 18. Enter the result here and on page 1, line 1.

#### LINE 21 – KANSAS PERCENTAGE

Divide the amount in the "Value of Kansas Property" column on line 19, by the amount in the "Value of All Property" column on line 20. Enter the result as a percentage carried out to seven (7) decimal places. If the decedent was a resident decedent whose estate consists entirely of Kansas property, the result is 100%. Enter the percentage here and on page 1, line 5.

#### LINES 22 THROUGH 29 – SCHEDULE AMOUNTS

Enter the totals from Schedules J through O on the appropriate lines and columns. See the separate instructions for each schedule.

#### LINE 30 – TOTAL DEDUCTIONS

Add lines 22 through 29. Enter the result here and on page 1, line 2.

## SCHEDULE INSTRUCTIONS – GENERAL

---

### GENERALLY

If you are required to file Form K-706 all of the decedent's property and all of the deductions from the decedent's estate must be listed on the following schedules.

Assets of the estate will be included on Schedules A through I. Deductions from the estate will be shown on Schedules J through O.

#### ALL PROPERTY MUST BE LISTED

All of the property which the decedent owned at the time of death or in which the decedent held an interest at the time of death must be listed on the schedules regardless of whether the property was Kansas property or non-Kansas property.

#### COMPLETING THE SCHEDULES

In the "Item Number" column, number each item consecutively beginning with "1". In the "Description" column, enter the information requested for each Schedule.

Kansas Property Will Be Listed In Both the "Value of Kansas Property" and the "Value of All Property" Columns.

The value of assets subject to Kansas estate tax will be listed in **both** the column captioned "Value of Kansas Property" and in the column captioned "Value of All Property". The value of assets that are not subject to Kansas estate tax will be listed in only the column captioned "Value of All Property".

### ROUNDING

You may show the money items on the schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

### ADDITIONAL SPACE

If there is not sufficient space for all entries under any of the printed schedules, use additional sheets of the same size, and attach them behind the appropriate schedule provided in the return.

### TOTALING EACH SCHEDULE

The total for each schedule should be shown at the bottom of the schedule. The totals should not be carried forward from one schedule to another.

### TOTALS TO RECAPITULATION

The total or totals for each schedule should be entered under the Recapitulation, page 2. For Schedules A through I, enter the total value of Kansas property in the "Value of Kansas Property" column, and the total value of all property in the "Value of All Property" column. On the Recapitulation page the ratio of these two values will determine the Kansas percentage which is used in computing the amount of estate tax due to Kansas.

## INSTRUCTIONS FOR SCHEDULE A – Real Estate

---

If you are required to file Form K-706 and the total gross estate contains any real estate, you must complete Schedule A and file it with the return. On Schedule A, list real estate the decedent owned or had contracted to purchase.

Number each parcel in the left-hand column. In the column captioned “Value of Kansas Property” list the value of all property subject to Kansas estate tax. In the column captioned “Value of All Property” list the value of all property shown on Schedule A.

### WHAT TO INCLUDE ON THIS SCHEDULE

List real estate the decedent owned or had contracted to purchase.

### WHAT NOT TO INCLUDE ON THIS SCHEDULE

Jointly owned real estate should be reported on Schedule E. Real estate that is part of a sole proprietorship should be reported on Schedule F. Real estate that is included in the gross estate as property transferred in contemplation of death, as property transferred with a retained life estate, or as part of a revocable transfer should be reported on Schedule G. Real estate that is included in the gross estate as property in respect to which the decedent had a general power of appointment should be reported on Schedule H.

### WHAT TO ENTER IN THE “DESCRIPTION” COLUMN

For each parcel of real estate, report the area and, if the parcel is improved, describe the improvements. Provide the street address for the parcel, if there is one.

The legal description of all real estate must be complete. For city or town property, report ward, subdivision, block, lot, city, county and state, etc. For rural property, report the section, township, range, county and state.

If a parcel of real estate is being valued at its property tax value clearly identify the parcel as land devoted to agricultural use in accordance with K.S.A 79-1476.

If property is titled in transfer on death (TOD) form, identify the grantee beneficiary.

### VALUATION

Under Kansas law, the value of real estate is generally to be determined by valuing the property at its fair market value.

In determining fair market value, Kansas will apply the valuation principles developed under federal law.

If the decedent was a resident of Kansas, land that is located in Kansas and treated as land devoted to agricultural use for property tax purposes at the time of decedent’s death will be valued at its most recent valuation for property tax purposes. This is the value indicated in the county assessor’s most recent statement of valuation sent to the decedent.

If any item of real estate is subject to a mortgage for which the decedent’s estate is liable; that is, if the indebtedness may be charged against other property of the estate that is not subject to the mortgage, or if the decedent was personally liable for that mortgage, you must report the full value of the property in the value column. Enter the amount of the mortgage under “Description” on this schedule. The unpaid amount of the mortgage may be deducted on Schedule K.

If the decedent’s estate is not liable for the amount of the mortgage, report only the value of the equity of redemption (or value of the property less the indebtedness) in the value column as part of the gross estate. Do not enter any amount less than zero. Do not deduct the amount of indebtedness on Schedule K.

For real property the decedent has contracted to purchase, report the full value of the property and not the equity in the value column. Deduct the unpaid part of the purchase price on Schedule K.

### WHAT TO ATTACH

If a parcel of real estate is being valued at its property tax value as land devoted to agricultural use in accordance with K.S.A 79-1476, attach a copy of the latest statement of valuation received by the decedent from the county assessor.

Explain how the reported values were determined and attach copies of any appraisals.

### TO COMPLETE THE SCHEDULE

Total the column captioned “Value of Kansas Property” and the column captioned “Value of All Property” at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 10.

## INSTRUCTIONS FOR SCHEDULE B – Stocks and Bonds

---

If you are required to file Form K-706 and the total gross estate contains any stocks or bonds, you must complete Schedule B and file it with the return. On Schedule B, list the stocks and bonds included in the decedent’s gross estate.

Number each item in the left-hand column. In the column captioned “Value of Kansas Property” list the value of all stocks and bonds subject to Kansas estate tax. In the column captioned “Value of All Property” list the value of all stocks and bonds shown on Schedule B.

### WHAT TO INCLUDE ON THIS SCHEDULE

List stocks or bonds owned by the decedent. Stocks or bonds owned in joint tenancy should be listed on Schedule E.

**Exempt Bonds.** Bonds that are exempt from federal income tax are not exempt from Kansas estate tax and should be listed on Schedule B. Bonds that are specifically exempt from Kansas estate tax should be reported on Schedule B and a corresponding deduction claimed on Schedule N.

**Interest and Dividends.** List interest and dividends on each stock or bond separately. Indicate as a separate item dividends that have not been collected at death, but which are payable to the decedent or the estate because the decedent was a stockholder of record on the date of death. However, if the stock is being traded on an exchange and is selling ex-dividend on the date of the decedent’s death, do not include the amount

of the dividend as a separate item. Instead, add it to the ex-dividend quotation in determining the fair market value of the stock on the date of the decedent's death. Dividends declared on shares of stock before the death of the decedent but payable to stockholders of record on a date after the decedent's death are not includible in the gross estate for Kansas estate tax purposes.

#### **WHAT NOT TO INCLUDE ON THIS SCHEDULE**

Jointly owned stocks and bonds should be reported on Schedule E. Stocks or bonds that are included in the gross estate as property transferred in contemplation of death, as property transferred with a retained life estate, or as part of a revocable transfer should be reported on Schedule G. Stocks or bonds that are included in the gross estate as property in respect to which the decedent had a general power of appointment should be reported on Schedule H.

#### **WHAT TO ENTER IN THE "DESCRIPTION" COLUMN**

**Stocks.** For stock, indicate:

- Number of shares
- Whether common or preferred
- Issue
- Par value if needed for identification
- Price per share
- Exact name of corporation
- Principal exchange upon which sold, if listed on an exchange
- Nine-digit CUSIP number

**Bonds.** For bonds, indicate:

- Quantity and denomination
- Name of obligor
- Date of maturity
- Interest rate
- Interest due date
- Principal exchange, if listed on an exchange
- Nine digit CUSIP number

If a stock or bond is titled in payable on death (POD) form, identify the grantee beneficiary.

If the stock or bond is unlisted, show the company's principal business office.

If the gross estate includes any interest in a closely held entity, provide the employer identification number (EIN) of the entity in the description column on Schedules B, E, F, G, M, and O, where applicable. You must also provide the EIN of the estate (if any) in the description column on the above-noted schedules, where applicable.

The CUSIP (Committee on Uniform Security Identification Procedure) number is a nine-digit number that is assigned to all stocks and bonds traded on major exchanges and many unlisted securities. Usually, the CUSIP number is printed on the face of the stock certificate. If the CUSIP number is not printed on the certificate, it may be obtained through the company's transfer agent.

#### **VALUATION**

Under Kansas law, the value of stocks or bonds is to be determined by valuing the item at its fair market value. In determining fair market value, Kansas will apply the valuation principles developed under federal law.

List the fair market value (FMV) of the stocks or bonds. The FMV of a stock or bond, (whether listed or unlisted) is the mean between the highest and lowest selling prices quoted on the valuation date. If only the closing selling prices are available, then the FMV is the mean between the quoted closing selling price on the valuation date and the trading day before the valuation date.

If there were no sales on the valuation date, figure the FMV as follows.

1. Find the mean between the highest and lowest selling prices on the nearest trading date before and the nearest trading date after the valuation date. Both trading dates must be reasonably close to the valuation date.
2. Prorate the difference between the mean prices to the valuation date.
3. Add or subtract (whichever applies) the prorated part of the difference to or from the mean price figured for the nearest trading date before the valuation date.

If no actual sales were made reasonably close to the valuation date, make the same computation using the mean between the *bona fide* bid and asked prices instead of sales prices. If actual sales prices or *bona fide* bid and asked prices are available within a reasonable period of time before the valuation date but not after the valuation date, or vice versa, use the mean between the highest and lowest sales prices or bid and asked prices as the FMV.

If the security was listed on more than one stock exchange, use either the records of the exchange where the security is principally traded or the composite listing of combined exchanges, if available, in a publication of general circulation. In valuing listed stocks and bonds, you should carefully check accurate records to obtain values for the application valuation date.

Securities reported as of no value, nominal value, or obsolete should be listed last. Include the address of the company and the state and date of the incorporation. Attach copies of correspondence or statements used to determine the "no value".

#### **WHAT TO ATTACH**

If you get quotations from brokers, or evidence of the sale of securities from the officers of the issuing companies, attach copies of the letters furnishing these quotations or evidence of sale to the schedule.

Also attach any other documents necessary to explain how the reported values were determined.

#### **TO COMPLETE THE SCHEDULE**

Total the column captioned "Value of Kansas Property" and the column captioned "Value of All Property" at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 11.

## INSTRUCTIONS FOR SCHEDULE C – Mortgages, Notes and Cash

If you are required to file Form K-706 and the total gross estate contains any mortgages, notes, or cash, you must complete Schedule C and file it with the return. On Schedule C, list mortgages, notes and cash included in the decedent's gross estate.

Number each item in the left-hand column. In the column captioned "Value of Kansas Property" list the value of all mortgages, notes and cash subject to Kansas estate tax. In the column captioned "Value of All Property" list the value of all mortgages, notes and cash shown on Schedule C.

### WHAT TO INCLUDE ON THIS SCHEDULE

List on Schedule C:

- Mortgages and notes payable *to the decedent* at the time of death.
- Cash the decedent had at the date of death.

### WHAT NOT TO INCLUDE ON THIS SCHEDULE

Do not list mortgages and notes payable *by the decedent* on Schedule C. If these are deductible, list them on Schedule K.

Jointly owned mortgages, notes or cash should be reported on Schedule E. Mortgages or notes that are included in the gross estate as property transferred in contemplation of death, as property transferred with a retained life estate, or as part of a revocable transfer should be reported on Schedule G. Mortgages or notes that are included in the gross estate as property in respect to which the decedent had a general power of appointment should be reported on Schedule H.

### ORDER OF LISTED ITEMS

List the items on Schedule C in the following order:

1. Mortgages,
2. Promissory notes,
3. Contracts by decedent to sell land,
4. Cash in possession, and
5. Cash in banks, savings and loan associations, and other types of financial organizations.

### WHAT TO ENTER IN THE "DESCRIPTION" COLUMN

For **mortgages** list:

- Face value
- Unpaid balance
- Date of mortgage
- Date of maturity

- Name of maker
- Property mortgaged
- Interest dates
- Interest rate

For **promissory notes**, list in the same way as mortgages.

For **contracts by decedent to sell land**, list:

- Name of purchaser
- Contract date
- Property description
- Sale price
- Initial payment
- Amounts of installment payment
- Unpaid balance of principal
- Interest rate

For **cash in possession**, list such cash separately from bank deposits.

For **cash in banks, savings and loan associations, and other types of financial organizations**, list:

- Name and address of each financial organization
- Amount in each account
- Serial or account number
- Nature of account – checking, savings, time deposit, etc.
- Unpaid interest accrued from date of last interest payment to date of death

If a mortgage or note is titled in payable on death (POD) form, identify the grantee beneficiary.

### VALUATION

Under Kansas law, the value of mortgages, notes and cash is to be determined by valuing the item at its fair market value. In determining fair market value, Kansas will apply the valuation principles developed under federal law.

### WHAT TO ATTACH

Attach any documents necessary to explain how the reported values were determined.

### TO COMPLETE THE SCHEDULE

Total the column captioned "Value of Kansas Property" and the column captioned "Value of All Property" at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 12.

## INSTRUCTIONS FOR SCHEDULE D – Insurance on Decedent's Life

If you are required to file Form K-706 and there was any insurance on the decedent's life, whether or not included in the gross estate, you must complete Schedule D and file it with the return.

Number each item in the left-hand column. In the column captioned "Value of Kansas Property" list the value of all insurance subject to Kansas estate tax. In the column captioned "Value of All Property" list the value of all insurance shown on Schedule D.

### WHAT TO INCLUDE ON THIS SCHEDULE

You must list every policy of insurance on the life of the decedent, whether or not it is included in the gross estate.

Under Kansas law you must include in the gross estate:

- Insurance on the decedent's life receivable by or for the benefit of the estate; and
- Insurance on the decedent's life receivable by beneficiaries other than the estate, as described below. The term "insurance" refers to life insurance of every

description, including death benefits paid by fraternal beneficiary societies operating under the lodge system, and death benefits paid under no-fault automobile insurance policies if the no-fault insurer was unconditionally bound to pay the benefit in the event of the insured's death.

**Insurance in favor of the estate.** Include on Schedule D the full amount of the proceeds of insurance on the life of the decedent receivable by the personal representative or otherwise payable to or for the benefit of the estate. Insurance in favor of the estate includes insurance used to pay the estate tax, and any other taxes, debts or charges that are enforceable against the estate (e.g., credit life insurance). The manner in which the policy is drawn is immaterial as long as there is an obligation, legally binding on the beneficiary, to use the proceeds to pay taxes, debts or charges. You must include the full amount even though the premiums or other consideration may have been paid by a person other than the decedent.

**Insurance receivable by beneficiaries other than the estate.** Include on Schedule D the proceeds of all insurance on the life of the decedent not receivable by or for the benefit of the decedent's estate if the decedent possessed at death any of the incidents of ownership, exercisable either alone or in conjunction with any person.

Incidents of ownership in a policy include:

- The right of the insured or estate to its economic benefits
- The power to change the beneficiary
- The power to surrender or cancel the policy
- The power to assign the policy or to revoke an assignment
- The power to pledge the policy for a loan
- The power to obtain from the insurer a loan against the surrender value of the policy

## **WHAT NOT TO INCLUDE ON THIS SCHEDULE**

Life insurance not includible in the gross estate specifically as life insurance proceeds may be includible for some other reason. For example, a life insurance policy could be transferred by the decedent in such a way that it would be includible in the gross estate as property transferred with a retained life estate or as a revocable transfer. See the instructions to Schedule G to determine if life insurance should be included there.

## **WHAT TO ENTER IN THE "DESCRIPTION" COLUMN**

Under "Description" list:

- Name of the insurance company
- Number of the policy
- Name of the beneficiary

## **VALUATION**

If the policy proceeds are paid in one sum, enter the net proceeds received (from Form 712) in the appropriate value columns of Schedule D. If the policy proceeds are not paid in one sum, enter the value of the proceeds as of the date of the decedent's death (from Form 712).

If part or all of the policy proceeds are not included in the gross estate, you must explain why they were not included.

## **WHAT TO ATTACH**

For every policy of life insurance listed on the schedule, you must request a Form 712, Life Insurance Statement, from the company that issued the policy. Attach the Form 712 to the back of Schedule D.

## **TO COMPLETE THE SCHEDULE**

Total the column captioned "Value of Kansas Property" and the column captioned "Value of All Property" at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 13.

# **INSTRUCTIONS FOR SCHEDULE E – Jointly Owned Property**

---

If you are required to file Form K-706 you must complete Schedule E and file it with the return if the decedent owned any joint property at the time of death, whether or not the decedent's interest is includible in the gross estate.

Number each item in the left-hand column. In the column captioned "Value of Kansas Property" list the value of all jointly owned property subject to Kansas estate tax. In the column captioned "Value of All Property" list the value of all jointly owned property shown on Schedule E.

## **WHAT TO INCLUDE ON THIS SCHEDULE**

Enter on this schedule all property of whatever kind or character, whether real estate, personal property, or bank accounts, in which the decedent held at the time of death an interest either as a joint tenant with right to survivorship or as a tenant by the entirety.

## **WHAT NOT TO INCLUDE ON THIS SCHEDULE**

Do not list on this schedule property that the decedent held as a tenant in common, but report the value of the interest on Schedule A if real estate, or on the appropriate schedule if personal property. Similarly, community property held by the decedent and spouse should be reported on the appropriate Schedules A through I. The decedent's interest in a partnership should not be entered on this schedule unless the partnership interest itself is jointly owned. Solely owned partnership interests should be reported on Schedule F, Other Miscellaneous Property.

## **SECTION I—QUALIFIED JOINT INTERESTS HELD BY DECEDENT AND SPOUSE.**

Under Kansas law, a joint interest is a qualified joint interest if the decedent and the surviving spouse held the interest as:

- Tenants by the entirety, or
- Joint tenants with right of survivorship if the decedent and the decedent's spouse are the only joint tenants.

Interests that meet either of the two requirements above should be entered in Section I. Joint interests that do not meet either of the two requirements above should be entered in Section II.

Under "Description," describe the property as required in the instructions for Schedules A, B, C, and F for the type of property involved. For example, jointly held stocks and bonds should be described using the rules given in the instructions to Schedule B.

## SECTION II—OTHER JOINT INTERESTS.

All joint interests that were not entered in Section I must be entered in Section II.

For each item of property, enter the appropriate letter A, B, C, etc., from line 2a to indicate the name and address of the surviving co-tenant.

Under "Description," describe the property as required in the instructions for Schedules A, B, C, and F for the type of property involved. For example, jointly held stocks and bonds should be described using the rules given in the instructions to Schedule B.

In the "Percentage Includible" column, enter the percentage of the total value of the property that you intend to include in the gross estate.

## VALUATION

Under Kansas law, the value of jointly owned property is to be determined by valuing the property at its fair market value. In determining fair market value, Kansas will apply the valuation principles developed under federal law.

If the decedent was a resident of Kansas, land that is located in Kansas and treated as land devoted to agricultural use for property tax purposes at the time of decedent's death will be valued at its most recent valuation for property tax purposes. This is the value indicated in the county assessor's most recent statement of valuation sent to the decedent.

Generally, you must include the full value of the jointly owned property in the gross estate. However, the full value should not be included if you can show that a part of the property originally belonged to the other tenant or tenants and was never received or acquired by the other tenant or tenants from the decedent for less than adequate and full consideration in money or money's worth, or unless you can show that any part of the property was acquired with consideration originally belonging to the surviving joint tenant or tenants. (See *What to attach; Proof of Contribution*, that follows.) In this case, you may exclude from the value of the property an amount proportionate to the consideration furnished by the other tenant or tenants. Relinquishing or promising to relinquish dower, curtesy, or statutory estate created instead of dower or curtesy, or other marital rights in the decedent's property or estate is not consideration in money or money's

worth. See the Schedule A instructions for the value to show for real property that is subject to a mortgage.

If the property was acquired by the decedent and another person or persons by gift, bequest, devise, or inheritance as joint tenants, and their interests are not otherwise specified by law, include only that part of the value of the property that is figured by dividing the full value of the property by the number of joint tenants.

If you believe that less than the full value of the entire property is includible in the gross estate for tax purposes, you must establish the right to include the smaller value by attaching proof of the extent, origin, and nature of the decedent's interest and the interest(s) of the decedent's co-tenant or co-tenants. (See *What to attach; Proof of Contribution*, that follows.)

## WHAT TO ATTACH

**Generally.** Explain how the reported values were determined and attach copies of any appraisals.

**Proof of Contribution.** As a general rule, the entire value of jointly-held property is to be included in a decedent's gross estate unless the personal representative submits facts sufficient to show that the consideration for the property was not furnished entirely by the decedent or that the property was acquired by the decedent and other joint owner or owners by gift, bequest, devise or inheritance. The burden of proof is on the estate. The mere statement in a return that consideration was furnished by a surviving joint tenant or tenants will not be deemed sufficient proof of contribution nor will the furnishing of an affidavit by the surviving joint tenant or tenants be satisfactory. The most satisfactory evidence of proof of contribution by a joint tenant is actual proof of contribution by positive identification of the source of funds. The prime example of this type of proof is cancelled checks. Other examples of actual proof of contribution might be records of financial institutions, tax returns, or personal or business financial records.

Upon a positive showing that actual proof of contribution is unavailable or unreasonably difficult to obtain, affidavits from disinterested third parties who are familiar with the financial affairs of the decedent and the surviving joint tenant or tenants and who can trace the source of the funds by factual recitation in the affidavit are also sufficient. A showing of inability or unreasonable difficulty in obtaining actual proof of contribution should be made by affidavit of the personal representative or attorney for the estate, and should set forth the reason for the difficulty or inability. Persons who might qualify as disinterested third parties include certified public accountants, attorneys, bankers, real estate agents, and people with a similar relationship to the decedent who have actual knowledge of the financial transactions involved.

## TO COMPLETE THE SCHEDULE

Total the column captioned "Value of Kansas Property" and the column captioned "Value of All Property" at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 14.

# INSTRUCTIONS FOR SCHEDULE F – Other Miscellaneous Property

If you are required to file Form K-706 you must complete Schedule F and file it with the return to report any miscellaneous property included in the gross estate.

Number each item in the left-hand column. In the column captioned "Value of Kansas Property" list the value of all miscellaneous property subject to Kansas estate tax. In the column captioned "Value of All Property" list the value of all miscellaneous property shown on Schedule F.

## WHAT TO INCLUDE ON THIS SCHEDULE

On Schedule F, list all items that must be included in the gross estate that are not reported on any other schedule, including:

- Debts due the decedent (other than notes and mortgages included on Schedule C)
- Interests in business
- Any interest in an Archer medical savings account (MSA) or Health Savings Account (HSA), unless such interest passes to the surviving spouse
- Insurance on the life of another (obtain and attach Form 712, Life Insurance Statement, for each policy)
- Property for which a marital deduction was previously allowed (see *Decedent Who Was a Surviving Spouse* that follows)
- Claims (including the value of the decedent's interest in a claim for refund of income taxes or the amount of the refund actually received)
- Rights
- Royalties
- Leaseholds
- Judgments
- Shares in trust funds (attach a copy of the trust instrument)
- Household goods and personal effects, including wearing apparel
- Farm products and growing crops
- Livestock
- Farm machinery
- Automobiles

## WHAT NOT TO INCLUDE ON THIS SCHEDULE

Jointly owned property or interests should be reported on Schedule E. Property or interests that are included in the gross estate as property transferred in contemplation of death, as property transferred with a retained life estate, or as part of a revocable transfer should be reported on Schedule G. Property or interests that are included in the gross estate as property in respect to which the decedent had a general power of appointment should be reported on Schedule H.

## WHAT TO ENTER IN THE "DESCRIPTION" COLUMN

Provide reasonable detail for each item of property. Items with a large amount of intrinsic value (such as collectible items or works of art) should be described separately. Other items (such as household goods and personal effects) may be listed collectively.

## VALUATION

Under Kansas law, the value of miscellaneous property is to be determined by valuing the property at its fair market

value. In determining fair market value, Kansas will apply the valuation principles developed under federal law.

**Note (for single premium or paid-up policies).** In certain situations, for example where the surrender value of the policy exceeds its replacement cost, the true economic value of the policy will be greater than the amount shown on line 59 of Form 712. In these situations, you should report the full economic value of the policy on Schedule F.

## WHAT TO ATTACH

Attach any documents necessary to identify or explain the nature of the assets listed, or how the reported values were determined.

If the decedent owned any interest in a partnership or unincorporated business, attach a statement of assets and liabilities for the date of death and for the 5 years before the date of death. Also attach statements of the net earnings for the same 5 years. Be sure to include the EIN of the entity. You must account for goodwill in the valuation. In general, furnish the same information and follow the methods used to value close corporations.

All partnership interests should be reported on Schedule F unless the partnership interest, itself, is jointly owned. Jointly owned partnership interests should be reported on Schedule E.

If real estate is owned by a sole proprietorship, it should be reported on Schedule F and not on Schedule A. Describe the real estate with the same detail required for Schedule A.

## DECEDENT WHO WAS A SURVIVING SPOUSE

If the decedent was a surviving spouse, he or she may have received qualified terminable interest property (QTIP) from the predeceased spouse for which the marital deduction was elected on the predeceased spouse's estate tax return. List such property on Schedule F.

If this election was made and the surviving spouse retained his or her interest in the QTIP property at death, the full value of the QTIP property is includible in his or her estate, even though the qualifying income interest terminated at death. It is valued as of the date of the surviving spouse's death. Do not reduce the value by any annual exclusion that may have applied to the transfer creating the interest.

If the surviving spouse transferred their life interest to another person within one year of the date of their death, the QTIP property should not be included on this Schedule F. Instead, the interest should be included on Schedule G.

If the surviving spouse transferred the life income interest to another person more than one year prior to death, none of the QTIP property is included in the surviving spouse's gross estate.

The value of such property included in the surviving spouse's gross estate is treated as passing from the surviving spouse. It therefore qualifies for the charitable and marital deductions on the surviving spouse's estate tax return if it meets the other requirements for those deductions.

## TO COMPLETE THE SCHEDULE

Total the column captioned "Value of Kansas Property" and the column captioned "Value of All Property" at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 15.

# INSTRUCTIONS FOR SCHEDULE G – Transfers During Decedent’s Life

If you are required to file Form K-706 you must complete Schedule G and file it with the return if the decedent (1) made a transfer, by trust or otherwise, of an interest in any property, or relinquished a power with respect to any property, during the one-year period ending on the date of the decedent’s death, and the interest would have been included in the decedent’s gross estate if it had not been transferred or the power relinquished; (2) transferred property but retained an interest in it; or (3) transferred property in which the enjoyment of the transferred property was subject at decedent’s death to any change through the exercise of a power to alter, amend, revoke, or terminate.

Number each item in the left-hand column. In the “Value of Kansas Property” column list the value of all property subject to Kansas estate tax. In the “Value of All Property” column list the value of all property shown on Schedule G.

## TRANSFERS WITHIN ONE YEAR OF DEATH

**General Rule.** The gross estate includes any interest in property transferred by the decedent within one year of the date of death if the transferred interest would have been included in the decedent’s gross estate if the decedent had continued to own the interest at death. Kansas law also includes in the gross estate any property with respect to which the decedent relinquished a power within one year of the date of death. This includes:

- Any transfer of property owned outright by the decedent within one year of the date of death
- Any transfer by the decedent with respect to a life insurance policy within one year of the date of death
- Any transfer within one year of death of an interest in which the decedent retained a life estate or the power to alter, amend, revoke or terminate the interest, if the property subject to the life estate, interest, or power would have been included in the gross estate had the decedent continued to possess the life estate, interest or power until death
- Any relinquishment of a power with respect to any property within one year of the date of death

These transfers are reported on Schedule G, regardless of whether a gift tax return was required to be filed for them when they were made.

**Exceptions.** Certain transfers made within one year of the decedent’s date of death are not included in the gross estate. Transfers not included in the gross estate are:

- Transfers, other than transfers with respect to a life insurance policy, for which the decedent was not required by Section 6019 of the Internal Revenue Code to file a gift tax return; and
- Any transfer which is a *bona fide* sale for an adequate and full consideration in money or money’s worth.

Transfers for which the decedent was not required by Section 6019 of the Internal Revenue Code to file a gift tax return include:

1. Annual per donee exclusion for gifts;
2. Tuition and medical expense transfers;
3. Transfers qualifying for the gift tax marital deduction; and,
4. Most charitable transfers.

**Annual Donee Exclusion.** The amount of the annual per donee exclusion for gifts is \$12,000 for 2007. This amount is determined in accordance with Section 2503 of the Internal Revenue Code. Section 2503 includes a provision which indexes the exclusion amount, so this amount will increase in subsequent years.

For Kansas estate tax purposes the determination of whether a transfer is a transfer for which the decedent was not required by Section 6019 of the Internal Revenue Code to file a gift tax return is made with respect to transfers to each donee. In other words, the gift or gifts made to each donee will be viewed separately and the annual per donee exclusion applied to each donee. This is different than federal gift tax law which provides that if a decedent makes more than one gift in a calendar year and Section 6019 of the Internal Revenue Code requires the filing of a gift tax return with regard to any one of the gifts, all of the gifts must be reported on the federal gift tax return.

If, when viewed separately, a gift is within the annual exclusion amount so that no gift tax return would be required, no part of the gift is included in the gross estate for Kansas estate tax purposes. If, however, a separate gift exceeds the annual exclusion amount so that a federal gift tax return would be required as to that gift, the entire amount of the gift is included in the gross estate for Kansas estate tax purposes. You cannot exclude that portion of the gift that would have qualified for the federal gift tax exclusion.



**Example 1:** In 2007, D made a gift of \$12,000 to each of ten nieces and nephews, for a total of \$120,000. The decedent is not required by Section 6019 of the Internal Revenue Code to file a gift tax return with respect to any of the transfers (whether viewed separately or viewed collectively). As a result none of the gifts are included in the decedent’s estate as a transfer within one year of death.



**Example 2:** In 2007, D made a gift of \$12,000 to each of nine nieces and nephews, and a gift of \$15,000 to one nephew, for a total of \$123,000. Under federal law, D is required to file a gift tax return and report all of the gifts. Considering each gift separately Section 6019 of the Internal Revenue Code only requires the filing of a gift tax return with regard to the gift of \$15,000. Therefore, for Kansas estate tax purposes, only the \$15,000 gift will be included in the decedent’s gross estate as a transfer within one year of death. Because no exclusion is allowed, the entire \$15,000 will be subject to Kansas estate tax.

file a gift tax return and report all of the gifts. Considering each gift separately Section 6019 of the Internal Revenue Code only requires the filing of a gift tax return with regard to the gift of \$15,000. Therefore, for Kansas estate tax purposes, only the \$15,000 gift will be included in the decedent’s gross estate as a transfer within one year of death. Because no exclusion is allowed, the entire \$15,000 will be subject to Kansas estate tax.

## TRANSFERS WITH RETAINED LIFE ESTATE

**General Rule.** The gross estate includes transfers by the decedent (by trust or otherwise) in which the decedent retained an interest in the transferred property. Include the following retained interests or rights:

- The right to income from the transferred property
- The right to the possession or enjoyment of the property
- The right, either alone or with any person, to designate the persons who shall receive the income from, or possess or enjoy, the property

A retained life estate does not have to be legally enforceable to be includable. What matters is that a substantial economic benefit was retained. For example, if a mother transferred title to her home to her daughter but with the informal understanding that she was to continue living there until her death, the value of the home would be includable in the mother's estate even if the agreement would not have been legally enforceable.

**Exception.** A transfer with a retained life estate does not include any transfer which is a *bona fide* sale for an adequate and full consideration in money or money's worth.

**Amount Includable.** The amount includable in the gross estate is the value of the transferred property at the time of the decedent's death. If the decedent kept or reserved an interest or right to only a part of the transferred property, the amount includable in the gross estate is a corresponding part of the entire value of the property.

### REVOCABLE TRANSFERS

**General Rule.** The gross estate includes the value of transferred property in which the enjoyment of the transferred property was subject at decedent's death to any change through the exercise of a power to alter, amend, revoke, or terminate. A decedent's power to change the beneficiaries and to hasten or increase any beneficiary's enjoyment of the property are examples of this.

It does not matter whether the power was reserved at the time of the transfer, whether it arose by operation of law, or was later created or conferred. The rule applies regardless of the source from which the power was acquired and regardless of whether the power was exercisable by the decedent alone or with any person (and regardless of whether that person had a substantial adverse interest in the transferred property).

The capacity in which the decedent could use a power has no bearing. If the decedent gave property in trust and was the trustee with the power to revoke the trust, the property would be included in his or her gross estate.

**Exception.** If the decedent relinquished any of the includable powers described above they are not included in the gross estate as a revocable transfer. However, if the includable power was relinquished within one year of death the power may be included as a transfer within one year of death. (See *Transfers Within One Year of Death*, on the previous page.)

**Amount Includable.** Only that part of the transferred property that is subject to the decedent's power is included in the gross estate.

### HOW TO COMPLETE SCHEDULE G

**Generally.** All transfers (other than *bona fide* sales) made by the decedent at any time during life must be reported on Schedule G, regardless of whether you believe the transfers are subject to tax. If the decedent made any transfers not described in the instructions above, the transfers should not be shown on Schedule G. Instead, attach a statement describing these transfers by listing:

1. The date of the transfer,
2. The amount or value of the transferred property, and
3. The type of transfer.

Complete the schedule for each transfer that is included in the gross estate as described in the instructions for Schedule G, above.

**Description.** In the "Description" column, list the name of the transferee, the date of the transfer, and give a complete description of the property. Transfers included in the gross estate should be valued on the date of the decedent's death.

**Amount Includable.** If only part of the property transferred meets the terms of transfers within one year of death, transfers with a retained life estate, or revocable transfers, then only a corresponding part of the value of the property should be included in the value of the gross estate. If the transferee makes additions or improvements to the property, the increased value of the property should not be included on Schedule G. However, if only a part of the value of the property is included, enter the value of the whole under the column headed "Description" and explain what part was included.

The amount includable and the information required to be shown for certain transfers are determined as follows:

- For insurance on the *life of the decedent* use the instructions to Schedule D (attach Forms 712)
- For insurance on the *life of another* use the instructions to Schedule F (attach Forms 712)
- For transfers with a retained life estate and revocable transfers, use these instructions

### WHAT TO ATTACH

If a transfer, by trust or otherwise, was made by a written instrument, include a copy of the instrument with Schedule G. If the copy of the instrument is of public record, it should be certified. If not of public record, the copy should be verified.

If a federal gift tax return is filed, include a copy of the return.

### TO COMPLETE THE SCHEDULE

Total the column captioned "Value of Kansas Property" and the column captioned "Value of All Property" at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 16.

# INSTRUCTIONS FOR SCHEDULE H – Powers of Appointment

If you are required to file Form K-706 you must complete Schedule H and file it with the return if the decedent ever possessed, exercised, or released any general power of appointment.

Number each item in the left-hand column. In the “Value of Kansas Property” column list the value of all property subject to Kansas estate tax. In the “Value of All Property” column list the value of all property shown on Schedule H.

## WHAT TO INCLUDE ON THIS SCHEDULE

On Schedule H, include in the gross estate:

- The value of property for which the decedent possessed a general power of appointment (defined below) on the date of his or her death
- The value of property for which the decedent possessed a general power of appointment that he or she exercised or released before death by disposing of it in such a way that if it were a transfer of property owned by the decedent, the property would be includible in the decedent’s gross estate as a transfer with a retained life estate, a transfer taking effect at death, or a revocable transfer

With the above exceptions, property subject to a power of appointment is not includible in the gross estate if the decedent released the power completely and the decedent held no interest in or control over the property.

If the failure to exercise a general power of appointment results in a lapse of the power, the lapse is treated as a release only to the extent that the value of the property that could have been appointed by the exercise of the lapsed power is more than the greater of \$5,000 or 5% of the total value, at the time of the lapse, of the assets out of which, or the proceeds of which, the exercise of the lapsed power could have been satisfied.

## GENERALLY

A power of appointment determines who will own or enjoy the property subject to the power and when they will own or enjoy it. The power must be created by someone other than the decedent. It does not include a power created or held on property transferred by the decedent.

A power of appointment includes all powers which are, in substance and effect, powers of appointment regardless of how they are identified and regardless of local property laws.

Some powers do not in themselves constitute a power of appointment. For example, a power to amend only administrative provisions of a trust that cannot substantially affect the beneficial enjoyment of the trust property or income is not a power of appointment. A power to manage, invest, or control assets, or to allocate receipts and disbursements, when exercised only in a fiduciary capacity, is not a power of appointment.

**General Power of Appointment.** A general power of appointment is a power that is exercisable in favor of the decedent, the decedent’s estate, the decedent’s creditors, or the creditors of the decedent’s estate, except:

1. A power to consume, invade, or appropriate property for the benefit of the decedent that is limited by an ascertainable standard relating to health, education, support, or maintenance of the decedent.

2. A power exercisable by the decedent only in conjunction with:
  - a. the creator of the power, or
  - b. a person who has a substantial interest in the property subject to the power, which is adverse to the exercise of the power in favor of the decedent.

A part of a power is considered a general power of appointment if the power:

1. May only be exercised by the decedent in conjunction with another person; and
2. Is also exercisable in favor of the other person (in addition to being exercisable in favor of the decedent, the decedent’s creditors, the decedent’s estate, or the creditors of the decedent’s estate).

The part to include in the gross estate as a general power of appointment is figured by dividing the value of the property by the number of persons (including the decedent) in favor of whom the power is exercisable.

**Date power was created.** Generally, a power of appointment created by will is considered created on the date of the testator’s death.

A power of appointment created by an *inter vivos* instrument is considered created on the date the instrument takes effect. If the holder of the power exercises it by creating a second power, the second power is considered as created at the time of the exercise of the first.

## WHAT NOT TO INCLUDE ON THIS SCHEDULE

Jointly owned property or interests should be reported on Schedule E. Property or interests that are included in the gross estate as property transferred in contemplation of death, as property transferred with a retained life estate, or as part of a revocable transfer should be reported on Schedule G.

## DESCRIPTION

Describe the nature of the power, how the power was created, the date the power was created, and the manner in which the power can be exercised. If the failure to exercise a general power of appointment has resulted in a lapse of the power, explain how the lapse occurred.

## VALUATION

Under Kansas law, the value of property for which the decedent possessed a general power of appointment is to be determined by valuing the property at its fair market value. In determining fair market value, Kansas will apply the valuation principles developed under federal law.

## ATTACHMENTS

If the decedent ever possessed a power of appointment, attach a certified or verified copy of the instrument granting the power and a certified or verified copy of any instrument by which the power was exercised or released. You must file these copies even if you contend that the power was not a general power of appointment, and that the property is not otherwise includible in the gross estate.

## TO COMPLETE THE SCHEDULE

Total the column captioned “Value of Kansas Property” and the column captioned “Value of All Property” at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 17.

# INSTRUCTIONS FOR SCHEDULE I – Annuities

If you are required to file Form K-706 you must complete Schedule I and file it with the return if the decedent, immediately before death, was receiving an annuity.

Number each item in the left-hand column. In the “Value of Kansas Property” column list the value of all property subject to Kansas estate tax. In the “Value of All Property” column list the value of all property shown on Schedule I.

## WHAT TO INCLUDE ON THIS SCHEDULE

In general, you must include in the gross estate all or part of the value of any annuity that meets the following requirements:

1. It is receivable by a beneficiary following the death of the decedent and by reason of surviving the decedent;
2. The annuity is under a contract or agreement entered into after March 3, 1931;
3. The annuity was payable to the decedent (or the decedent possessed the right to receive the annuity) either alone or in conjunction with another, for the decedent’s life or for any period not ascertainable without reference to the decedent’s death or for any period that did not in fact end before the decedent’s death; and,
4. The contract or agreement is not a policy of insurance on the life of the decedent.

These rules apply to all types of annuities, including pension plans, individual retirement arrangements, and purchased commercial annuities.

An annuity or other payment that is not includible in the decedent’s or the survivor’s gross estate as an annuity may still be includible under some other applicable provision of the law. For example, see the instructions for Schedule H, Powers of Appointment.

## PART INCLUDIBLE

If the decedent contributed only part of the purchase price of the contract or agreement, include in the gross estate only that part of the value of the annuity receivable by the surviving beneficiary that the decedent’s contribution to the purchase price of the annuity or agreement bears to the total purchase price.

Usually, contributions made by a decedent’s employer to the purchase price of the contract or agreement are considered made by the decedent if they were made by the employer because of the decedent’s employment.

## DEFINITIONS

**Annuity.** The term “annuity” includes one or more payments extending over any period of time. The payments may be equal or unequal, conditional or unconditional, periodic or sporadic.

**Payable to the decedent.** An annuity or other payment was payable to the decedent if, at the time of death, the decedent was in fact receiving an annuity or other payment, with or without an enforceable right to have the payments continued.

**Right to receive an annuity.** The decedent had the right to receive an annuity or other payment if, immediately before death, the decedent had an enforceable right to receive

payments at some time in the future, whether or not at the time of death the decedent had a present right to receive payments.

## WHAT NOT TO INCLUDE ON THIS SCHEDULE

An annuity contract that provides periodic payments to a person for life and ceases at the person’s death is not includible in the gross estate. Social Security benefits are not includible in the gross estate even if the surviving spouse receives benefits.

Jointly owned property or interests should be reported on Schedule E. Property or interests that are included in the gross estate as property transferred in contemplation of death, as property transferred with a retained life estate, or as part of a revocable transfer should be reported on Schedule G. Property or interests that are included in the gross estate as property in respect to which the decedent had a general power of appointment should be reported on Schedule H.

## DESCRIPTION

In describing an annuity, give the name and address of the grantor of the annuity. In addition:

- If an annuity under an individual retirement account or annuity became payable because that beneficiary survived the decedent and is payable to the beneficiary for life or for at least 36 months following the decedent’s death, then state the ratio of the amount paid for the individual retirement account or annuity that was not allowed as an income tax deduction under federal law (other than a rollover contribution) to the total amount paid for the account or annuity
- If the annuity is payable out of a trust or other fund, then the description should be sufficiently complete to fully identify it
- If the annuity is payable for a term of years, then include the duration of the term and the date on which it began
- If the annuity is payable for the life of a person other than the decedent, then include the name and date of birth of that person
- If the annuity is wholly or partially excluded from the gross estate, then enter the amount excluded under “Description” and explain how you computed the exclusion

## VALUATION

Under Kansas law, the value an annuity is to be determined by valuing the property at its fair market value. In determining fair market value, Kansas will apply the valuation principles developed under federal law.

## WHAT TO ATTACH

Attach any documents necessary to identify the source of an annuity, to support the exclusion of an annuity, or to explain how the reported values were determined.

## TO COMPLETE THE SCHEDULE

Total the column captioned “Value of Kansas Property” and the column captioned “Value of All Property” at the bottom of the schedule. Enter the total in the appropriate column under the Recapitulation, page 2, line 18.

# INSTRUCTIONS FOR SCHEDULE J – Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims

If you are required to file Form K-706 you must complete Schedule J and file it with the return if you claim a deduction for funeral expenses or expenses incurred in administering property subject to claims on line 22 of the Recapitulation on page 2.

Number each item in the left-hand column. Enter the amount of the expense in the column captioned "Amount."

## WHAT TO INCLUDE ON THIS SCHEDULE

On Schedule J, itemize funeral expenses and expenses incurred in administering property subject to claims. List the names and addresses of persons to whom the expenses are payable and describe the nature of the expense. **Do not list expenses incurred in administering property not subject to claims on this schedule. List them on Schedule L instead.**

The deduction is limited to the amount paid for these expenses that is allowable under local law but may not exceed:

1. The value of property subject to claims included in the gross estate, plus
2. The amount paid out of property included in the gross estate but not subject to claims. This amount must actually be paid by the due date of the estate tax return.

The applicable local law under which the estate is being administered determines which property is and is not subject to claims. If under local law a particular property interest included in the gross estate would bear the burden for the payment of the expenses, then the property is considered property subject to claims.

Unlike certain claims against the estate for debts of the decedent (see the instructions for Schedule K), you cannot deduct expenses incurred in administering property subject to claims on both the estate tax return and the estate's income tax return. If you choose to deduct them on the estate tax return, you cannot deduct them on Form K-41 filed for the estate. Funeral expenses are only deductible on the estate tax return.

## FUNERAL EXPENSES

Itemize all funeral expenses. Deduct from the expenses any amounts that were reimbursed, such as death benefits payable by the Social Security Administration and the Veterans Administration.

## COMMISSIONS AND FEES

**Personal Representative.** When you file the return, you may deduct commissions that have actually been paid to you or that you expect will be paid. You may not deduct commissions if none will be collected. If the amount of the commissions has not been fixed by decree of the proper court, the deduction will be allowed on examination of the return, provided that:

1. It reasonably appears that the commissions claimed will be paid;

2. The amount entered as a deduction is within the amount allowable by the laws of the jurisdiction where the estate is being administered; and
3. It is in accordance with the usually accepted practice in that jurisdiction for estates of similar size and character.

If you have not been paid the commissions claimed at the time of examination of the return, you must support the amount you deducted with an affidavit or statement signed under the penalties of perjury that the amount has been agreed upon and will be paid.

You may not deduct a bequest or devise made to you instead of commissions. If, however, the decedent fixed by will the compensation payable to you for services to be rendered in the administration of the estate, you may deduct this amount to the extent it is not more than the compensation allowable by the local law or practice.

Do not deduct on this schedule amounts paid as trustees' commissions whether received by you acting in the capacity of a trustee or by a separate trustee. If such amounts were paid in administering property not subject to claims, deduct them on Schedule L.

**NOTE:** Commissions paid to personal representatives are taxable income to the personal representative. Be sure to include them as income on your individual income tax return.

**Attorney Fees.** Enter the amount of attorney fees that have actually been paid or that you reasonably expect to be paid. If on examination of the return the fees claimed have not been awarded by the proper court and paid, the deduction will be allowed provided it reasonably appears that the amount claimed will be paid and that it does not exceed a reasonable payment for the services performed, taking into account the size and character of the estate and the local law and practice. If the fees claimed have not been paid at the time of examination of the return, the amount deducted must be supported by an affidavit, or statement signed under the penalties of perjury, by the executor or the attorney stating that the amount has been agreed upon and will be paid.

Do not deduct attorney fees incidental to litigation incurred by the beneficiaries. These expenses are charged against the beneficiaries personally and are not administration expenses authorized by Kansas law.

**Accountant Fees.** Enter the amount of accountant fees that have actually been paid or that you reasonably expect to be paid. Do not deduct accountant fees incidental to services performed for the beneficiaries. These expenses are charged against the beneficiaries personally and are not administration expenses authorized by Kansas law.

## MISCELLANEOUS EXPENSES

Miscellaneous administration expenses necessarily incurred in preserving and distributing the estate are deductible. These expenses include appraiser's fees, certain court costs, and costs of storing or maintaining assets of the estate.

The expenses of selling assets are deductible only if the sale is necessary to pay the decedent's debts, the expenses of administration, or taxes, or to preserve the estate or carry out distribution.

Although Kansas law does not permit a deduction for federal estate tax, federal gift tax may be deducted. If the decedent made taxable gifts prior to death and failed to pay gift tax prior to death, the liability for gift tax may be deducted.

#### **WHAT NOT TO INCLUDE ON THIS SCHEDULE**

Do not list debts of the decedent or mortgages and liens for which the decedent is responsible. List them on Schedule K instead. Do not list expenses incurred in administering property not subject to claims on this schedule. List them on Schedule L instead.

Do not deduct (1) income taxes on income received after the decedent's death, (2) property taxes not accrued prior to death, or (3) any estate, succession, legacy, or inheritance

taxes, whether imposed by another state, the United States, or any foreign jurisdiction. Kansas law does not permit a deduction for these expenses.

#### **DESCRIPTION**

For funeral expenses, identify the party or entity to which payment was made. For miscellaneous expenses, identify the party or entity to which payment was made and explain why the expense was incurred.

#### **WHAT TO ATTACH**

Attach any documents necessary to explain why the expense was incurred, to support the deduction, or to explain how the amount of the expense was determined.

#### **TO COMPLETE THE SCHEDULE**

Total the column captioned "Amount" at the bottom of the schedule. Enter the total under the Recapitulation, page 2, line 22.

## **INSTRUCTIONS FOR SCHEDULE K – Debts of the Decedent and Mortgages and Liens**

If you are required to file Form K-706 you must complete Schedule K and file it with the return if you claim a deduction for debts of the decedent on line 23 or for mortgages and liens on line 24 of the Recapitulation on page 2.

Number each item in the left-hand column. Enter the amount of the debt, mortgage or lien in the column captioned "Amount".

#### **INCOME TAX VS. ESTATE TAX DEDUCTION**

Taxes, interest, and business expenses accrued at the date of the decedent's death are deductible both on Schedule K and as deductions in respect of decedent on the income tax return of the estate. Any other amounts allowable as a deduction for estate tax purposes may not be allowed as a deduction on the income tax return filed for the estate, or any other person, unless a waiver of the right to claim a deduction for estate tax purposes is filed with the estate tax return.

#### **DEBTS OF THE DECEDENT**

#### **WHAT TO INCLUDE IN THIS SECTION OF THE SCHEDULE**

List under "Debts of the Decedent" only valid debts of the decedent owed at the time of death. List any indebtedness secured by a mortgage or other lien upon property of the gross estate under the heading "Mortgages and Liens." If the amount of the debt is disputed or the subject of litigation, deduct only the amount the estate concedes to be a valid claim. If the claim is contested, that fact should be included.

**Generally.** If the claim against the estate is based on a promise or agreement, the deduction is limited to the extent that the liability was contracted *bona fide* and for an adequate and full consideration in money or money's worth. However, any enforceable claim based on a promise or agreement of the decedent to make a contribution or gift (such as a pledge or a subscription) to or for the use of a charitable, public, religious, etc., organization is deductible to the extent that such a deduction would be allowable as a bequest under the statute that applies.

**Property and income taxes.** The deduction for property taxes is limited to the taxes accrued before the date of the decedent's death. Federal taxes on income received during decedent's lifetime are deductible, but taxes on income received after death are not deductible.

#### **WHAT NOT TO INCLUDE IN THIS SECTION OF THE SCHEDULE**

Do not list funeral expenses or expenses incurred in administering property subject to claims. List them on Schedule J instead. Do not list expenses incurred in administering property not subject to claims on this schedule. List them on Schedule L instead.

#### **DESCRIPTION**

Include in this schedule notes unsecured by mortgage or other lien and give full details, including:

1. Name of payee,
2. Face value and unpaid balance,
3. Date and term of note,
4. Interest rate, and
5. Date to which interest was paid before death.

Include the exact nature of the claim as well as the name of the creditor. If the claim is for services rendered over a period of time state the period covered by the claim.

If the amount of the claim is the unpaid balance due on a contract for the purchase of any property included in the gross estate, indicate the schedule and item number where you reported the property. If the claim represents a joint and separate liability, give full facts and explain the financial responsibility of the co-obligor.

#### **WHAT TO ATTACH**

Attach any documents necessary to explain why the debt was incurred or how the amount of the debt was determined.

#### **TO COMPLETE THIS SECTION OF THE SCHEDULE**

Total the column captioned "Amount" at the bottom of the section and enter the total under the Recapitulation, page 2, line 23.

## **MORTGAGES AND LIENS**

### **WHAT TO INCLUDE IN THIS SECTION OF THE SCHEDULE**

List under “Mortgages and Liens” only obligations secured by mortgages or other liens on property that you included in the gross estate at full value, or at a value that was undiminished by the amount of the mortgage or lien. If the debt is enforceable against other property of the estate not subject to the mortgage or lien, or if the decedent was personally liable for the debt, you must include the full value of the property subject to the mortgage or lien in the gross estate under the appropriate schedule and may deduct the mortgage or lien on the property on this schedule.

Generally, mortgages upon, or any indebtedness with respect to, property included in the gross estate is deductible only to the extent that the liability was contracted *bona fide* and for an adequate and full consideration in money or money’s worth. If the decedent’s estate is not liable, include in the gross estate only the value of the equity of redemption (or the value of the property less the amount of the debt). Do not deduct any portion of the indebtedness on this schedule.

Outstanding mortgages on property held in joint tenancy between spouses only and/or property held by tenants in common must be adjusted to reflect the amount of the mortgage for which the decedent was legally liable.

Notes and other obligations secured by the deposit of collateral, such as stocks, bonds, etc., should also be listed under “Mortgages and Liens”.

### **WHAT NOT TO INCLUDE IN THIS SECTION OF THE SCHEDULE**

Do not list funeral expenses or expenses incurred in administering property subject to claims. List them on Schedule J instead. **Do not list expenses incurred in administering property not subject to claims on this schedule. List them on Schedule L instead.**

### **DESCRIPTION**

Include under the description column the particular schedule and item number where such property subject to the mortgage or lien is reported in the gross estate.

Include the name and address of the mortgagee, payee, or obligee, and the date and term of the mortgage, note, or other agreement by which the indebtedness was established. Also include the face amount, the unpaid balance, the rate of interest, and date to which the interest was paid before the decedent’s death.

### **WHAT TO ATTACH**

Attach any documents necessary to identify the property subject to the mortgage or lien, or to explain how the amount of the mortgage or lien was determined.

### **TO COMPLETE THIS SECTION OF THE SCHEDULE**

Total the column captioned “Amount” at the bottom of the section. Enter the total under the Recapitulation, page 2, line 24.

## **INSTRUCTIONS FOR SCHEDULE L – Net Losses During Administration and Expenses Incurred in Administering Property Not Subject to Claims**

---

If you are required to file Form K-706 you must complete Schedule L and file it with the return if you claim a deduction for net losses during administration on line 25 or for expenses incurred in administering property not subject to claims on line 26 of the Recapitulation on page 2.

Number each item in the left-hand column. Enter the amount of the net loss or expense in the column captioned “Amount”.

### **NET LOSSES DURING ADMINISTRATION**

### **WHAT TO INCLUDE IN THIS SECTION OF THE SCHEDULE**

You may deduct only those losses from fire, storm, shipwreck, or other casualties that occurred during settlement of the estate. You may deduct only the amount not reimbursed by insurance or otherwise.

### **WHAT NOT TO INCLUDE IN THIS SECTION OF THE SCHEDULE**

Do not list funeral expenses or expenses incurred in administering property subject to claims. List them on Schedule J instead. Do not list debts of the decedent or mortgages and liens for which the decedent is responsible. List them on Schedule K instead.

Do not deduct losses claimed as a deduction on a Kansas income tax return or depreciation in the value of securities or other property.

### **DESCRIPTION**

Describe in detail the loss sustained and the cause. If you received insurance or other compensation for the loss, state the amount collected. Identify the property for which you are claiming the loss by indicating the particular schedule and item number where the property is included in the gross estate.

### **AMOUNT**

If you do not know the exact amount of the loss, you may deduct an estimate, provided that the amount may be verified with reasonable certainty.

### **WHAT TO ATTACH**

Attach any documents necessary to explain the loss and the cause, or to explain how the amount of the loss was determined.

### **TO COMPLETE THIS SECTION OF THE SCHEDULE**

Total the column captioned “Amount” at the bottom of the section. Enter the total under the Recapitulation, page 2, line 25.

### **EXPENSES INCURRED IN ADMINISTERING PROPERTY NOT SUBJECT TO CLAIMS**

### **WHAT TO INCLUDE IN THIS SECTION OF THE SCHEDULE**

You may deduct expenses incurred in administering property that is included in the gross estate but that is not

subject to claims. You may only deduct these expenses if they were paid before the period of limitations for assessments expired.

The expenses deductible on this schedule are usually expenses incurred in the administration of a trust established by the decedent before death. They may also be incurred with the collection of other assets or the transfer or clearance of title to other property included in the decedent's gross estate for Kansas estate tax purposes, but not included in the decedent's probate estate.

The expenses deductible on this schedule are limited to those that are the result of settling the decedent's interest in the property or vesting good title to the property in the beneficiaries. Expenses incurred on behalf of the transferees (except those described above) are not deductible.

#### **WHAT NOT TO INCLUDE IN THIS SECTION OF THE SCHEDULE**

Do not list funeral expenses or expenses incurred in administering property subject to claims. List them on Schedule J instead. Do not list debts of the decedent or

mortgages and liens for which the decedent is responsible. List them on Schedule K instead.

#### **DESCRIPTION**

List the names and addresses of the persons to whom each expense was payable and the exact nature of the expense. Identify the property for which the expense was incurred by indicating the schedule and item number where the property is included in the gross estate.

#### **AMOUNT**

If you do not know the exact amount of the expense, you may deduct an estimate, provided that the amount may be verified with reasonable certainty and will be paid before the period of limitations for assessment (referred to previously) expires.

#### **WHAT TO ATTACH**

Attach any documents necessary to explain the expense, or to explain how the amount of the expense was determined.

#### **TO COMPLETE THIS SECTION OF THE SCHEDULE**

Total the column captioned "Amount" at the bottom of the section. Enter the total under the Recapitulation, page 2, line 26.

## **INSTRUCTIONS FOR SCHEDULE M – Bequests, etc. to Surviving Spouse**

If you are required to file Form K-706 you must complete Schedule M and file it with the return if you claim a deduction for bequests, etc., to the surviving spouse on line 27 of the Recapitulation on page 2.

Number each item in the left-hand column. Enter the amount of the bequest, etc. in the column captioned "Amount".

#### **GENERALLY**

Kansas law allows a deduction for the value of any interest in property which passes or has passed from the decedent to the surviving spouse. The deduction includes property which passes outright to the surviving spouse and interests in property which are terminable.

Terminable interest property may or may not qualify for the qualified terminable interest property (QTIP) election. See *Terminable Interests* and *Qualified terminable interest property*, that follows.

If terminable interest property qualifies for the QTIP election, Kansas law allows an alternative deduction for the portion of the trust or other property that will benefit the surviving spouse.

1. The personal representative can elect QTIP treatment and therefore deduct the entire value of the trust or other property. If a QTIP election is made, the entire trust or other property will be included in the surviving spouse's estate if the surviving spouse retains the income interest until the surviving spouse's death. (See instructions for Schedule F.)
2. Alternatively, the executor can decline to make a QTIP election and deduct only the value of the surviving spouse's terminable interest in the trust or other property. In effect, this subjects the remainder interest to taxation. If the non-QTIP alternative is chosen, none of the trust or other property will be included in the surviving spouse's gross estate at the surviving spouse's death.

#### **WHAT TO LIST ON THIS SCHEDULE**

You may list on Schedule M only those property interests that pass from the decedent to the surviving spouse and which are included in the gross estate on Schedules A through I.

You may list on Schedule M only those interests that the surviving spouse takes:

- As the decedent's legatee, devisee, heir, or donee
- As the decedent's surviving tenant by the entirety or joint tenant
- As the appointee under the decedent's exercise of a power or as a taker in default of the decedent's nonexercise of a power
- As a beneficiary of insurance on the decedent's life
- As the surviving spouse taking under dower or curtesy (or similar statutory interest)
- As a transferee of a transfer made by the decedent at any time

#### **WHAT NOT TO LIST ON THIS SCHEDULE**

You should not list on Schedule M:

- The value of any property that does not pass from the decedent to the surviving spouse
- Property interests that are not included in the decedent's gross estate
- Property interests for which an exemption is claimed on Schedule N
- The full value of a property interest for which a deduction was claimed on Schedules J through L. The value of the property interest should be reduced by the deductions claimed with respect to it
- The full value of a property interest that passes to the surviving spouse subject to a mortgage or other encumbrance or an obligation of the surviving spouse. Include on Schedule M only the net value of the

interest after reducing it by the amount of the mortgage or other debt

- Any property interest disclaimed by the surviving spouse

### TERMINABLE INTERESTS

Certain interests in property passing from a decedent to a surviving spouse are referred to as *terminable interests*. These are interests that will terminate or fail after the passage of time, or on the occurrence or nonoccurrence of some contingency. Examples are: life estates, annuities, estates for terms of years, and patents.

The ownership of a bond, note or other contractual obligation, which when discharged would have the effect of an annuity for life or for a term, is not considered a terminable interest.

A terminable interest is deductible, and should be entered on Schedule M even if:

1. Another interest in the same property passed from the decedent to some other person for less than adequate and full consideration in money or money's worth; and
2. By reason of its passing, the other person or that person's heirs may enjoy part of the property after the termination of the surviving spouse's interest.

A deduction may be claimed even though the interest that passes from the decedent to a person other than the surviving spouse is not included in the gross estate, and regardless of when the interest passes. A deduction may be claimed regardless of whether the surviving spouse's interest and the other person's interest pass from the decedent at the same time.

Property interests that are considered to pass to a person other than the surviving spouse are any property interest that: (a) passes under a decedent's will or intestacy; (b) was transferred by a decedent during life; or (c) is held by or passed on to any person as a decedent's joint tenant, as appointee under a decedent's exercise of a power, as taker in default at a decedent's release or nonexercise of a power, or as a beneficiary of insurance on the decedent's life.

The marital deduction is allowed for an interest that the decedent directed the executor or trustee to convert, after death, into a terminable interest for the surviving spouse. The marital deduction is allowed for such an interest even if there was an interest in the property passing to another person and even if the terminable interest would not otherwise have been deductible under certain exceptions for life estate and life insurance and annuity payments with powers of appointment.

If any property interest passing from the decedent to the surviving spouse may be paid or otherwise satisfied out of any of a group of assets, the value of the property interest is not, for the entry on Schedule M, reduced by the value of any asset or assets that, if passing from the decedent to the surviving spouse, would be terminable interests. Examples of property interests that may be paid or otherwise satisfied out of any of a group of assets are a bequest of the residue of the decedent's estate, or of a share of the residue, and a cash legacy payable out of the general estate.

### ELECTION TO DEDUCT QUALIFIED TERMINABLE INTERESTS (QTIP)

You may elect to claim a marital deduction for qualified terminable interest property or property interests. There is no requirement that a federal QTIP election be made as a condition of making the Kansas QTIP election. Although the Kansas and federal requirements are essentially identical, the elections are entirely independent of one another.

You make the QTIP election by listing the qualified terminable interest property on Schedule M, indicating it is QTIP property, and deducting its value. (However, see the instructions for *Line 2*, below, regarding an automatic QTIP election for certain joint and survivor annuities.) If you make this election, the surviving spouse's gross estate will include the value of the "qualified terminable interest property." **Once made, the election is irrevocable.**

If you file a Form K-706 in which you do not make this election, you may not file an amended return to make the election unless you file the amended return on or before the due date for filing the original Form K-706.

The effect of the election is that the full value of the property (interest) will be treated as passing to the surviving spouse and will not be treated as a terminable interest. All of the other marital deduction requirements must still be satisfied before you make this election. For example, you may not make this election for property or property interests that are not included in the decedent's gross estate.

**Qualified terminable interest property.** Qualified terminable interest property is property (a) that passes from the decedent, and (b) in which the surviving spouse has a qualifying income interest for life.

The surviving spouse has a *qualifying income interest for life* if the surviving spouse is entitled to all of the income from the property payable annually or at more frequent intervals, or has a usufruct interest for life in the property, and during the surviving spouse's lifetime no person has a power to appoint any part of the property to any person other than the surviving spouse. An annuity is treated as an income interest regardless of whether the property from which the annuity is payable can be separately identified.

An interest in property is eligible for QTIP treatment if the income interest is contingent upon the executor's election even if that portion of the property for which no election is made will pass to or for the benefit of beneficiaries other than the surviving spouse.

The QTIP election may be made for all or any part of qualified terminable interest property. A partial election may relate to a fractional or percentile share of the property so that the elective part will reflect its proportionate share of the increase or decline in the whole of the property when including the property (interest) in the surviving spouse's estate, or it may be made as to a specific dollar amount in trust. Thus, if the interest of the surviving spouse in a trust (or other property in which the spouse has a qualified life estate) is qualified terminable interest property, you may make an election for a part of the trust (or other property) if the election relates to a defined fraction or percentage of the entire trust (or other property), or to a specific dollar amount. A fraction or percentage may be defined by means of a formula.

#### LINE 1

If property passes to the surviving spouse as the result of a qualified disclaimer, check "Yes" and attach a court certified copy of the written disclaimer.

#### LINE 2

Kansas law creates an automatic QTIP election for certain joint and survivor annuities. To qualify, only the surviving spouse can have the right to receive payments before the death of the surviving spouse.

The executor can elect out of QTIP treatment, however, by checking the "Yes" box on line 2. Once made, the election is

irrevocable. If there is more than one such joint and survivor annuity, you are not required to make the election for all of them.

If you make the election out of QTIP treatment by checking "Yes" on line 2, you may deduct the amount of the annuity on Schedule M as terminable property. If you do not make the election out, you must list the joint and survivor annuities on Schedule M.

#### **DESCRIPTION**

List each property interest included in the gross estate that passes from the decedent to the surviving spouse and for which a marital deduction is claimed. This includes property passing outright, terminable interests, and terminable interest property for which you are making a QTIP election. Number each item in sequence and describe each item in detail. Describe the instrument (including any clause or paragraph number) or provision of law under which each item passed to the surviving spouse. If possible, show where each item appears (number and schedule) on Schedules A through I.

In listing property for which you are making a QTIP election, unless you specifically identify a fractional portion of the trust or other property as not subject to the election, the election will be considered made for all of the trust or other property.

#### **AMOUNT**

List the value of each property interest passing to the surviving spouse.

The value of a property interest for which a deduction was claimed on Schedules J through L should be the full value reduced by the deductions claimed with respect to it. Only the net value should be listed.

The value of a property interest that passes to the surviving spouse subject to a mortgage or other encumbrance or an obligation of the surviving spouse should be reduced by the amount of the mortgage or other debt. Only the net value should be listed.

The value of terminable interests, such as annuities, life estates, terms for years, remainders and reversions should be determined in accordance with the valuation principles developed under federal law.

Enter the value of each interest before taking into account the federal estate tax or any other death tax.

#### **LINES 4A, B, AND C**

The total of the values listed on Schedule M must be

reduced by the amount of the federal estate tax, the federal GST tax, and the amount of state or other death and GST taxes paid out of the property interest involved. If you enter an amount for state or other death or GST taxes on line 4b or 4c, identify the taxes and attach your computation of them.

#### **ATTACHMENTS**

If you list property interests passing by the decedent's will on Schedule M, attach a certified copy of the order admitting the will to probate. If, when you file the return, the court of probate jurisdiction has entered any decree interpreting the will or any of its provisions affecting any of the interests listed on Schedule M, or has entered any order of distribution, attach a certified copy of the decree or order. In addition, the Department of Revenue may request other evidence to support the marital deduction claimed.

If Schedule M includes a bequest of the residue or a part of the residue of the decedent's estate, attach a copy of the computation showing how the value of the residue was determined.

Also include:

- The value of all property that is included in the decedent's gross estate (Schedules A through I) but is not a part of the decedent's probate estate, such as lifetime transfers, jointly owned property that passed to the survivor on decedent's death, and the insurance payable to specific beneficiaries
- The values of all specific and general legacies or devises, with reference to the applicable clause or paragraph of the decedent's will or codicil. (If legacies are made to each member of a class; for example, \$1,000 to each of decedent's employees, only the number in each class and the total value of property received by them need be furnished)
- The date of birth of all persons, the length of whose lives may affect the value of the residuary interest passing to the surviving spouse
- Any other important information such as that relating to any claim to any part of the estate not arising under the will

#### **TO COMPLETE THE SCHEDULE**

Total the column captioned "Amount" at the bottom of the section. Enter the total under the Recapitulation, page 2, line 27.

## **INSTRUCTIONS FOR SCHEDULE N – Property Which Is Exempt By Kansas or Federal Law**

If you are required to file Form K-706 you must complete Schedule N and file it with the return if you claim a deduction for property which is exempt by Kansas or federal law on line 28 of the Recapitulation on page 2.

Number each item in the left-hand column. Enter the amount of the property which is exempt by Kansas or federal law in the "Amount" column.

#### **WHAT TO INCLUDE ON THIS SCHEDULE**

The Kansas estate tax act permits a deduction for the value of all property included in the gross estate which is specifically exempt from estate taxation by the laws of Kansas or the

laws of the United States. The provisions which provide for a specific exemption are not found in the estate tax act. Instead they are found in other Kansas or federal statutory provisions.

For example, Kansas Turnpike Authority bonds are exempt from the Kansas estate tax. The provision which authorizes the exemption is found in K.S.A. 68-20,104. That statute states, in part, that "all bonds issued under the provisions of this act and all sales, transfers, and income of or from such bonds shall at all times be free from taxation within the state."

Some Kansas exemption statutes may refer to an exemption from Kansas "inheritance tax". Although the tax now imposed under Kansas law is technically an "estate"

tax, an exemption from “inheritance tax” will be recognized, and an exemption allowed, for estate tax purposes.

The Department of Revenue does not maintain a list of property which is specifically exempt from estate taxation. As a result, it will be up to the estate to determine whether to assert a claim of deduction for a particular asset. In many cases reference to the authority under which exemption is granted is shown on the ownership instrument (bond, certificate, etc.) Another source of information is the entity which issued the bond, certificate, etc. which is exempt.

Property which is exempt by Kansas or federal law can only be deducted once, and should be listed on Schedule N. Do not claim another deduction for such property for a bequest, etc. to a surviving spouse on Schedule M, or for charitable, public and similar gifts and bequests on Schedule O.

#### **WHAT NOT TO INCLUDE ON THIS SCHEDULE**

Do not include property included in the gross estate which is exempt from estate taxation by the laws of a state other than Kansas, or by the laws of a country other than the United States.

#### **DESCRIPTION**

List the property for which the deduction is being claimed in the “Description” column. Include a reference to the schedule and item number where the property is included as an asset of the gross estate. Also include a reference to the authority (either state or federal law) under which the exemption is being claimed.

A claim for deduction will likely be denied in the absence of a reference to the authority which provides the specific exemption from the estate tax.

#### **AMOUNT**

List the value of each item of property included in the gross estate which is specifically exempt from estate taxation by the laws of Kansas or the laws of the United States.

The value of a property interest for which a deduction was claimed on Schedule J through L should be the full value reduced by the deductions claimed with respect to it. Only the net value should be listed.

The value of a property interest that passes to the surviving spouse subject to a mortgage or other encumbrance or an obligation of the surviving spouse should be the full value reduced by the amount of the mortgage or other debt. Only the net value should be listed.

The value of terminable interests, such as annuities, life estates, terms for years, remainders and reversions should be determined in accordance with the valuation principles developed under federal law.

#### **WHAT TO ATTACH**

Attach any documents necessary to explain the exemption, or to explain how the amount of the exemption was determined.

#### **TO COMPLETE THE SCHEDULE**

Total the column captioned “Amount” at the bottom of the schedule. Enter the total under the Recapitulation, page 2, line 28.

## **INSTRUCTIONS FOR SCHEDULE O – Charitable, Public, and Similar Gifts and Bequests**

---

If you are required to file Form K-706 you must complete Schedule O and file it with the return if you claim a deduction for charitable, public and similar gifts and bequests on line 29 of the Recapitulation on page 2.

Number each item in the left-hand column. Enter the amount of the gift or bequest in the column captioned “Amount”.

#### **WHAT TO INCLUDE ON THIS SCHEDULE**

You can claim a deduction for the value of property in the decedent’s gross estate that was transferred by the decedent during life or by will to or for the use of any charitable organization. For Kansas estate tax purposes the term “charitable organization” means corporations, organizations, associations, societies, institutions, foundations, governmental units or agencies described in section 2055(a) of the internal revenue code.

The charitable deduction is allowed for bequests, legacies, devises or transfers, and includes partial charitable interests, such as interests in charitable remainder trusts. Transfers include amounts that are transferred to a charitable organization as a result of either a qualified disclaimer or the complete termination of a power to consume, invade, or appropriate property for the benefit of an individual. It does not matter whether termination occurs because of the death of the individual or in any other way. The termination must occur within the period of time (including extensions) for filing

the decedent’s estate tax return and before the power has been exercised.

#### **WHAT NOT TO INCLUDE ON THIS SCHEDULE**

Do not list property that was not included in the decedent’s gross estate.

Do not list property interests for which an exemption is claimed on Schedule N.

Do not list property which was transferred to a corporation, organization, association, society, institution, foundation, governmental unit or agency that is not described in section 2055(a) of the internal revenue code.

#### **DESCRIPTION**

List the property for which the deduction is being claimed and identify the organization or entity to which it is passing in the “Description” column. Include a reference to the schedule and item number where the property is included as an asset of the gross estate, if possible. (See *What to Attach*, that follows.)

#### **AMOUNT**

List the value of each bequest, legacy, devise or transfer that was transferred by the decedent during life or by will to or for the use of a charitable organization.

The deduction is limited to the amount actually available for charitable uses. Therefore, if under the terms of a will or

trust, or for any other reason, the federal estate tax, Kansas estate tax, or any other estate, inheritance, or succession tax is payable in whole or in part out of any bequest, legacy, or devise that would otherwise be allowed as a charitable deduction, the amount you may deduct is the amount of the bequest, legacy, or devise reduced by the total amount of the taxes.

**NOTE:** The amount of any bequest, legacy, or devise to a charity may be affected by application of the Kansas Estate Tax Apportionment Act which is found in K.S.A. 79-15,126.

The value of a property interest for which a deduction was claimed on Schedule J through L should be the full value reduced by the deductions claimed with respect to it. Only the net value should be listed.

The value of a property interest that passes to the charity subject to a mortgage or other encumbrance should be the full value reduced by the amount of the mortgage or other debt. Only the net value should be listed.

The value of terminable interests, such as annuities, life estates, terms for years, remainders and reversions should be determined in accordance with the valuation principles developed under federal law.

#### **WHAT TO ATTACH**

If you are deducting the value of the residue or a part of the residue passing to charity under the decedent's will, attach a copy of the computation showing how you determined the value, including any reduction for the taxes described above.

Also include:

- A statement that shows the values of all specific and general legacies or devises for both charitable and noncharitable uses. For each legacy or devise, indicate

the paragraph or section of the decedent's will or codicil that applies. If legacies are made to each member of a class, show only the number of each class and the total value of property they received

- For transfers made under the provisions of the decedent's trust, indicate the paragraph or section of the trust that applies
- The date of birth of all life tenants or annuitants, the length of whose lives may affect the value of the interest passing to charity under the decedent's will or trust
- A statement showing the value of all property that is included in the decedent's gross estate but does not pass under the will or trust, such as transfers, jointly owned property that passed to the survivor on the decedent's death, and insurance payable to specific beneficiaries
- A copy of any letter(s) received from the Internal Revenue Service which indicates any entity or organization receiving a legacy or devise from the decedent's estate is tax exempt charity.
- Any other important information such as that relating to any claim, not arising under the will or trust, to any part of the estate

If the charitable transfer was made by will, attach a court certified copy of the will. If the transfer was made by trust or any other written instrument, attach a copy. If the instrument is of record, the copy should be certified; if not, the copy should be verified.

#### **TO COMPLETE THE SCHEDULE**

Total the column captioned "Amount" at the bottom of the schedule. Enter the total under the Recapitulation, page 2, line 29.



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

PRSR STD  
U.S. POSTAGE  
**PAID**  
KANSAS DEPT.  
OF REVENUE



## Taxpayer Assistance

### BY PHONE

If you have a question about the Kansas Estate Tax or Inheritance Tax, call 785-368-8222 to speak with a customer representative.

If you prefer, you may fax information to 785-296-4993.

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



### IN PERSON

Personal assistance is also available at the following location:

Taxpayer Assistance Center  
Docking State Office Building - 1st floor  
915 SW Harrison Street  
Topeka, KS 66625-2007

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

### REQUEST FOR TAX FORMS - 785-296-4937

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](http://www.ksrevenue.org).