

Please allow 4 to 8 weeks from the date you mail your return to receive your refund. Errors, improperly completed forms, photocopied forms or incomplete information will delay the processing of your return. For a faster refund (7 days or less), consider filing your return electronically. See page 3 for details.

Refund Set-off Program: Kansas law provides that if you owe any delinquent debt (Kansas tax, child support, student loans, etc.) to a Kansas state agency, municipality, municipal court or district court, your income tax refund will be applied (set-off) to that delinquent debt. **The set-off process will cause a 10 to 12 week delay to any remaining refund.**

SIGNATURE

Your Income Tax return must be signed. Both taxpayers must sign a joint return even if only one had income. If the return is prepared by someone other than you, the preparer should also sign in the space provided.

If you are filing a return on behalf of a decedent, the return should be signed by the executor/executrix. If it is a joint return filed by the surviving spouse, indicate on the spouse's signature line "Deceased" and the date of death. **If a refund is due, enclose the required documents (see instructions for Deceased Taxpayers on page 13).**

PREPARER AUTHORIZATION BOX

In some cases it may be necessary for the Department of Revenue to contact you about your tax return. By marking the box above the signature line, you are authorizing the director or director's designee to discuss your tax return and any enclosures with your tax preparer.

MAILING YOUR RETURN

Before mailing your return, please be sure:

- ✓ you have completed all required information on the return.
- ✓ your numbers are legible in each box.
- ✓ you have enclosed, but not attached all K-19 forms and applicable schedules. **If you have a modification on line 2 of form K-40, you MUST enclose your completed Schedule S form.**
- ✓ you have completed and enclosed Form K-40V if you are making a tax payment.



If you file Form K-40 using a Kansas address, do not include a copy of your Federal return. However, keep a copy as it may be requested by the department at a later date. If your Form K-40 shows an address other than Kansas, you must enclose a copy of your Federal return (1040EZ, 1040A or 1040 and applicable Schedules A-F) with your Kansas return.

SCHEDULE S LINE-BY-LINE INSTRUCTIONS

PART A — MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME

ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME

These are items of income that are not taxed or included on your Federal return but are taxable to Kansas.

LINE A1 — State and Municipal Bond Interest

Enter interest income received, credited, or earned by you during the taxable year from any state or municipal obligations such as bonds and mutual funds. Reduce the income amount by any related expenses (i.e., management or trustee fees) directly incurred in purchasing these state or political subdivision obligations.

DO NOT include interest income on obligations of the state of Kansas or any Kansas political subdivision issued after December 31, 1987, or the following bonds exempted by Kansas law:

- Board of Regents Bonds for Kansas Colleges and Universities
- Electrical Generation Revenue Bonds
- Industrial Revenue Bonds
- Kansas Highway Bonds
- Kansas Turnpike Authority Bonds
- Urban Renewal Bonds

If you are a shareholder in a fund that invests in both Kansas and other states' bonds, only the Kansas bonds are exempt. Use the information provided by your fund administrator to determine the amount of taxable (non-Kansas) bond interest to enter here.

LINE A2 — Contributions to Public Employees' Retirement Systems

Individuals affected are state employees, teachers, school district employees and other regular and special members of KPERS, regular and special members of the Kansas Police and Firemen's Retirement System and members of the Justice and Judges Retirement System.

Current employees: Enter the amount you **contributed** from your salary to the Kansas Public Employees' Retirement System (KPERS) as shown on your W-2 form, typically box 14.

Retired employees: If you are receiving RETIREMENT checks from KPERS, the amount of your retirement income is subtracted on line A10—"Retirement benefits specifically exempt from Kansas Income Tax." Make no entry on this line unless you also made contributions to KPERS during 2005 (for example, you retired during 2005).

Lump Sum Distributions: If you received a lump sum KPERS distribution during 2005, include on line A2 your 2005

KPERS contributions and follow the instructions for line A13—"Other subtractions from federal adjusted gross income."

LINE A3 — Federal Net Operating Loss Carry Forward

Enter any Federal net operating loss carry forward claimed on your 2005 Federal Income Tax return.

LINE A4 — Contributions to a Regional Foundation

Enter the amount of any charitable contribution claimed on your federal return used to compute the Regional Foundation Community Contribution Credit on Schedule K-32.

LINE A5 — Other Additions to Federal Adjusted Gross Income

Enter on line A5 the following additions to your federal adjusted gross income:

- **Individual Development Account.** CONTRIBUTORS: Enter the amount of the contribution claimed to the extent the same is the basis for claiming the Individual Development Account Credit on Schedule K-68. ACCOUNT HOLDERS: Enter amounts received as withdrawals that are not used to pay for education expenses; job training costs; purchase of primary residence; or major repairs or improvement to a primary residence.
- **Federal Income Tax Refund.** As a general rule, there will be no entry here unless you amended your federal return for a prior year due to an investment credit carry back or a net operating loss carry back which resulted in you receiving a Federal Income Tax refund in 2005 for that prior year.
- **Disabled Access Credit Modification.** Amount of any depreciation deduction or business expense deduction claimed on your federal return that was used to determine the Disabled Access Credit on Schedule K-37.
- **Partnership, S Corporation or Fiduciary Adjustments.** If you received income from a partnership, S corporation, joint venture, syndicate, estate or trust, enter your proportionate share of any required addition adjustments. The partnership, S Corporation, or trustee will provide you with the necessary information to determine these amounts.
- **Community Service Contribution Credit.** The amount of any charitable contribution claimed on your federal return used to compute the Community Service Contribution Credit on Schedule K-60.
- **Swine Facility Improvement Credit.** The amount of any costs claimed on your federal return and used as the basis for this credit on Schedule K-38.
- **Habitat Management Credit.** The amount of any real estate taxes and costs claimed on your federal return used to determine the credit on Schedule K-63.
- **Learning Quest Education Savings Program.** The amount of any "nonqualified withdrawal" from the Learning Quest Education Savings Program.
- **Small Employer Healthcare Credit.** Reduce the amount of expense deduction that is included in federal adjusted gross income by the dollar amount of the credit claimed.

LINE A6 — Total Additions to Federal Adjusted Gross Income

Add lines A1 through A5 and enter the result on line A6.

SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME

These are items of income that are taxable on your Federal return but are not taxable to Kansas.

LINE A7 — Interest on U.S. Government Obligations

Enter any interest or dividend income received from obligations or securities of any authority, commission or instrumentality of the United States and its possessions that was included in your federal adjusted gross income. This includes U.S. Savings Bonds, U.S. Treasury Bills, and the Federal Land Bank. You must reduce the interest amount by any related expenses (such as management or trustee fees) directly incurred in the purchase of these securities.

If you are a shareholder in a mutual fund that invests in both exempt and taxable federal obligations, only that portion of the distribution attributable to the exempt federal obligations may be subtracted here.

Retain a schedule showing the name of each U.S. Government obligation interest deduction claimed, as it may be requested by the department at a later date.

Interest from the following are taxable to Kansas and may NOT be entered on this line:

- Federal National Mortgage Association (FNMA)
- Government National Mortgage Association (GNMA)
- Federal Home Loan Mortgage Corporation (FHLMC)

LINE A8 — State or Local Income Tax Refund

Enter any state or local income tax refund included as income on your federal return.

LINE A9 — Kansas Net Operating Loss Carry Forward

Enter the amount from line 15 of Schedule CRF if it is the first year of carry forward OR line 17 a-j of Schedule CRF if it is any of the years following. Enclose a Schedule CRF for each loss year.

LINE A10 — Exempt Retirement Benefits

If you are **receiving** retirement benefits/pay, use this line to report **retirement benefits** exempt from Kansas Income Tax. For example, KPERS retirement benefits are subject to Federal Income Tax, but exempt from Kansas Income Tax. **YOU WILL NEED TO MAKE A SPECIFIC ENTRY** on Schedule S to report these exempt benefits. On line A10 enter the total amount of benefits received from these plans that was included in your Federal adjusted gross income. You do not need to enclose copies of the 1099R forms with your return but keep copies for your records in case the Department of Revenue requires verification of the amount claimed.

- **Federal Retirement Benefits:** Federal Civil Service Retirement or Disability Fund payments and any other amounts received as retirement benefits from employment by the Federal government or for service in the United States Armed Forces.

■ **Kansas Pension Plans:**

- Kansas Public Employees' Retirement Annuities
- Kansas Police and Firemen's Retirement System Pensions
- Kansas Teachers' Retirement Annuities
- Kansas Highway Patrol Pensions
- Justices and Judges Retirement System
- Board of Public Utilities
- Income from retirement annuity contracts purchased for faculty and others employed by the State Board of Regents or by educational institutions under its management with either their direct contributions or through salary reduction plans.
- Certain pensions received from Kansas first class cities that are not covered by the Kansas Public Employee's Retirement System

■ **Railroad Retirement Benefits:** Any retirement plan administered by the U.S. Railroad Retirement Board, including U.S. Railroad Retirement Benefits, tier I, tier II, dual vested benefits, and supplemental annuities.

LINE A11 — Military Compensation of a Nonresident Servicemember

Enter on line A11, the amount of the military compensation earned in Tax Year 2005 **only** if you are a **nonresident** of the state of Kansas. See *MILITARY PERSONNEL* on page 11.

LINE A12 — Qualified Long-Term Care Insurance Contracts

Enter an amount not exceeding \$500 per contract of the premium costs paid for qualified long-term care insurance contracts as defined by Public Law 104-191, section 7702B paragraph (b).

LINE A13 — Learning Quest Education Savings Program

Enter on line A13 the amount of contributions deposited in the Learning Quest Education Savings Program, up to a maximum of \$3,000 per student (beneficiary) or, \$6,000 per student (beneficiary) if your filing status is married filing joint.

LINE A14 — Armed Forces Recruitment, Sign-Up or Retention Bonus for Members of the Armed Forces of the United States (including Kansas Army and Air National Guard)

Enter amounts received as a recruitment, sign up or retention bonus you received as an incentive to join, enlist or remain in the armed forces of the United States, to the extent included in federal adjusted gross income. Also include amounts you received for repayment of educational or student loans incurred by you or for which you are obligated to which you received as a result of your service in the armed forces of the United States, to the extent included in federal adjusted gross income.

LINE A15 — Other Subtractions from Federal Adjusted Gross Income

Enter on line A15, a total of the following subtractions from your Federal adjusted gross income. You may NOT subtract the amount of your income reported to another state.

- **Individual Development Account:** Enter the amount of income earned on contributions deposited to an individual development account established to pay for education

expenses; job training costs; purchase of primary residence; or, major repairs or improvement to a primary residence.

■ **Kansas National Guard Death Benefit:** Enter the amount received as a death benefit, not to exceed \$250,000, paid to you as the beneficiary or beneficiaries of any member of the Kansas National Guard who, after November 1, 2004 and prior to July 1, 2007, dies as a result of federal active duty in a combat area in the line of duty.

■ **Jobs Tax Credit:** Enter the amount of the Federal targeted jobs tax credit disallowance claimed on your Federal Income Tax return.

■ **Kansas Venture Capital, Inc. Dividends:** Enter the amount of dividend income received from Kansas Venture Capital, Inc.

■ **KPERS Lump Sum Distributions:** Employees who terminated KPERS employment after July 1, 1984, and elect to receive their contributions in a lump sum distribution will report their taxable contributions on their Federal return.

Subtract the amount of the withdrawn accumulated contributions or partial lump-sum payment(s) to the extent either is included in Federal Adjusted Gross Income. See NOTICE 05-04 for additional information.

■ **Partnership, S Corporation or Fiduciary Adjustments:** If you received income from a partnership, S Corporation, joint venture, syndicate, trust or estate, enter your proportionate share of any required subtraction adjustments. The partnership, S Corporation, or trustee will provide you with the necessary information to determine this amount.

■ **S Corporation Privilege Adjustment:** If you are a shareholder in a bank, savings and loan, or other financial institution that is organized as an S Corporation, enter the portion of any income received that was not distributed as a dividend. This income has already been taxed on the privilege tax return filed by the S Corporation financial institution.

■ **Sale of Kansas Turnpike Bonds:** Enter the gain from the sale of Kansas Turnpike Bonds that was included in your Federal adjusted gross income.

■ **Electrical Generation Revenue Bonds:** Enter the gain from the sale of Electrical Generation Revenue Bonds that was included in your Federal adjusted gross income.

■ **Native American Indian Reservation Income:** Enter the amount of income earned on a reservation, by a native American Indian residing on his or her tribal reservation, to the extent included in federal adjusted gross income.

LINE A16 — Total Subtractions from Federal Adjusted Gross Income

Add lines A7 through A15 and enter the result on line A16.

LINE A17 — Net Modifications

Subtract line A16 from line A6. If line A6 is larger than line A16, enter the result on line 2 of Form K-40. If line A16 is larger than line A6 (or if line A6 is zero), enter the result on line 2 of Form K-40 and mark the box to the left to indicate it is a negative amount.

PART B—NONRESIDENT ALLOCATION

If you are filing this return as a nonresident, you must complete this section. The purpose of Part B is to determine what percent of your total income from all sources and states is from Kansas sources.

INCOME:

LINES B1 through B11—This section is divided into two columns. In the left-hand column, enter the amounts for lines B1 through B11 directly from your 2005 Federal return. Enter in the right-hand column the amounts from Kansas sources.

A part-year resident who elects to file as a nonresident must include as income subject to Kansas income tax, unemployment compensation derived from sources in Kansas, any items of income, gain or loss, or deduction received while a Kansas resident (whether or not these items were from Kansas sources) as well as any income derived from Kansas sources while a nonresident of Kansas.

Kansas source income includes:

- All income earned while a Kansas resident
- Income from services performed in Kansas
- Kansas lottery, pari-mutuel, casino and gambling winnings
- Income from real or tangible personal property located in Kansas
- Income from a business, trade, profession, or occupation operating in Kansas, including partnerships and S Corporations
- Income from a resident estate or trust, or income from a nonresident estate or trust that received income from Kansas sources
- Unemployment compensation derived from sources in Kansas

Income received by a nonresident from Kansas sources does NOT include:

- Income from annuities, interest, dividends, or gains from the sale or exchange of intangible property (such as bank accounts, stocks or bonds) unless earned by a business, trade, profession or occupation carried on in Kansas
- Compensation paid by the United States for service in the armed forces of the United States, performed during an induction period

LINE B12 — Total Income from Kansas Sources

Add lines B1 through B11 and enter the result on line B12.

ADJUSTMENTS AND MODIFICATIONS TO KANSAS SOURCE INCOME:

Enter in the "Federal" column the adjustments to income shown on the front of your federal return. Federal adjustments are allowed to Kansas source income only as they apply to income related to Kansas. The following instructions apply to the "Kansas Sources" column only.



Enclose with your K-40 a separate sheet showing calculations of amounts entered on lines B13 through B17 in the Kansas source column.

LINE B13 — IRA/Retirement Deductions

Enter any IRA payments applicable to particular items of Kansas source income.

LINE B14 — Penalty on Early Withdrawal of Savings

Enter only those penalties for early withdrawal assessed during Kansas residency.

LINE B15 — Alimony Paid

Prorate the "alimony paid" amount claimed on your federal return by the ratio of the payer's Kansas source income divided by the payer's total income.

LINE B16 — Moving Expenses

Enter only those moving expenses incurred in 2005 to move into Kansas.

LINE B17 — Other Federal Adjustments

Enter the total of the following deductions:

- One-half of Self-Employment Tax Deduction – the portion of the federal deduction applicable to self-employment income earned in Kansas.
- Self-Employed Health Insurance Deduction – payments for health insurance on yourself, your spouse, and dependents applicable to self-employment income earned in Kansas.
- Student Loan Interest Deduction – interest payments made while a Kansas resident.
- Self-employed SEP, SIMPLE, and qualified plans – the portion of the federal deduction applicable to income earned in Kansas.
- Clean-Fuel Vehicle Deduction – the portion of the federal deduction applicable to income earned in Kansas.
- Business expenses for Reservists, Artists & Fee-Basis Government Officials – the portion of the federal deduction applicable to income earned in Kansas.
- Tuition and Fees Deduction – the portion of the federal deduction applicable to income earned in Kansas.
- Educator expenses – the portion of the federal deduction applicable to income earned in Kansas.
- Domestic Production Activities Deduction – the portion of the federal deduction applicable to income earned in Kansas.
- Archer MSA and Health Savings Account Deduction – the portion of the federal deduction applicable to income earned in Kansas.

LINE B18 — Total Federal Adjustments to Kansas Source Income

Add lines B13 through B17 and enter the total on line B18.

LINE B19 — Kansas Source Income after Federal Adjustments

Subtract line B18 from line B12. Enter the result on line B19.

LINE B20 — Net Modifications Applicable to Kansas Source Income

Enter the net modifications from Schedule S, Part A that are applicable to Kansas source income. If this is a negative amount, shade the minus (–) in the box to the left of line B20.

LINE B21 — Modified Kansas Source Income

If line B20 is a positive amount, add lines B19 and B20. If line B20 is a negative amount, subtract line B20 from line B19. Enter the result on line B21.

LINE B22 — Kansas Adjusted Gross Income

Enter the amount from line 3, Form K-40.

LINE B23 — Nonresident Allocation Percentage

Divide line B21 by line B22. Round the result to the nearest whole percent. It cannot exceed 100%. Enter the percentage here and on line 9, Form K-40.